

## APPENDIX F

### Guidelines and Methods to Expedite the Disposition of State Surplus Property

In carrying out its mission, the University of North Carolina buys furniture, office equipment, computers, educational equipment, and motor vehicles. These properties have a finite useful life due to everyday wear-and-tear and functional obsolescence. At the end of their life cycles, such properties are declared to be "surplus property" and designated for disposal. The disposition or transfer of all state-owned property is determined by the State Office of Surplus Property in the Department of Administration in Raleigh.

In the Spring of 2001, the University recognized the need to speed the disposal of surplus property and mitigate the need for, and reduce the cost of, storage space. The University proposed changing the statutes to allow the Board of Governors to adopt rules and regulations so that the constituent institutions and those University operations that are administered by the President are allowed to transfer or sell all supplies, materials, and equipment that are surplus or obsolete and that the proceeds from the sale of surplus not revert to the State's General Fund.

In response to the University's concerns and recommendations, the 2001 General Assembly directed the Board of Governors of the University of North Carolina and the Department of Administration to develop guidelines and methods to expedite the disposition of State surplus property of the University and its constituent institutions.

A task force was assembled consisting of UNC employees experienced in the administration of surplus property and officials from the Department of Administration. The task force convened for an all day meeting in November

2001. Subsequent meetings were held in January 2002. The task force reviewed the current system in place for the administration of surplus property, including issues and complaints presented by the 16 constituent institutions, and a number of improvements to surplus property administration currently being implemented or contemplated. There was substantial discussion about these improvements, the expected success levels, and the expected impact of them.

The task force concluded, after careful review and prolonged discussion, that recent improvements made and implemented by the Department of Administration and the planned implementation of additional improvements, has or will improve surplus property administration and thereby achieve the University's goals to speed up surplus property disposal and reduce storage space requirements. Additional reasons to leave the current system, with improvements, in place include: the economies of scale inherent in a centralized system; the consistency of pricing and administration that an organizational focal point will bring; the flexibility of a centralized system; and, continued confidence of in the efficacy of surplus property administration by public officials and the public at large.

The task force recommended that the existing system, with the planned improvements, remain in place, with the exception that the General Statutes be changed to allow that proceeds of the sale of surplus property no longer revert to the General Fund but remain at the constituent institution where the sales were made. Such funds retained from the sale of surplus property will first be applied to reimburse the cost of surplus property administration at the constituent institution and funds not needed for that purpose could then be

used to replace needed equipment on campus. The report prepared by the Task Force is attached.

It is requested that the findings of the Surplus Property Task Force and the recommended improvements to expedite the disposition of state surplus property be accepted and reported to the General Assembly.

## Report on Surplus Property Procedures and Methods

In carrying out its mission, the University of North Carolina purchases an array of tangible properties: furniture, office equipment, computers, educational equipment, and motor vehicles. These properties have a finite useful life due to everyday wear-and-tear and functional obsolescence. At the end of their life cycles, such properties are declared to be "surplus property" and designated for disposal. The disposition or transfer of all state-owned property is determined by the State Office of Surplus Property in the Department of Administration in Raleigh.

Campuses are required by statute to dispose of surplus property through the state's Office of Surplus Property. Typically, the property must be transferred to a central disposal site where it is sold. The time consuming and laborious process to move the surplus property from a campus to another location creates a backlog of surplus property awaiting disposal. The process is further delayed due to the backlog at the state's own surplus property sites.

A backlog is particularly vexing in two respects. First, the volume of surplus property often exceeds available storage capacity, and must be stored in areas such as hallways and stairwells. This compromises health and fire safety requirements. Secondly, the marginal monetary value of surplus property exacerbates the cost to maintain and acquire suitable storage space. Storage costs could be decreased markedly if surplus property could be disposed of in a timely manner.

By statute, proceeds from the disposal of surplus property, less a 5% administrative fee which is retained by the Office of Surplus Property, except where the proceeds have been anticipated for and budgeted against the cost of replacement, revert to the General Fund. During the 1999-2000 fiscal year, the University System sold \$587,481 in surplus property. Of the total, the Office of Surplus Property retained \$27,979 and \$225,700 reverted to the General Fund. In the 2000-01 fiscal year, the University system sold \$583,206 in surplus property and \$82,191 reverted to the General Fund (Attachment 2). In addition to General Fund activities, the University system also sells surplus property funded from non-General Fund sources. While the proceeds from these non-General Fund transactions do not revert to the General Fund, the sales are subject to the same rules, regulations, and procedures for sales of property funded from the General Fund.

