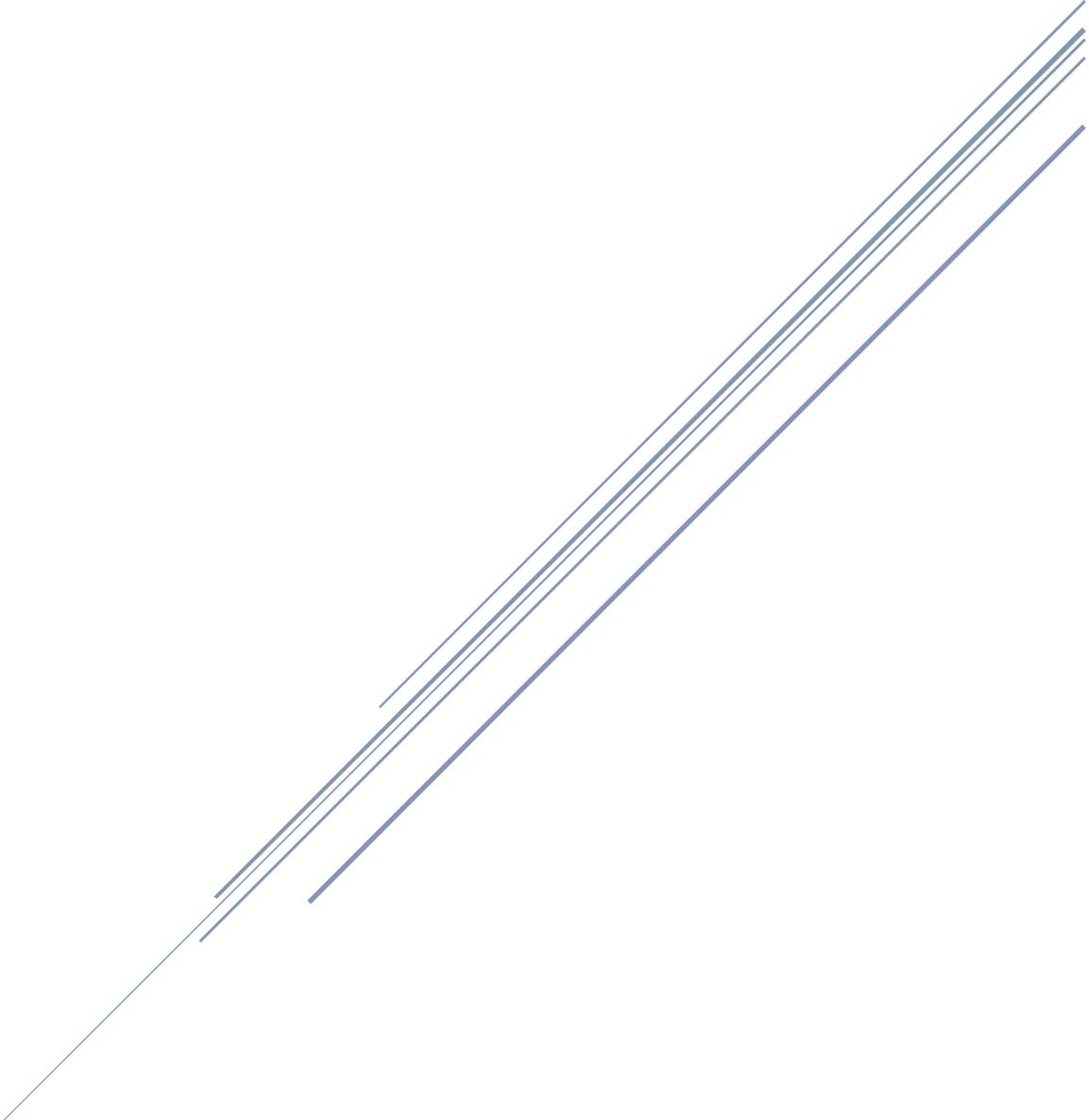


# ASSET MANAGEMENT GUIDANCE FOR SUBRECIPIENTS OF FEDERAL ASSISTANCE

Nevada Department of Transportation



October 2019

## Asset Management Guidance for Subrecipients of Federal Assistance

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Federal Transit Administration (FTA) guidelines for the disposition of FTA assisted property, including equipment, rolling stock, and supplies in accordance with 2 CFR part 200 and other federal requirements, are located in ***FTA Circular 5010.1E, Chapter IV: Management of the Award, Part 4: Equipment and Supplies (Including Rolling Stock)***.

### Definitions

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**Capital Asset:** Capital asset means a unit of rolling stock, land, a facility, a unit of equipment, an element of infrastructure, or intellectual property (including software), with a useful life of more than one year that are capitalized in accordance with Generally Accepted Accounting Principles (GAAP). Capital asset also includes an addition, improvement, modification, replacement, rearrangement, reinstallation, renovation, or alterations to capital assets that materially increase the value of the asset (apart from ordinary repairs and maintenance.)

**Disposition:** The settlement of the federal interest in project property that is no longer needed for the originally authorized purpose.

**Equipment:** Equipment means an article of nonexpendable, tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the recipient or subrecipient for financial statement purposes, or \$5,000. Equipment includes rolling stock, computing devices, information technology systems, and all other such property used in the provision of public transit service.

**Facilities:** Facilities mean all or any portion of a building or structure that is used in providing public transportation, including related roads, walks, parking lots and parking facilities.

**Overhaul:** Overhaul means the systematic replacement or upgrade of revenue and non-revenue systems whose useful life is less than the useful life of the entire vehicle in a programmed manner. Overhaul is performed as a planned or concentrated preventive maintenance activity and is intended to enable the vehicle to perform to the end of the original useful life. Rolling stock must have accumulated at least 40 percent of its useful life before FTA will participate in the costs of its overhaul.

