

**Regular Meeting of Board of Directors
New Mexico Lottery Authority
June 18, 2025**

MINUTES

Call to Order: Board Chair Reta Jones called the meeting to order at 12:08 p.m. and asked for a roll call. Present and constituting a quorum were David Keylon, Othiamba Umi, Reta Jones, Leo Romero, Paul Guerin, and Sal Baragiola.

Introductions: Present from NMLA staff were Wilma Atencio, David Barden, Carolyn Cabell, Linh Coonan, and Michael Boland. Also attending were Charlie Scannella and Tracey Cohen with Scientific Games, Thomas Hall with Intralot, and Frank Duran with K2MD.

Approval of Proposed Agenda: R. Jones entertained a motion. L. Romero moved to approve the proposed agenda; D. Keylon seconded the motion. Motion carried 6-0.

Approval of Minutes of March 12, 2025, Board of Directors Meeting: R. Jones entertained a motion. S. Baragiola moved to accept and approve the March 12, 2025, meeting minutes as presented; D. Keylon seconded the motion. Motion carried 6-0.

Public Comment: None.

REPORTS:

Finance and Audit Committee: D. Barden reported that the Finance and Audit Committee Chair, P. Guerin, met with Lottery management and staff to review the FY 2026 budget.

Approve Moveable Chattels and Equipment Inventory: L. Coonan reported that the Finance Division completed the physical inventory on all tangible capital assets of \$5,000 with a useful life greater than twelve months for FY 2025. The physical inventory memo and list were provided to the Board prior to the meeting for review. L. Coonan commended the Finance staff for their excellent work in completing this year's physical inventory.

O. Umi inquired about older inventory. L. Coonan responded that the older items listed are still in use, though the Lottery does plan to replace some of the security servers in FY 2026. D. Keylon asked about a Cisco switch, to which C. Cabell responded that it is network equipment.

L. Romero inquired about the certification process. L. Coonan stated there are documents that require a signature and notary. D. Barden stated the approval can be a motion from the Board and the signed documentation referring to the correctness that the Lottery staff have already verified.

S. Baragiola asked how items are transferred or disposed. L. Coonan stated that managers provide a list to the Finance Division when an item is no longer useable and/or obsolete. The Finance Division then submits documentation to management and the Board for approval. Once the approval is received, the Finance Division will submit all necessary documents to the State Auditor and send a notification to the Surplus Property Bureau. If there is no response from the surplus bureau, the items are disposed of locally. D. Keylon asked whether technical equipment gets wiped clean, to which L. Coonan confirmed that it does.

R. Jones entertained a motion. P. Guerin moved to certify the inventory of Moveable Chattels and Equipment as presented; L. Romero seconded the motion. Motion carried 6-0.

Approve Disposal of Obsolete Inventory: L. Coonan reported in compliance with NMSA Section 13-6-1, the Lottery is requesting the Board's approval to dispose of the three (3) identified capital asset items listed on the memo provided to the Board, per Lottery management's recommendation for disposal. The Lottery has prepared a document to be signed and notarized for this certification. L. Coonan advised that the Governor recently signed into law Senate Bill 274, effective FY 2026, which changes the applicable value of items from \$5,000 to \$30,000. The Board will see a slight change to the document stating a resale value of \$30,000 or less beginning next year.

R. Jones inquired about the process for removing an item from the list. L. Coonan responded that unusable or obsolete items can be removed from the capital asset list following approval for disposal as provided by law. R. Jones requested clarification that an item stays on the list until it is unusable. L. Coonan confirmed.

D. Keylon asked further about the FY 2026 changes. L. Coonan stated that there would still be a list, but given the change from \$5,000 to \$30,000, there may be more items on the list.

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

Review Financial Statements: L. Coonan reviewed the highlights of the financial statements through April 2025. The Lottery transferred \$38.1 million to the Lottery Tuition Fund. The Lottery has transferred \$1.08 billion to education since inception. Fiscal year sales will be very close to the budget of \$151.7 million.

O. Umi asked about the \$20,000 bad debts line. L. Coonan stated that amount was budgeted for FY 2025 for any potential bad debts that we cannot collect from our retailers. L. Coonan stated we did not incur any bad debts this year. L. Coonan advised that bad debts will be moved to operating expenses and will no longer reside in the revenue section beginning in FY 2026. R. Jones asked if the bad debt will be kept in a separate line item in other operating expenses. L. Coonan stated that it will be included in other operating expenses.

