



711 E. Wells Avenue • Pierre, SD 57501 • Phone: 605-773-5770 • Fax: 605-773-5786 • <http://lottery.sd.gov>

To: South Dakota Lottery Commission  
From: Norman Lingle  
Executive Director  
Re: June 7, 2018 Lottery Commission Meeting  
Date: June 1, 2018

The June 7, 2018 meeting of the South Dakota Lottery Commission will begin at 9:30 a.m. The meeting will be held in Room 412 of the Capitol Building in Pierre.

I would like to highlight a few of the agenda items.

An update will be provided on the Online and Video Lottery Central Systems and Related Services RFP's. The update will include a report on where we are and next steps in the review process. The goal is to be in position to make a recommendation to the Lottery Commission at the September 6, 2018 meeting.

We also plan to provide an update on the video lottery legacy terminal discussions. The update will include a recap of the meetings with the Operators and various discussion points they brought forward.

The agenda also includes the normal sales and public relations/advertising reports.

A new item on the agenda is item 11 – Public Comment. The 2018 Legislature passed HB 1172. The bill requires the Chair of the public body to reserve, at every official meeting, a period for public comment. The public comment may be limited at the Chair's discretion but not so limited as to provide for no public comment. Even though this law doesn't take effect until July 1, 2018, we thought it would be good to start including it on the agenda now.

Please contact Clark or me if you have any questions, comments or if there is anything else you would like addressed during the meeting.

**South Dakota Lottery Commission**  
**Thurs, June 7, 2018 – 9:30 a.m.**  
**Room 412, State Capitol, Pierre, SD**

*\*Please read all materials provided in the packet and print and bring the Agenda and all Exhibits*

Listen live at <http://www.sd.net/room412/>



## MEETING AGENDA

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- |  |                   |
|--|-------------------|
| 1. Welcome   | Vice Chair Shorma |
| 2. Roll Call   | Angela Bieber     |
| 3. Approval of Agenda  | Vice Chair Shorma |
| 4. Approval of Minutes – March 21, 2018 meeting                  | Vice Chair Shorma |
| 5. Conflict of Interest  | Vice Chair Shorma |
| 6. Executive Director Comments                                   | Norm Lingle       |
| 7. Online and Video Lottery RFP Update                           | Norm Lingle       |
| 8. Video Lottery – Protocol Discussion (Legacy Terminals) Update | Clark Hepper      |
| 9. Sales Report  | Tom Helland       |
| 10. Video Lottery Report   | Tom Helland       |
| 11. Public Comment   | Vice Chair Shorma |
| 12. Next Meeting – September 6, 2018                             | Norm Lingle       |
| 13. Adjournment  | Vice Chair Shorma |

### *Expiration Dates of Commissioner Terms*

William Shorma	01/01/2019	Jim Putnam	01/01/2020
David Mickelson	01/01/2020	Joe Kafka	01/01/2020
Jamie Huizenga	01/01/2021	Vacant	
Vacant			

*Individuals wanting to testify before the Lottery Commission must sign the attendance sheet and in prefacing their remarks, state their name and the entity they represent.*

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**NOTE:** This meeting is being held in a physically accessible location. Individuals needing assistance, pursuant to the Americans with Disabilities Act, should contact the South Dakota Lottery at 605.773.5770 in advance of the meeting to make any necessary arrangements.