**Preventive Maintenance:** Preventive maintenance means all maintenance costs related to vehicles and non-vehicles. Specifically, preventive maintenance includes all the activities, supplies, materials, labor, services, and associated costs required to preserve or extend the functionality and serviceability of the asset in a cost effective manner, up to and including the current state of the art for maintaining such an asset.

**Project Property:** Project property means any real property, equipment, supplies, or improvements included in the costs of an FTA-assisted project, regardless of whether such property was acquired using FTA assistance, was provided as the non-federal share, donated by a third party, or acquired in some other way.

**Real Property:** Real property is land and anything permanently affixed to the land, such as buildings, fences, and those things attached to the buildings that, if removed, would deface the structure or integrality of the building, such as plumbing, heating fixtures, etc.

**Rebuild:** Rebuild means a capital activity associated with rolling stock that occurs at, or near, the end of a unit of rolling stock's useful life, and that results in an extended useful life for the unit of rolling stock consistent with the extent of the rebuilding.

**Rolling Stock:** Rolling stock describes equipment that is used to transport passengers and includes buses, vans, cars, locomotives, trolley cars, ferryboats, light rails, streetcars, other rail vehicles and vehicles used for guideways and incline planes.

**Rolling Stock Repowering:** Rolling stock repowering involves replacing a vehicle's propulsion system, including replacing a propulsion system with a propulsion system of a different type (e.g., replacing a diesel engine with an electric battery propulsion system). Rolling stock repowering is permitted for buses that have met at least 40 percent of their useful life; in which case, it must be designed to permit the bus to meet its useful life requirements. Rolling stock repowering is permitted as part of a rebuild; in which case, it must extend the useful life by at least 4 years.

**State of Good Repair:** State of Good Repair means that condition in which a capital asset is able to operate at a full level of performance.

**Supplies:** Supplies mean all tangible personal property, other than equipment, with a unit value of less than \$5,000.

**Useful Life:** Useful life, for purposes of this Circular, means the minimum acceptable period a capital asset purchased with FTA funds should be used in service. Capital assets purchased with FTA funds may frequently be used beyond their minimum useful lives, without being considered part of a grantee's state of good repair backlog. The minimum useful life for rolling stock is calculated based on the date the vehicle is placed in revenue service and continues until it is removed from service. Note: Land does not depreciate and does not have a useful life. However, constructions, buildings, and improvements occupying the land do have useful lives.

## **Overview**

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***FTA C 5010.1E, Chapter IV*** states that management standards apply to equipment and supplies purchased with federal assistance. The term "federally assisted property", as used in this section, includes equipment, including rolling stock, and supplies. Rolling stock describes equipment that is used to transport passengers and includes buses, vans, cars, railcars, locomotives, trolley cars and buses, ferryboats, and vehicles used for guideways and incline planes. Light duty vehicles, such as vans, sedans, and pick-up trucks, employed in administrative and maintenance purposes are considered equipment. Light duty vehicles employed to transport passengers are considered rolling stock. The following requirements are for the acquisition, use, management, and disposition of federally assisted property:

***FTA C 5010.1E, Chapter IV, Part 4(a)(1)*** states that a state will use, manage, and dispose of federally assisted property acquired under an Award by the state in accordance with state laws and

procedures, 2 CFR § 200.313(b). Subrecipients of states shall follow policies and procedures allowed by the state with respect to the use, management and disposal of federally assisted property, 2 CFR § 1201.313.

**FTA C 5010.1E, Chapter IV, Part 4(c)** states that the FTA retains federal interest in any federally assisted property financed with FTA assistance until, and to the extent that, FTA relinquishes its federal interest in that federally assisted property. This applies to real property, equipment and supplies.

### Minimum Useful Life

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**FTA C 5010.1E, Chapter IV, Part 4(f)** provides the Minimum Useful Life for Federally Assisted Property.

**FTA C 5010.1E, Chapter IV, Part 4(f)(1)** provides acceptable methods to determine the minimum useful life. Acceptable methods to determine minimum useful life include but are not limited to:

- a) Generally accepted accounting principles;
- b) Independent evaluation;
- c) Manufacturer's estimated useful life;
- d) Internal Revenue Service guidelines;
- e) Industry standards;
- f) Recipient experience;
- g) The recipient's independent auditor who needs to provide his or her concurrence that the useful life assigned to the property is reasonable for depreciation purposes; and
- h) Proven useful life developed at a federal test facility.

**FTA C 5010.1E, Chapter IV, Part 4(f)(2)** states the Minimum Useful Life of rolling stock begins on the date the vehicle is placed in revenue service and continues until it is removed from revenue service. The minimum useful life in years refers to total time in transit revenue service, not time spent stockpiled or otherwise unavailable for regular transit use. The minimum useful life in miles refers to total miles in transit revenue service. Non-revenue miles and periods of extended removal from service do not count towards useful life. Changes in operating circumstances, including unforeseen difficulty maintaining vehicles, higher cost of fuel, and changes in local law limiting where vehicles can be operated do not excuse minimum useful life requirements. Minimum useful life is determined by years of service or accumulation of miles whichever comes first, by asset type as follows:

- a) Buses [Chapter IV, Part 4(f)(2)(a)]
  - i. Large, heavy-duty transit buses including over-the-road buses (approximately 35' – 40' or larger including articulated buses): *at least twelve (12) years of service or an accumulation of at least 500,000 miles.*
  - ii. Small size, heavy-duty transit buses: *at least ten (10) years or an accumulation of at least 350,000 miles.*

