

MEMORANDUM

Date: December 17, 2009

To: California State Lottery Commission

From: Joan M. Borucki

Director

Prepared By: Michael Brennan, Deputy Director, Sales & Marketing

Subject: Item 9(c) – Amendment to Extend the Term of the African American

Advertising Contract

ISSUE

Should the California State Lottery Commission (Commission) approve a two-year extension to contract #11559 with Muse Communications (Muse) to continue to provide African American advertising services for the California State Lottery (Lottery)?

RECOMMENDATION

Staff recommends the Commission approve extending the Muse contract for two years under the existing terms and conditions. The current contract term is for three years, February 1, 2007 through January 31, 2010, with an option to extend for three additional years. The two-year extension would extend the term of this contract through January 31, 2012, add a nine-month Emergency Extended Service option, and increase the contract expenditure authority by \$1,500,000 for a total expenditure authority of \$6,500,000.

BACKGROUND

As the result of a formal solicitation in 2006, Muse was announced as the apparent successful competitor for a three-year contract to provide African American advertising services. Muse submitted the lowest overall price with a monthly retainer and mark-up significantly lower than the Lottery's previous contract for African American advertising services. The Evaluation Team recommended Muse as having the overall best value for the Lottery.

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DISCUSSION

Muse has continued to provide a consistent level of service and continues to provide competitive pricing and low mark up rates. Media purchases are typically made three months in advance in order to obtain the lowest rates possible. Extending Muse's contract will ensure that the Lottery obtains the desired media purchases with the lowest rate possible through most of the 2010-2012 Fiscal Years.

Learning from the RENEW Project insights, the Lottery will use this extension period to identify and review key processes of current marketing agencies and their role within the Consumer Marketing and Advertising Division. Additionally, the extension will allow time to evaluate the existing process for reviewing performance measures and to review the process of existing internal communication, player communication, and retail communication.