

## MISSOULA COUNTY DISPOSAL OF COUNTY SURPLUS PROPERTY

1. **Purpose.** This policy seeks to establish procedures for the disposition of surplus county real and personal property in accordance with MCA Title 7, Chapter 8, Part 22, "Acquisition, Transfer, and Management of County Property."
2. **Scope and Applicability.** This policy is applicable to all county departments and entities. Departments may apply additional requirements as long as they are equal to or more restrictive than the procedures and standards established in this policy.
3. **Administration.** Department heads are responsible for the implementation of this policy within their departments and for establishing procedures to demonstrate compliance.
4. **General Guidelines.**
  - A. The primary goals of this policy are: to obtain the maximum use from a piece of personal property and to recover any residual value at the time of disposal. Additional objectives include:
    - i. Controlling surplus property;
    - ii. Removing unused property from storage;
    - iii. Controlling waste and misuse of county property;
    - iv. Maximizing the monetary return from the sale of surplus property.
    - v. Recycling surplus property to minimize environmental impacts.
  - B. Department heads have the authority to dispose of surplus personal property within their departments and are responsible for designating an individual responsible for the disposition of such property.
  - C. Central Services is the department principally responsible for public auctions conducted to dispose of surplus County property. Departments have the option to use Central Services' public auctions or conduct their own.
  - D. Only the board of county commissioners shall authorize the sale, trade, or exchange of surplus real property. Any disposition of surplus real property shall be conducted in consultation with the county attorney's office.

### 5. Definitions.

- A. **Surplus.** Property including, but not limited to, land, materials, supplies, equipment, and recyclable items regardless of how acquired that are no longer needed to conduct department operations.
- B. **Appraisal.** The process of estimating the value of a specific piece of property. A formal appraisal is prepared by a professional engaged in such value estimation and is supported by the facts, data, and methods used. An informal appraisal uses reasonable estimation to establish value for the item involved. Such sources include historical cost, net book value, or information available from 3<sup>rd</sup> party sources such as Kelley Blue Book, prices quoted by dealers in used equipment, classified ads, etc.
- C. **Auction.** The process of buying and selling property by offering it up for bid, taking bids, and selling the item to the highest bidder. There are several variations on the basic auction form, including time limits and minimum bid prices. Participants in an auction may or may not know the identities or actions of other participants. Depending on the auction, bidders may participate in person or remotely through a variety of means, including the internet or sealed bid.
- D. **Cannibalization.** The process of removing components or parts from surplus property and installing or reusing them in another piece of equipment.
- E. **Fair market value.** An estimate of the market value based on what a knowledgeable, willing, and unpressured buyer would probably pay to a knowledgeable, willing, and unpressured seller. An estimate of fair market value may be based on formal appraisal or reasonable estimation.
- F. **Personal property.** Every kind of property, other than real property.
- G. **Real property.** Land, including improvements and fixtures on the land, all property of any nature appurtenant to the land or used in connection with the land.
- H. **Salvage.** Items that have commercial value for material content only. Such value may or may not have monetary value. Disposal may consist of selling to dealer in salvage materials or transfer to a location for recycling.
- I. **Scrap.** Items with little or no commercial or recycled value and are suitable only for trash or landfill disposal.

## 6. **Methods of Disposition – Personal Property.**

- A. **Transfer between departments.** Departments are encouraged to reuse surplus property through a transfer to another Missoula County department.