P. Guerin commented that the sales charts presented continue to show that the Lottery is doing well in instant games, but not in draw games tied to jackpots, such as Powerball and Mega Millions. L. Romero observed that the actuals are close to the budget.

R. Jones inquired about the impact of changing the price point for Mega Millions. D. Barden responded that the revenue in most states is a little higher; however, the number of plays has gone down. The game is driven by jackpots, and there has not been a large jackpot run yet with the new price point. There has not been enough data to determine the outcome, good or bad.

D. Barden reported that this year will be a good year for the Lottery, in terms of hitting our budget numbers with a projected approximate \$45 million (+/-) return. If there had been a large jackpot, the return could have been over \$50 million.

Approve FY 2026 Annual Budget: L. Coonan presented highlights of the major changes to this year's annual budget. This year, the Lottery took a conservative approach due to the volatility of the economy and the unknown timing of the new vendor gaming system conversion. The RFP protest caused some delays in implementing the new gaming system.

The FY 2026 Budget estimates \$147.2 million in gross revenue and \$44.2 million for students, a 3% decrease from the FY 2025 budget.

L. Coonan reported that the Lottery's proposed capital budget includes building improvements such as purchasing new HVAC units, a new color graphics printer, a main copier for staff, network switches, and a new building access system valued at approximately \$115,000, for a total of \$393,000 in capital asset expenditures.

R. Jones asked if there was a significant change in shipping and postage as a result of the new contract. D. Barden reported that there will be changes once the Lottery gaming system conversion has been completed. There will be savings in several areas, such as employee expenses and other fees.

L. Coonan reported that there is an increase to Operating Expenses, specifically Salaries, Wages, and Benefits. The Lottery is accounting for a 4% cost-of-living adjustment, a twenty percent (20%) medical benefit cost increase, two new full-time hires. R. Jones asked about the two new positions. L. Coonan responded that the proposed positions are for a Finance deputy and a gaming system coordinator.

R. Jones entertained a motion. S. Baragiola moved to approve the FY 2026 Annual Budget as presented; D. Keylon seconded the motion. Motion carried 6-0.

R. Jones thanked L. Coonan for her hard work.

Security and Operations Committee:

Review Internal Audit Cybersecurity Readiness Engagement Report: S. Baragiola provided an overview of the Cybersecurity Readiness report presented at the Security and Operations Committee Meeting. This report is for informational purposes and will be sent to the State Auditor and Legislative Finance Committee, as required by the Lottery Act. The Internal Auditor worked with the IT Division to document the Lottery's current state of cybersecurity readiness, as well as opportunities for additional practices. The Lottery has many sound cybersecurity protocols and safeguards in place for prevention of an attack. The Lottery will continue to enhance readiness on an ongoing basis moving forward.

Approve Revised Chief Executive Officer Policy Adoption Authority: S. Baragiola reported that the Lottery presented an updated policy plus an addendum with two additional areas to change. The Security and Operations Committee concurred with the recommended changes.

One change was to codify a Board directive under which the Lottery has been operating for several years. That directive states that the CEO can move forward with a policy change without a Board vote if either (1) the policy updates are non-substantive changes that do not alter the intended meaning of the policy or (2) the policy updates are game rules changes, such as those adopted by multi-jurisdictional organizations of new or changing game information that has been previously approved by the Board. The CEO may approve and adopt such policy changes and inform the Board that the policies have been updated at a subsequent Board meeting. The second change stated that the CEO and/or designated NMLA staff members will review policies at least annually for correctness, applicability, and readability. The CEO and/or designated staff may use artificial intelligence software as a review tool.

R. Jones asked if the Lottery is going to review every policy annually. D. Barden responded that policies are reviewed regularly, and the policy update today would put an annual review into writing. There was discussion about the number of policies and feasibility of annual reviews. The Board decided to change the policy language to every three (3) years instead of annually.

R. Jones entertained a motion. S. Baragiola moved to change the policy as presented by the Security and Operations Committee, including that the Lottery will review policies once every three years for correctness; P. Guerin seconded the motion. Motion carried 6-0.

Approve Repeal of Official Use of the Seal Policy: S. Baragiola reported that the Lottery recommended this policy be repealed. The embossing seal was used when businesses primarily used paper, and the current practice is electronic documentation.

