

Chapter 10 - Capital Management

Capital management is an important aspect of public transit since it affects the safety, marketability and financial integrity of the transit system. Transit is dependent on its capital equipment to accomplish its mission. All property purchased with federal and state dollars is the responsibility of the transit system. The transit system retains title to all property, providing the property is used for public transportation. Sub-recipients of federal dollars administered by the Iowa DOT are required to certify that any property purchased with those funds is used for public transportation services within the sub-recipient's service area or other area described in the grant application for the life of the equipment or facility.

Transit systems are required to maintain the property at a high level of cleanliness, safety and mechanical soundness. Each transit system must establish a plan and budget funds to implement measures to maintain each type of federally and state funded asset it has received. The Office of Public Transit (OPT) has the right, and obligation, to review the transit system's maintenance and safety programs and to conduct periodic inspections of equipment and facilities funded with state and federal funds administered by OPT.

Property Inventory

Capital equipment purchased with federal or state funds administered by the Iowa DOT and valued at \$5,000 or more must be inventoried with OPT, and information updated annually. Any equipment purchased with these funds must be reported to OPT on the Add Inventory Form. The form can be found in the [Transit System Portal](#). This is an electronic form that requires a Personal Identification Number to submit. Once the form is completed the information goes directly into the database. The form should be submitted as soon as new or transferred equipment (including vehicles) is received. For newly manufactured revenue vehicles, the Add inventory Form should be submitted with your [Transit Request for Payment](#) form. Updates to the federal interest in and total cost of each federally funded vehicle are appropriate to submit to OPT with any request for payment on make-ready item expenses. Local policy may require inventory of lower cost equipment. Questions regarding electronic submittal of these forms should be directed to Randy Barton of the Office of Public Transit at 515-239-1872, Randy.barton@dot.iowa.gov.

All vehicles and other equipment must be assigned a unique property identification number to allow the items to be traced easily. Equipment purchased as an integral part of the vehicle does not need to be separately inventoried. For example, a lift or destination sign that is purchased as part of a vehicle does not need to be inventoried. Include the identification number on the Add Inventory Form. Once an item is assigned a number, it retains that unique number throughout its life. An inventory number should not be reused.

An annual inventory update is required from all transit systems. On July 1 of each year, the on-line inventory system is made available to transit managers to allow them to update yearly odometer readings. This must be completed by August 15th of each year. Other necessary revisions to the data should be brought to OPT's attention.

Inspection and Maintenance

In applying for and accepting state or federal assistance for capital equipment, a transit system makes a commitment to use that equipment in its public transit program. The equipment must be used through the end of its useful life and be maintained in proper operating condition, including proper repair. This applies whether the capital funding is administered through OPT or directly from FTA. OPT has adopted usage standards consistent with federal utilization policies for equipment purchased with funds OPT administers.

Maintenance Plan – Each transit system is required to have a documented plan on file covering vehicle, equipment, and facility maintenance. The plan should address the goals and objectives of the maintenance program (extending useful life, reducing road calls, etc.). It should also include a description of the strategies and actions that will be done to accomplish the objectives. Preventive maintenance

schedules that meet or exceed manufacturer's requirement for warranty purposes should be included. The plan should be updated as the equipment mix changes.

The OPT is responsible for ensuring FTA and State funded vehicles, facilities, and equipment are in good operating order. It is also responsible for ensuring maintenance of ADA accessibility features for vehicles, facilities and facility related equipment used in public transportation service, even if the assets were not purchased or constructed with State or Federal funds. Documentation of maintenance performed, following a maintenance plan, is required by the OPT, and will be checked by OPT staff periodically.

Preventive Maintenance – Proper maintenance may help extend the life of a facilities and vehicles past the threshold useful life requirements. Regular and proper maintenance is critical to protecting the longevity and efficiency of facilities, equipment, and vehicles.

The [Transit Joint Participation Agreement Part II](#) document requires each transit agency to make available vehicle, facility, and equipment maintenance plans upon request. Because of the various circumstances and conditions of each transit system, each manager should have a workable maintenance schedule appropriate for his/her own system. At a minimum, the plan should include all maintenance required to keep warranties in effect. The following inspections and reports are suggested guidelines to help the manager have a complete maintenance program.

