



CITY OF OAKLAND

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OAKLAND

2019 JUN 13 PM 2: 35

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Jason Mitchell
Director, Oakland Public Works

SUBJECT: Revenue Appropriation – Auction Sale Proceeds

DATE: June 3, 2019

City Administrator Approval

Date:

6/12/19

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or Designee To:

- (1) Accept And Appropriate Revenue Generated Through The Sale Of Surplus City Of Oakland Vehicles And Related Equipment By Public Auction; And**
- (2) Allocate Said Surplus Vehicle And Equipment Auction Sales Revenue For The Purchase Of Vehicles And Related Equipment In Support Of The City Of Oakland's Fleet; And**
- (3) Direct Oakland Public Works To Prepare And Present To City Council An Annual Report Identifying Surplus Vehicle And Equipment Auction Sales Revenue And Provide Expenditure Details.**

EXECUTIVE SUMMARY

Oakland Public Works (OPW) Equipment Services Division seeks authorization to accept and appropriate vehicle auction sales revenue to purchase additional and replacement vehicles and related equipment to support the City of Oakland fleet. Approval of this resolution will establish a process for the appropriation and expenditure of revenue generated from the sale of surplus vehicles and equipment, and enable OPW to comply with industry best practice whereby the reinvestment of revenue from the sale of surplus or otherwise unneeded vehicles and equipment is used to procure new assets. Equipment Services has received an annual average of nearly \$160,000.00 in auction sales revenues over the past four fiscal years.

BACKGROUND / LEGISLATIVE HISTORY

For many years, the Equipment Services Division within Oakland Public Works (OPW), has contracted external auction companies to facilitate the sale of City of Oakland vehicles and equipment at Public Auction in accordance with Oakland Municipal Code (OMC) 2.04.120 -

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Public Works Committee
June 25, 2019

Surplus supplies and equipment—Disposal or destruction. These vehicles and equipment sold at auction have been deemed surplus for various reasons such as damage beyond repair, uneconomical to repair, no longer safe to operate, etc., or has otherwise surpassed its useful service life. Ideally, revenue generated from the sale of surplus vehicles and equipment would be returned to OPW for reinvestment in new vehicles and equipment to upgrade the City of Oakland's fleet. The process of reinvesting equipment sale proceeds into replacement vehicles is a longstanding recognized industry best practice. It also encourages and incentivizes better care and maintenance of assigned equipment, as properly maintained and cared for vehicles derive greater resale values, which will be reinvested in upgrades to existing fleet equipment units.

Accordingly, OPW's Bureau of Maintenance & Internal Services, Equipment Services Division, seeks authorization of this resolution to accept and appropriate vehicle auction sales revenue generated through the sale of vehicles and related equipment for the purpose of purchasing additional and replacement vehicles and related equipment to support the City of Oakland fleet. This proposed resolution would closely mirror the process which is codified in Resolution No. 82763 C.M.S., whereby funds recouped from other party at fault accidents and subrogation recoveries from loss or damage to City vehicles are made available to Equipment Services to offset the cost of required repairs or to provide funding for replacement of existing damaged or unserviceable assets.

ANALYSIS AND POLICY ALTERNATIVES

Each year, OPW's Bureau of Maintenance & Internal Services, Equipment Services Division, is required to coordinate the sale at public auction of all City of Oakland vehicles and equipment that have been declared surplus and for which the useful service life has been exhausted or the unit has incurred irreparable mechanical failure or damage. OPW relies upon this additional revenue stream to help supplement the cost of new vehicles, equipment, and support appurtenances (such as electric vehicle chargers) which do not have funding specifically allocated elsewhere in the budget. These vehicles, equipment, and support appurtenances are all acquired solely for the direct benefit of City of Oakland agencies supported by OPW.