- iii. Medium-size, medium-duty transit buses: *at least seven (7) years or an accumulation of at least 200,000 miles.*
  - iv. Medium-size, light-duty transit buses: *at least five(5) years or an accumulation of at least 150,000 miles.*
- b) Light Duty Vehicles [Chapter IV, Part 4(f)(2)(b)]
- i. Other light-duty vehicles used as equipment and to transport passengers (revenue service), such as regular and specialized vans, sedans, and light-duty buses including all bus models exempt from testing in the current 49 CFR part 665: *at least four years or an accumulation of at least 100,000 miles.*
- c) Facilities [Chapter IV, Part 4(f)(2)(f)]
- i. Determining the useful life of a facility must take into consideration such factors as the type of construction, nature of the equipment used, historical usage patterns, and technological developments. Based on any of the methods identified in *Chapter IV, Part 4(f)(1)*, a railroad or highway structure has a minimum useful life of *fifty (50) years*, and most other buildings and facilities (concrete, steel, and frame construction) have a useful life of *forty (40) years*.
- d) Equipment [Chapter IV, Part 4(f)(1)]
- i. The minimum useful life for equipment shall be based upon any of the methods identified in *Chapter IV, Part 4(f)(1)*.
- e) Supplies [Chapter IV, Part 4(f)(1)]
- i. The minimum useful life for supplies shall be based upon any of the methods identified in *Chapter IV, Part 4(f)(1)*.
- f) Rolling Stock Overhauls [Chapter IV, Part 4(h)]
- i. Rolling stock overhauls are an eligible capital expense as preventative maintenance. Overhauls are done to make sure the rolling stock reaches its useful life. This eligibility is in addition to the eligibility for rebuilding. Overhaul *does not extend the useful life of rolling stock*.
- g) Rolling Stock Rebuilding [Chapter IV, Part 4(g)]
- i. Buses to be rebuilt must be at the end of the minimum useful life and in need of major structural and/or mechanical rebuilding. The age of the bus to be rebuilt is its years of service at the time the rebuilding begins. This eligibility is in addition to the eligibility for rebuilding. The *minimum extension of useful life is four (4) years, or miles equivalent to four (4) years*.

- ii. With prior approval, FTA may permit a recipient to rebuild a vehicle that has not yet met its minimum useful life. In this case, the minimum useful life of the vehicle is *the remaining useful life plus four (4) years, or miles equivalent to four (4) years.*
- h) Rolling Stock Repowering [*Chapter IV, Part 4(i)*]
- i. Rolling stock repowering involves replacing a vehicle's propulsion system with a propulsion system of a different type (e.g. replacing a diesel engine with and electric propulsion system). Rolling stock repowering is permitted for buses that have:
    - i. Met at least forty (40) percent of their useful life in which case it must be designed to permit the bus to *meet its useful life requirements*; or
    - ii. As part of a rebuild in which case it must *extend the useful life by at least four (4) years, or an additional 125,000 miles.*

**FTA C 5010.1E, Chapter IV, Part 4(m)** states a recipients' and subrecipients' requirement to follow the regulations found in 49 CFR part 625, "Transit Asset Management," including the requirement to develop or participate in the development of a Transit Asset Management Plan, or a Group Plan, by October 1, 2018, and amendments to 49 CFR part 630, "National Transit Database," which includes reporting requirements.

**FTA C 5010.1E, Chapter IV, Part 4(n)** lists the minimum requirements for the management of federally assisted property.

### **Disposition Guidelines**

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**FTA C 5010.1E, Chapter IV, Part 4(o)** states the disposition requirements that apply to rolling stock and equipment. Disposition requirements apply to equipment that has met its useful life, as well as equipment that is prematurely withdrawn from service before its useful life has been ended. FTA retains financial interest in equipment with a unit value exceeding \$5000, and supplies with an aggregate value exceeding \$5000, even if useful life has been met. State recipients must dispose of federally assisted property acquired under an Award by the state in accordance with state laws and procedures. Subrecipients of states will follow such policies and procedures allowed by the state with respect to disposition of equipment acquired under an FTA Award.

FTA C 5010.1E, Chapter IV, Part 4(o)

- 1) Calculating the Federal Interest. FTA is entitled to its share of the remaining federal interest upon disposition of federally assisted property before the end of its useful life or for a value greater than \$5,000 after the useful life has been met.
  - a. The federal interest is determined by calculating the fair market value of the federally assisted property immediately before the occurrence prompting the withdrawal of that property from appropriate use (e.g., sale, loss, etc.). The federal interest that the recipient is required to return to FTA is the greater of FTA's share

of the unamortized value of the remaining useful life per unit, based on straight line depreciation of the original purchase price or the federal share of the sales price. The following example is provided to determine the straight line depreciation of a vehicle: for a vehicle with a 12-year, 500,000-mile minimum useful life, the vehicle's value decreases each year by one-twelfth of its original purchase price. Alternatively, the value decreases for each mile driven 1/500,000 of its original purchase price. The unamortized value of the remaining useful life per unit is the value obtained by calculating the straight line depreciation based on either miles or years whichever is more advantageous to the recipient.

- b. Any exchange of funds or trade of equipment or services in consideration for the federally assisted property is considered a sale. The sales price is based on the value of the funds, equipment, or services provided by the purchaser, and the federal share of that price is calculated as described above. Recipients and purchasers may not separate any portion of the sales prices as reimbursement in order to reduce the federal share.
  - c. If the recipient is authorized to sell the property, it will be required to employ proper sales procedures that ensure the highest possible return is achieved in the disposition of the federally assisted asset.
  - d. Reimbursement to FTA will be an amount calculated by multiplying the total aggregate fair market value at the time of disposition, or the net sale proceeds, by the percentage of FTA's participation in the original Award. The recipient's transmittal letter should state whether the equipment will be retained or sold. Use of sales proceeds are discussed elsewhere.
- 2) Replacement at End of Minimum Useful Life. Federally assisted property to be replaced must have achieved at least the minimum useful life. For purposes of bus replacement, the age of the bus to be replaced is its years of service or mileage at the time the proposed new bus is introduced into service. For purposes of a rail vehicle replacement, the age of the vehicle to be replaced is its age at the time the new vehicle is introduced into service. Official property records (or a Rolling Stock Status Report), in which future needs (expansion and replacement) are discussed, must be available upon request by FTA. *Proceeds from the sale of real property, equipment, or supplies are not program income.*
- 3) Disposition or Inappropriate Use Before the End of the Asset's Useful Life. Any disposition of federally assisted property before the end of its useful life requires prior FTA approval. FTA is entitled to its share of the remaining federal interest.
- a. Transfer of Assets No Longer Needed. For an asset that has not met its useful life and with prior FTA approval, the recipient may follow procedures for 49 U.S.C. § 5334(h)(1) – (3) to transfer federally assisted property (real property, including land, or equipment) to a public agency for non-public transportation use provided the recipient can demonstrate that:
    - 1. The asset will remain in public use for at least five years after the date the asset is transferred;

