

COMMISSION AGENDA ITEM

Item 8(c) SoCal Ticket Shredding Services



Date: March 21, 2024

To: California State Lottery Commission

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Director

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Subject: **Item 8(c) – SoCal Ticket Shredding Services**

ISSUE

The California State Lottery (Lottery) is requesting commission approval of a new three-year, \$1.5 million dollar contract with Shred Source Inc. to provide Scratchers ticket (tickets) shredding services at the Southern Distribution Center (SDC) and five (5) Southern California District Offices.

BACKGROUND

The Lottery produces multiple ticket games that are sold statewide. At the end of any game's lifecycle, these tickets are returned to Lottery facilities for destruction. Tickets are primarily sent to the two (2) Distribution Centers but may also be sent to the various District Offices. Over the past eighteen (18) months the Lottery shredded twelve hundred (1,200) tons of tickets throughout the Northern California locations and shredded seventeen hundred (1,700) tons of tickets throughout the Southern California locations. The Lottery estimates ticket shredding demand to increase 10% annually.

DISCUSSION

The SDC is the primary Southern California (SoCal) facility used to conduct Lottery warehousing operations. The SDC 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 retention boxes. As a point of distribution each facility packages tickets and POS into orders, ship to retailers and District Offices throughout the state. The SDC also process all ticket returns from retailers and District Sales Representatives (DSR). The

efficient flow of products is dependent on the SDC's ability to safely accept and ship items.

The SDC is limited in its ability to operate safely and efficiently when a backlog of tickets builds. The large volume of tickets needing to be shred becomes an issue for the SDC. The backlog takes up needed pallet positions on the racking systems at each facility. Due to old tickets taking up

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racking pallet positions, new games and POS arriving from manufactures need to be stored on the warehouse floor. Floor storage has consisted of lining aisleways and the loading dock space. Lining the aisleways and loading docks with pallets creates safety and organization issues.

The lesser of the storage issues are storing product in the loading dock areas. The SDC'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.

The greater of the storage issues are storing pallets in the aisles. 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 aisleways 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 Shred Source Inc. for SoCal facility ticket shredding and recycling services in the amount of \$1,500,000.00.