- [Annual Building Inspection Checklist](#) – Identifies multiple facility maintenance areas on the interior and exterior that should be inspected regularly or as noted in manufacturers suggested maintenance schedules.
- [Model Transit bus Preventive Maintenance Schedule](#) – Using the suggested preventive maintenance schedule helps staff know when maintenance tasks are due. A maintenance record-keeping system will help you perform scheduled work on a timely basis.
- [Regional Transit Vehicle Daily Inspection Report](#) – Vehicles should be inspected every day before they are taken out on the road. This pre-trip inspection includes exterior, interior and under-the-hood checkpoints.
- [Transit Monthly Preventive Maintenance Inspection Worksheet](#) – The mechanic schedules and performs a monthly preventative maintenance inspection. This process includes a review of pre-trip inspection reports and other maintenance records to identify problems reported by the drivers and review the maintenance schedule.
- [Suggested School/Regional Transit Vehicle Chassis Inspection](#) for each of the vehicles in the fleet, schedule a safety inspection every six months. Some of the items in the safety inspection checklist are included in other inspections, but this procedure will emphasize everything that affects safe operation. Preventive maintenance will help keep your buses on the road. An organized program of inspections, scheduled service and immediate adjustments or repairs will add months and years of useful service life to your equipment and keep mechanical failures to a minimum. Regional transit vehicles used to provide service under contract to a public school district are required to undergo these inspections. PLEASE NOTE: Accident repair, such as replacement of windshields, windows, fenders, etc., is routine maintenance and should be taken care of promptly.

Warranty Claims – All vehicles and most other equipment are typically purchased with standard warranties. A transit system is expected to meet any required routine maintenance services to keep a warranty in effect. Systems should also ensure that warranty claims are properly filed so that the system receives the benefit of the warranty.

Facilities Inventory

OPT is required to maintain an inventory of all facilities funded with federal and state funds administered by OPT. If substantial changes occur at your facility, due to construction, remodeling, repair, or expansion, please notify your TPA.

Signing Public Transit Vehicles

Service open to the general public is a condition for receiving federal and state funding. FTA requires that vehicles be clearly marked to show that the vehicle is open to the public. Under all funding programs, the Iowa DOT, with input from transit providers, requires transit systems to establish a vehicle marking policy including the following standards:

