

To: California State Lottery Commission **Date**: October 15, 2008

From: Joan M. Borucki

Director

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Subject: Item 9(b) – Amendment to Pollard Banknote Limited Partnership

(LP) Contract

<u>ISSUE</u>

Should the California State Lottery Commission (Commission) approve an amendment to add \$10 million to the contract of Pollard Banknote LP?

RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission approve an amendment to add \$10 million to the contract of Pollard Banknote LP.

BACKGROUND

As the result of formal competitive bidding, Pollard Banknote LP was awarded a supplemental contract for printing Scratchers® tickets in July 2005. The contract expenditure authority for this contract is currently at \$10 million. A total of \$7.6 million has been expended to date. In the summers of 2006 and 2007, due to press capacity issues at Scientific Games International (SGI) production facilities (Lottery's principal ticket vendor), several games were reassigned to the supplemental instant ticket printers, including Pollard Banknote LP. As a result of the game printing redirection, Pollard Banknote LP has exceeded the originally anticipated printing pace. Therefore, the total contract amount needs to be increased to accommodate anticipated printing assignments for the remainder of the contract period.

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DISCUSSION

The contract amendment gives the Lottery flexibility in awarding games to this vendor, based on production timetables and this fiscal year's product plan. To determine the amount to be added to the contract expenditure authority, staff considered:

- 1) The number of games likely to be printed by supplemental contractors over the remaining term of their contracts
- 2) The type of games that may be assigned (i.e. Crossword, Bingo)
- 3) The estimated quantity of tickets needed
- 4) The estimated cost per thousand of tickets printed.

Based on this analysis, staff believes an additional \$10 million in funding for this contract would satisfy possible future ticket production requirements through the term of this contract.

The current contract with Pollard Banknote LP expires on June 30, 2009. This will be the second amendment for additional funding, and has no impact on the length of the contract. Awarding games to Pollard Banknote LP in cases when the principal vendor is unable to print them, and utilizing Pollard Banknote LP's exclusive marking system have been factors in this request. The total expenditure authority for the Pollard Banknote LP contract would be brought up to \$20 million.