

**City of Phoenix Public Transit Asset/Vehicle Disposals**  
**Revised: April 25, 2023**

**Subrecipients are required to obtain approval from the City of Phoenix prior to disposal of any federal asset received through their Section 5310 program. Subrecipients are to work with the City of Phoenix on all requests for disposals.** A lien-released vehicle does not provide an agency with the opportunity to trade in or sell the vehicle without prior approval from the City of Phoenix. Please note: Assets obtained via ADOT must be handled through ADOT.

**Disposal Process for Vehicle Sales:**

Written Notice of Intent. Subrecipient agency must complete and submit a vehicle disposal request form. This form is considered a written notice of intent to either retain, transfer the vehicles to another grantee, sell, or buy out the federal interest. Link to form: [https://www.phoenix.gov/publictransitsite/Documents/5310\\_Vehicle\\_Disposal\\_Request\\_Form.pdf](https://www.phoenix.gov/publictransitsite/Documents/5310_Vehicle_Disposal_Request_Form.pdf) . The completed form should be emailed to [Section5310@phoenix.gov](mailto:Section5310@phoenix.gov). Subrecipients should include important related documents such as repair quotes.

Once the City of Phoenix reviews the request, Phoenix will reply to the email with the next steps based upon the type of disposal preferred by the subrecipient.

**Types of Disposals:**

Disposal options differ depending on if the vehicle is disposed AFTER or BEFORE 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.

**Disposition AFTER the End of Useful Life is Reached.** Per FTA requirements, there are four 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) transfer them to another grantee; (3) sell them; or (4) buy out the federal interest.

Retain and Use Elsewhere. After the minimum useful life of project property is reached and is no longer needed for the original project or program, it may be used by the grantee for other transit projects or programs. FTA prior approval of this alternative is not required. (City of Phoenix prior approval is required). FTA retains its interest if the fair market value of the project property is over \$5,000.

Fair Market Value of Less than \$5,000 Value. After the service life of project 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.

**AFTER NOVEMBER 15, 2021 – Fair Market Value of Over \$5,000.**

The Infrastructure Investment and Jobs Act (IIJA) changed the provisions for transit asset disposition [49 USC § 5334(h)(4)(B)]. For rolling stock, equipment and aggregate supplies

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that have met their minimum useful life and were (1) purchased with federal assistance (2) with a fair market value of more than \$5,000 and (3) sold after November 15, 2021, the recipient may retain a portion of the funds -- \$5,000 plus the percentage of its local share in the original award. Any remaining federal share must be returned to FTA.

The distribution of the local and federal shares starts with the sales proceeds of the item sold for fair market value. Of that amount, the recipient retains \$5,000. Of the remaining amount of the sales proceeds, the recipient retains the amount calculated by its percentage of participation in the cost of the original purchase. 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.

**Transfer of Rolling Stock—Grantee-to-Grantee.** For property where the useful life has been met and with prior City of Phoenix and FTA approval, a subrecipient may transfer rolling stock to another grantee. In such event that transfer of rolling stock is desired prior to the end of useful life, the Federal interest of the vehicles will be transferred, and therefore, there is no obligation to reimburse FTA. However, no additional FTA funds may be used to acquire the vehicles. Subrecipients must coordinate with City of Phoenix to request the transfer and the following information should be submitted:

1. **A written request for approval to transfer/receive vehicles.** The request should include the transferor/transferee grantee name, list of vehicles (year, make, model), date placed in revenue service, date removed from revenue service, grant number which originally funded the vehicle, mileage, remaining useful life, Federal share of remaining useful life, reasons for transfer.
2. **A Board Resolution (or other appropriate legal action) from each subrecipient—transferor and transferee.** The transferring subrecipient's board resolution (or other appropriate legal action) should identify the receiving subrecipient, a statement that the vehicles are no longer required, a list of the vehicles to be transferred including VINs, mileage, make, model, year, date in/out of service and the remaining Federal interest that is transferred to the receiving subrecipient. The receiving subrecipient's board resolution should identify the transferring subrecipient, a statement that the vehicles are needed for revenue service, a list of the vehicles to be acquired including VINs, mileage, make, model, year, date in/out of service and the remaining Federal interest for each vehicle, agreement that the vehicle(s) will be maintained in accordance and in compliance with FTA requirements, and that the transferred vehicles will be included in its equipment inventory records.

**Buyout of Federal Interest.** 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

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the range. Subrecipients are allowed to deduct up to 10% or \$500 from the final proceeds (whichever is less) to cover the expenses associated with the sale of the vehicle(s) and must provide receipts or written documentation for those expenses.