2. There is no purpose eligible for assistance for which the asset should be used;
3. The overall benefit of allowing the transfer is greater than the FTA interest in liquidation and return of FTA's remaining federal interest in the asset, after considering fair market value and other factors; and
4. Through an appropriate screening or survey process (usually by following procedures for publication in the Federal Register), that there is no interest in acquiring the asset for the federal use if the asset is a facility or land.

Additional information regarding this type of disposition is available from your FTA Regional Office.

- b. Casualty, Fire, Natural Disaster, and Misused Property. When federally assisted property is lost or damaged by fire, casualty, or natural disaster, the fair market value shall be calculated on the basis of the condition of the equipment or supplies immediately before the fire, casualty, or natural disaster, irrespective of the extent of insurance coverage. If any damage to the federally assisted property results from abuse or misuse occurring with the recipient's knowledge and consent, the recipient agrees to restore the federally assisted property to its original condition or refund the value of the federal interest in that property.

The recipient may fulfill its obligations to remit the federal interest by either:

1. With prior FTA approval, following the Like-Kind Exchange Policy as described in subparagraph (d) below; or
  2. Returning to FTA an amount equal to the remaining federal interest in the withdrawn federally assisted property.
- c. Insurance Proceeds. If the recipient receives insurance proceeds when federally assisted property has been lost or damaged by fire, casualty, or natural disaster, the recipient agrees to:
    1. Apply those proceeds to the cost of replacing the federally assisted property that is damaged or destroyed or taken out of service; or
    2. Return to FTA an amount equal to the remaining federal interest in the federally assisted property that is lost, damaged, or destroyed.

The federal interest does not depend on the extent of insurance coverage or on the insurance adjustment received.

- d. Like-Kind Exchange Policy. With prior FTA approval, equipment may be disposed of before the end of its minimum useful life. In lieu of returning the federal share to FTA, a recipient may elect to transfer the remaining federal interest to a replacement equipment of like kind. For example, "Like-Kind" is defined as a bus for a bus with a similar useful life and a rail vehicle for a rail vehicle. Under the Like-Kind Exchange Policy, proceeds from the federal share of the equipment disposition are not returned to FTA; instead, all proceeds are reinvested in acquisition of the like-kind replacement equipment. If the disposition proceeds are less than the amount of the federal interest in the equipment at the time it is being replaced, the recipient is responsible for providing the difference, along with the recipient's share of the cost of the replacement equipment. If sales proceeds are greater than the amount of the federal interest in the equipment traded in or sold, the investment of all proceeds in acquisition of the like-kind replacement equipment results in a reduction of the gross project cost.
  - e. If the property has never been used for appropriate purposes, the recipient shall sell the property and pay FTA the greater of FTA's share of the fair market value or the entire amount of federal assistance spent on that federally assisted property.
- 4) Disposition or Use of Assets for Other Than Purposes of the Award after the End of Their Useful Life.
- a. Retain and Use Elsewhere. After the minimum useful life of federally assisted property is reached or the property is no longer needed for the original Award, it may be used by the recipient for other transit projects or programs. FTA prior approval of this alternative is not required. FTA retains its interest in the federally assisted property if its fair market value exceeds \$5,000.
  - b. Disposition of Property with a Fair Market Value of More Than \$5,000. After the useful life of federally assisted property is reached, or the property is no longer needed for the original Award, rolling stock and equipment with a current market value exceeding \$5,000 per unit, or unused supplies with a total aggregate fair market value of more than \$5,000, may be retained or sold. FTA is entitled to an amount calculated by multiplying the current market value, or proceeds from sale, by FTA's percentage of participation in the cost of the original purchase. Rolling stock and equipment that is sold may have the amount due FTA reduced by an amount of \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.
  - c. Sell and Use the Proceeds for Other Capital Awards, 49 U.S.C. § 5334(h)(4). After the useful life is met, or the property is no longer needed, and with prior FTA approval, the recipient may sell its federally assisted property for which there is no longer any public transportation purposes and use the proceeds to reduce the gross project cost of other future FTA eligible capital transit Awards. The recipient is expected to record the receipt of the proceeds in the recipient's accounting system, showing that the funds are restricted for use in a future capital Award, and reduce the liability as the proceeds are applied to one or more FTA approved capital Awards. If new applications are not immediately anticipated, the recipient

must inform the appropriate FTA contact of the disposition within a reasonable amount of time. Otherwise, the subsequent capital application should contain information showing FTA that the gross project cost has been reduced with proceeds from the earlier transaction. The proceeds cannot retroactively be applied to an existing Award or project unless the Award is still open.

