




M E M O R A N D U M

Date: November 9, 2023

To: California State Lottery Commission

From: Alva V. Johnson, Director 

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Subject: Item 8(e) – Workstation Enterprise Refresh Plan

ISSUE

The California State Lottery (Lottery) seeks the California State Lottery Commission's (Commission) approval to purchase new devices to refresh existing desktops, laptops, and 2 in 1 devices throughout the department over a three-year period through a Workstation Enterprise Refresh Plan. The maximum authorized expenditure for this project is \$4,048,990.00.

BACKGROUND

The Lottery has approximately 1,400 desktops and laptops currently in production and has implemented an Enterprise Refresh Plan to refresh equipment on a regular schedule. As devices go beyond their useful life, they begin to experience hardware failure, slowness, and increased security risks that present major support issues for the end user and the Information Technology Services Division (ITSD). Some of these problems include issues such as swollen batteries, failed network cards, faded display screens, and compatibility issues with the operating systems. When these issues occur, ITSD must immediately get the laptop replaced with a different device which results in a major unplanned disruption for the end users, and puts strain on the IT Service and Operations Support Unit. When combined with fulfilling new employee setups, the IT Service and Operations Support Unit frequently runs out of laptops and must reactively submit unplanned procurement orders, which results in the department having a large variety of laptop makes and models in production. This in turn makes it difficult for ITSD to manage resources necessary to maintain a diverse and complex inventory. This method also

makes it nearly impossible for ITSD to forecast IT equipment needs and budget for future years.

DISCUSSION

In an effort to move into a proactive method that is predictable and budget friendly, ITSD established a standard, scheduled hardware Enterprise Refresh Plan for the department. As part of the ITSD Enterprise Refresh Plan, ITSD implemented a phased approach that began with phase one, the replacement of the oldest 300 devices in Fiscal Year (FY) 2022-2023. Each device was over three years old and was no longer supported by the manufacturer. For phase two, beginning in FY 2023-24, ITSD will refresh the next set of devices that are no longer supported and establish a rolling annual refresh schedule. This schedule will ensure all Personal Computer (PC) and laptops remain on a three-year refresh cycle based on division needs.

The following diagram demonstrates the division refresh cycle beginning in FY 2023-24.

FY 2023-24	FY 2024-25	FY 2025-26
Sales and Marketing	ITSD	Finance
SLED	Human Resources	Executive
		Operations

A 10 percent contingency has been included to account for price fluctuations throughout the three-year term of this initiative. If costs rise above the annual not-to-exceed costs and the three-year 10% contingency has been expended, Commission approval will be sought. The not-to-exceed costs to procure the required devices, accessories, service support, as well as spare devices for new hire growth through the end of the FY2025-2026 budget cycle, are below:

FY 2023-24	
\$2,160,800.00	
FY 2024-25	
\$621,100.00	
FY 2025-26	
\$899,000.00	
Three-year 10 % Contingency	\$368,090.00
TOTAL COSTS	
\$4,048.990.00	

The Lottery's formal competitive procedures will not apply to these procurements pursuant to the exception set forth in Lottery Regulations Section 8.1.2.C as follows:

"The goods or services will be acquired using a standard United States General Services Administration Agreement or a State of California, Department of General Services Master Services Agreement, Multiple Award Schedule, Master Rental Agreement, or other such agreement which establishes a list of pre-qualified bidders who have agreed to contract terms and prices."

The Lottery will utilize the State of California, Department of General Services (DGS) Mandatory Statewide Contracts for these procurements, requesting a quote from reseller(s) that are authorized to provide goods and services under the agreements. Contractors included on DGS Mandatory Statewide Contracts are deemed qualified to do business with the State of California and have met all DGS administrative requirements to sell to State governmental entities. By utilizing DGS Mandatory Statewide Contracts, the Lottery will leverage the buying power of the State, ensure selected resellers have been thoroughly vetted, and will meet the Lottery's business needs.

Pursuant to Lottery Regulation Section 8.6.2, "No contract with an estimated value of \$250,000 or more may be executed without prior Commission approval." These Mandatory Statewide Contracts have a limited number of reseller(s), and it may be necessary for the Lottery to issue more than one agreement with the same reseller(s) to meet the Lottery's business needs. Although ITSD cannot estimate when these purchases may take place and for how much, the cumulative totals of these orders with those reseller(s) may be \$250,000 or more. For full transparency, the Lottery seeks the Commissions' approval to fully expend the maximum Enterprise Refresh Plan budget amount of \$4,048,990.00, irrespective of reseller or agreement amount.

RECOMMENDATION

The Lottery recommends the Commission approve the phased procurement approach for the Workstation Enterprise Refresh Plan. This approval will expire in FY 25/26 on June 30, 2026. The maximum authorized expenditure for this project is \$4,048,990.00.