



Agenda Item: 7

Date: February 11, 2010

Subject: Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy (PL - Adm 003) Review

Staff Contact: Ed Formosa, Assistant General Manager

Recommended Board Action:

Approve proposed amendments to Disposal of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy (PL - Adm 003).

Discussion:

At the Special Board Meeting of January 19, 2010, staff was requested to bring back to the Board recommendations for amending the Disposal of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy that would allow the General Manager to donate to another government agency or qualified non-profit organization, prior to attempted sale, items covered under the policy that were determined to be of diminutive value. Currently, the policy allows the General Manager to make such donations if the item(s) are unsuccessful at being sold at an auction or seal bid process. However, staff has encountered situations where the surplus item is of little to no value and, in some cases, its sale or disposal will cost the District more than it is determined to be worth. Staff believes that the suggested language presented will allow the General Manager to make this decision and effectively remove the item from District assets while saving time and money. The recommended amendments can be found in sections 400.00 (2) and 500.00 (2) of Exhibits A and B.

In addition to the above amendments, staff has included the changes to the policy that were the result of Board action taken in April of 2009 related to the assessment of eligibility of vehicles and large equipment for replacement. During the budget cycle for the 2009 fiscal year, concern was expressed regarding the criteria used to determine the eligibility of vehicles and large equipment for being declared surplus. The criteria used for making that determination, at that time, was a mileage and age bench mark system. Members of the Board felt that this criteria was very conservative and requested staff propose the use of an alternative method. Staff brought back, for Board consideration, a method of rating each piece of equipment, based on a Vehicle (& Equipment) Point System, which looks at factors such as age/depreciation, maintenance and repairs, mileage, service rating, reliability, and vehicle (or equipment) condition. The Board approved this process and directed staff to implement it for the replacement of vehicles in the 2009 budget. The amendments to the policy to include the Vehicle Point System are reflected in section 400.00 (1) of Exhibit A and B of the attachments.

Staff has also included several minor edits that update referenced Government Codes and make other minor clarifications.

Fiscal Impact:

Changes to the policy will allow staff to efficiently dispose of surplus equipment or vehicles if their values are determined to be less than the cost of disposal by sale or auction. This will save the District operational costs.

Strategic Plan Alignment:

Finance 4C – Combine sound and efficient business procedures with regular and simple reporting, ensuring proper handling and reporting of all District financial processes.

The proposed amendments to the policy will provide the General Manager an efficient way to remove surplus items from the District's list of assets which have little value and could cost more to sell than they are worth.

Sacramento Suburban Water District

Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy

Adopted: July 21, 2003

Revised: June 19, 2006, May 18, 2009, February XX, 2010

100.00 Purpose of the Policy

The primary purpose of this policy is to allow management staff to determine if a parcel of real property, easement, vehicles and large equipment and other personal property no longer meets the needs of daily, emergency and/or future operations. A staff report is generated to document why a parcel of real property, easement, vehicles and large equipment and other personal property should not be retained.

100.10 Definitions

Real Property – Any parcel of land ~~Piece of property~~ owned by the District.

Easement – An interest in another's real property that permits the District to make limited use of that real property for a District purpose.

Vehicles and Large Equipment – Utility trucks, dump trucks, tractors, backhoes, forklifts, and other significant self-propelled equipment used in District operations.

Personal Property – Small equipment (cut-off saws, drills, etc), computer equipment (monitors, printers, etc), office furniture.

