



MEMORANDUM

To: California State Lottery Commission **Date:** June 27, 2006

From: Joan M. Borucki,
Acting Director

Prepared By: Ellen Ishimoto, Director
Information Technology Services Division

Subject: Item 9(a) - Approval of Amendment to Interagency Agreement
with the California Department of Technology Services

ISSUE

Should the California State Lottery Commission (Commission) approve a three-year extension of the interagency agreement with the State of California Department of Technology Services (DTS) for ongoing operations and support of the California State Lottery's (Lottery) IBM mainframe applications, telecommunications services, and data storage?

RECOMMENDATION

Staff recommends the Commission approve a three-year extension of the interagency agreement with DTS for ongoing operations of the Lottery's IBM mainframe applications, telecommunications services, and data storage. The amended contract term will be July 2001 through June 30, 2009. No additional funds are required.

BACKGROUND

In early 2000, the Lottery launched a procurement project to replace the gaming systems, gaming terminals and peripheral devices, and statewide telecommunications system. As part of the procurement strategy, the decision was made to outsource several of the Lottery's administrative application systems (e.g., Retailer Master File and Accounts Receivable) housed on its own IBM mainframe computer to the gaming vendor. The remaining applications (Annuity Investment

System, Background Investigation System, and Case Tracking System) would be moved to the Teale Data Center (TDC).

On June 29, 2001, the Commission approved \$5,104,005 for a three-year interagency agreement with TDC, now merged under the new DTS, to house and support the aforementioned applications. Transferring the support to TDC allowed the Lottery's computer operators to learn new skills and prepare them to support applications in the client/server environment. On June 29, 2004, the Commission approved a two-year extension of the interagency agreement with TDC. Of the \$5,104,005 originally approved for this interagency agreement, there is approximately \$1.6 million remaining which covers the requested extension. The Lottery's initial monthly costs fluctuated, peaking at \$126,021, and have been reduced over time to between \$19,000 and \$21,000 per month. Total cost of the three-year extension is approximately \$756,000.

DISCUSSION

In addition to supporting the three critical administrative applications mentioned above, DTS provides secure telecommunications services between the Lottery, GTECH, and various state agencies. These services include:

- Sharing payroll and other personnel data with State Personnel Board and State Controllers Office (SCO), both of whom utilize DTS' telecommunications services;
- Transferring critical winners and other data to and from GTECH, SCO and the Lottery; and,
- Linking the Lottery's Operational Recovery site to GTECH and other agencies such as the Franchise Tax Board who will provide work space in the event of a disaster.

Lastly, DTS provides storage for sales, winners, and winners' payment data used for validation and verification of data converted to the new gaming system and creation of new reports.

These services are expected to be ongoing during the extended period of this agreement. Funding for this service has been included in the 2006/07 fiscal year budget.