California Lottery®

MEMORANDUM

To: California State Lottery Commission **Date**: January 9, 2008

From: Joan M. Borucki
Director

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

Subject: Item 9(c) - Approval of Amendment to Extend the Term of the General Market Advertising Contract

ISSUE

Should the California State Lottery Commission (Commission) approve a 14-month extension to its contract with BBDO West (BBDO) to continue General Market advertising services?

RECOMMENDATION

Staff recommends that the Commission approve the extension of the BBDO contract for 14 months under the same terms and conditions to continue General Market advertising services. The 14-month term extension requires no additional funding and the total expenditure authority for this contract will remain at $150,000,000.

BACKGROUND

As the result of a formal solicitation in 2004, BBDO was announced as the apparent successful competitor for a four-year contract to provide General Market advertising services. BBDO was the only bidder to receive an overall evaluation rating of "Exceeds" in addition to having the most competitive pricing and the lowest mark-up rates. The initial term was to be 5/1/04 to 4/30/08. The contract provided for up to two additional years extension.

DISCUSSION

BBDO has continued to provide a consistent level of service above what is expected and will continue to play a critical role in the development of the Lottery's Brand Image. Staff recommends that the California State Lottery (Lottery) exercise its option to extend BBDO's contract term for 14 months to bring the new expiration date of this contract closer to the end of the 2008-2009 Fiscal Year. Media purchases are typically made three months in advance in order to obtain the lowest rates possible. Extending BBDO's term through June 30, 2009 will ensure that the Lottery obtains the desired media purchases through the 2008/2009 Fiscal Year. This extension also allows for the extra staff time necessary to prepare the next major advertising contract procurement. The contract expenditure amount will remain at $150,000,000 through the 14-month extension.