

MANAGEMENT MEMO

NUMBER:

MM 13-08

SUBJECT:

WAREHOUSE UTILIZATION GUIDELINES

DATE ISSUED:

NOVEMBER 20, 2013

EXPIRES:

UNTIL RESCINDED

REFERENCES:

Executive Order B-17-12; State Administrative Manual, Sections 3535, 8650, 8652; Government Code Section 14600

ISSUING AGENCY:

**DEPARTMENT OF
GENERAL SERVICES****Purpose**

This Management Memo provides guidelines to help state agencies manage warehouse space efficiently, as provided in Executive Order B-17-12, the State Administrative Manual (SAM), and Government Code (G.C.) Section 14600.

Policy

State agencies will adopt policies and procedures to ensure that items stored in warehouses are necessary for program use or required by legal mandate, and that warehouse space will be assessed on a regular basis and consolidated as appropriate.

Who is Affected

All state entities under the Governor's executive authority (G.C. § 11000).

Background

Executive Order B-17-12 requires agencies and departments to work with the Department of General Services (DGS) to examine opportunities to eliminate or reduce warehouse space. In 2013, DGS conducted a survey of 65 warehouse managers to determine whether the state's existing leased warehouse space is essential, and whether better practices can reduce the amount of square footage leased. The results of the survey are contained in a 2013 DGS report entitled, *Warehouse Consolidation Study*. The guidelines presented in this management memo are based on input from warehouse managers statewide and on an internal case study of DGS' Transit Storage Facility.

Definitions**Warehouse**

A facility used for the storage and/or distribution of equipment, supplies, records and other items. The facility should contain at least three of the following four requirements: 1) be at least 10,000 square feet; 2) be made of standard construction quality; 3) have a minimum 100,000 cubic feet of storage capacity; and 4) contain vehicular-receiving capability.

Storage Facility

A facility that does not meet the definition of warehouse above, but aggregately meets any one of the following criteria:

- o Gross floor space exceeding 4,000 square feet.

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**Definitions
(cont.)****Storage Facility** (cont.)

- Average annual inventory investment in expendable goods exceeding \$50,000.
- Annual issues of expendable goods exceeding \$100,000.
- Expendable goods inventory consisting of 400 or more stock items.

Dead Stock

Items which have been stored for various reasons but have no foreseeable use or legal mandate for continued storage.

Guidelines

Agencies operating or using warehouses should develop guidelines to address what content will be stored in the warehouse(s) as well as the length of time those items will be stored. These guidelines will vary for each agency based on program mission and legal requirements.

[Note: The following operational guidelines are recommended for agency operation of warehouse facilities (as defined) as a supplement and in addition to property inventory and accounting requirements found in SAM sections 3535 (Materials Management and Supplies Warehousing), 8650 (Accounting and Control of Property), and 8652 (Property Inventory). While this management memo does not address the operation of storage facilities (as defined), agencies that operate such facilities are still subject to the aforementioned SAM section, as well as the requirement to examine opportunities to eliminate warehouse/storage space per Executive Order B-17-12.]

Additionally, these guidelines may change depending upon whether or not agencies operate a warehouse or merely use one. The following steps will help clarify which process is applicable depending on usage:

• Establish In-House Policies

- Warehouse-operating or using agencies should establish policies that describe what categories of items are authorized for storage in a warehouse, and length of time they should be stored. These policies help ensure that each warehouse operates efficiently and does not accumulate dead stock.
- Warehouse-operating or using agencies should also establish a contact list of those employees tasked with sending items to and/or tracking items in the warehouse. At a minimum, this list should be updated when staffing changes occur. A current contact list will facilitate a smoother process when determining the business need for stored items.
- Where an agency has charged one or more employees with the responsibility of placing property in storage (in either an internally or externally operated warehouse facility), the agency's exit clearance process for departing employees should include an inquiry as to whether the departing employee arranged to have items stored in a warehouse and if so, whether or not there is a continuing business need to store the property.