In the Spring of 2001, the University recognized the need to expedite the disposal of surplus property and mitigate the need for, and reduce the cost of, storage space. The University proposed changing the statutes to allow the Board of Governors to adopt rules and regulations so that the constituent institutions and those University operations that are administered by the President are allowed to transfer or sell all supplies, materials, and equipment that are surplus or obsolete. The University proposed that it be allowed to

transfer the proceeds from the sale of surplus property to a reserve fund. It was proposed that the Board of Governors would adopt guidelines governing the expenditure of funds placed in reserve.

**In response to the University's concerns and recommendations, the 2001 General Assembly, in Section 31.8, Chapter 424, 2001 Session Laws, directed the Board of Governors of the University of North Carolina and the Department of Administration to develop guidelines and methods to expedite the disposition of State surplus property of the University and its constituent institutions.**

A task force of UNC employees experienced in the administration of surplus property and officials from the Department of Administration was assembled and convened for an all day meeting on November 26, 2001. Subsequent meetings were held in January 2002.

Task force members were: Scott Buck, ECU; Jim Daley, UNC-CH; Jim Houston, UNC-C; John Leaston, Department of Administration; Frank Lord, WSSU; Jeff Nance, Department of Administration; and Rob Nelson, UNC Office of the President.

The task force reviewed the current system in place for the administration of surplus property. A detailed review was made of complaints and issues presented by the 16 constituent institutions in May 2001 (Attachment 1). Jeff Nance, Surplus Property Administrator for the state Department of Administration, outlined a number of improvements to the surplus property administration currently being implemented or contemplated to address the concerns expressed by the various institutions. There was substantial discussion about these improvements, the expected success levels, and the expected impact of them.

After substantial discussion, the task force agreed that the two most important concerns to the constituent institutions were: (1) the speed of the disposal of surplus property and the need to reduce or mitigate the amount, and (2) the cost of storage space for surplus property waiting for disposal. Of additional importance was the need for constituent institutions to retain proceeds from the sale of surplus property. The importance of the retention of proceeds was two-fold: it offsets the cost of surplus property administration and it encourages the constituent institutions to take the necessary steps to dispose of property in a shorter time frame. The task force further recommends that the 5% fee paid to the Surplus Property Office remain in place.

The task force concluded, after careful review and prolonged discussion, that recent improvements made and implemented by the Department of Administration and the planned implementation of additional improvements, has and will vastly improve surplus property administration and thereby achieve the University's goals to speed up surplus property disposal and reduce storage space requirements. Additional reasons to leave the current system, with improvements, in place include: the economies of scale inherent in a

centralized system; the consistency of pricing and administration that an organization focal point will bring; the flexibility of a centralized system; and, continued confidence of in the efficacy of surplus property administration by public officials and the public at large.

Specifically, the task force recommended that the existing system, with the planned improvements, remain in place, with the exception that the General Statutes be changed to allow that proceeds of the sale of surplus property no longer revert to the General Fund but remain at the constituent institution where the sales were made. Such funds retained from the sale of surplus property must first be applied to reimburse the cost of surplus property administration at the constituent institution. Funds not needed for that purpose could then be used to replace needed equipment on campus. The estimated impact on the General Fund is demonstrated in Attachment 2. Proposed changes to the General Statutes are listed in Attachment 3. Proposed and recently implemented procedural and process changes implemented or planned by the Department of Administration are listed in Attachment 4.

The University of North Carolina

Surplus Property Issues  
Submitted by Constituent Institutions, May 2001

Appalachian State University

It takes between three to six months to complete the surplus cycle. Two to three months for State Surplus personnel to put out a sale bid once they receive the notification from our agency of surplus available, advertisement time of two to three weeks, two weeks or more for pick up time for sold items. Our warehouse usually stores the items for three to six weeks before declaring them surplus to allow other University departments the opportunity to claim the items for use.

We are not renting space; however, the space we use to store surplus for these extended periods could be much better utilized as active warehouse space or long-term storage space for University departments' needs. University control over surplus could possibly allow for more prompt and efficient disposition of surplus property. Many items placed with State Surplus for disposition are not bid on or are sold for insignificant amounts: often times local non-profits and local public school systems could utilize these items and remove them from our stream if this was a simple process. We realize that with University control we would be responsible for more procedures and documentation.

East Carolina University

Surplus sits in one of our leased staging areas an average of eight weeks from the time it is picked up from departments until it is sold via sealed bids through State Surplus Property.

