

**CITY OF TEMPE
REQUEST FOR COUNCIL ACTION**
**Council Meeting Date: 10/27/2016
Agenda Item: 5B18**

ACTION: Approve the one-year renewal of contracts with Western Sales Management and Sierra Auction Management who provide auction services to dispose of City surplus property, police impounded property, and vehicles.

FISCAL IMPACT: There is no direct expenditure of City funds associated with the use of these contracts. The auction service provider is paid a sales commission from sale proceeds. Based on an estimated annual auction sales value of \$450,000, the auction providers would receive approximately \$38,000 in commissions and return \$412,000 to the City.

RECOMMENDATION: Approve the renewal of the contracts.

BACKGROUND INFORMATION: (T14-095) City Council originally approved the award of contracts to Western Sales Management and Sierra Auction Management who provide auction services to dispose of City surplus property, police impounded property, and vehicles on October 2, 2014 for an initial one-year contract period with four one-year renewal options. This renewal request is for the second of four available renewal options.

When furniture, computers, file cabinets, vehicles, etc. are no longer needed or have reached the end of their useful life and are replaced, the surplus items or vehicles are sent to an auction firm who will sell the items at a public auction and return the residual value of the items (less sales commission and service fees) to the City. This same process is used with police impound property.

Due to negotiations regarding a requested commission increase, the current contracts would have expired before a request could be sent to Council for review. The City utilized its unilateral authority to extend the current contract for 30 days to allow time to complete the renewal process.

Contractor Performance

The performance of Western Sales Management and Sierra Auction Management was rated by the Public Works and Police Departments on the following criteria:

Criteria	Western Sales Management		Sierra Auction Management	
	Meets Contract Requirements	Does NOT meet Contract Requirements	Meets Contract Requirements	Does NOT meet Contract Requirements
Personnel are responsive, cooperative and available	x		x	
Overall quality of products or services delivered	x		x	
Timeliness of performance	x		x	
Quality of follow-up in resolving complaints or problems	x		x	
Firm's promptness in submitting accurate invoices	x		x	

Renewal Cost

Western Sales Management has agreed to renew with no change in the commission structure (primarily used for equipment and vehicles sales).

Sierra Auction Management has requested that their commission for sales of general surplus and police impound items be increased from 9.9% to 19.9%. Negotiations were undertaken to reduce the requested increase. The vendor indicated that the surplus property that the City sends to auction has very low residual value and that the current commission structure does not cover the firms' internal costs relating to conduction of the auction on these items. Reviews of documents related to auctions over the past year support the low residual value received for the City's general surplus.

Based on the residual value of general surplus items over the past 12 months, the requested increase of the commission structure is considered acceptable. The commission change would reduce the annual revenue generated for the City's by approximately \$2,300. The City will closely monitor sales over the contract renewal period and should the residual value increase, will take steps to renegotiate the commission structure.

The commission rate on firearms would remain unchanged at 9.9%.

ATTACHMENTS: None

STAFF CONTACT(S): Michael Greene, Procurement Administrator, (480) 350-8516

Department Director: Renie Broderick, Internal Services Director
Legal review by: David Park, Assistant City Attorney
Prepared by: Tony Allen, CPPB, Procurement Officer