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**Guidelines
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- **Create Inventory Lists**
Whether the entity is a warehouse-operating agency or a warehouse-using agency, inventory lists should, at minimum, include the following information:
 - A description of the items stored, including size, quantity, and condition.
 - The date that a given item was first stored.
 - Ownership information (agency, department, office, division, program, etc.)
 - Appropriate contact information.
 - Annual review schedule for the need to retain the items stored.
- **Conduct Periodic Assessments (for warehouse-operating agencies)**
 - Warehouse-operating agencies should inventory all items in their warehouse(s) on a periodic basis:
 - If the agency has an automated system, it should be used to produce an aging report of items in the warehouse.
 - If a warehouse-operating agency has no automated system in place, a manual inventory must be taken. When a large warehouse with high racks needs to be inventoried, the process can be facilitated by maintaining a manual listing attached to each section of racks. This manual listing needs to be updated when items are stored and/or removed.
 - Warehouse-operating agencies should also provide, on a periodic basis, an inventory list to the organizational units (agency, department, office, division, program, etc.) that have items stored within the agency's warehouse. This allows an organization to determine if there is an ongoing business need or legal mandate to continue storing the items.
- **Dispose of Unneeded Items**
When items have no foreseeable use or legal mandate for retention, the following disposition strategies should be considered:
 - Offer the property to eligible recipients such as government agencies or schools, pursuant to state personal property disposition laws (see Public Contract Code 10389.1 and 10389.2); or
 - Donate the property to an eligible public school, public school district, or eligible organization (see State Administration Manual 3520.5); or,
 - Send the items to the DGS State Surplus Property Program for agency reutilization or public auction; or,
 - Recycle the items.

Please see the Additional Resources section below for a link to the DGS website for specific information on how to donate, sell, or recycle state-owned personal property, including the Form STD 152 *Property Survey Report*.

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**Guidelines
(cont.)**

- **Consolidate Warehouse Space and Coordinate with Other State Entities**
As warehouse space needs are assessed, agencies should take opportunities to reduce unneeded space. However, lease terms may preclude partial space reductions, and it may be more efficient and cost-effective to consider sharing space with other departments. As appropriate, agencies should work with the DGS Real Estate Services Division and other state entities to identify opportunities to reduce or share warehouse space on a temporary or ongoing basis.

Security measures may be taken to ensure controlled access. Agencies should look for opportunities for cost-sharing of warehouse space, particularly when they are co-located physically and have similar warehouse needs.

**Who Should
Review**

Program Managers, Business Services Officers, Property Controllers, and Warehouse Managers should review this memo.

**Additional
Resources**

- 1) Executive Order B-17-13 (Issued April 25, 2012)
<http://gov.ca.gov/news.php?id=17525>
 - 2) An electronic copy of the *Warehouse Consolidation Study* can be found at:
<http://www.dgs.ca.gov/ofam/Resources.aspx>
 - 3) Additional information on appropriate disposition procedures pertaining to state surplus property can be found at:
<http://www.dgs.ca.gov/ofam/Programs/StSurplus/Reutilization/CSPS.aspx>
 - 4) State Administrative Manual sections 3520.5, 3535, 8650, and 8652:
 - a. http://www.documents.dgs.ca.gov/sam/SamPrint/new/m423sept13/chap_3500_sam/3520.5.pdf
 - b. http://www.documents.dgs.ca.gov/sam/SamPrint/new/m423sept13/chap_3500_sam/3535.pdf
 - c. http://www.documents.dgs.ca.gov/sam/SamPrint/new/m423sept13/chap_8600_sam/8650.pdf
 - d. http://www.documents.dgs.ca.gov/sam/SamPrint/new/m423sept13/chap_8600_sam/8652.pdf
 - 5) Public Contract Code Sections 10389.1 & 10389.2:
<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=pcc&group=10001-11000&file=10389.1-10389.2>
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DGS Contact

For further information concerning this management memo, please contact:

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Signature

Director Fred Klass' signature on file with original.