

COMMISSION AGENDA ITEM

Item 8(h) – Victory International Group LLC Contract Extension



Date: January 22, 2026

To: California State Lottery Commission

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Director

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Subject: **Item 8(h) – Victory International Group
LLC Contract Extension**

ISSUE

The California State Lottery's (Lottery) Purchase Order agreement initial term with Victory International Group LLC (Victory) for Scratchers® shipping bags is expiring on February 28, 2026. The Lottery is requesting a one-year extension of this agreement and increase in expenditure authority.

BACKGROUND

The Distribution Centers use dedicated bags to ship Scratchers® ticket orders to over 21,600 retailers and to ship unsold, expired tickets to the Northern Distribution Center (NDC) for destruction. To protect the tickets from damage during shipment, a 5.0 mil, tri-extruded poly bag is required because of its strength and tamper resistance.

Following an Invitation for Bid (IFB) in October 2022, the California State Lottery Commission (Commission) approved a purchase order agreement with Victory with a three-year term from March 1, 2023, through February 28, 2026, with two optional one-year extensions, and an expenditure authority of \$376,000.

DISCUSSION

The agreement provides the Lottery with long-term savings on purchases due to the guaranteed pricing agreed in the contract terms. 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 provisions limit the frequency and percentage of price increases. Furthermore, over the life of agreement, Victory has consistently met the contract's delivery and ordering timelines requirements to ensure the shipping materials are available when needed.

Based on the current remaining balance and the average polybag order size, the Distribution team projects the expenditure authority to be depleted by the end of the initial contract term. Based on current growth, number of retailers in the Lottery's network, and anticipated shipping needs for the next year, an increase of \$145,000 will be required for the extension period.

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RECOMMENDATION

Lottery staff recommends that the Commission approve a one-year extension to the Victory International Group, LLC agreement extending the term through February 28, 2027, and an increase in expenditure authority of \$145,000, bringing the maximum expenditure authority to \$521,000.