



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: September 14, 2018 Lottery Commission Meeting

Date: September 7, 2018

The September 14, 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.

The Commission will need to elect a new Chair and Vice Chair. SDCL 42-7A-17 requires that a Chair be elected at the first meeting of the fiscal year.

A report on FY18 sales and transfers by product will be presented. This will also include a comparison to FY17 sales and transfers.

A presentation on FY18 sales by product will be given that will show a comparison to FY17 sales by product by geographic area of the state.

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

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
Friday, Sept 14, 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 – June 7, 2018 meeting | Vice Chair Shorma |
| 5. Conflict of Interest | Vice Chair Shorma |
| 6. Election of Chair and Vice Chair | Vice Chair Shorma |
| 7. Executive Director Comments | Executive Director Norm Lingle |
| 8. FY18 Sales and Transfers Report | Deputy Executive Director Clark Hepper |
| 9. FY18 Product Review | Business Analyst Elizabeth Burdick |
| 10. Sales and Public Relations/Advertising Report | Director of Sales Tom Helland |
| 11. Public Comment | Chair |
| 12. Next Meeting – November 29, 2018 | Executive Director Norm Lingle |
| 13. Adjournment | Chair |

Expiration Dates of Commissioner Terms

William Shorma	01/01/2019	Jason Ahrendt	01/26/2019
Joe Kafka	01/01/2020	Jamie Huizenga	01/01/2021
David Wheeler	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.*

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 412, Capitol Building Pierre, SD

Thursday, June 7, 2018

UNAPPROVED

Vice Chair William Shorma started the June 7, 2018 meeting of the South Dakota Lottery Commission to order at 9:30 a.m. Vice Chair Shorma, Commissioners Kafka, Mickelson, and Huizenga participated in person. Chair Putnam was absent.

SUPPORT STAFF PRESENT

Norm Lingle, Clark Hepper, Tom Helland, Angela Bieber, Nick Michels

OTHERS

Bob Mercer, Jeff Mehlhaff, Dave Madden, Cody Wynia, Deb Mortenson, Bob Riter, Jason Harms, Joe Hoffert, Gary Schneibel, Steve Schroeder, Britt Bruner, Randy Vermeulen, Dale Zavesley, Dana Giesey.

APPROVAL OF THE AGENDA

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

APPROVAL OF THE MINUTES FROM THE MARCH 21, 2018 MEETING

Vice Chair Shorma asked for a motion to approve the minutes. Commissioner Kafka moved to approve the minutes. Commissioner Huizenga 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:

Personnel changes to the Lottery

- Nick Michels was sitting in for Chief Legal Counsel Andy Fergel, who is moving on to lead the South Dakota Bar Association.
- Whitney Ellwanger joined the Lottery in January 2018. She is part of the team maintaining the lottery social media, website, graphics, monitors at retailers and other point of sale materials.
- Matt Piersall joined the Rapid City sales team May 9, 2018. He took the place of Sandy Schleining who retired in December 2017.
- Shawn Castonguay joined the Pierre office on May 24, 2018 as a senior computer operator. He will work with the Video Lottery system, operators, techs out in the field and assisting in setting up new establishments.
- Sam Stanforth resigned his position to take a job in Sioux Falls with an IT firm.
- John Hepper is retiring on June 8, 2018. He was the Lottery Licensing Manager for the past 30 years. He was also looked upon as the historian and a great resource to turn to for answers concerning the Lottery.

New phone system was installed. This call center type system will help direct the 2,400-3,000 phone calls received monthly evenly between the five computer operators. When the public calls the main computer number it will transfer the call to the operator who has been idle the longest.

A new Lotto Terminal Promotion is scheduled for July 2 – July 31, 2018. The theme is Try “Lucky” For Free. Purchase \$5 worth of Lotto America tickets at one time and receive (1) Lucky For Life ticket for free.

ONLINE AND VIDEO LOTTERY RFP UPDATE

Executive Director Norm Lingle reported on the following:

Norm Lingle Informed the Commission of updates to the RFP, replacing lotto gaming system, and potential of replacing the Video lottery gaming system.

- January 31, 2018 the RFP was issued
- April 20, 2018 proposals were due and four were received.
- The vendors that responded were IGT, Scientific Games, Intralot and Pollard Bank Note. Vendors were limited to 600 pages for the Lotto proposal or 900 pages if they were also proposing for Video Lottery.
- Lotto proposals have been reviewed by a team made up of lottery staff, DOR administration, and BIT. Review of the Video Lottery proposals should be completed in a couple weeks.
- Contracts will be for seven years with eight one-year renewals available at the Lottery’s discretion. The RFP included mandatory requirements, specified options and invited options in their proposals.
- The goal is to be in position for September 6, 2018 Lottery commission meeting to make a recommendation to the Lottery Commission for approval of a particular vendor or vendors.

VIDEO LOTTERY – PROTOCOL DISCUSSION (LEGACY TERMINALS) Update

Deputy Executive Director Clark Hepper reported on the following:

- Meeting with the industry to establish a possible end date of the VLC . The first VLC was enrolled with the start of video lottery in 1989.
- In 2008, The Lottery Commission obsoleted the VLC in South Dakota since the manufacturers are unable to support the outdated machines.
- Meetings with the industry started in February 2018. Identified fifteen of the operators own 2/3 of the machines. Received a wide variety of input from the operators.
- 65 operators own 25 machines or less with a total of 667 machines. This generates about \$1.4 million annually. 29 of those 65 operators that have less than 10 machines.
- Next generation of players prefer to play the new machines. Existing players are slowly migrating to the new machines.
- Machines are being replaced on a cash based business only. Split between operators and establishments vary, 80/20 or 60/40 split. Cost of the machines range from \$12,000 - \$15,000 per machine. 50/50 split between the operators and the state for the net machine revenues has hurt their cash flow, which makes it harder to upgrade. Continual attempts to end video lottery through legislation has been a concern.
- Languages in the RFP may have some impact on an establishing an end date.
- Still have information to collect and everyone has a voice in this. Decisions will be made the end of this year or the beginning of next year.
- 9,067 machines in the field with 1/3 being new machines vs 2/3 being old machines. Machines do get sold between operators.

SALES REPORT

Director of Sales Tom Helland reported on the following:

- Instant ticket sales up 14.5 % over last year.
- Lotto sales driven by big jackpots.
- Instant and Lotto sales through nine months are up. Over \$6 million over FY2017.

To help improve sales and player experience the South Dakota Lottery Launched a mobile app in April 2018 to the Players Club. Currently, 1400+ downloads which will allow players to scan tickets right on their phone. Players Club has about 15,000 members.

VIDEO LOTTERY REPORT

Director of Sales Tom Helland reported on the following:

- Net Machine Income – up about 4%
- Video Lottery revenue projections as of March 31, 2018 increased \$4 million over last year.

PUBLIC COMMENT

Vice Chair Shorma:

Vice Chair Shorma invited anyone from the public to come up for comment. There were no comments from the public at this time.

NEXT MEETING DATE

Executive Director Norm Lingle reported on the following:

Director Lingle stated the next meeting to be Thursday, September 6, 2018.

