



## M E M O R A N D U M

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**Date:** September 3, 2009

**To:** California State Lottery Commission

**From:** Joan M. Borucki  
Director

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Operations Division

**Subject:** Item 9(a) - Extend Term and Add Funds to United Parcel Service Contract for Small Parcel Delivery Services

### **ISSUE**

Should the California State Lottery Commission (Commission) approve an amendment to the United Parcel Service (UPS) Small Parcel Delivery Services contract to extend the term for four years, and increase the contract expenditure authority by \$650,000 for a total expenditure authority of \$900,000?

### **RECOMMENDATION**

California State Lottery (Lottery) staff recommends that the Commission approve an amendment to the UPS Small Parcel Delivery Services contract to extend this contract for four years. To accommodate this extension, staff recommends that the Commission approve an additional expenditure authority of \$650,000 for a total contract expenditure authority of \$900,000. The contract is not a guaranteed amount, but a maximum amount to be used for actual expenses on an as-needed basis.

### **BACKGROUND**

On October 16, 2007 as the result of a formal, competitive solicitation, the Commission awarded UPS a two-year contract to provide express small package air delivery and expedited ground parcel delivery services to and from the Lottery Headquarters and all Lottery facilities located throughout California, with an option to extend up to four additional years. The contract began on December 1, 2007, and will expire on November 30, 2009.

## **DISCUSSION**

The original contract term was for two years, with an option to extend up to four additional years if the Lottery was satisfied with services, cost, and overall contractor performance.

Before making this recommendation to extend the current contract, the Lottery assessed UPS's performance to date. The Lottery is pleased with the timely and accurate delivery services that UPS has provided. UPS also provided all of the equipment necessary to produce bar-coded shipping labels. Additionally, pricing from UPS under the contract is lower than that available through Department of General Services.

The initial contract anticipated expenditures of approximately \$125,000 per year, which turned out to be lower than actual usage. The addition of \$650,000 with this amendment includes not only funds for the additional years of the amendment but also funds to cover the remainder of the second year of the contract. Overall, annual expenditures are now estimated at approximately \$150,000.

Based on UPS's favorable pricing proposal and its satisfactory performance to date, staff recommends that the Lottery exercise the available contract extension. The extension will require an additional expenditure authority of \$650,000. With the four-year extension, the new contract expiration date will be November 30, 2014, with a total expenditure authority of \$900,000.