



**M E M O R A N D U M**

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**Date:** June 11, 2009

**To:** California State Lottery Commission

**From:** Joan M. Borucki  
Director

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Security/Law Enforcement Division (S/LED)

**Subject:** Item (9c) –Contract for Security System Services

**ISSUE**

Should the California State Lottery (Lottery) Commission approve a contract for security system services with Stanley Convergent Security Solutions, Inc.?

**RECOMMENDATION**

Staff recommends that the Commission approve the granting of a three-year contract with two one (1) year options to extend to Stanley Convergent Security Solutions, Inc. (Stanley CSS), for security system services. The total expenditure for this contract, not including extensions, is \$1,500,000.

**BACKGROUND**

Currently the Lottery contracts with Stanley CSS for the maintenance and technical support of our physical security system. This contract was executed on 9/1/2004, and expires 8/31/09.

The California Lottery Act requires the Lottery to promote and ensure the integrity, security, honesty and fairness in the operation and administration of the Lottery. Physical security measures are an important part of any effort to protect information, assets and provide a safe environment for employees, vendors and customers.

Physical security involves prevention, detection, response, monitoring and review measures to reduce perceived risks to acceptable levels. The Lottery has since its inception ensured that all Lottery facilities are secure by providing a 24 hour, 7 day a week statewide physical security system. These facilities include Headquarters, our nine district offices, the Los Angeles studio, the Northern Distribution Center, the Southern Distribution Center, and the Operational Recovery (OR) site.

During the course of the current contract, the Lottery experienced several major upgrades to the physical security system. The entire Headquarters complex and all statewide remote sites were upgraded from analog to digital technology and Digital Video Manager (DVM) cameral system was installed at all locations. This complex project involved the changing of access control units, card readers and access badges for Lottery facilities statewide. The upgrades not only replaced outdated devices with newer technology, it enhanced the performances of the security operating system. Stanley CSS also worked with the Lottery on aggressive timelines to design and install security for the new Northern Distribution Center and three relocated Lottery district offices. Stanley CSS has consistently met its obligations under the terms of the contract and performed at an "excellent" rating level to date.

Stanley CSS's support and understanding of Lottery objectives statewide have resulted in the Lottery obtaining a highly robust, expandable, state of the art physical security system that is less than two years old and offers many expandable features to meet the Lottery's growing Security needs.

The security system consists of the primary access control and alarm system (Honeywell Security Solutions (HSS), backup intrusion alarm system (Bosch), the Digital Video Manager Camera system (DVM), and the digital cellular backup system (Telular). HSS integrates data with DVM to efficiently manage the Lottery's camera system. DVM takes full advantage of current networking products to deliver high-performance digital video and recording capabilities. Cameras located at Headquarters, all Lottery remote sites, Gtech primary data center located in Texas and Gtech's backup data center located in Sacramento are all monitored by DVM.

## **DISCUSSION**

During the course of the contract, Stanley CSS has gone through several name changes including HSM Electronic Protections Services, Inc, and SecurityCo, Inc, DBA Honeywell Monitoring. Stanley CSS has been selected as the most qualified vendor for providing security system services to the Lottery since 1987. From 1992 to the present, Stanley CSS has been the successful bidder on three successive contracts.

The HSS proprietary software and specific hardware is not available from other vendors. The Lottery is limited by license agreements from allowing other vendors to access HSS systems. Due to the proprietary software and specific hardware contained within the Lottery's security system and the complexity associated with servicing this equipment, maintenance has continuously been provided by Stanley CSS. Because this proprietary software and hardware is critical to the Lottery's current physical security system, competitive bidding would not be feasible or effective at this time.

The proposed contract represents an anticipated increase in contract rates compared to the current contract. The estimated amount obligated for this contract, not including extensions, is \$1,500,000. Factors contributing to the cost of the contract are inflation and complexity of the system as it has evolved since the last contract; as well as the market value of the skills needed to provide the Lottery with expected levels of competency and service. This amount has been analyzed by staff and found to be reasonable for future routine maintenance and repairs, new installations, modifications and site relocations. The Lottery is actively looking to purchase new sites for relocating the Southern Distribution Center and several district offices.

Should the proposed contract not be approved, the alternative would be to go out to competitive bid on a new statewide physical security system. Should this occur, it could require removal of the existing security system from Headquarters and all the locations identified above. The costs associated with the procuring of a new security system would exceed the costs of granting this contract.