

VIRGINIA LOTTERY  
Board Meeting  
October 25, 2023

The Virginia Lottery Board met on October 25, 2023, at 9:30 a.m. at Lottery Headquarters in Richmond, Va. A livestream link to the meeting was available on the Virginia Regulatory Town Hall website. A video recording of the meeting can be viewed here:  
<https://youtu.be/rYRFpyYdBPU>

MEMBERS PRESENT: Ferhan Hamid, Chairman  
Cynthia Lawrence, Vice Chairman  
Vonda Collins  
Orrin Gallop  
Adam Tolbert

MEMBERS ABSENT: Jonathan Comer  
Scott Price

STAFF PRESENT: Tony R. Russell, Interim Director  
Amy Dilworth, General Counsel  
Deborah Courtney, Deputy Executive Director of Finance and  
Administration  
Gina Smith, Deputy Executive Director of Gaming Compliance  
Prudence Milligan, Acting Marketing Director & Customer  
Strategy Manager  
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.

MINUTES OF LAST MEETING

On motion duly made by Ms. Lawrence and seconded by Chief Gallop, the minutes from the regular meeting held on July 12, 2023, were approved as distributed.

DIRECTOR'S REPORT

Mr. Hamid thanked Mr. Russell for serving as Interim Director and for doing a great job. Mr. Russell said that he is happy to be of service and humbled to lead the Lottery team.

DIRECTOR'S REPORT (Continued)

Mr. Russell said that, in the first quarter of FY24, sales were approximately \$1.3 billion, and profits were approximately \$238.3 million. He also said that Mega Millions and Powerball both experienced jackpots in excess of \$1 billion. Mr. Russell said that we continue to see success in iLottery, but we also are seeing softening sales in scratchers and daily games. He said that \$29.5 million was generated in casino tax revenue in the first quarter of FY24. Sports betting activity produced \$12.2 million in that same time period. Mr. Russell introduced Prudence Milligan who is currently serving as the Acting Marketing Director.

Mr. Russell said that other first quarter highlights include an upgrade to the valottery.com platform Sitecore and content delivery, onboarding a new customer-experience platform for our Help Desk called Five9 and two new sports betting permit holders going live.

Mr. Russell said that October is National Cybersecurity Awareness Month. He introduced Paul Battle, the Lottery's new Information Security Director. Mr. Russell said that we follow a People – Process – Technology philosophy with technology and information technology. Ms. Collins asked if the Lottery executes internal phishing campaigns. Mr. Russell said yes.

Mr. Russell also said that Richmond will hold a casino referendum on November 7, 2023. He said that there is no update on Norfolk at this time. Mr. Russell provided an update on one of the Lottery's vendor partners, NPi, which is headquartered in Israel. With the current world activity in Israel, he said that we stay in touch with them daily. Our data is on-site in the U.S., and they also have a team in the U.S. He said that their people and operations are fine. The same is true for our sports betting permit holder 888. Lastly, Mr. Russell provided an update on the Problem Gambling Treatment & Support Advisory Committee. The first meeting was held in July 2023. He shared the makeup of the committee, and he also shared a few highlights from the second meeting that was held in September 2023.

Ms. Mullen provided an update on the Thank a Teacher Art Contest that runs through November 13, 2023. Three designs will be selected and featured on thank-you notes that will be distributed during Teacher Appreciation Week in the spring of 2024. She also provided an overview of the Lottery's participation with 60+ education-related organizations. The variety of on-site events reaches 6,000 education stakeholders and encompasses every region of Virginia.

Ms. Mullen reminded the Board that the Lottery was one of three lotteries that earned the Sustaining Level of Responsible Gaming certification through the National Council on Problem Gambling. In July 2023, the Lottery received a national award for its Gift Responsibly campaign.

Ms. Mullen said that the Lottery celebrated its 35<sup>th</sup> birthday on September 20, 2023. She thanked the Board members who were able to attend the sales conference in August 2023 where we celebrated with the field sales team. On September 20, 2023, we had the opportunity to celebrate with all HQ staff via a lunch, a 15-minute video, Lottery memorabilia and a service project.

