

VIRGINIA LOTTERY
Board Meeting
January 14, 2025

The Virginia Lottery Board met on January 14, 2025, 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/4Ei5eCRv34I>

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

STAFF PRESENT: Khalid R. Jones, Executive Director
Amy Dilworth, General Counsel
Deborah Courtney, Deputy Executive Director of Finance and
Administration
Ray Dunkle, Deputy Executive Director of Gaming Compliance
Tony Russell, Deputy Executive Director of ITS and Operations
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.

REPORT OF NOMINATING COMMITTEE

The Nominating Committee, Mr. Comer and Chief Gallop, met on January 3, 2025, and propose the following slate of officers for Calendar Year 2025:

Chairman	Ferhan Hamid
Vice Chairman	Adam Tolbert

ELECTION OF OFFICERS

Mr. Hamid opened the floor for further nominations. There were none. On motion duly made by Mr. Comer and seconded by Mr. Price, the members of the Board unanimously elected the slate of officers for Calendar Year 2025 as presented.

Mr. Hamid presided over the remainder of the meeting.

GAMING COMPLIANCE COMMITTEE REPORT

Chief Gallop said that the Gaming Compliance Committee met on December 20, 2024. He said that First Sergeant Kevin Johnson of the Virginia State Police provided an update on illegal-gaming enforcement, Mr. Dunkle provided a casino update, and Mr. Jones provided a legislative update. Mr. Hamid said that he thinks it is a good idea for the Virginia State Police to provide an update on a regular basis at the Gaming Compliance Committee meetings or at the Board meetings.

OPERATIONS COMMITTEE REPORT

Mr. Comer said that Ms. Lawrence, Chairwoman, was unable to attend the Operations Committee meeting on December 20, 2024. Mr. Comer provided the report on her behalf. He said that Mr. Jones provided a legislative update as well as an overview of the FY24 Virginia Lottery Internal Audit findings and the status of audit issues.

MINUTES OF LAST MEETING

On motion duly made by Ms. Lawrence and seconded by Ms. Williams, the minutes from the regular Board meeting held on October 30, 2024, were approved as distributed.

DIRECTOR'S REPORT

Mr. Jones said that the strategy for Fiscal Year 2025 (FY25) focuses on three main prongs: Lottery, employees and gaming compliance. The goal is to keep these core areas in prominent focus to ensure the mission is always front and center.

Mr. Jones said that the total revenue for the first half of FY25 was \$2.78 billion, up 3.8% year-over-year. Record-setting first half profits were \$458.7 million. Scratch product sales increased by almost 10% in the first half. iLottery is outperforming last year, but growth is slowing. National jackpot sales are still down but a bit better. Virginia's New Year's Millionaire Raffle sold out again. Operating expenses were 3.9%. Retailer compensation is 5.8% and is on pace for a new record.

Mr. Jones said that the Lottery's top issues and areas of focus are social establishments, new game types, increased game-type variety on the iLottery platform and sports sponsorships.

Mr. Hamid asked Mr. Jones to expand on the innovative ideas that are in the works. Mr. Jones said that the team is developing products specifically for bars, restaurants and entertainment destinations using QR codes. This initiative aims to cater to environments where traditional Lottery products may not be suitable due to space constraints or the nature of transactions. Mr. Jones said that there are preliminary explorations underway to involve European jackpots that

DIRECTOR'S REPORT (Continued)

are not correlated with American jackpots. This approach aims to balance the impact of national jackpots and provide more stability to the Lottery's performance. Lastly, Mr. Jones said that the team is undergoing a study on how to transform the Lottery environment with artificial intelligence (AI). This includes gaining efficiencies in the workplace and enhancing the Lottery offerings themselves. The approach is to implement AI in a responsible manner by following governmental guidelines and ensuring a gradual adoption.

Mr. Hamid asked the average age of the kiosks. Mr. Jones said that he would follow up with the exact number. He also said that they are well-maintained. He noted that both Mr. Kenyon and Mr. Sawyer have been considering updating some kiosks to be more interactive like electronic kiosks. They saw examples of such kiosks at a recent trade show. Additionally, they mentioned the importance of ensuring uniform signage with the new logo; some signage still displays the old logo.

Mr. Jones provided a brief overview of casinos and sports betting. He acknowledged the hard work and dedication of the team, especially during the opening of two new permanent casinos in Danville and Bristol. He provided an overview of tax collections from sports betting and casinos.

Mr. Jones said that strides have been made with recent developments in responsible gaming offerings and the technology supporting them in relation to gaming compliance. He said that there is an upcoming demonstration from two major market players showcasing new technological interventions during gameplay.

Mr. Jones said that the Lottery has produced its first Play Responsibly Annual Report that outlines the Lottery's efforts to support responsible gaming and problem gambling awareness.

Mr. Jones said that during the recent water outage in the City of Richmond, Mr. Russell ensured that the office remained operational by coming in daily to monitor the situation and test faucets even though the building was closed. Mr. Russell's dedication was crucial in maintaining operations and planning meetings during a challenging time.

Revisions to the Virginia Lottery's Procurement Manual

Mr. Jones provided the members with the Virginia Lottery's Procurement Manual that contained updates that were discussed at a previous meeting.

On motion duly made by Ms. Lawrence and seconded by Ms. Williams, pursuant to 11 VAC 5-20-200, the proposed revisions to the Virginia Lottery's Procurement Manual were approved as presented.

DIRECTOR'S REPORT (Continued)

Legislative Update

Mr. Jones provided an overview of the proposed creation of the Virginia Gaming Commission and the Lottery's potential role in standing up the agency. He said that there are currently nine potential bills that relate to the Lottery before the 2025 General Assembly session. He provided an overview of the following bills: HB2498, SB1287, HB1799, HB2171, SB827, SB1322, HB2232, SB982 and SB1280.

