



MN Department of Transportation - Office of Transit

VEHICLE DISPOSITION/TRANSFER PROCEDURES

INTRODUCTION

The Minnesota Department of Transportation (MnDOT) Office of Transit retains an interest in all capital assets funded in whole or in part with Federal Transit Administration (FTA) program funds or the State of Minnesota transit assistance programs.

All vehicle disposition/transfer requests will be processed through the Office of Transit's Black Cat Grants Management System. Dispositions/transfers will be directed to the MnDOT Transit Project Manager responsible for the area of the state in which the vehicle is operated. **MnDOT must approve all requests electronically prior to any disposition/transfer activities occurring.**

DISPOSAL

I. Initiating Vehicle Disposition Process

The vehicle disposition process may be initiated when one of the following events has occurred:

- a. Useful life criteria for the vehicle have been met. Criteria are outlined in the Vehicle Classification/Replacement Guidelines (Attachment I) as life years and life miles, or life years ceiling; or
- b. Safe operation of a vehicle is questionable due to excessive wear, corrosion, structural integrity problems, or safety inspection issues; or
- c. Cost of significant body repairs and/or replacement of major drive train components exceeds 50 percent of the fair market value of the vehicle; or
- d. Vehicle has a Condition Rating of 2.0 or less; or
- e. Vehicle no longer meets Recipient's needs; or
- f. Recipient discontinues transit services.

NOTE: A current Vehicle Safety Inspection Form, dated within 60 days of request for disposal of a vehicle, may also be required (Attachment II).

II. Considerations

When Recipient requests a vehicle be disposed, the Vehicle Disposition process must be completed and submitted to the appropriate Transit Project Manager through the Black Cat Grants Management System. The Transit Project Manager will determine if:

- a. Vehicle meets one or more of the conditions outlined in Section I, A through E.
- b. Vehicle can be transferred to another eligible organization.
- c. Vehicle has been properly maintained as indicated by the required reports.

III. Fair Market Value Definitions

In determining fair market value of the vehicle, auxiliary equipment, which is integral to the operation of the vehicle, shall be included. Equipment included with the original purchase, that can be removed

and deployed elsewhere, is not included in the fair market value.

Recipient must obtain a minimum of two appraisals from qualified vehicle appraisers, **one of which must be a bus vendor**. The appraisals must be on company letterhead that indicates the name, address, and organizational affiliation of the appraiser. Copies of the appraisals are to be uploaded into Black Cat Grants Management System as part of each vehicle disposition electronic request.

Fair market value is based on the average of the two appraisals. In the event of a discrepancy of more than 50% between the two values, a third appraisal is required.

IV. MnDOT Relinquishes Interest in the Vehicle

If fair market value of the vehicle is determined to be less than 10% of the original purchase price (excluding removable equipment, taxes and licensing), MnDOT will relinquish its interest in the vehicle. Prior to any disposal activities, Recipient must receive electronic confirmation of the released interest from their Transit Project Manager.

Disposal options include selling the vehicle, retaining the vehicle for other uses, or using the vehicle for parts. Section 5310 Recipients have no conditions imposed upon the use of the proceeds from the sale of a vehicle. Section 5311 Recipients must put the proceeds from the sale into their Public Transit Account. Recipient will submit the actual date of disposition of the vehicle in writing to the Transit Project Manager. Recipient will retain vehicle records for a minimum of six years following the sale of the vehicle, per Minnesota Statutes Section 16C.05, subdivision 5.

MnDOT reserves the right to waive its interest in any vehicle that has reached its minimum useful life. If MnDOT exercises this right, Recipient will be notified in writing that interest in the vehicle is waived. Recipient may continue to use the vehicle for transit purposes. Per Minnesota Statutes Section 16C.05, subdivision 5, Recipient will retain vehicle records for a minimum of six years following the State's waiving its interest in the vehicle.

