



Kansas RTAP Fact Sheet

A Service of the Kansas Rural Transit Assistance Program — for Transit Agencies

What is Involved in Transit Vehicle Disposition?

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Introduction

Agencies that receive funding from KDOT for the purchase of transit vehicles enter into a contract that requires those vehicles be used for the provision of transit throughout the useful life of the vehicle. After the vehicle has met that useful life threshold, the agency may retain the vehicle in service, or may dispose of the vehicle. This article will provide information about the Federal Transit Administration and KDOT rules related to vehicle disposition.

What does the Term “Vehicle Disposition” Mean

For the purposes of the Federal Transit Administration, “Vehicle Disposition” is the general term for the disposal of a vehicle by an agency. This can include the sale of a vehicle, retaining the vehicle for non-FTA transit uses, or selling viable portions of the vehicle for parts. **How to Determine the Useful Life of Your Vehicle**
For standard vehicles in the KDOT transit program, KDOT will consider disposition when a vehicle reaches five years of age, 100,000 miles and/or if the vehicle has extensive and excessive maintenance. If requesting a disposition due to extensive or excessive maintenance, the agency must submit documentation of the maintenance quote with their application for a replacement vehicle. (Kansas RTAP Kansas Transit Manager Handbook 2017)

How to Dispose of a Vehicle with Remaining Useful Life

If the transit agency is seeking to dispose of a vehicle before it reaches five years of age or 100,000 miles, there is still federal interest in the

vehicle. Sub-recipients who request a lien release before the useful life of the vehicle has expired are required to pay 80 percent of fair market value to KDOT, representing the federal share of purchase. The proceeds from the disposition are deposited in the General Fund at KDOT and used for maintenance and other capital-related expenditures within the Section 5310, 5311, and 5339 programs. (State Management Plan for Kansas Public Transportation Programs, April 2017)

If your vehicle has been “totaled”

Should an FTA-funded vehicle be considered a total loss by insurance due to a crash, fire or natural disaster, the FTA 5010 Circular (Grant Management Requirements) includes the following requirements:
(11) 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 grantee’s knowledge and consent, the grantee agrees to restore the project property to its original condition or refund the value of the Federal interest in that property. The grantee may fulfill its obligations to remit the Federal interest by either:
(a) With prior FTA 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

(b) Returning to FTA an amount equal to the remaining Federal interest in the withdrawn project property.

In essence, the FTA 5010 Circular states that if there is a natural disaster, the totaled equipment must be replaced or refunded at the value it had immediately prior to the event. If the disaster was based on misuse, the replacement or refund must be at the original cost. This can be either as a replacement of the product or through a monetary contribution.

FTA 5010 further states that if insurance proceeds are provided, that amount should be applied to the project or returned to FTA in the amount of the Federal interest, but the Federal interest is not determined based on the amount of insurance coverage or the adjustment received. Rather it is based on the straight-line depreciation formula approved by FTA.

How to Dispose of a Vehicle with No Remaining Useful Life

Once a transit vehicle purchased through the KDOT program reaches 100,000 miles and/or five years of age, it is eligible for disposition. An agency can choose to dispose of this vehicle when replacing it with a new vehicle or to retire the vehicle from service. To dispose of a vehicle, the sub-recipient must apply for a release of lien from Kelly Broxterman, KDOT. If appropriate, KDOT responds with a letter of release. Once released, the vehicle is no longer eligible for operating assistance from Section 5311 funds, except under unusual circumstances approved in advance by KDOT. (KDOT State Management Plan for Kansas Public Transportation Programs, April 2017) Each transit agency is responsible for setting their own guidelines for the sale of released transit vehicles and the policy should be in writing and

included with all other policies. If the vehicle is sold for more than \$5,000, agencies are required to notify Kelly Broxterman, KDOT. Sales over \$5,000 will be subject to the 80/20 repayment to FTA for their share in the asset. Agencies must submit a copy of the bill of sale on all vehicles to Kelly Broxterman, KDOT, for final processing. Transit providers who sell released vehicles must take off all KDOT required labeling and identifying transit program stickers. Photographs verifying the labeling has been removed must be submitted to Kelly Broxterman, KDOT, before the provider agency can sell a transit vehicle. (KDOT Policy Manual Office of Public Transportation April 3, 2018)

Documentation Needed

Proper documentation of an agency's vehicle disposition process and of all dispositions that have occurred is federally required. Triennial reviewers will ask KDOT sub-recipients about their awareness of the vehicle disposition process and of their records of previous dispositions. Included in the records of previous dispositions should be the date of disposal and sale price, or, where applicable, method used to determine its fair market value, and who holds title to the vehicle. (FTA 5010 Circular Grant Management Requirements)

Summary

All transit agencies must have a written process for vehicle dispositions and records for previous dispositions. Working closely with staff at KDOT on the disposition process is essential to make certain all rules are followed when removing a vehicle from the KDOT program. Kelly Broxterman, of the KDOT Office of Public Transportation, leads all efforts related to vehicle purchase and disposal. She can be reached at kelly.broxterman@ks.gov.

Sources for this Article

State Management Plan for Kansas Public Transportation Programs, April 2017

https://www.ksdot.org/Assets/wwwksdotorg/bureaus/burTransPlan/pubtrans/pdf/Kansas%20SMP%20Revision%20April%202017_final.pdf

KDOT Policy Manual Office of Public Transportation, April 3, 2018

<https://www.ksdot.org/Assets/wwwksdotorg/bureaus/burTransPlan/pubtrans/pdf/2018%20Public%20Transportation%20Policy%20Manual%20FINAL.pdf>

Kansas RTAP Kansas Transit Manager Handbook 2017

<https://www.ksdot.org/Assets/wwwksdotorg/bureaus/burTransPlan/pubtrans/pdf/Transit%20Manager%20book-draft%206.pdf>

FTA Circular 5010 Grants Management Requirements

https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/C_5010_1D_Grant_Management_Requirements_2012_Page_Changes_8-27-2012.pdf