### **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

## Net Machine Revenue & Terminal and Establishment Averages

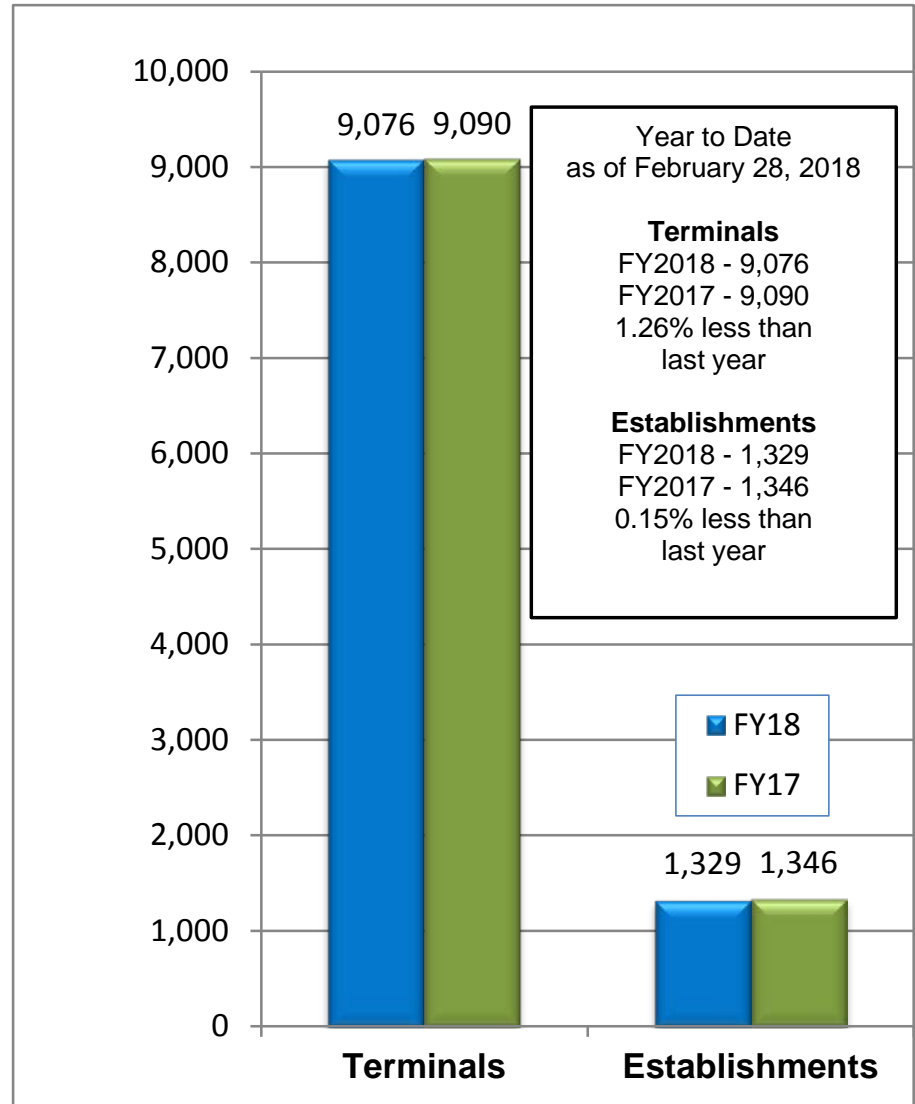
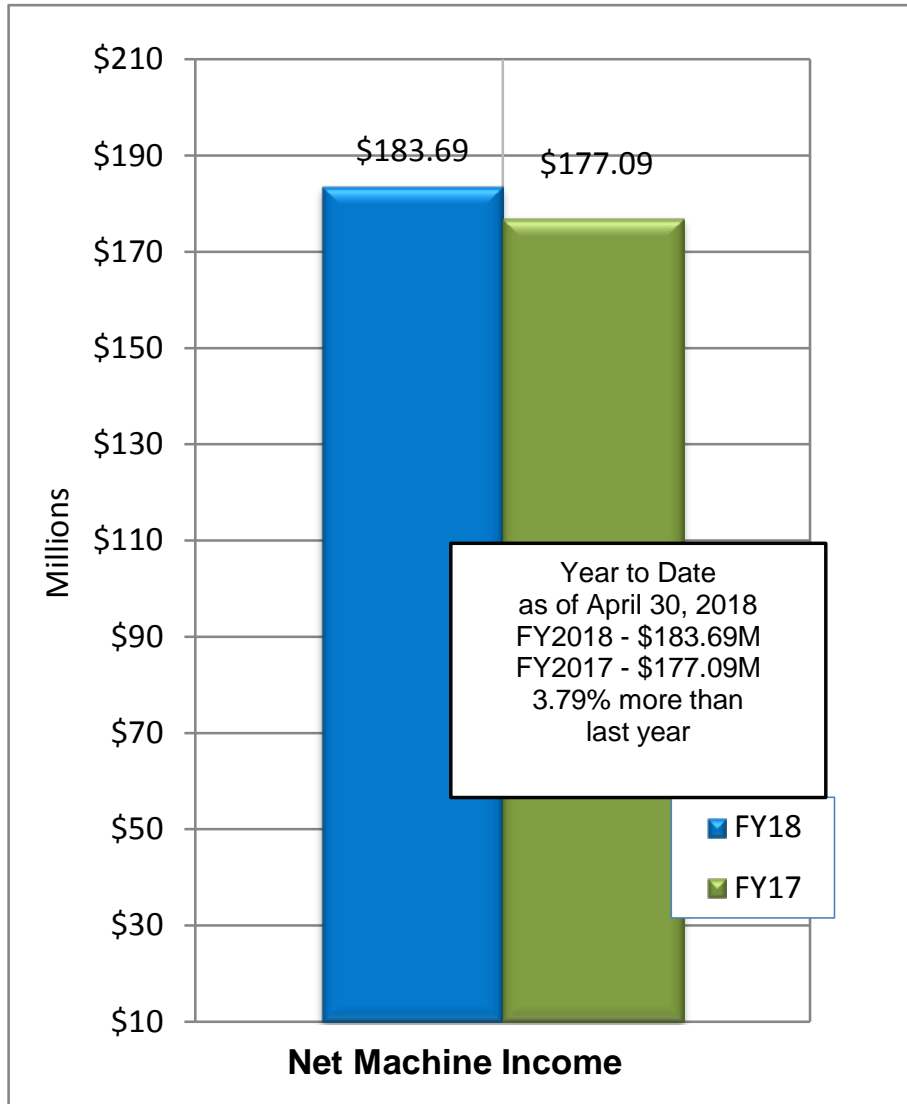