ECU leases two areas for surplus staging at a cost of \$2,297/year. On a side note, it is suggested that part of the delay is that the universities do not notify State Surplus in a timely fashion. ECU submits two to four equipment lists to State Surplus monthly. What more can we do? On a positive note, State Surplus has offered ECU the ability to conduct monthly "yard sales" in an effort to move surplus out faster and keep more proceeds. We hope to implement in a few months. NCSU is doing this and we have been told it works well.

Elizabeth City State University

When surplus items are collected, a listing is distributed to campus departments to allow reuse of items before they are submitted to State Surplus for the bidding purposes. When a list is forwarded to State Surplus, it takes approximately 45 days to receive a bid sheet. An additional 10-15 days is allowed for the public to bid. Another five days passes before we are notified as to who has been awarded the bid for advertised items. The successful bidder then has 15 days to pick up the items. In cases where the bidder lives a

distance from Elizabeth City, we have been asked to extend our hold time to allow them travel time.

The University currently owns one 30' trailer and leases two 30' trailers at a cost of \$100/month each to store excess surplus property. The bulk of surplus property is stored in a cottage on campus, in a university-owned house off campus, and in the storage area of facilities management.

The amount of surplus on campus and the cost of leasing the trailers has led administrators to discuss options to purchase the two trailers we are leasing. If we set our own rules, we could determine what is reusable, resaleable, and what is junk. We could decide to hold "yard sales" on a more frequent basis, which allows disposition of a lot of surplus property in less time and with less effort than it takes to store, move, and/or relocate surplus property while it accumulates between bid lists.

Opinion: The delay appears to be in the processing of bid lists and in the tallying of bid results. While this is occurring, we here on the campus, are still picking up items from hallways, stairwells, classrooms, closets, etc. which will have to find their way onto a bid list for the process to begin all over again. Any help would be appreciated

#### Fayetteville State University

It takes an average period of between six to nine months, depending on the amount of items collected to complete the surplus cycle. We avoid sending up short lists by waiting until we have "lots of items." Items collected in our surplus are not usually usable as single sale items (condition less than good). The major part of the surplus items are stored in our warehouse. Some larger items remain in the departments. We do not rent any space for storage. We do not incur any additional costs. Comments: We do need to decrease our handling time from notification by the departments of surplus, to the collection by FSU surplus, and the list sent to State Surplus.

#### North Carolina A&T State University

Surplus property is in the warehouse approximately two months before it is sold. Currently, we have two surplus property storage facilities. One building is owned by the University and the other facility is leased for \$833 monthly.

#### North Carolina School of the Arts

Surplus property at NCSA is stored in a building on campus that is school property. The items stored in this building are to be sold and are cleared out every three to four months. The cost for storing the items is minimal. Since the building is not heated or cooled, there is no utility cost associated with storing of the property.



The University of North Carolina at Asheville

It has been our experience that once the State Surplus Property Office is notified, it takes about 45 days before the average item is removed from the warehouse. Since UNCA does not rent space to store surplus property, costs are difficult to calculate. A section of our warehouse has been devoted to surplus property. The biggest cost is in moving the items from the home office to the warehouse and then loading the items (in some cases) for the buyer. The person at UNCA who deals with surplus property has had a good experience with the State Surplus Property Office. It would be very beneficial if the General Fund dollars did not revert.

The University of North Carolina at Chapel Hill

Because we have limited storage space, every attempt is made to ensure we pass all surplus property to State Property in a timely manner; however, the State's current process is extremely time consuming and paper-intensive, thereby causing significant problems for our campus. The standard procedure is that Carolina's Surplus Property Office receives the surplus items, arranges the items so they are available for viewing, sends lists to Raleigh of items the campus needs to sell, and advertises the items. Potential bidders come to Carolina to view the items and then submit bids to Raleigh. Raleigh declares the winner and tells Carolina's Surplus Property Office who the winner is, then our Office collects the money from the winner, gives the bidder their items, and sends the money to Raleigh. As you might expect, all this back-and-forth creates a lot of paperwork that could be streamlined considerably if we could sell the items ourselves. The current process, which takes about three months, is also extremely time consuming. As a result, the warehouse area often overflows resulting in items backing up in hallways and stairwells of buildings throughout the campus while they wait to be picked up. To partially alleviate this problem, Carolina's Surplus Property Office has had to rent trailers to carry overflow items to Raleigh. On average, every two weeks Carolina's Surplus Property Office rents a tractor-trailer at a cost of \$100 per month to carry excess items to State Property in Raleigh. To ensure we maximize our return on the tractor-trailers, the Office waits until the trailer is full and then releases it for transit to Raleigh. No trailer has been held for more than five days. We believe we can reduce both disposal time and warehousing needs, and eliminate much of the burdensome paperwork to press transactions through State Surplus Property. Delays created by the State's centralized system and staff shortages cause backlogs of surplus property on our campus. These problems in turn create constant tension with our fire prevention and safety programs when disposal time lags for extended periods and there is no space alternative for the "clutter."

