

COMMISSION AGENDA ITEM

Item 8(b) NorCal Ticket Shredding Services



Date: March 21, 2024

To: California State Lottery Commission

From: Harjinder K. Shergill Chima *HKC*
Director

Prepared By: Florence Bernal, Acting Deputy Director
Operations Division

Subject: Item 8(b) – NorCal Ticket Shredding Services

ISSUE

The California State Lottery (Lottery) is requesting a ratification of a new three-year, \$1.5 million dollar contract with Viking Shred, LLC to provide Scratchers ticket (tickets) shredding services at the Northern Distribution Center (NDC) and four (4) Northern California District Offices.

BACKGROUND

The NDC had a current backlog of three hundred and ninety-seven (397) pallets of End of Game tickets in need of destruction. Due to the limited space at the facility, pallets of tickets are being stored in the walkways and aisles which poses a safety risk to the Lottery employees and property. This also impedes normal Lottery Operations and limits the Lottery's ability to meet its mission of maximizing supplemental funding to public education. Following a formal competitive solicitation process, Viking was awarded the contract in February 2024 prior to commission approval to address this urgent need.

DISCUSSION

The NDC is the primary Northern California (NorCal) facility used to conduct Lottery warehousing operations. The NDC is the repository (short-term and long-term) and distribution point for various items which include, but are not limited to, tickets, Point-of-Sale (POS), computers, office supplies, custodial supplies, and records. As a point of distribution each facility packages tickets and POS into orders, and ship to retailers and district offices throughout NorCal. The NDC also processes all ticket returns from retailers and District Sales Representative (DSR). The efficient flow of products is dependent on the NDC's ability to safely accept and ship items.

The NDC is limited in its ability to operate safely and efficiently when a backlog of tickets grows. The backlog takes up needed pallet positions on the racking systems. Due to old tickets taking up racking pallet positions, new games and POS arriving from manufactures need to be stored on the

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warehouse floor. Floor storage has consisted of lining aiseways and the loading dock space. Lining the aiseways and loading docks with pallets creates safety and organization issues. The NDC's best practices for shipping and receiving products is to have the dock clear of any other products. Best practices are designed to prevent accidental commingling of products. The commingling of product could have a negative effect for the Lottery if the wrong products are shipped to the wrong locations or destroyed prematurely. Additionally, storing products in the aisles prohibits the efficient movement within each facility. Entrance and egress to each aisleway shouldn't be impeded. Furthermore, the storage of pallets in aiseways could prevent entrance and egress of staff in the event of an emergency or delay emergency services from accessing the facility in the most efficient way possible.

RECOMMENDATION

Lottery staff recommends ratifying the new contract with Viking Shred for ticket shredding and recycling services in the amount of \$1,500,000.00.