



M E M O R A N D U M

Date: September 26, 2019

To: California State Lottery Commission

From: Alva V. Johnson, Director *AVJ* [Initials on file]

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Information Technology Services Division

Subject: Item 9(f) – Consolidated Communications Enterprise Services, Inc.
Contract Amendment

ISSUE

The California State Lottery's (Lottery) multi-year contract with Consolidated Communications Enterprise Services, Inc. (CCI) has insufficient funds to support anticipated telecommunication services. Absent increased funding under this Agreement, the Lottery will be unable to continue telecommunication services as of November 2019.

BACKGROUND

At the February 16, 2017 California State Lottery Commission (Commission) meeting, the Commission approved entering into a contract with CCI. The Lottery utilizes CCI as its primary telecommunications carrier and basic digital business class TV provider. CCI also provides a secure private caged area that encloses the Lottery information technology (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 circuits which CCI provides contain a high speed dual digital ring that provides important redundancy and reliability to Lottery business operations. These circuits support the communications between Lottery Headquarters, District offices, and warehouse locations.

DISCUSSION

When the Lottery bundled telecommunication services into the three-year contract with CCI, the monthly expenditure was estimated to be \$50,000.00. The average actual monthly expenditure has been around \$64,000.00. The contract funding is almost depleted and Lottery staff estimates that additional funding in the amount of \$475,000 is required to cover telecommunication services through the end of the contract term.

RECOMMENDATION

Lottery staff recommends that the California State Lottery Commission approve an amendment to the CCI Agreement to increase the total authorized expenditures by \$475,000.00 to cover telecommunication services through July 31, 2020. With the approval of this amendment, the new maximum authorized expenditure for this Agreement is \$2,275,000.00.