200.00 Disposal of Real Property

1. District management staff determines if a parcel of real property no longer meets the needs of daily, emergency and/or future operations. A staff report is generated to document why the parcel should not be retained.
2. District management staff determines if a parcel falls within the notice and offer procedures provided in of the Government Code sections 54220 through 54232, as they may be amended from time to time. If the statutory notice and offer procedures must be followed, the District must obtain a qualified appraisal of the parcel and offer the surplus real property to specified public agencies before it can sell the property to other public agencies or a private party. The specified public agencies are as follows:

- a) Sacramento County for developing low- and moderate-income housing;
 - b) Sacramento County Parks and Recreation Department for park and recreational purposes;
 - c) Any regional park authority that has jurisdiction over the area in which the surplus real property is located if it is to be used for park and recreational purposes;
 - d) The State Resources Agency for park and recreational purposes; and
 - e) The school district in whose jurisdiction the parcel is located.
3. District management staff may determine that a surplus parcel is exempt from the offer and notice procedures if the parcel:
- a) Is less than 5,000 square feet; **or**
 - b) Is less than “the minimum legal residential building lot size for the jurisdiction in which the parcel is located”; **or**
 - c) Has no recorded access and is less than 10,000 square feet; **and**
 - d) Is not: (a) contiguous to land owned by a state or local agency that is used for park, recreational, open-space, low- or moderate-income housing; or (b) located in an enterprise zone or high-density, economically-distressed areas involved in certain redevelopment program; **and**
 - e) Is sold to the owner of contiguous land.
4. The Board of Directors declares real property surplus and determines if a parcel is required to be offered to specified local agencies under the notice and offer procedures prescribed by the Government Code or is exempt from such procedures. If the District must sell a surplus parcel under the statutory notice and offer procedures, the General Manager will give qualifying public agencies notice of the parcel’s availability for purchase. If none of the agencies to which notice must be given notifies the District within 60 days that they are interested in buying the surplus parcel, then the District may sell the parcel by advertised public sale.
5. In all cases where the statutory notice and offer procedures have not resulted in disposal of a parcel, the District will sell surplus real property by public sale. The General Manager will notice the parcel’s sale at the appraised value unless the Board of Directors authorizes a different price upon recommendation by the General Manager. The notice of sale will contain a description of the property; a

statement of time and place for opening and accepting or rejecting bids. Bids for the purchase of real property will be accepted or rejected by a resolution of the District Board of Directors. Alternatively, the District may list the surplus parcel for public sale with a licensed real estate broker in good standing who advertises the parcel through a multiple listing service or similar listing system at a fair market value determined by the broker using comparable sales data. Documents for the conveyance of title to surplus real property will be executed by the President of the Board upon authorization by the Board of Directors.

6. If the General Manager determines that a surplus parcel is exempt from the Government Code's notice and offer procedures, it will not be necessary to obtain a formal appraisal of the property. If circumstances warrant, the surplus parcel may be sold for less than fair market value. In such cases, the General Manager or his designee will prepare a staff report documenting why the parcel was not appraised, why it may be sold for less than fair market value, the fiscal impact of selling the parcel and why it is exempt from the Government Code notice and offer procedures. After review of the staff report, the Board of Directors may approve the sale of the surplus parcel by motion. A staff report and a certified copy of the Board of Directors Meeting minutes reflecting the Board's approval of the sale is sufficient to authorize the General Manager to make the sale.

300.00 Relinquishment of District Interest in Easements

1. Staff determines if an easement no longer meets the needs of daily, emergency and/or future operations of the District. Staff then will generate a report that documents the justification for relinquishing the easement and that makes a determination whether the easement has any fair market value. Staff then will forward the report to the General Manager for review. If staff determines that the easement has fair market value, the General Manager will present the staff report to the Board at its next regular meeting with a recommendation for Board action on relinquishing the easement in accordance with Article 200.00 of this policy.
2. If staff determines that the easement has no fair market value, the General Manager shall have the authority, upon review and approval of the recommendation in the staff report, to sign and record a quitclaim deed to relinquish the District's interest in the easement.
3. If, upon recommendation of staff, the General Manager authorizes disposal of an easement under this Article, then the General Manager will report the disposal of the easement to the Board at its next regular meeting following the recording of the quitclaim deed relinquishing the easement.