R. Jones entertained a motion. D. Keylon moved to repeal the Official Use of the Seal Policy; L. Romero seconded the motion. Motion carried 6-0.

Approve Repeal of Terms and Conditions for Online Game Purchases: S. Baragiola reported that the Lottery recommended this policy be repealed. The policy was intended to be a context for online purchases of its products via the Lottery website and mobile app. The Lottery reported there is no current applicability and that if needed in the future, the Lottery would present a new policy to the Board.

S. Baragiola moved to repeal the Terms and Conditions for Online Game Purchases policy; D. Keylon seconded the motion. Motion carried 6-0.

CEO

Approve Professional Advertising and Related Services RFP Intent to Award: W. Ahlm provided an overview of the RFP for Professional Advertising and Related Services. W. Ahlm reported the current advertising agency contract with K2MD, Inc. will end on June 30, 2025. The Lottery received six proposals, five by the RFP deadline and one after the deadline. The five proposals received by the RFP deadline were reviewed by the Purchaser to ensure compliance with the mandatory criteria in the RFP. Three of the proposals were found complete and were provided to the Evaluation Committee for evaluation. Consensus scores were determined for the proposals, and afterwards, pricing proposals were opened and scored. The combined scores determined K2MD to be the Apparent Successful Offeror. This would be a four-year contract, which is the maximum allowed by the Procurement Code.

There was general discussion about advertising and the RFP process.

R. Jones entertained a motion. D. Keylon moved to post the Intent to Award and approve the four-year contract with K2MD; D. Baragiola seconded the motion. Motion carried 6-0.

CEO Update: D. Barden presented information about the unclaimed prize fund, weekly instant and online sales trends, fiscal year sales by game, the upcoming Jackpot USA Fast Play game, new national games in development, possible building renovation, conversion updates, and the proposed next Board meeting date.

There was general discussion about potential legislative initiatives. In addition, R. Jones reported that tribal entities are becoming more protective of their gaming interests.

Board Chair

Approve Extension of CEO Contract: The Chair, R. Jones, discussed the CEO's contract with the Board. The Chair advised that the CEO would have two years left on his contract as of July 1, 2025, and that, for business continuity purposes, it would be advantageous to maintain a three-year employment contract with the CEO. The Board entered into a three-year contract effective July 1, 2024, and the Chair recommended that the Board amend the CEO agreement to extend the contract period through June 30, 2028. By amending the CEO Agreement, the Board is demonstrating its commitment to our current management team.

Chairwoman Jones asked members to share their thoughts and concerns about this concept. S. Baragiola said it made sense for several reasons, mainly because it provides continuity with the CEO's presence to vendors, retailers, and employees. Further, the Board has already agreed to and approved the three-year

compensation contract; adding another year to the agreement only changes the timeline, and the Board may revisit the CEO's contract at any time.

L. Romero states he feels good about the extension and that we have a great team. He also notes that the CEO serves at the Board's pleasure and that all contracts have provisions that allow for changes. R. Jones stated that the messaging does provide stability and confidence.

Chairwoman Jones emphasized the importance of noting that New Mexico can attract someone like Mr. Barden, given his industry expertise, credibility, and knowledge. All members agreed that he is highly valued and respected industry wide. R. Jones thanked Mr. Barden for his service and stated that she would be honored to entertain a motion to extend the CEO's contract.

S. Baragiola moved to approve the Extension of the CEO Contract as presented; seconded by L. Romero. Motion carried 6-0.

R. Jones congratulated Mr. Barden, stating that the Board has faith that he is continuing to move us in the right direction. Mr. Barden thanked the Board for the very kind words.

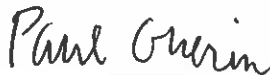
Board Initiatives: R. Jones reported that the NASPL 2025 Conference will be held in Niagara Falls, Canada, in September. R. Jones reported that all members are interested in attending the conference. There was general discussion. Board members were in agreement to not have discussions regarding New Mexico Lottery business while at the conference so as not to be perceived as having a Board quorum.

Other: None.

Other Items: None.

Adjournment: R. Jones entertained a motion. L. Romero moved to adjourn the meeting; D. Keylon seconded the motion. Motion carried 6-0. The meeting adjourned at 2:00 p.m.


 R. Jones, Chairman
 Date: 9/24/25


 P. Guerin, Secretary/Treasurer
 Date: 9/24/25