

**Regular Meeting of Board of Directors
New Mexico Lottery Authority
June 22, 2023**

MINUTES

Call to Order: Board Chair Reta Jones called the meeting to order at 11:00 a.m. and asked for a roll call. Present and constituting a quorum were David Keylon, Sal Baragiola, Paul Guerin, Reta Jones, Leo Romero, and Nina Thayer via telephone. Othiamba Umi was absent.

Introductions: Present from NMLA staff were David Barden, Carolyn Cabell, Wilma Atencio, Jay Siegel, and Joan Camera. Also attending was Mary Stanford with INTRALOT.

Approval of Proposed Agenda: No changes or corrections were made. L. Romero moved to approve the proposed agenda as presented; D. Keylon seconded the motion. Motion carried 6-0.

Approval of Minutes of March 23, 2023, Board of Directors Meeting: R. Jones requested a modification to the wording to page 5, paragraph 3, under Board Initiatives. L. Romero moved to approve the amended March 23, 2023, meeting minutes; N. Thayer seconded the motion. Motion carried 6-0.

Public Comment: None.

REPORTS:

Security and Operations Committee:

March 23, 2023, Committee Meeting Minutes: S. Baragiola reported that the Security and Operations Committee meeting minutes from March 23, 2023, accurately reflect what occurred at that meeting. Minutes accepted as information only.

Finance and Audit Committee:

March 22, 2023, Committee Meeting Minutes: P. Guerin reported that the Finance and Audit Committee meeting minutes from March 22, 2022, accurately reflect what occurred at that meeting. Minutes accepted as information only.

May 24, 2023, Committee Meeting Minutes: P. Guerin reported that the Finance and Audit Committee meeting minutes from May 24, 2023, accurately reflect what occurred at that meeting. Minutes accepted as information only.

FY 2023 Financial Audit Services RFP: P. Guerin reported that per authorization from the Board of Directors, the Finance and Audit Committee reviewed and approved the selected firm from the FY 2023 Financial Audit Services Request for Proposals (RFP) process. The Committee approved the Lottery entering into a contract for the FY23 audit for approximately \$55,950, a 33% increase from the prior year. D. Barden reported that the FY23 audit entrance meeting will be scheduled in August with the Finance and Audit Committee.

Financial Statements: C. Cabell reviewed highlights of the financial statements through April 2023. FY23 year-to-date (YTD) transfers of \$43.3 million were \$9.0 million more than FY22 YTD and \$1.3 million more than the YTD revised budget.

C. Cabell reported that the YTD instant sales are \$7.3 million more than FY22 YTD. The continued increase in instant game sales is an exception compared to many other U.S. lotteries, whose sales have leveled off

since COVID. C. Cabell reported that increasing prize payouts to some instant games led to the continued increased sales.

All draw game sales are ahead of FY22 YTD, except for Roadrunner Cash. The increases were due to three major jackpots. D. Barden reported that the sales appear to be following last year's trend of an upward curve.

D. Keylon asked when the Lottery anticipates hitting the \$1 billion mark for total transfers since inception. C. Cabell responded June/July. The Lottery will issue a news release when this occurs.

Moveable Chattels and Equipment Inventory: C. Cabell reported that at the end of each fiscal year, the governing authority must certify the list of moveable chattels and equipment costing more than \$5,000 as to its correctness. The Finance Division maintains a physical inventory list, which is updated frequently. J. Camera, Deputy Director of Finance, reported that the inventoried items on the list provided to the Board, including capital and non-capital items, have been accounted for.

L. Romero asked if all listed items are depreciated. C. Cabell responded that many are fully depreciated, and some are partially depreciated.

R. Jones entertained a motion. L. Romero moved to certify the list of Moveable Chattels and Equipment as to its correctness, as presented to the Board; N. Thayer seconded the motion. Motion carried 6-0.

