

STAFF REPORT
Re: Resolution No. 1177
Dated: July 21, 2011

From: Carl Dutli, City Attorney

City Resolution No. 1070 contains the City's Public Contracting Rules. A part of that Resolution addresses disposal of city surplus property.

Resolution No. 1177 proposes two amendments to the sections of Resolution No. 1070 that address disposal of surplus property.

The first change is to make clear that internet auctions are an authorized method of disposing of surplus property. The Prineville Police Department has successfully used internet auctions in the past and desires to continue to use the auctions. I believe it can be implied that the current language of Resolution 1070 addressing auctions would allow internet auctions, but since we are making another change to the Resolution I included language that makes it clear that internet auctions are an allowable method of disposing of surplus property.

The biggest change is the addition of a section regarding disposal of property with a value between \$500 and \$5,000. Currently, Resolution 1070 allows property worth less than \$500 to be disposed of by any means determined to be cost effective. Also under the current Resolution, any property to be disposed of that is worth \$500 or more, which is not disposed of by one of the other authorized methods, would have to be put out for bid. For example, this spring the Golf Course had a piece of machinery they no longer needed and received a purchase offer of \$3,500. Because the machinery could not be disposed of pursuant to one of the other methods allowed by Resolution No. 1070 the City had to go out for bids to sell the equipment. Luckily, the person who was interested in purchasing the equipment submitted a bid for the same price he previously offered. Since that was the only bid the equipment was sold to that individual.

The amendment to Resolution 1070 allows surplus property that is valued between \$500 and \$5,000 to be sold by getting price quotations. This amendment requires seeking written or verbal price quotes and documenting why the solicitation agent is unable to obtain at least three quotes if that is the case.

Resolution 1070 currently allows purchases of property of up to \$150,000 by using quotes, so it seems that this method of disposing of property is consistent with other provisions of Resolution No. 1070, to allow lesser valued property to be disposed of more easily.

RESOLUTION NO. 1177

A RESOLUTION AMENDING METHODS OF DISPOSING OF SURPLUS PROPERTY AS SET OUT IN CITY RESOLUTION NO. 1070

Section 8. J. of City Resolution No. 1070 is amended to read as follows:

8. **Public Contracts - Solicitation Methods for Classes of Contracts.** The following classes of public contracts and the method(s) that are approved for the award of each of the classes are hereby established by the Council.

J. **Surplus Property.**

- (1) **General Methods.** Surplus property may be disposed of by any of the following methods upon a determination by the Solicitation Agent that the method of disposal is in the best interest of the City. Factors that may be considered by the Solicitation Agent include costs of sale, administrative costs, and public benefits to the City. The Solicitation Agent shall maintain a record of the reason for the disposal method selected, and the manner of disposal, including the name of the person to whom the surplus property was transferred.
 - (a) **Governments.** Without competition, by transfer or sale to another city department or public agency.
 - (b) **Auction.** By publicly advertised auction (including internet auctions) to the highest bidder.
 - (c) **Bids.** By public advertised invitation to bid.
 - (d) **Liquidation Sale.** By liquidation sale using a commercially recognized third-party liquidator selected in accordance with rules for the award of personal services contracts.
 - (e) **Fixed Price Sale.** The Solicitation Agent may establish a selling price based upon an independent appraisal or published schedule of values generally accepted by the insurance industry, schedule and advertise a sale date, and sell to the first buyer meeting the sales terms.
 - (f) **Trade-In.** By trade-in, in conjunction with acquisition of other price-based items under a competitive solicitation. The solicitation shall require the offer to state the total value assigned to the surplus property to be traded.
 - (g) **Donation.** By donation to any organization operating within or providing service to residents of the City which is recognized by the Internal Revenue Service as an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended.
- (2) **Disposal of Property with Minimal Value.** Surplus property which has a value of less than \$500, or for which the costs of sale are likely to exceed sale proceeds may

be disposed of by any means determined to be cost-effective, including by disposal as waste. The official making the disposal shall make a record of the value of the item and the manner of disposal.

- (3) **Disposal of Property with Value Less Than \$5,000.** Surplus property with an individual or aggregate current market value of not less than \$500 nor more than \$5,000 may be sold using the process set out in this section. The solicitation agent shall obtain three written or verbal price quotations prior to the final sale. The solicitation agent shall keep written records of the price quotations, the amounts, and if necessary, the reasons why three quotations could not be obtained. The surplus property shall be sold to the person or entity giving the highest quote that meets all conditions of the sale.
- (4) **Personal-Use Items.** An item (or indivisible set) of specialized and personal use, other than police officer's handguns, with a current value of less than \$100 may be sold to the employee or retired or terminated employee for whose use it was purchased. These items may be sold for fair market value without bid and by a process deemed most efficient by the Purchasing Manager.
- (5) **Police Officers' Handguns.** Upon honorable retirement from service with the City, a police officer may purchase the handgun that she or he was using at the time of retirement. The purchase price shall be the fair market value of the handgun as determined by an independent appraisal performed by a qualified weapons appraiser. An officer electing to exercise this option shall notify the City at least 30 days prior to his or her expected retirement date and request an appraisal of the handgun. Upon receipt of the appraisal fee from the officer the City shall arrange for the appraisal. A copy of the completed appraisal shall be provided to the officer, who shall have up to 30 days from the date of retirement to purchase the handgun for the appraised fair market value.
- (6) **Restriction on Sale to City Employees.** City employees shall not be restricted from competing, as members of the public, for the purchase of publicly sold surplus property, but shall not be permitted to offer to purchase property to be sold to the first qualifying bidder until at least three days after the first date on which notice of the sale is first publicly advertised.
- (7) **Conveyance to Purchaser.** Upon the consummation of a sale of surplus personal property, the City shall make, execute and deliver, a bill of sale signed on behalf of the City, conveying the property in question to the purchaser and delivering possession, or the right to take possession, of the property to the purchaser.

Passed this _____ day of July, 2011

Betty J. Roppe, Mayor

ATTEST:

Lisa Morgan, City Recorder

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