400.00 Disposal of Vehicles and Large Equipment

- 1.—At least once each fiscal year, the District General Manager will prepare a list of District vehicles and items of large equipment that are deemed surplus because they exceed the District's Vehicle (& Equipment) Point System. This system is used to project actual vehicle and equipment value throughout the life of the asset. The system utilizes age/depreciation, maintenance and repairs, miles, type of service, reliability, and condition as criteria for this determination.~~allotted years, mileage and/or hours of use.~~ The allotted years, mileage and/or hours of use will be determined in accordance with the following criteria:
 - 2.—
 - 3.— ~~Allotted years and mileage for vehicles is at least 6 years and/or 80,000 miles. A vehicle with less years and/or mileage may be deemed surplus if its value is negligible due to annual maintenance costs, deterioration and/or wear.~~
 - 4.—
 - 5.1. ~~Allotted years or hours on large equipment is 15 years and/or 20,000 hours. Large equipment with less years and/or hours may be deemed surplus if its value is negligible due to annual maintenance costs, deterioration and/or wear.~~
 - 6.2. ~~District management staff will establish values and set minimum bid prices for each vehicle and item of large equipment to be sold and determine if the items will be sold by advertised sealed bid proceedings or by public auction. If staff, during the process of establishing value to a vehicle or piece of large equipment, determines it to be of diminutive that the particular value vehicle or equipment has diminutive or no value or the costs of preparation for sale and sale are greater than the value of the vehicle or equipment, then the General Manager is authorized to dispose of the property in accordance with Sections 500.00 (6) & (7) of this policy.~~
 - 7.3. ~~The General Manager may authorize the sale of surplus vehicles and large equipment with an estimated value of \$4,000 or less. Vehicles and large equipment with an estimated value greater than \$4,000 will be sold as surplus following authorization by the Board of Directors at a public meeting.~~
 - 8.4. ~~If surplus vehicles or large equipment are to be sold by a sealed bid procedure, the General Manager will notice the sale by publication of a notice of sale at least once in The Sacramento Bee and/or other newspaper of record and/or provide notice in another manner designed to ensure that the public is informed about the availability of the property for sale and by posting the notice in accordance with District policy. The notice of sale will describe the surplus items, and state the minimum bid, the conditions of the sale, the bidding deadline, and the time and place where the Board or General Manager will open and accept or reject the sealed bids.~~

9.5. If surplus vehicles or large equipment are to be sold at public auction, the District General Manager may consign the vehicles or equipment to ~~the~~ a public auctioneer after posting a notice concerning the sale of the vehicle and/or large equipment.

400.10 Guidelines Concerning the Sale of Surplus Vehicles and Large Equipment

Prior to the sale of surplus vehicles or large equipment, the District General Manager will direct staff to assist in the following:

1. Remove all District equipment from the vehicle or large equipment (radio, decals, etc.).
2. Clean and if necessary, repair the vehicle or large equipment.
3. Determine if the vehicle or large equipment will be sold by sealed bid proceedings or at public auction.
4. If the vehicle or large equipment will be sold by sealed bidding, establish its value using an appropriate, publicly available valuation tool such as the Kelley Blue Book, qualified appraisal, trade publications or classified newspaper advertisements. Staff will prepare a written report concerning the valuation of the item and attach appropriate documentation.
5. If the vehicle or large equipment will be sold at public auction, arrange for the delivery and consignment of the item and in consultation with the General Manager and auctioneer, determine an appropriate reserve or minimum price for the item.
6. Prepare and post a notice of sale and if appropriate, publish an advertisement for sealed bid proceedings. The notice and advertisement will include the vehicle or large equipment description, minimum bid, conditions of sale, bid submittal deadline and the date, time and place of bid opening and award or public auction.
7. When the vehicle or large equipment is sold, the General Manager or his/her designee will sign the "pink slip", bill of sale and any other documents required to complete the sale.
8. After the vehicle or large equipment is sold, the General Manager or his/her designee will complete paperwork as required by DMV to report the sale of the vehicle or large equipment, and return all completed forms and vehicle license plates to DMV.

