



Council Agenda Report

Department Name: Utilities
Cost Center: 6003 and 6104
For Agenda of: December 3, 2019
Placement: Consent
Estimated Time: N/A

FROM: Aaron Floyd, Utilities Director
Prepared By: Jennifer Thompson, Utilities Business Manager

SUBJECT: EQUIPMENT SURPLUS DESIGNATION AND AUTHORIZATION OF SALE

RECOMMENDATION

Authorize the designation and disposal of surplus items in accordance with the City's policies and procedures as prescribed in the Financial Management Manual Sections 405-L, 480-A, and 480-B.

DISCUSSION

Background

The City has policies and procedures governing the designation of surplus property. This report discusses several items no longer used by the Utilities Department which are of a value and require Council approval prior to their sale.

Surplus Items

Flowtronix Pump Skid - This pump skid was part of the 2008 Water Treatment Plant upgrade and was to be used as the plant water feed skid. Unfortunately, it was undersized by the engineer. As a result, a new properly sized pump skid was purchased (at the expense of the design engineer) and this skid was "leftover". The Water Treatment Plant Supervisor has confirmed with the design engineers that it cannot be used for the upcoming plant upgrade. The estimated value of the Flowtronix Pump Skid is \$10,000.



Figure 1- Flowtronix Pump Skid

Walkie Stacker - This was also purchased as part of the 2008 upgrade and was to be used to move pallets of E-38 polymer for the Actiflo process. The batteries in this unit are now unserviceable, and replacement batteries are approximately \$8,000. This unit has been sitting idle for the last decade and is not needed at the plant. Staff now have a forklift at the plant that is used for this purpose. The estimated value of the Walkie Stacker is \$2,000.



Figure 2 – Walkie Stacker



Figure 3 - Neuros Blower

Neuros Blower - The Neuros high-speed blower provides aeration to the activated sludge treatment at the Water Resource Recovery Facility (WRRF). The blower will no longer be needed as it will be replaced by a different model as part of the WRRF upgrade. The estimated value of the Neuros Blower is \$100,000.

Policy Context

In compliance with the City’s Charter Section 906, policies and procedures which govern how surplus materials are disposed of are provided in Sections 480-A and 480-B of the Financial Management Manual (Attachments A and B). The items recommended for surplus are no longer used and are ready to be designated as surplus. Some of these items have an estimated value of more than \$1,000 and therefore require Council approval before they can be sold.

Public Engagement

This is an administrative item, so no outside public engagement was completed. Public comment can be provided to the City Council through written correspondence prior to the meeting and through public testimony at the meeting.

CONCURRENCE

Not Applicable.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended action in this report, because the sale of surplus property is not a project.

FISCAL IMPACT

Budgeted: No

Budget Year: 2020

Funding Identified: N/A

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$	\$	\$	\$
State				
Federal				
Fees				
Other:				
Total	\$0	\$0	\$0	\$0

Fund	Estimated Revenue
Water Fund	\$12,000
Sewer Fund	\$100,000
Total	\$112,000

Staff anticipates the sale of these surplus items will generate approximately \$112,000 in revenue. The property will be sold on publicsurplus.com, the City's approved auction website, which charges a 10% fee to the buyer so the City will not pay service fees. Funds generated by the sale of surplus items at the Water Treatment Plant will be returned to the Water Fund. Funds generated by the sale of surplus items at the Water Resource Recovery Facility will be returned to the Sewer Fund.

ALTERNATIVES

Deny Surplus designation and sale. The City Council could reject the surplus designation request and direct staff to maintain all items. Staff does not recommend this option because these items are no longer in use.

Attachments:

- a - Financial Plan Manual Section 480-A (Surplus Property Policy)**
- b - Financial Management Manual Section 480-B (Auction Firm Services)**

Section 480-A

SURPLUS PERSONAL AND UNCLAIMED PROPERTY POLICY

OVERVIEW

This policy addresses the procedures for the disposal of surplus personal property, unclaimed property, consumable supplies, and junk. The policies and procedures for the disposal or sale of surplus real property, abandoned property and resale inventory are provided in other policy documents.

