

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

MINUTES

Call to Order: Board Chair Reta Jones called the meeting to order at 12:00 p.m. and asked for a roll call. Present and constituting a quorum were David Keylon, Reta Jones, Leo Romero, Paul Guerin, and Sal Baragiola. Othiamba Umi absent.

Introductions: Present from NMLA staff were Wilma Atencio, David Barden, Carolyn Cabell, Linh Coonan, Joan Camera, Therle Smith, and Bryan Bersosa. Also attending were Mary Stanford and Steve Beck with INTRALOT, Charlie Scannella with Scientific Games, and Tom Kitts with IGT.

Approval of Proposed Agenda: R. Jones proposed one change to move the Audit Policy to the next Board meeting. R. Jones entertained a motion. L. Romero moved to approve the proposed agenda as amended; S. Baragiola seconded the motion. Motion carried 5-0.

Approval of Minutes of March 20, 2024, Board of Directors Meeting: R. Jones entertained a motion. D. Keylon moved to accept and approve the March 20, 2024, meeting minutes as presented; S. Baragiola seconded the motion. Motion carried 5-0.

Public Comment: None.

REPORTS:

Security and Operations Committee:

March 20, 2024, Committee Meeting Minutes: S. Baragiola reported that the Security and Operations Committee meeting minutes from March 20, 2024, accurately reflect what occurred at that meeting.

Finance and Audit Committee:

December 13, 2023, Committee Meeting Minutes: P. Guerin reported that the Finance and Audit Committee meeting minutes from December 13, 2023, accurately reflect what occurred at that meeting.

Audit Policy: Item moved to next Board meeting.

Moveable Chattels and Equipment Inventory: J. Camera, Deputy Director of Finance, presented the FY 2024 inventory of moveable chattels and equipment costing more than \$5,000 and useful life greater than twelve months. J. Camera reported that the items on the list have been inventoried and all items have been accounted for. The governing authority must certify the list of moveable chattels and equipment.

R. Jones entertained a motion. D. Keylon moved to certify the inventory of Moveable Chattels and Equipment as presented; L. Romero seconded the motion. Motion carried 5-0.

Disposal of Obsolete Equipment: J. Camera reported that the Disposal of Obsolete, Worn Out, or Unusable Tangible Inventory is an annual process, and a list of items was provided to the Board for review, per Lottery management's recommendation for disposal. 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. Romero asked if there are any charitable organizations willing to accept the items. J. Camera and D. Barden responded that they are not. D. Keylon asked whether items are salvageable. J. Camera responded that they are not. P. Guerin inquired about whether an entity accepts surplus items. J. Camera responded that the Lottery has used an electronics recycler, only after the State has been notified and they have declined. D. Barden reported that the items must be offered to the State first, before disposal.

R. Jones entertained a motion. P. Guerin moved to approve the Disposal of Obsolete, Worn Out, or Unusable Tangible Personal Property as presented; L. Romero seconded the motion. Motion carried 5-0.

Financial Statements: L. Coonan, Director of Finance, reviewed the highlights of the financial statements through April 2024. The Lottery transferred \$4.28 million to the Lottery Tuition Fund for April. The Lottery has transferred \$1.04 billion to education.

D. Keylon asked why the operating expenses were down by 56%. L. Coonan responded that the decrease is related to the prior year's reserve expense. D. Barden reported that there were no funds added this year, causing the percentage decrease. D. Barden reported that the current operational reserve fund totals approximately \$3 million, a manageable level based on discussions at the Board level last year. R. Jones reported that it is an option for the Board to consider how the reserve fund should be reported. D. Barden reported there will be further discussion on presenting reserve information.

R. Jones inquired about the correlation between sales and increased prize payouts. D. Barden responded that increased payouts for instant games have contributed to the increased sales.

R. Jones acknowledged the increased sales and reduced expenses, even in the midst of the economy and inflation. The Board thanked Lottery staff for their efforts.

FY 2025 Annual Budget: The Board was provided with the draft FY 2025 Annual Budget. L. Coonan presented highlights of the major changes. The FY 2025 Budget estimates \$151.6 million in gross revenue and \$45.5 million for students, a 7% growth over the FY 2024 budget.

P. Guerin inquired about the percentage increase for salaries, wages, and benefits compared to last year. L. Coonan responded that it is approximately a 4% increase. D. Barden reported that the increase includes a 3% cost-of-living adjustment, similar to State of New Mexico employees, and four new employees. P. Guerin questioned whether the increase was sufficient, given market conditions and the hiring challenges that the Lottery has experienced. The Board discussed options for flexibility in this area. D. Barden reported that the Lottery has already planned to conduct research into job classifications and salary levels. Discussion continued with some members in support of an increase now. Members agreed to continue the budget review and allow for the Lottery to come back to the Board if an adjustment were to be needed in the future.

