



## Town of Discovery Bay

<b>Program Area:</b> Finance	<b>Policy Name:</b> Disposition of Surplus	<b>Policy Number:</b> 015-Revised
<b>Date Established:</b> February 1, 2012	<b>Date Amended:</b> February 2020	<b>Resolution:</b> 2020-...

**A. Purpose**

The purpose of creating a procedure for the Town of Discovery Bay Community Service District (District) for the disposition of surplus property is to establish guiding principles and direction to staff.

**B. Surplus Property Definition**

Supplies and equipment are considered surplus if they are no longer required by the District, because of decreased use, poor condition, damage not worth the cost of repair, and/or obsolescence. Examples of property include small items, such as binders, calculators, and electric staplers, as well as those items inventoried, larger items such as Office Equipment, Furnishings, and Vehicles. Property can also include capital assets, which are those items that generally have a higher unit cost and are inventoried by the District for Rehabilitation/Replacement. Examples of capital assets are playground equipment, and building or structural components, such as roofs, restrooms, and decking. This definition of surplus property excludes real property.

**C. Surplus Property Determination/Valuation**

The respective department manager should first determine if a supply, piece of equipment, or capital asset has become surplus, based on the definition given above. The next step is to determine the current value of the surplus property item, either from an existing source document or a reasonable estimate of replacement value, if the original source document is no longer available through the District's records.

If the current value of the surplus property item is less than \$500, the manager or designee should bring the surplus property item directly to the Finance Manager so that a receipt can be created determine its disposition, and then coordinate its disposal.

**D. Surplus Property/Capital Asset Disposition Form**

If the property item is deemed surplus and its current value is over \$500, then the manager must complete a Surplus Property/Capital Asset Disposition form. This form is available through the Finance Department (see Exhibit A). One copy of the form should be circulated for signatures. On the form, the manager should list the item's description, serial number, fixed asset tag number (if applicable), location, and condition. The manager

should indicate the Property's condition (good, fair, poor or broken) and then recommend a method of disposal for the property (see the following sections for descriptions of disposal methods).

After selecting the recommended action and noting any other comments, the manager must sign and date the Surplus Property/Capital Asset Disposition form and forward it to the Purchasing Agent/General Manager.

**E. Methods of Disposal**

There are several ways to dispose of surplus property, including:

- Transfer to another department;
- Trade in for new material, equipment or credit
- Sell;
- Donate; or
- Scrap.

**i. Transfer to Another Department**

Departments can transfer surplus property to one another, subject to the approval of both managers affected by the transfer. If the current value of the item is \$500 or above, the department transferring out the property should initiate a Surplus Property/Capital Asset Disposition form (see Exhibit A) and both managers are required to sign the form. If a fixed asset is being transferred, then Accounting will record the new location for the property in the fixed assets.

**ii. Trade-In**

Surplus property can be offered as trade-in for new equipment or material or for credit towards the acquisition of new property. If the current value of a surplus property item slated for trade-in is \$500 or over, then the Surplus Property/Capital Asset Disposition form should be completed. The estimated trade-in value of the surplus property or capital asset should be noted on the Surplus Property/Capital Asset Disposition form and on the purchase order issued for any new property resulting from the trade-in.

**iii. Selling Surplus Property**

Surplus property may be offered for sale. All surplus property is for sale "as is" and "where is" with no warranty, guarantee, or representation of any kinds, expressed or implied, as to the condition, utility or usability of the property offered for sale.

For any sale of surplus property with a current value of \$500 or above, the manager should indicate on the Surplus Property/Capital Asset Disposition form the recommended selling method and any other notations, in the manager approval. Appropriate methods of sale are as follows:

Public Auction – District Staff may conduct public auctions or the District may contract with a professional auctioneer and/or and Internet auctioneer for this service.

Sealed Bids - Sealed bids may be solicited for the sale of surplus property. Surplus property disposed of in this manner shall be sold to the highest responsible bidder.

Selling as Salvage - Equipment, materials, supplies, fixtures, or facility components that are no longer capable of performing their intended function without extensive repair, or that are of no value except for reclamation purposes, may be considered salvage. Surplus property may be sold as salvage if the Purchasing Agent/General Manager deems that the value of the raw material exceeds the value of the property as a whole.

**iv. Donation of Surplus Property**

The manager may recommend and the Purchasing Agent/General Manager may authorize the donation of surplus property to a non-profit organization or school district located or operating in Discovery Bay or, secondarily, to any other non-profit organization or private organization that provides assistance to nonprofit organizations.

