

**Regular Meeting of Board of Directors
New Mexico Lottery Authority
March 20, 2024**

MINUTES

Call to Order: Board Chair Reta Jones called the meeting to order at 12:03 p.m. and asked for a roll call. Present and constituting a quorum were David Keylon, Othiamba Umi, Reta Jones, and Sal Baragiola. Leo Romero and Paul Guerin were absent.

Introductions: Present from NMLA staff were Wilma Atencio, David Barden, Carolyn Cabell, Michael Boland, Linh Coonan, and Joan Camera. Also attending were Mary Stanford with INTRALOT and Tom Kitts with IGT.

Approval of Proposed Agenda: R. Jones entertained a motion to approve the agenda. S. Baragiola moved to approve the proposed agenda as presented; D. Keylon seconded the motion. Motion carried 4-0.

Approval of Minutes of December 13, 2023, Board of Directors Meeting: R. Jones entertained a motion for approval of minutes as presented. D. Keylon moved to accept and approve the December 13, 2023, meeting minutes; S. Baragiola seconded the motion. Motion carried 4-0.

Public Comment: None.

REPORTS:

Finance and Audit Committee:

FY 2024 Financial Audit Contract: D. Barden reported that the Lottery plans to continue with Moss Adams as its external audit firm for the upcoming 2024 Financial Audit. M. Boland added that when he receives notice from the Office of the State Auditor to procure an audit firm, the Lottery will execute a contract with Moss Adams.

D. Barden advised that the Audit Policy will be carried over to the next Board meeting.

Financial Statements: D. Barden introduced Linh Coonan, the new Director of Finance for the Lottery. J. Camera, Deputy Director of Finance, reviewed the highlights of the financial statements through January 2024. The Lottery transferred \$3.75 million to the Lottery Tuition Fund for January. The Lottery has transferred \$1.03 billion to education since its inception in 1996.

D. Keylon inquired about the increase in game expenses. J. Camera responded that there was an increase in print options and licensed games. D. Keylon asked about licensed games. D. Barden responded that licensed games are unique, such as the Guy Fieri and Pink Panther instant games. Licensed games have a small fee attached to them. D. Barden reported that licensed games have contributed to instant sales being up.

S. Baragiola observed that Mega Millions sales are down, but Powerball sales are up, and asked whether Powerball affects Mega Millions. D. Barden responded that it is hard to determine. Sometimes either game may have a small jackpot compared to the other. We are tracking close to our record return from last year of \$50 million. We may hit \$50 million or more if we continue at our current pace. Increased sales and return to the state are a culmination of draw games with big jackpots and increased prize percentages of some of our instant games. D. Barden thanked C. Cabell and the Gaming Products team for doing an outstanding job with our product portfolio.

D. Barden stated we currently have huge jackpots for Mega Millions at \$977 million and Powerball at \$687 million, totaling almost \$1.5 billion, but there has been little media attention. Media has become desensitized to big jackpot amounts.

R. Jones asked if Powerball and Mega Millions have plans for dealing with the jackpot fatigue. D. Barden responded that Powerball added an additional draw and a game enhancement called Double Play. The Mega Millions group is looking at revamping the entire game.

R. Jones asked whether the budget was conservative. D. Barden responded that the budget was based upon historical data and modeling information from previous years. The board and management continued with general discussion on jackpot fatigue and upcoming changes.

O. Umi asked what is in the non-operating expenses category. J. Camera responded that it is interest.

Security and Operations Committee:

Audit Other Matter Finding Remediation Update: S. Baragiola reported that C. Cabell provided an overview of the Lottery's efforts to address the audit finding at the Committee meeting, which was discussed and vetted by the members. The Committee felt confident and assured that the recommendations were being sufficiently addressed by the Lottery and no further action is needed or required.

New Multi-State Fast Play Game: Jackpot USA: S. Baragiola reported that the Committee reviewed a new Fast Play game called Jackpot USA. The Security and Operations Committee approved bringing this game to the full Board to adopt the game with associated game rules.

R. Jones requested a highlight of the new game. C. Cabell reported that Jackpot USA is a multi-jurisdictional game developed by our system vendor, Intralot, that is being coordinated by the Multi-State Lottery Association (MUSL). The product group at MUSL is responsible for developing the game rules that will apply to all participating lotteries. Fast Play games print from retailer terminals, similar to Powerball and Mega Millions, but play instantly like Scratchers. The Lottery's current suite of games has a variety of play styles, themes, and ticket prices ranging from \$1 to \$10. Jackpot USA is anticipated to launch in September 2024 in Louisiana, Idaho, Washington D.C., and New Mexico. This would be a \$20 game with a starting jackpot of \$1 million that would grow until won. The prize payout would be 65%, significantly lower than the recommended payout in the other lotteries of 80%.

R. Jones asked how the prize structure is set up, specifically how the jackpot works. C. Cabell responded that all participating lotteries will contribute 20% of sales to the jackpot. The lower tiers prizes will vary from lottery to lottery based on their prize payout. The odds of winning the jackpot will be equal among all participants: 1 in 1 million, regardless of where the ticket is purchased.

C. Cabell reported that the ticket will have two games: a jackpot spin add-up game and a match game with New Mexico themed symbols. Jackpot USA game rules are being developed by the MUSL product group, and the Lottery would also have the usual rules referencing the MUSL rules and including New Mexico specific elements, such as the lower prize structure.

R. Jones observed that the revenue for the existing Fast Play games is in the "other" category for games on the financials. C. Cabell stated that Fast Play was budgeted at less than 1% of total revenue, but that we will exceed that budgeted amount.