V. MnDOT Retains Interest in the Disposition of a Vehicle

When fair market value of the vehicle exceeds 10% of the original purchase price, MnDOT retains an interest in the disposition of the vehicle.

If Recipient wishes to free itself from any further obligation to MnDOT's interest in the vehicle, they have the option to purchase the State's proportional interest based on the fair market value. For example, if the vehicle is valued at \$10,000 and MnDOT originally contributed 80% of the purchase price, then Recipient can buy the vehicle for \$8,000. **MnDOT's interest in the vehicle must be purchased before the vehicle can be used in any manner other than that expressly stated in the recipients approved Management Plan.**

Steps for purchasing MnDOT's interest in the vehicle are:

- a. Recipient submits the following in Black Cat Grants Management System to their Transit Project Manager:
 1. Letter requesting approval to purchase MnDOT's interest in vehicle.
 2. History of vehicle maintenance costs.
 3. Electronic Vehicle Disposition/Transfer completion.
 4. Required appraisals.

- b. Transit Project Manager reviews the request.
- c. If approved, Recipient remits to the Commissioner of Transportation a check reflecting the same proportion of the fair market value as MnDOT contributed to the original purchase price of the vehicle.

VI. Selling a Vehicle

A vehicle whose fair market value exceeds 10% of the original purchase price (excluding taxes and licensing) may be sold through a competitive bid process. MnDOT retains the right to refuse all bids that are lower than the fair market value of the vehicle.

Steps for selling a vehicle are:

- a. Recipient submits the following in Black Cats Grant Management System to their Transit Project Manager:
 - 1. Letter requesting approval to sell the vehicle.
 - 2. History of vehicle maintenance costs.
 - 3. Electronic Vehicle Disposition/Transfer completion.
 - 4. Required appraisals.
 - 5. If required by Transit Project Manager, completed Vehicle Safety Inspection Form (Attachment II).
- b. Transit Project Manager reviews the request.
- c. If approved, Recipient advertises for bids. Bidding information can be obtained from Transit Project Manager.
- d. The award is made to the highest responsive bidder provided more than one bid has been received. If only one bid has been received, contact the Transit Project Manager for further instructions.
- e. Section 5311 Recipients must place the proceeds from the sale in their Public Transit Account and may only allocate the proceeds for public transit purposes.
- f. Section 5310 Recipients retain the same percentage of the proceeds as were contributed to the original purchase price of the vehicle. Recipient may retain \$100 or 10% of the sale price, whichever is less, to cover the costs of disposition. The remainder of the proceeds is remitted to the Commissioner of Transportation.

NOTE: If this is a Section 5310 Recipient's only vehicle, Recipient relinquishes the benefits of participation in the Rural Transit Assistance Program once the vehicle is sold.

VII. Trading in a Vehicle

Trading in a vehicle is not an option for any purchase made under the State Cooperative Procurement Process. The only instance in which this option may be exercised is when a Recipient purchases a vehicle outside the State's procurement process. Recipients must confer with their Transit Project Manager and submit the same documents required in Section VI., Item a. If the request to trade in a vehicle is approved, bids received for the replacement vehicle will identify the value of the vehicle to be traded in. Both Recipient's and MnDOT's share of the cost of the new vehicle is proportionately reduced.

TRANSFER

I. Transferring a Primary Vehicle to Back-up Vehicle Status

Occasionally a Recipient may desire to change the status of a vehicle from primary to back-up. MnDOT retains an interest in back-up vehicles until they are officially disposed.

Steps for transferring a vehicle to back-up status are:

- a. Recipient identifies back-up vehicles in Black Cat Grants Management System's semi-annual statistics report.
- b. Transit Project Manager reviews the semi-annual statistics report.

II. Transferring a Vehicle to an Eligible Organization

In certain circumstances, a Recipient may transfer a vehicle to another eligible organization. This does not preclude Recipient from obtaining other vehicles. When a vehicle is transferred from one eligible organization to another, MnDOT retains an interest in the vehicle.

