Regular Meeting of Board of Directors
New Mexico Lottery Authority
June 17, 2026

MINUTES

Call to Order: Board Chair Reta Jones called the meeting to order at 11:04 a.m. and asked for a roll call. Present and constituting a quorum were David Keylon, Patrick Killen, Reta Jones, Leo Romero, Paul Guerin, and Sal Baragiola. P. Killen is a newly appointed Board member, effective June 5, 2026.

Introduction: R. Jones requested that all members and staff present give a short background. Present from NMLA staff were Wilma Atencio, David Barden, Carolyn Cabell, and Linh Coonan. Also attending were Zach Monat, Tracey Cohen, Allison Edwards, Bob Fisher, and Enrique Kuny with Scientific Games.

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

Approve Minutes from March 18, 2026, Board of Directors Meeting: R. Jones entertained a motion. S. Baragiola moved to accept and approve the March 18, 2026, Board meeting minutes; D. Keylon seconded the motion. Motion carried 5-0, one abstained.

Public Comment: None.

REPORTS:
Finance and Audit Committee:
May 14, 2026 Committee Meeting Minutes: P. Guerin reported that the Finance and Audit Committee meeting minutes from May 14 are correct and provided as information.

Audit Policy: D. Barden reported that this item was presented to the Finance and Audit Committee last month, along with a broader discussion with the committee on assuming certain responsibilities on behalf of the full Board due to the timeline set by the Office of the State Auditor for selecting an approved CPA firm. The updated policy indicates that the Board authorizes the Finance and Audit Committee to approve the Independent Public Accountant for the annual financial audit and inform the Board of that approval. The CEO Policy Adoption Authority allows the CEO to temporarily adopt policies, rules, and/or procedures for a period not to exceed one hundred eighty (180) days, or until the Board elects to adopt the policies, rules, and/or procedures, whichever occurs first. D. Barden approved the updated policy per that adoption authority. The policy also includes other minor and substantive changes.

S. Baragiola asked whether the policy updates have any fiscal impact. D. Barden responded that they do not. L. Romero reiterated that the updated policy grants the Finance and Audit Committee the authority to act on behalf of the Board and to approve entering into a contract with the selected firm. D. Barden concurred. There was general discussion about the RFP process and language changes to the audit policy.

R. Jones entertained a motion. P. Guerin moved to adopt the Audit Policy updates as presented; L. Romero seconded the motion. Motion carried 6-0.

Financial Audit Services RFP: D. Barden reported that the Lottery received notification from the Office of the State Auditor to proceed with the RFP process for the annual financial audit. The Lottery's contract with Baker Tilly concluded at the end of the FY 2025 financial audit. The RFP was issued on April 6, with proposals due May 1. The CEO appointed an evaluation committee consisting of staff from various divisions and a Board member. Four proposals were received and reviewed by the Purchaser to ensure compliance with the RFP's mandatory criteria and were found complete. Consensus scores were determined for the proposals based on technical and cost proposals. The combined scores determined that Weaver, an auditing firm from Texas, was the selected offeror. Weaver has auditing experience for both the California and Texas Lotteries. The term of the contract is one year with up to two one-year extensions. The first-year audit would cost approximately $63,000 (pretax); the second year, $65,000 (pretax); and the final year, $67,000 (pretax). D. Barden reported that the Lottery proceeded with the contract per the State Audit Rule and updated Audit Policy discussed earlier.

Moveable Chattels and Equipment Inventory: L. Coonan reported that the Finance Division completed the annual inventory of all tangible capital assets valued at $5,000 for FY 2026 as to completeness and correctness. The physical inventory memo and list were provided to members of the Board prior to today's meeting for review. The capital asset list includes asset ID and description, purchase date, purchase price, and location in compliance with NMSA Section 12-6-10. L. Coonan requested that the Board certify the completion of the Lottery's physical inventory. L. Coonan acknowledged the other Lottery divisions for their support and assistance with the inventory process.

R. Jones inquired about the financial impact of replacing the equipment on the list. D. Barden reported that the Lottery has been diligently replacing or upgrading said equipment over the past several years, in accordance with its replacement schedule, and that the equipment has been purchased through the budget process.