DIRECTOR'S REPORT (Continued)

Ms. Mullen said that, for many years, Lottery employees have been offered the opportunity to volunteer in schools. Many of our field sales teams also have done other types of service projects. We know from research that employees want to work for companies that give back to their communities. We also know that a customer's perception of a brand is more positive when the customer sees/experiences employees giving back. To that end, the Lottery's efforts in this area have been reinvigorated. Ms. Mullen provided statistics on the number of employees that have participated in one or more volunteer opportunities, the number of work units and the number of hours.

Mr. Russell provided an update on the joint subcommittee to study the feasibility of establishing a Virginia Gaming Commission. He said that the budget that passed in the summer of 2023 allocated \$250,000 for the study. A Request for Information was issued on October 13, 2023. The first committee meeting was held on October 16, 2023. Mr. Russell said that the committee wants to take a thorough look at this topic. He said that the committee reported that it might take up to two years to do so rather than by November 30, 2023, as originally suggested.

BOARD ISSUES

Mr. Hamid said that the performance of the Lottery continues to be strong. Additional revenue from casinos and sports betting continues to grow, but the Board's statutorily mandated job is oversight and regulation. Mr. Hamid quoted the following from the State Lottery Law:

*§ 58.1-4007. C. The Board shall make a continuous study and investigation of (i) the operation and the administration of similar laws that may be in effect in other states or countries, (ii) any literature on the subject that may be published or available, (iii) any federal laws that may affect the operation of the lottery and sports betting, and (iv) the reaction of Virginia citizens to the potential features of the lottery and sports betting with a view to recommending or effecting changes that will serve the purpose of this chapter.*

Mr. Hamid said that the Board has made decisions on the licenses of casinos in three locations. He recently visited the temporary casino in Danville and had the opportunity to meet with businesspeople, people at the casino, community activists, city officials and others. He said that there appeared to be broad support and enthusiasm for the casino in Danville and that includes what the casino means for the community economically now and in the future.

Mr. Hamid said that the decisions that the Board makes affect people's lives and have a lasting impact. He said that he has spoken in past meetings about institutions. He also said this is a time of rapid change at the Lottery, and he thinks we need to strengthen those institutions. He said that it is necessary to take steps toward that end. Mr. Hamid quoted the following from the State Lottery Law:

BOARD ISSUES (Continued)

**§ 58.1-4006. Powers of the Director. B.**

*4. Confer regularly, but not less than four times each year, with the Board on the operation and administration of the lottery and the regulation of casino gaming; make available for inspection by the Board, upon request, all books, records, files, and other information and documents of the Department; and advise the Board and recommend such matters as he deems necessary and advisable to improve the operation and administration of the lottery and the regulation of casino gaming.*

Therefore, under the Virginia Lottery Law, Mr. Hamid said that he is exercising his discretionary authority as Board Chairman to appoint two new Board committees. The first committee is the Operations Committee, and Ms. Lawrence will be the chairwoman. Members will be Mr. Price, Mr. Comer and Mr. Tolbert. The second committee will be the Gaming Compliance Committee, and Mr. Gallop will be the chair. Members will be Mr. Price, Mr. Comer, Mr. Tolbert and Ms. Collins. He said that the Board Chairman may serve in an ad hoc capacity on both committees. The new committees are established in recognition of the statutory requirement of the Executive Director to confer with the Board on the operation and administration of the Lottery including its role as a regulator of sports betting and casino gaming and to facilitate the Board's statutory authority to provide advice and recommendations to the Executive Director regarding the same. The committees will work in conjunction with the Executive Director and with the participation of the General Counsel. Committee meetings will be open to the public.

Mr. Hamid requested that the Executive Director give the Board members access to lottery and gaming trade journals. He also requested that the Board members be placed on a distribution list to regularly receive media coverage of the Virginia Lottery, casinos and sports betting.

Mr. Hamid said that in light of the two new committees, his goal is to have a meeting in early December 2023 with a date to be determined. Finally, he said that he has asked Mr. Tolbert to research issues involving the Open Meetings Act, livestreaming of meetings and any recommendations that he may have. Mr. Tolbert will report back later.