If surplus property has been approved for donation, the Purchasing Agent/General Manager will notice the availability of such property for donation, indicating the quantity, description and location of the surplus property, by one or more of the following methods: in a local newspaper or on the Districts web site (see Exhibit B). This notice will also indicate the closing date for the receipt of all requests for donation and indicate the way in which interested parties can receive additional information. Requests for donations will be accepted on a first-come, first-serve basis. The Purchasing Agent/General Manager will send a letter to the non-profit organization(s) or school district(s) that respond to the notice to advise them of the Districts terms and condition of the donation. A return letter signed by and authorized agent from the non-profit organization or school district, accepting the Districts terms and conditions is required before the surplus property can be released. If, in the opinion of the Purchasing Agent/General Manager, the donated property has a current value of less than \$1,000, then the General Manager can approve the release of the property to the recipient(s) that meet the above criteria and agree to the Districts terms and conditions. If, in the opinion of the Purchasing Agent/General Manager, the donated property has a value of \$1,000 or more the Purchasing Agent/General Manager will prepare a report identify the specific property for approval by the Board of Directors. After the Board of Directors approval, the surplus property approved for donation may then be released.

The department from which the donated property is being taken should remove any fixed asset or District property tag before the property is officially transferred to the recipient organization(s).

**v. Scrap/No Value Item**

Scrap, as one method of surplus property disposal, essentially means throwing an item into the trash. Scrap is recommended only after determining that none of the other methods of disposal (selling, exchange, trade-in, donation, or salvage) is feasible. Broken items that can be repaired economically will be fixed and returned to the using department.

For any broken or inoperable piece of property that, based on the recommendation of the manager and the judgment of the Purchasing Agent/General Manager, cannot be economically repaired, traded-in, sold, auctioned, donated or salvaged, the item may be scrapped, regardless of the original purchase price.

If the manager or designee recommends that any unbroken surplus property item with a current value below \$500 or several unbroken surplus property items with a collective current value below \$1,000 be scrapped, then he/she should dispose of the items. If the surplus property is obsolete or non-functional and cannot be traded in, sold, auctioned, donated or salvaged, the Purchasing Agent/General Manager may scrap such surplus property.

If a surplus property item recommended to be scrapped is not broken and has a current value equal to or above \$500, for multiple items, a combined current value equal to or above \$1,000, then the manager must complete the Surplus Property/Capital Asset Disposition form. Under these conditions, especially if District staff will directly dispose of them item(s), Board Approval to scrap will also be required. If the District staff does not directly scrap this category of surplus property but a contractor is instead hired to remove and replace the property, then the disposal method is considered utilize the trade-in mythology, not scrap mythology, and the Board approval requirement does not apply.

For multiple items proposed to be scrapped, the size of the lot and thus the total current value will be based on the items and values entered on the Surplus Property/Capital Asset Disposition form(s) submitted by the department. Splitting of the surplus lots on these forms to avoid Board reporting is prohibited. To better understand the process by which and items can be scrapped, including whether or not Board approval is required, please refer to the flow chart (see Exhibit C).

The report to the Board to request approval to scrap will be prepared by the Purchasing Agent/General Manager after receipt of the completed Surplus Property/Capital Asset Disposition form. Once the Board approval is granted, the Purchasing Agent/General Manager will then scrap the item(s).

**F. Purchasing Agents/General Manager's Review and Final Disposition**

In the case of the surplus property items with a current value below \$500 for a single item or below \$1,000 for multiple items within one lot, the departments do not have to complete a Surplus Property/Capital Asset Disposition form. Instead, the department

disposes utilizing the best method for disposal of these items. A log of the surplus items should be maintained upon disposal. The log will include the disposal items, the disposal date, and the disposal method.

For all surplus property items with a current value equal to or above \$500 for a single item or equal to or above \$1,000 for multiple items within one lot, the Purchasing Agent/General Manager will review the department's completed Surplus Property/Capital Asset Disposition form, concur with or recommend an alternate action, and proceed with the disposition. The Purchasing Agent/General Manager will also ascertain whether Board approval is required to donate or scrap surplus property items, depending on the current value of the items listed on the form. If further action is required, then the Purchasing Agent/General Manager will prepare a report for final approval from the Board.

After the disposal of the surplus property, the Purchasing Agent/General Manager will complete and sign the Surplus Property/Capital Asset Disposition form, noting the date, disposal method, and any proceeds received, if the property was sold. The Purchasing Agent/General Manager will also note the date that the Board approved the donation or scrapping of the surplus property if that level of approval was required.

After all signatures have been obtained, a copy of the form will be sent to the initiating department and to the Accounting, which will remove any surplus property items that had been classified as fixed assets. Finance will keep the original form on file.

**G. Proceeds**

Any proceeds received from the trade-in or sale of the surplus property will be credited to the originating department where purchase was made.