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

Disposal of Obsolete Inventory: L. Coonan reported that, in compliance with NMSA Section 13-6-1, Disposing of capital assets, the Lottery has identified twenty-four (24) capital assets that have a resale value of $30,000 or less that are worn out, unusable, or obsolete, to the extent the items are no longer economical or safe to use. The items were purchased between 1996 and 2022 and have been replaced with new equipment and technology as needed. If the Lottery is unable to dispose of property by either state statute or the Lottery's Capital Asset Management Policy, the property shall be destroyed or otherwise permanently disposed of in accordance with applicable laws. L. Coonan requested the Board's approval to dispose of the identified capital asset items listed on the memo provided to the Board, per Lottery management's recommendation for disposal.

D. Keylon asked if the Lottery resells any of the items. L. Coonan responded that we do not. P. Guerin asked whether some items had not been replaced because they are no longer needed. L. Coonan and D. Barden responded in the affirmative.

R. Jones entertained a motion. P. Killen moved to approve the FY 2026 Disposal of Obsolete, Worn Out, or Unusable Personal Property as presented; L. Romero seconded the motion. Motion carried 6-0.

Financial Statements: L. Coonan reviewed the highlights of the financial statements through April 2026. The Lottery transferred $36.2 million to the Lottery Tuition Fund for FY26 YTD. The Lottery has transferred approximately $1.1 billion to education since 1996.

R. Jones requested an explanation for the Unclaimed Prize Fund. D. Barden responded that unclaimed prizes derive from winning lottery tickets (drawing or instant) that have not been claimed before the expiration deadline. Once the specified claim period passes, the prize is forfeited, and the funds are directed to the Lottery's unclaimed prize fund. At times, the unclaimed prize fund is used to meet the 30% statutory mandate in any given month, or, when possible, to increase the prize payout for instant games. The fund provides the Lottery with flexibility. D. Barden reiterated the need for flexibility due to the 30% return requirement. It is not known what would happen should the Lottery not return the required amount in a given month. The Lottery has found no research or documentation that supported the percentage being set at 30%. D. Barden reported that players are aware of the payouts on instant games and are very in tune with the games and their prizes. Players are also aware that neighboring states have higher prize payouts and often play those games.

L. Romero asked if other lotteries have a similar fund. D. Barden responded that some lotteries have similar funds. R. Jones asked if those lotteries track unclaimed prizes in the same way. D. Barden responded that other lotteries are probably not tracking unclaimed funds to the same degree, given the unique 30% situation in New Mexico.

P. Guerin commented that, overall, the financials remain the same each year. We have a 30% requirement, with 70% allocated to operations, which covers vendor fees, staffing, commissions, etc. The unclaimed prize fund occasionally allows for an increase in prize payout, but prize payouts are generally 52%-57%. It is an unstable source of funding. D. Barden reported that the base amount for this fund is $2 million, which provides flexibility.

General discussion continued on the unclaimed prize fund, unclaimed prizes, and the 30% requirement.

R. Jones reported that she requested this report to provide a better view of the fund and its transactions.

FY 2027 Annual Budget: L. Coonan presented highlights of the major changes to this year's annual budget and thanked the Finance Division and other divisions for their support. This year, the Lottery considered the new gaming system contract and took a conservative approach. The FY 2027 budget estimates $140.9 million in gross revenue and $42.3 million for students, a 4% decrease from the FY 2026 budget.

L. Coonan reported that the Lottery's proposed capital budget includes building improvements such as four rooftop HVAC units, firewall equipment to upgrade the off-site disaster recovery site, and two large-format graphics printers. One of the printers was in the FY 2026 budget, but the delivery date may be after the end of the fiscal year. The proposed capital asset expenditures total of $292,000.

