



MEMORANDUM

To: California State Lottery Commission **Date:** June 27, 2006

From: Joan M. Borucki
Acting Director

Prepared by: Patricia Eberhart, Director
Finance and Administration Division

Subject: Item 9(c) – Approval of Amendment to Bank of America
Contract for Electronic Fund Transfer Services

ISSUE

Should the California State Lottery Commission (Commission) approve an amendment to the Bank of America contract for electronic fund transfer services to extend the term of the contract for one year?

RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission approve the amendment to the Bank of America contract for electronic fund transfer services to exercise the Lottery's option to extend the current contract for one year. The one-year extension will not require additional funds and the total expenditure authority for the contract will remain at \$265,000.

BACKGROUND

Since ticket sales began in 1985, the Lottery has utilized a contracted electronic fund transfer service to collect funds from and disperse funds to Lottery retailers. As a result of formal competitive bidding, the Bank of America was awarded the current contract on September 1, 2002. During the bidding process, the Lottery sent out seven Invitation for Bids and received responses from three vendors. Bank of America was the lowest bidder by about \$50,000 per year.

The original three-year contract included expenditure authority of \$200,000 and the option to extend the contract for two additional one-year periods under the same terms and conditions. The Lottery previously exercised its option to extend the contract for one year and added \$65,000 in funding. Staff now recommends exercising the second and final extension option available under the contract. With the approval of this extension, the new expiration date will be August 31, 2007 and the total expenditure authority will not exceed \$265,000.

DISCUSSION

This is the third contract that the Lottery has had with Bank of America for electronic payment services. The Lottery has been very satisfied with the exceptional performance and services provided by the contractor. The Bank of America has consistently provided excellent service to the Lottery, been very cooperative in resolving issues, and continue to upgrade the processes which decreases the Lottery's efforts in receiving payments from retailers.

Staff recommends exercising the second option to extend the contract with Bank of America for one additional year. Exercising the extension option would be the most efficient and cost effective option for the Lottery. The contractor continues to do an excellent job and be responsive to the Lottery's business needs. Based on the prices from the previous procurement, Bank of America had a significantly lower cost than the other bidders. Staff does not believe that market conditions have changed and recommend that the Commission authorize the one-year contract extension.