- d. Disposition of Property with a Fair Market Value of \$5,000 or Less Value. After the useful life of its federally assisted property is reached, rolling stock and equipment with a unit market value of \$5,000 or less, or supplies with a total aggregate market value of \$5,000 or less, may be retained, sold, or otherwise disposed of with no obligation to reimburse FTA. Records of this action must be retained. FTA approval of this action is not required.
- e. Transfer of Rolling Stock—Recipient-to-Recipient. With prior FTA approval, a recipient may transfer rolling stock that has not yet served its useful life to another recipient. The federal interest in the rolling stock will be transferred with the rolling stock, and therefore, there is no obligation to reimburse FTA. However, no additional FTA assistance may be used to acquire the vehicles. Both recipients should coordinate with their FTA Regional Office(s). The required information must be provided by the appropriate contacts for both affected transit agencies, which agencies might be in different Regional Offices. When the rolling stock has remaining useful life, the following information should be submitted:

- 1. A Written Request for Approval to Transfer or Receive Vehicles. The request should include the transferor/transferee recipient's name, list of vehicles (year, make, model), date placed in revenue service, date removed from revenue service, federal award identification number that was assigned to the original FTA Award that financed the vehicle, mileage, remaining useful life, federal share of remaining useful life, and reasons for transfer.

- 2. A Board Resolution (or Other Appropriate Legal Action) from Each Recipient. The transferring recipient's board resolution (or other appropriate legal action) should identify the receiving recipient, include a statement that the vehicles are no longer required, a list of the vehicles to be transferred including the Vehicle Identification Numbers (VINs), and the remaining federal interest that is transferred to the receiving recipient.

The receiving recipient's board resolution (or other appropriate legal action) should identify the transferring recipient, a statement that the vehicles are needed for revenue service, a list of the vehicles to be acquired including VINs, the remaining federal interest for each vehicles, agreement that the vehicles will be maintained in accordance and in compliance with FTA requirements, and that the transferred vehicles will be included in its equipment inventory records.

3. A Rolling Stock Status Report. Each recipient should provide a Rolling Stock Status Report that includes all information as identified in the Appendix. The Rolling Stock Status Report should reflect the impact that the transfer/addition of the vehicles will have on the recipient's total fleet and spare ratio. If approved, the receiving recipient will be directed to include the transferred vehicles in its next application for federal assistance.

- f. Unused Supplies. For the disposition of supplies for which there is no transit use with a total aggregate fair market value that exceeds \$5,000, the recipient must compensate FTA for its share, or transfer the sales proceeds to another Award to reduce the gross project cost of other future capital project(s), 49 U.S.C. § 5334(h)(4).

## Summary

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If the project asset has reached its minimum useful service life, or is no longer needed for the original Award, the fair market value dictates the disposition requirements.

1. Federally assisted rolling stock or equipment with a current market value exceeding \$5,000 per unit, or unused supplies with a total aggregate fair market value exceeding \$5,000, may be retained or sold with prior approval from the FTA and the NDOT.

Subrecipients must first contact the NDOT, in writing, with their intent to dispose of the project asset(s) and include their completed agency disposition form. The NDOT will contact the FTA to complete the request to dispose of the project asset(s). The FTA retains interest in project assets of this value and is entitled to the fair market value multiplied by the original federal assistance percentage.

2. Federally assisted rolling stock or equipment with a current market value of \$5,000 or less per unit, or unused supplies with a total aggregate fair market value of \$5,000 or less, may be retained or sold with prior approval from the NDOT.

Subrecipients must first contact the NDOT, in writing, with their intent to dispose of the project asset(s) and include their completed agency disposition form. The NDOT will ensure the disposition request meets the federal requirements. The FTA retains no interest in project assets of this value.

3. Federally assisted rolling stock or equipment that has reached the minimum useful life and is no longer needed for the original Award may be used by the subrecipient for other transit programs or projects.

Subrecipients must first contact the NDOT, in writing, to provide notification that the project asset(s) have met their minimum useful life and are no longer needed for the original Award. No prior approval from the FTA is required for this method, however, the FTA retains interest federally assisted rolling stock or equipment if the fair market value exceeds \$5,000.

## FTA Frequently Asked Questions

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### ***Guidance on “parts cannibalization” of FTA funded vehicles.***

If the unit has a fair market value (FMV) of \$5,000 or more, then the grantee must reimburse FTA's share of the fair market value of the FTA assisted equipment, even though the grantee removed some parts of that equipment. Any unit of the equipment with a FMV of \$5,000 or more that experienced a decrease in its FMV due to removal of the parts would require reimbursement of FTA's share of that decrease caused by the cannibalization. The amount of decrease would be determined by an evaluation based on sales of other comparable rolling stock that is beyond its useful life. Because there is no federal interest in any unit of grant assisted property with a FMV of \$5,000 or less, the grantee may do what it wishes with that property, including removing parts as it sees fit.

### ***Guidance on the sale of FTA funded vehicles.***

The Federal Transit Administration's (FTA) enabling legislation, Department of Transportation (DOT) Common Grant Rules, and FTA Grant Management and Third Party Contracting Circulars, and FTA Master Agreement, all discuss disposition of project property. DOT's enabling legislation at 49 U.S.C. § 5334(h) permits the transfer and the sale of FTA assisted property provided FTA approval is obtained.

If a grantee needs to sell its unneeded FTA assisted property the DOT Common Grant Rules at 49 C.F.R. § 18.32(d)(5) and 49 C.F.R. § 19.34(f)(6) direct the grantee to sell that property for the highest return. Accordingly, if a private individual were to offer the highest return, the grantee could sell its unneeded buses to that individual.

See [FTA Circular 4220.1E](#), “Third Party Contracting Guidance” for competitive procurement procedures to use in offering FTA assisted property for sale. A grantee with adequate e-commerce procedures may use those procedures in offering FTA assisted property for sale.