Financial Update

Ms. Courtney provided preliminary results for the first quarter of FY24. She said that total sales were a record \$1,301.4 million. Mega Millions sales were \$64.3 million, which is down slightly from last year at this time. We continue to see growth in e-instants on our iLottery platform. Ms. Courtney said that there was a notable decline in scratcher sales compared to last year at this time. There was a similar decline in daily games sales.

Ms. Courtney reviewed sales versus prior years. She also reviewed expense rates versus the prior year. Prize expense was 75.8%, which was 2.7% more than last year (73.1%). Retailer

BOARD ISSUES (Continued)

compensation was 5.5%, which was 0.2% less than last year (5.7%). Operating expenses were 3.6%, which was 0.5% less than last year (4.1%).

Ms. Courtney said that the first quarter record profits were \$238,368,124.

Ms. Courtney provided an update on taxes from sports betting. Total FY24 wagers through August were \$612,617,731. Total FY24 taxes through September were \$12,210,140.

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.

Gaming Compliance Update

Ms. Smith provided an update on sports betting. She shared the list of approved operators. Since the July 12, 2023, Board meeting, two additional operators went live: Betr VA, LLC and PlayLive Virginia, LLC.

Ms. Smith said that WSI US, LLC (Wynn) decided to close its nonretail sports book and announced its immediate closure on August 11, 2023. Since then, she and her team have been meeting with them weekly. All bets have been settled, notifications were sent to patrons to withdraw their funds by October 11, 2023, and patrons with remaining funds will be mailed checks. Ms. Smith said that we are continuing to work on the final remediation plan with Wynn. She also said that this will free up a permit.

Ms. Smith provided an update on sports betting renewals. She said that eight permit holders and eight suppliers are up for renewal during the first four months of calendar year 2024, and the renewal process has started. Permits are good for three years. There also are 78 vendors up for renewal during the first four months of calendar year 2024.

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

BOARD ISSUES (Continued)

Ms. Smith provided an update on the Voluntary Exclusion program. As of October 15, 2023, there are 841 individuals currently enrolled in the program. At this point, 800 individuals are active, and 41 individuals are inactive because their enrollment period ended. A few of the inactive individuals have reenrolled. Ms. Smith said that, per the regulations, if a person does not reenroll, the person is automatically removed from the list. Chief Gallop said that he thinks it would be better in order to come off the list, you must notify us. Ms. Smith said that would require a regulatory change and that this could be discussed further. She 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 October 18, 2023:

Service Permits:

Gaming and non-gaming	4,850
Vendors	509

Supplier Permits:

Key Manager	113
Manufacturers	21

Ms. Smith provided an update on HR Bristol. She said that, within the last quarter, her department approved the receipt of four new games and approved 10 change requests, which involved a total of 174 games. She 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 15 new games and approved 11 change requests involving 117 total games.

Ms. Smith provided an update on Caesars Danville. She said that, during the last quarter, we approved the addition of 70 new games and approved 20 change requests involving 391 games.

Bristol Casino Update

Ms. Allie Evangelista, President of HR Bristol, said that they now have 100,000 loyalty members. She shared the total number of slot jackpots (34,180) and the total dollar amount won (\$89,200,000) for the period of January - September 2023. She also shared the amount of gaming taxes (\$21,738,647) for the same period. Ms. Evangelista shared stories about a few notable

BOARD ISSUES (Continued)

winners. She also shared the results of the Team Members Dining Room Donations program and the TITO boxes - Guest Donations program. She provided details on a multitude of community events and sponsorships that HR Bristol has participated in. Ms. Evangelista gave an update on the permanent facility and shared pictures of the construction progress. Lastly, she shared a video containing testimonies from their team members.

Ms. Lawrence said that she knows that the three casinos are working on retention, career advancement and additional training. She would like to hear more details at a future meeting on their efforts to partner with schools, registered apprenticeships and external accreditation.

Portsmouth Casino Update

Mr. Roy Corby, General Manager of Rivers Casino Portsmouth, provided an overview of their first eight months. He shared the total gaming revenue produced, food and beverage 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 & Minority-Owned businesses and Portsmouth-based businesses.

He said that Rivers Casino has created 1,300 jobs. Mr. Corby provided an overview of their volunteerism, board service, donation drives, in-kind contributions and corporate giving. He shared a video containing clips from Rivers Gives Day of Service 2023. Mr. Corby said that they are a proud community partner, and they have recently hosted several events (i.e. Hampton Roads Workforce Council, Military Economic Development Advisory Committee). Lastly, he said that entertainment has been a very small part of what they do but that will ramp up next year. They regularly host local bands and events.

