Good Morning Mr. Chairman, other distinguished members of the 31st Legislature Finance Committee, those in attendance and the listening and viewing audience. For the record I am Juan Figueroa Sr. Executive Director of the Virgin Islands Lottery. With me today is my Executive team:

- Mr. Michael Toussaint, Acting Chief Financial Officer;
- Ms. Shalyn Proctor, Financial Accounting Supervisor;
- Ms. Esther Clifford, Director of Operations;
- Mr. Luis Osorio, Director of Security and Investigations;
- Mr. Derrick Francis, Director of Information Technology;
- Ms. Yvette Finch, Confidential Executive Assistant/ Marketing Supervisor
- Ms. Corinne Carmichael, Special Projects Coordinator/ Human Resources Coordinator and
- Ms. Mabel Maduro, Educational Outreach Manager.

The Virgin Islands Lottery (VIL) was founded in 1937; its mandate was amended in 1971, within Title 32, Chapter 13 of the Virgin Islands Code. Virgin Islands Lottery is an instrumentality of the Government of the United States Virgin Islands and is the oldest continuous lottery of any state or Territory. For the past seventy-eight (78) years, the Virgin Islands Lottery has been part of the social structure of the Territory of the U.S. Virgin Islands.

Through the years, the Virgin Islands Lottery has experienced significant growth and development and has increased its portfolio of games as a value added measure and as a means of increasing player satisfaction. As a result, the agency has become much more visible and viable and is now one of the top contributors to the economy of the Virgin Islands, generating more than 18 million dollars annually.

On March 26th, 2015, I held my first meeting with the members of the Virgin Islands Lottery Commission. This Commission is selected by and serves at the pleasure of the Governor, for a period of four years. Present were the newly appointed Ex-officio members, Mr. Valdemier Collens, Commissioner of Finance, and Mr. Nellon Bowry, Director of the Office of Management and Budget (OMB). Also attending the meeting were Commission members Ms. Adrienne Williams, Director of the Housing Finance Authority and Chairperson, Mr. Vernon Finch and Mr. Lloyd Daley. Commission meetings were also held on September 3, 2015 to review the findings of our independent audit and on September 17, 2015 to review and approve our Fiscal Year 2016 budget.

Our accomplishments for Fiscal Year 2015 began with Open House Lottery Dealers meetings, which were held on all three islands, beginning on St. Thomas on April 20, 2015, St. John on April 21, 2015 and St. Croix on April 24, 2015. Dealers who attended were given the opportunity to express their concerns as well as provide ideas on how to promote sales.

Our Tickets and Sales Offices continue to successfully process ticket sales and prize payments, using our new and a work in progress Point of Sales (POS) System. This system enables us to provide instant notification to our customers of all winning numbers. Another positive factor is that our Board of Drawing members are able to verify the winnings, which enable us to generate our schemes the same day of the drawing. The scheme, along with major winning numbers is posted online on our website which is www.winusvilottery.com.

We are happy to report that we have met our quarterly mandated contributions as follows: Education Initiative Fund for the amount of one million five hundred thousand dollars ($1,500,000.00) has been provided to assist with the various programs within the public schools. We have contributed close to one million dollars ($1,000,000.00) to the Retirees' Bonus Program. We have provided one million five hundred thousand dollars ($1,500,000.00) for the Pharmaceutical Assistance Program to assist with the purchase of medication for senior citizens. Although it is not a requirement, we voluntarily provided One Hundred and Twenty-five Thousand Dollars ($125,000.00) to the Office of Veterans Affairs. As mandated by law, a total of Two Hundred and fifty thousand dollars ($250,000.00) was provided to the Horse Race Commission and the Horse Owners Association, the Department of Agriculture and Islands Horse Welfare Operators.

The Virgin Islands Lottery is currently demonstrating more responsible and result oriented investments in various quality educational, social, athletics and musical programs that can be successfully evaluated and mutually benefit the recipients and Virgin Islands Lottery because of the engagement and outreach experience.

Proceeds from the Virgin Islands Lottery Sponsorships and Donations Program are used to fund specific government initiatives. Although not mandated by law, Virgin Islands Lottery has traditionally allocated approximately $300,000 to sponsor/fund community-service programs. For Fiscal Year 2015, a total of $315,000 has been awarded to various community programs.