ADJOURNMENT

Vice Chair Shorma requested motion to adjourn, Commissioner Kafka motioned to adjourn and Commissioner Mickelson seconded the motion. Adjourned at 10:30 a.m

South Dakota Lottery

Commission Meeting

September 14th, 2018



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FY 18 Product Review



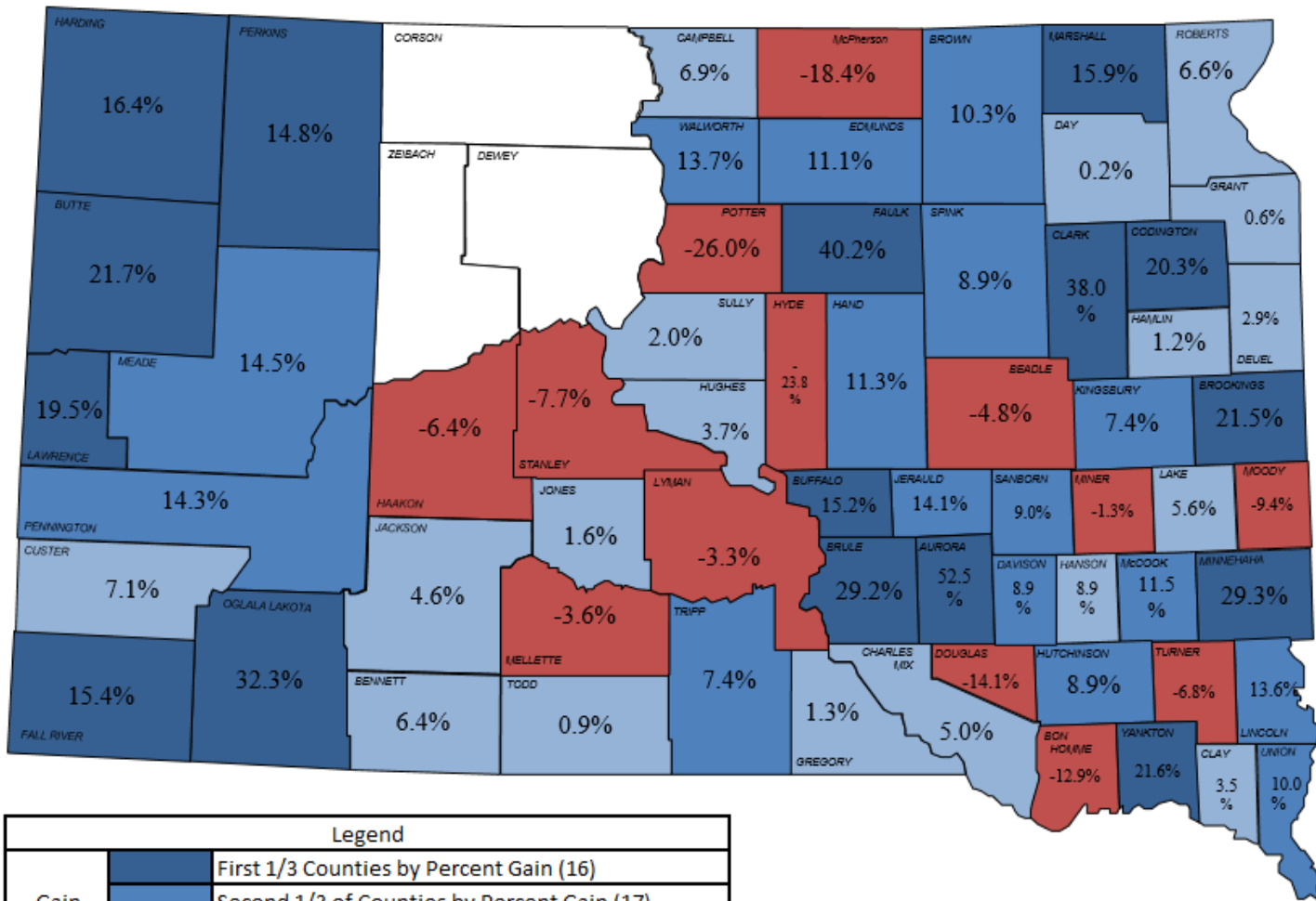
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Total Fiscal Year Instant Sales



YoY % Change in Instant Sales



Legend	
Gain	First 1/3 Counties by Percent Gain (16)
	Second 1/3 of Counties by Percent Gain (17)
	Last 1/3 of Counties by Percent Gain (17)
N/A	No Instant Sales
Loss	Counties by Percent Loss (13)

