

**Minutes of the Commission Meeting  
Capitol Building – Room 412  
September 22, 2006**

The quarterly meeting of the South Dakota Lottery Commission was called to order by Chairman Tom Leckey at 10:30 a.m. on September 22, 2006.

MEMBERS PRESENT: Tom Leckey, Duane Schmautz, Virginia Nelson, Dick Werner, and Susan Shay Brugger.

MEMBER ABSENT: Douglas Sharp and Kory Menken

SUPPORT STAFF PRESENT: Norm Lingle, Mike Mueller, Joe Willingham, Deb Reese, Sherry Lauseng, Tim Weber and Mary Jo Bibby.

**APPROVAL OF THE MINUTES:**

A motion was made by Dick Werner and seconded by Susan Shay Brugger to approve the June 30, 2006 minutes. Motion carried.

**ELECTION OF CHAIRMAN:**

Dick Werner nominated Tom Leckey for the position of commission chairman. Susan Shay Brugger seconded the motion. Tom Leckey nominated Dick Werner for the position of commission chair. Virginia Nelson seconded the motion. Virginia Nelson moved nominations cease. Susan Shay Brugger seconded the motion. Motion carried. Dick Werner was elected by written ballot.

*Dick Werner now chairing.*

**APPROVAL OF THE AGENDA:**

Norm Lingle asked that Item 9 “Executive Session” be removed from the agenda. Susan Shay Brugger moved that the agenda be approved as amended. Virginia Nelson seconded the motion. Motion carried.

**SALES/MARKETING REPORT:**

Director of Sales Joe Willingham reported on the following:

**FY06 SALES SUMMARY:**

Instant sales are up 15 percent and lotto sales are up 28 percent. Norm Lingle reported that transfers to the state from the instant sales in FY06 were \$3.5 million and transfers from lotto sales were \$5.6 million, \$1.4 million of which went to general fund and the balance to the Capital Construction Fund.

## PRODUCT UPDATE:

Lotto game sales are up 48 percent from the same time last year. Powerball sales are up 41 percent, Dakota Cash sales are up 48 percent, Hot Lotto sales are up 55 percent and Wild Card sales are up 60 percent.

Willingham distributed a list of recent lotto winners.

Instant sales are up 2.6 percent from the previous year. Golden Spin and Mustang Money are the current top sellers. New games include Instant 50, Pheasant Fever, Holiday Hearth, Merry Money and Holiday Cash.

Recent instant winners were announced.

## REVENUE PROJECTIONS FOR FY07:

Instant revenues for FY07 are expected to be \$3.81 million, an increase of 7.32 percent over last year. Lotto revenues are expected to be \$4.96 million, a decrease of 10.95 percent over last year. Video lottery revenue projections for FY06 are \$110.5 million, an increase of .57 percent over last year.

## PUBLIC RELATIONS AND ADVERTISING REPORT:

Director of Public Relations and Advertising Mike Mueller reported on the following:

### AD CAMPAIGNS:

In July, Golden Spin was promoted with 30-second radio ads. The July 19 Powerball jackpot run was promoted with 30-second radio ads.

In August, radio, TV ads and in-store posters supported the Mustang Money game launch.

The State Fair promotion offered \$2 in free tickets with the purchase of a Mustang Money ticket. A Ford Mustang GT convertible was on display at the Lottery's booth. A winning ticket was purchased by Roger Pownell of Huron, who later claimed the display car. A news release was issued about his win. Instant and lotto sales were up \$3,000 from the previous year's fair.

The Wild card jackpot reached \$1 million for the Aug. 5 drawing. Because retailer signs could not display a six-figure amount, a news release was issued explaining why the signs read 999 thousand dollars.

In September, a jackpot alert was issued Sept. 6 for all four lotto games. A winner awareness campaign featured the Mustang winners in radio ads. Newspapers ads will begin running this

week. News releases were issued when a \$200,000 Powerball ticket was sold and when Ronald Dailey, Jr. of Martin claimed his prize. Ads during NFL broadcasts featured three lotto and three scratch games with the theme: "It's out there. Play attention." The ads will rotate throughout the season.

In October, a second-chance drawing will be held. Players submit non-winning \$5 Hot Lotto tickets for four Las Vegas trip packages. Thirty-second radio ads, posters, counter cards and clerk sell sheets will promote the drawing.

Upcoming campaigns in November and December will include TV, radio and point of sale pieces featuring holiday games.

A Dakota Cash jackpot for the May 31 drawing worth \$170,693 remains unclaimed. The ticket will expire Nov. 27, 2006. A \$200,000 Powerball prize for the July 1 drawing is also unclaimed and will expire on December 28, 2006.

#### **VIDEO/ADMINISTRATIVE REPORT:**

Director of Security and Video Lottery Operations Deb Reese reported on the following:

The number of establishments is up 2 percent from the same period last year. The terminal count is up 2 percent. Net machine income is up .6 percent from last year.

Spielo is still in the testing phase for their chip set.

Game Tech International has applied to become a distributor and manufacturer in the South Dakota market. They are in the process of buying out Summit Amusement & Distributing. Game Tech currently designs and markets Bingo systems and equipment. The Lottery is reviewing Game Tech's materials and completing due diligence. Game Tech is authorized to do business in 44 states.

The new Dakota Cash draw machines (Quantum Vision Random Number Generator) went into production August 23. These systems were purchased from the Multi State Lottery and offer excellent security and easy operation.

#### **FY08 BUDGET REQUEST**

##### **INSTANT/ON-LINE REQUEST:**

Norm Lingle reported that the instant/on-line informational budget must be approved by the Lottery Commission.

A decrease in expenses for consulting, legal and computer services to SGI is a result of the contract extension, basing fees on sales, which went into effect in August, 2006.

The computer services expense increase is for AS400 and personal computer upgrades.

Advertising increases are due to expenses incurred for promoting jackpot wins.

Central services fees include charges for Bureau of Personnel, Bureau of Finance and Management, auditing, records management and other state agency services.

MUSL fees are for membership.

Retailer commissions and prize expenses are functions of sales.

Ticket printing costs should decrease because of contract changes.

New jackpot signs made up the largest share of capital assets expenditures.

**VIDEO LOTTERY BUDGET REQUEST:**

Telephone costs are incurred by the nightly polling process.

A rate reduction with SGI should result in lower expenses for computer consulting services.

Inspection services are provided through a contract with the Department of Public Safety.

“Other Contractual Services” include \$214,000 to the Department of Human Services for gambling treatment programs.

**BUDGET APPROVAL:**

Tom Leckey moved and Susan Shay Brugger seconded the motion to approve the instant/on-line budget request. Motion carried

**NEXT COMMISSION MEETING:**

The next commission meeting will be December 8, 2006 with the time to be determined.

**ADJOURNMENT:**

Susan Shay Brugger moved and Tom Leckey seconded the motion to adjourn. Motion carried and at 11:47 the commission adjourned.