- i. Prior to using another method of disposal, the individual responsible for surplus property should make a reasonable effort to determine if another county department has a need or use for the item.
  - ii. If such a need is identified, the respective department heads, or their designees, should agree on the value of the transfer, if any.
- B. **Trade-in.** Departments should evaluate the benefits of a trade-in on a case by case basis.
  - i. Surplus equipment with a value greater than \$2500 is subject to appraisal to establish fair market value prior to trade-in.
  - ii. Trade-ins are recommended if the allowance given is of sufficient value to outweigh the likely net proceeds obtained through sale to a third party.
- C. **Sale.**
  - i. Surplus personal property not scrapped or disposed of using other methods described in this policy must be sold at public auction after notice in the publication under contract with the county to provide legal advertising.
    - a. Such property is subject to appraisal to determine fair market value using methods the seller department determines best satisfies this requirement. Department must document the methods used to establish the appraised value.
    - b. Appraisal must be made within 3 months prior to auction and must be stated in the notice of sale.
    - c. Pursuant to MCA 7-8-2213, a sale at public auction may not be made for less than 90% of appraised value.
    - d. If no bid is received in response to a properly noticed public auction, the property may be sold through a private sale. Per MCA 7-8-2218, the purchase price shall not be less than 70% of the appraised value.
    - e. Surplus personal property with a value less than \$2500 may be sold through a private sale with the written approval of the County Auditor.
- D. **Damage or destruction.** If surplus property is damaged or reduced to a state beyond repair (destroyed), the item should be disposed of as salvage or scrap.

- E. **Cannibalization.** A department may determine that the best use of a surplus item is to cannibalize it for the serviceable components. Any residual parts should be disposed of as salvage or scrap.

## **7. Methods of Disposition – Real Property.**

### **A. Sale.**

- i. Real property must be sold at public auction after notice in the publication under contract with the county to provide legal advertising.
  - a. Such property is subject to appraisal to determine fair market value using a disinterested certified general real estate appraiser.
  - b. Appraisal must be made within 3 months prior to auction and must be stated in the notice of sale.
  - c. Pursuant to MCA 7-8-2213, a sale at public auction may not be made for less than 90% of appraised value.
  - d. If no bid is received in response to a properly noticed public auction, the property may be sold through a private sale. Per MCA 7-8-2218, the purchase price shall not be less than 70% of the appraised value.
- ii. Surplus real property with a value less than \$2,500 may be sold through a private sale with the approval of the Board of County Commissioners.

### **B. Exchange.**

- i. In an exchange of real property, both properties must be appraised.
  - a. The properties exchanged must be of equivalent value.
  - b. If the properties are not of equivalent values, the exchange may be completed if a cash payment is made in addition to the delivery of title for the property having the lesser value.

## **8. Other considerations.**

### **A. Participation of county employees in property sales.**

- i. County employees are permitted to participate in the purchase of surplus personal property, but only in the same manner as the public at large. No county employee shall be given any consideration or privilege that might be construed as conferring advantage in the outcome of the sale.

- ii. Employees of the selling department, or any immediate family members of such employees, shall not participate in any sale conducted through a sealed bid if they influence the maintenance, decision to surplus, determination of appraised value, or any aspects involving the disposition of the item.
- B. **Sales proceeds.** Monies received from the disposition of surplus property, whether from public auction, private sale, or sale of scrap, shall be deposited into the county treasury to the credit of the selling department.
  - i. Central Services will retain all sales proceeds from the public auctions it conducts unless a participating department specifically requests the proceeds from the items it contributes.
- C. **Titled property.** Title to county property sold to a third party may not pass until the purchaser has paid the full amount of the purchase price into the County treasury.
- D. **Computer equipment.** Software programs and files shall be removed from computer equipment prior to disposal.
- E. **Fixed asset records.** Central Services shall be notified when any asset with a red or blue property sticker is sold, scrapped, or transferred to another county department.
- F. **Grant funded assets.** Prior to the disposal of property obtained with federal grant funds, the department shall consult grant documents to determine compliance procedures for such disposal.
- G. **Sales to school districts.** Departments have the power to sell surplus county property to a school district for appraised value without the necessity of a public auction. However, notice of such sale shall be given in the publication under contract with the county to provide legal printing if the fair market value of the property is in excess of \$2500.
- H. **Donations.** Donations of surplus property are not permissible.