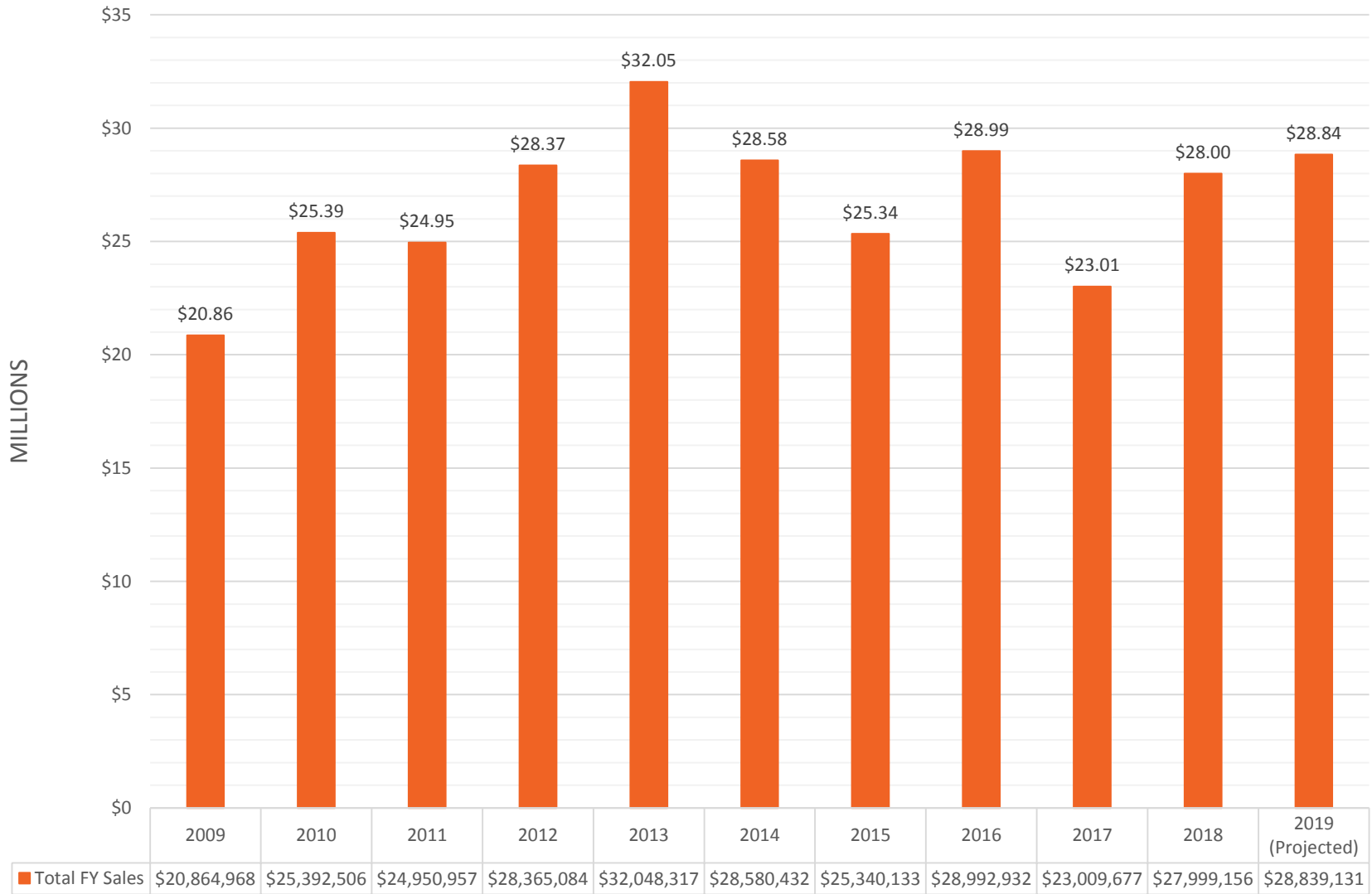


Top Instant Ticket Markets

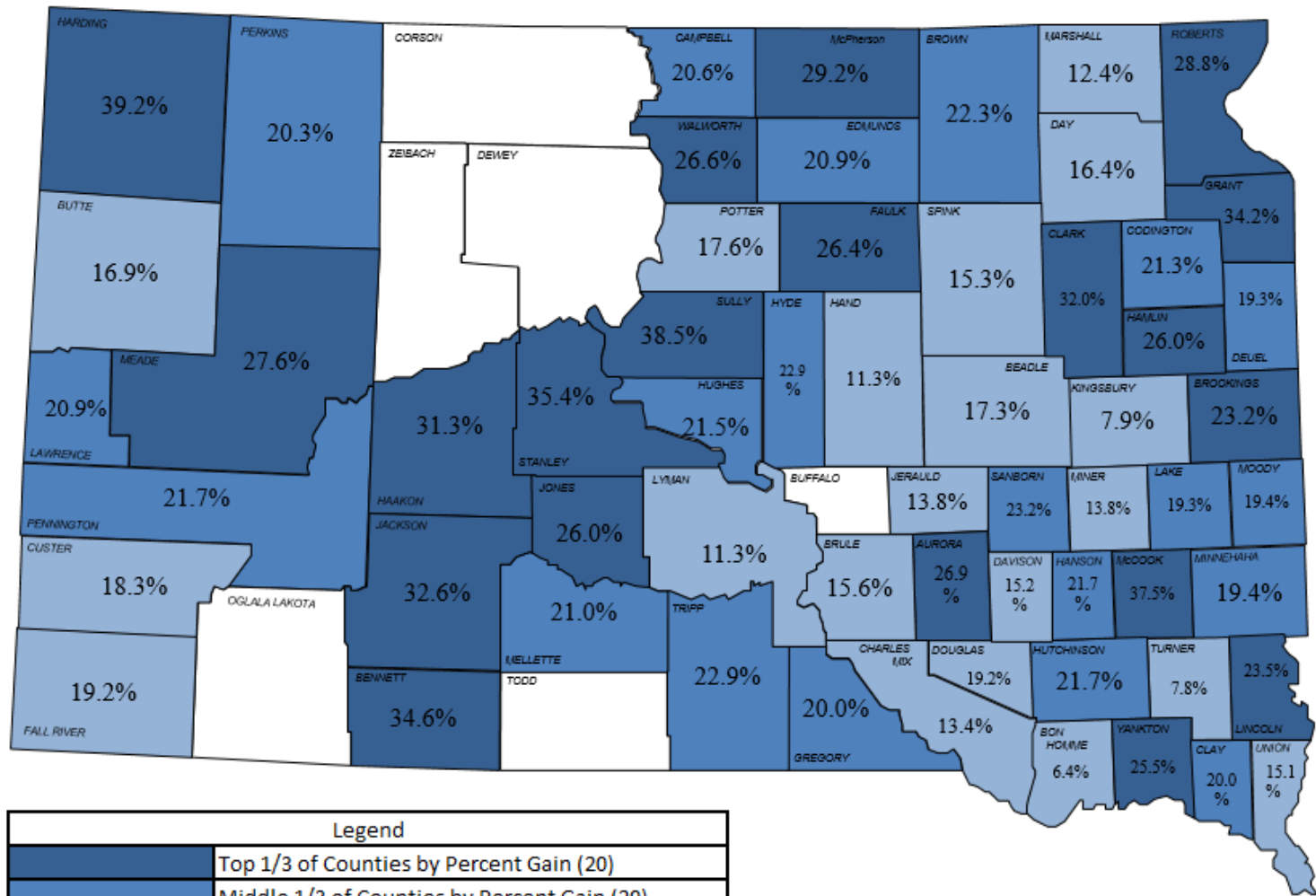
City	FY17	FY18	\$ Change	% Change
SIOUX FALLS	\$6,263,159	\$8,102,204	\$1,839,045	29.36%
RAPID CITY	\$3,443,804	\$3,954,134	\$510,330	14.82%
WATERTOWN	\$991,215	\$1,181,558	\$190,343	19.20%
ABERDEEN	\$1,001,749	\$1,112,019	\$110,270	11.01%
BROOKINGS	\$697,554	\$848,110	\$150,556	21.58%
MITCHELL	\$772,890	\$841,463	\$68,573	8.87%
YANKTON	\$589,876	\$711,347	\$121,471	20.59%
PIERRE	\$666,488	\$690,628	\$24,140	3.62%
SPEARFISH	\$491,611	\$627,842	\$136,231	27.71%
HURON	\$574,059	\$554,000	-\$20,059	-3.49%
Rest of the state	\$10,620,989	\$11,672,484	\$1,051,495	9.90%
State Total	\$26,113,394	\$30,295,789	\$4,182,395	16.02%



Total Fiscal Year Online Sales



YoY % Change in Lotto Sales



Legend	
	Top 1/3 of Counties by Percent Gain (20)
	Middle 1/3 of Counties by Percent Gain (20)
	Bottom 1/3 of Counties by Percent Gain (20)
	No Online Sales
	County by Percent Loss (0)

