

# Memorandum

To: Mr. Ramon J. Hirsig  
Executive Director

Date: September 25, 2009

From: David J. Gau, Deputy Director  
Property and Special Taxes Department



Subject: **Cigarette Tax Stamp Contract**  
(October 2009 Deputy Director's Report)

This memorandum provides the Board with an update regarding California's contract for the cigarette tax stamp to take effect January 1, 2010, and a status report on the procurement efforts which are underway.

## Background

The cigarette tax stamp in place prior to 2005 was being counterfeited in large numbers, and Senate Bill 1701 (Stats. 2002, ch. 881) was enacted that required by January 1, 2005, a new type of stamp or meter impression be used, and that the tax stamp be encrypted with specific information and generated by a technology capable of being read by a scanning or similar device.

In 2004, Board staff and the Department of General Services (DGS) conducted a formal procurement process, utilizing the Invitation for Bid (IFB) process, to identify a vendor of the new cigarette tax stamp and stamping machinery. The bid was awarded to SICPA Product Security, LLC for a period of three years with an option for two one-year extensions. The Board has exercised its final one-year option, and the contract will expire on December 31, 2009.

## Current and Ongoing Efforts

BOE staff is working collaboratively with DGS to release an IFB for a new cigarette tax stamp and stamping system. To date, the following milestones have been completed:

- Development of Project Charter
- Development of Project Work Plan
- JAD Meetings (ongoing)
- Procurement Posted on DGS Bidsync Website
- Release of Request for Information (RFI)
- Interested Parties Meeting Held at DGS
- Notification/Request for Input Mailed to Licensed Distributors

## Request For Proposal

In place of the IFB format, DGS has recommended a Request For Proposal (RFP) solicitation because its process includes a period for review and response to draft proposals which benefits all participants, especially the prospective vendors with finalizing their bids. Although there are advantages to an RFP solicitation, it does add additional time to the work plan to meet the required activities for contract development and implementation. DGS anticipates that the Request For Proposal (RFP) will be issued in the fourth quarter of 2009, with a new contract being awarded in the Spring of 2010.

Recommendation

I am requesting the Board's concurrence for submittal of a NCB (Non-Competitively Bid Contract) to DGS for an extension of the existing contract with SICPA Product Security, LLC. An interim contract or "extension" would continue all of the provisions set forth in the current contract for a maximum of three six-month periods. This extension period will cover the remainder of the procurement process and will also allow for an implementation plan to be completed, which may become necessary should the contract be awarded to another vendor.

With your approval, this item will be placed on the Board's October 2009 meeting calendar under Deputy Director, Property and Special Taxes Department.

DJG:kn

cc: Ms. Diane Olson  
Ms. Lynn Bartolo

Approved:

  
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Ramon J. Hirsig, Executive Director

BOARD APPROVED  
At the \_\_\_\_\_ Board Meeting

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Diane Olson, Chief  
Board Proceedings Division