	Signage	Regional	Small Urban (< 50,000 pop.)	Large Urban (>50,000 pop.)	Wrapped Buses
Open to the Public Sign or "Public Transit"	Each vehicle must have signage stating that the vehicle is open to the general public or must state public transit. The sign must be displayed on three sides of the vehicle (each side and rear).	Requirement	Requirement	Exempt	Exempt
Transit Agency Name	Each vehicle must display the name of the designated public transit agency on each side of the vehicle. The name displayed must be a minimum of one square foot in area, and can be a legal name or a "DBA"/nickname of the designated transit agency. On light-duty buses or larger vehicles, the name must be in lettering that is at least six inches (6") high in color contrasting with the background. On vans or smaller vehicles, the name must be in lettering that is at least three inches (3") high in a color contrasting with the background. Placement of the agency name on the front and/or back of the vehicle is optional. For vehicles not owned by the transit agency, the display of the transit system is not required by the Code, but is a condition for receipt of official plates and for service statistics to be counted towards transit funding formulas. Minor deviations from the specified lettering dimensions may be approved on a case-by-case basis by the Director of the Office of Public Transit.	Requirement	Requirement	Exempt	Exempt
Vehicle ID (Exterior)	Each vehicle must display a vehicle ID number on the passenger side front (in the most visible location) and on the back of the vehicle in a lettering color that contrasts with the background. On light-duty buses and larger vehicles, this number must be in lettering at least four inches (4") in height and in a color that contrasts with the background. Vans and smaller vehicles must have lettering that is at least two inches (2") in height and in a color that contrasts with the background. The ID number must be the same number that is submitted for the Iowa DOT's transit inventory. Minor deviations from the specified lettering dimensions may be approved on a case-by-case basis by the Director of the Office of Public Transit.	Requirement	Requirement	Exempt	Exempt
Vehicle ID (Interior)	Each vehicle must display the vehicle ID number on the inside of all vehicles. The ID number must be in a location that is visible to as many passengers as possible without obscuring the vision or safety of the driver. The number must be in lettering at least 2 inches (2") in height in a color that contrasts with the interior color of the vehicle. The ID number must be the same number that is submitted for the Iowa DOT's transit inventory. Minor deviations from the specified lettering dimensions may be approved on a case-by-case basis by the Director of the Office of Public Transit.	Requirement	Requirement	Exempt	Exempt
Phone Number	Each vehicle must display the transit agency phone number for ride requests / route information. The information must be displayed on each side of the vehicle in lettering at least four inches (4") in height and in a color that contrasts with the background (light-duty buses and larger vehicles). Vans and smaller vehicles must have lettering that is at least two inches (2") in height and in a color that contrasts with the background.	Requirement	Requirement	Exempt	Exempt
Website Address	It is recommended the transit agency website be displayed on each side of the vehicle in lettering at least four inches (4") in height and in a color that contrasts with the background (light-duty buses and larger vehicles). Vans and smaller vehicles must have lettering that is at least two inches (2") in height and in a color that contrasts with the background.	Recommended	Recommended	Recommended	Recommended
Ethanol Sticker	All public agencies in Iowa are required to use ethanol-blended gasoline in any gas engine vehicles and to display a gasohol or ethanol bumper sticker. This includes transit vehicles.	State Law	State Law	State Law	State Law
Contracted Provider Name	Those agencies choosing to contract with other agencies to operate vehicles as part of the transit program, may at their option, allow the display of the name or nickname of the contracted provider at the lower rear corner on each side of the vehicle, following the words "Operated by:" or "Vehicle Owned and Operated by", as appropriate. Lettering for this signage can not exceed 50% of the height of the lettering used for the transit agency name. No other signage will be allowed for contracted providers unless included as part of paid advertising.	Optional	Optional	Optional	Optional
Rail Crossing Stop	All transit vehicles are required to stop at railroad crossings. The rear of each vehicle must bear a sign saying: "This vehicle stops at all RR Crossings." Agencies may choose to supplement this with an additional sign saying: "This vehicle makes frequent stops".	Requirement	Requirement	Requirement	Requirement
Access Sign	The vehicle entrance which is accessed by wheelchairs is required to be denoted with a universal accessibility symbol.	Requirement	Requirement	Requirement	Requirement
Securement Location Sign	Wheelchair securement location(s) are required to be signed.	Requirement	Requirement	Requirement	Requirement
Priority Seating Sign	Front seats are required to be signed as priority seating for elderly persons and persons with disabilities.	Requirement	Requirement	Requirement	Requirement
Emergency Exit Sign	All emergency exits must be signed, including any specific directions to operate the exit, as needed.	Requirement	Requirement	Requirement	Requirement
No Smoking Sign	All public transit vehicles in Iowa are required to be signed with No Smoking stickers. The sign must be visible to passengers when boarding the vehicle. For more information, refer to http://www.iowasmokefreeair.gov/	State Law	State Law	State Law	State Law
Paid Advertising	Advertising cannot obscure required vehicle signage.	Requirement	Requirement	Optional	Optional
Title VI Notice to the Public	The transit system's Title VI Notice to the Public must be displayed in each vehicle.	Requirement	Requirement	Requirement	Requirement

Allowed and Prohibited Uses of Federally Funded Vehicles

Incidental Use – Vehicles and equipment purchased with state and federal transit assistance funding is justified solely on the basis of proposed use for public passenger transportation. FTA does allow incidental use of vehicles and equipment under the following conditions:

- the incidental use does not interfere with the public transit services for which it was originally obtained
- the incidental use does not exceed 20-percent of the total use of a vehicle.

Incidental use may include meal and parcel delivery, and FTA allowable charters. [Chapter 15](#) explains allowable charter services by transit systems. (NOTE: Incidental use does not count toward attainment of useful life thresholds.)

