

Minutes of the Lottery Advisory Commission

April 19, 2017

Attendance

A meeting of the Lottery Advisory Commission (Commission) was held from 7:02 a.m. – 7:35 a.m., on Wednesday, April 19, 2017. Representing the Commission was Mr. Mike Rud (Chairman) and Mr. Russ Hanson with Representative Lois Delmore participating by telephone. Senator Nicole Poolman and Representative Thomas Beadle were absent. Representing the North Dakota Lottery (Lottery) were Mr. Randy Miller, director, Mr. Ryan Kopyy, sales and marketing manager, Mr. Matt Anderson, account budget specialist, and Ms. Sonja Walder, administrative assistant.

Approval of Minutes

Commissioner Delmore made a motion to approve the minutes of the December 21, 2016 meeting. Commissioner Hanson seconded the motion. The motion passed 3-0.

Overview of Revenues and Expenses and Sales Activity (Unaudited)

Mr. Anderson presented the overview of revenues and expenses for the quarter ended December 31, 2016. Total ticket sales increased \$24,768 or 0.39% compared to the same period last year. Total operating expenses decreased \$666 or 0.01% compared to the same period last year. Prize expense increased \$131,285 or 4.04%, retailer commissions/bonuses increased \$4,828 or 1.51%, and contractual services expense decreased \$107,723 or 14.73%. Players Club expenses remained the same. Marketing expense increased \$2,939 or 2.81%. Other operating expenses decreased \$38,420 or 48.51%.

Total ticket sales for the quarter ending March 2017 decreased \$8,169,649 or 55.46% compared to the same period last year. The decrease was due to the \$1.5 billion Powerball jackpot in January of 2016.

Overview of Marketing Activity and Short-Term Marketing Plans

Mr. Kopyy presented the overview of marketing activity and short-term marketing plans. The North Dakota Lottery Players Club has 21,784 registered members. The following prizes were given away to players through the Points for Drawings program: three Dyson Upright vacuum cleaners on December 28, 2016; one Game Room package and two Fitness Packages on January 18, 2017; three electric fireplaces on January 25, 2017; three Personal Music Bundles on March 1, 2017; two Weber Grill Omaha Steak bundles on March 22, 2017; three Treasure Hunt bundles on April 4, 2017; and a 2017 Polaris Sportsman ATV on April 12, 2017. There are three other Points for Drawings promotions in progress including a Canon Camcorder, a Lawn Care Bundle and an Outdoor Entertainment package. Upcoming Points for Drawings promotions include an iRobot Roomba vacuum and a 65" Samsung Smart LED HDTV.

The Lottery is currently running a point sign-up bonus promotion that awards new Players Club members 250 bonus points. Beginning on May 1 through May 31, 2017 new players will receive a 1,000 point bonus for signing up.

The Lottery ran a Flash sale subscription promotion on Wednesday, April 12, 2017. The qualifying purchase was any \$10 subscription or renewal. With the qualifying purchase, subscribers received a \$2 credit to their account. During the promotion, \$1,294 in credits was given to subscribers, total purchase

amount was \$3,820 and total extension amount was \$2,937. Five new subscribers were added to the club. Advertising costs were \$100.

The Lottery conducted a player survey in early March, 2017. A full report will be available at the next regular LAC meeting.

The Lottery ran a multi-state Powerball promotion called Power Cruise™. The promotion ran from February 5 through March 29, 2017. The 6 top prizes included a trip for two on a privately chartered Royal Caribbean Cruise Lines, *Brilliance of the Seas*® and 40 first prizes of \$500 cash. Six North Dakota Powerball players won a Power Cruise Trip Prize. The drawing was conducted on March 31, 2017. There were 66,884 total entries. All six prize winners have been notified and the 40 \$500 prize winners' checks were mailed on April 11, 2017. The total advertising budget was \$140,000. The total prize expense was \$57,798.78. A full sales analysis will be available at the next regular LAC meeting.

The Marketing and Advertising Services contract with KK BOLD ends on June 30, 2017. The Lottery issued an RFP on March 13, 2017 with proposals due by April 25, 2017. Notification of finalists will occur on May 8, 2017. Finalists' oral presentations will take place approximately May 22-23, 2017. The proposal evaluation committee will consist of Randy Miller, Ryan Koppy, Liz Brocker, Missy Steele and Representative Thomas Beadle. The Notice of Intent to Award will be issued around May 31, 2017.

Three separate promotions will be running concurrently from May 1-May 26, 2017. Three Great Deals which consists of Mega Mondays, Lucky Wednesdays and Hot Fridays are the promotions slated for that time period.

-Mega Monday, with the purchase of 5 plays of Mega Millions with the Megaplier for \$10; the player will receive a free Mega Millions with Megaplier ticket (\$2 value).

-Lucky Wednesday, with the purchase of 5 plays of Lucky for Life for \$10; the player will receive a free Lucky for Life ticket (\$2 value).

-Hot Friday, with the purchase of 5 plays of Hot Lotto with the Triple Sizzler for \$10; the player will receive a free Hot Lotto with Triple Sizzler ticket (\$2 value).

The advertising budget is \$10,000 and prize expense is budgeted at \$20,000.

Mega Millions "Just the Jackpot" Optional Feature

Mr. Miller requested the Commission move into Executive Session for the Mega Millions "Just the Jackpot" discussion. Commissioner Delmore made a motion to move into Executive Session. Commissioner Hanson seconded the motion. The motion passed 3-0. Executive session began at 7:20 a.m.

Commissioner Hanson made a motion to dissolve Executive Session. Commissioner Delmore seconded the motion. The motion passed 3-0. Executive session ended at 7:29 a.m.

Commissioner Delmore made a motion to not offer the "Just the Jackpot" optional feature at this time. Commissioner Hanson seconded the motion. The motion passed 3-0. The recommendation will be presented to Attorney General Stenehjem for final approval.

Omnibus Items

Mr. Miller informed the Commission that on March 9, 2017, legal counsel and other representatives from AutoLotto met with Mr. Miller, Chief Deputy Troy Seibel and legal counsel from the Office of Attorney General to verbally discuss the Lottery's concerns. On March 23, 2017, a written list of the concerns was mailed to AutoLotto for their consideration and response. As of the time of this meeting, AutoLotto has not responded and continues to sell lottery tickets in North Dakota.

Mr. Miller informed the Commission that at the Multi-State Lottery Association/Powerball meetings in New York City during March 2017, the North Dakota Lottery was presented with the "Sharp Award" from Public Gaming Research Institute for the highest percentage increase in net funds contributed to beneficiaries. The North Dakota Lottery had a 54% increase in net funding in Fiscal Year 2016 over Fiscal Year 2015. Mr. Miller expressed his appreciation to the Lottery team for their hard work and dedication that contributes to the continued success of the Lottery. The Commission echoed Mr. Miller's sentiments and recognized the work of the Lottery to receive this award.

Adjournment

Commissioner Hanson made a motion to adjourn. Commissioner Delmore seconded the motion. The motion passed 3-0. The meeting adjourned at 7:35 a.m.