

INTERNET BIDDING

ONLINE BIDDING

Internet Auctions Increase Revenue, Save Townships Money by Creating True Competition

As society grows accustomed to doing more and more business online, townships are learning that Internet auctions can be a cost-effective way to sell surplus vehicles and equipment and even procure products and services. Online auctions provide increased exposure, convenience, and nontax revenue for townships that are ready to embrace the 21st century marketplace.

BY BRENDA WILT / ASSOCIATE EDITOR

Imagine selling a used township vehicle for more than 800 percent above the highest offer received through traditional sealed bids. While that may sound impossible, it actually happened to Zelenople Borough in Butler County when the municipality sold a bucket truck on an Internet auction site.

The highest sealed bid the borough had received was \$1,300. Zelenople then posted the truck on Pottstown-based municibid.com and ended up selling it for \$10,800.

While such a dramatic increase in sale price is rare, townships are finding that online bidding sites can be a lucrative way to unload used vehicles, equipment, and other items.

East Goshen Township in Chester County, for example, sold a used police car on municibid.com for more than 66 percent over the highest sealed bid it received, township manager Rick Smith says. The township has also sold other vehicles on the site, and in every case,

at a higher price than through the traditional sealed bid process.

Legislation paves the way

Internet auction sites and online bidding are nothing new. Nearly everyone has heard of eBay, where anything and everything is available for the highest bid. Until recently, however, townships were prohibited from selling items or receiving bids via the Internet.

Then came Acts 49 and 88 of 2006, which changed everything. Act 49 took effect in August 2006 and amended the Township Code to allow townships to sell personal property valued at \$1,000 or more in an online auction. Townships are still required to advertise the online auction in the legal section of a general circulation newspaper, however.

Act 88, which took effect less than a month later, amended Title 62 (*Procurement*) of the Pennsylvania Consolidated Statutes to allow municipalities to use electronic auctions and bidding to purchase supplies and certain services.

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Internet auctions offer townships the potential for increased revenue when selling items and cost savings when purchasing goods and services.

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Again, municipalities still must comply with public notice and advertising requirements. They must also adopt a resolution to accept electronic bids and keep them confidential until they are opened. The act also permits municipalities to use reverse auctions, in which providers compete to submit the lowest bid to a township for a product or service.

The bottom line when it comes to online auctions is that townships must still comply with all of the advertising and legal notice requirements for buying or selling property or services, PSATS Director of Research and Policy Development Holly Fishel says. “As long as townships fulfill those requirements, they can take advantage of the convenience of online bidding,” she says.

That’s exactly what a township in southeastern Pennsylvania did. Thanks to Act 49, Haycock Township in Bucks County was able to get rid of two sets of outdated code books on eBay. “It went extremely well, and we were very surprised at what we got for the books,” Haycock’s road foreman and assistant secretary Chris Bauer says. “It seems

like the most cost-effective way to get rid of small items.”

Getting maximum exposure

One of the reasons online auctions are successful, municibid.com founder Greg Berry says, is because the items are exposed to a much larger audience of potential bidders. The traditional sealed bid process limits potential buyers to those who have read the required legal advertisement in the local newspaper. Items listed on Berry’s site are available to roughly 15,000 subscribers who receive a monthly e-mail update, as well as the general public.

“We ended up getting more interest in the cars online than we would have from just an ad in the paper,” East Goshen’s Rick Smith says.

The larger pool of potential buyers also benefited East Vincent Township in Chester County when it sold a used police car on municibid.com. “The car was purchased for a better price than we probably could have gotten otherwise,” township manager Mary Flagg says. Instead of the expected \$1,000, the car sold for \$1,900.

The competitive nature of online bidding also helps drive up the selling price, Berry says. The potential for municipalities to earn nontax revenue was a major factor in his decision to start an online auction site for them. As a member of the Pottstown Borough Council, he had seen from the inside the limitations of the sealed bid process.

That practice wasn’t very competitive, he says, because buyers submit only one bid and have no idea where it ranks in comparison to others. “I thought there had to be a better way for municipalities to sell items they no longer wanted,” he says. In an online auction, potential buyers can continue to submit higher bids to outbid others. “With an online auction, you only need two bidders going against each other to drive up the price,” Berry says.

While municibid.com allows only government entities to sell on the site, the bidding is open to the public. “Buying from government entities is sometimes seen by the public as being cumbersome or complicated,” Berry says. “This makes it easy.”

It’s also convenient. Government agencies have long held physical auctions to sell confiscated and surplus materials, but buyers must be at a particular location on a particular date to participate. With an online auction, interested parties can check out the goods for sale and place bids at any hour of the day or night, seven days a week.

Some online auction sites, like eBay, charge sellers a fee to post each item on the site and then take a percentage of the selling price. Berry decided to charge a flat annual fee, based on population, to municipalities that want to sell items on his site.

“Being chair of the finance subcommittee for Pottstown Borough, I know how important it is for municipalities to have a known cost,” he says.

