



MEMORANDUM

To: California State Lottery Commission **Date:** November 1, 2006

From: Joan M. Borucki
Acting Director

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Marketing Division

Subject: Item 10(b) - Approval of Contract Amendment for Asian Market Advertising to Extend and Add Funds

ISSUE

Should the California State Lottery Commission (Commission) approve an amendment to the Time Advertising (Time) contract to extend the term for two additional years and to add funds for Asian market advertising services?

RECOMMENDATION

Staff recommends that the Commission approve the term extension of two years and the addition of \$1 million to the Time contract to continue advertising services for the Asian market.

BACKGROUND

Services under this contract include the development and production of television, print and other advertising materials in Chinese, Vietnamese and Korean as well as the placement of the media. In 2003, as the result of a formal, competitive solicitation, the California State Lottery (Lottery) awarded a 4-year contract to Time Advertising for Asian language advertising services with a total expenditure authority of \$10 million. Of the finalists in the 2003 procurement, only Time received the rating of "Exceeds" in all phases of the evaluation and submitted a price proposal that was less than one percent higher than the lowest bidder for the 4-year contract.

The contract is set to expire on June 30, 2007. However, there are two 1-year extensions available in the existing contract.

DISCUSSION

Throughout the current contract, Time has continually provided excellent customer service to the Lottery and has received excellent ratings in their annual performance evaluations. Over the course of the contract, the agency has provided many strong and creative ads for SuperLOTTO Plus[®] and MEGA Millions[®], as well as in support of Chinese New Year.

Based on an offer from Time to reduce the production mark-up from 7.5% to 7% and to reduce the translation fee by \$25 per page in consideration of a two-year extension, staff recommends exercising both extension options at this time.

Most of the dollars associated with the contract go directly towards the media expenditures to the television stations and newspapers. Of the dollars that go to compensate the advertising agency, the proposal from Time results in a savings to the Lottery of about two percent per year.

Upon approval of this term extension, the new expiration date of the Time contract will be June 30, 2009. Due to the additional two years of service and the current level of advertising, staff recommends adding \$1 million to the contract expenditure authority raising this total to \$11 million.