Staff Car Prohibition – OPT policy does not allow statewide capital funds to be used to purchase staff vehicles. Staff transportation is permissible as incidental use. However, incidental use should not exceed 20-percent of total vehicle use. Staff transportation will not be considered part of justification for additional vehicles. High-mileage backup vehicles may be used for staff transport as long as it does not preclude vehicle availability for backup service.

Systems may use formula or local funding to purchase vehicles for staff use. Staff vehicles used for transit purposes are eligible for transit bus plates. (NOTE: Incidental use does not count toward attainment of useful life thresholds.)

Emergency Leases Between Systems – If emergency situations arise and a vehicle will be out of service for several months, a transit system may want to lease another vehicle to replace the "out-of-service" vehicle. If available, a vehicle may be leased short-term from another transit system to maintain needed service within a service area. OPT should be notified of any pending lease agreement. Any lease must be approved by the TPA and a copy kept on file at OPT.

Intercity Shuttles – Intercity shuttles may be offered by the transit system when: services are not available from private-for-profit intercity carriers, or, schedules offered by intercity carriers are not realistically usable for medical or shopping trip purposes (single day round trips unavailable).

Any intercity shuttle service offered by a transit system must be open to the general public and advertised with individual fares.

Contract Uses – Transit systems may allow subcontractors to use vehicles on an "as needed", incidental use basis during off hours, as long as it doesn't violate FTA charter rules and is no more than twenty percent of the total vehicle use. Drivers of the transit system or drivers from the contractor's agency may drive the vehicles as long as insurance coverage is adequate for these uses and the drivers are in compliance with FTA's Drug and Alcohol Testing Program requirements.

Vehicle Use Agreements with Subcontractors – OPT encourages transit systems to retain direct control of their vehicles. Therefore, OPT discourages placing vehicles or equipment under the control of other agencies and reserves the right to approve or disapprove all vehicle/equipment use agreements that involve vehicles or equipment purchased with state or federal dollars. All vehicle/equipment use agreements must be written under a "purchase of service" contract. When a transit system has justified that the best use of the vehicles or equipment would be under a vehicle use agreement ([Purchase of Service](#)), several issues should be addressed before the [Vehicle User Agreement](#) is signed. Some issues that should be discussed with the subcontractor are:

- the transit system must retain the right to rotate the transit system's vehicle, as necessary, to obtain the minimum 10,000 miles per vehicle, per year;

- the vehicle use agreement must state who is responsible for such items as insurance, maintenance, drivers, emergencies, backups, etc.;
- the vehicles must be operated open to the general public without discrimination;
- incidental service ridership and revenue miles must be reported as such, separate from the service open to the general public;
- driver licensing requirements; and
- drug and alcohol testing requirements.

It is proper to use the term "vehicle user agreement" when vehicles are provided to a subcontractor to perform contracted services, rather than the term "lease". Under state law, a vehicle "leased" for six months or more must be registered and licensed by the lessee.

The transit system remains responsible to OPT and FTA for compliance with all state and federal rules and regulations. The office must be notified of the location of the vehicle or equipment in your annual inventory form.

Useful Life Standard and Utilization

FTA establishes minimum useful life standards to ensure that vehicles, other equipment and facilities are maintained for transit use for their normal service lives and to ensure that the vehicles and equipment purchased are necessary for public transit service. If OPT determines that a transit system is failing to use or maintain any equipment item or facility properly, the office will notify the transit system and may withhold further state and federal assistance. This may be done until adequate measures are taken to correct the inadequate use or maintenance of the federally funded asset. In some instances, OPT may ask that the equipment be offered for transfer to another transit system or that the state and/or federal share of the item purchased be returned to OPT.

Service life of rolling stock begins on the date the vehicle is placed in revenue service and continues as long as it is in service. If a vehicle is out of service for an extended period, the time out of service does not count toward the minimum useful life. Incidental service mileage also does not count toward the minimum useful life. If a vehicle is rehabilitated with federal funds, the useful life is extended by fifty percent and a new replacement threshold is in effect. FTA regulations allow vehicles to be replaced with FTA funding once a vehicle has met either the age or mileage standards. FTA does allow for replacement of vehicles prior to reaching the useful life threshold, but the federal share on the replacement project will be prorated based on the percent of useful life attained.