FTA [Circular 5010.1D](#), “Grant Management Requirements,” October 1, 2008, provides guidance on property disposition requirements. Upon sale of FTA assisted property, especially if the useful life of that property has not expired, the grantee will need to return to FTA's proportionate share of the remaining federal interest in that property. Also, even if the “useful life” of the property has expired, if a unit of that property has sold for \$5,000 or more, FTA would be entitled to its proportionate share of the proceeds of that sale. In this case, it appears that the buses being sold would not be replaced because the grantee is downsizing. If that is the case, FTA's proportionate share of the sales proceeds should be returned to FTA in cash. For many years, the [FTA Master Agreement \(PDF\)](#) has included Property Management provisions in Section 19.

### ***Guidance on donating vehicles to public or private entities.***

If the vehicles to be donated have fulfilled their service life and have a current unit market value of \$5,000 or less, which may be likely, the grantee may dispose of them no further obligation to FTA. 49 C.F.R. § 18.32(e)(1) and 49 C.F.R. § 19.34. See, FTA Circular 5010.1D, “Grant Management Requirements,” Chapter IV, subsection 3.I, dated October 1, 2008.

***Guidance on selling vehicles at auction or through a third-party contractor.***

Provided the grantee and/or the third party contractor comply with FTA's Third Party Contracting requirements, the grantee may use a third party contractor to conduct the auctions or sales. Because the DOT Common Grant Rules at 49 C.F.R. § 18.32(d)(5) and 49 C.F.R. § 19.34(f)(6) direct the grantee to sell that property for the highest return, FTA suggests that any auction/sales contract include a requirement to place an advertisement in the local paper in advance of the sale and/or put a notice on the agency's internet page saying that on "x" date the vehicles are being auctioned/sold on behalf of the grantee and telling interested people how to contact the auctioneer. Either option would make the buying opportunities more generally available, increasing the possibility of a higher return.

***Guidance on the methodology the FTA requires agencies to use to determine the fair market value of an asset.***

For certain assets, FTA calculates its federal interest on the basis of straight-line depreciation; the fair market value of other assets is determined on market surveys. For real property, FTA determines the fair market value on appraisals. Acceptable methodologies are described in FTA Circular 5010.1D, "Grant Management Requirements," November 1, 2008, Chapter IV.

## Asset Disposition Procedure

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### **Part 1. Initiating Asset Disposition Process**

The asset disposition process may begin when one of the following occurs:

- a) Useful life criteria for the asset has been met;
- b) Safe operation of the asset is questionable due to excessive wear, corrosion, structural integrity having been compromised, or safety issues;
- c) Cost of significant repairs or replacement of parts or major components exceeds 50 percent of the fair market value of the asset;
- d) Asset has a TAM condition rating of 2.0 or less;
- e) Asset no longer meets the organization's needs; or
- f) Agency discontinues transit services.

### **Part 2. Fair Market Value**

In determining the fair market value of an asset, auxiliary equipment which is integral to the operation of the asset, shall be included. Equipment included with the original purchase that can be removed and utilized elsewhere in the project, is not included in the fair market value.

Agencies must obtain a minimum of two (2) appraisals from qualified asset appraisers, one of which must be a bus vendor in the case of a vehicle disposition. The appraisals must be on company letterhead that indicates the name, address, and organizational affiliation of the appraiser.

Fair market value is based upon the average of the two (2) appraisals. In the event of a discrepancy or more than fifty (50) percent between the two values, a third appraisal is required.

The appraisals must be provided to the Transit Program Manager.

### **Part 3. Nevada DOT Determinations**

When an organization requests an asset be disposed, the disposition request must be completed and submitted in writing to the Nevada DOT Transit Program Manager. The disposing organization must provide the maintenance reports and any accident or incident reports for the asset in question.

The Transit Program Manager will determine if:

- a) The asset meets one or more of the conditions outlined in *Part 1, a through f*;
- b) The asset can be transferred to another eligible organization; and/or
- c) The asset has been properly maintained as indicated by the required reports.

### **Part 4. Disposition of Assets with Fair Market Value less than \$5,000**

Active Agreement Disposition - If the fair market value of the asset is determined to be less than the federal threshold of \$5,000 and the asset is under an active agreement with the Nevada DOT, the Nevada DOT will not immediately relinquish its interest in the asset. The disposing organization must contact the Nevada DOT Transit Program Manager to establish if any of the conditions in *Part 1, b through f* apply. (An active agreement with the Nevada DOT indicates that the asset has not met the minimum useful service life standard in *Part 1, a*.) At that time, the Transit Program

Manager will determine if the agreement may be closed and if the Nevada DOT will retain or relinquish its interest in the asset.

Inactive Agreement Disposition - If the fair market value of the asset is determined to be less than the federal threshold of \$5,000 and the asset is not currently under an active agreement with the Nevada DOT, the Nevada DOT will relinquish its interest in the asset. Prior to disposition activities, the disposing organization must have written concurrence from the Nevada DOT and retain the concurrence in the disposition file for the asset.

The disposition options include selling the asset, retaining the asset for uses outside the project, transferring the asset to another eligible organization, or using the asset for parts.

The Nevada DOT reserves its right to unilaterally waive any interest in any asset that has reached its minimum useful life and has fully met the terms of the agreement under which it was purchased. The organization will still be required to provide reporting and ridership data to the Nevada DOT on the asset while it is in use under any federally-assisted project.

***Part 5. Disposition of Assets with Fair Market Value greater than or equal to \$5,000***

Active Agreement Disposition - If the fair market value of the asset is determined to be greater than or equal to the federal threshold of \$5,000 and the asset is under an active agreement with the Nevada DOT, the Nevada DOT will not immediately relinquish its interest in the asset. FTA approval is required for asset disposition when the fair market value is greater than or equal to \$5,000. The disposing organization must contact the Nevada DOT Transit Program Manager to establish if any of the conditions in *Part 1, b through f* apply. (An active agreement with the Nevada DOT indicates that the asset has not met the minimum useful service life standard in *Part 1, a*.) FTA approval will be required to proceed with the disposition of the asset. At that time, the Transit Program Manager will determine if the agreement may be closed and if the Nevada DOT will retain or relinquish its interest in the asset.

