

VIRGINIA LOTTERY  
Board Meeting  
May 1, 2024

The Virginia Lottery Board met on May 1, 2024, at 9:30 a.m. at Tidewater Community College (TCC) in Portsmouth, Va.

MEMBERS PRESENT: Ferhan Hamid, Chairman  
Cynthia Lawrence, Vice Chairwoman  
Jonathan Comer  
Orrin Gallop  
Adam Tolbert  
Scott Price  
Sherry Williams

STAFF PRESENT: Khalid R. Jones, Executive Director  
Amy Dilworth, General Counsel  
Deborah Courtney, Deputy Executive Director of Finance and  
Administration  
Tony Russell, Deputy Executive Director of ITS and Operations  
Gina Smith, Deputy Executive Director of Gaming Compliance  
Scott Kenyon, Director of Marketing  
Jennifer Mullen, Director of Communications and Customer  
Relations  
Jo Murphy, Executive Assistant

Mr. Hamid, chairman, presided, and Jo Murphy was the recording secretary.

CALL TO ORDER

Mr. Hamid called the meeting to order and noted that a quorum was present. He thanked everyone for traveling to Portsmouth. Mr. Hamid welcomed new Executive Director Khalid Jones and new Board member Sherry Williams. Mr. Jones and Ms. Williams introduced themselves.

GAMING COMPLIANCE COMMITTEE REPORT

Chief Gallop said that the Gaming Compliance Committee met on March 19, 2024. The discussion topics included the appeals process, Gaming 101 to educate the Board members and a General Assembly update. He said that quite a bit of the committee meeting took place in closed session. Chief Gallop said it was a good meeting, and the committee member's questions were answered.

Mr. Hamid said that the committee members also discussed their desire to get more insight into the sports betting process. He requested a report on sports betting fines at a future full Board or committee meeting. Mr. Comer said that it would be good to start at the committee meeting

GAMING COMPLIANCE COMMITTEE REPORT (Continued)

level. He also said that, though we have representation from the casinos at the Board meetings, it would be good to have representation from a couple of the larger sports betting operators too. Mr. Comer suggested that the sports betting operators make an annual presentation rather than attend every Board meeting. Mr. Tolbert agreed that the Board members need to do their due diligence to ensure that they fully understand the sports betting process.

Mr. Hamid requested that the General Counsel explain the Lottery's role and the Board members' role surrounding sports betting at the next meeting.

On motion duly made by Mr. Price and seconded by Mr. Comer, the minutes from the Gaming Compliance Committee meetings held on December 19, 2023, and March 19, 2024, were approved as recommended by the committee.

OPERATIONS COMMITTEE REPORT

Ms. Lawrence said that the Operations Committee met on March 19, 2024. The discussion topics included updates on the General Assembly, cybersecurity, Scratchers sales, and the procurement process. Ms. Lawrence said the committee also discussed the Thank a Teacher program and all its components. She said that the committee will have an expanded discussion on this topic at the next Operations Committee meeting.

Ms. Williams said that she was disappointed that she missed the cybersecurity presentation. Mr. Hamid said that he would like to have the Director of ITS provide an update on cybersecurity at the next Board meeting.

Mr. Hamid said that, after a discussion at the March 19, 2024, Operations Committee meeting, he reviewed the procurement regulations promulgated by the Board. He said that he thinks it is important for the Board to revisit the procurement policies and regulations. Mr. Hamid said that the Board, in consultation with the Director, has the duty to promulgate regulations relative to departmental procurement and shall establish procedures with respect to procurement of goods and services. He requested the Director to present draft revisions to procurement regulations and procedures at the next Operations Committee meeting for discussion. Mr. Hamid said that the Operations Committee will then provide revised procedures and regulations to the full Board at the August 7, 2024, Board meeting for consideration by the Board. He said that Mr. Russell emailed the procurement manual to the Board members in March 2024. Mr. Hamid asked the Board members to review the document. He said that they can come up with any specifics offline, and then they can come up with an agenda.

Chief Gallop asked if any future amendments to the procurement process will go through the Operations Committee before going to the full Board. Mr. Hamid said yes.

OPERATIONS COMMITTEE REPORT (Continued)

On motion duly made by Mr. Tolbert and seconded by Mr. Comer, the minutes from the Operations Committee meetings held on December 19, 2023, and March 19, 2024, were approved as recommended by the committee.