Iowa uses slightly different standards in prioritizing vehicle replacement/rehabilitation projects for statewide funding through the Public Transit Management System (PTMS) process which can be accessed on OPT's Policies [webpage](#). The Iowa scoring method considers both age and mileage of the vehicle.

Fleet Utilization Standards – OPT encourages full utilization of every vehicle within your fleet throughout its useful life, especially vehicles purchased with funds administered by OPT.

The US DOT's Office of Inspector General (OIG) established a minimum fleet utilization standard of 10,000 miles that must be accumulated per vehicle each year. Implementation of policies to rotate equipment in a manner that assures compliance with the OIG's fleet utilization standard for each vehicle that has not met one of FTA's minimum useful life criteria is expected of each agency, unless other measures are approved. Each transit manager is expected to ensure that agency policies and procedures result in intensive vehicle use. The 10,000 mile per year requirement drops down to 3,000 miles per year once a vehicle has reached its **useful life threshold**.

To ensure that all vehicles receive maximum utilization, OPT suggests rotating vehicles within the service area or between service areas, or from lightly traveled routes to heavily-traveled routes. Any system failing to meet the minimum standard for its primary fleet (excluding backup vehicles) may be denied replacement or rehabilitation funds until:

1. the OIG's minimum utilization standard is met; or
2. the director of OPT approves a "case-by-case" waiver. (This will only be done after OPT has reviewed justification and is satisfied that all measures have been taken to meet this standard.)

Note that 10,000 miles per year is a minimum. Vehicles with only 10,000 miles per year will take a long time to accumulate PTMS priority points. Low use vehicles will have to be maintained for a long time and could become problematic before PTMS points are high enough for replacement. Systems should rotate all vehicles to achieve a higher degree of utilization than the minimum. When purchasing vehicles, usefulness and flexibility should be considered when specifications are developed. For reference, the Iowa DOT's PTMS Policy on low-vehicle usage is as follows:

PTMS Policy on Low-Vehicle Usage

For those vehicles that have not met their useful life and have accumulated less than an average of 10,000 miles per year period or for vehicles that have met their useful life and have accumulated less than an average of 3,000 miles per year over a two-year period, if no justification is provided or the provided justification is not considered acceptable by OPT after consulting with the Public Transit Advisory Council (PTAC):

- 12 age points will be removed from the vehicle for every year in which the minimum mileage was not accumulated.
- In addition, for every four low-mileage vehicles without acceptable justification, one, otherwise justified, eligible vehicle will be dropped out of the current year's PTMS selections, beginning from the top of the priorities list.

Acceptable justification includes: 1) evidence the low usage is temporary, and 2) the mileage reported for the second year shows significant increases, particularly if it goes over the threshold.

Contingency fleet vehicles are exempt from this policy as long as an approved Contingency Fleet Plan is on file with the Iowa DOT, including the vehicle ID numbers and justification of need. A vehicle disposition request must also be approved by OPT each year. It is strongly suggested that Contingency Fleet Plans be submitted to OPT by July 1 each year. In order to assist Iowa's public transit agencies in creating a Contingency Fleet Plan, a checklist has been developed:

www.iowadot.gov/transit/handbook/PDFs/Contingency_fleet_plans_checklist.pdf.

State-funded Vertical Infrastructure Useful Life – The Iowa DOT Office of Public Transit has established useful life standards for facilities and vertical infrastructure funded through the Public Transit Infrastructure Grant (PTIG) Program. In order to protect the state's investment, the following useful life thresholds will apply to projects funded under the PTIG program:

- Passenger shelters – 15 years
- Renovations to existing facilities – 15 years
- HVAC, water heaters, other associated equipment – 15 years
- Parking garage – 30 years
- Wood frame building, built entirely onsite – 30 years
- Pole building, prefabricated and erected onsite – 30 years
- Brick and mortar building – 40 years

Public transit system recipients of PTIG funding are expected to maintain in a state of good repair the facilities funded under this program for at least the number of years listed above. If the public transit system finds a need to replace or sell the PTIG-funded facility prior to the useful life threshold being met, the system must work with the Iowa DOT Office of Public Transit on a repayment schedule to buyout the remaining useful life. If a project is funded with both Federal Transit Administration (FTA) dollars and with PTIG funds, the FTA useful life thresholds will take precedence, if longer.

