

March 12, 2024

Director Steen,

Pursuant to Iowa Administrative Code rule 11-118.16(2), the Iowa Department of Revenue (IDR) hereby requests a waiver for the Lottery Division from the requirements of Iowa Administrative Code rule 11-118.11(3) regarding the maximum duration of service contracts with respect to the following agreement (herein collectively referred to as the Contract):

- Strategic America-RFP# IL-18-02, February 7, 2018
- Agreement for Advertising Creative Services Between the Iowa Lottery Authority and Strategic America, July 1, 2018.

For the reasons outlined below, IDR submits that good cause exists for waiving the six-year requirement in Iowa Administrative Code rule 11-118.11(3) and extending the above contract for one more year through and to include June 30, 2025.

Background:

In 2018, the Iowa Lottery Authority (prior to becoming part of IDR on July 1, 2023) released the RFP noted above for interested parties to provide proposals for Advertising and Related Services, or more specifically for advertising creative services and for media planning and buying services. Two contracts were awarded as a result of this RFP. Strategic America (an Iowa organization) was awarded the advertising creative services contract, and Bucket Media (a Missouri organization that was required to open an office in Iowa) was awarded the media planning and buying services contract. After the first two years of the contracts, the Iowa Lottery Authority had the sole discretion to extend these contracts for one year increments up through and including June 30, 2024. In early 2023, Strategic America was notified that their contract would be extended for the final year for advertising creative services. Bucket Media was notified that the media planning and buying services contract would not be renewed. A new RFP, IL-23-02 for only Media Planning and Buying Services was released on April 6, 2023. Flynn Wright (an Iowa organization) was selected as the new media planning and buying services vendor and began the transition of the work on July 1, 2023. Since being chosen, Flynn Wright has performed well and is meeting the Lottery Division's requirements to be data driven for media planning, placement and analysis.

On July 1, 2023, the Lottery Division became part of IDR and has worked on aligning appropriate operations and teams in order to gain departmental efficiencies. Unrelated to Alignment efforts, the Lottery Division has also been working towards a significant business changing RFP. With the current scratch ticket contracts set to expire at the end of calendar year 2024, the Lottery Division is seeking to release an RFP in order to establish a new business model with a primary vendor for scratch ticket and loyalty program services. In short, the focus of the new relationship will be to create additional revenue and proceeds growth for the State by establishing a new relationship structure with enhanced products, product performance, and additional services through a primary vendor relationship where both parties

can benefit from growth in revenue. Originally planned to be released in FY 2024 Q2, this effort has been delayed due to various intricacies involved with State Alignment, and the extra time needed to secure an external Lottery consultant. It is now scheduled to be released in mid-April 2024. I appreciate the knowledge and support that DAS has already provided for the Scratch Ticket and Loyalty Program RFP, and in particular Craig Trotter's expertise and assistance.

Request for Waiver:

IDR is requesting that the current Advertising Creative Services Contract with Strategic America be extended for one additional year so that a fully competitive RFP process can take place for the following reasons:

- Enhanced Proposal Opportunity: Following the selection of Flynn Wright for media planning and buying, the Lottery Division is benefitting from enhanced services from both Flynn Wright and Strategic America. Since July 1, the Lottery is now experiencing more of the capabilities and coordination that had been intended in these two important areas, and are confident that we will be in a significantly better position a year from now to create an RFP that will better outline the needs of the Lottery Division for both the short term and for how it needs to evolve over a longer period of time in order to better serve IDR and the State of Iowa.
- Future Primary Lottery Vendor Model Impact: As the Lottery Division transitions to the new primary lottery services vendor model as a result of the Scratch Ticket & Loyalty Program starting in the fall of 2024, the Lottery will also have significantly enhanced data and analysis capabilities a year from now. These new capabilities will greatly influence the requirements of an advertising creative services vendor. It is anticipated that these new capabilities will be fully defined once work starts with the primary lottery vendor for the enhanced scratch ticket and loyalty program services in September, 2024. Therefore it would be in the best interest for IDR and the State of Iowa to have these fully defined so that a new RFP can be created in early calendar year 2025.

This waiver request meets the requirements of Iowa Code section 17A.9A(2) because:

- Strict application of the rule will prevent IDR from extending the Contracts. Losing the systems and support provided under the Contracts could result in critical failures within IDR's processes, limiting IDR's ability to collect revenue for the State and creating an undue hardship on IDR and its constituents.
- Approval of this waiver would not prejudice the substantial legal rights of any person.
- The term-limit provision of Iowa Administrative Code rule 11-118.11(3) is not specifically mandated by statute or another provision of law.
- Waiver of the rule will provide substantially equal protection of the public health, safety, and welfare as it will ensure proper vendor support to systems, allowing IDR to support the continuance of State of Iowa government by collecting revenue.

IDR Waiver Request - Lottery Creative Services
March 12, 2024

Respectfully Submitted by:

Mary Mosiman

Mary Mosiman, Director
Iowa Department of Revenue

March 12, 2024

Date

Waiver Approval:

Adam Steen

Adam Steen, Director
Iowa Department of Administrative Services

3/18/24

Date