

Section 5310 Asset/Vehicle Disposals

City of Phoenix

Revised: May 2024

The City of Phoenix Public Transit Department (PTD) is the primary recipient of federal funds dispersed to subrecipients for the purchase and acquisition of fleet and related equipment. Vehicles and equipment acquired with federal funds are to be utilized for their intended purpose and for a time/mileage specified by the Federal Transit Administration (FTA). Disposition requirements apply to equipment that has met its useful life, as well as equipment that is prematurely withdrawn from service before its useful life has ended.

Subrecipients are required to obtain approval from PTD prior to disposal of any federal asset received through an FTA program. Subrecipients are to work with PTD staff on all requests for disposals. PTD follows the FTA’s Award Management Requirements Circular (5010.1F) for all asset disposals. Please note: Assets obtained via ADOT must be handled through ADOT.

Disposal Process for Vehicle Sales:

Written Notice of Intent. Subrecipients are required to submit to PTD a written notice of intent PRIOR to the disposition of a federally funded asset. Subrecipient agency must complete and submit a vehicle disposal request form. Subrecipients should attach important related documents such as the repair quotes, etc. Link to form: https://www.phoenix.gov/publictransitsite/Documents/5310_Vehicle_Disposal_Request_Form.pdf.

The notice should be sent to Section5310@phoenix.gov and copy the Federal Grants Administrator Wendy.Miller@phoenix.gov. **PTD will review the notice and reply with the next steps based upon the type of disposal requested by the subrecipient.**

All requests to dispose should contain the following information:

- Type of Disposal (Early Disposition or Useful Life Met);
- Intended Action of Disposal (Private Sale, Auction, Like-Kind Exchange, Retain & Use Elsewhere, Transfer to Other Grantee, Casualty/Insurance);
- Vehicle Number, Year, Make/Model, VIN, Assigned Vehicle Number, and the Standard Useful Life of Vehicle for vehicle type (i.e., 12 years/\$500,000);
- Last reported mileage, vehicle location and the condition when removed from service – **See condition definitions below**;
- Acquisition Date, Date Placed in Service, and Date Removed from Service;
- Useful Life Calculation including all periods of out-of-service time of 30+ days;
- Federal Award Identification Number (FAIN) and Grant Pass Through Agreement number where vehicle was funded;
- Original acquisition cost, federal & local share amounts and federal & local participation percentages;
- Current Fair Market Value (FMV) and method used to determine FMV (if known). PTD Staff may assist in determining FMV.

VEHICLE CONDITION DEFINITIONS

VEHICLE CONDITION DEFINITIONS (Cond. Code)	
Excellent	Brand new or less than one year old, no major problems exists, or only routine preventative maintenance is required.
Good	Elements are in good working order, requiring only nominal or infrequent minor repairs.
Adequate	Requires frequent minor repairs or infrequent major repairs. Elements are in adequate working order and the asset's usage can continue.
Poor	Requires frequent major repairs, elements are in poor working order, and/or future usage requires significant investment, which may not be cost-effective.
Failure	In sufficiently poor condition that continued use is impossible or non-cost-effective.

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Types of Disposals:

Disposal options differ depending on if the disposal is BEFORE or AFTER the End of Useful Life and if the current value of the vehicle is GREATER or LESS than \$5,000.

Useful life is reached when the vehicle has surpassed the useful life defined for the specific vehicle type in EITHER years in service or mileage.

- Minivans & Passenger Vans must be in service for a minimum of either 4 years or 100,000 miles.
- Raised Roof vans and Cutaways with lifts or ramps must be in service for a minimum of either 5 years or 150,000 miles.

Dispositions of property with proceeds or fair market value less than \$5,000 do not require FTA approval and no federal interest is due back to FTA.

Dispositions of property with proceeds or fair market value greater than \$5,000- subrecipients retain the sum of \$5,000 plus the percentage of its local share in the original award of the remaining proceeds. Any remaining Federal share must be returned to FTA in proportionate amount. Subrecipients remit the payment of the Federal share to PTD and PTD submits payment to FTA via pay.gov.