Inactive Agreement Disposition - If the fair market value of the asset is determined to be greater than or equal to the federal threshold of \$5,000 and the asset is not currently under an active agreement with the Nevada DOT, the Nevada DOT will not have interest in the asset, but will contact the FTA for approval on behalf of the organization. FTA approval is required for asset disposition when the fair market value is greater than or equal to \$5,000. The disposing organization must contact the Nevada DOT Transit Program Manager to establish if any of the conditions in *Part 1, b through f* apply. FTA approval will be required to proceed with the disposition of the asset.

If approval is granted by the FTA, the disposition options include selling the asset, retaining the asset for uses outside the project, transferring the asset to another eligible organization, or using the asset for parts.

The Nevada DOT reserves its right to unilaterally waive any interest in any asset that has reached its minimum useful life and has fully met the terms of the agreement under which it was purchased. The organization will still be required to provide reporting and ridership data to the Nevada DOT on the asset while it is in use under any federally-assisted project.

### **Part 6. Selling an Asset**

Selling an asset under *Part 4* or *Part 5* must be through a competitive bid process or auction.

Steps for Selling an Asset:

- a) Determine the purpose of the disposition as indicated in *Part 1*.
- b) Acquire the Fair Market Value as indicated in *Part 2*.
- c) Acquire approval from the Nevada DOT as indicated in *Part 3*.
- d) Follow the procedure as indicated in *Part 4* or *Part 5*.
- e) If disposition is approved for the asset, the organization will advertise the disposition.
- f) If the highest offer is higher than the fair market value of the asset, the sale will go to the high bidder.
- g) If the highest offer is less than the fair market value of the asset, contact the Transit Program Manager.
- h) Once a buyer has been identified, follow the standard state, local, or organization process for transferring legal ownership of the asset.

### **Part 7. Transferring an Asset to an Eligible Organization**

In some cases, an organization will choose to transfer ownership of an asset to another eligible organization.

Transfer Under Active Agreement (FMV less than \$5,000) – The Nevada DOT approval is required in order to create new agreement for asset recipient and to close agreement for provider.

Transfer Under Active Agreement (FMV greater than or equal to \$5,000) – FTA approval is required while they maintain interest in the federally assisted asset. The Nevada DOT approval is required in order to create new agreement for asset recipient and to close agreement for provider.

Transfer Under Inactive Agreement (FMV less than \$5,000) – The Nevada DOT approval is not required, but the Transit Office should be notified in such event.

Transfer Under Inactive Agreement (FMV greater than or equal to \$5,000) – FTA approval is required while they maintain interest in the federally assisted asset. The Nevada DOT must be notified in such event so the Transit Office can contact the FTA to gain approval.

### **Part 8. Assets Involved in an Accident**

When an asset is involved in an accident, it may be repairable or it may not. In either event, the Nevada DOT should be notified via email within 48 hours.

Steps to be Taken:

- a) Determine the fair market value of the asset. The fair market value of the asset is what the value would have been prior to the incident.
- b) Determine the cost to repair the vehicle.
- c) If the asset is totaled:
  - a. The fair market value, prior to incident, was less than \$5,000, see *Part 4*.

- b. The fair market value was, prior to incident, greater than or equal to \$5,000, see *Part 5*.
- d) If the asset is not totaled:
  - a. The asset is repaired and safety inspected.
  - b. The agency elects not to repair the asset:
    - i. The fair market value was, prior to incident, less than \$5,000, see *Part 4*.
    - ii. The fair market value was, prior to incident, greater than or equal to \$5,000, see *Part 5*.

**APPENDIX E to FTA C 5010.1E**

ROLLING STOCK STATUS REPORT

1. GENERAL. When an organization is disposing of vehicles that have met their minimum useful life that have a fair market value greater than \$5,000, or is disposing of vehicles before they reach their minimum useful life, or is requesting a revision to the Award affecting those vehicles, the Rolling Stock Status Report (See example on next page) should include the following information:

- a. Vehicle Number
- b. Year
- c. Make/Model
- d. Vehicle Identification Number (VIN)
- e. Date Placed in Revenue Service
- f. Date Removed from Revenue Service
- g. Minimum Useful Life (Years and Miles)
- h. Mileage (At the time Removed from Revenue Service)
- i. Total Number of Vehicles
- j. Total Number of Peak Vehicle Requirements
- k. Total Number of Spare Vehicles

2. REPLACEMENTS AT THE END OF THE MINIMUM USEFUL LIFE. Rolling Stock Status Reports must accompany a request for a replacement vehicle that has met its minimum useful life. The report will be used to verify that a vehicle has met the minimum useful life and that there is no remaining federal interest. Note: Though the remaining federal interest might be zero, if the asset's value exceeds \$5,000, FTA may still be entitled to reimbursement. See Chapter IV, subsection 4.o, "Disposition of Equipment and Supplies," for more information about project property valued over \$5,000.

3. EARLY DISPOSITION. Rolling Stock Status Reports must accompany a request for early disposition of vehicles. The report will be used to verify the remaining federal interest in the vehicles.

4. EXAMPLE. An example of a Rolling Stock Status Report for vehicles pending disposal with and without remaining federal interest or budget revision affecting vehicles is shown on the following page.