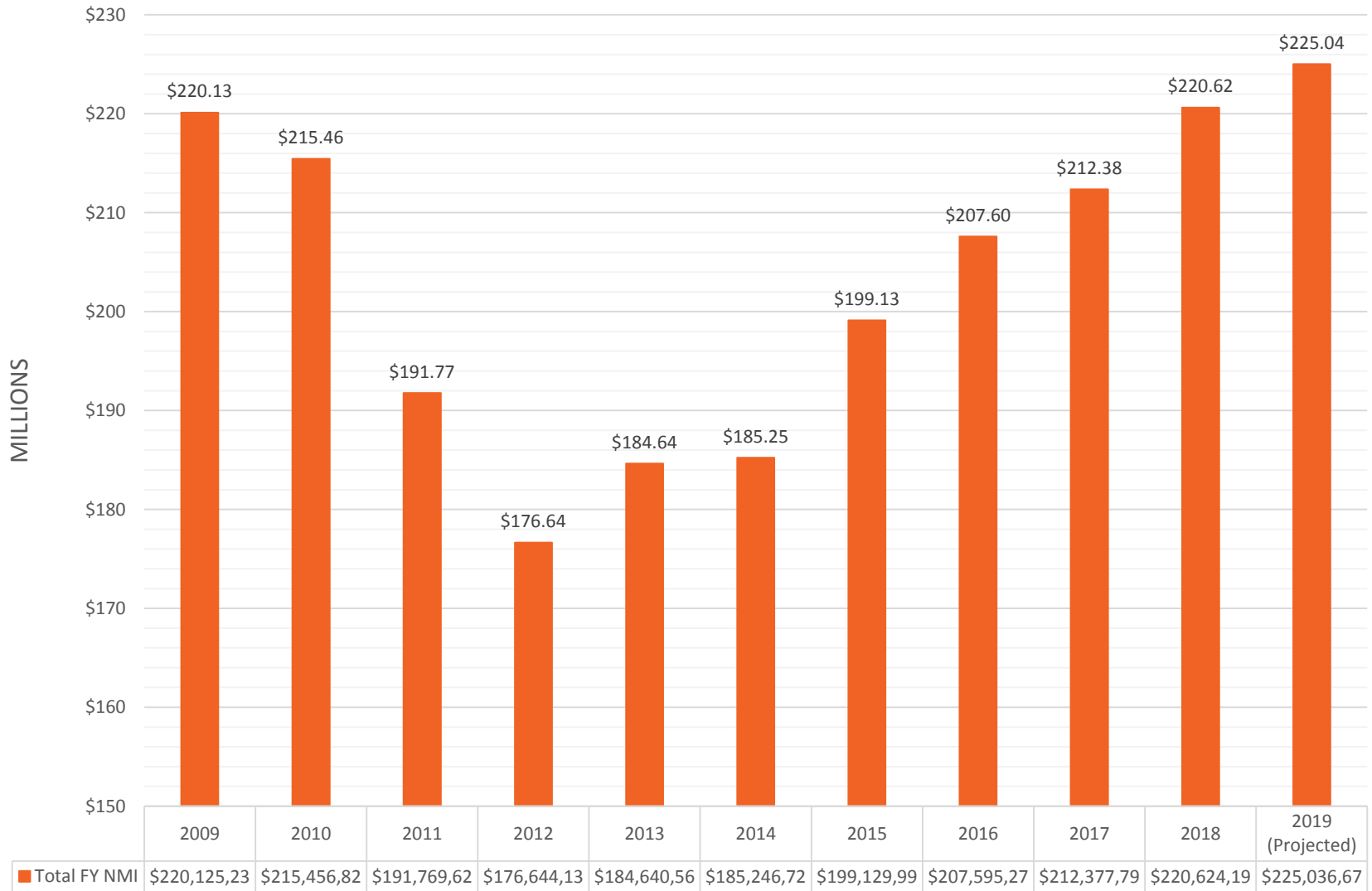


Top Lotto Ticket Markets

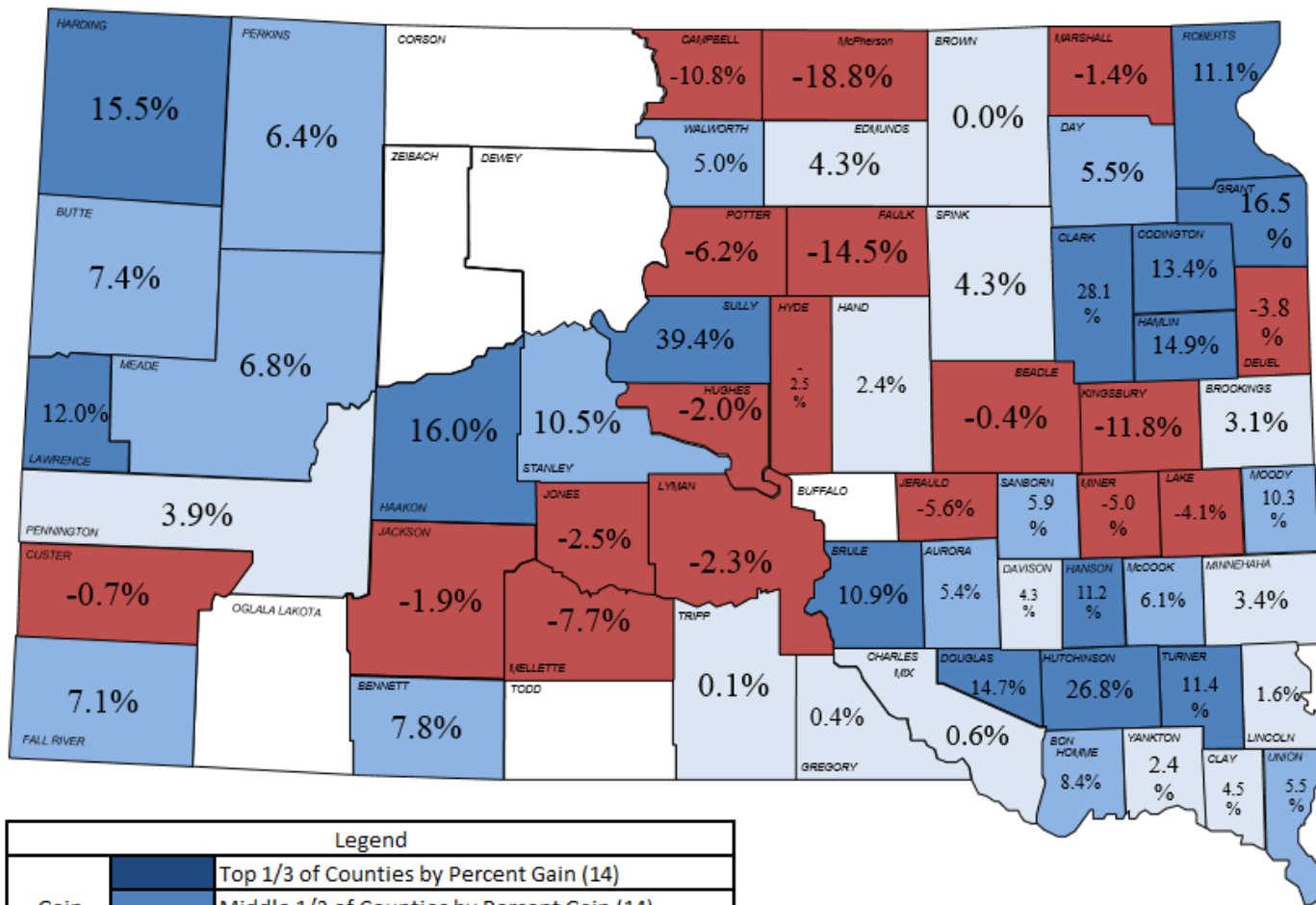
City	FY17	FY18	\$ Change	% Change
SIOUX FALLS	\$5,114,569	\$5,691,460	\$576,891	11.28%
RAPID CITY	\$3,071,847	\$3,480,473	\$408,626	13.30%
ABERDEEN	\$1,076,789	\$1,313,561	\$236,772	21.99%
WATERTOWN	\$1,103,507	\$1,256,166	\$152,659	13.83%
YANKTON	\$757,205	\$879,652	\$122,447	16.17%
MITCHELL	\$730,940	\$803,974	\$73,034	9.99%
PIERRE	\$680,787	\$776,407	\$95,620	14.05%
BROOKINGS	\$551,504	\$659,750	\$108,246	19.63%
SPEARFISH	\$548,984	\$641,187	\$92,203	16.80%
HURON	\$455,213	\$501,156	\$45,943	10.09%
Rest of the state	\$8,992,824	\$11,855,436	\$2,862,612	31.83%
State Total	\$23,084,169	\$27,859,222	\$4,775,053	20.69%



