



MEMORANDUM

To: California State Lottery Commission **Date:** March 19, 2008

From: Joan Borucki
Director

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Operations Division

Subject: Item 9(d) – Approval to Purchase Replacement Vehicles

ISSUE

Should the California State Lottery Commission (Commission) approve the request to purchase 37 cargo vans, 3 sedans, and 13 law enforcement vehicles utilizing the Department of General Services' (DGS) vehicle purchasing master service agreement and the Sacramento County purchasing agreement?

RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission approve the purchase of up to 37 cargo vans, 3 sedans, and 13 law enforcement vehicles, for an estimated total cost of \$1,345,000.

BACKGROUND

The Lottery owns 189 cargo vans, 33 Sales sedans and 28 vehicles, which are utilized by the Lottery Sales Division, Security/Law Enforcement Division (S/LED), and Headquarters staff in their everyday contact with retailers. Of the 189 cargo vans, 37 should be replaced; 3 of the 33 sedans should be replaced; and 13 of the 28 law enforcement vehicles should be replaced. All of the 53 vehicles have exceeded the Lottery's replacement criteria, which includes factors such as mileage, age, safety, and maintenance costs of the vehicles.

S/LED staff is taking newly directed pro-active investigative steps to ensure the integrity of the Lottery and compliance with all of its regulations by its retail partners.

Beginning in 2007, all vehicles acquired by the Lottery for law enforcement use be equipped as fully compliant law enforcement vehicles. With a change in operation has come a change in vehicle type and need. Historically the Lottery has made all vehicle purchases through the DGS. This has limited the ability to obtain a diverse fleet for law enforcement purposes.

The Lottery is not restricted to purchase vehicles only from DGS, but can use other city/county contracts. The County of Sacramento vehicle contract would provide S/LED with a wider variety of vehicles for law enforcement purposes and provide them with the diversity to perform their essential functions. The vehicle bidding process at the county has been structured so that any government agency may purchase from their contract. Additionally, the county does not charge any fees for this service.

DISCUSSION

The Lottery has historically replaced vehicles on an as needed basis. This method of replacement causes an erratic fluctuation in budget expenditures and handicaps the Lottery's long-term replacement planning. In Fiscal Year 2007-2008, the Lottery replaced 81 vehicles. This number was significantly lower than the original total of 116 vehicles. For Fiscal Year 2008-2009, the Lottery replacement total is estimated to be 69 vehicles, but by reducing this number to 53 the Lottery is attempting to balance the long-term replacement costs over an extended period of time. The ideal replacement goal is to have a continuous replacement of 40 to 45 vehicles per fiscal year. By reducing the vehicle replacements from previous fiscal years, the Lottery is on track to meet this goal.

The DGS has a vehicle contract in place which would allow the Lottery to purchase vehicles for the Sales Division at the following prices: (a) 37 cargo vans with delivery and retrofit charges at an average cost of \$25,000 each; (b) 3 sedans with delivery charges at an average cost of \$18,000 each. Adding DGS fees of \$15,000, the estimated total cost for the purchase of the 40 vehicles would be approximately \$994,000.

The County of Sacramento has a vehicle purchasing contract in place which would allow the Lottery to purchase S/LED vehicles at the following prices: (a) 13 law enforcement vehicles at an average cost of \$27,000 each for a total purchase price of \$351,000

The total cost for this vehicle purchase will be approximately \$1,345,000.

The vehicles would be ordered in April 2008, and delivered to the Lottery in approximately 150 days. Expenditures for this purchase would not be incurred until the 2008-2009 Fiscal Year.