



M E M O R A N D U M

Date: June 20, 2019

To: California State Lottery Commission

From: Nicole Soluri, Chief Deputy Director *NS* [Initials on file]

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Subject: Item 8(d) – Pollard Banknote Limited Instant Ticket Printing Contract Amendment

ISSUE

The California State Lottery (Lottery) contracts with Pollard Banknote Limited (PBL) as a secondary vendor for instant tickets (Scratchers®) production. The current contract term is set to expire on November 30, 2019.

BACKGROUND

As a result of a formal solicitation in 2013, the California State Lottery Commission (Commission) approved a six-year contract award to PBL, with the option to extend for one additional three-year term and three additional one-year terms, with a maximum authorized contract expenditure amount of \$50 million. The initial term of this contract is December 1, 2013 through November 30, 2019.

DISCUSSION

As a secondary vendor, PBL is responsible for printing Scratchers for the Lottery. In addition, PBL plays an integral part in the Lottery's overall success with Scratchers sales and in turn, its contribution to education. It is a valuable business partner, providing a quality product, and up-to-date trends and expertise. PBL has proven to be a responsive vendor that has helped the Lottery increase Scratchers sales from approximately \$3 billion in 2013, to over \$4.5 billion in 2017.

As there continues to be only three instant ticket printing vendors nationwide and the Lottery has contracts with each of them, issuing a Request for Proposal (RFP) would not result in locating any new vendors capable of producing tickets meeting industry specifications. The Lottery is also seeking approval to extend its contracts with Scientific

Games International and IGT Global Solutions Corporation, the other two instant ticket vendors.

PBL provides the comprehensive, highly specialized services required for printing Scratchers. Exercising the three-year contract extension option will help ensure uninterrupted product sales and save valuable staff time and the expense associated with releasing an RFP.

The contract expenditure authority was \$50 million for the initial contract term. Based on average monthly invoices, remaining authorized contract expenditure amount in the existing contract, and expected growth in the Scratchers product line, staff is requesting an additional \$15 million in funds for the proposed three-year extension.

Additionally, in anticipation of the extended term, staff has amended or removed outdated and/or unnecessary contract language and has proposed more competitive pricing.

With the approval of the additional funds for the three-year extension period, the new contract expiration date would be November 30, 2022, and the maximum authorized contract expenditure amount will be \$65 million.

RECOMMENDATION

Lottery staff recommends that the Commission approve an increase in expenditure authority for the proposed extension of PBL's instant ticket printing contract for three years to November 30, 2022. The proposed extension will add \$15 million to the contract, for a maximum authorized contract expenditure amount of \$65 million.