



POLICY AND PROCEDURE

Subject: Purchasing Policies and Procedures for the Disposition of Surplus City Property	Index: Financial Services Number: 201-2-4
Effective Date: Nov. 1, 2004	Prepared By: Finance & Administrative Services Department
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1.0 **PURPOSE:**

Purchasing policies and procedures for the disposition of surplus City property are established to provide a common understanding of the methods for declaring and disposing of surplus City property; to ensure that all requests are in accordance with the Purchasing Ordinance as well as other legal requirements; and to provide a system to track any revenue or savings generated from the disposition of property.

2.0 **ORGANIZATIONS AFFECTED:** All departments/divisions.

3.0 **REFERENCES:** San Clemente Municipal Code, Title 3 Revenue and Finance, Chapter 3.40 Purchasing.

4.0 **POLICY:**

4.1 **Approval and Authority** - City Council has the authority to declare surplus property in accordance with Chapter 3.40 of the San Clemente Municipal Code. The Assistant City Manager or his/her designee will submit to the City Council for approval all items that have been designated surplus by the department/divisions. If approved by the City Council, the Assistant City Manager or his/her designee will dispose of the assets in accordance with Purchasing procedures.

4.2 **Surplus Disposal and/or Transfer** - The Assistant City Manager or his/her designee, having established contacts with suppliers and dealer, is in the most advantageous position to dispose of surplus City property and therefore has the responsibility for the disposal. This policy pertains only to personal property and excludes any real property, such as land and buildings, and any unclaimed property of the Police Services Department.

4.2.1 **Methods of Disposal** - The Assistant City Manager or his/her designee has the authority to sell or dispose of all property declared surplus by the

City Council by:

- 4.2.1.1 Transfer the property to another City department.
- 4.2.1.2 Trade in the property on new equipment.
- 4.2.1.3 Sell directly to another governmental agency.
- 4.2.1.4 Sell at auction or competitive sealed bid.
- 4.2.1.5 Sell as scrap.
- 4.2.1.6 Destroy or properly dispose.

4.2.2 **Selection Process** - The approved bid selection process as defined in the Purchasing Policies and Procedures for Supplies, Materials and Equipment and in accordance with the policy for competitive purchasing, shall be observed at all times.

4.2.3 **Determination of Recommendation to Surplus Property** - The Department director shall determine when an item is to be designated as surplus property. Normally property becomes surplus through one of the following means:

- 4.2.3.1 Significant design change
- 4.2.3.2 Significant reduction in usage
- 4.2.3.3 Significant product change
- 4.2.3.4 Change in departmental responsibility
- 4.2.3.5 Obsolescence

5.0 **DEFINITIONS:**

5.1 **Surplus Property** - Supplies, materials or equipment purchased by the City that have outlived their useful life and are schedule for replacement, have become obsolete or have become inoperable or unserviceable. Surplus Property does not include Surplus Land as defined in Section 54221 of the California Government Code.

6.0 **PROCEDURE:**

6.1 **Disposition of Surplus Assets** - Periodically, all departments will be requested by the Finance & Administrative Services Department to prepare a list of all surplus and obsolete property.

6.1.1 **Declaration of Surplus** - A department director may request the sale or scrap of surplus or obsolete material. A memo to Purchasing requesting the disposition of

property as well as a description of the item, the estimated surplus value, the original cost and a brief explanation for the proposed disposition of the asset.

6.1.2 **Approval to Surplus** - The Assistant City Manager or his/her designee will take to City Council all items submitted for property disposition. Upon approval by the City Council, the Assistant City Manager or his/her designee will dispose of the assets in accordance with these procedures. The Assistant City Manager or his/her designee will also report to the Finance Manager and the Department Director of the value received for the sale of the assets.

6.2 **Decision To Retain or Sell** - When making the decision to retain or sell, especially surplus or obsolete equipment, consideration should be given to the operation and maintenance costs of either:

6.2.1 Repair or modification; or

6.2.2 Use of the equipment as a source of spare parts.

6.3 **Methods of Disposal** - When it is determined that obsolete/surplus goods are to be sold, the disposal will be made by the method directed by the City Council or, if no such method is specified by one of the following methods:

6.3.1 **Negotiated Return** - The Assistant City Manager or his/her designee will negotiate with the original supplier for a return for cash or credit.

6.3.2 **Assignment to Another Department/Division** - The Assistant City Manager or his/her designee can reassign or transfer the surplus property to another department/division within the City upon authorization of the City Manager.

6.3.3 **Trade In On Serviceable Materials** - Certain items of machinery or equipment have a trade in value. If replacement equipment is sought, a trade in may be obtained and applied to the purchase price.

6.3.4 **Disposition by Bid** - The Assistant City Manager or his/her designee may require that sealed bids be obtained. These disposal bid procedures will be conducted in the same manner as purchasing bid procedures. Bids on surplus items will be actively solicited through advertising, public notice and other means consistent with the value of the property. The award will be made to the bidder most responsive to the needs of the City.

6.3.5 **Sale by Auction** - The Assistant City Manager or his/her designee may send assets to an Auctioneer for disposition. Typically, this means is a fast convenient method of disposal. The Auctioneer, however, receives a portion of the purchase price of the asset.

6.3.6 **Sale to Public Agencies** - The Assistant City Manager or his/her designee may sell obsolete / surplus property at an established fair market value without other bids.

6.3.7 **Sale as Scrap or Salvage** - If surplus property cannot be reused by another department, or if after a reasonable effort has been made to obtain competitive bids, the Assistant City Manager or his/her designee is authorized to dispose of such items for the highest scrap or salvage value that can be attained.

6.4 **Sale to Employees** - Regardless of the method of disposal, surplus will not be offered to City employees on an exclusive basis. The public will be invited to participate in the disposal process.

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