Introduction

The Pennsylvania Department of Transportation (PennDOT) Bureau of Public Transportation retains an interest in all capital assets funded in whole or in part with Federal Transit Administration (FTA) program funds (e.g. Section 5309, 5310, 5311, 5316 - JARC, 5317 – New Freedom, etc) or the Commonwealth of Pennsylvania’s transit assistance programs.

All vehicle disposition requests should be directed to the public transit provider’s PennDOT Capital Project Coordinator.

I. Disposition Procedure - Prior to Expiration of Useful Service Life

The planned disposition of any capital asset funded by a Federal Transit Administration (FTA) program administered by BPT or by a state program before the end of the asset’s useful service life (USL) must receive Department written concurrence prior to the Grantee taking any disposition action. If an asset is removed from service before the end of its useful service life, the amount refunded by the grantee to the state and federal government is the state and federal share of the unamortized value of the asset’s remaining service life, based on straight line depreciation of the original purchase price of the asset. Without the State’s prior written approval to dispose of an asset before the completion of the asset’s useful service life, the grantee would have to refund the state/federal share of the asset’s unamortized value. All funds received as a result of a PennDOT approved disposition of an asset must be placed in an interest bearing account for a future capital purchase.

For vehicles, straight line depreciation shall be based on the age or mileage of the asset at the time of disposition in comparison to total number of years or miles of the useful service life designated for that asset (See Section VI). If the amount recovered by the grantee exceeds the remaining value of the asset then the state/federal share will be calculated on the recovered amount.

A refund of state/federal funds can be waived under the conditions explained below:

1. Transfer Disposition - If, due to operational changes, the asset is no longer needed by the grantee but could be used in transit service, the grantee shall request in writing that the
Department transfer the asset to another Pennsylvania program grantee. If the Department is able to transfer the asset, no refund of state and federal funds will be required of the original grantee.

2. **Substitution Disposition** - If the grantee wishes to substitute another asset for an asset prior to the end of useful service life of the asset being retired, the grantee shall make a written request to the Department for approval of the substitution. Examples for allowing the substitution might be premature equipment failure or obsolescence of the asset to be retired. If the Department approves the request, no refund of state and federal funds is required (conditioned on the proceeds being used to purchase the replacement property), unless the fair market value of the replacement asset is less than the fair market value of the asset being replaced. In that case, the Department requires the grantee to refund the difference between the two values.

3. **Extenuating Circumstances Disposition** - Grantees wishing to dispose of a capital asset prior to the end of its useful service life due to extenuating circumstances may make a written request to the Department demonstrating that the useful service life of the asset was reached because the cost to operate or maintain the asset now exceeds any benefits of retaining it. Additional information such as maintenance records or documentation showing due diligence in pursuing remedies with the manufacturer may also be required. Examples of extenuating circumstances are premature equipment failure or obsolescence of the asset. If the request is approved by the Department, the grantee may dispose of the asset (in a manner in which the fair market value of the asset is obtained) and retain the proceeds from the sale of the asset (Conditions Section V.), or use the asset for spare parts (Conditions Section IV).

II. **Disposition Procedure - After Expiration of Useful Service Life**

After the useful service life of any FTA Section 5310, FTA Section 5311, 5316 - JARC, 5317 – New Freedom, Community Transportation Program capital asset, State PTAF, State, ASG, State BSG, State Section 1514 Discretionary, State Section 1517 Formula or State Section 1514 Bond funded asset has expired, the grantee may, without prior approval by the Department, use the asset for spare parts (if the Spare Parts Criteria described below is met), or dispose of the asset and retain the proceeds from the sale of the asset (if the proceeds are used in accordance with the Retained Sale Proceeds Criteria described below). If the asset is sold, grantees are required to establish and follow written procedures for determining the fair market value of the asset so that the proceeds from the sale of the asset is equal to or greater than the fair market value of the asset. When a grantee disposes of equipment with a unit value of more than $5,000, or supplies with an aggregate residual value of more than $5,000, the grantee must provide the Department written notification of the spare parts usage or disposition within thirty (30) days after its occurrence.
III. **Suggested Methods for Obtaining Fair Market Value**

The following are suggested methods that grantees may use for obtaining fair market value:

1. Solicit bids for the acquisition of the asset by advertising in at least one newspaper of general circulation and sending a description of the asset to at least three potential bidders. Both the ad and the description should include instructions for deadlines and submission of bids; or

2. In an Invitation for Bids for the purchase of a new capital asset, include the asset to be disposed of as a trade-in; or

3. Have the asset appraised by at least two qualified appraisers and
   a. Offer the asset for sale at the average appraised value; or
   b. Take the asset to auction and require a minimum offer equal to the average appraised value.

IV. **Spare Parts Criteria**

If it is determined that the value of the parts of an asset are of greater value than the asset as a whole, the asset may be retained by the grantee and used for spare parts. In this event, the grantee must document the estimated value of the spare parts as compared to an appraised value of the asset.

V. **Retained Sale or Insurance Proceeds Usage Criteria**

Sale or insurance proceeds from any FTA funded program administered by BPT or from a state program must be retained in an interest bearing capital reserve account and must be used for a capital project included in the Consolidated Capital Application (CCA). All interest earned on sale or insurance proceeds must be reported to BPT.

VI. **Straight Line Depreciation Model**

1. **Example**

   Original Purchase price of vehicle $600,000

   Useful Service Life = 12 years/ 500,000 miles.

   Actual vehicle details at time of retirement, 6 years/200,000 miles.


**Straight line Depreciation Calculation**

Actual Service Life (Years) = [$600,000-(600,000/12 years) x 6 years] = $300,000

Actual Service Life (Miles) = [$600,000-(600,000/500,000 miles) x 200,000] = $360,000

**Conclusion**

The actual service life in years is the lesser value of the two measures; therefore, in this example the service life in years ($300,000) will represent the remaining value of the asset.

The funding percentages used in the original vehicle purchase will then be used to determine the remaining state/federal share of the depreciated asset.