



# MEMORANDUM

**To:** California State Lottery Commission **Date:** July 16, 2008

**From:** Joan M. Borucki  
Director

**Prepared By:** Susan S. Kossack, Deputy Director  
Marketing Division

**Subject:** Item 9(a) – Approval of Contract Award for Lottery Television Show  
Production

## **ISSUE**

Should the California State Lottery Commission (Commission) approve a contract award to the joint venture of 3 Ball Productions and Milestone Entertainment (3 Ball) for the production of a new California State Lottery (Lottery) television show?

## **RECOMMENDATION**

Staff recommends that the Commission approve the award of a four-year contract to 3 Ball for Lottery television show production with a total expenditure authority of \$14 million.

## **BACKGROUND**

As part of the Business Plan, the Lottery has undertaken a major rebranding effort to improve its brand image to attract new consumers that will increase playership to build sales and profits for the future. The ability to leverage a strong brand allows the Lottery to more easily introduce new products. A critical factor in this effort is to improve the Lottery's image through the development of exciting and fun products, promotions and communications vehicles including our weekly, half-hour TV game show. Findings of a brand audit conducted in 2007 revealed that consumers like the idea of being able to purchase a Scratchers<sup>®</sup> ticket for an opportunity to win millions on the current Big Spin<sup>®</sup> show and the Big Spin Scratchers continues to be one of

the Lottery's best performing Scratchers games. However, the brand audit revealed that the show could benefit from being updated and increasing its entertainment value. The Big Spin show enjoys wide recognition and provides a communication vehicle that few businesses enjoy. With this in mind, a strategic initiative was identified in the 2007-2010 Lottery Business Plan to use the high visibility and strong brand equity of the Big Spin show to reinforce the Lottery's brand image by issuing a Request for Proposal (RFP) for the creative development and production of a new television show.

On November 5, 2007, the RFP was posted on the Lottery's website and a letter of notification was sent to 66 vendors. In addition, the RFP was advertised in the Small Business Exchange, Disabled Veteran Voice, California State Contracts Register and on the Broadcasting and Cable website. Eight proposals were received in response to RFP #5562 for Lottery TV Show Production.

Evaluation of the proposals consisted of the following three phases: Mandatory Submittals, Rated Submittals, and Finalists' Competition. Eight bidders passed the Mandatory Submittals phase and were advanced to the next phase of the evaluation process.

#### **Rated Submittals Evaluation**

The Rated Submittals evaluation included the following criteria, listed in order of importance: Television Game Show Concept, Samples of Prior Work, Studio Facility, Company Experience and Qualifications, and Personnel. The Samples of Prior Work and Television Game Show Concept criteria combined were considered slightly more important than the other three criteria combined. This portion of the evaluation process was assessed using the ratings Superior, Significantly Exceeds, Exceeds, Meets, Meets with Exceptions, and Does Not Meet, defined as follows:

**Superior (S)** – Proposal exceptionally exceeds performance or capability requirements; proposal demonstrates extraordinary strengths that will more than significantly benefit the Lottery.

**Significantly Exceeds (SE)** – Proposal significantly exceeds performance or capability requirements; proposal demonstrates exceptional strengths that will significantly benefit the Lottery.

**Exceeds (E)** – Proposal exceeds performance or capability requirements; proposal has one or more strengths that will benefit the Lottery.

**Meets (M)** – Meets specified minimum performance or capability requirements necessary for acceptable contract performance.

**Meets with Exceptions (MWE)** – Proposal demonstrates weak performance or capability standards necessary for minimum contract performance; proposal has one or more weaknesses that offset any strengths.

**Does Not Meet (DNM)** – Fails to meet specified minimum performance or capability requirements. Proposals with an unacceptable rating are not awardable.

Based on a minimum overall rating of “Exceeds,” five bidders were advanced to the Finalist Competition. In alphabetical order, they were:

- 3 Ball Productions and Milestone Entertainment (3 Ball)
- Community Television of Southern California (KCET)
- Jonathan Goodson Productions (Goodson)
- Planet Grande Pictures (Planet Grande)
- Triage, Inc./My Media Entertainment, Inc. (Triage)

### **Finalist Competition**

The Finalist Competition consisted of a Finalist Case Study and Presentation, Optional Small and Microbusiness Participation, Mandatory Disabled Veteran Business Enterprise (DVBE) Participation, Cost Proposal Assessment and Contractor Background Information.

The finalists were provided a hypothetical case study assignment with a proposed annual budget and asked to develop and incorporate a fun and entertaining selection method for identifying winning second chance entries to participate in the new California Lottery TV Show. The finalists were also required to provide a visual representation of their proposed game that was to include a physical model, computer generated walk-through, animatic, storyboards, or any combination to depict the device(s) needed to support the recommended game.

On February 26, 2008, briefings were held with each of the five finalists to address questions regarding the Finalist Case Study and Presentation. After the finalists' briefings, KCET notified the Lottery in writing that their company was withdrawing their bid proposal for the new TV show for unspecified reasons.

### **Cost Proposal Assessment**

The Lottery Financial Reporting Bureau conducted the cost proposal calculations for the four remaining finalists. For the Cost Proposal, estimated costs based on actual contract expenditures were provided to the finalists. Four individual years of per-

show production, hotel accommodations, transportation costs, and set procurements were evaluated along with the overall contract costs.

## **DISCUSSION**

Pursuant to the Lottery Act and the terms of the RFP, the contract is to be awarded to the Bidder that offers the best value to the Lottery. In accordance with the Lottery's Competitive Bidding Procedures, "best value" maximizes greater overall benefits and value to the Lottery.

The proposal submitted by 3 Ball provided the overall "best value" for the Lottery. 3 Ball's proposal was the only proposal to achieve a rating of "Superior" for the Finalist Case Study Television Game Show Concept. In addition, all other rated sections of 3 Ball's response to the RFP, including the Case Study Television Game Show Concept, Samples of Prior Work, Studio Facility, Company Experience and Qualifications and Personnel were rated as "Exceeds" or "Significantly Exceeds". 3 Ball's Cost Proposal was competitive and offered the lowest per-show production cost and the second lowest cost over the four-year contract period.

On May 30, 2008, the Director announced 3 Ball as the apparent successful Bidder. Bidders were provided five business days to file an intent to protest and an additional five days, from their intent to file date, to file the protest. No protests were received.

Staff recommends awarding the four-year contract with up to two additional years and a total expenditure authority of \$14 million to 3 Ball Productions and Milestone Entertainment: Expenditures for the four-year contract include cost per show from Year 1 at \$35,500 to Year 4 at \$39,932. The contract also includes funding for the estimated four-year costs for hotel \$506,000, transportation \$92,000, set procurement at \$2.3 million and creative services at \$2.3 million.

The new contract for the television show production is anticipated to commence on August 1, 2008.