For example, if a bus, purchased with federal assistance at an 80/20 split, is sold for the fair market value of \$12,000, the recipient retains \$5,000 plus 20% of the remaining \$7000, or \$1,400, for a total of \$6,400. The recipient is required to return 80% of \$7,000, or \$5,600, to FTA. *If the original federal assistance was split 85/15, the percentages are adjusted.

Sale Amount: \$12,000
Subrecipient keeps first \$5,000
Remaining Balance = \$7,000

Subrecipient keeps 20% of remaining balance - \$1,400 plus original \$5,000 = **\$6,400**
FTA retains 80% of the remaining balance - **\$5,600**

Disposition AFTER the End of Useful Life is Reached. Per FTA requirements, there are three options available to dispose of the vehicles that have reached/exceeded their useful life: (1) retain and use them for other transit projects or programs; (2) sell/auction them; or (3) buy out the federal interest.

1. Retain & Use Elsewhere

- Subrecipient must provide PTD the information at the time of request on where and how the vehicle will be used.
- PTD will review to ensure vehicle has met useful life. If it meets the requirements, PTD will provide concurrence and approval to proceed with using the vehicle elsewhere.
- PTD will be update the vehicle information/location in the federal asset database.
- All federal requirements still apply until the vehicle will be disposed of permanently. A new request to permanently dispose of the vehicle must be submitted at that time.

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2. Disposition by Sale or Auction

- Subrecipient must submit the form requesting disposal by sale or auction along with all required disposal documentation to Section5310@phoenix.gov.
- PTD will review to ensure vehicle has met useful life. If it meets the requirements, PTD will provide concurrence and approval to proceed with the disposition.
- Once the vehicle is sold/auctioned, the subrecipient will forward the final sale information.
- If any federal interest is due FTA, Subrecipient will furnish the payment to PTD. PTD will submit the payment to FTA via pay.gov.
- The vehicle disposition information will be updated in the federal asset database.

3. Buyout of Federal Interest. For vehicles with a value of greater than \$5,000, subrecipients have the option of buying out the federal interest on the vehicle.

- PTD uses the FMV range mid-point to determine the federal buyout amount.

Sale to the Public. Vehicles must be sold in an open competitive process. The vehicles are required to be advertised for sale publicly (listed on agency website, newspaper, publications for vehicle sales- both online and/or print, etc.). Subrecipients must abide by the fair market value range and is prohibited from selling the vehicles at an amount less than the lowest amount of the range.

1. **Public Sale**. If your agency opts to sell the vehicles, the vehicles must be advertised publicly as noted above and proof of advertisement must be retained, with a copy provided in the final disposition documentation.
2. **Approval of Offer**. Prior to finalizing the transaction for a final sale, your agency must provide written documentation of the final sales offer. Documentation can be emailed to Section5310@phoenix.gov. PTD will review and if the sale meets all criteria, then PTD will provide written approval to proceed with the sale. PTD will provide a final calculation of the federal interest due and the titles/lien releases for the vehicles will be mailed.
3. **Sale Proceeds**. Once the sale is final, your agency must mail a check payable to the "City of Phoenix" as indicated in your final calculation, along with all vehicle disposition documentation within five business days.

Sales Via Auctions and Third-Party Private Dealers. Vehicles may not be sold at auctions or private dealers (third parties) unless the following conditions are met per FTA guidelines:

1. The subrecipient must have a written contract with the auction company. The auction contract must include a requirement to place an advertisement in the local paper in advance of the sale and/or put a notice on the subrecipient's internet page saying that on "X" date the vehicles are being auctioned on behalf of the subrecipient and telling interested people how to contact the auctioneer.
2. If a fleet management company sells the FTA property, it is required to sell the vehicle at the highest possible return. Fair process would require a sufficient number of wholesale dealers interested in acquiring the vehicles. Simply selling them to the vendor they originally purchased from is not sufficient.

