



M E M O R A N D U M

Date: June 25, 2020

To: California State Lottery Commission

From: Alva V. Johnson, Director 

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Information Technology Services Division

Subject: Item 9(d) – Telecommunications Contract

ISSUE

The current Consolidated Communications, Inc. (CCI) contract for bundled telecommunication services for the California State Lottery (Lottery) expires on July 31, 2020. The Lottery seeks approval to renew telecommunication services with CCI under a new two-year contract.

BACKGROUND

At the February 16, 2017 California State Lottery Commission (Commission) meeting, the Commission approved entering into a contract with CCI to combine all telecommunications services for the Lottery's twelve locations into one consolidated monthly bill. The Lottery utilizes CCI as its primary telecommunications carrier and basic digital business class TV provider. CCI serves as the Lottery's single point of contact for telecommunication needs and works directly with local providers across the state to obtain the services needed by the Lottery.

In addition to supporting telecommunication needs, CCI hosts the Lottery secondary site and is fully responsible for supplying power, lights, access to network bandwidth, and physical security of the data center. This includes a private caged area that encloses the Lottery IT equipment and systems, climate control, fire detection and suppression, and 24x7 manned and video surveillance. This equipment supports the Lottery's ability to electronically transfer onsite production data backups to an offsite location, a secondary location for backups of gaming data which is controlled by the Lottery's Security and Law Enforcement Division, and the location for development and test environments provided to Lottery business users.

The Lottery's Wide Area Network (WAN) infrastructure was designed and architected in 2011 with HQ as the hub to provide connectivity to the nine District Offices and two warehouses. The WAN is based on older design technologies that were proven, stable, and successful at that time. A recent evaluation of this WAN infrastructure has revealed complexities and dependencies on CCI's infrastructure that emphasizes the need to maintain the current state. The Lottery is developing a two-year plan to re-engineer the WAN infrastructure utilizing updated technologies to have each Lottery facility be self-contained. When completed, this newly architected and engineered platform will provide the opportunity for the Lottery to widen its potential vendor pool for these circuits in the future.

DISCUSSION

The Lottery's CCI telecommunication network is essential to conducting Lottery business operations and must remain uninterrupted. This data network provides connectivity to the Lottery's nine District Offices and two Distribution Centers, external resources such as the Lottery's gaming vendor, the Internet, and supports the successful execution and completion of daily draws. CCI is the only telecommunications provider that can provide connection from the Long-Distance Carrier to the Local Exchange Carrier to all twelve Lottery facilities around the State of California. The circuits which CCI provides contain a high speed dual digital ring that supports important redundancy and reliability to Lottery business operations. The circuits have guaranteed bandwidth and are highly monitored and supported 24x7 from CCI's Network Operations Center. These combined services provide a key foundation for the Lottery to communicate with each facility, our business partners, and the outside world.

Over the past three years, the current telecommunications infrastructure architected by Lottery network staff and established and supported by CCI has proven to be stable and provides the required performance to successfully support Lottery data communications. This is directly attributed to the fact that CCI's carrier fiber network includes the metropolitan area of Sacramento, which provides the high speed connectivity to and from Headquarters (HQ) to CCI's central office and to the Secondary Site. We have confirmed that these services are fair and reasonable when comparing the cost of the backup circuits provided by other vendors to the cost of the CCI primary circuits.

The services provided by the CCI telecommunications contract are essential to conducting Lottery business and must remain uninterrupted. If the CCI telecommunications contract is not renewed, the Lottery would not have network connectivity.

Based on the foregoing business reasons, the Lottery recommends this new contract be exempted from competitive bidding procedures, pursuant to the exception set forth in Lottery Regulations Section 8.1.D:

“The Director has determined, after a good faith effort to locate potential bidders, that only one viable source exists for the goods and/or services due to proprietary interests, licensing restrictions, and any other reason.”

RECOMMENDATION

Lottery staff recommends that the Commission approve a contract with Consolidated Communications, Inc. for a total amount not to exceed \$1,400,000. If approved, the contract term will be August 1, 2020 through July 31, 2022.