MINUTES OF LAST MEETING

On motion duly made by Mr. Comer and seconded by Ms. Lawrence, the minutes from the regular Board meeting held on January 10, 2024, were approved as distributed.

DIRECTOR'S REPORT

Mr. Jones said that it has been his pleasure to work with the Lottery team over his first few weeks. He said that he has found the agency one replete with consummate professionals with a track record of success that stands out, stands on its own, and, when compared with their peers, stands apart. Mr. Jones said that he is equally honored to meet the members of the Board. He said that without the diligence of this assembled body, the Lottery would not be able to serve to its fullest capacity.

Mr. Jones said that year-to-date sales were \$4.1 billion, Lottery profits for K-12 public education were \$705 million, casino tax revenue was \$90 million, and sports betting tax revenue was \$58 million.

Mr. Jones said that, in other highlights, the Lottery was named a 2024 Top Workplace by the Richmond Times-Dispatch. In March 2024, the Lottery saw record Scratchers sales, record iLottery sales and record profits. The iLottery sales also were the best month in the history of iLottery in the U.S. Mr. Jones, Ms. Gina Smith and Ms. Jennifer Mullen attended the Problem Gambling Treatment and Support Advisory Council meeting on April 24, 2024. Lastly, Mr. Jones said that he has begun meeting with sports betting operators individually. He also plans to meet with the casino operators.

Mr. Jones provided an update on some of the legislative items in the gaming space.

SB 397 - Requires those legally authorized to sell Virginia Lottery tickets or conduct charitable gaming, horse racing with pari-mutuel wagering, and casino gaming in Virginia to post in a conspicuous place on their premises a sign that bears the toll-free telephone number and website of the illegal gaming tip line established and administered by the Office of the Gaming Enforcement Coordinator.

SB 628/541 - Allows Petersburg to be eligible to be a host city for a casino and precludes Richmond from being a host city for a casino. Recently, Petersburg selected Cordish as the operator to build the casino. Mr. Jones reiterated that the Lottery as an agency has no say, nor

DIRECTOR'S REPORT (Continued)

any opinion, about who a municipality chooses as a casino operator. He said that our role starts only when we receive licensure applications, and we are agnostic to the process up until that point.

HB 525 - Municipal referenda for cities may only be held once every three years.

SB 212 - Skill games. Mr. Jones said that this bill would have a direct impact on the Lottery and Lottery operations. He said that the version that was passed by the House and Senate was sent back to the legislature with amendments from the governor. That amended version was rejected by the legislature, which left the original bill as passed intact. The governor has until May 17, 2024, to take action on the bill. Mr. Jones said that there is the potential for skill games to reemerge as an amendment to the governor's budget during legislative sessions beginning on May 13, 2024. He said that it is important to note that the agency is agnostic as to the passage or non-passage of skill games legislature, but we have been following the development of the language closely to have a good understanding of what our requirements would be if the measure passed.

Mr. Jones provided an update on the potential Lottery office move. He said that the Lottery is actively working with the Department of General Services (DGS). Of note, there would be a reduction of overall workspace from 109,000 square feet down to 81,000 square feet. Space planning is in progress as well as negotiations with a potential location.

Ms. Lawrence welcomed Mr. Jones and thanked him for working hard to get up to speed and to keep things moving forward.

BOARD ISSUES

Financial Update

Ms. Courtney provided preliminary results through March 2024. She said that total sales were a record \$4,088.3 million. Scratcher sales were \$954.5 million, which is \$13.9 million less than last year at this time. That deficit was much larger at December 2023. All signs indicate that Scratcher sales should finish ahead of last year. Ms. Courtney said that retail sales in March compared to March of last year were 20% higher.

Mega Millions and Powerball are continuing to have a good year; although, Mega Millions sales are down compared to last year at this time.

BOARD ISSUES (Continued)

Ms. Courtney reviewed sales versus prior years. She also reviewed expense rates versus the prior year. Prize expense was 76.6%, which was 3.0% more than last year (73.6%) and 0.1% more than expected (76.5%). Retailer compensation was 5.8%, which was 0.1% more than last year (5.7%) and 0.1% more than expected (5.7%). Operating expenses were 3.7%, which was 0.5% less than last year (4.2%) and 0.8% less than expected (4.5%).

Ms. Courtney said that the record profits for the first three quarters were \$705,652,474.

Ms. Courtney provided an update on taxes from sports betting. Total FY24 taxes through April were \$6,251,083.

