



Minutes of the Commission Meeting

Room 413 Capitol Building

August 27, 2009

Chairman Susan Shay Brugger called the August 27, 2009 meeting of the South Dakota Lottery Commission to order at 9:30 a.m. (CT)

MEMBERS PRESENT: Susan Shay Brugger, Kory Menken (via teleconference), Virginia Nelson, Doug Sharp and Dick Werner

MEMBER ABSENT: Tom Leckey and Duane Schmautz

SUPPORT STAFF PRESENT: Norm Lingle, Kelly Thompson, Joe Willingham, Deb Reese, Sherry Lauseng, Andrew Fergel and Mary Jo Bibby

APPROVAL OF THE AGENDA AND MINUTES

Dick Werner moved to approve the amended agenda for today's meeting. Doug Sharp seconded the motion. Motion carried.

Dick Werner moved to approve the minutes of the May 27, 2009 meeting. Virginia Nelson seconded. Motion carried.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

LOTTO CONVERSION:

The conversion to the new lotto system supplied by GTECH went well.

FY09 SALES AND TRANSFERS:

Instant sales are down 2.4 percent, on-line sales are down 4 percent. Video Lottery net machine income is down 2 percent. Lingle cited the economy and lack of jackpot runs as causes.

A \$3.8 millions transfer was made to the General Fund from instant ticket proceeds, \$3.8 million transferred to Capital Construction Fund and \$1.4 million to the General Fund from lotto sales.

ELECTION OF COMMISSION CHAIR

Cory Menken nominated Virginia Nelson to serve as Commission Chair. Doug Sharp seconded the motion. Motion carried

Virginia Nelson now chairing:

Dick Werner nominated Doug Sharp to the position of Commission Vice Chair. Susan Shay Brugger seconded the motion. Motion carried.

INSTANT/ON-LINE INFORMATIONAL BUDGET

Norm Lingle presented the budget and highlighted a few items. In-state travel expenses were up, even though we traveled fewer miles, Scientific Games' fees are a function of sales. We will see cost savings with GTECH. Bureau of Information and Telecommunications costs increased due to the on-line conversion, website re-design and conversion of license and inspection data bases to the Launch Pad program. Advertising and marketing costs were up due to the expenses of promoting the Wild Card and Powerball jackpot wins. Expenses for the "instant only" Wininstant terminal phone lines will be eliminated. Retail commission and prize expenses are a function of sales. More instant ticket games were printed during FY09. No premium items were purchased during the year. Capital assets increases were due to personal computer replacements and the purchase of five new firewalls.

Werner asked about the FTE's. Lingle responded that the numbers adjust depending on allocation to instant/on-line or to video lottery.

Nelson asked if sales representatives drive their own vehicles. Lingle responded that they drive state-issued vehicles.

VIDEO LOTTERY BUDGET

Lingle presented the Video Lottery budget. Variances include BIT costs for data base conversion, cash payment to SGI for computer consulting and inspection services provided by the Department of Public Safety. Capital assets include replacing personal computers and the new firewalls and \$214,000 to the Department of Human Services for problem gambling treatment.

Werner moved and Brugger seconded the motion to approve the budget. Motion carried.

SALES REPORT

Director of Sales Joe Willingham reported on the following:

LOTTO CONVERSION:

The conversion went well with a few issues yet to be resolved: jackpot signs, draw-night issues, accounting and retailer reports. Modifications have been made and will be tested Sept. 8. It is too soon to assess the impact of having additional retailers.

LOTTO GAMES:

Total lotto sales are up 52 percent compared to the same period last year.

Recent Powerball, Wild Card and Hot Lotto runs have helped improve sales.

Dakota Cash sales are down 5 percent.

Recent winners were announced.

INSTANT GAMES:

Sales are up marginally with the Diamond Dazzler game performing especially well. Willingham is exploring marketing tools such as licensed games and games with higher top prizes.

Willingham reported on upcoming games and recent winners.

ABERDEEN OFFICE MOVE:

The Aberdeen Lottery office is moving to the DRR regional office in Aberdeen.

STATE FAIR:

The Lottery booth at the State Fair is offering a free Monte Carlo ticket with the purchase of \$5 in tickets.

INSTANT RFP:

An RFP for instant ticket printing will be issued before the next Commission meeting.

INSTANT EXTENSION:

There is one year remaining in our contract with SGI. The Lottery will receive three to four scene games, a three-scene artist game and one two-color image game.

Doug Sharp moved and Susan Shay-Brugger seconded the motion to approve the extension. Motion carried.

PUBLIC RELATIONS/ADVERTISING REPORT

Director of Public Relations and Advertising Kelly Thompson reported on the following:

PLAY DAYS:

Media events were held in Sioux Falls and Rapid City to demonstrate the new lotto equipment. Interviews with retailers and Lottery representatives were held. The events received good television coverage from the Sioux Falls event, and great radio, television and print coverage from the Rapid City event.

Thomson issued a news release encouraging players to bring in their "old" tickets to have them checked for winners prior to the conversion.

Information was posted on our website alerting the public to the upcoming conversion and how the new system and its features will benefit players.