**Example: Rolling Stock Status Report**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Vehicle #	Vehicle Year	Make/Model or Vehicle Description	Date in Service	Out of Service	Fed Useful Life (yr)	Actual Service (yr)	Remaining yrs	Remaining % based on yrs	Actual Mileage	Minimum Useful Life Mileage	Remaining % based on miles	Total Federal Share	Remaining Fed Share based on yrs	Remaining Fed Share based on miles
151	2000	30' New Flyer	9/1/00	9/1/07	7	7	0	-0.04%	200,000	200,000	0.00%	\$120,000	-	-
152	2000	30' New Flyer	9/1/00	9/3/07	7	7	-0.01	-0.12%	200,000	200,000	0.00%	\$120,000	-	-
154	2000	30' New Flyer	9/1/00	9/2/07	7	7	-0.01	-0.08%	210,000	200,000	-5.00%	\$120,000	-	-
155	2000	30' New Flyer	9/1/00	9/2/07	7	7	-0.01	-0.08%	205,000	200,000	-2.50%	\$120,000	-	-
156	2000	30' New Flyer	3/1/01	3/1/06	7	5	2	28.53%	140,851	200,000	29.57%	\$120,000	\$34,239	\$35,489
157	2000	30' New Flyer	3/1/01	3/1/06	7	5	2	28.53%	154,649	200,000	22.68%	\$120,000	\$34,239	\$27,211
158	2000	35' Flexible	3/1/01	6/3/06	10	5.3	4.74	47.40%	200,000	350,000	42.86%	\$120,000	\$56,877	\$51,429
159	2001	35' Flexible	3/1/01	6/3/06	10	5.3	4.74	47.40%	300,000	350,000	14.29%	\$195,000	\$92,425	\$27,857
160	2001	35' Flexible	3/1/01	11/2/07	10	6.7	3.32	33.23%	300,000	350,000	14.29%	\$195,000	\$64,804	\$27,857
161	2001	35' Flexible	3/1/01	7/2/07	10	6.3	3.66	36.60%	325,000	350,000	7.14%	\$195,000	\$71,375	\$13,929
163	2001	35' Flexible	3/1/01	11/2/07	10	6.7	3.32	33.23%	325,000	350,000	7.14%	\$195,000	\$64,804	\$13,929
164	1996	40' Buses	3/21/96	4/3/06	12	10	1.96	16.32%	425,000	500,000	15.00%	\$295,000	\$48,156	\$44,250

## APPENDIX TWO

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### **ASSET REHABILITATION AND ROLLING STOCK REPOWERING**

Active Agreement Asset Rehabilitation - If the useful service life for an asset has not been met and the asset is under an active agreement with the Nevada DOT, the Nevada DOT will not immediately relinquish its interest in the asset. FTA approval is required for asset rehabilitation when the useful service life has not been met. The rehabilitating organization must contact the Nevada DOT Transit Program Manager to establish the purpose, need, and cost of rehabilitation. (An active agreement with the Nevada DOT indicates that the asset has not met the minimum useful service life standard in *Part 1, a.*) FTA approval will be required to proceed with the rehabilitation of the asset. If the asset is approved for rehabilitation, the Transit Program Manager will amend the agreement to permit for the extended useful service life the asset may incur, which is typically a minimum of four (4) years.

Inactive Agreement Asset Rehabilitation - If the useful service life for an asset has been met and the asset is not under an active agreement with the Nevada DOT, the Nevada DOT will regain its interest in the asset if federal assistance is used for rehabilitation. The rehabilitating organization must contact the Nevada DOT Transit Program Manager to establish the purpose, need, and cost of rehabilitation. If the asset is approved for rehabilitation, the Transit Program Manager will create a new agreement to permit for the extended useful service life the asset may incur, which is typically a minimum of four (4) years.

Active Agreement Rolling Stock Repowering - If the useful service life for an asset has not been met and the asset is under an active agreement with the Nevada DOT, the Nevada DOT will not immediately relinquish its interest in the asset. FTA approval is required for rolling stock repowering when the useful service life has not been met. The rehabilitating organization must contact the Nevada DOT Transit Program Manager to establish the purpose, need, and cost of rehabilitation. (An active agreement with the Nevada DOT indicates that the asset has not met the minimum useful service life standard in *Part 1, a.*) FTA approval will be required to proceed with the rehabilitation of the asset. If the asset is approved for rehabilitation, the Transit Program Manager will amend the agreement to permit for the extended useful service life the asset may incur, which is typically a minimum of four (4) years.

Inactive Agreement Rolling Stock Repowering - If the useful service life for an asset has been met and the asset is not under an active agreement with the Nevada DOT, the Nevada DOT will regain its interest in the asset if federal assistance is used for repowering. The repowering organization must contact the Nevada DOT Transit Program Manager to establish the purpose, need, and cost of rolling stock repowering. If the asset is approved for repowering, the Transit Program Manager will create a new agreement to permit for the extended useful service life the asset may incur, which is typically a minimum of four (4) years.

# Asset Disposition Form



Agency Vehicle ID #

Asset/Vehicle Type

VIN

Build Month/Year

Ownership Type

Original Funding Type

Original Purchase Price

Condition Rating

Rehabilitation Mileage/Date:

Repowering Mileage/Date:

1. Indicate which of the following has occurred:

- g) Useful life criteria for the asset has been met;
- h) Safe operation of the asset is questionable due to excessive wear, corrosion, structural integrity having been compromised, or safety issues;
- i) Cost of significant repairs or replacement of parts or major components exceeds 50 percent of the fair market value of the asset;
- j) Asset has a TAM condition rating of 2.0 or less;
- k) Asset no longer meets the organization's needs; or
- l) Agency has discontinued transit services.

2. Attach copies of accident or incident reports, maintenance reports, or other relevant documents to this form.

3. Attach the minimum of two (2) appraisals from a qualified asset appraiser to this form.

4. Does the agency intend to:

- Sell the asset;
- Transfer the asset to another eligible organization; or
- Other: \_\_\_\_\_

## Authorized Signature

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NDOT USE ONLY

APPROVAL: \_\_\_\_\_

Does the asset meet any of the following criteria?

- d) The asset meets one or more of the conditions outlined in the Asset Disposition Procedure, *Part 1, a through f*;
- e) The asset can be transferred to another eligible organization; and/or
- f) The asset has been properly maintained as indicated by the required reports.

