

SELLING SURPLUS



Townships Have Several **OPTIONS** for **SELLING** Personal and Real Property

Online Auctions Offer Convenient Alternative to Sealed Bids

BY BRENDA WILT / ASSISTANT EDITOR

Townships, like individuals, accumulate items they no longer need or want. This surplus can be turned into revenue through sealed bids or live or online auctions. Each method comes with its own rules and regulations, and new technology is making the process easier and more profitable.

When we individuals have unwanted stuff to sell, we may put out a sign and hold a yard or garage sale, place a classified ad online or in the newspaper, or list the items on an internet auction site like eBay.

Sometimes townships have stuff to sell, too, from equipment and tools to construction materials and even real estate. However, because the items were

purchased with taxpayer dollars and any revenue generated from their sale is also public money, townships can't simply hold a yard sale.

The Second Class Township Code gives townships several options for selling personal property and real estate. While the traditional sealed bid method is still widely used, many townships are realizing greater financial gains by participating in online auctions. Regardless of the method used, unloading surplus is a great way for townships to put money back into their coffers.

Sales must follow regulations

Townships are authorized to sell personal property, such as equipment, materials, and other surplus, under Section 1504 of the Township Code. No property may be sold without the approval of the board of supervisors, and whether it must be sold by a public bidding process depends on its worth.

Thanks to Act 21 of 2017, which PSATS supported and which takes effect September 5, townships may now sell property that is valued up to \$2,000 without going through the bidding process. Previously, personal property valued at \$1,000 or more was subject to the bid requirements.

Here's how it works. If a township

wants to sell a piece of equipment that has a fair market value of less than \$2,000, the board of supervisors must adopt, by resolution, a procedure to sell the items at public auction without any further action by the board.

If the personal property to be sold has a fair market value of \$2,000 or more, however, the procedure is a little more complicated. First, the township must advertise the sale once in a local newspaper at least 10 days before the date set for the opening of sealed bids or for the property to be sold in a public or electronic auction.

If the sale will be by electronic auction, the ad must include the auction's website, date, time, and duration. Whether sold by sealed bid or auction, the township may reject any or all bids if they fail to meet the minimum bid or, in the case of an auction, reserve bid.

If the township receives no bids, it may advertise the property for sale a second time. If it receives no bids within 15 days after the second advertisement, the township may negotiate for a private sale of the property.

When undertaking a private sale, the township must consider the property's fair market value and publicly announce the identity of all parties, the sale price, and the terms and conditions

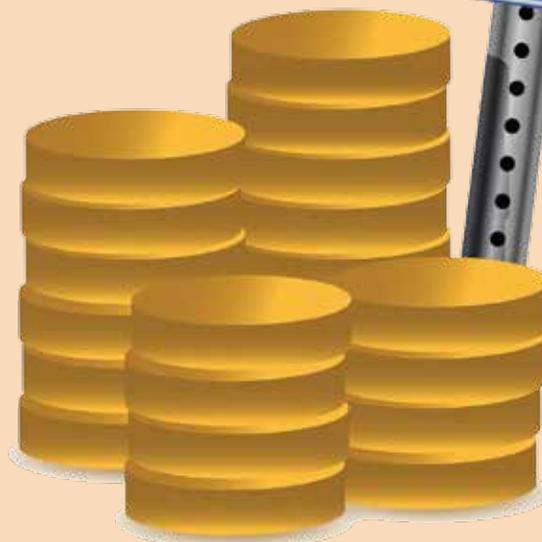
Rules for Selling Township Property

If property is valued at under \$2,000:

- The township may adopt, by resolution, a procedure to sell the property at public auction.

If property is valued at \$2,000 or more:

- The township must advertise the sale of the property by sealed bids, live auction, or online auction by placing an ad in a local paper at least 10 days before the date for the opening of bids or the auction.
 - If the property is to be sold by online auction, the ad must include the website for participating in the auction and the sale's date, time, and duration.
 - If selling via sealed bids and no bids are received, the township may advertise the property for sale a second time. If no bids are received after 15 days, the township may sell the property privately with proper notification at a public meeting.





of the sale at a regular or special meeting. The board may then authorize the sale 30 days after the announcement at the regular or special meeting.

