



GLENN A. CUNHA
INSPECTOR GENERAL

The Commonwealth of Massachusetts
Office of the Inspector General

JOHN W. McCORMACK
STATE OFFICE BUILDING
ONE ASHBURTON PLACE
ROOM 1311
BOSTON, MA 02108
TEL: (617) 727-9140
FAX: (617) 723-2334

June 6, 2019

Ms. Denise Menard, Town Manager
Town Hall
60 Center Square
East Longmeadow, MA 01028

Re: Surplus Disposition

Dear Ms. Menard:

This letter concerns the town of East Longmeadow's (the "Town") surplus disposition of a 1988 Pierce 105-foot aerial ladder fire truck ("truck") in October 2017. The Office of the Inspector General ("the Office") conducted a review of this disposition in response to concerns raised that the Town's process may not have complied with the advertising and valuation requirements in the Uniform Procurement Act, M.G.L. c. 30B ("Chapter 30B").

Summary of Findings

The Office's review found that:

1. The Town properly advertised the truck in compliance with Chapter 30B.
2. The valuation of the surplus supply failed to consider the truck's resale or salvage values.
3. Rather than selling the truck it may have been more financially advantageous if the Town had sold the truck for its scrap metal or salvage value.

Background

In 2017, the Town wanted to sell a 1988 Pierce 105-foot aerial ladder fire truck. The reasoning was two-fold: the ladder on the truck was inoperable and the Town had ordered a replacement truck (a 2018 Pierce Ascendant fire truck). On September 14, 2017, the Town published an Invitation for Bids ("IFB") for the disposition of the truck. The bid opening occurred on October 3, 2017 and the truck was sold to the only bidder: Charlie Arment Trucking.

Findings

I. Advertising Requirements under Chapter 30B

Section 15 of Chapter 30B (“Section 15”) establishes rules for the disposition of tangible supplies. This section provides that the disposition of a tangible supply, no longer useful to the municipality but having resale or salvage value, can be handled in a number of ways, including competitive sealed bids, public auction, established markets, or for a supply valued at less than \$10,000, by any written procedures approved by the municipality.¹ The municipality must also post advertising notices, at least two weeks before the deadline for the submission of bids, in a conspicuous place in or near its offices. Notices must also be published, at least two weeks before the deadline for the submission of bids, in a local newspaper and on the COMMBUYS² system administered by the Operational Services Division.³

The Office’s review found that:

1. The IFB was advertised in the Town Hall and on the Town’s official website from September 14, 2017 to October 3, 2017.
2. The notice was published in *The Reminder*⁴ on September 14, 2017 and September 21, 2017.
3. The IFB was also made available on COMMBUYS on September 14, 2017.
4. All of these advertisements were placed the requisite two weeks before the October 3, 2017 bid deadline.

Conclusion:

The Town properly advertised the truck in compliance with Chapter 30B.

II. Valuation of the Truck

It is important to determine the estimated value of a tangible supply prior to its disposition. Proper valuation is needed to establish the correct disposition process and to ensure that the jurisdiction obtains the best financial return. Section 15 of Chapter 30B indicates that the value of a supply should be based on the resale or salvage value.

Based on the Office’s review, it appears that the Town estimated the value of the truck by using the devaluation model that the Town’s Assessors Department utilizes to calculate excise taxes. For example, the Town’s disposition records include the Insurance Fleet Schedule for the

¹ This Office was advised by Sarah Menard, the Director of Municipal Finance that the Town is currently in the process of updating its surplus disposition procedures.

² COMMBUYS is the Commonwealth’s online procurement platform that links public purchasers in search of products and services with vendors who are able to provide them.

³ See M.G.L. c. 30B, § 5(c).

⁴ This is a local East Longmeadow newspaper.

truck, which listed the excise tax bill for the truck. However, the use of excise tax valuation for a surplus disposition is not sufficient as it fails to capture the truck's value as salvage or its value on the resale market.

To estimate resale value, this Office looked at sales in western Massachusetts of other trucks of a similar make, model and year. One example included four fire trucks, sold by the city of Springfield in mid-2018. Based on the valuations of these trucks, the sale price of \$1,501.00 appears reasonable for the region.

However, in regard to salvage value, this Office looked at estimates of the truck's value by different metal scrap yards in Massachusetts. The Office found that, compared to resale estimates, the truck likely was worth more as scrap metal. It should also be noted that the salvage estimates only included the price of the metal by weight; they did not include the additional value that could have been gained by selling other parts of the truck, such as the tires and engine.

Conclusion:

The purpose of the surplus disposition process is to get the highest return for the disposition of public assets. The methodology the Town used for establishing the estimated disposition value of the truck was faulty as it failed to consider the truck's resale or salvage values. The Town may have received slightly more if it had sold the truck as scrap metal or salvage.

Recommendations:

The Office recommends that in the future the Town take the following actions:

1. When determining the resale or salvage value:
 - a. Conduct a targeted review to locate similar tangible property being offered for resale or salvage;
 - b. Develop an estimated market value for the property. The valuation of the surplus property should be based on independent, third-party data;
 - c. Establish a policy of whom, be it a person, department, board or commission, shall be responsible for establishing the estimated valuation and ensure that it was determined through a commercially reasonable process; and
 - d. Use the estimated value of the surplus property to maximize the financial return to the Town.
2. Consider both the probable sale price and salvage value of the tangible property subject to disposal. Salvage value should consider both selling the item for parts and for scrap.
3. Consider rejecting bids that fail to meet the estimated price, or negotiate with the bidder for a higher price. Ultimately, the most reasonable and valuable option should be taken.

Denise Menard
Town Manager
June 6, 2019
Page 4 of 4

4. Submit to this Office a copy of the Town's new surplus disposition policies when they are finalized.

Conclusion:

In summary, the Town properly advertised the IFB for the truck. However, the Town may have been able to receive slightly more money if it had considered disposing of the truck for its scrap value.

Should you have any questions about the disposition of tangible supply or another aspect of Chapter 30B, please review the Chapter 30B manual found on our website, or reach out to our Chapter 30B Hotline at (617) 722-8838 or at 30BHotline@state.ma.us. Additionally, the Office, through its MCPPO program, offers numerous classes – including classes related to the procurement of supplies and services, public contracting, invitations for bids, requests for proposals, boards and commissions, and real property – that may be useful to the Town.

Thank you for your attention on this matter and your aid in resolving it. If you have any questions, please feel free to contact me at (617) 722-8853.

Sincerely,



George Xenakis
Director of Investigations

cc: Ms. Kathleen G. Hill, Town Council President
Ms. Sara Menard, Director of Municipal Finance