BOARD ISSUES

Financial Report

Ms. Courtney provided preliminary results for the first half of FY25. She said that total sales were \$2,758.8 million, which is 3.6% more than last year at this time. Scratcher sales were \$665.2 million, which is 9.9% more than last year at this time. Ms. Courtney said that the category with the largest increase over last year was CASH POP.

Ms. Courtney also provided updates on Mega Millions and Powerball. She said that eInstants and iRaffle sales were \$1,511.3 million, which is 9.2% more than last year at this time.

Ms. Courtney reviewed sales versus prior years. She also reviewed expense rates versus the prior year. Prize expense was 77.1%, which was 0.3% more than last year (76.8%). Retailer compensation was 5.8%, which was 0.2% more than last year (5.6%). Operating expenses were 3.9%, which was 0.2% more than last year (3.7%).

Ms. Courtney provided an update on the first-half profits.

Mr. Hamid congratulated Mr. Jones and his team on the great results. He also said that he is pleased that the Lottery is using forward thinking to attempt to continue the success.

Ms. Courtney provided an update on taxes from sports betting. She also provided an update on taxes from casinos. She said that there is a graduated tax rate on the Adjusted Gaming Revenue. The first \$200 million in Adjusted Gaming Revenue in a calendar year is taxed at 18%, and the next \$200 million is taxed at 24%. Both Rivers Casino Portsmouth (Rivers) and Caesars Virginia (Danville) exceeded \$200 million in Adjusted Gaming Revenue in Calendar Year 2024.

Ms. Courtney provided the tax breakdown for Hard Rock Bristol (HR Bristol), Rivers and Caesars Virginia.

Lastly, Ms. Courtney provided an update on the budget process.

BOARD ISSUES (Continued)

Gaming Compliance Update

Mr. Dunkle thanked Mr. Jones for his kind words and support. He also said that he is proud of his team. Mr. Dunkle said that he is honored to represent them before the Board.

Mr. Dunkle said that there are currently 14 approved operators, but two operators are non-operational.

Mr. Dunkle provided an update on sports betting renewals for permit holders. He also provided an update on supplier renewals and vendor renewals.

Mr. Dunkle provided the market share by operator. He also provided a breakdown of total wagers by sport. Mr. Dunkle provided a breakdown of the overall handle for the three casinos.

Mr. Dunkle provided an update on the Voluntary Exclusion Program. As of December 31, 2024, 1,589 individuals are enrolled in the program. He provided the number of active (1,391), inactive (198) and those who have reapplied (17). Mr. Dunkle also provided a breakdown of enrollees by gender and by age.

Mr. Dunkle provided an update on casinos. He provided the number of active service permits as of December 31, 2024, for gaming (3,977), non-gaming (980) and vendors (791). He also shared the number of supplier permits issued as of December 31, 2024, for key manager (91), manufacturer (22) and contractor (3).

Mr. Dunkle provided an update on HR Bristol. He said that, during the last quarter, his department approved 12 scheduled projects, which involved 913 games. He said that the permanent casino opened on November 14, 2024. The non-smoking gaming floor opened on December 27, 2024. The poker room renovations are in progress, and the room is slated to open in January 2025.

Mr. Dunkle provided an update on Rivers. He said that, during the last quarter, his department approved six scheduled projects, which involved 272 slot machines. He also said that his team is continuing to work with Rivers on day-to-day operations.

Mr. Dunkle provided an update on Caesars Virginia. He said that, during the last quarter, his department approved 20 scheduled projects, which involved 767 slot machines. The permanent casino opened on December 17, 2024, and the temporary casino has been closed and secured.

Mr. Dunkle provided an update on the Norfolk casino. His team is currently going through the licensing and investigations process. Construction activities are expected to begin in January or February of 2025. Mr. Dunkle said that construction tracking meetings have been set up.

BOARD ISSUES (Continued)

Mr. Dunkle provided an update on the Petersburg casino. The Lottery has received the certification of the referendum results. Mr. Dunkle's team is currently going through the licensing and investigations process. The initial construction meeting was held.

PUBLIC COMMENT

None.

OTHER BUSINESS

Mr. Hamid said that the next Board meeting is scheduled to take place on April 9, 2025. He also said that the next committee meeting date needs to be scheduled. Mr. Hamid asked Mr. Comer to coordinate with Jo Murphy to determine future committee meeting dates.

BOARD MEMBERS' OPEN DISCUSSION

Mr. Tolbert thanked the members for selecting him as Vice Chairman of the Board. He also extended his appreciation to Ms. Lawrence for her many years as Vice Chairwoman. Mr. Hamid acknowledged that Ms. Lawrence is the longest serving Virginia Lottery Board member (20 years). He also said that the energy and ideas that she brings to the Board are amazing. Ms. Lawrence said that she has not yet heard if she will be reappointed, but that it is an honor to be a part of the Board. Mr. Hamid also thanked Chief Gallop for his contributions to the Board. He also said that Chief Gallop did an admirable job as Chairman of the Gaming Compliance Committee. Chief Gallop said that he enjoys serving on the Board as well.

CLOSED MEETING

Ms. Williams 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.

RECONVENED MEETING

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

RECONVENED MEETING (Continued)

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 Mr. Tolbert and seconded by Mr. Comer, the prize structures and odds for the Lottery games Mega Millions and Virtual Sports (Football, Basketball and Horse Racing) were approved as presented.

ADJOURNMENT

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

Khalid R. Jones, Secretary

Ferhan Hamid, Chairman