



Commission Members

Jim Putnam - Chair

William Shorma - Vice Chair

Joe Kafka

Dave Mickelson

Jamie Huizenga

Minutes of the Commission Meeting

Room 413, Capitol Building Pierre, SD

Wednesday, March 21, 2018

UNAPPROVED

Executive Director Norm Lingle started the March 21, 2018 meeting of the South Dakota Lottery Commission at 11:00 a.m. Chair Putnam was unable to attend and Vice Chair Faehn's term has ended. This meeting was broadcasted over the internet and conducted telephonically.

Senior member Commissioner Kafka started the meeting with welcoming Commissioner Jamie Huizenga. Chair Jim Putnam was absent.

SUPPORT STAFF PRESENT

Norm Lingle, Clark Hepper, Robyn Seibel, Tom Helland, Angela Bieber, Andrew Fergel, Nick Michels, Wade LaRoche, Sam Stanforth

OTHERS

Page Auble, Joe Hoffert, Brett Koenecke

APPROVAL OF THE AGENDA

Commissioner Mickelson moved to approve the agenda. Commissioner Shorma seconded. Motion passed with no objection.

NOMINATIONS OF VICE CHAIR

Commissioner Kafka asked for nominations for the Vice Chair to replace Commissioner Faehn, whose term has expired. Commissioner Mickelson motioned to nominate Commissioner Shorma for the Vice Chair of the South Dakota Lottery Commission. Commissioner Huizenga seconded the motion. Motion passed with no objection. Vice Chair Shorma took the gavel.

APPROVAL OF THE MINUTES FROM THE DECEMBER 14, 2017, MEETING

Vice Chair Shorma asked for a motion to approve minutes. Commissioner Kafka motioned to approve the minutes. Commissioner Mickelson seconded the motion. Motion passed with no objection.

CONFLICT OF INTEREST

Vice Chair Shorma asked if there were any conflicts of interest and there were none.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

2018 Legislative Session Bills that impact the lottery and/or Lottery Commission

- HB 1279 - Increase the state's percentage of the video lottery net machine income, create a fund for the proceeds, and repeal video lottery. (Killed in House Appropriations Committee)
- HB 1172 - Revise certain provisions regarding meetings of certain public bodies. Allow for public comment beginning July 1, 2018. This will be a part of future Lottery Commission agendas. (Passed)
- SB 183 - Provide funds to the Precision Agriculture fund by revising the allocation of petroleum release compensation, inspection fee revenue, online lottery revenues and to repeal the ethanol fuel fund. (Passed)

- Commissioner Huizenga was confirmed by the Senate Commerce and Energy on February 6 and the Senate in February. (Passed)

Online and Video Lottery RFP Update

The Lottery is preparing an RFP for replacement of the lotto and video lottery central system. The schedule is as follows:

- January 31, 2018 - The RFP was issued.
- February 23, 2018 - Vendors Submitted Questions (155 questions).
- March 9, 2018 - Lottery Responded to Questions.
- March 16, 2018 - Vendors Submit 2nd Round of Questions (50 questions).
- March 30, 2018 - Lottery Responds to 2nd Round Questions.
- April 20, 2018 - Proposals are Due by 4PM Central.
- May-August - Evaluate proposals, demonstrations and site visits if necessary.
- September 1, 2018 - Recommendation to Lottery Commission.
- The team comprised of Lottery Staff, DOR, and BIT working on this project.
- The contract, as stated in the RFP will have an 8 year base with 7 one-year renewals.

VIDEO LOTTERY - PROTOCOL DISCUSSION (LEGACY TERMINALS) Update

Deputy Executive Director Clark Hepper reported on the following:

- December 14, 2017, GMMS protocol end date topic was presented to the Commission. Commission directed Lottery staff to meet with the industry to come up with recommendations for an end of life plan for legacy machines.
- Lottery staff is meeting with industry reps to discuss options for end date of legacy machines February - May 2018.
 - (15) identified operators to meet with the Lottery to discuss GMMS protocols machines.
 - Establishing an end date, taking into account the size of operators and purchasing obstacles.
- Industry is concerned over continued attempts to eliminate Video Lottery legislative or referendum, VLC is still relevant, end date vs % of NMI date.
- June 2018 - Planning meeting with Commission and industry representation to come up with recommendation on the end date process.
- September 2018 - Lottery Commission Meeting to set GMMS end date policy.

Further discussion continued with Commissioner Kafka, Commissioner Mickelson, and Vice Chair Shorma to clarify an end date of Legacy machines and NMI. 1/3 are newer machines, 2/3 are older machines with the revenue 50/50. Consider financing for those who own less than 20 machines.

SALES REPORT

Director of Sales Tom Helland reported on the following:

- Net Machine Revenue Averages show an increase of 4%.
- Terminal and Establishment Averages are flat to 0.5% increase.
- Video Lottery FY18 State Share Revenue Projection as of February 28, 2018 is estimated higher than FY2017.
- Instant Ticket Sales as of February 28, 2018 show FY2018 at \$19.70 million vs FY2017 at \$17.13 million. 15.02% ahead of last year.
- Lotto Ticket Sales as of February 28, 2018 show FY2018 at \$19.95 million vs FY2017 at \$15.42 million. 29.36% ahead of last year.
- Instant, online and video FY18 projections are \$6 million ahead of last year.

NEXT MEETING DATE

Executive Director Norm Lingle reported on the following:

Director Lingle requested the Commissioners look ahead to discuss future Commission meeting dates for June, September and November, 2018.

ADJOURNMENT

Vice Chair Shorma requested motion to adjourn, Commissioner Huizenga motioned to adjourn and Commissioner Mickelson seconded the motion. Adjourned at 11:32 a.m