



MEMORANDUM

To: California State Lottery Commission Date: May 24, 2007

From: Joan M. Borucki
Director

Prepared by: Patricia Eberhart, Deputy Director
Finance and Administration Division

Subject: Item: 9(c) – Approval of Recommendations for Fleet
Management

ISSUE

Should the California State Lottery Commission (Commission) approve a change in the operation of the California State Lottery's (Lottery) fleet, and hire a fleet management company to provide support services to help manage the Lottery's fleet operations and track costs?

RECOMMENDATION

Staff recommends that the Commission approve the procurement of certain fleet management functions through a private vendor to maximize the efficiency of the Lottery's fleet. The total estimated cost for these services will be \$32,000 per year.

BACKGROUND

The Lottery currently has a fleet of 222 vehicles, of which approximately 80% are assigned to Sales, 13% to Security, and 7% are assigned to other parts of the organization. Most of the vehicles are assigned to designated drivers with the balance placed in the motor pool. Drivers schedule most of the service on their assigned vehicles on an as needed basis. Pool vehicles are scheduled for service by either the District Office Manager or the Lottery's Fleet Manager (FM). Staff recognized the need to better manage the maintenance and repair of the Lottery's fleet because currently efforts are mostly reactive instead of pro-active. Since the

Lottery does not have the ability to adequately track expenses or maintain repair histories by vehicle, the fleet is being managed inefficiently. Additionally, staff currently lacks certain other management tools that would help general operations.

DISCUSSION

In August 2006, the Lottery approached Mercury and Associates an outside consulting firm, to evaluate current fleet management functions. Lottery staff worked with Mercury to identify issues, develop better policies, practices, and establish goals to ensure that the Lottery manages its fleet in accordance with best practices. Based on the Lottery's financial analysis, Mercury confirmed the Lottery's decision to purchase new vehicles instead of leasing replacement vehicles. Mercury also confirmed the Lottery's assessment of the need for better management tools and has made a number of recommendations to optimize the effective management of the Lottery's fleet. Some of the recommendations have already been implemented.

In the review, Mercury noted several areas that could be improved using more appropriate management control. One area of improvement that appeared throughout the study was the lack of information regarding vehicle operations, including repair and cost history. Currently, data is captured with a basic Microsoft Access database that was created internally. Although the system was adequate in the past, the Mercury study confirms that the current system is insufficient for the Lottery's needs. By not tracking expenses and pro-actively managing fleet operations, the Lottery greatly hinders efficient day-to-day operations and restricts long-term planning, which may lead to increased costs.

Another practice that Mercury recommends changing is the disposition of surplus Lottery vehicles. Currently, the Lottery utilizes the Department of General Services (DGS) for this function. DGS charges a fee to ship the vehicles to Sacramento and another fee for the use of the auction services. Because DGS determines when to hold the auctions, Lottery often loses money via continued depreciation of the vehicle while it awaits the DGS auction. The money from the sale of Lottery owned vehicles goes directly to education; therefore, it is important to maximize revenues. The Mercury report points out that the most appropriate way to maximize proceeds would be to procure this service from an outside vendor so the vehicles could be sold "as is, where is", thus avoiding the costs associated with transportation and increased depreciation due to holding time.

As a result of the study the FM has initiated a Request for Bid (RFB) to acquire fleet management services from a nationally recognized vendor. The scope of services will include, but not be limited to the following:

- An online database that tracks driver/vehicle assignments, vehicle repair history, fleet management functions, etc.
- 24 hr. driver support, including a list of vendors to utilize for vehicle repairs and routine services.

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- Emergency roadside assistance.
- Vehicle disposition services.

Using the recommendations supplied by Mercury, staff will customize a program that best suits the Lottery's fleet operational needs.