




M E M O R A N D U M

Date: February 2, 2023

To: California State Lottery Commission

From: Alva V. Johnson 
Director

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Sales & Marketing Division

Subject: Item 8(b) – Scratchers® Shipping Bags Contract

ISSUE

The California State Lottery (Lottery) is requesting approval to enter into a new agreement with Victory International Group for the procurement of polyethylene shipping bags (poly bags). The contract term will be for three years with two additional one-year extensions with a contract amount of \$376,000.

BACKGROUND

The Lottery's Distribution Centers use dedicated bags to ship Scratchers tickets to over 23,000 retailers and to ship unsold, expired tickets to the Northern Distribution Center (NDC) for destruction. The Sales & Marketing Division requires it be a 5.0 mil, tri-extruded poly bag because of its strength and tamper resistance, which protects the tickets from damage during shipment.

DISCUSSION

An Invitation for Bid (IFB) was released in October 2022. Nine vendors submitted bids in response to the solicitation. Victory International Group was determined to be the responsive responsible bidder offering the lowest cost to the Lottery for acquisition of poly bags. Additionally, the Lottery validated Victory International Group's experience through reference checks.

In addition to guaranteed pricing, the new contract will also provide anticipated long-term savings on purchases. As polyethylene is a natural gas-based product, and the cost of poly film fluctuates, in part, based on the price of natural gas, the contract contains provisions to limit the frequency and percentage of price increases. Furthermore, it provides the Lottery assurance on delivery and ordering timelines to ensure the product is available when needed.

Staff reviewed a three-year history of Scratchers bag shipments and estimated future shipping needs. Utilizing the pricing provided by Victory International Group for each bag type, the projected spending authority budget for this agreement is \$376,000.

RECOMMENDATION

Lottery staff recommends that the California State Lottery Commission approve the award of the Scratchers shipping bags contract to Victory International Group for a term of three years with the option to extend for two additional one-year periods and a maximum agreement expenditure authority of \$376,000.