Disposable of Obsolete Inventory: C. Cabell reported that the Disposal of Obsolete, Worn Out, or Unusable Tangible Inventory is an annual process, and a list of items that have a current resale value of five thousand dollars (\$5,000) or less was provided to the Board for review. If the Lottery is unable to dispose of property under the guidance of either state statute or the Lottery's Capital Asset Management Policy, then the property shall be destroyed or otherwise permanently disposed of in accordance with applicable laws.

L. Romero asked if any of the items are listed on the Moveable Chattels equipment list. J. Camera responded that they are not.

R. Jones inquired about the patent on the list. D. Barden responded that the listed item refers to a patent with the Multi-State Lottery Association (MUSL) that has expired.

R. Jones entertained a motion. D. Keylon moved to approve the Disposal of Obsolete, Worn Out, or Unusable Tangible Personal Property as presented; S. Baragiola seconded the motion. Motion carried 6-0.

FY 2024 Consolidated Original Annual Budget: The Board was provided a summary sheet and a copy of the draft FY 2024 Consolidated Original Annual Budget and shown slides highlighting the major changes. The FY 2024 Budget projects \$141.7 million in gross revenue and \$42.5 million for students.

R. Jones asked if there are any anticipated changes to any of the national draw games. D. Barden responded that jurisdictions in Australia will likely be added to Powerball in the next 9-12 months. MUSL is working through rules and regulations. Mega Millions may increase the cost of tickets to \$5 in 2025 and add a secondary jackpot.

C. Cabell reported that the Capital Asset Expenditures in the budget include building improvements (such as cosmetic upgrades to the Claims Center, office buildout/modular cubicle modifications, and unforeseen projects/emergency needs), a security vehicle (including trading in an existing vehicle), and a computer for the Marketing Division for its in-house production work.

L. Romero inquired about the security vehicles. C. Cabell responded that the Executive Vice President for Security and Security Agents drive vehicles home, as they are on call after normal business hours. The Lottery currently has six vehicles: three security vehicles, two pool vehicles, and a trolley that is used for promotional events.

C. Cabell reported that shipping expenses are up in the budget due to projected increases in instant game sales and shipping costs. R. Jones inquired opportunities to cut down shipping costs, such as vendor-provided solutions. D. Barden responded that there have been preliminary discussions with a vendor, but nothing concrete. The Lottery is looking into all avenues for potential cost savings. The current gaming system contract ends in 2025 and the Lottery is preparing for it by issuing a Request for Information (RFI) soon.

C. Cabell reported that there are still open positions available and that it has been challenging to fill them. Also included in FY 2024 budget is cost-of living adjustment of up to 6%, similar to what the State is offering to employees.

P. Guerin asked why the increase is “up to 6%,” and not 6% across the board. P. Guerin added that at his current place of employment, everyone receives an increase whether an existing or new employee. C. Cabell reported that management has not determined how to distribute the increase but wanted to include an overall amount in the budget. D. Barden reported that management will provide options.

C. Cabell reported that the IT division is sourcing third-party assistance for cyber security tasks. Sourcing a consultant will offset the need to fill open positions in the IT division. C. Cabell reported that the annual financial audit increased to approximately 56,000 from the prior year cost of \$42,000. There were no changes requested for in the proposed budget.

D. Keylon asked if the 30% mandate is accounted for in the FY 2024 proposed budget. D. Barden responded that the 30% requirement remains part of our financial processes.

R. Jones entertained a motion. P. Guerin moved to approve the FY 2024 Consolidated Original Annual Budget as presented; L. Romero seconded the motion. Motion carried 6-0.

The Board commended C. Cabell on providing a simplified and thorough reporting of the budget.