8.9. If a vehicle or large equipment item is leased, staff will review the lease and negotiate the disposal of the item with the lessor before the item is deemed surplus and sold.

500.00 Disposal of Other Personal Property

1. At least once each fiscal year, the District General Manager will prepare a list of District personal property, other than vehicles and large equipment, which is deemed surplus.
2. District management staff will establish values and set minimum bid prices for each item of personal property to be sold and determine if the item will be sold by advertised sealed bid proceedings or by public auction. If staff, during the process of establishing value to an item of personal property, determines it to be of ~~diminutive~~ diminutive or no value, the General Manager is authorized to dispose of the property in accordance with Sections 500.00 (6) and ~~&~~(7) of this policy.
3. The General Manager may authorize the sale of personal property with an estimated value of \$4,000 or less. Personal property with an estimated value greater than \$4,000 will be sold as surplus following authorization by the Board of Directors at a public meeting.
4. If surplus personal property is to be sold by a sealed bid procedure, the General Manager will notice the sale by publication of a notice of sale at least once in The Sacramento Bee and/or other newspaper of record and/or provide notice in another manner designed to ensure that the public is informed about the availability of the property for sale and by posting the notice in accordance with District policy. The notice of sale will describe the surplus items, and state the minimum bid, the conditions of sale, the bidding deadline, and the time and place where the General Manager, or his/her designee, will open and accept or reject the sealed bids. Any otherwise eligible designee of the General Manager opening and accepting or rejecting the sealed bids is prohibited from bidding for the surplus items in accordance with the Prohibited Director, Officer and Employee Transaction provisions of this policy.
5. If surplus personal property is to be sold at public auction, the General Manager may consign the personal property to ~~the~~ a public auctioneer after posting a notice concerning the District's sale of the property.
6. For surplus items not sold during sale, the General Manager has the authority to donate such items to another government agency or any non-discriminatory, tax exempt non-profit organization qualified under Internal Revenue Code section 501(c)(3).

7. If an item of surplus property is not sold during sale and the General Manager is unable to donate the surplus items to a qualified government agency or qualified tax-exempt organization, the General Manager may properly dispose of such items at a county or city waste management facility or other legal disposal site.

600.00 Revenue from Disposal of Surplus Property

All revenue received from the disposal of surplus real or personal property will be deposited in the District's Operating Reserve Account unless otherwise specified by the Board of Directors.

700.00 Prohibition Against Upgrades

Unless necessary to ensure the safety, merchantability and/or serviceability of surplus property, District staff may not make any repairs or upgrades to any real or personal property recommended or already deemed to be surplus. For example, staff may not replace a vehicle's worn but serviceable tires with new tires, nor may staff add or replace optional equipment that enhances a vehicle's value. Before sale and upon the General Manager's authorization, District staff may repair or replace parts on a surplus item if it is necessary to ensure that it is safe, serviceable and/or merchantable.

800.00 Prohibited Director, Officer and Employee Transactions

In accordance with Government Code section 1090, all members of the District Board of Directors and the General Manager are prohibited from purchasing surplus District real or personal property. Staff members generally are eligible to buy surplus District real or personal property noticed for sale on the same terms and conditions as those offered to members of the public, except that any District employee who actively participated in determining an item's price, surplus status or conditions of sale is prohibited from purchasing such items because the employee is deemed by law to have a prohibited interest in the sale. The General Manager, in consultation with the Board and legal counsel, will determine if an employee has a prohibited interest in an item of surplus property.

900.00 Lot or Group Sales

The District reserves the right to place items of surplus property in a group or lot for sale to the highest bidder.

900.10 Discretion of Board and General Manager

Except as prohibited by law, the Board of Directors and General Manager will have the discretion to waive any minor irregularity in the procedures for the surplus and disposing of surplus property. Such discretion will be exercised in a non-discriminatory manner.

1000.00 Policy Review

This Policy shall be reviewed at least biennially.