Utilization Standards for Other Equipment – Equipment such as computers, radios and fareboxes purchased with state or federal dollars must also be used to its maximum capacity.

Vehicle Rehabilitation

A vehicle owned by a transit system may be replaced or rehabilitated when it reaches the FTA minimum useful life standard. Rehabilitation may be a cost effective alternative to replacement. The decision whether to replace or rehabilitate is up to the transit system. OPT policy allows a system to spend up to thirty percent of the program ceiling for vehicle replacement on project to rehabilitate that vehicle. FTA rules require vehicles rehabilitated with federal funds to be operated for an additional one-half of the original useful life.

Projects for vehicle rehabilitation or vehicle replacement are prioritized exactly the same under the PTMS process. Systems may at any time choose to convert a programmed project for vehicle replacement to a rehabilitation project, with the amount of funding for the programmed project being adjusted appropriately.

Systems are encouraged to consider the rehabilitation alternative, but are reminded of the commitment to operate the vehicle for an additional 50 percent of the original useful life.

Procedures for Completing Rehabilitation Projects – A written request to proceed with vehicle rehabilitation must be prepared by the transit manager and submitted to the TPA. This must include the results of an inspection identifying needed work (the inspection must include, at a minimum, the items covered in the [Vehicle Rehabilitation Checklist](#). See [Chapter 9](#) for Procurement Procedures.

Federal and OPT policies require that a rehabilitated vehicle be restored to a condition that significantly extends the vehicle's useful life. A vehicle rehabilitation project must include:

1. a complete overhaul or replacement of two or more major drive-train subsystems (engine, transmission, rear end); or
2. a complete overhaul or replacement of one major drive-train subsystem (engine, transmission or rear end) and a thorough overhaul or rehabilitation of two or more of the following:
 - a. front suspension (must include more than shocks);
 - b. brakes (not just routine surface turning and shoe or pad replacement);
 - c. air conditioning system (must involve blower fan switches, motor, resistor, and wiring replacement and include more than freon recharge or leak repairs);
 - d. electrical system (must involve every subcomponent);
 - e. exterior body work and repainting (not just minor touch-up work or accident repair);
 - f. wheel bearings and axles;
 - g. interior (thorough upholstery recovering, refinishing the walls and replacement of or resurfacing the floor); or
 - h. exhaust system (engine back replaced).

Replacement of expendables, i.e., tires, batteries, filters, lights, mufflers, or brake shoes can be part of the rehabilitation project; but these items cannot be the predominant scope of the project.

If the rehabilitation work proposed is done in-house or by another transit system, justification and two quotes from "for-profit" vendors for the same work are required. If in-house rehabilitation work is approved by OPT, detailed records of the labor and materials must be maintained and only the cost of "direct" staff time will be reimbursable. OPT must have all documentation on file prior to project close-out.

The transit manager or an inspector designated by the manager should oversee work while in progress. The transit manager is responsible for verifying that parts supplied and repairs performed are as agreed

upon. Thorough documentation of actual parts installed, outside repair costs incurred, and work-order changes must be maintained by the transit system.

After completion of the vehicle rehabilitation, the TPA may arrange a vehicle inspection to ensure that all work was performed properly and according to contract requirements. A [Vehicle Rehabilitation Checklist](#) must be completed and submitted, along with an updated property inventory form, to the TPA upon completion of the rehabilitation project. The property inventory form needs to have the following items completed for rehabilitated vehicles:

- b. Property ID Number
- k. Fund Source
- l. Project Number
- o. Acquisition (Completion) Date
- p. Acquisition (rehabilitation) Cost
- r. Federal Dollars
- s. Percent Federal Dollars
- x. Odometer Reading (at completion)
- y. Date of Odometer Reading

Requests for payment must be supported with invoices of all work performed by the vendor(s) involved, or by internal billings or timesheets for the direct cost of work performed in-house on a vehicle. Administrative costs are not eligible for reimbursement under vehicle rehabilitation projects funded under grants OPT administers.