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](mailto: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.
4. **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;
- Current Fair Market Value (FMV) and method used to determine FMV
- Amount and Date of final disposal, sales expenses, 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.**

**Casualty, Fire, Natural Disaster, and Misused Property**. When project 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 project property results from abuse or misuse occurring with the subrecipient's knowledge and consent,

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the grantee agrees to restore the project property to its original condition or refund the value of the Federal interest in that property. The subrecipient may fulfill its obligations to remit the Federal interest by either: (1) With prior FTA and City of Phoenix approval, investing an amount equal to the remaining Federal interest in like-kind property eligible for assistance, if the like-kind property is within the scope of the project that provided Federal assistance for the property prematurely withdrawn from use; or (2) Returning to FTA an amount equal to the remaining Federal interest in the withdrawn project property.

**Insurance Proceeds.** For totaled vehicles, the subrecipients' insurance companies will work directly with the City of Phoenix staff on the disposal of the vehicle. The insurance companies establish the Fair Market Value (FMV) and The City of Phoenix Operations staff then reviews the FMV for concurrence. *Note:* Vehicles that have been involved in an accident and are considered a total loss cannot be kept for the purpose of cannibalizing the parts after the insurance has paid for the loss.

The Federal interest is not dependent on the extent of insurance coverage or on the insurance adjustment received. If the grantee receives insurance proceeds when project property has been lost or damaged by fire, casualty, or natural disaster, the grantee agrees to: (1) Apply those proceeds to the cost of replacing the damaged or destroyed project property taken out of service, or (2) Return to FTA an amount equal to the remaining Federal interest in the lost, damaged, or destroyed project property.

**Federal Interest.** FTA is entitled to its share of the remaining Federal interest. The Federal interest is determined by calculating the fair market value of the project property immediately before the occurrence prompting the withdrawal of the project property from appropriate use. If project property is being removed from service before the end of its useful life, the Federal interest and the return to FTA is the greater of FTA's share of the unamortized value of the remaining service life per unit, based on straight line depreciation of the original purchase price, or the Federal share of the sales price (even though the unamortized value is \$5,000 or less). The following example is provided to determine the straight-line depreciation of a vehicle: for a 4-year, 100,000-mile minimum service life, the vehicle's value decreases each year by one-fourth of its original purchase price. Alternatively, the value decreases for each mile driven 1/100,000 of its original purchase price. The unamortized value of the remaining service life per unit is the greater value obtained by calculating the straight-line depreciation based on either miles or years, whichever is more advantageous to the grantee.

**Vehicle Trade-Ins.** If the vehicle is traded in for a new vehicle, the trade in value would lower both the federal and local share of the vehicle equally based on the match ratio used when vehicle was originally purchased. Documentation from the sale must be provided to the City of Phoenix for record-keeping.

**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:

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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. The City of Phoenix Operations staff then reviews the appraisal for concurrence.
2. For standard, non-accessible vehicles without repairs needed, the City of Phoenix researches Kelley Blue Book and/or Nada Guide private party sales data to determine FMV. The City of Phoenix 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. The City of Phoenix Operations staff then reviews the FMV for concurrence.
  - b. Subrecipient provides at least one written quote from a qualified vendor establishing the cost of repairs. The City of Phoenix then researches Kelley Blue Book and/or Nada Guide private party sales data to determine FMV. The City of Phoenix 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 the City of Phoenix then researches Kelley Blue Book and/or Nada Guide private party sales data to determine FMV. The City of Phoenix 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

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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.

**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.

**VEHICLE DETAILS CHART - EXAMPLE**

VEHICLE OWNER & ADDRESS: XXXX	Vehicle# 1	Vehicle# 2	Vehicle# 3
Vehicle Year	2015	2015	2014
Vehicle Type:	Starcraft Starlite	Starcraft Starlite	Starcraft Starlite
VIN	1FDEE3FS2xxxxxxxx	1FDEE3FS6xxxxxxxx	1FDEE3FL8xxxxxxxx
License Plate	WCABC123	WCDEF123	WCGHI123
Federal Award Information Number	AZ-16-X003	AZ-16-X003	AZ-16-X002
Useful Life (per FTA c.5010.1E)	5-years or 150K	5-years or 150K	5-years or 150K
Useful life exceptions (out of service >30 days)			
Program Year	2014	2014	2013
Agreement #	13xxxx	13xxxx	13xxxx
Date Delivered/ In-Service	3/4/2015	3/4/2015	8/27/2014
Date Removed from Service			
Original Federal Share	\$46,503	\$46,503	\$48,582
Original Local Share	\$8,206	\$8,206	\$8,573
Original Price of Vehicle (Acquisition Cost)	\$54,709	\$54,709	\$57,155

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Federal/Local Match 80/20 or 85/15	85/15	85/15	85/15
Last Reported Mileage	98,039	98,069	59,366
Last Reported Condition	Adequate	Adequate	Adequate
Method Used to Determine FMV	Dealer quote	Dealer quote	Dealer quote
FMV Upper Range	\$5,500	\$5,500	\$6,600
FMV Lower Range	\$8,250	\$8,250	\$9,900
Date of Disposal			
Sale Price			
Sale Expenses (not to exceed \$500 or 10% of the sale price, whichever is less)			
Final Proceeds			
Federal Interest to Return (80 or 85% x Final Proceeds)			