S. Baragiola asked where capital expenditures appear in the budget. L. Coonan responded that it appears as a depreciation expense. The capital expenditures total \$268,000, but the depreciation for this budget would be approximately \$40,000. L. Romero asked for an explanation of capital asset expenditures, specifically building improvements. D. Barden responded that the claims center project has been ongoing for several years due to issues with finding a company for this type of work. The Lottery plans to update the claims center with a modern look that would be more fun and inviting for our players. The costs for building projects have increased substantially in the past several years.

D. Keylon inquired about the budgeted decrease in Mega Millions sales. D. Barden responded that Mega Millions fluctuates based on unpredictable jackpots. There will also be nationwide changes to the Mega Millions game in the near future.

R. Jones entertained a motion. L. Romero moved to approve the FY 2025 Annual Budget as presented; D. Keylon seconded the motion. Motion carried 5-0.

CEO

Advertising and Marketing Update: D. Barden showed a video of a segment filmed by local television station KRQE about the Lottery's Advertising and Marketing division, including what they are able to do creatively with such a small staff. D. Barden stated he is proud of the marketing staff and their resourcefulness. They do a fantastic job with the savings they generate by handling most tasks in-house. The Board thanked staff for its continued success.

RFP for Legal Services: C. Cabell reported that the current legal services contract is up in August and has reached the maximum number of years per Procurement Code. The Lottery issued an RFP for Legal Services and received two proposals. The Purchaser reviewed the proposals for completeness and found that one proposal was missing a critical component. Based on this missing component, the proposal was rejected. The only other proposal was from our current firm, Conklin, Woodcock & Ziegler, P.C. The evaluation team scored this proposal and determined the proposal met the requirements of the RFP and provided the recommendation to the CEO that a contract be awarded to Conklin, Woodcock & Ziegler. Per the RFP, the contract term would be for one year with up to three successive one-year extensions for a potential total of four years.

D. Keyon asked whether the Lottery has been satisfied with the firm's services. D. Barden responded in the affirmative.

L. Romero asked who the other offeror was. C. Cabell responded that it was Sutin, Thayer & Browne.

R. Jones asked if the pricing is based upon hourly rates. C. Cabell responded that pricing was based on hourly rates, and that the committee evaluated based on those rates and other requirements of the RFP.

L. Romero asked how many lawyers are at Conklin, Woodcock & Ziegler. D. Barden responded that they have approximately four active lawyers listed for our services.

R. Jones entertained a motion. S. Baragiola moved to approve the Lottery proceeding with a contract with Conklin, Woodcock & Ziegler for legal services as per the RFP; L. Romero seconded the motion. Motion carried 5-0.

CEO Update: D. Barden presented slides including weekly instant sales trends, a comparison of fiscal year sales by game, and a chart with the highest return years.

The RFP for Lottery Solutions will be available on June 24, with proposals due in September. D. Barden thanked C. Cabell for preparing the RFP for Lottery Solutions. The Lottery looks forward to receiving vendor proposals in September and hopes the responses can save the Lottery money.

D. Barden reported that the timeline for the new Jackpot USA Fast Play! game is on schedule for September 2024. Mega Millions game changes are anticipated for April 2025.

D. Barden reported that the Lottery is planning to utilize vendor research and tools related to responsible gaming as part of efforts to progress to the next certification level with the World Lottery Association Responsible Gaming framework. D. Keylon asked what the Lottery does to promote responsible gaming. D. Barden responded that there are a number of initiatives, including the support hotline, informational brochures, backs of tickets, and signage. We are researching additional measures, such as a dedicated area on our website. The Lottery participates in national initiatives, including the holiday campaign to not gift products to underage individuals. D. Keylon asked whether the Lottery is involved with casino

contributions to responsible gaming. D. Barden responded that the Lottery and casinos are separate in responsible gaming mechanisms.

D. Barden discussed agenda items for the proposed next Board meeting and committee meetings.


R. Jones reported that the annual National Association of State and Provincial Lotteries (NASPL) conference will take place September 9-12, 2024, in Kansas City. Board members interested in attending should contact D. Barden.

Board Chair


Board Initiatives: D. Keylon asked if the Lottery is doing anything with the 30% mandate at the upcoming 60-day legislative session. R. Jones stated that the Board may have a general discussion at the next Board meeting. R. Jones reported that it is her understanding that the current administration is focused on other legislative initiatives. R. Jones encouraged members to reach out to legislators for discussion.

Other Items: None.

Adjournment: R. Jones entertained a motion. D. Keylon moved to adjourn the meeting; L. Romero seconded the motion. Motion carried 5-0. The meeting adjourned at 1:21 p.m.



R. Jones, Chairman
Date: 9/18/24



P. Guerin, Secretary/Treasurer
Date: 9/19/24