OPW is currently unable to appropriate and expend this revenue to support City of Oakland customer departments such as Department of Transportation (OakDOT), Oakland Police Department (OPD), Oakland Fire Department (OFD), Oakland Public Library (OPL), Oakland Parks, Recreation, and Youth Development (OPRYD), etc. through the procurement of replacement vehicles. A typical disposition of these unutilized surplus equipment sale funds is to revert to fund balance at the end of the fiscal year. This is contrary to industry best practice whereby the reinvestment of revenue from the sale of surplus or otherwise unneeded vehicles and equipment to procure new assets is an essential component of a robust and sustainable vehicle replacement plan. Dedicating surplus vehicle and equipment sale revenue to the purchase of replacement vehicles and equipment is also a proven strategy to encourage better care and maintenance of assigned vehicles. A better cared for vehicle will command a higher resale value at auction, which will yield higher proceeds available to be reinvested in the acquisition of new vehicles and equipment for the using departments.

Alternatively, the City could also elect to not authorize the appropriation and expenditure of these funds, which would continue the current practice of not reinvesting revenue generated from the sale of surplus vehicles and equipment to fund the purchase of replacement vehicles and related equipment. Should the City elect not to authorize this resolution, these funds will remain unavailable for desired activities such as procuring vehicles and equipment to support projects such as Illegal Dumping and Homeless Encampment clean-up, procuring clean air vehicles, procuring required fleet support equipment such as Electric Vehicle chargers, etc. OPW and other using departments would continue to lack a strong financial incentive to encourage and promote better care and maintenance of City-owned vehicles and equipment, which maximizes the resale value.

FISCAL IMPACT

This report establishes a process for the appropriation and expenditure of revenue generated from the sale of surplus vehicles and equipment and received by the City of Oakland to acquire additional replacement vehicles and related equipment. No new costs are introduced within this report.

Since the amounts and availability of auction revenue varies widely from year to year, these funds have not historically been budgeted by OPW's Equipment Services Division. The proposed use of said funds is to offset the costs of replacing aging City of Oakland vehicles and related equipment, and by extension, improve operations of OPW and OPW user departments such as DOT, OPD, OFD, OPL, OPRYD, etc. by fielding newer, more reliable and more fuel-efficient vehicles and equipment.

The chart below provides an overview of auction sales revenue received for the current and prior four fiscal years:

**Equipment Services Division / Overview of Auction Sale Revenue
Fiscal Year 2016 – 2019**

Fiscal Year	Auction Revenue
2016	\$212,013.53
2017	\$89,713.83
2018	\$55,985.00
2019	\$281,460.00
Annual Average:	\$159,793.09

All revenue associated with vehicle and equipment auction sales shall be appropriated to the Equipment Services Fund 4100; Equipment Services Administration Organization 30541; Sale

of Vehicles Revenue Account 48114 and Expenditure Account 57612; Administrative Project To Be Determined; Fleet Management and Maintenance Program IN01.

PUBLIC OUTREACH / INTEREST

This item did not require additional public outreach other than the required posting on the City's website.

COORDINATION

Information that is the basis of this report was coordinated with OPW's Bureau of Maintenance & Internal Services, Purchasing, the Budget Bureau and the Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: The use of auction sale proceeds helps reduce expenditures of future vehicle and equipment leases or purchases.

Environmental: The City can contribute to enhancing local air quality through the procurement of vehicles that produce low emissions. This report is intended specifically to enable acquisition of clean air vehicles and equipment such as Zero Emission Vehicles (ZEV), Electric Vehicle (EV) chargers, equipment powered by Renewable Diesel, Compressed Natural Gas (CNG), and other clean air vehicles and equipment. This resolution also contributes to the City meeting the carbon reduction and petroleum use reduction goals of the Energy and Climate Action Plan (ECAP), and in doing its part to achieve regional proliferation targets for zero-emission vehicles.

