

**To**: California State Lottery Commission **Date**: January 9, 2008

From: Joan M. Borucki

Director

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Operations Division

**Subject:** Item 9(f) - Approval of Amendment to Contract with Sierra National

Construction, Inc. for Additional Funding

## **ISSUE**

Should the California State Lottery Commission (Commission) approve the augmentation of Sierra National Construction, Inc.'s (Sierra) existing contract in the amount of \$250,000, to pay for the remodel costs of the newly acquired Northern Distribution Warehouse?

## RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission approve the augmentation of Sierra's existing contract in the amount of \$250,000, to pay for the remodel costs of the newly acquired Northern Distribution Warehouse.

## BACKGROUND

The Lottery has recently purchased a new building located at 2920 Ramco Street, West Sacramento, CA 95605. This building will house the Northern Distribution Warehouse ticket distribution operations. In addition, the Lottery has decided to move its Supply Warehouse and Archive Warehouse operations to the Ramco site. The site is large enough to also provide additional meeting space for Lottery Sales meetings and certain other functions. The site will have to be modified to be able to fulfill the needs of the operations.

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The costs associated with the remodel exceed the amount of funds available on Sierra's existing contract and additional funds need to be added. The total cost of added funds will be \$250,000.

## DISCUSSION

In response to a construction Invitation for Bid (IFB) on October 19, 2005, four bids were submitted. After the evaluation process, the contract was awarded to Sierra National Construction, Inc.

At the time the contract was approved, staff estimated costs for ongoing maintenance and remodeling for the Lottery's facilities for the three-year term to be \$1.09 million. However, since that estimate, unexpected costs have been incurred for such items as ADA (Americans with Disability Act) parking lot modifications and stabilization of portions of the second floor. The Lottery has recently acquired a new distribution center that requires modifications to meet its operational needs, and additional funding is needed, which had not been included in the original calculations. The original contract authorizes Sierra to do work on the Lottery Headquarters Complex "including but not limited to:

598 North Tenth Street (The Sacramento District Office)
600 North Tenth Street (Lottery Headquarters)
650 North Tenth Street (The Northern Distribution Warehouse)
700 North Tenth Street (The Tenant occupied building)
800 North Tenth Street" (The Supply/Archive Warehouse)

The Northern Distribution Warehouse and the Supply/Archive Warehouse will now be located at 2920 Ramco Street in West Sacramento.

Staff is recommending that the Sierra National Construction, Inc. contract be augmented by \$250,000.