



M E M O R A N D U M

Date: November 21, 2019
To: California State Lottery Commission
From: Alva V. Johnson, Director 
Prepared By: Nicholas Buchen, Deputy Director, Finance Division
Subject: Item 8(c) – Request to Add Positions

ISSUE

The California State Lottery (Lottery) requests seven new positions as follows:

- Three additional engineer positions are needed for the Operations Division (Operations) to fully support the Lottery's 12 owned facilities. With the addition of nine new Lottery-owned facilities, workload quantity and technicality has increased beyond what can be reasonably performed with current staffing levels.
- Four new positions are needed in the Security and Law Enforcement Division (SLED) to support proper managerial oversight and administration. This will be accomplished by consolidating functions, adding management positions, and redirecting existing resources.

BACKGROUND

A. Operations

At the November 21, 2013 Lottery Commission (Commission) meeting, the Commission approved the Lottery's Facilities Master Plan (FMP) as a guiding strategy for the Lottery's portfolio of facilities. The goal of the FMP was to benefit the Lottery in the following ways:

- Provide long-term cost savings to the Lottery;
- Ensure the Lottery's ongoing business needs are met;
- Enhance stability and flexibility of facilities and operations; and
- Eliminate reliance on third-party entities for management, maintenance, and repairs of facilities.

Upon adoption of the plan, the Lottery replaced eight leased district offices and the Southern Distribution Center with Lottery-owned facilities. The Lottery is in the final phases of replacing the East Bay District Office in Hayward, with the construction of a Lottery district office in Milpitas.

B. SLED

SLED is responsible for promoting and ensuring the overall operational integrity, security, honesty, and fairness of the Lottery's players, retailers, facilities, games, and products. SLED's effort is vital and directly impacts the public's interaction with and perception of the Lottery, and is an essential component supporting the Lottery's mission.

SLED's executive management team has experienced continued vacancies, resulting in a lack of continuity and organizational accountability. In response to the prolonged vacancies, there have been temporary, short-term assignments for SLED's executive management. Although this has served as a stop-gap, it has not resolved the underlying issues.

DISCUSSION

A. Operations

As the Lottery has implemented phases of the FMP, there has been a consistent increase in preventative maintenance and repair work performed by Lottery engineering staff. In addition, as warranty coverage for owned facilities expire, maintenance and repairs become the responsibility of the Lottery and are primarily performed by engineering staff. Over the last three fiscal years, the Lottery has experienced an average work order increase of 21 percent. An emerging trend indicates work orders for 2019 and projections for 2020 increasing 28 percent year-over-year.

To protect the Lottery's investments and ensure that they ultimately fulfill the goal of the FMP, it is prudent to perform preventive maintenance, quickly make repairs, and safeguard the health and safety of Lottery personnel. By expanding the engineering services staffing, the Lottery can ensure in-house knowledge and expertise is readily available to make timely repairs and perform preventative maintenance. Without additional staffing, the Lottery will be required to incur additional overtime pay and travel expenses, contract out work, or prioritize repair work over preventative maintenance activities.

Two of the engineer positions will be headquartered in Southern California and will primarily maintain and repair the Lottery's Southern California facilities, which include five district offices and the Southern Distribution Center. These two positions will also provide redundant expertise for the Lottery's complex facility systems and provide support to Northern California as required. The other new engineer position will be headquartered in Northern California and provide engineering support primarily for Northern California facilities; this position will also provide an additional layer of supervisory support statewide. These engineers will provide critical maintenance and repair work on facilities and building systems including plumbing, heating, ventilation, and air conditioning (HVAC), electrical, lighting, photovoltaic, and controls. With the addition of these positions, the Operations Division will have redundant statewide expertise and be better able to respond to unexpected repair and system issues.

B. SLED

For SLED, the Lottery's total sales have more than doubled since fiscal year (FY) 2010-11 and the number of Lottery retailers has grown by approximately 9 percent over that

same timeframe; however, SLED has not adequately evolved to properly manage this increase in volume. An organizational restructure, with additional supervisory/management positions, is needed to ensure proper oversight and administration.

The proposed restructure and realignment of SLED is a necessary step to establish permanent civil service classifications with increased levels of managerial responsibilities and oversight. SLED will be organized into two major areas, Field and Headquarters, and four new positions will be established to promote the development of SLED staff and provide additional oversight, program management, and strategic and technical guidance.

Under the Chief, Field will be two newly created Supervising Special Investigator II (SSI II) positions: one located in Northern California, one located in Southern California. The Northern SSI II will supervise two Supervising Lottery Agent (SLA) positions covering the Sacramento, Fresno, Richmond, and East Bay District Offices. The Southern SSI II will supervise three SLAs covering the Chatsworth, Santa Fe Springs, Costa Mesa, Rancho Cucamonga, and San Diego District Offices.

Under the Chief, Headquarters will be one newly created SSI II position, located at the Lottery's Headquarters in Sacramento (along with an existing Staff Services Manager II position reporting to the Chief, Headquarters). SLED will also create a new Emergency Management and Physical Security unit supervised by a newly created SLA position. The Headquarters SSI II will supervise both SLAs for the Emergency Management and Physical Security unit and Special Investigations & Gaming Security unit.

The creation of the Emergency Management and Physical Security unit will foster an environment of increased safety and security for our players, retailers, and Lottery employees. This unit will be responsible for the safety and security of the Lottery's 12 facilities and more than 850 employees statewide. Additionally, the Emergency Management and Physical Security unit will be responsible for the management and day-to-day operations of two multi-million-dollar security-related contracts.

RECOMMENDATION

Lottery staff recommends that the Commission approve the establishment of the three Operations positions and four SLED positions, and the associated funding of approximately \$400,000 for the remainder of Fiscal Year 2019-20. The full fiscal year cost of the seven positions is approximately \$960,000, but will fluctuate based on bargaining union contracts and salary range adjustments.