In preparing this policy, not all issues or exceptions could be anticipated. Accordingly, the guidance given in this policy does not relieve Staff from exercising good judgment in their stewardship of the City's property resources. Whenever there is a question or doubt between the guidance provided in this policy and the good judgment expected of a prudent person, good judgment should always be the prevailing standard, with this policy as a minimum standard.

LEGISLATIVE POLICY

A. Surplus Property

Section 906 of the City Charter provides that the Council must approve the sale of surplus property (real or personal) with an estimated value greater than \$1,000.

B. Unclaimed Property

1. Chapter 3.32 of the City Municipal Code provides for the disposal of unclaimed property by the Chief of Police. This property must be held for a minimum of four months and notice of sale must be given at least five days prior to sale by publication in a newspaper of general circulation. Property not sold may be destroyed by the Police Department after public auction.
2. Sections 2080.4 and 2080.6 of the Civil Code requires any person finding property valued at \$10.00 or more to turn the property over to the Police Department within a reasonable time, stating when and where the property was found and providing a description of the property. If the property was saved, a statement is required from the "finder" describing:
 - a. From what and how it was saved.
 - b. Whether the owner of the property is known to the "finder".
 - c. That the property has not been secreted, withheld, or partially disposed.

Surplus Personal and Unclaimed Property Policy

ADMINISTRATIVE POLICY

- A. The Director of Finance & Information Technology (IT) is authorized to declare as surplus those items of personal property and consumable supplies estimated to be less than \$1,000 in value; Council approval is required to declare personal and consumable supplies as surplus with a value of \$1,000.
- B. Department Heads are authorized to approve the disposal of property that is essentially without value due to technical obsolescence or its unrepairable (or economically unrepairable) condition. Department Heads may dispose of such junk property in the manner they deem most appropriate, consistent with other rules, regulations, and the City's ethics policy.
- C. Generally, estimating the value of surplus property is made by the Department Head or designated representative. In unique and unusual cases, Finance will assist Departments in estimating the value of property by using the City's auction firm to provide a professional estimate. However, in all cases, the Department Head must approve in writing the estimated value of the property to be sold or otherwise disposed.
- D. The Director of Finance & IT is authorized to sell, transfer, trade, or otherwise dispose of surplus personal property, consumable supplies, or unclaimed property in the most cost effective manner. Normally the sale of this property will be at auction with a firm contracted to provide the following services:
1. Sell and dispose of personal property, consumable supplies and unclaimed property at auction.
 2. Provide professional estimates as to the value of personal property and consumable supplies when required.
 3. Assist in the sale of unique or special property and consumable supplies that requires the use of a "specialty house" to sell or dispose of the property.
 4. Dispose of unsaleable property, supplies and equipment at an approved disposal site.
- E. The Director of Finance & IT may dispose of surplus property and supplies by transfer to another local government agency or non-profit organization based on the recommendation of a Department Head. Although there may be circumstances where it is appropriate to make such transfer without compensation, cash or in-kind services should generally be received in an amount equal to or greater than the estimated value provided by the City's auction firm or the Department Head. In the case of vehicles, "low blue book value" may also be considered.
- F. When it is a normal business practice, trade value should be obtained to determine the most cost effective method of disposal and as a standard by which to evaluate the services

Surplus Personal and Unclaimed Property Policy

of the City's auction firm. There may be circumstances when trade value of property may exceed auction value, in which case the Director of Finance & IT may authorize the trade of surplus property versus sale at auction based on the recommendation of the appropriate Department head.