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Disposition Documentation. All disposition documentation from the sale must be provided to the City for record-keeping. Upon disposition, the following required information and documentation should be provided within five business days following the sale (see Vehicle Details Chart example):

Required Information & Documentation:

- Vehicle make, model, and year (e.g., 2015 Starcraft Allstar, Ford Transit, etc.);
- Vehicle identification number and license plate number;
- Federal Award Information Number (FAIN);
- Useful life and any useful life exceptions;
- The Section 5310 program year when the vehicle was awarded by the City;
- Grant agreement number under which the vehicle was awarded;
- Delivery date and in-service date (if different) & Date removed from service;
- Original acquisition cost, federal & local share amounts and percentages;
- Last reported mileage and condition;
- Amount and Date of final disposal, final proceeds & federal interest to be returned or reinvested;
- Written Record of fair market valuation & method used to determine FMV;
- Sale information (documentation of final sale including price, buyer information, proof of public advertisement, etc.), if applicable; and
- A check in the amount of federal interest, if applicable.
- All vehicle maintenance records, logs, receipts since last submitted annual report

Disposition BEFORE the End of Useful Life.

Any disposition of Federally assisted property before the end of its useful life requires prior FTA written approval. FTA is entitled to its share of the remaining Federal interest. There are three options – (Casualty) Like-Kind Exchange, (Casualty) Return federal interest to FTA, or Transfer to another grantee.

For all Early Disposition requests:

- Subrecipient must provide a letter addressed to the Public Transit Director requesting early disposal with all required disposal documentation.
- PTD will review to ensure vehicle has met early disposition requirements. If it meets the requirements, PTD will request FTA approval for early disposition.
- Once the FTA approval is obtained, PTD will notify subrecipient to proceed with the disposal.
- If any federal interest is due FTA, Subrecipient will furnish the payment to PTD. PTD will submit the payment to FTA via pay.gov.
- Once the vehicle is disposed, the subrecipient will forward the final disposition information.
- The vehicle information/location/disposition will be updated in the federal asset database.

1. 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 and subsequent Federal interest 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

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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.

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 apply those proceeds to the cost of replacing the Federally assisted property that is damaged or destroyed or taken out of service, whereas FTA will retain a Federal interest in the replacement property at the same percentage of Federal interest as the original property. The Federal interest is not dependent on the extent of insurance coverage or on the insurance adjustment received.

The recipient may fulfill its obligations to remit the Federal interest by either returning to FTA an amount equal to the remaining Federal interest in the withdrawn Federally assisted property; or With prior FTA approval, following the Like-Kind Exchange Policy.

- Return Federal Interest to FTA. Return to FTA an amount equal to the remaining Federal interest in the Federally assisted property that is lost, damaged, or destroyed. For purposes of calculating the Federally assisted property, assume the property is in a state of good repair. This is done using the pay.gov system.
 - Like-Kind Exchange. With prior FTA approval, following the Like-Kind Exchange Policy. In lieu of returning the Federal share to FTA, a recipient may elect to transfer the remaining Federal interest to the acquisition of new, replacement equipment of like kind. Under the Like-Kind Exchange Policy, proceeds from the Federal share of the equipment disposition 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.
2. Transfer of Rolling Stock—Recipient-to-Recipient. With prior FTA approval, a recipient may transfer rolling stock 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 might be in different Regional Offices. When the rolling stock has remaining useful life, the following information should be submitted:
- 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.

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- 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 vehicle, 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.

- A Rolling Stock Status Report. Each recipient should provide a rolling stock status report that includes all information as identified in Appendix F. 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.

The following requirements must be met for federally funded property disposals:

Determining Fair Market Value (FMV). Subrecipients must abide by the fair market value range and is prohibited from selling the vehicles at an amount less than the lowest amount of the range.