Total Fiscal Year Net Machine Income



YoY % Change in Net Machine Income



Legend	
Gain	Top 1/3 of Counties by Percent Gain (14)
	Middle 1/3 of Counties by Percent Gain (14)
	Bottom 1/3 of Counties by Percent Gain (14)
N/A	No Video Lottery
Loss	Counties by Percent Loss (18)

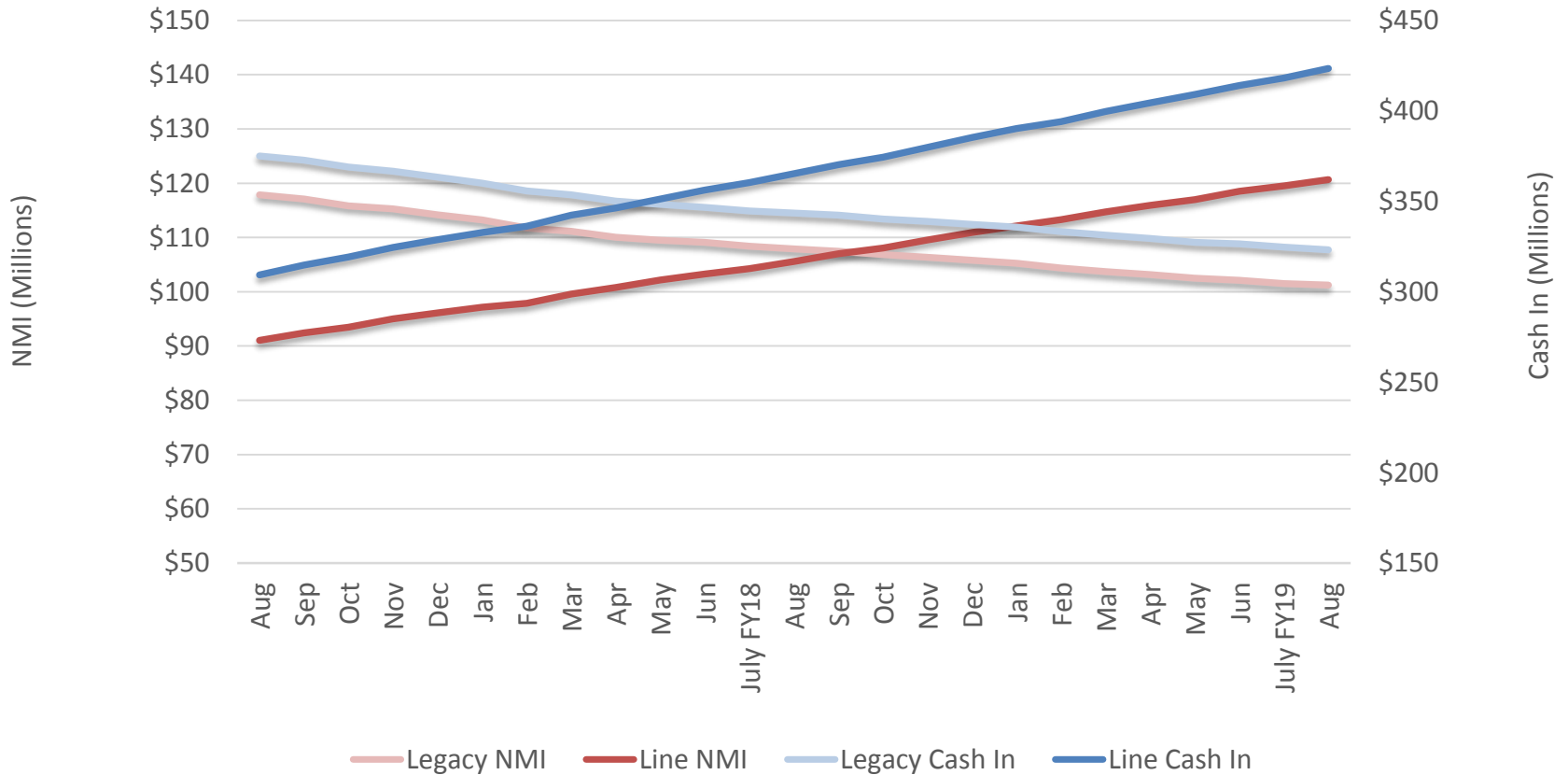


Top Net Machine Income Markets

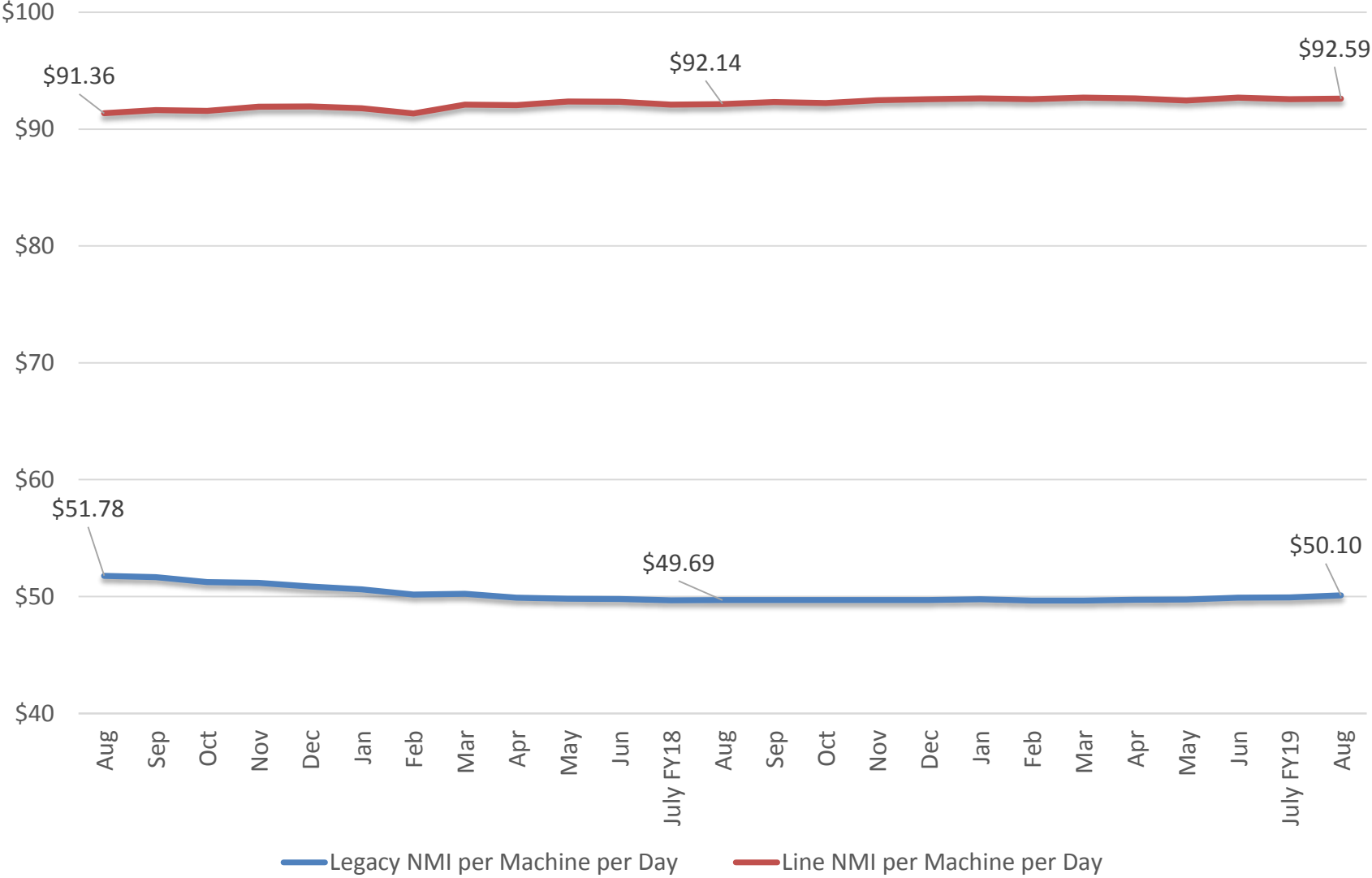
City	FY17	FY18	\$ Change	% Change
SIoux FALLS	\$55,197,326	\$56,712,533	\$1,515,207	2.75%
RAPID CITY	\$25,831,967	\$26,978,173	\$1,146,206	4.44%
North Sioux City	\$12,722,925	\$13,420,197	\$697,272	5.48%
ABERDEEN	\$12,478,349	\$12,435,321	-\$43,028	-0.34%
WATERTOWN	\$7,450,516	\$8,434,309	\$983,793	13.20%
YANKTON	\$8,073,570	\$8,274,051	\$200,481	2.48%
MITCHELL	\$6,763,493	\$7,031,286	\$267,794	3.96%
HURON	\$6,530,568	\$6,510,898	-\$19,670	-0.30%
PIERRE	\$5,729,330	\$5,590,993	-\$138,337	-2.41%
BROOKINGS	\$4,524,908	\$4,587,653	\$62,744	1.39%
Rest of the state	\$67,074,843	\$71,068,776	\$3,993,933	5.95%
State Total	\$212,377,795	\$221,044,189	\$8,666,394	4.08%



