



Minutes of the Commission Meeting  
Capitol Building - Room 468  
September 19, 2008

The September 19, 2008 meeting of the South Dakota Lottery Commission was called to order by Chairman Duane Schmautz at 9:30 a.m.

**MEMBERS PRESENT:** Kory Menken, Susan Shay Brugger, Tom Leckey, Virginia Nelson, Dick Werner, Douglas Sharp and Duane Schmautz.

**SUPPORT STAFF PRESENT:** Norm Lingle, Mike Mueller, Joe Willingham, Deb Reese, Sherry Lauseng, Andrew Fergel and Mary Jo Bibby

**APPROVAL OF THE MINUTES AND AGENDA:**

Tom Leckey moved to approve the minutes of the May 16, 2008 meeting and today's agenda. Dick Werner seconded the motion. Motion carried.

**ELECTION OF THE COMMISSION CHAIR:**

Douglas Sharp nominated Susan Shay Brugger as Commission Chair. Kory Menken seconded the motion. Virginia Nelson moved that nominations cease. Douglas Sharp seconded the motion. The roll was called and Susan Shay Brugger was unanimously elected Commission Chair.

*Susan Shay Brugger now presiding*

**EXECUTIVE DIRECTOR'S COMMENTS:**

Executive Director Lingle stated that Commission information packets were sent electronically and the process is going well.

**UNAUDITED FY08 SALES:**

Instant sales were \$20.6 million, an increase of 13.5% over FY07. On-line sales were \$21.7 million, a 0.7% increase. Video net machine income was \$112.2 million and 0.8 increase.

**TRANSFERS TO THE STATE:**

Transfers from instant tickets were \$4.8 million, an increase of 11.9% over FY07. On-line transfers were \$5.5 million, a 14.8% decrease. Video transfers were \$111.9 and increase of 1.3%. Lingle attributed the higher instant sales to the \$20 anniversary game and excellent holiday sales. The decrease in on-line sales is due to frequent jackpot wins and subsequent lower jackpots.

**EXECUTIVE SESSION:**

Commissioner Werner moved that the Commission move into executive session for the purpose of consulting with Lottery staff regarding possible lottery rule and law violations. Commissioner Schmautz seconded the motion. Motion carried and at 9:43 the Commission moved into executive session.

At 10:12 the Commission reconvened in regular session.

**ACTION ON RULE/LAW VIOLATIONS:**

Commissioner Menken moved to approve the Consent Orders executed by the Wild Card Casino and Dakota Prairie Casino and the South Dakota Lottery whereby each Casino was fined \$10,000 for extending credit to an individual (s) for video lottery machine play in direct violation of Administrative Rule 48:02:05:05 (10). Commissioner Schmautz seconded the motion. Motion carried.

**FY10 BUDGET REQUEST/APPROVAL:**

Norm Lingle presented, for Commission approval, the FY09 budget requests as follows:

A review of FY08 actual expenditures included: payments to Scientific Games International for on-line services based on sales and for computer enhancements; advertising expenses for radio, newspaper and television space, 20<sup>th</sup> anniversary, beneficiary and Dakota Raffle campaigns; marketing costs for advertising production; Central Services for fees to Bureau of Finance and Management, Bureau of Personnel and Records Management; payments to the Multi-State Lottery Association for managing on-line games; retailer commissions and ticket printing.

Commissioner Werner moved to approve both the Instant/On-Line Informational Budget request of \$30,563,042 and Video Budget of \$2,597,232. Commissioner Sharp seconded the motion. Motion carried.

**SALES/MARKETING REPORTS:**

*Director of Sales Joe Willingham reported on the following:*

**ON-LINE RFP:**

Three bidders have responded to Request for Proposals for On-Line Services and are being reviewed.

**INSTANT GAMES:**

Instant sales are down 3 percent from the same period last year.

Deal or No Deal sales have been the highest for any \$5 game. Nearly 4,000 entries had been received by October 12. The entry rate is 15 percent.

Upcoming games include Blockbuster, Silver Bells and Holiday Cheer. Holiday Cash and Shooting for Bucks will be launched in late October.

Willingham announced recent winners.

## LOTTO GAMES:

Powerball sales are down 35 percent. There is currently a jackpot run which will reach \$154 million for the September 20, 2008 drawing. Hot Lotto sales are up 12 percent, Wild Card sales are down 19 percent and Dakota Cash is up 4 percent.

Recent winners were announced.

## STATE FAIR:

Players buying a Deal or No Deal ticket received \$2 in free tickets. Sales of instant tickets at the Fair were down 10 percent, lotto sales were up 22 percent.

## **POWERBALL MATRIX CHANGES:**

Director of Public Relations and Advertising Mike Mueller explained upcoming changes in the Powerball game matrix. Florida will join the Powerball Group in January. The matrix change will ensure that the average number of jackpot winners per year and the average jackpot size when won will stay the same. More smaller prizes will be won. The starting jackpot amount will increase from \$15 million to \$20 million. The Match 5 Power Play prize will increase to \$1 million. The multiplier number will be chosen with a Random Number Generator. The overall odds of winning a jackpot will change from 1:146 million to 1:195 million. Overall odds will change from 1:36.6 to 1: 35.5.

A hearing will be held to adopt rules for the game change at the next meeting.

## **PUBLIC RELATIONS/ADVERTISING REPORT:**

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

### **CONTRACT FOR ADVERTISING AND RELATED SERVICES:**

A contract was successfully negotiated with Robert Sharp and Associates and took effect on July 1. The contract is for two years with up to three one-year extensions.

### **JUNE:**

A winner awareness campaign was held the first two weeks of June. The ads ran in newspapers and on radio.

### **JUNE/JULY:**

Two licensed property games, Scrabble and Field & Stream, were launched.

### **AUGUST:**

Deal or No Deal was launched on August 25. Mueller explained the two second-chance drawing promotions associated with the game. Drawing winners may win a trip and a chance to play Deal or No Deal with Howie Mandel. Radio and television ads ran from August 29 through September 18.

#### **AUGUST/SEPTEMBER:**

News releases were issued about the \$126,603 Dakota Cash jackpot winner and the \$200,000 Powerball prize winner.

#### **SEPTEMBER:**

Thirty-second radio jackpot alerts were issued on September 10 when the jackpot reached \$102 million.

A news release was issued when the \$28,270 Dakota Cash jackpot was won.

#### **OCTOBER:**

The \$250,000 Blockbuster game will be promoted with point-of-sale pieces and radio ads.

A winner awareness campaign will be launched.

#### **VIDEO LOTTERY REPORT:**

*Deb Reese reported on the following:*

#### **REVENUE REPORT:**

The number of establishments is down 1 percent from the same period last year. The terminal count is up 2 percent. Net machine income is up 2 percent from the same period percent last year.

#### **VIDEO LOTTERY CENTRAL SYSTEM REPLACEMENT:**

The Lottery is working with Scientific Games International to replace the video lottery central system. Site visits were conducted in June to jurisdictions that are currently using the Advanced Entertainment Gaming and Information System, AEGIS.

Functional specifications are being reviewed. Lottery requirements are being documented in a Customer Requirements Delta Document.

The Bureau of Information and Telecommunications is reviewing the proposed hardware and network diagrams.

The new central system will be able to operate multiple protocols and allow continued operation of the VLC terminals.

#### **NEXT MEETING DATE:**

The next Commission meeting date will be October 24, 2008 at 9:30 in room 468 of the Capitol.

#### **ADJOURNMENT:**

Motion by Menken seconded by Shay Brugger to adjourn. Motion carried and the Commission meeting adjourned at 11:10 a.m.

