



MEMORANDUM

To: California State Lottery Commission **Date:** January 17, 2007

From: Joan M. Borucki
Acting Director

Prepared By: Jim Hasegawa, Director
Marketing Division

Subject: Item 9(b) - Approval to Award Contract for African American Advertising Services

ISSUE

Should the California State Lottery Commission (Commission) approve a contract award to Muse Communications (Muse) for African American advertising services?

RECOMMENDATION

Staff recommends that the Commission approve the award of a three-year contract to Muse for African American advertising services with a total expenditure authority of \$5 million.

BACKGROUND

The current contract for African American advertising services with LaGrant Communications was awarded by the Commission in June 2002 and is set to expire on February 28, 2007. In preparation of the expiring contract, staff posted a draft Request for Proposal (RFP) on the Lottery website on June 20, 2006 and a letter of notification was sent to all interested vendors in the Lottery's Contract and Procurement Services database. Additionally, the RFP was advertised in the *Small Business Exchange*, *The Sacramento Bee*, *the LA Times*, *the Oakland Tribune*, *Advertising Age*, *the LA Sentinel*, *the LA Independent*, and *The Sacramento Observer*.

DISCUSSION

A mandatory agency conference was held in July 2006 at Lottery Headquarters with seven advertising agencies in attendance. The final RFP was released on July 20, 2006. Four agencies submitted proposals in response to the RFP by the deadline of August 10, 2006.

The evaluation of the proposals involved a four-part process: 1) Mandatory Submittals; 2) Rated Evaluation; 3) Finalist Competition; and 4) Best Value Proposal Evaluation. The mandatory submittals were given a pass/fail rating and all four agencies passed this section and were advanced to the next portion of the evaluation process.

The Rated Evaluation included the following criteria, listed in order of importance: Creative Samples, Account Personnel, and Agency Background, Experience/Capabilities. Muse was rated as “Meets” – having capabilities necessary for acceptable contract performance.

All four of the agencies were advanced to the finalist competition. In this portion, the agencies were evaluated on their Finalist Case Study and Presentation, Price Sheet and Media List. The Finalist Case Study dealt with a Lottery game where the agencies had to analyze information, develop strategies, create storyboards, and propose a media plan for this product. Muse received a score of “Significantly Exceeds” for its case study, demonstrating exceptional strengths that will significantly benefit the Lottery.

For evaluation of the price sheet, three individual years of advertising budgets – both media and production – were estimated. Muse submitted the lowest overall price with a monthly retainer and mark-up significantly lower than the Lottery’s current contract for African American advertising services.

The Evaluation Team recommended Muse Communications as having the overall best value for the Lottery, and the Acting Director on December 27, 2006 designated Muse Communications as the apparent successful bidder. No protests to the announcement were received by the Lottery.

Staff recommends awarding the three-year contract with up to three one-year extension options and a total expenditure authority of \$5 million to Muse Communications. The new contract with Muse is anticipated to commence on February 1, 2007.