Danville Casino Update

Mr. Chris Albrecht, Senior Vice President and General Manager of Caesars Virginia, thanked Mr. Hamid for his comments about his recent visit to Caesars. Mr. Albrecht said that they will hit the six-month mark in November 2023, and the excitement continues to build.

Mr. Albrecht said that strong volumes continued into the first full quarter of operations. Net Gaming/AGR from the opening on May 15, 2023, through the end of September 2023 was \$91 million. He said that they have increased the size of the gaming floor since opening. He also said that their temporary facility has seen approximately 500,000 visitors since opening. They have replaced all 36 tent panels of their temporary structure. He provided updates on hiring and training. He also provided highlights of hiring, training and community efforts. Lastly, he gave an update on the permanent facility and shared pictures of the construction progress.

BOARD ISSUES (Continued)

Appointment of Nominating Committee

Lottery regulations require the Board to elect a Chairman and Vice Chairman at the first meeting of the year. Mr. Hamid appointed Mr. Price and Ms. Collins to serve on the Nominating Committee. They will develop a slate of officers and committee members to be presented to the Board at the January 2024 meeting.

2024 Board Meeting Dates (proposed)

Mr. Hamid asked the members if they had any conflicts with the proposed Board meeting dates for 2024. The dates will be finalized once the members have a chance to check their schedules.

PUBLIC COMMENT

None.

OTHER BUSINESS

The next Lottery Board meeting is scheduled to take place on January 10, 2024. Mr. Hamid will work with the Board members to secure a date in December 2023 for the committee meetings.

BOARD MEMBERS' OPEN DISCUSSION

Ms. Lawrence endorsed the naming of the two committees. She said that we are in a period of rapid change not only with the addition of casinos and sports betting but also technology and cybersecurity. She said that the Board needs to look into, be aware of, and consider issues as they seek to manage the flow of information at the pace that it is coming to them. She looks forward to serving, and she appreciates the staff's support.

Chief Gallop said that he also appreciates the staff's support and the opportunity to serve on the committee. He said that he looks forward to having a better understanding of the Board's role with casinos especially as it relates to the violation process.

Mr. Tolbert agrees that the committees are a good idea. He said that the committees will provide the opportunity for more due diligence in these areas. He also said that he is pleased to serve.

Ms. Collins endorsed the formation of the committees. She said that she would do her part to be a collaborative partner for the duration of her term. She also said that this is an opportunity to enhance what is already in place if there is an opportunity to do so.



BOARD MEMBERS' OPEN DISCUSSION (Continued)

Mr. Hamid thanked Ms. Collins for serving as Chair of the Audit Committee. He said that there has been some discussion regarding the Lottery Law as well as casino regulations that provide that the Board may order such audits as they deem necessary and desirable. He said that the audit role will become part of the two new committees.

Ms. Lawrence complimented the staff on the execution of the sales conference. Mr. Hamid said that he saw a very highly motivated staff. Mr. Tolbert was impressed that many of the employees that attended the sales conference had 20 to 30 years with the Lottery.

Mr. Hamid said that the committee members should work with the General Counsel on how to structure the meetings.

CLOSED MEETING

Ms. Collins made the following motion, which was seconded by Ms. Lawrence.

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.

Discussion of records protected under subdivision 2 of section 2.2-3705.7, prepared for the Office of the Governor for deliberative use.

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;

RECONVENED MEETING (Continued)

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 Chief Gallop and seconded by Ms. Collins, the Board approved, as presented in the closed meeting, the prize structure for the online-only \$100K New Year Raffle.

On motion duly made by Chief Gallop and seconded by Ms. Collins, the Board accepted, as presented in the closed meeting, the proposed updates for the revenue projections and transfers to the Lottery Proceeds Fund for fiscal year 2024, and each year of the 2024-2026 biennium (fiscal years 2025 and 2026). The projections will be forwarded to the governor.

ADJOURNMENT

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

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Tony R. Russell, Secretary

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Ferhan Hamid, Chairman