In Fiscal Year 2016, the Virgin Islands Lottery is focusing as a first priority and as part of its short range plan, on the security of our employees as well as our patrons. They are of paramount importance to the success of the agency. As such we continue in the process of purchasing the necessary upgraded, and in some cases, up-to-date equipment, to include effective surveillance monitoring equipment for all our offices and surrounding areas.

As a second priority and short range plan, the Virgin Islands Lottery is focusing on doing an overall assessment of its Information Technology infrastructure to insure that its network is operating at optimal capacity. Another objective of the Virgin Islands Lottery is to continue the training of the accounting staff of the Microsoft Great Plains Accounting Program, in order to stay current with the changes of the program.

As part of the mid-range plan The Virgin Islands Lottery will develop Human Resources programs and services that will result in professional development that will foster a positive work environment.

I held my first Executive Staff meeting on April 8, 2015, and again on May 15, 2015, in which the Executive Staff presented a power point presentation outlining their goals and objectives and concerns they had within their Divisions. On May 13, 2015, I conducted a territory-wide General Staff meeting with all employees. Staff was able to express their concerns, as well as provide management with ideas on streamlining office efficiency, enhancing revenues of the Virgin Islands Lottery. We must continue to explore ways in which to enhance the revenues of the Virgin Islands Lottery. It is my understanding that one of your colleagues has legislation to legalize the sales of Puerto Rico Lottery tickets in the Virgin Islands. While I am not taking a position at this time I believe we should explore the possibility of how such an initiative would impact the Virgin Islands.

With this in mind, The Virgin Islands Lottery is doing its due diligence and will initiate a Request for Proposal (RFP) to explore the pros and cons of such an initiative. By the same token I also understand that one of your colleagues is also exploring the possibility of expanding Southland Gaming Video Lottery (VLT) to the Island of St. Croix and I belief it is also an initiative that should be explored.

I am now pleased to present our Fiscal Year 2016 Budget. The major revenue components of the budget include the Traditional Game, Video Lottery Gaming, and On-Line Games such as Powerball, Mega Millions, Super Lotto and other Scratch Games. We continue to feel the effects of the HOVENSA/PDVESA closing on an already troubled economy, as we missed our projected revenue targets this year from a high of 6.55% in the traditional game to a low of 3.4% in the Video Lottery Gaming. The original Fiscal Year 2015 revenue projection of $19,527,175 is now estimated based on actual dollars through May to be $18,446,540 at yearend, September 30, 2015. This represents a decrease in projected revenue of

$1,080,635 or an estimated 5.54% reduction in revenue for Fiscal Year 2015.

Our revenue projection for Fiscal Year 2016 of $19,348,640, is below the original Fiscal Year 2015 budget. It is however, a 5% increase over the yearend projection based on actual dollars through May. Based on new applications for video gaming sites, plans for new games in Fiscal Year 2015 and a recovering economy, we consider this a realistic goal.

We continue to hemorrhage monetarily, due to the mandated transfers of funds dictated by legislative statutes, which is approximately 5 million dollars annually.

We are now asking that you consider restructuring the set aside requirement to be net of operating expenses. This would be a significant improvement over the existing requirement that applies it against our gross revenue. Because of the Affordable Health Care Act, we are also asking that you consider looking into shifting and/or diminishing the funds of the Pharmaceutical Assistance Program to other programs that are in need.

We are happy to report that our Extra-Ordinary Drawings are scheduled for December 16, 2015, and June 23, 2016.

The Fiscal Year 2016 proposes no wage increases and no new positions. We will continue to monitor the operating expenses for Fiscal Year 2016 very closely.

We project that we will end the year below the Fiscal Year 2015 budgeted operating expenses by $609,183. The Total Operating Expenses for Fiscal Year 2016 budget is $14,723,499, which results in operating income before mandatory transfers of $4,625,141. After accounting for mandatory transfers and other non-operating expenses we are projecting a surplus of $28,434.

Mr. Chairman, the Virgin Islands Lottery has made significant improvements over the past few years and this would not have been possible without the hard work of the employees of the Virgin Islands Lottery. On behalf of the Virgin Islands Lottery Commission and management, I say thank you to the men and women of the Virgin Islands Lottery. This concludes my testimony. My team and I are available to respond to any questions you may have regarding the budget and or the operations of the Virgin Islands Lottery.

Juan Figueroa Sr.