The University of North Carolina at Charlotte

On the average (last fiscal year), surplus was being stored two to three months before bids were published. This is based on the date we sent out the letter to Raleigh and the date the bid opens. This is the shortest length of time for the

bidding process, which is accomplished by sending a bid to Raleigh regularly in order to have a bid published once a month. This timeline does not incorporate another 15 days the awardees have to pick up the surplus, and there are times it does not get picked up and we go through the whole process again.

Considering four trailers on campus (two for Purchasing/two for LIS) we are spending \$1,500 per month for rental space. This does not take into account the "non cash" cost incurred for the use of several other facilities.

Because we have such an abundance of surplus on a regular basis stored in several areas, it also takes a lot of personnel hours to show the surplus to prospective bidders. The establishment of an on-campus store would also help in the distribution of surplus property. There are quite a few faculty/staff members interested in purchasing single pieces of equipment (not in bulk).

#### The University of North Carolina at Greensboro

Once a department submits paperwork reporting that they have surplus property, the warehouse manager is prepared to receive the articles. If the item(s) are small enough for him to handle himself (the Surplus Warehouse is a one-man operation), he will pick them up and transport them to the warehouse. Otherwise the department is responsible for getting the items to the warehouse via movers. So, the amount of time that items sit in the possession of the departments varies from one day to approximately four weeks. Once the items are in the possession of the warehouse, they may be there for up to six weeks, depending on the item. Many items are accumulated in order to create "lots" which are more suitable for sale. Other items can be listed individually within a week.

It has been our experience lately that once property has been submitted to State Surplus Property (Raleigh), a sale date normally follows within five weeks and closes within three more weeks. So, to summarize, it could take as many as 18 weeks from the initial paperwork by the department to the close-out of the sale by the State Surplus Office to dispose of UNCG surplus.

The warehouse is owned by the University. The actual cost of the warehouse was \$689,000 for 41,040 sq. ft. and the estimated replacement cost is \$1.7M. Our total budget for the Surplus Property warehouse is \$34,624 per year, which covers salary and benefits for one person, and all other costs associated with operating the warehouse. Two changes could make the process more effective. A broader definition of "garbage" would be beneficial and result in less wasted time and space across the board. Broken furniture, non-functioning computers, dilapidated equipment are all examples of items that are required to be sold but can't be. We often have to list "lots" of these items repeatedly only to end up getting a decision to discard them. Universities with a Surplus Property Warehouse manager could benefit greatly by having more discretion on his/her part to dispose of items. Also, we have a great opportunity to sell items to non-profit organizations without bidding. The

barrier to expanding this opportunity has been that the minimum value placed upon the items by the State is higher than the value that we could get if the items were sold through bidding.

These organizations are better off allowing us to go through our lengthy process of listing the items for sale and receiving the bids.

The University of North Carolina at Wilmington

Suffice it to say that there is great room for improvement in the system. In this day of electronic documents, we are still passing paper back and forth on what amounts to a lot of junk in many cases. We are frustrated and can use any flexibility that the state can provide to us.

Winston-Salem State University

The amount of time that assets sit in storage is six to eight weeks. At this time, it is not costing the university anything to store surplus property, but once the two buildings that we are using now are demolished, we will need to find another place to store surplus property for the future. As stated by the State Surplus Property Office, some (most) agencies delay in notifying their office when they have items to sale.