Social Equity: Acquisition of clean air vehicles and equipment will reduce the City's reliance on petroleum and contribute to improved air quality, benefitting all Oakland residents.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt a resolution authorizing the City Administrator or designee to:

(1) Accept and appropriate revenue generated through the sale of surplus City of Oakland vehicles and related equipment by public auction, (2) Allocate said surplus vehicle and equipment auction sales revenue for the purchase of vehicles and related equipment in support of the City of Oakland's fleet, and (3) Direct Oakland Public Works to prepare and present to City Council an annual report identifying surplus vehicle and equipment auction sales revenue and provide expenditure details

For questions regarding this report, please contact Joseph Williams, Interim Equipment Services Manager, Bureau of Maintenance & Internal Services, at 615-5489.

Respectfully submitted,



A handwritten signature in black ink, appearing to read 'JASON MITCHELL', is written over a horizontal line. The signature is stylized and somewhat cursive.

JASON MITCHELL
Director, Oakland Public Works

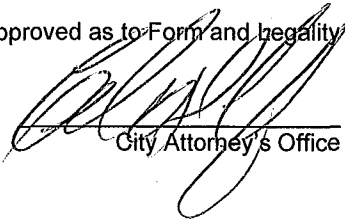
Reviewed by:
Richard Battersby, Assistant Director
Bureau of Maintenance & Internal Services

Prepared by:
Joseph Williams, Interim Equip. Svcs. Mgr.
Bureau of Maintenance & Internal Services

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2019 JUN 13 PM 2:35

Approved as to Form and legality



City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR OR DESIGNEE TO: (1) ACCEPT AND APPROPRIATE REBATES, REFUNDS AND OTHER SIMILAR INCENTIVES OBTAINED DURING THE VEHICLE PROCUREMENT PROCESS, (2) ALLOCATE REVENUE FROM SAID VEHICLE ACQUISITION REBATES, REFUNDS AND OTHER SIMILAR INCENTIVES FOR THE PURCHASE OF VEHICLES AND RELATED EQUIPMENT TO SUPPORT THE CITY OF OAKLAND'S FLEET, AND (3) DIRECT OAKLAND PUBLIC WORKS TO PREPARE AND PRESENT TO CITY COUNCIL AN ANNUAL REPORT IDENTIFYING REVENUE FROM SAID VEHICLE ACQUISITION REBATES, REFUNDS AND OTHER SIMILAR INCENTIVES AND PROVIDE EXPENDITURE DETAILS

WHEREAS, the City of Oakland applies for and receives monies from the procurement of certain vehicle and equipment types in the form of rebates, refunds and other similar incentives; and

WHEREAS, the amount of monies received on an annual basis varies greatly depending on availability and eligibility, and is not included in Oakland Public Works Equipment Services Division budget; and

WHEREAS, Oakland Charter Section 806 provides that all monies received by the City shall be deposited in the City Treasury, and no monies shall be disbursed from the treasury without the approval of the City Administrator or of another officer duly authorized by the City Administrator; and

WHEREAS, Oakland Charter Section 806 further provides that no expenditure of City funds shall be made except for the purposes and in the manner specified by an appropriation of the Council; and

WHEREAS, the City Administrator will comply with all Oakland Charter requirements for fiscal administration and expenditure of such funds and otherwise apply proper sufficient procedures and controls necessary to monitor and ensure fiscal and performance accountabilities; now, therefore, be it

RESOLVED: That the City Administrator, on behalf of the City Council, is hereby authorized to accept and appropriate, without prior City Council action, monies derived from refunds, rebates and other similar incentives related to vehicle and equipment

procurement for the purpose of purchasing vehicles and related equipment to support the City of Oakland's fleet; and be it

FURTHER RESOLVED: That all funds accepted hereunder shall be deposited into the City Treasury; and be it

FURTHER RESOLVED: That all revenue associated with vehicle and equipment refunds, rebates and incentives shall be appropriated to the Equipment Services Fund 4100; Equipment Services Administration Organization 30541; Other Revenue Account 48720 and Expenditure Account 57612; Administrative Project To Be Determined; Fleet Management and Maintenance Program IN01; and be it

FURTHER RESOLVED: That staff will prepare an annual informational report for City Council regarding refund, rebate and incentive funds received and appropriated.

IN COUNCIL, OAKLAND, CALIFORNIA, _____.

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California