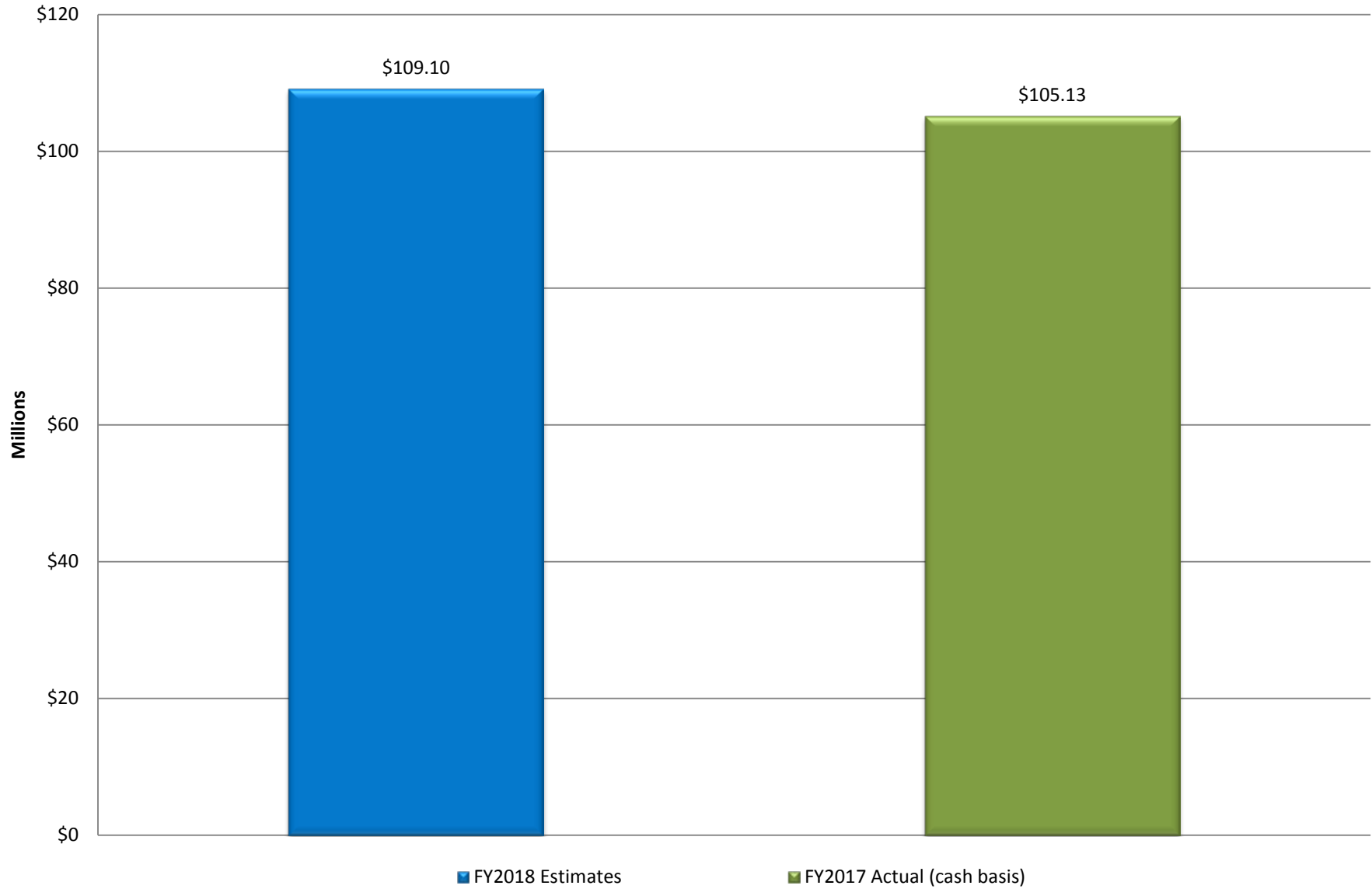
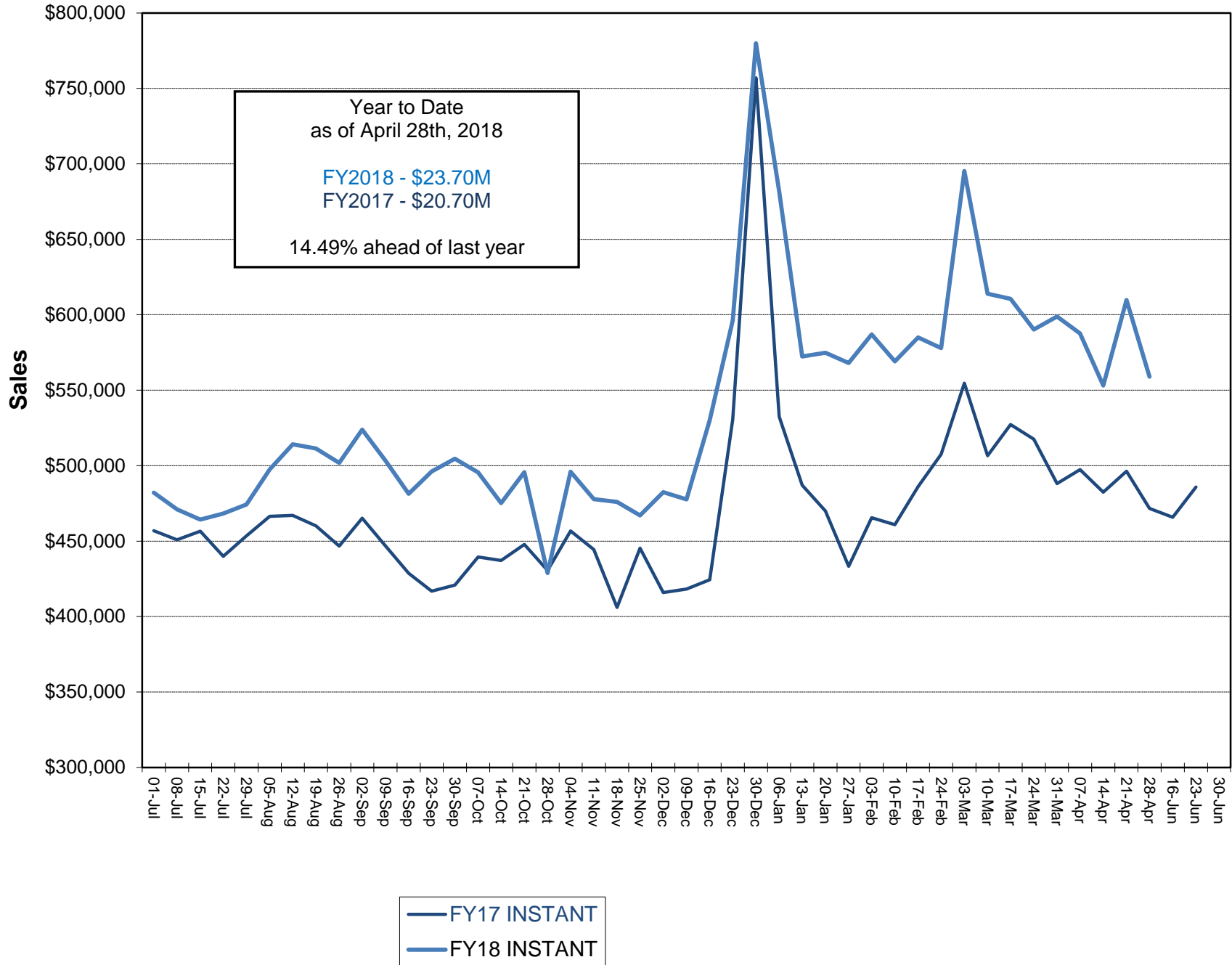