- G. Advertising the sale of the City's property and unclaimed property will be made by the City's auction firm in accordance with these procedures, the Auction Services Agreement, and legislative policy. Accordingly, the advertising must disclose that the property for sale at auction is either the surplus property of the City of San Luis Obispo or is unclaimed property in the possession of the City and it must state the date and time of sale. Property sold at auction will be advertised at least five days in a newspaper of general circulation in the City of San Luis Obispo.
- H. Property determined to be unclaimed by the Chief of Police may be sold at public auction in accordance with these policies and procedures under the following conditions:
 - 1. It is a thing which is commonly the subject of sale.
 - 2. The owner cannot (with reasonable diligence) be found.
 - 3. The owner, if identified, refuses to pay the reasonable charges incurred by the City for storing and safeguarding of the property.

PROCEDURES

- A. Surplus Personal Property and Consumable Supplies
 - 1. Department Heads will identify personal property and supplies that are surplus to their needs and notify the Director of Finance & IT by Memorandum to sell or dispose of property identified, in accordance with City policy and procedures. The property to be declared surplus will be listed and include the City Asset Number (if applicable), a descriptive name of the property, quantity, pickup location, estimated value, and name of the contract person with their extension number. Separate memorandums must be prepared for property estimated to exceed \$1,000 in value and for property estimated to be less than \$1,000 in value. The memorandum (or listing) must indicate why the property is no longer required.
 - 2. Department Heads may request that Finance assist them in estimating the value of personal property and consumable supplies. In such instances, Finance may request the services of the City's auction firm in estimating these values. However, these services are limited and should not be used except for unique and unusual property.
 - 3. Special handling will be required for the disposal of toxic and hazardous materials, and should be coordinated with the City's Fire Department.

Surplus Personal and Unclaimed Property Policy

4. After receipt of a request to dispose of personal property and consumable supplies from a Department Head, Finance will circulate the list of property to other City Departments as an advisory memorandum. The property listed may be claimed by other Departments on a first come first serve basis. After 10 days from the date of the advisory memorandum, this listing will be forwarded to the Housing Authority, San Luis Coastal Unified School District, and United Way for their information. If none of these agencies expresses interest in the remaining property items within 10 days of receiving the listing, then the property will be consigned to the City's auction firm for sale or other method of disposal as determined by the Director of Finance & IT. Except in unusual circumstances, surplus property will generally remain on site pending its final disposition. This means that it is the responsibility of the interested party to make arrangements with the disposing department to view the property, discuss its condition, and coordinate any terms of transfer such as price, timing, and transportation.
5. For property with a value of \$1,000 or more, the Director of Finance & IT will prepare an Agenda Report for Council approval to declare the property as surplus after review by the operating departments as described above and prior to the consignment of property to the City's auction firm.

B. Evidence

The provisions of this policy do not address the disposal of property which is classified as evidence. Evidence is governed by the provisions of the penal code and must be dealt with accordingly. For example, evidence may be returned to the owner, subjected to lien, or classed as contraband and accordingly destroyed. However, evidence may also be determined by the Chief of Police to be unclaimed property and, in that event, will be processed in accordance with the policies and procedures provided below.

C. Unclaimed Property

Unclaimed property received by the City will be processed as follows:

1. The Police Department is required to receive, hold, and safekeep all property valued at more than \$10 that is found within the City limits and turned in to the Police Department for safekeeping. The owner will be notified as to where the property may be claimed if the owner's identity can reasonably be determined.
2. If the owner appears within 120 days after receipt of the property by the Police Department, proves ownership, and pays all reasonable charges, the Police Department will return the property to the owner.
3. If the reported value of the property is fifty dollars or more (and no owner appears and proves ownership within 120 days), the Police Department will publish a notice, at least once, in a newspaper of general circulation. After seven days

Surplus Personal and Unclaimed Property Policy

following the first published notice the following actions will be taken if no owner appears and proves ownership of the property;