To increase the odds of receiving bids, townships may do a little targeted marketing, PSATS Policy and Research Manager Holly Fishel says.

“Just because a township is going out to bid, or however they are going to sell an item, doesn’t mean that it can’t email or fax the ad to potential bidders,” she says. “For example, scrap metal or an old, broken down vehicle may be over the \$2,000 threshold but only be of interest to junkyards or used car dealers. The township can send the advertisement to such businesses in its area to try to drum up some interest.”

Fishel also reminds townships that they can proceed to a private sale only

if no bids are received. If a township receives bids and rejects them as being too low, it must repeat the advertising and bidding process, try a different method, such as a public or online auction, or perhaps reconsider the fair market value.

“Townships often think a vehicle or piece of equipment has more value than it really does or they may not be accurately describing the condition when determining the value,” she says. “They need to get a realistic value and take into consideration the wear the vehicle has likely experienced.

“Townships also need to look at the price for sale to an individual, not what someone would pay a dealer for the vehicle. Remember, the market value is what someone is actually willing to pay for the vehicle, not what you would like to receive.”

Skipping the advertising and bidding

If a township trades in or exchanges personal property for other personal

property, the transaction is exempt from the advertising and bidding requirements.

“Townships should keep in mind that they can trade in a vehicle or piece of equipment toward the purchase price of a newer item, and this does not need to be bid,” Fishel says. “This is a great way to get rid of a piece of equipment without having to go through the bidding process.

“Also, if the township already went out to bid for the new item and accepted a bid, it simply needs to ask after the fact if the vendor is willing to accept the used vehicle or equipment as a trade-in and then negotiate the amount.”

Likewise, a township can skip the bidding process if it sells or leases personal property to certain entities, including but not limited to:

- another municipality, county, or federal or state government;
- a municipal authority;
- a school district;
- a public utility;

Many townships have found that they get more money for used equipment by selling it at auction, either live or online, rather than through the sealed bid process.



“With the sealed bid process, **we were getting a couple hundred dollars** for a vehicle. Now, we average \$1,500 to \$2,000.”

- a volunteer fire company;
- a volunteer ambulance service or rescue squad in the township;
- certain nonprofit organizations; and
- a council of governments, consortium, or cooperative.

One way that townships can sell surplus equipment and materials to other townships is to place a classified ad in the *Township News* or on the PSATS website. Many townships do this in conjunction with a legal advertisement in their local paper that solicits bids for the surplus. This way, they have covered all their bases.

Selling real estate

The rules a township must follow when selling real estate differ slightly from those for selling personal property.

For real estate that is valued at more than \$1,500, a township may sell to the highest bidder after publishing an ad in the local paper at least 10 days before the date set for the opening of bids or the sale of the property at a public auction. Real property may not be sold in an electronic auction.

Also, the sale of real property includes the condition that full payment of the purchase price must be made within 60 days of the acceptance of bids or sale at public auction.

There are also exemptions for the advertising and bidding process when selling real estate, just as with personal property. In addition to the exempted entities listed above, the requirements do not apply when real property is sold to a nonprofit association or corporation that acquires and maintains property for the preservation, conservation, and stewardship of open space.

Also, if a township sells real property to a public library, nonprofit medical services or housing corporation, volunteer fire company, ambulance service, or rescue squad, or a council of governments or other multimunicipal group, the board of supervisors may accept “any nominal consideration for the property as it believes appropriate.” In

other words, the board could sell a piece of land to one of these entities for \$1 if it wanted to, essentially donating the property.

As when selling personal property, if no bids are received for the real property, the township may advertise a second time. If no bids are received again, the township may negotiate for a private sale of the property, taking into consideration its fair market value. Also, the sale price, terms and conditions, and identity of the parties must be announced publicly at a regular or special meeting of the board of supervisors. The supervisors may close on the sale 30 days after the announcement.

