



CITY OF DURHAM | NORTH CAROLINA

Date: September 14, 2015

To: Thomas J. Bonfield, City Manager

Through: Wanda S. Page, Deputy City Manager

From: David Boyd, Finance Director
Jonathan Hawley, Purchasing Supervisor

Subject: Auctioneering Services

Executive Summary

The contract under consideration is for Auctioneering Services. Historically the City has used live auctions as the preferred method for disposing of its surplus equipment. Proposals were advertised and solicited from all auctioneering firms that were in the City's databank. Proposals were received on August 28, 2015 and Wester Auction & Realty, Inc., of Benson, North Carolina is the recommended contractor.

All revenue generated from auctions is deposited into the operating fund from which the equipment was originally purchased. The FY 2015-16 budget assumes that surplus sales revenues will be deposited into the respective funds.

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by Wester Auction & Realty, Inc. of Benson, North Carolina and have determined that they are in compliance with the Ordinance to Promote Equal Opportunities in City Contracting. There were no SDBEs to provide this service.

Recommendation

That the contract for Auctioneering Services in the sum of 6.8% of the gross sales from Wester Auction & Realty be approved and the City Manager be authorized to execute all relevant contracts; and.

That the City Manager be authorized to modify the contract before execution provided that modifications do not increase the dollar amount of the contract and are consistent with the general intent of the existing version of the contract.

Background

Historically the City has used live auctions as the preferred method for disposing of its surplus equipment. Before 1980, the auctions were handled solely by City staff. As the auctions grew in size, they became more difficult for the staff to sufficiently handle.

In 1980, the City decided to use the services of a professional auctioneer to increase revenues and to reduce the amount of staff time required to prepare and hold the auction. This approach has been very successful.

The City has accumulated enough surplus property to warrant an auction for disposal purposes. According to North Carolina General Statute 160A-270, the City Council must first adopt a resolution (see attached) authorizing the sale of surplus personal property by public auction to the highest bidder.

Issues/Analysis

The following proposals were received August 28, 2015, for furnishing the City with auctioneering services:

| COMPANY | BID |
|--|---------------|
| Wester Auction & Realty Inc. Smithfield, NC | *6.8% |
| Rogers Auctioneers Inc. Pittsboro, NC | 8.0% |
| Bradley's Auction Services Godwin, NC | No Bid |

* Recommended contractor

Alternatives

The City has the following options on how to dispose of the surplus items:

1. The auction could be held using city staff and/or volunteers in the place of a professional auctioneer.
2. All surplus equipment could be sold by sealed bids, private negotiations, upset bids, and exchanges.
3. All surplus equipment could be sold via the Internet, through companies such as E-Bay and GovDeals.

The first option was the standard method that the City used to conduct its auctions through 1979. As the amount of surplus items grew in size and value, it became too much for the staff to handle on its own. Since 1980, the City has used the services of a professional auctioneer to perform the auction on behalf of the City.

The second option is used at various times during the year to sell scrap and specialized items. This method is not recommended because it takes a great deal of staff time to prepare bids, upset bids, and to negotiate.

The third option is becoming a popular technique of disposal with smaller agencies, and this method works well for the disposal of unique and specialized items. This method is not recommended for large sales, as it is very labor intensive. The Administration has used this method several times and will continue to do so for small sales of specialized items.

The Administration recommends continuing using the services of a professional auctioneer.

Financial Impact

All revenue generated from auctions is deposited into the operating fund from which the equipment was originally purchased. The FY 2015-16 budget assumes that surplus sales revenues will be deposited into the respective funds.

The average gross revenue generated from the last three auctions has been \$466,825.00 per auction. The average sales commission earned by the auctioneer has been \$31,744.00 per auction. The sales commission is paid directly from the auction proceeds. The contract period is for six auctions. The total sales commission for this contract is estimated at \$190,464.00.

The revenue generated by an auction has a great deal to do with the quantity and quality of the items being sold, and the performance and reputation of the auctioneer. Many times the quality of the auctioneer can make or break the event. The auctioneer being recommended has a reputation for excellence and has performed auctions for the City of Durham, the City of Raleigh as well as other local municipalities.

SDBE Summary

The Equal Opportunity/Equity Assurance Department reviewed the bid submitted by Wester Auction & Realty, Inc. of Smithfield, NC and have determined that they are in compliance with the Ordinance to Promote Equal Opportunities in City Contracting.

SDBE REQUIREMENTS

There were no SDBEs to provide this service.

WORKFORCE STATISTICS

The workforce statistics for are as follows:

| | | |
|-----------------|----|------|
| Total Workforce | 21 | 100% |
| Total Females | 7 | 33% |
| Total Males | 14 | 67% |
| Black Males | 0 | 50% |
| White Males | 12 | 57% |
| Other Males | 2 | 10% |
| Black Females | 0 | 0% |
| White Females | 7 | 33% |
| Other Females | 0 | 0% |