CEO Update: D. Barden provided updates on several topics:

- The Lottery will have a record-breaking transfer of more than \$50 million to the lottery tuition fund.
- Slides were shown including weekly instant sales by fiscal year, top transfer years shown with their average prize payouts, and how returns for students increase as prizes for players increase. The slides showed instant ticket sales are close to levels reached during COVID and continue to grow at a stable rate. The Lottery increased prize payout, resulting in increased sales.
- D. Barden reported that 65% of sales come from the \$5, \$10, and \$20 instant games. The Lottery is offering two \$20 games which account for 14% of sales. Gross instant sales should be close to \$90 million this year. The only way to increase revenue consistently is to increase instant game sales through higher prize payouts.
- D. Barden reported that the Lottery will be issuing an RFI for Major Lottery Solutions within the next month. This process will solicit information from major lottery vendors to assist the Lottery in issuing a Request for Proposals (RFP) for the Lottery’s central gaming system and related services next year. The current contract with INTRALOT ends November 2025. The potential information could include product and service innovations; industry best practices; and cost savings opportunities, such as contract

options for combined/bundled services versus separate/staggered agreements. The Lottery will look at all options available for cost saving measures.

- The Lottery is the first in the U.S. using Scientific Games' new Dimension print feature ("3D" look) on the \$250,000 Riches instant game. Also, a Dungeons & Dragons instant game will have three dragon scenes plus a second-chance drawing for trips and cash.
- The recent \$3 million Mega Millions winner is a retired aerospace engineer from Albuquerque and received some media coverage for his story.
- Powerball Double Play will begin June 25. This is a \$1 add-on feature for have a chance to win up to \$10 million in a second drawing. This feature is currently running in several states. Any advertisement or marketing support is conducted at the local level for changes or add on features, such as Double Play, as opposed to being provided by MUSL.
- A new theme addition to our existing lineup of Fast Play! Games also begins June 25, called Jackpot 7s. There will be three price points (\$2, \$5, \$10) that share a single jackpot.
- The HGTV's My Lottery Dream Home Grand Prize Event concluded with a \$250,000 event winner from Roswell, NM.
- The ORO, NASCAR Powerball Playoff, and Powerball First Millionaire of the Year second-chance promotions offer players a chance to win up to \$1 million.
- The Lottery received Level 2 accreditation from the World Lottery Association for their Responsible Gaming framework, which evaluates a lottery's commitment and resources related to responsible gaming. There are four progressive levels, and the Lottery intends to grow over time.
- D. Barden reported that the Lottery received an unexpected expense for its health benefits through an invoice from the General Services Department. Multiple governmental entities were contacted and issued invoices. The Lottery's invoice totaled \$65,300. The Lottery did not pass on the cost to employees and will pay the invoice.
- Proposed next meeting are (subject to change):
 - Finance and Audit Committee – August 2023. The agenda will include the annual financial audit entrance meeting and review of the FY24 Audit Plan.
 - Security and Operations Committee – August 2023. Agenda will include policy updates.
 - Board of Directors Meeting – September 20, 2023.

N. Thayer asked if the Lottery is preparing any legislation for the upcoming 2024 30-day legislative session. D. Barden responded that the Lottery is not and that we have not been contacted or made aware of any legislative initiatives.

Board Chair

Board Initiatives: R. Jones requested that the CEO contract (closed session) be added to the agenda at the next Board meeting.

R. Jones reported that 30-day short session is primarily a Governor-initiated event. R. Jones stated that she has not been contacted or made aware of any pending initiatives.

R. Jones stated that anyone interested in attending Lottery conferences should reach out to her or the CEO. The next upcoming NASPL Conference will be held in Milwaukee in October 2023. D. Barden reported that P. Guerin and S. Baragiola expressed an interest in attending.

R. Jones asked if there were any other initiatives the Board would like to discuss. L. Romero stated that he would like to have a conversation regarding the need for a Revised annual budget. R. Jones stated that a

question would be the flexibility for adjusting expenditures without having an update to the budget. R. Jones requested that J. Siegel explore how other lotteries manage their budgets. J. Siegel reported that having a revised budget is a common practice (a mid-year review) within the private and government sectors. R. Jones recommended that this discussion take place at the Committee level.

Other: None.

Other Items: None.

Adjournment: S. Baragiola moved to adjourn the meeting; D. Keylon seconded the motion. Motion carried 6-0. The meeting adjourned at 12:49 p.m.

S. Baragiola

R. Jones, Chairman

Date: 9/20/23

Paul Guerin

P. Guerin, Secretary/Treasurer

Date: 9/20/23