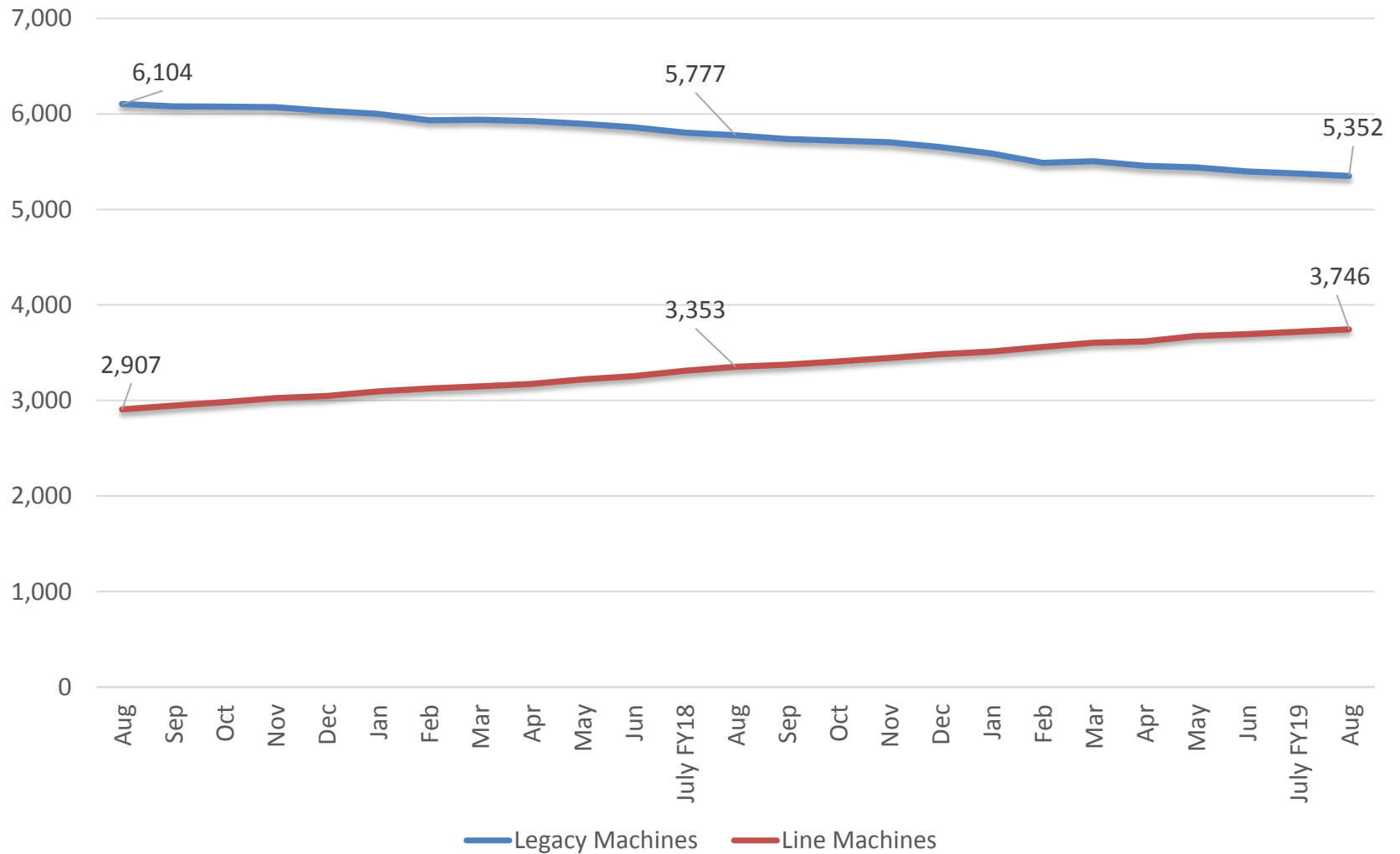
Cash In & NMI - Legacy vs. Line



NMI/Terminal/Day - Legacy vs. Line



Terminal Counts - Legacy vs. Line



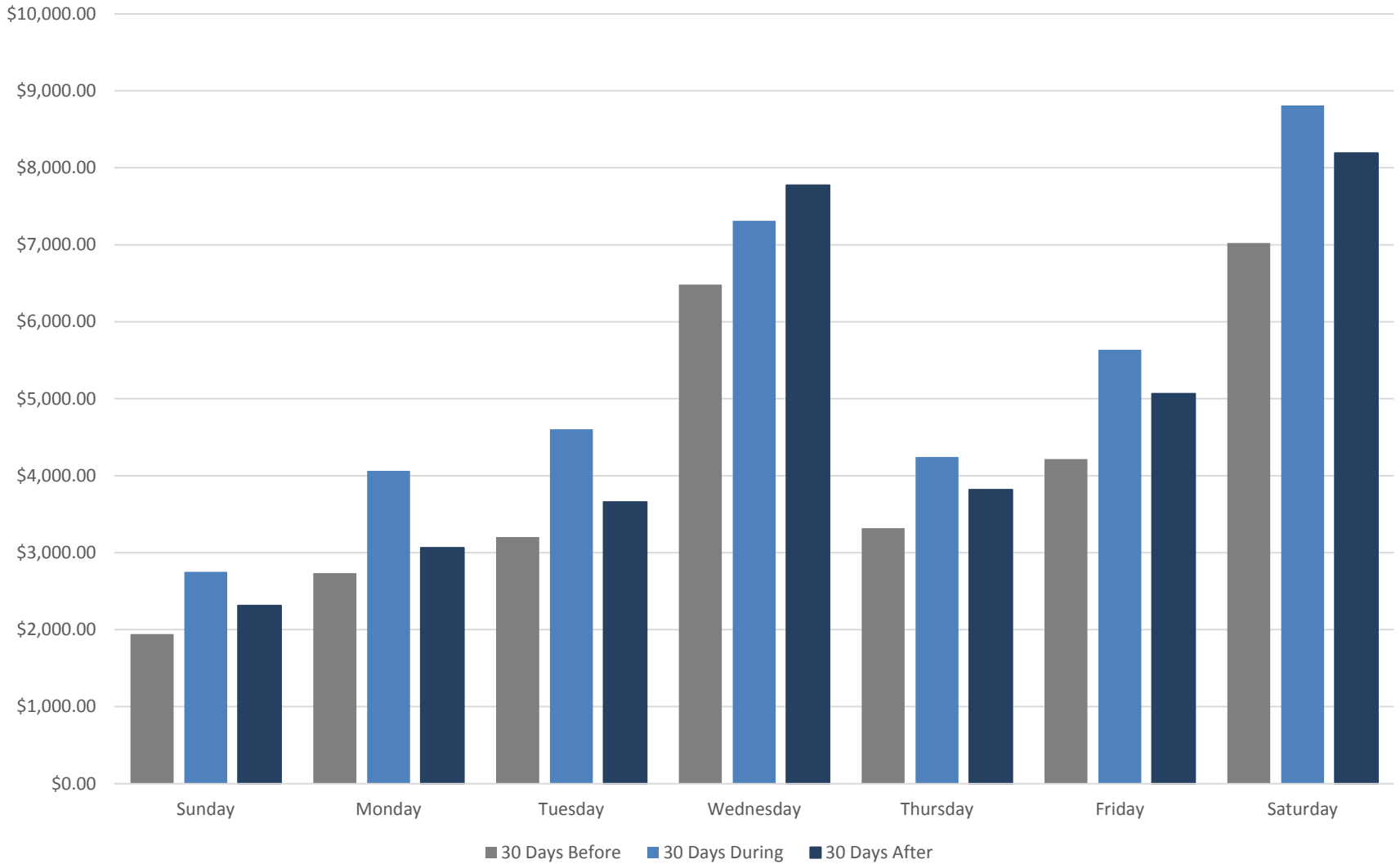
