AUTHORIZE SALE OF CATERPILLAR GENERATOR AND STEINWAY & SONS PIANO VIA AUCTION AND REVIEW INFORMATIONAL ITEM TO PRESENT SURPLUS SALES DATA

RECOMMENDATION

It is recommended that the City Council adopt a resolution:

1. Authorizing the sale via contracted auctioneer of a surplus Caterpillar Generator which will be sold “as is”; 
2. Authorizing the sale via contracted auctioneer of a Steinway & Sons grand piano which will be sold “as is”; and 
3. Authorizing the City Manager to approve the sale of personal property valued at $20,000 or more for each item to the highest bidder in an auction situation in advance of the event.

Summary

As stated in the Stockton Municipal Code Section 3.60.010 Sale of personal property:

“The City Manager shall have the power and is authorized to sell or trade in at public auction or private sale, personal property of a value of $20,000.00 or more, unfit or unnecessary for the use of the City under the following procedure:

A. Notice of such sale or trade-in shall be authorized by resolution and given by publishing in the same manner as required for ordinances

B. City Manager shall report all offers or bids for said property to the City Council.

C. The Council shall, by resolution, not less than 15 days after publication, approve the sale or trade-in.

D. The City Council may, by resolution, in lieu of selling or trading in, donate such personal property to a designated Sister City.”

The City’s procurement transformation project team identified both the generator and piano as being unfit and unnecessary. Market benchmarking indicates that the sale value of each item will be $20,000 or more.

Attachment A, Figure 1 is a photograph of the Caterpillar generator. Attachment B shows a photograph of the Steinway & Sons piano.
DISCUSSION

Background

The Municipal Utilities Department (MUD) has a Caterpillar Backup Engine Generator in its surplus inventory. The generator was originally purchased to provide emergency backup electrical power generation at pumping stations and the Cogeneration facility. The generator does not meet State of California diesel engine emission and operating requirements put into law in 2008.

MUD obtained an estimate for the upgrades necessary to make the generator compliant with emission standards. The estimate was $50,000, and is not cost effective to upgrade the generator as compared to renting a generator on an as needed basis. Thus, the generator is recommended for removal from inventory, and is appropriate for auction as this type of generator is used outside of California in agricultural or mining operations needing fixed electrical generation capabilities.

Originally purchased in 1925, Steinway & Sons piano is stored at the Civic Auditorium in the backstage area. The piano has not been used or tuned for the past seven (7) years. During construction in the past decades, the piano was incorrectly stored, and bears significant cosmetic damage from that period of time, such as heavily-marred woodwork which would be costly to repair. Based on current overall condition and lack of use/demand for use, the City is requesting permission to auction this property.

The current Stockton Municipal Code authorizes the City Manager to sell or trade any item of personal property that is valued at over $20,000 as long as it is deemed unfit or unnecessary and the Council has approved the sale. The estimated market price on Caterpillar generators is between $35,000 and $55,000, and Steinway pianos are between $23,000 and $25,000. Any funds received from the sale would have to be deposited to the fund from which the equipment was originally purchased to offset future equipment costs. In this case the generator revenue would be deposited to the restricted Enterprise Fund in MUD and the piano to the General Fund since this is the funding source for Community Services’ equipment.

Present Situation

The $50,000 cost estimate to the City to bring the generator into compliance with current state emissions and operating level requirements is significantly greater than the short-term cost of commercial rentals of portable generators now available from equipment providers. The cost to rent a portable generator is between $700 and $1,400 per week. Moreover, this older generation Caterpillar generator is not portable, and would require a crane and flatbed semi-truck to be separately rented to move it to any City location needing emergency power generation. It is expected that the operating costs including fuel storage, maintenance and required necessary load testing are greater than the infrequent costs incurred as a result of renting a generator on an as needed basis. Thus, it is more cost effective to auction this generator and rent one when needed.

Rental units can be easily arranged on a daily, weekly, or monthly basis. The rental units are configured on the lowest trailer chassis, making them immediately available at any designated City location.
Reviewing Civic Auditorium operations and rental requests, there has been no demand for a piano player. The cost to the City to have the wooden casework of the piano refurbished would be $15,000. Absent demand, there is no justification for the expense to refurbish and store the piano properly.

The nature of an auction event requires that this resolution approve the sale of the generator and piano to the highest bidder in advance of the event.

INFORMATIONAL ITEM: REPORTS SUMMARIZING 2014 AND 2015 AUCTION SALES

On February 25, 2014, Council approved the use of two auctioneers, South Bay Auto Auction (Stockton), and First Capital Auto Auction (Vallejo), which have handled multiple sales events for the City. Per the Municipal Code the City Council is to be notified of receipt of the proceeds resulting from an auction of City equipment valued under $20,000.

The attached surplus summary reports are being submitted (Attachments C and D) for items which were previously auctioned but have not yet been reported to the City Council. In 2014, 166 units were sold through auction totaling $263,968.78; and in 2015, 96 units were sold through auction with proceeds totaling $140,472.13. All proceeds were deposited into the Fleet Internal Service Fund Account.

FINANCIAL SUMMARY

Auctioneer fees are “contingent” and thus the City will bear no expense for the sale process. Details, however, will need to be arranged regarding the location of sale once willingness is determined of potential buyers to view the generator in its current location rather than the auctioneer’s yard. Any transportation expenses will be deducted from the sale proceeds.

Proceeds from Caterpillar sale will be returned to the MUD Wastewater Utility account number 431-0000-461.00-00 (Disposition/Fixed Assets/Sale of Fixed Assets) fund balance to offset future capital expenditures. Accounting standards match proceeds with expenditures, meaning that the proceeds are appropriately deposited to the fund where the equipment purchase was made, specifically an Enterprise Fund where specific restrictions apply.

The sale price of the piano, minus the fee for auctioneer services (which is net of transportation and other charges) will be deposited into the General Fund (for Community Services) fund balance 010-0000-461.00-00 (Disposition/Fixed Assets/Sale of Fixed Assets). The proceeds could also be deposited to other funds as the original funding came from the General Fund which is not restricted. If the value was determined to be less than $20,000, the piano could be donated to a designated Sister City in lieu of auctioning the item.

Attachment A - MUD Generator
Attachment B - Surplus Piano
Attachment C - Surplus Sales
Attachment D - Surplus Sales