Computers and Other Office Equipment

Computers, copiers, and other office equipment are eligible items for capital funding to the extent that they are used for support of the recipient's public transit program. The availability of statewide funding for this type of project will depend on the annual PTMS prioritization process. Formula funds or STP funds may also be available for this purpose based on local programming.

Recipients that may be multi-purpose agencies (cities, Council of Governments, etc.) must either affirm that the equipment will be dedicated to public transit use or prepare and submit for OPT review a **cost allocation proposal**. Such a proposal must either show what percentage use of the proposed equipment will be dedicated to transit or show the transit percentage of use of an overall multiple equipment package. (Example: Transit might buy a network printer used by others, but in return is proposed to have free use of a color copier or phone system funded by another program.)

Disposition of Federally Funded Equipment

Transit systems are required to dispose of any federally funded equipment or facilities that are no longer needed for support of the public transit program. This would normally include equipment that has been replaced, as well as any equipment that is no longer used to capacity. It is essential to cost containment that any underused equipment be identified, especially excess rolling stock. Changing equipment needs are customary at any transit agency due to loss of contracts, service cuts, modifications to a route or mix of passengers on a route or because of dissatisfaction with an equipment make or floor plan. OPT's staff will usually be able to provide suggestions for improving fleet utilization or making vehicle transfer arrangements.

No vehicles or equipment funded through Section 5310, 5311, statewide 5309, 5316 (Job Access/Reverse Commute), 5317 (New Freedom), or statewide ICAAP or 5339 grants may be disposed of or transferred without advance written permission from OPT. The OPT procedures require that any vehicle or equipment no longer needed for a transit system's public transit program, and has met its useful life, must be advertised to all other Iowa transit systems by posting notice of vehicle availability on OPT website's [Classified Ad System](#). A username and password is required to post or view any vehicles on this site. Each of Iowa's 35 transit systems have been given a username and password to access this system.

If no other transit system has expressed interest after 30 days from the date an item was advertised on OPT's website, the transit system with the unneeded equipment may request OPT concurrence to dispose of the item locally.

Advertising Equipment to Other Iowa Transit Systems – A transit system may notify other Iowa transit systems of available excess equipment by posting it on the [Classified Ad System](#) of OPT's web site.

Any equipment funded under Sections 5309, 5310, statewide 5309, 5316 or 5317 grants must be advertised to other Iowa transit systems prior to requesting OPT permission for local disposition.

Systems with excess equipment funded through direct FTA grants or other funding sources are also encouraged to use this method to notify peers of available equipment that could benefit public transit programs in Iowa.

Transfer of Federal Share – If vehicles are disposed of prior to meeting the FTA established useful life standards, the federal interest in the vehicle must:

- be transferred to another transit system who commits to operate the equipment up to the minimum useful life;
- be credited against the cost of the replacement vehicle thereby reducing the federal participation by a like amount; or,
- be refunded to FTA.

OPT's policy is to arrange transfers for any vehicles purchased under FTA programs administered by OPT so that they will continue to be used in public transit throughout their useful life. If any transit system has equipment purchased with FTA funds administered by OPT that is no longer needed for use by the public transit program, the equipment needs to be made available for transfer to any other Iowa transit system willing to use the equipment to the end of its useful life.

If more than one transit system seeks to obtain an item of equipment, preference will be given to transit systems eligible for the FTA program under which it was originally funded. If necessary, OPT may make the determination of which transit system has documented or demonstrates the greatest need for the equipment, based on the following criteria:

- emergency needs due to problems with the fleet;
- emergency needs due to problems with existing fleet;
- emergency needs due to service expansion;
- anticipated needs due to proposed expansion; proposed level of utilization;
- capability to maintain transferred equipment;
- consistency with system's planning and programming; or,
- other factors that may be appropriate.

The federal interest in equipment transferred prior to meeting useful life standards will be transferred outright to the recipient system. Compensation for local share in the equipment shall not be required but may be negotiated between the transit systems if the recipient agrees.