O. Umi asked about how Jackpot USA was created and the motivation for joining. C. Cabell responded that the game would allow the Lottery to offer a \$1 million jackpot game, which has not been possible for Scratcher games. D. Barden reported that the process to develop a national Fast Play game has been ongoing for years. Because Intralot developed the game, Intralot lotteries are generally able to launch more quickly

compared to others. O. Umi asked if there is another state we can look at as a comparison. D. Barden reported that the Ohio Lottery has their own \$20 Fast Play game that performs well. We will have to see what the results will be by having a lower prize payout of 65%.

S. Baragiola asked whether Jackpot USA jackpots would have a shorter run up, compared to Powerball and Mega Millions. D. Barden responded that this game's jackpot should get hit often. R. Jones commented that we do not have many \$1 million winners, so it is a great opportunity for the Lottery.

S. Baragiola made a motion based on the recommendation of the Security and Operations Committee that the Board adopt the Jackpot USA Fast Play game and any rules promulgated by MUSL and internal rules as needed to effectively manage the game; D. Keylon seconded the motion. Carried 4-0.

CEO

Open Meetings Resolution: D. Barden reported that the Open Meetings Resolution is a document adopted annually that governs the Lottery when conducting Board and Committee meetings in accordance with the New Mexico Open Meetings Act.

R. Jones entertained a motion to accept the Open Meetings Resolution as presented. O. Umi made a motion to accept the Open Meetings Resolution as presented; D. Keylon seconded the motion. Motion carried 4-0.

CEO Update: D. Barden reported that Lottery YTD has received \$2.4 million of added value for its \$2 million advertising budget. Procuring media buys for our advertising and marketing department has been very successful. D. Barden also reported that KRQE has requested to run a special story on Wendy Ahlm and the Lottery's marketing division.

D. Barden presented slides including weekly instant sales trends; a comparison of fiscal year instant payouts compared to sales; a description of upcoming MUSL game and promotional activities; and an estimate for the next Board meeting dates.

D. Barden reported that instant sales over a four-year period have increased and is primarily due to increasing the prize payout on some scratcher games and having bigger jackpots for both Powerball and Mega Millions. If we continue in the \$90-\$95 million in sales per year for scratchers, our beneficiaries will benefit from better transfers to the State.

R. Jones stated that while the numbers look good, it is still a struggle. The sales increased ever slightly about 2% per year, it was a challenge to get there. D. Baren reported that the Lottery continues to manage the prize payout and return to the State, with small increases due to higher jackpots.

D. Barden reported that the Lottery issued the RFP for legal services and proposals are due May 3, with a board recommendation in June. The contract term will be a collective four-year term beginning August 10, 2024, for one year and the option to renew for up to three one-year terms.

D. Barden reported that the RFP for Lottery Solutions will be issued late Spring with a board recommendation in the fall. The RFP will be a culmination of instant ticket and online system and by combing the two products, we hope this will get us a better deal. This will be the biggest expenditure for the Lottery for a ten-year contract. The standard contract for most lotteries is a 15–20-year contract, providing for better fee. Having a ten-year contract hurts us. Typically, vendors incur \$15-\$20 million in equipment and their return on a ten-year contract compared to a fifteen-year contract isn't that good and one of the reasons why we request flexibility in the contract and gives us a better rate.

D. Barden reported that MUSL has been involved in many new projects over the past several years, like the Powerball First Millionaire of the Year promotion in which one winner becomes a millionaire in a televised

drawing. The 2024 NASCAR Powerball Playoff Promotion will have 25 participating lotteries, with four VIP trips to NASCAR Championship Weekend in Phoenix and a \$1 million drawing. MUSL is working with the NFL for a potential game, including access to second-chance elements such as Super Bowl experiences, playoff and game tickets, trips, streaming services, and merchandise. S. Baragiola asked whether the NASCAR promotion will be replaced by the NFL game. D. Barden responded that both would be available; MUSL is always looking for opportunities to keep a national presence.

D. Barden reported that two national games called Cash4Life and Lucky for Life game intend to merge into a single game. New Mexico does not participate in either current game but may be interested in joining the consolidated game.

The tentative MUSL development timeline begins with Jackpot USA in September 2024, a Mega Millions game change in April 2025, an NFL game in Fall 2025, a national “for Life” game in Spring 2026, and a potential Powerball game change in Fall 2026. D. Barden will provide updates.

S. Baragiola asked for an update on Walmart. D. Barden reported there are no issues; they are a steady retailer.

D. Barden discussed agenda items for the proposed June Board meeting. D. Barden reported that there will be a marketing update at the meeting.

Board Chair: R. Jones asked whether the June 12 Board meeting date works for everyone. D. Barden reported that the Lottery will poll members.

Board Initiatives: R. Jones reported that legislatively there is not much to report. Legislators were focused on certain initiatives during the 30-day 2024 legislative session. The Lottery is keeping the dialogue open, and we need to focus on educating them about the Lottery, the 30% mandate, and scholarships for students.


D. Keylon asked if the Lottery is doing anything with the 30% mandate at the upcoming 60-day session in 2025. R. Jones stated she has received feedback on the approach based on projections in a 15-minute presentation. The Lottery needs to be clear and able to demonstrate factually rather than theoretically that eliminating the 30% would provide more money back to the students.

Other Items: None.

Adjournment: R. Jones entertained a motion. D. Keylon moved to adjourn the meeting; S. Baragiola seconded the motion. Motion carried 4-0. The meeting adjourned at 1:05 p.m.



R. Jones, Chairman
Date: 6/20/24



P. Guerin, Secretary/Treasurer
Date: 6/20/24