L. Coonan highlighted that Powerball sales revenue has been split to track Powerball and Double Play separately. An upcoming game called Powerball Xs & Os is also included in the budget. Overall, expenses are lower, including the new gaming vendor's combined rate for instant games and the gaming system, offset by the vendor absorbing four employees and assuming responsibility for shipping and postage. Other expense changes include a potential mobile app, a 1% cost-of-living adjustment, a 15% increase in health insurance benefit costs, and a reduction in professional fees.

R. Jones inquired about the factors the Lottery considered in determining the direction of sales and in proposing a lower budget. D. Barden responded that there are several factors, including industry trends, the economy, jackpots, the change in price point for the Mega Millions game, the 30% statutory requirement, and being fairly conservative in the budget process. D. Barden reported that instant game prize payouts have to be decreased to meet the 30% requirement, which impacts sales performance. A new draw game called Millionaire for Life is in development.

R. Jones and L. Romero asked about economic impacts. D. Barden responded that economic factors such as gas, food, and entertainment are considerations. The Lottery takes a conservative approach, aiming to stay within prior-year ranges while considering current economic volatility, our products, and lottery industry trends. There was discussion about the 30% requirement and the Attorney General opinion regarding a lottery courier service. Returns will likely remain in the $40-$45 million range without the flexibility to adopt approaches that other state lotteries have employed. D. Barden reported that most U.S.

lotteries are stable and have increased sales year after year, partly due to them not having the type of statutory restrictions that limit prize payouts in New Mexico.

R. Jones asked Board members for their thoughts on the budget presentation. Years ago, the Lottery would set aside a day for a budget retreat, during which each department would present its budget. Members commented that the presentation was sufficient and presented well, and that any questions were answered quickly and informatively. In addition, the annual financial audit provides them with assurance that the Lottery is in good financial standing and that its finances are being reported accurately.

R. Jones entertained a motion. P. Killen moved to approve the FY 2027 Annual Budget as presented; D. Keylon seconded the motion. Motion carried 6-0.

Members of the Board thanked Finance and Lottery management for their diligence in preparing the budget and for their good work.

Security and Operations Committee:
March 18, 2026 Committee Meeting Minutes: S. Baragiola reported that the Security and Operations Committee meeting minutes from May 18 are correct and provided as information.

CEO:
CEO Update: D. Barden presented information on weekly instant and online game sales by fiscal year; updates on the upcoming Powerball Xs & Os and Millionaire for Life games; a non-substantive update to the Travel and Business Meal Policy to consolidate two forms into one; and the proposed next committee and Board meeting dates. D. Barden mentioned the upcoming NASPL Annual Conference and Trade Show in September 2026.

Board Chair
CEO Contract: R. Jones reported that the CEO's contract is up for its annual discussion and extension consideration. In prior years, the Board has collectively agreed to maintain consistency, providing overall stability and confidence to our retailers and employees that the Board remains committed to our current management team. Therefore, R. Jones recommends that the Board amend the CEO agreement to include a one-year extension through June 30, 2029. 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 may revisit the CEO's contract at any time.

R. Jones entertained a motion. S. Baragiola moved to approve a one-year extension of the CEO's contract, including the 1% COLA adjustment as discussed; L. Romero seconded the motion. Motion carried 6-0.

Board Initiatives: R. Jones reported that the NASPL 2026 Conference will be held in Orlando in September, and any members interested in attending should contact her and D. Barden. R. Jones reminded members not to discuss New Mexico Lottery business at the conference, so as not to be perceived as having a Board quorum.

R. Jones discussed the two subcommittees for the benefit of the new Board member. The Board Chair appoints members who are interested in either committee. There are also annual Board elections.

Other: The Board recognized two long-standing employees for their dedication, commitment, and service to the New Mexico Lottery Authority. Karla Wilkinson, Director of Gaming Products, and Joan Camera, Deputy Director of Finance, were congratulated on their retirements.

Other Items: None.

6/30/2026 wa

Adjournment: R. Jones entertained a motion. P. Killen moved to adjourn the meeting; D. Keylon seconded the motion. Motion carried 6-0. The meeting adjourned at 12:43 p.m.

R. Jones, Chairman	Paul Guerin P. Guerin, Secretary/Treasurer
Date: 9/16/24	Date: 9/16/26