POWERBALL JACKPOT WIN:

News releases were issued when a ticket sold in Winner won the Powerball jackpot in the May 27 drawing and when Neal Wanless stepped forward to claim his prize. A Powerball awards ceremony was hosted on June 5 to present Wanless with an oversize commemorative check and allow him to make some brief remarks to the media. The story garnered state, national and international attention.

OTHER JUNE JACKPOT WINS:

A news releases was issued when a ticket sold in Sioux Falls won the \$58,260 Dakota Cash jackpot in the June 17 drawing and when Mavis Vanderloo claimed the prize.

A news releases was issued when a ticket sold in Spearfish won \$200,000 in the June 20 Powerball drawing and when Edgar and Aileen Burr claimed their winnings.

WEATHER EYE BRANDING CAMPAIGN

Thomson announced a new branding campaign which features :30 radio ads and sponsorship tags for select weathercasts on Weather Eye participating stations. The ads position the Lottery with an important broadcasting element with measurable, high listenership, and it promotes us as an agency that is interested in the welfare of our players. The year-long campaign runs in conjunction but not in competition with the Lottery's existing radio advertising. The ads can be focused on a variety of products and can be used to increase sales with minimal promotion as opposed to a full-on ad campaign.

DIAMOND DAZZLER

This \$5 game launched July 13 was promoted by a :30 television ad which ran from Aug. 7 – Aug. 21 on both cable and network stations and by an animated web banner on the Lottery website.

JULY LOTTO WINNERS:

News releases were issued when a ticket sold in Rapid City won \$200,000 in the July 4 Powerball drawing, and when Raymond Hanson claimed the prize.

News releases were issued when a ticket sold in Aberdeen won the \$42,807 Dakota Cash jackpot in the July 18 drawing, and when Guy and Kathy Marzenell claimed their winnings.

JULY WINNER AWARENESS ADS:

The Lottery continued our regular winner awareness efforts on the radio and with :30 regional ads featuring recent winners ran July 21-22 and 27-28.

JACKPOT ALERTS:

The Powerball jackpot reached \$102 million for the July 29 drawing with the Hot Lotto jackpot hitting the \$13.7 million mark and Wild Card moving up to \$610,000.

Radio jackpot alerts announcing all three amounts ran for three consecutive drawings as the jackpots rolled

The alerts featured the “Ticket to Fun” theme to refresh the alerts and provide a break from the “Dream” theme that was begun in January as part of the new, improved Powerball campaign.

AUGUST LOTTO WINNERS:

Thomson issued news releases when a ticket sold in Sioux Falls won the \$24,837 Dakota Cash jackpot in the Aug. 5 drawing and when Darlene Croninger of Crooks claimed her prize.

AUGUST JACKPOT ALERTS:

Continued radio jackpot alerts for the increasing Powerball, Hot Lotto and Wild Card jackpots.

Issued news release on Powerball jackpot hitting \$250 million reminding South Dakota players to play responsibly and that you only need one ticket to win.

TOUCHDOWN:

\$2 game launched Aug. 17 with a floor mat/cooler cling for point of sale display.

PHEASANTS FOREVER:

\$2 game launched Aug. 17 with a ceiling card and wobblers for point of sale displays.

Campaign also included :30 radio ads to run Sept. 14-16, 21-23, and 28-29 and Pheasants Forever shirts for listener giveaways.

As this is a joint venture with the Pheasants Forever organization, we’re also working on an ad for Pheasants Forever magazine and advising our radio partners that local organization members are available for interviews regarding the group and their habitat restoration project.

AUGUST WINNER AWARENESS:

We continued our regular winner awareness efforts on the radio and :30 regional ads featuring recent winners ran Aug. 17 – 18 and 24-25.

DEAL OR NO DEAL:

In conjunction with our Deal or No Deal scratch game, two second chance drawings were scheduled with winners being drawn from among the non-winning tickets that were sent to the Lottery.

The first drawing was held Feb. 26 to select two South Dakota winners for a special trip to Hollywood with the chance to play Deal or No Deal with Howie Mandel.

The second drawing is scheduled for Aug. 26 during which two South Dakota finalists will be selected to be entered with finalists from other participating lotteries in a grand prize drawing to win up to \$2.5 million.

UPCOMING EVENTS AND ACTIVITIES:

Coming soon are the South Dakota State Fair, updating of the Players Club micro-site, and advertising for holiday games.

VIDEO LOTTERY REPORT

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

VIDEO LOTTERY REVENUE:

The number of terminals is down .4 percent from the same time last year, establishment numbers are down 1 percent and net machine income is down 5 percent.

VIDEO LOTTERY CENTRAL SYSTEM UPDATE:

A contract was signed with SGI on May 28, 2009 and a Customer Requirements document was completed on June 19, 2009. Primary and test systems were delivered and installed on August 10, 2009 with Project Plan sign-off expected soon. Staff training began this week. User Acceptance testing will begin September 7, 2009. Migration to the new system is slated to begin in mid-October and anticipated to be completed by the end of the year.

NEXT COMMISSION MEETING

The next meeting is set for 9:30 a.m. on Thursday, November 5, 2009.

ADJOURNMENT

Menken moved and Brugger seconded the motion to adjourn. The motion passed and at 10:50 a.m. the Commission adjourned.