



**Minutes of the Commission Meeting**  
**St. Charles Conference Room**  
**January 30, 2009**

Chairman Susan Shay Brugger called the January 3, 2009 meeting of the South Dakota Lottery Commission to order at 1:30 p.m. (CT)

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

MEMBER ABSENT: Doug Sharp

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

**APPROVAL OF THE AGENDA AND MINUTES:**

Tom Leckey moved to approve the agenda for today's meeting. Virginia Nelson seconded the motion. Motion carried.

Tom Leckey moved to approve the minutes of the October 24, 2008 meeting. Duane Schmautz seconded. Motion carried.

**EXECUTIVE DIRECTOR'S COMMENTS:**

Executive Director Norm Lingle stated that Duane Schmautz and Virginia Nelson have been reappointed to the Commission.

Lingle reported on system specifications for the new GTECH on-line system.

LEGISLATIVE SESSION UPDATE:

Senate Bill 83 prohibits smoking in any public place of employment. Dick Werner asked about how smoking bans have affected video lottery industries in other states. Lingle responded that those states saw drops from 10 to 30 percent.

House Bill 1191 seeks to increase the state's share of net machine income to 70 percent.

Senate Joint Resolution 1 proposes a Constitutional amendment that allows for a special Legislative session to be held if a bordering state poses a threat from interstate gaming.

## **SALES REPORT:**

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

### INSTANT GAMES:

Sales are down 1.4 percent. Holiday games and Hershey's boasted good sales two weeks after Christmas as tickets received as gifts were being cashed.

Willingham reported on upcoming games.

During the Black Hills Stock Show players purchasing a Black Hills Gold Rush ticket will receive \$2 in free tickets.

The Deal Or No Deal drawing has received 23,000 entries out of a possible 123,000. Willingham reported on the drawing deadlines and trips to be awarded.

Willingham reported on recent winners.

### LOTTO GAMES:

Sales are down 7 percent compared to the same period last year.

January saw a good Powerball jackpot run following the matrix change. Sales are similar to those before the change.

Dakota Cash sales are down 4 percent. Wild Card sales are up slightly. Hot Lotto sales are up 24 percent. Hot Lotto is currently the second most popular lotto game.

Recent winners were announced.

### CONVERSION UPDATE:

Numerous meetings have been held with GTECH personnel regarding terminal, system and interface functions. Customer acceptance testing should begin June 1.

### ON-LINE CONTRACT UPDATE:

Willingham said the proposal by GTECH is the agreement to be approved. Vending machines will be allowed only with Commission approval. "Errors and Omissions" and "Performance Bond" amendments are in line with what is available. Multi-year market research has been changed from one project.

### **ON-LINE CONTRACT APPROVAL:**

Chairman Brugger invited public comment on the GTECH proposal. There were no comments. Dick Werner moved and Tom Leckey seconded the motion to approve the contract. Motion carried on a unanimous roll call vote.

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

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

### NOVEMBER

A Players Club promotion ran during November to increase membership. It was a cross promotion with Dept. of Tourism and State Development's "Made in South Dakota" program.

Players Club members actively subscribed as of Nov. 30 were automatically entered in a drawing on December 1<sup>st</sup> to win one of 10 prize packages, including a \$90 assortment of holiday scratch tickets and \$100 gift certificates to shop the Made In South Dakota.com website.

There were a total of 752 new subscribers for the month compared to a monthly average of 55. There are Currently 3,620 subscribers

Thirty-second winner awareness radio ads ran throughout the month of November.

### WILD CARD JACKPOT WINNERS

A news release was issued about the \$698,933 Wild Card jackpot won on Nov. 15<sup>th</sup> in South Dakota. It was the tenth largest in South Dakota history. Curt and Cheryl Ness of Brookings came forward to claim the prize at the SF office. A news conference was held that afternoon to introduce the Ness family and present them with their ceremonial check and their real check. The event was filmed for advertising.

### HOLIDAY GIFT CAMPAIGN

The annual campaign promoting scratch tickets as holiday gifts began the week of Thanksgiving and ran through December. It included point of sales items, TV ads and radio ads.

Two new ad styles were added this year in the state's two largest markets: A short run of video advertising in the Rushmore and Empire malls in early December and, during the final week before Christmas, electronic billboards in Sioux Falls and Rapid City.

### DECEMBER

A ticket sold in Springfield won the \$79,497 Dakota Cash jackpot on Dec. 10. A news release was issued about the win and when Donna Wynia of Springfield claimed the prize.

In between the regular run of the holiday ads, and the final weeks of December when last minute shopping is emphasized, there was a short break, which was used for winner awareness campaign featuring the Nesses. It included TV, radio and print ads.

### JANUARY

Florida joined the Powerball game on Jan. 4 and changes were subsequently made to the game.

A campaign included the results of the game changes – bigger starting jackpots, faster growing jackpots, more \$1M Power Play winners. The campaign ran through the month and included point of sale, TV and radio ads.

A Powerball jackpot alert was issued when the jackpot reached \$105 million for the Jan. 7<sup>th</sup> drawing.

A ticket sold in Custer won \$200,000 in the Jan. 17<sup>th</sup> drawing. News releases were issued about the win, and a \$20,000 PowerPlay win in the same drawing, and when a Custer couple claimed the prize on Jan. 20. The couple agreed to be included in advertising.

Earlier this week, radio ads featuring all Powerball winners began running. Four regional ads were produced.

#### COMING UP

Winner awareness continued in February.

Kiss-shaped fondue pots and 5 lb chocolate bars were deployed to radio stations for Valentine's and other related promotions to go along with the Hershey's game.

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

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

Compared to the same period last year, the number of establishments is down 0.5 percent, the terminal count is up 0.8 percent, and the net machine income is up .08 percent.

#### **VIDEO LOTTERY CENTRAL SYSTEM UPDATE:**

Norm Lingle reviewed the status of video lottery central system. The current communication protocol is proprietary to Scientific Games. A perpetual license has been received through a 10-year contract with Scientific Games. The contract includes a duplex primary system, duplex back-up system and the ability to handle SAS protocol, the protocol which will eventually be the standard used by the South Dakota Lottery as it will allow manufacturers to introduce new games more quickly.

The Lottery will pay \$2.9 million to Scientific Games based on reaching various milestones.

Lingle said projections will determine if the current contract will continue past 10 years or a new contract will be structured.

Site controllers will allow communication between terminals and the central system. They will allow multiple communication protocols. The controllers will be purchased by operators and installed by Scientific Games. Conversion will take approximately 90 days.

Dick Werner requested a breakdown of costs for services. Lingle will provide the information.

Duane Schmautz asked about warehousing data. Lingle responded that data will reside on the system for 90 days and then be warehoused.

Schmautz asked about the contract length in terms of the longevity of the hardware. He feels that the current contract is in line with standards accepted in the banking industry.

Schmautz asked if the site controller will be compatible with all brands of terminals. Lingle responded that it would.

A discussion was held about the site controllers becoming obsolete when a new vendor with a new protocol receives a contract.

Bob Hartford of the Music and Vending Association reported on findings on the effects of smoking bans in other states. Hartford also stated that raising the state's share of net machine income would make marginally profitable establishments unprofitable.

**ADJOURNMENT:**

Duane Schmautz moved and Kory Menken seconded the motion to adjourn. The motion passed and at 3:50 p.m. the Commission adjourned.