



## M E M O R A N D U M

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**Date:** January 27, 2022

**To:** California State Lottery Commission

**From:** Alva V. Johnson, Director 

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Operations Division

**Subject:** Item 8(c) –Amendment to Statewide Architectural Services Contract

### **ISSUE**

The California State Lottery (Lottery) currently contracts with LPAS, Inc., (LPAS) for architectural design and engineering services (Contract 50008). The LPAS contract expires March 20, 2022 and needs to be extended to support completion of Lottery facility related construction projects. In accordance with the current contract, the Lottery may invoke an emergency extension for up to one (1) year under the same contract terms and conditions.

### **BACKGROUND**

Following a formal competitive solicitation process, LPAS was awarded a contract in March 2014 to provide statewide architectural design and engineering services in support of the approved Facilities Master Plan (FMP) projects and other Lottery facilities projects. The original contract term was March 21, 2014 to March 20, 2019 with options for the Lottery to extend for up to two (2) additional two-year periods. The original contract value was \$1,500,000.

On November 19, 2015 the California State Lottery Commission (Commission) approved an amendment to the contract to add funds, bringing the total value to \$5,500,000 to cover costs for increased size of facilities, enhanced scope and complexities associated with each project location. The dollar amount was determined after a team of construction professionals from various areas of the industry working with the Lottery developed a

budget using their expertise, recent experience, and Lottery needs. The team felt confident that \$5,500,000 was a reasonable and accurate estimate for architectural and engineering services needed to complete the FMP.

On March 22, 2018, the Commission approved the contract's second amendment adding funds of \$2,000,000 for a total value of \$7,500,000 and exercised the first two-year option to extend through March 20, 2021. This term extension and addition of funds was to support the increase in costs to architectural services, as the contract was intended to be used for other Sacramento area facilities projects including the Headquarters building, the Northern Distribution Center and the Sacramento District Office. The revised budget also allowed for enhanced building commissioning of the buildings associated with the FMP which ensured all building systems are operating correctly and efficiently.

On November 19, 2020 the Commission approved a third amendment to the contract to extend the term through March 20, 2022. With that amendment, the Lottery exercised one (1) year of the second two-year period allowable under the contract as projects were expected to be completed by December 31, 2021. During the course of 2021, the Lottery encountered project delays caused in part by a second COVID-19 surge and related impacts to Lottery operations. Additionally, limited resources were made available by regulatory agencies and other construction partners due to the pandemic and extensive wildfires of 2021. The Lottery was unable to move forward on the project without the partnership and approval of these organizations.

## **DISCUSSION**

The Lottery has worked in close partnership with LPAS since late 2009 acquiring architectural, design and engineering services for the Headquarters facility and all Lottery facilities under the FMP. Due to this longstanding partnership, LPAS is familiar with Lottery business functions, expectations, brand image and processes. The Lottery is currently utilizing the services of LPAS for three projects.

### **Lottery Northern Distribution Center (NDC)**

The Lottery's Northern Distribution Center (NDC) Remodel Project is in progress with plans currently under review by the State Fire Marshall (SFM). Although the plans are now under review, there were significant delays with the SFM plan review due to the historical wildfires of 2021 throughout California. The Lottery encountered delays of several months and subsequent phases of the project cannot proceed until the design and review phase is completed.

In addition, the Lottery expanded the scope of the project in early 2021 which impacts all phases of the project. The expansion of the scope was driven primarily by the Lottery's need to expand pick and pack capacity at the NDC as a result of steadily increases in

sales of Lottery products. This expansion requires electrical upgrades to the facility which requires the Lottery to partner with PG&E Engineering and Design Services to ensure PG&E's electrical equipment is sufficient to support an increased electrical load.

A Request for Proposal (RFP) for construction services is being finalized and is anticipated for release in January 2022. The Lottery anticipates seeking approval of the contract award from the Commission at the May 2022 Commission Meeting.

#### Lottery Headquarters Perimeter Security Fence

In May of 2021 the Lottery requested design services from LPAS for the Headquarters (HQ) Perimeter Security Fence project in response to a security risk assessment and recommendations made by the California Highway Patrol (CHP). CHP recommended limited access to various external areas of the Lottery's HQ campus. This project will secure the campus and sensitive areas of the site, provide controlled after-hours access, and a safe place for employee and Lottery fleet parking.

The design plans are currently with the Lottery's plan reviewer and Sacramento local fire authority for review and approval. An Invitation for Bid (IFB) is being finalized and is anticipated for release in January 2022. The Lottery anticipates seeking approval of the contract award from the Commission at the May 2022 Commission Meeting.

#### Richmond District Office Improvements

LPAS has recently completed conceptual design drawings for facility improvements at the Lottery's Richmond District Office (RDO). The Lottery took occupancy of the building under a compressed timeline due to an expiring lease at the South San Francisco District Office planning to address issues with the interior design after completion of the FMP. Since taking occupancy, the Lottery has determined that additional improvements are required to ensure the health, safety and privacy Lottery staff and the public. The next steps of this project are as follows; solicit input from stakeholders on the conceptual design (January 2022), finalize design (March 2022), secure permits from SFM and local authorities (August 2022), develop budgetary estimates, solicit bids, (August – September 2022) award (December 2022) and execute project (January – February 2022).

The contract has sufficient funds available to cover the costs for these projects. However, to ensure the Lottery can complete these three projects as soon as possible, an amendment to the contract term is necessary. If the Lottery does not utilize the emergency contract extension option, the Lottery would be required to seek another firm through a formal competitive solicitation process which would not be awarded until mid-December of 2022. This would result in further project delays impacting the safety of Lottery staff and its assets, the Lottery's ability to fully support rising sales, and the ability to ensure all facilities in the Lottery's portfolio meet the business and operational needs

of its staff. It is in the Lottery's best interest to continue utilizing the services of LPAS and proceed with all three projects with the goal of completion by March 2023.

**RECOMMENDATION**

Lottery staff recommends that the Commission approve an emergency extension of its agreement with LPAS for architectural design and engineering services by one year to March 20, 2023. This extension is authorized under agreement 50008, Exhibit E, Contract Terms and Conditions, Section 1.3.