**The University of North Carolina  
Surplus Equipment Funds**

<u>Constituent Institution</u>	<u>Surplus Equipment Sold 2000-01</u>	<u>Paid to Dept. of Admin. As Fees 2000-01</u>	<u>Budgeted &amp; Expended By Campus - 2000-01</u>	<u>Reverted to General Fund 2000-01</u>
Appalachian State University	11,198	533	10,665	0
East Carolina University	90,712	4,535	62,300	23,877
Elizabeth City State University	4,529	216	4,313	0
Fayetteville State University	7,743	369	7,374	0
North Carolina A & T State University	7,059	336	786	5,937
North Carolina Central University	735	35	700	0
North Carolina School of the Arts	2,029	101	1,928	0
North Carolina State University	269,484	13,474	256,010	0
University of North Carolina at Asheville	1,845	88	1,757	0
University of North Carolina at Chapel Hill	69,910	3,331	36,813	29,766
University of North Carolina at Charlotte	28,828	1,441	20,000	7,387
University of North Carolina at Greensboro	46,139	2,197	43,942	0
University of North Carolina at Pembroke	4,780	223	4,557	0
University of North Carolina at Wilmington	14,538	727	12,100	1,711
Western Carolina University	22,598	1,085	8,000	13,513
Winston-Salem State University	1,079	51	1,028	0
<b>TOTALS</b>	<b>\$583,206</b>	<b>\$28,742</b>	<b>\$472,273</b>	<b>\$82,191</b>

Amendments to the General Statutes

**Article 3A. Surplus Property**

§ 143-64.05. Service charges for disposal of surplus property and recyclables; use of receipts from sale of surplus property and recyclable material.

- (a) The State agency for surplus property may assess and collect a service charge for the acquisition, receipt, warehousing, distribution, or transfer of any State surplus property and for the transfer or sale of recyclable material.
- (b) All receipts from the transfer or sale of surplus, obsolete, or unused equipment of State departments, institutions, and agencies that are supported by appropriations from the General Fund, shall be budgeted to support the costs for the acquisition, receipt, warehousing, distribution, or transfer of any State surplus property and for the transfer or sale of recyclable material and against the cost of replacements, to the extent necessary.

Surplus Property Procedures and Methods  
Administrative Improvements

Improvement	Description	Responsible	Implementation	Comments
New Software and On Line Surplus Property Administration System	DOA has been piloting a new on-line surplus property administrative system for a year. It will be available to all users in early 2002. The pilot program indicates as much as 3 weeks can be saved in processing time	DOA	On-Going	
User Training Sessions	DOA has committed to train all users to use efficiently and effectively the new on-line system	DOA and UNC	On-Going	UNC staff will be required to attend training
UNC Surplus Property Users Group	UNC will establish a system-wide users group, much like the IT Alliance and the Bond Alliance, to share best practices and exchange information	UNC	On-Going	
Use of Retail Stores and Yard Sales	DOA and the constituent institutions have implemented retail stores and yard sales, on site, within the past 6 months. These sales have been extremely successful and have drastically reduced backlogs	DOA/UNC	On-Going	DOA trains UNC staff, then UNC staff implement sales
Use of Internet Sales	The new on-line system includes the ability to easily post surplus property sales on the worldwide web. DOA has found great success using this tool	DOA	On-Going	DOA will work with UNC to use this tool

**Surplus Property Procedures and Methods  
Administrative Improvements**

Improvement	Description	Responsible		Implementation	Comments
		DOA	UNC		
Use of Negotiated Sales	DOA is allowing negotiated sales for items that are difficult to sell on a competitive basis. This improvement has also reduced backlog	DOA		On-Going	DOA will work with UNC to use this tool
Improve Payment Procedures	DOA is working with the State Controllers Office to reduce administrative burdens associated with payments from purchasers	DOA/OSC		On-Going	
Regional Cooperation/Sales	UNC constituent institutions, through the users group, will cooperate to have joint sales and provide better marketing		UNC	To be developed	
Improve Contact With Other State Agencies and Non-Profits	DOA and UNC will make better efforts, partly through the users group and the on-line system, to inform other agencies and non-profits of available property. Such efforts should result in reduced backlog.		DOA/UNC	To be developed	
Improve Marketing	DOA will continue to improve the markets for surplus property.	DOA		To be developed	
Improve Computers to Public Schools Program	DOA runs a program to recycle used computers for public schools. Improvements to this program will reduce the backlog of computers on campuses.	DOA		To be developed	

**Surplus Property Procedures and Methods  
Administrative Improvements**

Improvement		Description	Responsible	Implementation	Comments
Create On-Line Procedures Manual		DOA is working on an on-line procedures manual which will improve administration of surplus property administration through better instructions, procedures, and guidance	DOA	In process	
Evaluate and Update "No Value" Disposal Policy		Time and storage space can be saved by revising the definition of "no value" property that can be disposed of quickly and efficiently	DOA	To be developed	DOA will look at better definitions and more uniform assessments of "no value" property
Evaluate and Improve Pricing Guidelines		DOA will continue to improve the validity and timeliness of data going to campuses on how to "value" the property offered for sale.	DOA	In process	