



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

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**Date:** April 14, 2010

**To:** California State Lottery Commission

**From:** Joan M. Borucki  
Director

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**Subject:** Item 8(a) – Request to Purchase Replacement Vehicles

**ISSUE**

Should the California State Lottery Commission (Commission) approve the request to purchase 24 cargo vans utilizing the Department of General Services' (DGS) vehicle purchasing master service agreement?

**RECOMMENDATION**

California State Lottery (Lottery) staff recommends that the Commission approve the purchase of up to 24 cargo vans for an estimated total cost of \$697,500.

**BACKGROUND**

The Lottery owns 261 vehicles, which are utilized by the Lottery Sales Division (Sales), Security/Law Enforcement Division (S/LED), and Headquarters staff in their everyday execution of duties. Of the 261 vehicles, 24 Sales cargo vans should be replaced. All of the 24 vehicles have exceeded the Lottery's replacement criteria, which includes factors such as mileage, age, safety, depreciation and maintenance costs. The Lottery's replacement criteria is based on industry best practices and is designed to reduce staff down time and the loss of productivity.

**DISCUSSION**

The Lottery Fleet Management Unit has recently developed new vehicle utilization policies within the Lottery fleet and updated the Lottery's vehicle replacement criteria. The policy changes have resulted in an immediate savings of \$139,250 by reducing the

vehicle replacements for fiscal year 2010/2011 from 29 vehicles to 24 vehicles. The changes have also reduced the Lottery fleet by 15 vehicles, resulting in an average annual savings of \$127,360. The savings include the annual estimated cost of depreciation, fuel and maintenance. The overall estimated savings for fiscal year 2010/2011 is estimated to be \$266,610.

DGS has a competitively bid, statewide vehicle contract in place which would allow the Lottery to purchase the requested vehicles at the following government rate: 24 cargo vans with delivery and retrofit charges at an average cost of \$28,750 each. Adding DGS fees of \$7,500, the estimated total cost for the purchase of the 24 vehicles would be approximately \$697,500.

The vehicles would be ordered in April 2010 and delivered to the Lottery in approximately 150 days. The cost of the vehicles will be capitalized over five years beginning with the date of delivery.