- a. If the property was found in the course of employment by a City employee, the property shall be sold at public auction.
- b. The title shall vest in the person who found the property if he or she is willing to pay the cost of the publication.
- c. If the reported value of the property is less than \$50 and no owner appears and proves ownership of the property within 120 days, the title shall vest in the person who found the property, unless the property was found in the course of employment by a City employee, in which case the property shall be sold at public auction.
- d. Generally, the sale of unclaimed property will be made by the City's auction firm; however, in unique circumstances, the Chief of Police may request that Police Department staff conduct the auction. When the City's auction firm is used, the firm must be notified in writing with a list of property to be sold. This list does not require a statement of estimated values. The letter will give the name of the contact person and extension number, a short title property description, a pickup location, and a pickup time.
- e. Prior to sale, a listing of unclaimed property shall be provided to the Director of Finance & IT, who will circulate this list as an advisory memorandum to other City Departments. The property listed may be claimed by other Departments on a first come first serve basis. After a 15 day period from the date of the advisory memorandum, the unclaimed property will be available for sale at public auction according to policy.
- f. The unclaimed property to be sold by the City's auction firm will be transferred on consignment in accordance with the surplus property policies.
- g. Any property remaining unsold after being offered at public auction may be destroyed or otherwise disposed of by the City's auction firm.

Approved by the City Manager on March 1, 1990; revised on January 14, 1994.

Section 480-B

AUCTION FIRM SERVICES

OVERVIEW

To reduce staff time in the sale and disposal of property, to reduce the amount of space being used to store surplus and unclaimed property, to improve the process of estimating the value of surplus property, and to maximize the value of return on surplus property, the Department of Finance & IT is authorized to contract with an auction firm to assist staff in the sale and disposal of personal property, consumable supplies and unclaimed property on an "as available basis" after authorization is given by the Council or the Director of Finance & IT to sell or dispose of City property.

The policies and procedures provided below in conjunction with the City's auction firm will provide the staff with the opportunity to systematize the sale and disposal of this property.

AUCTION FIRM RESPONSIBILITIES

The following responsibilities will normally be assigned to the City's auction firm by Agreement between the City and the firm selected:

- A. The auction firm will be required to pickup any and all "marketable" surplus property by consignment and deliver this property to their premises where it shall be inventoried, sorted, identified, and catalogued. An auction will be conducted within 30 days of receipt of property and supplies.
- B. The auction firm will make the necessary arrangements for offering the property for sale by auction to the most qualified buyers to obtain the highest return possible. The auction firm will advertise the auction in a manner that will obtain the maximum participation by the public in at least one newspaper of general circulation in the City of San Luis Obispo for a minimum of five days prior to a scheduled auction.
- C. The property consigned to the auction firm will remain the property of the City until sold or disposed in accordance with these procedures.
- D. Property not sold at auction will be disposed by on of the following methods:
 - 1. Consignment to a sub-contractor specializing in unique or special equipment and material for which there is no local market.
 - 2. Direct sale to a buyer of unique or special equipment and material for which there is no local market.
 - 3. By sale as salvage to a local dealer or any recycling firm.
 - 4. By destruction at an appropriate landfill site and certification thereto.
 - 5. Returned to the City.

Auction Firm Services

- E. The material and equipment not sold at auction will be disposed of by one of the methods described above within 15 days from the date offered at auction. For the purpose of these instructions, the City will give approval as to the disposal method based on the recommendation of the auction firm and the method that is in the best interests of the City.
- F. The auction firm will provide the Department of Finance & IT with a list of consigned property with a check for the net proceeds from the auction or specialty sale within 60 days of receipt of consigned material and equipment providing the following information:
1. City Asset number (if available)
 2. Short title description of the property
 3. Date of sale or disposal
 4. Purchaser or the disposal site
 5. Total purchase price
 6. Auction fee
 7. Net to City
 8. Method of disposal (sale at auction, transfer to a specialty house for sale, direct sale as salvage, transfer to an appropriate landfill or disposal site, return to City)

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