

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

April 23, 1993

To: Board of Directors (Engineering and Operations Committee -
Information)

From: General Manager

Subject: Update on Metropolitan's Salvage Program

Report

Prior to July 1991, the District did not have an aggressive strategy for the disposal of excess supplies and equipment. The previous method used by the District for the disposal of surplus and obsolete property was the sealed bid method. This process was slow, redundant and netted minimal revenue. In addition, the cost of this program was not awarded based upon the amount of return.

The District reviewed its method of disposing of surplus material and determined that there was a definite need to revise this process. Staff informally surveyed other agencies and found that they used an auctioneer and were able to increase their revenue substantially.

Metropolitan has an on-going requirement to dispose of surplus and obsolete materials and equipment. One of the 1991/1992 program Goals and Objectives for the Administrative Services Division was to implement an aggressive salvage disposal program. The goals of this program specifically were to remove excess equipment and supplies from storage yards and warehouses, thus making additional space available; reduce any compliance issues that might result from the storage of obsolete items; maximize the return from the sale of obsolete and excess stock and equipment; and reduce the amount of turnaround time required for the sale of these items and reduce the amount of district staff time involved in the disposal of excess items.

The District used an existing contract with Nationwide Co., to transport, advertise and auction surplus materials and supplies. The new auction program formed a partnership with Nationwide who since the inception of the program has successfully disposed of various types of District material. To further meet District needs, Nationwide has conducted three on-site auctions as opposed to transporting this material to their normal auction site in the City of Commerce.

Since July 1991, the total salvage sales have totaled \$688,910, which is \$240,066 more than the total salvage revenue for the previous five year period. These sales have included the disposal of scrap steel, used pallets, vehicles, an airplane, used tires, office furniture (both used and obsolete), miscellaneous heavy parts from the Colorado River Aqueduct upgrade program and other sundry items.

The auction program is flexible and can be conducted by three methods. Materials can be auctioned on site where potential buyers can see the items to be auctioned on District property. Second, items can be transported to Nationwide site where they are part of a larger auction with items from other consignees. Lastly, the items can be viewed on-site and then auctioned at Nationwide's site. This program can and has been utilized to meet the challenge the District faces in the disposal of surplus property including houses, barns, farm equipment and other items involved in the construction of the Eastside Reservoir Project. An on-site auction is scheduled for May 15, 1993, for the disposal of 12 homes at the Domenigoni Valley reservoir project.

The program has additional savings aside from enhanced revenue. The District saves by eliminating space required for storage and handling of the items. Warehouse space for salvage material was reduced from 53,000 sq. ft. in 1990 to 32,000 sq. ft. in 1992, a reduction of 21,000 sq. ft. In addition, the District's liability is reduced from the storage of materials that may be of a hazardous nature. Batteries that are expended now provide a source of revenue rather than a cost for disposal.

With the current need to maximize productivity and cost effectiveness the Administrative Services Division plant to continue with this income generating activity which has proven to be a successful business practice.

Board Committee Assignment

This letter is referred for information to:

The Engineering and Operations Committee pursuant to Section 2431(a) of Metropolitan's Administrative Code to study, advise and make recommendations with regard to plans, specifications and bids.

Recommendation

For information only.


General Manager