Exhibit B

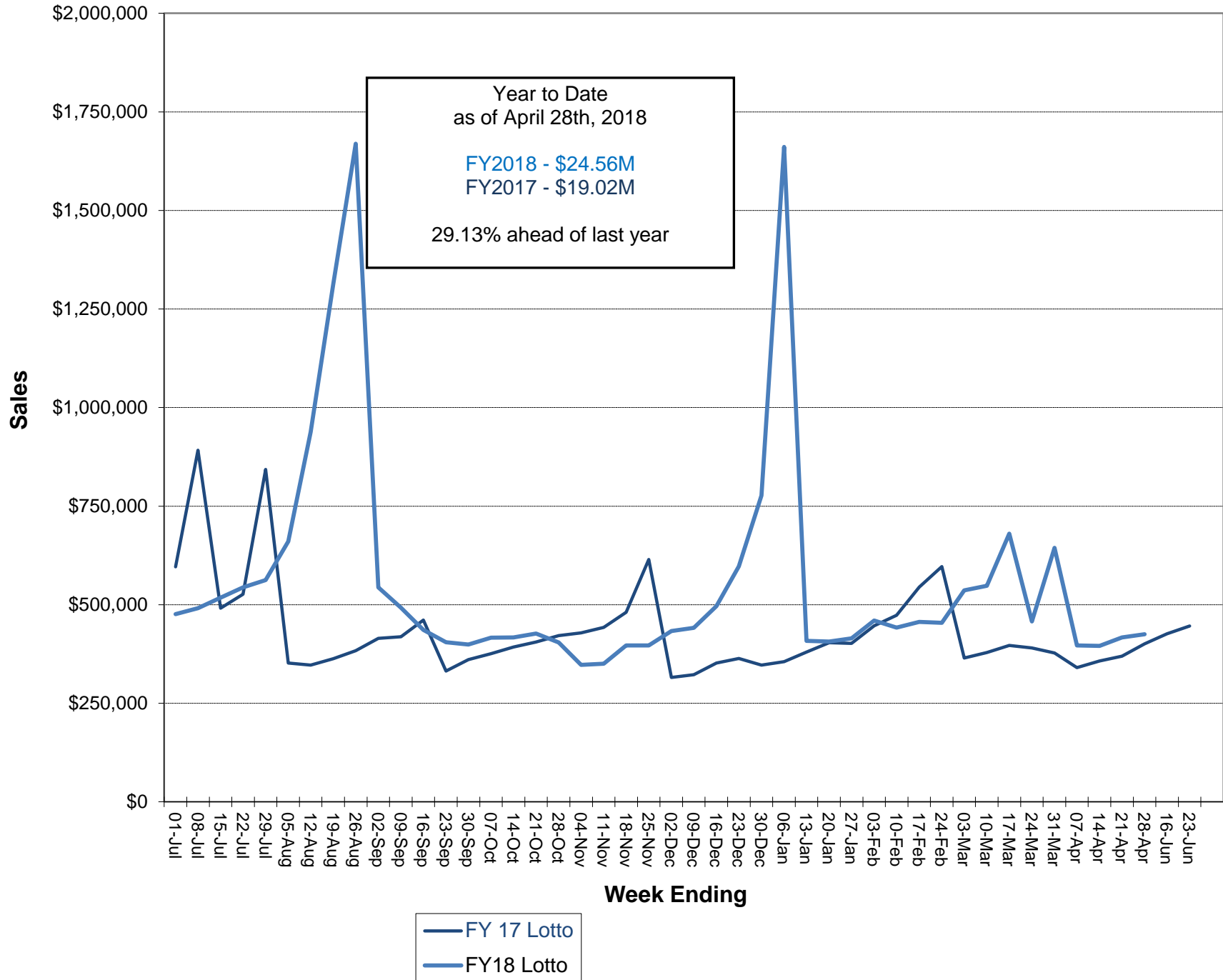
### Video Lottery FY18 State Share Revenue Projection As of March 31, 2018