Ms. Courtney provided an update on taxes from casinos. The statutory tax rate on casino gaming is a graduated rate of 18% on the first \$200 million of annual adjusted gaming revenue (AGR). Approximately one-third of the tax (6% of AGR) goes to the host locality, 0.8% of the tax goes to the Problem Gambling Treatment and Support Fund, and 0.2% of the tax goes to the Family and Children's Trust Fund. The remaining tax revenue goes to the Gaming Proceeds Fund to be appropriated for public school construction, renovations or upgrades.

Ms. Courtney said that Hard Rock Bristol (HR Bristol) opened in July 2022, Rivers Casino Portsmouth opened in January 2023, and Caesars Virginia (Danville) opened in May 2023. She reviewed the tax breakdown for the three casinos.

Ms. Courtney also provided an update on the budget process.

Play Responsibly and Education Update

Ms. Mullen said that March is designated as National Problem Gambling Awareness Month. She said that, though we work to raise awareness all year long, our efforts are ramped up at this time of year with employee and retailer education as well as a paid-media campaign. She also said that we take this opportunity to highlight the problem gambling helpline number, which the Lottery funds as part of our long-standing partnership with the Virginia Council on Problem Gambling. New this year, visitors to the Responsible Gaming section of valottery.com now have the option to toggle over to Spanish.

Ms. Mullen provided an update on the Lottery's Thank a Teacher Art Contest. In March 2024, we awarded three public school students with gift cards and supplies for their schools. We are now encouraging Virginians to thank as many public school teachers as possible by using hard-copy thank you note cards or through the thankateacherva.com website. Ms. Mullen said that we will randomly select four teachers to win cash prizes and supplies for their school. She said that a record 65,000 hard-copy note cards (plus several thousand more digital notes) were distributed last year. This year, we had 125,000 notecards printed for distribution.

BOARD ISSUES (Continued)

Ms. Mullen said that, in January 2023, the Board approved funding to reprint our education-themed promotional Scratcher. The tickets are used as a tool when we have direct interactions with our key education stakeholders and for Teacher Appreciation Week activities. Thanks to our robust and growing education-related initiatives, we have depleted that reprint run in half the expected time. Although the ticket is not sold at retail, it offers players the chance to win a prize, so it falls within the Board's authority to approve the ticket.

On motion duly made by Ms. Lawrence and seconded by Ms. Williams, the \$420,000 promotional prize funding for the A Win for Education Scratcher (Game 2286) was approved as presented.

Promotional Budget

Mr. Kenyon said that the current promotional budget was approved on July 20, 2022, and was up to one-tenth of one percent (0.1%) of retail sales for retail promotions and eXTRA Chances. He requested an adjustment to the promotional budget to up to one-half of one percent (0.5%) of total sales. He said that the promotional funding would be used for retail promotions and the new Virginia Lottery Rewards program. Mr. Kenyon noted that this budget is separate from the online promotional budget. Mr. Hamid asked what dollar amount these percentages represent. Mr. Kenyon said that, based on our FY24 goals, the adjusted percentage equals about \$26.5 million.

On motion duly made by Chief Gallop and seconded by Mr. Comer, the promotional funding for retail promotions and Virginia Lottery Rewards was approved as presented.

Gaming Compliance Update

Ms. Smith introduced several Gaming Compliance team members. She provided an update on sports betting. She also shared the list of approved operators.

Ms. Smith said that WSI US, LLC (Wynn) has completed its closure in Virginia. Unibet Interactive officially closed its sportsbook in Virginia on April 11, 2024. Her team is currently working with Unibet to ensure that all remaining funds in player wallets are handled appropriately. Ms. Smith said that VHL VA, LLC (aka 888) informed the Lottery that it intends to close its sportsbook in June 2024. The Lottery is currently working with them on their closing plan. She said that, in accordance with the regulations, the annual application period for sports betting permits will be open from May 15, 2024, through May 31, 2024. Ms. Smith said that they will be meeting with interested applicants from May 1, 2024, through May 14, 2024, to determine qualifiers for licensure. She said that up to three permits may be awarded, but we are under no obligation to award three permits.

BOARD ISSUES (Continued)

Ms. Smith provided an update on sports betting renewals. Eight permit holders have been renewed. Eight suppliers have been renewed. There are two permit holders and three suppliers that will be up for renewal before the end of the calendar year.