New Garden Township in Chester County sold a piece of property via public auction several months ago. The public sale gave the township a better return than the sealed bid process

would have, manager Tony Scheivert says.

“We got to see who was bidding on the property,” he says. “We also had control over the reserve bid and were able to adjust it if necessary. We wouldn’t have had that ability with sealed bids; we would have had to just accept or reject the highest bid.”

The township first had the 12½-acre parcel — part of a farm it had purchased in 2008 — appraised for both commercial and residential development, Scheivert says. The township advertised that the property would be sold at public auction and set a reserve bid of \$350,000, which lay between the two appraisals.

“We talked to the auctioneers, who thought we probably couldn’t get that amount,” he says, “so we agreed upon a ‘secret’ reserve bid of \$300,000, which

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is what the board of supervisors would need to get to be comfortable selling the property. That's what we ended up selling the land for."

New Garden Township also finds public auctions to be beneficial for unloading surplus equipment, Scheivert says. The township uses an auction house in Delaware to sell its unwanted vehicles.

"A public auction is a good way of selling surplus and usually gets us more money than sealed bids would," he says.

Using electronic auctions

The ease and convenience of electronic, or online, auctions are making them a popular choice for townships.

Vendors of auction websites say they offer more competition and usually result in higher sale prices.

Former Pottstown Borough councilman Greg Berry founded Municibid in 2006 because he was frustrated with the traditional sealed bid process, he says. Municipalities were getting only pennies on the dollar for surplus, and he wanted to help them get more money for what they were selling.

The auction site (www.municibid.com) is used by more than 2,000 municipalities in Pennsylvania alone and another 500 or so across the country and a few in Canada, Berry says.

"I designed it to be super simple for municipalities," he says.

Once a board of supervisors, for example, votes to sell one or more items via online auction, the township must advertise the auction, post the items on Municibid, set the auction start date at least 10 days after the legal advertisement, and set the closing date. Berry recommends having the auction open for about two weeks, with the closing date as close as possible to the public meeting when the bids will be accepted

or rejected. The township may set a reserve bid to ensure a minimum return and may reject any or all bids, just as with other selling methods.

"There is no fee for government entities to list items on Municibid," Berry says. "The buyer pays the municipality and picks up the item."

Municibid makes money by charging the buyer 8 percent of the bid price. One might think that bidders would simply lower their bids by that amount to "save" the cost, Berry says, but the competitive nature of the auction generally keeps that from happening. After the auction, the township has access to all the data from the auction.

The benefits of selling surplus this way can't be denied, Berry says.

"There is a larger pool of bidders, who truly compete with each other," he says. "We also have a proactive targeted marketing campaign, which will contact bidders who may be interested in certain items. Also, the auctions are open to the public, and we have zero tolerance for 'bad' bidders, such as those who bid and then don't pay or pay and then don't pick up the item." ➤



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Berry says that a lot of vehicle dealers refer municipalities to Municibid to get rid of old vehicles because they can get more money for them in an electronic auction than they would as a trade-in. In those cases, Municibid encourages the municipality to set the trade-in amount as the reserve bid to ensure that they don't lose money by going the auction route.

If a township is leery about using an online auction, Berry refers it to a neighboring municipality that has used Municibid.

"Seeing the results and how easy it is usually convinces them," he says. "We typically get about 30 municipalities coming on board each month."

Granville Township in Mifflin County only had to try an online auc-

tion once to know that it was the way to go, manager Lisa Swisher says.

"We have seen an increase in the amount we get for items we sell and usually get what we want," she says. "With the sealed bid process, we were getting a couple hundred dollars for a vehicle. Now, we average \$1,500 to \$2,000."

In Swisher's mind, there is no downside to online auctions.

"It doesn't cost you anything, and you can reject any or all bids," she says. "I would recommend it. Try it and see how it works. You'll be amazed."

Terry Carcella, manager of Ligonier Township in Westmoreland County, says the township has also embraced online auctions for both buying and selling.

"It's rare for us to use the sealed bid process," he says. "It's so much easier and more convenient to use an online auction."