# Instant Ticket Sales



# Lotto Sales





### Instant and Online FY18 Revenue Projections As of March 31, 2018

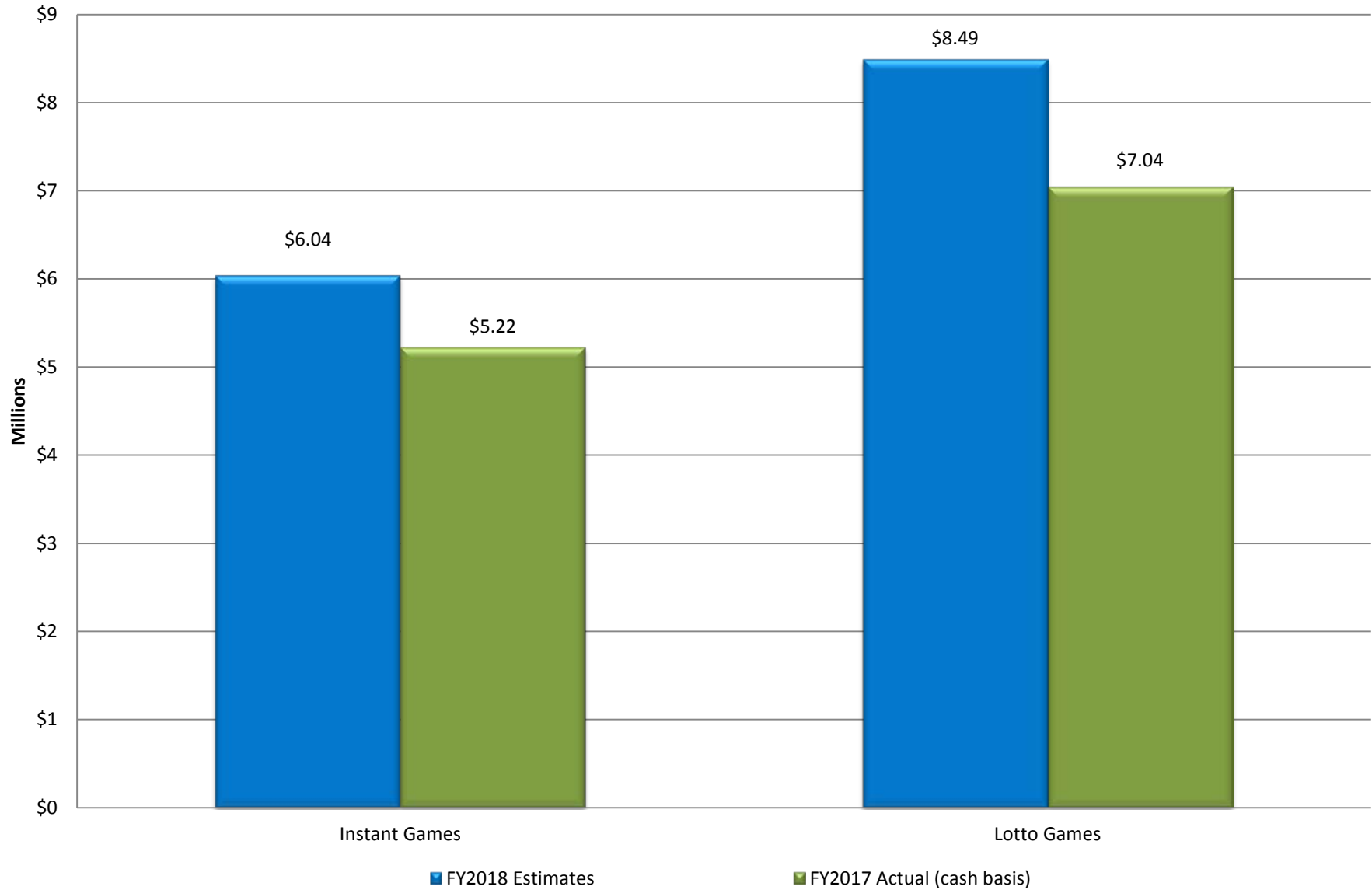


Exhibit F

### Total FY18 Revenue Projections As of March 31, 2018