Ms. Smith said that 74 vendors have been renewed. Twenty-nine additional vendors are due to renew before the end of the calendar year. Failure to renew registration will result in the vendor not being able to conduct business in Virginia with licensed permit holders.

Ms. Smith provided the market share by operator. She also provided a breakdown of total wagers by sport.

Ms. Smith provided an update on the Voluntary Exclusion program. Since the program's inception, 1,163 individuals have enrolled. As of April 20, 2024, 1,056 individuals are active, and 107 individuals are inactive because their enrollment period ended. Ms. Smith also provided a breakdown of enrollees by gender and by age. Most of the enrollees are between the ages of 31 and 40.

Ms. Smith provided an update on casinos. The following casino-related permits have been issued as of April 22, 2024:

Service Permits:

Gaming and non-gaming	6,662
Vendors	645

Supplier Permits:

Key Manager	113
Manufacturers	21

Ms. Smith provided an update on HR Bristol. She said that, during the last quarter, her department approved the receipt of 115 new slot machines and approved eight change requests, which involved a total of 140 games. A temporary storage area was approved for the new slot machines. Ms. Smith also said that her team is meeting monthly with HR Bristol to prepare for the opening of the permanent casino in the summer of 2024.

Ms. Smith provided an update on Rivers Casino. She said that her team is continuing to work with them on day-to-day operations. During the last quarter, her department approved the receipt of seven new games and approved 11 change requests, which involved a total of 140 games.

BOARD ISSUES (Continued)

Ms. Smith provided an update on Caesars Danville. She said that, during the last quarter, her department approved 10 change requests, which involved 241 slot machines and eight table-game progressive controllers. She also said that her team is continuing to monitor the construction progress as the project moves toward the permanent opening.

Bristol Casino Update

Ms. Marina Alvidrez, Vice President of Human Resources at HR Bristol, shared the total number of jackpots paid in 2024 as well as since the opening of the property in July 2022, gaming taxes paid in 2024 as well as since the opening in July 2022, and charitable contributions made in 2024 as well as since the opening in 2022. She provided an update on team-member engagement. Ms. Alvidrez also provided an update on community engagement.

Ms. Alvidrez provided an update on DE & I as well as strategy, outcomes and several initiatives.

Ms. Alvidrez provided statistics on the permanent facility including the hotel, gaming area, dining venues, entertainment venue and retail. She also shared construction pictures. She said that the gaming floor will be completed in July 2024, and phased openings are planned for the hotel.

Mr. Tolbert asked if there are higher-education needs that are not being fulfilled or if everything is going well in that regard. Ms. Alvidrez said that they are having success partnering with the local colleges. Mr. Tolbert said that having the casino in the area has been good for the community.

Portsmouth Casino Update

Mr. Roy Corby, General Manager of Rivers Casino Portsmouth, welcomed everyone to Portsmouth. He said that one of the casino's largest college partnerships is with TCC. He also said that TCC hosts the casino's dealer school, and the attendees also enroll in TCC.

Mr. Corby said Rivers Casino celebrated its first anniversary on January 23, 2024. He shared a video of highlights of Shark Tank being filmed at the casino.

Mr. Corby shared the total gaming revenue produced, food and beverage revenue, entertainment-admission revenue and the amount of taxes (state, local, real estate, personal property and local business) generated. He also shared building-permit and business-license costs. Mr. Corby provided a breakdown of guest origination. He also provided the total amount of vendor and supplier expenditures including expenditures to Small, Women-owned & Minority-owned businesses and Portsmouth-based businesses.

Mr. Corby said that Rivers Casino has created 1,300 jobs. He also said that Rivers Casino was honored as a 2024 Best Place to Work by CoVa BIZ Magazine. Mr. Corby provided an overview



BOARD ISSUES (Continued)

of volunteerism, donation drives, in-kind contributions and corporate giving. He shared a video of a recent event entitled Rivers Finest that honored team members for their hard work and commitment to the company.

Mr. Corby provided an update on Rivers Casino's entertainment lineup. He said that the casino regularly hosts headliners, local bands and events in the Sound Bar.

Danville Casino Update

Mr. Chris Albrecht, Senior Vice President and General Manager of Caesars Virginia, said that the progress on their temporary facility is tremendous.

Mr. Albrecht said that strong sales volumes continued. AGR from January 1, 2024, through March 31, 2024, was \$57 million. March 2024 finished as the casino's second highest AGR month after July 2023. He said that they increased their customer promotions and partnerships in Danville. He also said that they continue to use local hotel partners.

