

Original Issue Date: October 19, 1983	CITY OF FULLERTON, CALIFORNIA POLICY AND PROCEDURES MANUAL	Policy No. 4.1.6
		Page 1 of 4
Revised Issue Date: June 6, 2016	<b>SUBJECT: DISPOSAL OF SURPLUS PROPERTY</b>	Approved By: <i>Julia James</i> Dir. of Admin. Svcs

## PURPOSE

The purpose of this policy is to document the appropriate process for the transfer, disposition, and accountability of surplus City property.

For the purpose of this policy, “surplus equipment/property” is defined as any City-owned property that is unused, unwanted or no longer needed by a department, but does not include real estate. Capitalized property is defined as any property which costs more than \$5,000 at the time of acquisition.

## POLICY

Pursuant to the City of Fullerton Municipal Code (Section 2.66), the Purchasing Manager, as designated by the City Manager, shall make the determination that any property of the City is no longer needed or suitable for public use.

The Purchasing Manager is authorized to transfer surplus property to any City department for use exclusively for City business by that department. Any surplus items deemed unsuitable for redistribution will be properly disposed (i.e. used for trade-in on new equipment or supplies, recycled, discarded, auctioned off, or donated to an authorized non-profit organization). Any capitalized property needs to be removed from the City’s Inventory System at the time of transfer.

The selected process will be in accordance with the policy for competitive purchasing. Bids on surplus items will be actively solicited by means consistent with the value of the surplus property. If after reasonable effort no bids are received, the Purchasing Manager is authorized to dispose of said property for its highest scrap value or to cause its destruction or other disposition.

The use of City surplus property for personal use or gain is a violation of this policy and violators of this policy will be subject to disciplinary action up to and including termination. The removal of surplus property for the purpose of taking personal possession or ownership is strictly prohibited.

## CATEGORIES

There are two major categories of surplus property:

1. Materials, supplies, and small equipment.
2. Major equipment (vehicles, construction equipment).

Original Issue Date: October 19, 1983	CITY OF FULLERTON, CALIFORNIA POLICY AND PROCEDURES MANUAL	Policy No. 4.1.6
		Page 2 of 4
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## RESPONSIBILITY

Although the control and disposal of surplus property rests with the Purchasing Manager, it is the responsibility of each Department Director to determine when an item is to be designated as surplus. Normally, items become surplus through one of the following means:

1. Significant design change.
2. Significant reduction in usage.
3. Personnel change that no longer requires equipment or supplies.
4. Change in departmental responsibility.
5. Obsolescence.

## **PROCEDURE**

### Transfer of Assets

When there is to be a transfer of fixed assets between departments, the Fixed Assets Transfer (FAT) form will be used. The FAT form is on the Intranet under FORMS.

The department that is releasing the fixed asset will prepare the FAT form listing the City I.D. tag number, if any, and the asset number, description of the asset, and the new location of the asset. The releasing department should retain a copy for their records and forward a copy to the Purchasing Manager for approval.

When the transfer is approved by the Purchasing Manager, the original copy will be sent to the Fiscal Services Division of the Administrative Services Department, where the transfer will be recorded on the City's books. The Purchasing Division will also retain a copy.

### Disposition of Surplus

On an individual and as-needed basis, a Department Director may request the disposal of surplus. In this case, the Fixed Assets Transfer form will be used. The requesting department will provide the City I.D. tag number, the asset number, and equipment description. The form will be prepared and submitted to the Purchasing Manager. Upon receiving the FAT form, the Purchasing Division will arrange with Public Works to move the surplus item(s).

Original Issue Date: October 19, 1983	CITY OF FULLERTON, CALIFORNIA POLICY AND PROCEDURES MANUAL	Policy No. 4.1.6
		Page 3 of 4
Revised Issue Date: June 6, 2016	<b>SUBJECT: DISPOSAL OF SURPLUS PROPERTY</b>	Approved By: <i>Julia James</i> Dir. of Admin. Svcs

The Purchasing Manager will from time to time handle the disposal of surplus as appropriate. When this is complete, the Purchasing Manager or designee will record the value received for the surplus and deposit the funds with the City's Revenue Division.

### METHODS OF DISPOSITION

When it is determined that surplus is to be sold, the Purchasing Manager may select any of the following methods:

1. Negotiated return to the supplier for cash or credit. Occasionally the original vendor will allow the return of surplus; however, there is usually a restocking charge.
2. Certain items, vehicles or equipment may have trade-in value. Such items may be included as a trade-in when bidding for replacement vehicles or equipment.
3. The Purchasing Manager may require that bids be obtained. These bid procedures will be conducted in the same manner as for purchases. The award will be made to the highest bidder most responsive to the needs of the City.
4. Sale by auction. This provides a fast, convenient means of disposing of a variety of items. Where practicable, all materials and equipment should be segregated by classification, e.g., auto parts should not be commingled with office equipment. Surplus dealers are vital to this type of sale and may make "lot" bids on goods for their particular area of interest (but not on "mixed" lots).

The Purchasing Manager will coordinate with the Director of Public Works or his or her designee for the sale of surplus vehicles or equipment such as trucks, cars, field equipment, or other surplus items through public auction. A memo listing the items shall be submitted to the Director of Administrative Services or designee for approval prior to being sent to auction.

5. The Purchasing Manager may sell surplus property to any other governmental agency at "fair market value" without other bids.
6. Sale as scrap or salvage. If surplus items cannot be reused by another department, or if after a reasonable effort has been made to obtain competitive bids, no acceptable offers are received, then the Purchasing Manager is authorized to dispose of such item(s) for the highest salvage value. If no salvage value is available, the item may be destroyed.

All sales will be handled by the Purchasing Manager. Since prices vary at different times of the year, scrap material may be accumulated and held for a more advantageous market.

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		Page 4 of 4
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Generally, finely separated scrap will bring the best price. However, storage space is an important factor and it is anticipated that in most cases an average separation will be the most efficient.

Scrap may be sold through either bid or negotiated contract. Scrap sales may fluctuate depending on supply and demand. Since scrap may create a safety hazard, the Purchasing Manager will ensure that scrap materials are sold and removed on a regular basis.

#### DECISION TO RETAIN OR SELL

When making the decision to retain or sell surplus equipment, consideration should be given by the department as to the practicality of either:

- a. repair or modification, or
- b. stripping for use as a source of spare parts.

Parts may be either used for other equipment or sold at a greater price than the entire assembly, depending on cost-effectiveness. Unused materials and equipment retained over a period of time should be reviewed from time to time for disposal.

#### SALE TO EMPLOYEES

Regardless of the method selected for disposal, surplus shall not be offered to City employees on an exclusive basis unless it has been authorized by the City Manager. The approval process shall be observed at all times.

#### DOCUMENTATION

No action will be taken to dispose of City property until the Fixed Assets Transfer form or Equipment Memo for vehicles is completed and approved by the Department Director or his designee and received by the Purchasing Manager. The Administrative Services Director shall then be notified by the Purchasing Manager prior to sale of surplus equipment or vehicles.

The sale of scrap metal, paper, waste oil, equipment, and like items will be coordinated and approved by the Purchasing Manager.

#### EXCEPTIONS TO POLICY

From time to time departments request that City property be donated to other bona fide nonprofit groups. All such requests require City Council approval.