Steps for transferring a vehicle are:

- a. Recipient submits the following in Black Cats Grant Management System to their Transit Project Manager:
 1. Letter requesting approval to transfer the vehicle. The letter explains the desired financial and settlement arrangements for the transfer which may include auxiliary equipment that was part of the original purchase.
 2. History of vehicle maintenance costs.
 3. Electronic Vehicle Disposition/Transfer completion.
 4. Required appraisals.
 5. Required Vehicle Safety Inspection Form (Attachment II).
- b. Transit Project Manager reviews the transfer request materials and determines whether the vehicle has remaining useful life.

IF NO USEFUL LIFE REMAINS, Transit Project Manager approves the transfer (skip to c).

IF USEFUL LIFE REMAINS:

1. MnDOT's Office of Transit prepares and submits an amended program of projects to FTA for the federal grant containing the identified vehicle.
2. If applicable, Transit Project Manager submits a STIP amendment request to the appropriate ATP.
3. If applicable, FTA notifies MnDOT that the amended program of projects is approved.
4. Transit Project Manager approves the transfer.
5. Office of Transit prepares a vehicle contract or contract amendment for organization receiving the transferred vehicle.
- c. The governing body of the transferring Recipient organization submits a resolution approving the transfer to their Transit Project Manager.
- d. The governing body of the receiving organization submits a resolution stating their willingness to accept the vehicle and all obligations to Recipient's Transit Project Manager.
- e. The receiving organization remits to the transferring Recipient organization the same percentage of the vehicle's fair market value as was contributed to the original purchase of the vehicle.

MAJOR INCIDENT

I. Vehicle Involved in a Major Incident

Steps to be taken:

- a. Determine what the fair market value of vehicle would have been prior to the **Major Incident**.
Note: This is the value used to determine 10% of purchase price in Steps c and d.
- b. Determine cost to repair vehicle.
- c. If vehicle is totaled:
 1. Fair market value is less than 10% of purchase price – See DISPOSAL Section IV.
 2. Fair market value is more than 10% of purchase price – See DISPOSAL Section V.
- d. If vehicle is NOT totaled:
 1. Vehicle is repaired.
 2. If Recipient elects not to repair vehicle, see DISPOSAL Section V.

Definitions

For the purposes of this document, terms have the following meanings:

RECIPIENT – An organization that receives Federal or State program funding administered through MnDOT’s Office of Transit.

ELIGIBLE ORGANIZATION - Is a current recipient of FTA or State program funds. In vehicle transfer situations:

SECTION 5310 VEHICLES – A statewide notice is sent to current Section 5310 vehicle recipients alerting them to the availability of a “transfer” vehicle. If no Section 5310 recipient expresses interest in the “transfer” vehicle, it is offered to Section 5311 (Public Transit) recipients. If no eligible recipient expresses interest, the vehicle may be transferred to a non-recipient organization. In the latter instance, both Recipient and MnDOT receive the same percentage of the vehicle’s fair market value as was contributed to the original purchase of the vehicle.

SECTION 5311 (PUBLIC TRANSIT) VEHICLES – A statewide notice is sent to public transit systems that receive Section 5311 (Public Transit) funding to advise them about the availability of a “transfer” vehicle. If no Section 5311 (Public Transit) recipient expresses interest in the “transfer” vehicle, it is offered to Section 5310 recipients. If no eligible recipient expresses interest, the vehicle may be transferred to a non-recipient organization. In the latter instance, both Recipient and MnDOT receive the same percentage of the vehicle’s fair market value as was contributed to the original purchase of the vehicle.

INCIDENTS - Are unforeseen collisions, personal casualties, non-arson fires and transit property damage associated with transit agency revenue vehicles. A MAJOR INCIDENT includes, but is not limited to, property damage equal to or exceeding \$25,000.