

Response to Questions on the FY 2011 Budget

Request By: Supervisor Cook

Question: What would be the feasibility and the cost versus benefits of developing a county store to sell surplus equipment to citizens, small businesses and non-profits?

Response: Article 6, Section 6 of the Fairfax County Purchasing Resolution assigns the Department of Purchasing and Supply Management (DPSM) responsibility for the disposal of surplus County property. Per Article 6, Section 7 of the Resolution, surplus property may also be donated to charitable and non-profit organizations or public bodies. The capability to offer government surplus property for sale at auction to the public is well developed and competitive in the private sector. DPSM determined that the most cost effective method of managing excess and surplus property for the County is to take advantage of the well developed private sector market. For decades, the County has used a live auctioneer to conduct the sales of all manner of property: County property including fleet vehicles, machinery, electronics, etc., as well, as seized and unclaimed property. The auctions are conducted monthly and all members of the public (citizens, businesses, and non-profits) are eligible to participate. Revenue from the auctions averaged \$1.45 million between FY 2007 and FY 2009, largely due to the sale of fleet vehicles. To conduct these transactions at a County site, such as the Springfield warehouse, is a labor and time-intensive enterprise. The facility does not have sufficient storage to stage and store the property, particularly fleet vehicles. In addition, it is estimated that one SYE would be required to operate the store (transport and prepare property, assist customers and process transactions). The cost for such a store is estimated to be a minimum of \$76,000 annually: \$32,000 to \$42,000 in direct salary, \$44,000 for the cost of the space (4,000 square feet at \$11 per square foot). Sales revenue would decrease as the County could not generate the same customer base as a commercial enterprise.

The Department of Purchasing and Supply Management recently adopted a surplus property disposal best practice. Between January 2009 and January 2010, DPSM conducted an online auction pilot program to improve the efficiency of our disposal process and increase revenue. The contractor selected for the pilot program, Public Surplus, is an auction website (similar to eBay) that caters to surplus municipal government property. Additionally, the website enables the online redistribution of property among all departments, as well as to volunteer fire departments (as required by State Code) even before being sold at public auction. During the pilot program, DPSM continued to send fleet vehicles to our live auctioneer, Insurance Auto Auctions, located in Brandywine, Maryland, as this better suits their field of expertise.

The following are highlights of our sales since the pilot program began.

- Fire truck sold to Louisa, KY, for \$35,000 last summer, a small volunteer fire and rescue squad that could not afford to buy new, nor could they afford to buy from the many dealers that bid on our apparatus.

- We've sold numerous items more suited for individuals, rather than dealers or businesses. This opens up the benefits of our program to our taxpayers.
 - fitness equipment (spin bikes - \$200/each; treadmill - \$385; stair climber - \$265; pool table - \$300)
 - specifically-selected vehicles (Jeep Cherokee - \$3000+/ea; Harley Davidson Motorcycles - \$6000/ea; Polaris ATVs - \$2300/ea)

Overall, DPSM has generated fiscal year-to-date (since July 1) revenue of \$243,462. Since DPSM began the pilot program in January 2009, we have generated \$470,433 in revenue. Not only do the total numbers show that the results of the pilot program were outstanding, a direct comparison of sales of items sold through our live auctioneer and comparable items sold online reflected a revenue increase of 110% (from \$55,110 to \$115,825).

While the pilot program was underway, DPSM served as the lead agency in a cooperative procurement for the Metropolitan Washington Council of Governments for online auction services. At the conclusion of the competitive negotiations process, a contract was awarded to Public Surplus. As the new online model is significantly different from prior practices, DPSM is currently preparing a new countywide procedural memorandum to guide County staff. Full rollout of the program is planned for October 2010. The time period between now and October will be used to go through an extensive testing process in order to identify as many potential problems before implementation as possible. DPSM must test system capabilities (notifications, tracking, reporting, data capture for audit purposes), as well as our own logistical capabilities prior to full rollout. In addition, the financial requirements of the new system must be worked through. This time will also be spent developing a policy and procedures with input from the users through a limited roll-out, involving specifically-selected departments and users.