



M E M O R A N D U M

Date: January 25, 2024

To: California State Lottery Commission

From: Harjinder K. Shergill Chima, Director *HKC*

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Operations Division

Subject: Item 8(d) - Arktos Incorporated Amendment

ISSUE

The California State Lottery (Lottery) seeks California State Lottery's Commission (Commission) approval to extend the term of the agreement with Arktos Incorporated (Arktos) for construction services of the Lottery's perimeter fencing project at the Lottery Headquarters (HQ) campus. This extension is issued under the available one-year option and will allow the project additional time for completion of any additional work that may be required after the State Fire Marshall's inspection. This amendment is to add time only and will not require additional funds be added to the contract. The approval to add an additional twelve months will extend the agreement expiration date from January 29, 2024, to January 29, 2025.

BACKGROUND

The Lottery had a risk assessment of its HQ campus completed in December of 2019 by the California Highway Patrol (CHP), which identified significant vulnerabilities with unsecured and uncontrolled driveways and pedestrian access onto the Lottery campus. The CHP provided recommendations to install a permanent perimeter fence and controlled gating to provide enhanced security by limiting access to portions of the campus. These security measures will provide a safer location for Lottery assets, state vehicles, and employee parking, thus addressing legal risk to the Lottery by eliminating public loitering, vandalism, or other property crimes.

The project required the installation of: eight-foot high perimeter tubular steel fencing to secure the employee parking area; four steel swing gates to prevent vehicles from entry onto the site; two automatic vehicle swing gates, including an island and keypad at the main entry gate; two manual sliding vehicle gates for maintenance use and event parking; two employee pedestrian gates with keypads; two maintenance pedestrian gates; and electrical and communication wiring for gate operators and keypads.

In August 2022 the Lottery received four (4) responsive bids and determined that Arktos offered the best value to the Lottery for the project, with a bid amount of \$533,000. At the time, construction costs increased at the rate of 1% per month for an annual inflation rate of 13%. Therefore, the Lottery requested an additional \$69,290, which was approximately 13% of Arktos' bid, above the award amount to address any potential cost escalations caused by supply chain issues. This brought the total contract award to \$602,290 with a term from November 1, 2022, through October 31, 2023.

Amendment A01 extended the term three months through January 29, 2024, and provided additional funds in the amount of \$16,912.78 to cover goods and services required to complete the fence and gate installation and to provide contingency funds for unforeseen issues that may arise before the completion of the project. Due to the low dollar amount and minimal time added, Commission approval was not required for this amendment. The contract contains one additional option to extend the term for up to one year.

DISCUSSION

The State Fire Marshall (SFM) inspected the HQ campus on November 28, 2023, and found that one fire hydrant's position was in violation of California Fire Code for access. Upon further visual inspection, it was also noted that five additional hydrants on campus did not meet the height requirements as per the National Fire Protection Association (NFPA), (between 18" and 36" above surrounding grade). When the new HQ building was constructed in 2010, all hydrants were in compliance and approved by the SFM at that time. Since then, the NFPA has updated their height requirements for hydrant access. This resulted in the need to execute a Service Agreement with a second contractor, Alwest Fire Protection LLC, to rotate the single hydrant with blocked access 180 degrees as well as raise the height of the other five hydrants to bring them in compliance with current NFPA code. The SFM will not sign off on the fencing project until the fire hydrants are in compliance.

Operations is currently working with Alwest to procure the needed hydrant riser parts and schedule the corrective work. The anticipated timeline to complete this work is six to eight weeks. The Lottery is requesting to exercise the option to extend the contract twelve months to ensure ample time for any additional work to be completed.

Per recommendations from the Inspector of Record, the Lottery is requesting Arktos to remain under contract until SFM inspection and sign-off of the project. This will ensure that Arktos remains available to complete the services in the event that the need for any additional work is identified during the final approval stage.

RECOMMENDATION

The Lottery recommends the Commission exercise the Lottery's option and extend the term twelve months to January 29, 2025.