Sales and Public Relations/Advertising Report



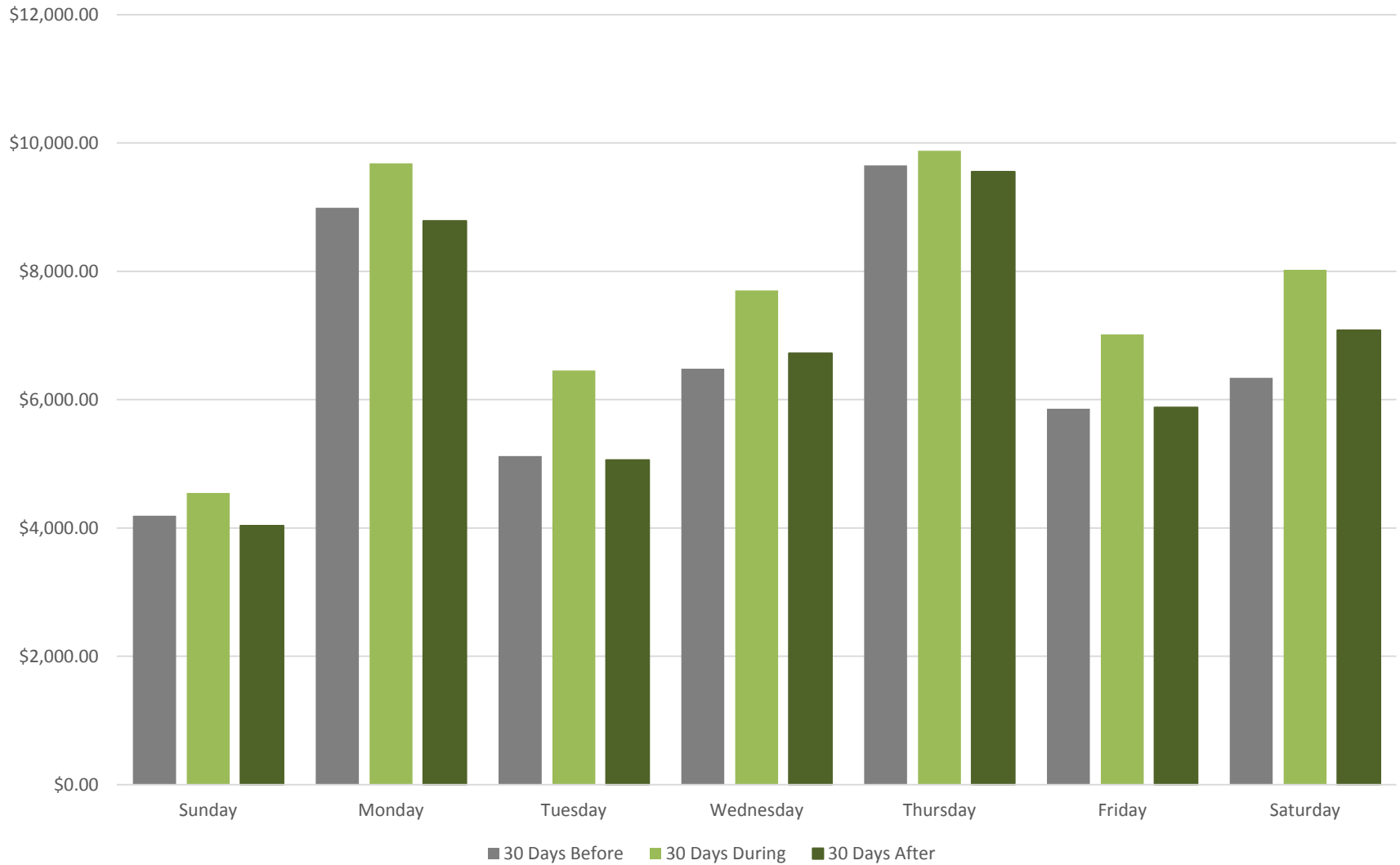
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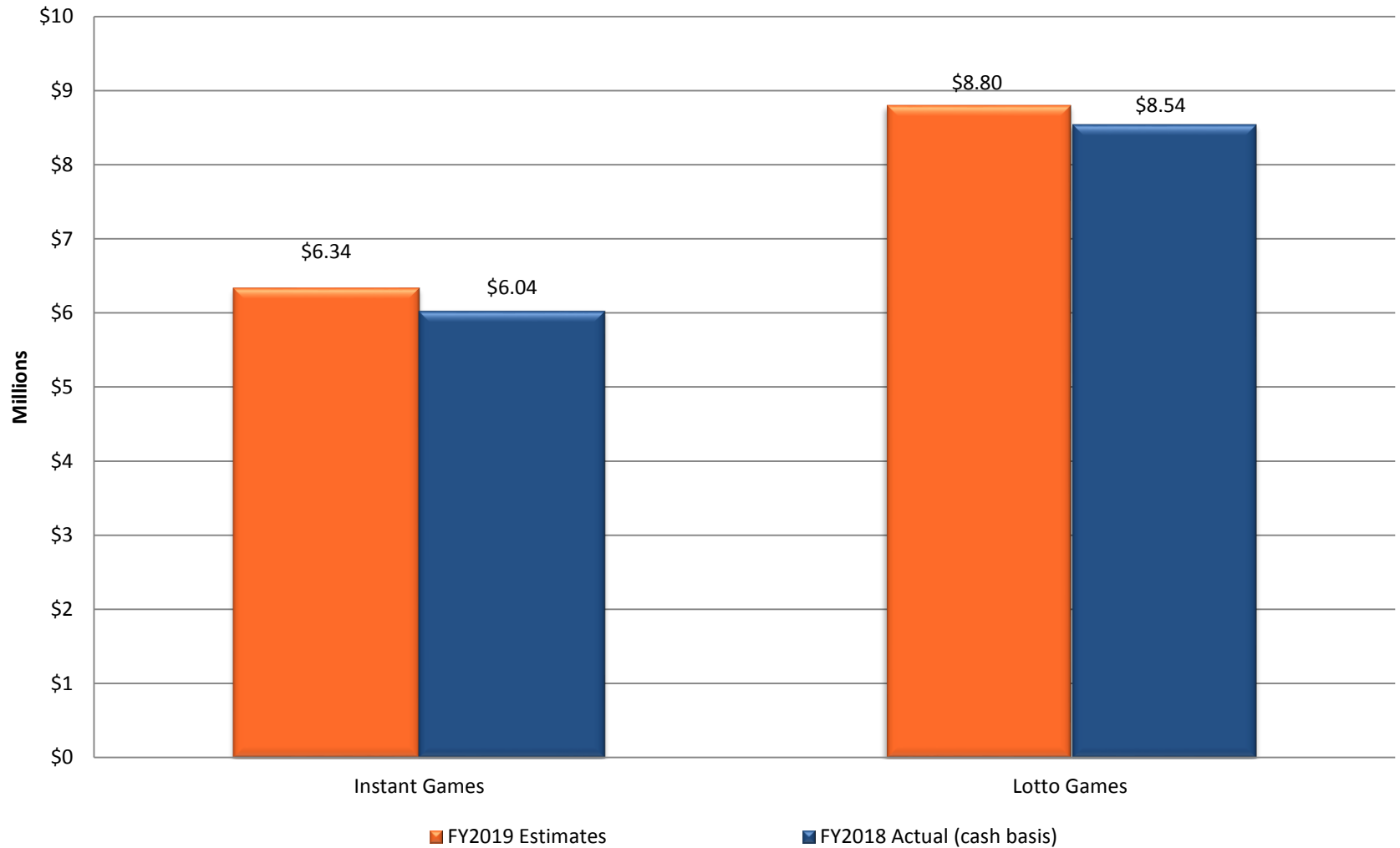
Average Lotto America Sales