The township has sold four or five trucks over the past few years so it could buy newer ones that meet the township's needs, Carcella says.

"I believe we get more money this way," he says. "With sealed bids, you rely on just local bidders. With an online auction, you get bidders from across the

state or even other states. A lot of times, on the last day or in the last hours of the auction, the price really goes up. I can't get nearly the amount of money if I sell the item locally."

Although Municibid is the only Pennsylvania-based online government surplus auction company, it is not the only game in town for electronic auctions. GovDeals (www.govdeals.com), based in Montgomery, Ala., has some 10,000 users across the country, including close to 130 in Pennsylvania, north-east representative Mike Baker says.

If a Pennsylvania township is interested in selling surplus on GovDeals for the first time, Baker first meets with the officials and reviews the advertising and ordinance requirements. Next, the township sets up a free account on the site and meets with Mark Moritz, the account representative for Pennsylvania and New Jersey. He helps the township gather photos and write a description of the item and get it posted. Once clients are comfortable with the process, they can do it themselves for subsequent auctions.

The seller determines the auction duration with guidance from GovDeals, Baker says, which recommends 7 to 10 days for small items, 10 to 14 days for



The greater number of bidders at auctions, especially internet auctions, often translates into larger gains for townships.

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vehicles, and 14 to 21 days for heavy equipment. Larger, more expensive items, such as helicopters, may be open for bids for a month.

“You can sell just about anything on GovDeals except animals,” Baker says. “The State of New Jersey once sold five helicopters in one day.”

Like Municibid, GovDeals does some targeted marketing for larger items by advertising them on other websites. It also verifies its 600,000 bidders to ensure that they fulfill their transactions.

“We make sure no one has been a problem bidder in the past,” Baker says. “We have to have a happy mix of good sellers and good buyers to make it work as well as it does.”

GovDeals charges buyers a premium of 5 percent of the purchase price and sellers 7.5 percent of the auction proceeds. After the auction closes, the seller has access to an audit trail that tracks every aspect of the auction, including details on the buyer.

Baker urges townships that have never tried an online auction to give it a shot.

“Our sole job is selling government surplus, he says. “A lot of time and energy have gone into making it exactly what government entities need. Try selling one item through the regular bid process and another online. I think you’ll find that the difference is like night and day.”

Auctions International was also an early pioneer of online auctions for government agencies. Based in Aurora, N.Y., the company grew out of a live auction business and started online auctions in 2005.

Operations manager RJ Klisiewicz says that people have learned that the company’s website, www.auctionsinternational.com, is the place to come for government surplus.

“In 2005 to 2006, we tracked auctions by the number of lots sold — about

1,000,” he says. “In 2017, we are tracking the number of auctions, each of which may include from one to 500 lots. Our site has 100 to 150 auctions available at any given time.”

Initially, Auctions International staff generates the auction listings based on condition reports submitted by the seller, Klisiewicz says. Once they get comfortable, sellers can upload their information for an auction by establishing a consigner account. The listings go into a queue so staff can review them for completeness and then post them. Buyers pay a premium added onto the purchase price.

“There is no cost and no risk for townships,” Klisiewicz says. “We don’t charge a seller commission to government agencies, and they can reject bids.”

“Using an online auction for liquidating surplus is the most financially successful method,” he continues. “The returns will be significantly higher than you will receive through the sealed bid process, and you will have access to thousands of bidders. The more people and exposure you have, the higher the return will be.”

Township officials who aren’t computer-savvy shouldn’t allow fear of the unknown to keep them from trying online auctions, Municibid’s Greg Berry says.

“Don’t be afraid to try new technology,” he says. “Don’t overthink it. It might not be as complicated as you think. We really spend a lot of time and effort making things easy for sellers and buyers, even if they are using the site on mobile devices.”

In the end, the potential for a higher sale price may be the best incentive for trying something new.

“It results in more money they can return to taxpayers,” GovDeals’ Mike Baker says. “Townships need to get the most money they can for surplus.” ♦

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