



M E M O R A N D U M

Date: April 14, 2011

To: California State Lottery Commission

From: Linh Nguyen
Acting Director

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Subject: Item 9(b) - Amendment to Extend the Term of the African American Advertising Contract

ISSUE

Should the California State Lottery Commission (Commission) approve a 21-month 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 that the Commission approve the extension of the Muse contract for one year and exercise the nine-month Emergency Extended Service option under the same terms and conditions through October 31, 2013. To carry out the 21-month extension, staff recommends an increase of the contract expenditure authority by \$2 million for a total expenditure authority for this contract of \$8.5 million.

BACKGROUND

As a result of a formal solicitation in 2006, the Commission awarded Muse a three-year contract with an expenditure authority of \$5 million 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.

The initial term of this contract was February 1, 2007 through January 31, 2010 with three one-year options to extend. In December of 2009, the Commission approved a two-year extension of the Muse contract from January 31, 2010 through January 31, 2012 with an increase to the contract expenditure authority of \$1.5 million for a

total expenditure authority of \$6.5 million. A nine-month Emergency Extended Service option was also approved.

DISCUSSION

Muse continues to provide a consistently high level of service and will continue to provide competitive pricing and low mark-up rates. Extending Muse's contract will ensure that the Lottery obtains the desired media purchases with the lowest possible rates through most of the 2011-2013 Fiscal Years.

Extending this contract is necessary for a variety of reasons, some within our control and some out of our control. Previously, there had been direction to try to bring the advertising services under one or two providers. That meant that the Request for Proposal (RFP) timelines had to be condensed to allow for that process to be implemented. Later it was determined that it was not in the best interest of the Lottery to follow that strategy and therefore the contracts now need to be separated so that staff resources can devote the proper time to the process. Over the last 12 to 16 months, the same staff who develop RFP's and coordinate the entire procurement efforts have been challenged with implementing the many RENEW initiatives that were critical to the Lottery's ability to implement its three-year strategic business plan. Staffing shortages and vacancies require that we carefully assess priorities and direct our limited resources accordingly.

With the approval of the 21-month extension, the new expiration date of this contract will be October 31, 2013 with a total expenditure authority of \$8.5 million.