Average Lucky For Life Sales



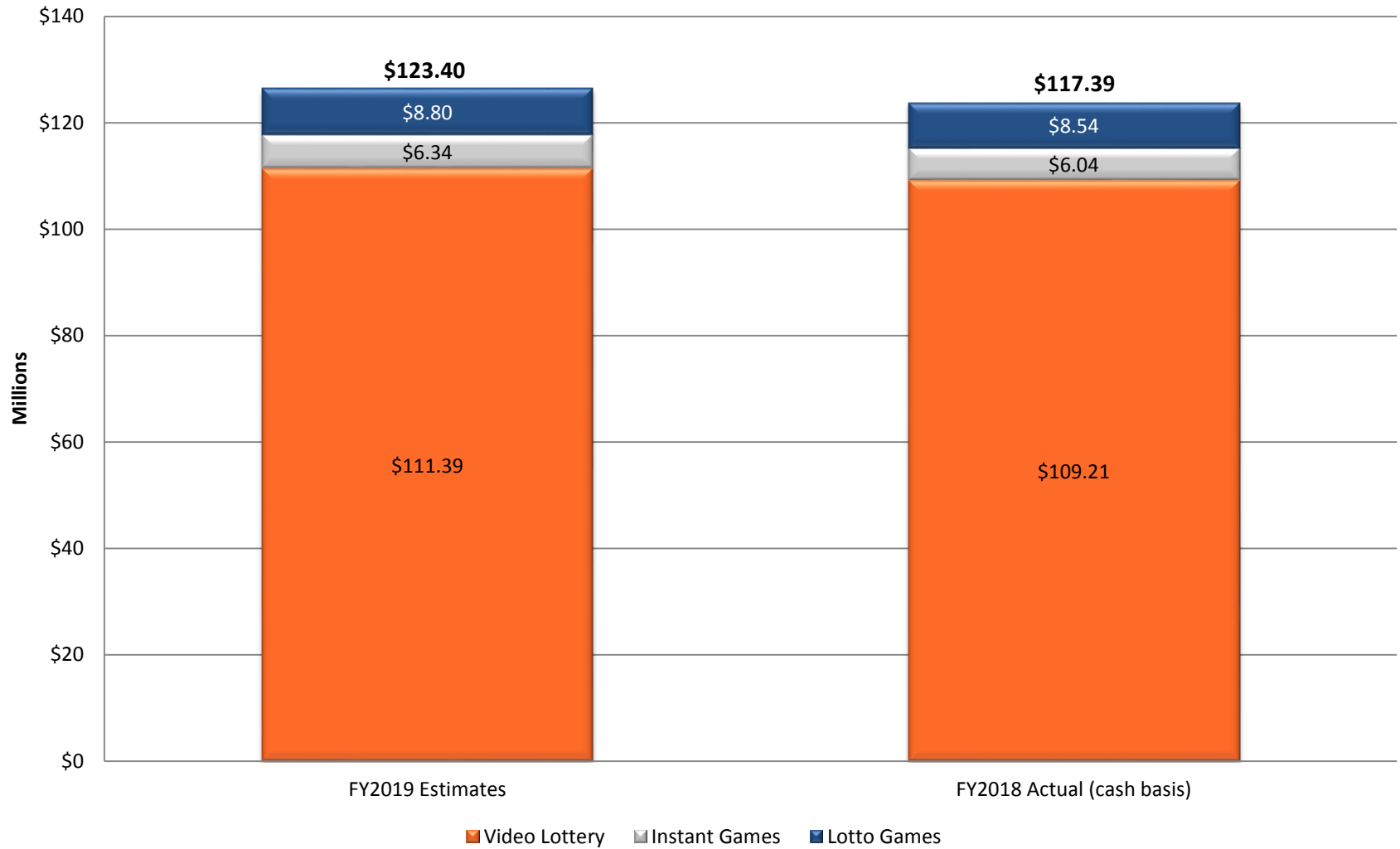
Instant and Online FY19 Revenue Projections As of September 7, 2018



Video Lottery FY19 State Share Revenue Projection As of September 7, 2018



Total FY19 Revenue Projections As of September 7, 2018





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