Municipalities with populations of less than 30,000 pay \$200 a year at municibid.com and can post as many items as they want as often as they want. Custom pricing is available for municipalities with populations from 30,000 to 1 million. The seller also sets the start and end dates and times, minimum bids, and bidding increments. For example, a municipality may sell a

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piece of equipment for which it requires a minimum bid of \$500 and bidding increments of at least \$1.

"The seller has complete control over the process," Berry says. "We also make it clear that the municipality has the right to reject any or all bids."

Procuring goods and services online

Online auctions can also be a cost-effective way for townships to purchase used vehicles and equipment. East Vincent Township manager Mary Flag says the township checks out sites like municibid.com when it needs something. Other sites, like GovDeals.com and bid4assets.com (formerly *asset auctions.com*) offer confiscated and surplus vehicles and many other items for sale from government agencies.

Townships can also benefit when soliciting bids online for products or services. Erie County-based Procurex, Inc. (www.procurexinc.com), formerly eDynaQuote, offers an alternative to the traditional paper-based sealed bid process. "The key difference is that there is a specific date and time that bids must be submitted online," Chief Operating Officer Marty Barclay says.

Another difference is that vendors can see where their bid ranks and submit a lower one. "In the paper-based process, vendors can submit only one bid," Barclay says. "This online system takes the guesswork out of the process so suppliers can bid to the best of their capacity."

When Fairview Township in Erie County needed to purchase a diesel-powered generator and two transfer switches a few years ago, Procurex suggested the township use the site to solicit bids as a sort of test project. The company set up a reverse auction and provided everything the township needed to participate.

"Procurex did a lot of the work for us," township secretary-treasurer

FOR MORE INFORMATION

Check out these vendors

To learn more about online auctions, contact one of the following:

Selling

- Municibid: Greg Berry, founder, toll-free (800) 531-6074, www.municibid.com

Buying

- Procurex: toll-free (866) 412-7161, www.procurexinc.com
- Info Tech: (352) 381-4400, www.infotechfl.com

Barbara Partchey says. "The only thing we did was place the legal notice in the paper. They came and set up everything on the computer so we could watch the bids come in."

Procurex invited vendors suggested by the township to participate in the reverse auction. "Vendors must be prequalified," Barclay says. "They must register on the site, at no charge, and fulfill any requirements made by the seller."

In addition to managing the pre-qualification process, the online auction company will also help write specifications for the bid and find vendors if necessary. It will even help municipalities craft the language for the legal advertisement, Barclay says.

The COO says the company's online reverse auction process has several benefits:

- It identifies the vendor with the best "fit" for the township based on price, prequalifications, and other considerations.
- It leads to greater efficiency because it requires less paperwork for the seller.
- It is convenient for the seller because all of the data on the bid process is saved and retrievable online.
- It is accurate because the seller can print out a preformatted report at the end of the bid process.

Municibid.com is also venturing into reverse auctions and is offering free trials on its Web site. Florida-based Info Tech, Inc. (www.infotechfl.com) also offers an online bidding process that is used primarily by state departments of transportation for construction projects, although it recently developed a program for local governments, account

manager Ward Zerbe says.

"Larger municipalities that are bidding large construction projects or multiple projects would probably have the most need for our program," he says.

Reverse auctions are likely to become more popular among municipalities, Barclay says. "They've been in use in private industry for many years but because they're a new thing for municipalities, there is a learning curve and some hesitancy," he says. "People can be a little afraid of adopting anything new."

Watching the purse strings

Whether townships are selling or buying, participating in online bidding programs can help them keep an eye on the bottom line.

"Municipalities can see upwards of a 100 percent increase in bid amounts online," Municibid's Berry says. "Plus, the online process puts smaller municipalities on more of a level playing ground with larger ones. Overall, it's a great way to get rid of equipment you've been storing because you've had no easy way to get rid of it or no one has been interested in buying it."

"Direct price competition gives the best value and most efficient way to dispose of unwanted property," Barclay adds.

Increased exposure, true competition, convenience, and increased non-tax revenue make online auctions the wave of the future for townships, Berry believes. "I think absolutely, more and more and faster and faster, townships will be going in this direction."

For more information about Municibid, Procurex, and Info Tech, see the box above. ♦

municibid **.com**

[The Municipal Auction Site]™

“municibid.com was so easy to use, the people were great to deal with, and we generated more interest and made more money for our taxpayers than we could ever have done the old way.”

- Mary Flagg, Manager, East Vincent Township, PA

“The Borough Council and I were extremely impressed with the number of bidders and the bid amounts. We exceeded our expectations. The municibid program is easy to use. I do not anticipate that we will ever go back to the sealed bid process. Going forward, municibid will be our preferred avenue for surplus disposition.”

- Caren Andrews, Manager, West Conshohocken, PA

“municibid.com resulted in much higher prices than other bid procedures used before. I had a lot riding on this first ‘venture’ of selling surplus online. Fortunately, I was right about municibid.com... It’s the way to go!”

- Dennis Hukowicz, Chief of Police, Town of Hadley, MA

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www.municibid.net