



M E M O R A N D U M

Date: November 21, 2019

To: California State Lottery Commission

From: Alva V. Johnson, Director *AVJ*

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Sales & Marketing Division

Subject: Item 8(g) - Extension of Control Group Companies LLC Service Contract

ISSUE

The contract between the California State Lottery (Lottery) and Control Group Companies LLC (ControlTek) will expire on December 31, 2019. The Lottery has the authority to exercise a two-year option to extend the ControlTek contract and continue to receive ControlTek services.

BACKGROUND

The Lottery sends Scratchers® tickets daily via United Parcel Service. In 2003, the Sales Division selected a 5.0 mil, tri-extruded polyethylene bag to ship tickets due to the bag's strength and tamper resistance, which protects tickets from damage during shipping. Additionally, the Lottery's Distribution Centers use the 5.0 mil, tri-extruded polyethylene bags to ship unsold, expired tickets to the Northern Distribution Center for destruction. The Lottery's practice had been to procure polyethylene bags through an informal competitive bid process that results in a purchase order. Lottery staff determined that executing a three-year contract, with the option to extend for an additional two-year period, for production of all styles of polyethylene bags could streamline the procurement process. An Invitation for Bid (IFB) was released on July 29, 2016. As a result of that IFB, the California State Lottery Commission (Commission) awarded ControlTek a three-year contract with expenditure authority of \$805,000 to produce polyethylene mailing bags. The contract included an option to extend the term for an additional two years.

DISCUSSION

The 5.0 mil, tri-extruded polyethylene film is a unique composition and there are few manufacturers capable of producing bags that meet the Lottery's business need. As a result, the Lottery has had difficulty finding multiple vendors/manufacturers that are both willing to submit quotes and capable of producing polyethylene bags that meet Lottery specifications.

The Lottery seeks approval to exercise the available two-year contract extension option. ControlTek provides the resources required for the shipment and delivery of Scratchers® products to Lottery retail partners. ControlTek has provided good service and a quality product throughout the contract term. Exercising the two-year contract extension option will enable the Lottery to continue critical shipping and delivery efforts which support the Lottery's sales goals, without interruption.

The Lottery estimates that approximately \$429,000 remains of the current expenditure authority of \$805,000, which Distribution Center management anticipates is sufficient to cover ControlTek's contract services during the extension period.

RECOMMENDATION

The Sales & Marketing Division recommends the Commission approve a two-year extension to the ControlTek contract for polyethylene bag services, with a new contract expiration date of December 31, 2021. No additional funds are needed; therefore, the maximum authorized contract expenditure amount will remain at \$805,000.