Currently, the Fair Market Value is determined as follows:

1. For accessible vehicles (Minivan with Ramp, Raised Roof Van, Cutaways) either with repairs needed or no repairs, the City of Phoenix engages a dealership to complete a desktop appraisal and provide the FMV range based on the local market. For vehicles needing repair, the subrecipient will need to provide at least one written quote from a qualified vendor establishing the cost of repairs. PTD Operations staff then reviews the appraisal for concurrence.
2. For standard, non-accessible vehicles without repairs needed, PTD uses Kelley Blue Book and/or Nada Guide private party sales data to determine FMV. PTD Operations staff then reviews the appraisal for concurrence.
3. When determining FMV of a standard, non-accessible vehicle that requires significant repairs, there are four options.
 - a. Subrecipient obtains three "AS IS" appraisals from a qualified source such as dealerships, vehicle appraisal companies, etc. PTD Operations staff then reviews the FMV for concurrence.

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- b. Subrecipient provides at least one written quote from a qualified vendor establishing the cost of repairs. PTD then researches Kelley Blue Book and/or Nada Guide private party sales data to determine FMV. PTD Operations staff then reviews both the repair quotes and the FMV for concurrence. The average cost of the repairs may then be subtracted from the current FMV of the vehicle to determine final FMV in AS IS condition.
- c. Subrecipient repairs the vehicle and PTD then researches Kelley Blue Book and/or Nada Guide private party sales data to determine FMV. PTD Operations staff then reviews the FMV for concurrence.
- d. Subrecipient may utilize the auction process to dispose of the vehicle. As long as the auction requirements of met, the FMV value is established by the final sale price at auction.

Surrenders or Forfeiture of Assets/Equipment. Subrecipients subject to forfeiture of assets or equipment may be held responsible for repairs, maintenance, and other related costs associated with the disposal or transfer of the asset. These funds due will be subtracted from any local match due the subrecipient, or if no match due, may be billed to the subrecipient. Per City of Phoenix and Maricopa Association of Governments policy, subrecipients who relinquish any vehicles prior to the end of their useful life will be prohibited from applying for additional funding for any vehicles for two grant cycles.

Replacement at End of Minimum Useful Life. Project property to be replaced must have achieved at least the minimum useful life. For purposes of bus replacement projects, 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. Official property records (or a Rolling Stock Status Report), in which future needs (expansion and replacement) are discussed, must be available upon request.

Highest Possible Return. All subrecipients are required to sell the vehicle at the highest possible return. If the vehicle is going to be sold, fair market value (FMV) must be established and approved by the City of Phoenix prior to the sale. FMV is determined in several ways - values are obtained from Kelley Blue Book (KBB), NADA Guide, dealerships quotes, appraisals, insurance adjusters and online sales of like vehicles. If an on-line search is used to research a vehicle's value, use the make, model, year and VIN number (if possible) to narrow the search.

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VEHICLE INFORMATION FORM

(Date of Request)

Requested Method of Disposition

City of Phoenix Public Transit Department
302 N 1st Avenue, Suite 900
Phoenix, AZ 85003

Dear Section 5310 Program Manager:

In the section below, I am including the information needed to facilitate this transaction.

For Coordination Purposes	
Select all that apply to this vehicle	
Bike Rack	<input type="checkbox"/>
Ramp or Lift	<input type="checkbox"/>
Farebox	<input type="checkbox"/>
Under Warranty	<input type="checkbox"/>
# of Securement Areas	<input type="text"/>
# of Seats	<input type="text"/>
Fuel Type	<input type="text"/>

Agency Name:

COP/MAG Identified Vehicle Type (e.g. cutaway with lift)	Vehicle Make and Model	Vehicle Model Year	Current Vehicle Mileage	Delivery Date/ Date Put into Service	Date removed from Service	VIN Number	Original Purchase Cost with Identified Federal/ Local Match Ratios	Original Funding Year (Year of Award/ Agreement)	Original Agreement Number

Briefly describe the condition of the vehicle(s) to include dents, dings, scratches, mechanical failures, etc.

We request vehicle transfer or disposition because

If you have any questions, please contact

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