

To: California State Lottery Commission **Date:** August 9, 2006

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Acting Director

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Marketing Division

Subject: Item 10(b) – Approval of Amendments to Oberthur Gaming

Technologies and Pollard Banknote Limited Partnership (LP)

Contracts for Scratchers® Ticket Production

ISSUE

Should the California State Lottery Commission (Commission) approve an amendment to add \$6,000,000 to the contract of Oberthur Gaming Technologies and \$6,000,000 to the contract of Pollard Banknote Limited Partnership (LP)?

RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission approve an amendment to add \$6,000,000 to the contract of Oberthur Gaming Technologies and \$6,000,000 to the contract of Pollard Banknote Limited Partnership (LP).

BACKGROUND

As the result of formal competitive bidding, Oberthur Gaming Technologies and Pollard Banknote Limited Partnership (LP) were awarded secondary contracts for the printing of Scratchers® tickets in July 2005. The contract expenditure authority for each contract is currently at \$4,000,000. A total of \$3.5 million has been expended out of the Oberthur Gaming Technologies contract, and a total of \$2.5 million has been expended from the Pollard contract.

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DISCUSSION

This contract amendment gives the Lottery flexibility in awarding games to the secondary vendors. Additionally, with the increased number of games slated to be produced in this fiscal year's product plan, the Lottery will have the ability to award a game to a secondary vendor based on the production timetable.

To determine the amount to be added to the contract expenditure authority, staff considered: 1) the number of games likely to be printed by secondary contractors over the remaining term of the contract, 2) the type of games that may be assigned, 3) the likely quantity needed, and 4) the estimated cost per thousand. Based on this analysis, staff believes an additional \$6,000,000 in funding for each contract would satisfy possible future ticket production requirements through the term of these two contracts.

Current contracts with Oberthur Gaming Technologies and Pollard Banknote Limited Partnership (LP) expire in June 30, 2009. This amendment has no impact on the length of these contracts. The additional funding would bring the total expenditure authority to \$10,000,000 for each contract.