



M E M O R A N D U M

Date: June 29, 2011

To: California State Lottery Commission

From: Linh Nguyen, Acting Director

Prepared by: Michele Tong, Deputy Director
Sales Division

Subject: Item 9(b) - Scratchers[®] Ticket Delivery Courier Service

ISSUE

Should the California State Lottery Commission (Commission) approve the award to Golden State Overnight (GSO) of a contract for Scratchers[®] Ticket delivery to the California State Lottery (Lottery) Retailers?

RECOMMENDATION

Staff recommends that the Commission approve the award of a five (5) year contract to Golden State Overnight for delivery of Scratchers[®] tickets to Retailers for the period of August 20, 2011 to August 19, 2016. The total expenditure authority of the contract is \$20,000,000.

BACKGROUND

The California State Lottery has utilized a contracted Scratchers[®] ticket delivery service since ticket sales began in 1985. Over the past twenty-six years, Scratchers[®] sales have grown to the point where we currently ship approximately 60,000 deliveries per month accounting for \$2.1 billion in sales last fiscal year. All deliveries must be made within 48 hours of pick-up from the Lottery Distribution Centers. The contract requires that the vendor provide additional services such as assigning two full-time staff to each Lottery Distribution Center to assist with shipping Scratchers[®] orders and producing barcoded shipping labels for each delivery. The term of our existing contract with United Parcel Service is August 20, 2006 through August 19, 2011. Our current cost is \$4.77 per delivery address.

Analysis has shown that the cost for the California State Lottery to provide similar services are prohibitive based on both staffing and equipment requirements.

DISCUSSION

On April 7, 2011, the Invitation for Bid (IFB) was posted on the California State Lottery's website and a Letter of Notification was mailed to twenty-five (25) vendors. In addition, the IFB was advertised in the Small Business Exchange, Challenge News, and Bidsync.

An Intent to Bid was received from seven (7) companies by the April 27, 2011 deadline. Questions were also received by the April 27, 2011 deadline and the Question and Response Document was released on May 2, 2011. Proposals were due by May 25, 2011.

A total of three (3) bidders submitted proposals. They included: Accurate Courier Services, Golden State Overnight, and United Parcel Service.

On May 31, 2011, the Lottery sent Accurate Courier Services a request for clarification relating to the company's current ability to provide all required services sufficiently and without utilizing subcontracted employees or vehicles as required in the Scope of Services. Their response did not provide unconditional clarification as requested and, therefore, their bid was rejected on June 6, 2011.

On June 6, 2011, the review team evaluated the costs provided by the other two (2) bidders. Following are the results of the price assessment:

Golden State Overnight

<i>Fiscal Year</i>	<i>Cost per Delivery</i>
2011/12	\$4.25
2012/13	\$4.42
2013/14	\$4.55
2014/15	\$4.73
2015/16	\$4.92

United Parcel Service

<i>Fiscal Year</i>	<i>Cost per Delivery</i>
2011/12	\$5.00
2012/13	\$5.25
2013/14	\$5.50
2014/15	\$5.75
2015/16	\$6.00

The evaluation team determined that the bid submitted by Golden State Overnight was the overall "best value" for the Lottery. Their costs when compared to United Parcel Service will save the California State Lottery approximately \$3.3 million over the five-year term of the contract.

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The contract is scheduled to begin on August 20, 2011 and expire on August 19, 2016.