Mr. Albrecht provided an update on community impact to include donations and team-member engagement. He also shared a video of their recent team-member awards ceremony (Founders Awards 2024). Mr. Albrecht provided an update on staffing, and the All-In On Education and summer internship programs. Lastly, he shared a video of the construction progress.

Ms. Williams congratulated Mr. Albrecht on the progress. She also commented on the staffing update. She said that there was a notable difference in the number of female team members versus those in leadership positions. She also noted the same issue related to minorities. Ms. Williams asked if there are barriers to closing the gap and what measures are in place. Mr. Albrecht said that there are no barriers. He said that they will continue to follow the company's goal to have 50% women and 50% minorities in leadership roles.

PUBLIC COMMENT

None.

OTHER BUSINESS

The next Lottery Board meeting is scheduled to take place on August 7, 2024. Mr. Hamid asked the Board members if they would like to have the meeting outside of Richmond again. He mentioned the possibility of the next meeting taking place in Bristol. Ms. Lawrence reminded him that the Lottery's Sales and Marketing Conference takes place in Roanoke on August 12 through 14, 2024. Mr. Hamid said that the Board members will also consider the possibility of having the meeting in Roanoke in conjunction with the Sales and Marketing Conference. Mr.

OTHER BUSINESS (Continued)

Tolbert said that he thinks it is good for the meetings to take place across Virginia. He also thanked the casino representatives for making the trip to Portsmouth.

Ms. William said that she would be out of town on August 7, 2024, but mentioned the possibility of joining the meeting virtually.

BOARD MEMBERS' OPEN DISCUSSION

Mr. Hamid said that the Board members get questions about their role in the approval process of casinos. He asked Ms. Dilworth to provide a brief overview of the Board's role. Ms. Dilworth said that Petersburg is having discussions about the lead-up to the decision to choose an operator. She said that the Board has no role in the decision-making as to how an operator is chosen. The City of Petersburg will submit its package to the Lottery. The Gaming Compliance staff will have a limited role at that stage. They will review the documentation and determine the operator's ability to make the required capital investments as well as their ability to support an ongoing operation in Virginia. We will make a preliminary assessment as to whether this appears to be a financially viable project. If it is deemed to be a financially viable project, the Executive Director will then issue a letter to the city stating our preliminary assessment. This in no way guarantees the operator will receive a casino license. That process involves suitability investigations that Ms. Smith and her team will perform. The investigations are permitted to take up to one year. Once the investigations are completed, Ms. Smith will come before the Board and share a comprehensive report of the results. At that time, each member will have the opportunity to vote on the issuance of a casino license. If the Board approves the license, Ms. Smith will have a punch list of sorts on-site before she officially signs off and the operator can proceed. Ms. Dilworth noted that the report will never be released in response to any FOIA requests because it contains sensitive and confidential information.

CLOSED MEETING

Mr. Price made the following motion, which was seconded by Mr. Comer.

In accordance with the provisions of Section 2.2-3712 of the Code of Virginia, I move that the Board convene a closed meeting for the purpose of discussion, consideration, or review of:

Pursuant to subdivision A 17 of Section 2.2-3711, matters relating to specific lottery game design, prize structure and odds of winning; and matters related to proprietary lottery game information excluded from disclosure under subdivision 11 of Section 2.2-3705.7.

RECONVENED MEETING

Following its closed meeting, the Board reconvened in open session. Mr. Tolbert read the following certification for the closed meeting:

WHEREAS, the Virginia Lottery Board has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law and the motion by which the closed meeting was convened;

NOW, THEREFORE, BE IT RESOLVED that the Virginia Lottery Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed, or considered by the Board.

By roll call, all members in the room voted in the affirmative that the certification was accurate as read.

On motion duly made by Ms. Lawrence and seconded by Ms. Williams, the Board approved, as presented in the closed meeting, the variations in prize structure for Instant Game 3266, which are outside the parameters approved by the Board on July 20, 2022.

On motion duly made by Ms. Lawrence and seconded by Ms. Williams, the Board approved, as presented in the closed meeting, the prize structure range adjustment.

ADJOURNMENT

There being no further business to come before the Board, the chairman declared the meeting adjourned.

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Khalid R. Jones, Secretary

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Ferhan Hamid, Chairman