Transferring Federally Funded Vehicles/Equipment – The transfer of property is documented through a completed [Memorandum of Transit Vehicle Transfer](#). Each party and OPT receives an original copy in any transfer involving OPT administered federal funds. Direct recipients of FTA Section 5307 or 5309 funds must have FTA concurrence prior to transferring federal equipment. The transferred equipment is added to an existing grant, as a zero dollar project, or is listed as a project with zero federal funds in a new grant.

The transit system transferring the vehicle signs the title and gives it to the system receiving the vehicle. The transit system transferring the vehicle must also provide the system receiving the vehicle with a signed odometer statement when the vehicle is less than 16,000 pounds and less than 10 years old. The system receiving the vehicle is responsible for titling, insuring and licensing the vehicle. Instructions for "Titling and Licensing Your Public Transit vehicle" appear earlier in this chapter. The system transferring the vehicle must delete the equipment from its system's inventory and submit an equipment disposition report to OPT. The system receiving the vehicle must add the transferred equipment to its inventory, and submit a properly prepared Add Inventory Form to OPT.

If the system transferring the vehicle has a federal contract to fund the transfer, certain costs are eligible make-ready expenses. The federal share of the vehicle is transferred with the vehicle and federal funds cannot match other federal funds. The cost of repainting the vehicle to the system's color scheme and adding the system's logo are eligible make-ready expenses. If the transit system requires additional equipment, the cost of purchasing and installing such items will also generally be eligible as make-ready costs. General repair and maintenance costs are not eligible as make-ready costs with one exception: a new set of tires may be considered part of make-ready costs for the transferred vehicle. If extensive repair is needed and the vehicle qualifies, it may be appropriate to request a rehabilitation project for the transferred vehicle.

Systems desiring to obtain items offered for transfer for the value of the parts may express interest but must identify that their interest is in the parts rather than in keeping a vehicle in continued revenue service. Requests to secure a vehicle through transfer to make use of its parts shall not be approved by OPT unless prior use of that vehicle exceeds FTA's minimum useful life threshold in years or miles of use. If an item of equipment does not meet an FTA useful life criteria every alternative for transferring the item to another Iowa public transit agency must be exhausted prior to OPT's approval of some competitive means of disposition to private parties.

Local Disposal of Federally Funded Equipment – There are four methods by which FTA funded equipment may be disposed. If the equipment was purchased with funding administered by OPT, no local disposition is allowed until the equipment has been offered to all other Iowa transit systems, no other transit system wanted the equipment, and OPT has authorized local disposal. The four disposal methods are:

1. **Sealed bid** – The transit system may sell equipment by sealed bid. The equipment to be disposed of should be advertised in a paper that, at a minimum, covers the transit service area. A time and date must be set for the bids to be received and opened. An analysis of the bids received should be prepared to justify the award to the highest bidder. If the equipment was purchased with funds administered by OPT, a copy of the bid analysis should be provided to your TPA. OPT concurrence must be received prior to award. The advertisement must address the fact that if any transit system expresses interest, that transit system would be given a chance to exceed the high bid.
2. **Sale by Public Auction** – Selling equipment at a public auction is also a way to dispose of federally-funded equipment. Check with county or city officials to find out if they have a public auction scheduled. The Iowa DOT holds vehicle auctions several times during the year. If you want your vehicle sold at an Iowa DOT auction, contact your TPA for upcoming auction dates, or check the [Iowa DOT Auction web site](#). If the equipment was purchased with funds administered by OPT, OPT concurrence is needed to dispose of a vehicle at a public auction.
3. **Sale to Public or Private Nonprofit Agency** – If an agency wishes to purchase equipment no longer needed for transit, a fair market value for the equipment needs to be established. This is done by getting at least two appraisals of the equipment. If the equipment was purchased with funds administered by OPT, OPT must concur in the sale of the equipment.
4. **Buyout of federal interest for non-revenue use by recipient** - Buyout by the original recipient for parts to be used to support their transit program shall have priority over interest for parts from other systems. However, keeping the equipment in use for transit programs is always the first priority. Offers from other systems, auto salvage firms, or private parties shall also be considered in:

- a. deciding whether to part out a vehicle; and
- b. establishing the fair market value of the vehicle.

If the equipment was purchased with funds administered by OPT, OPT concurrence in this method of disposition is required.

Insurance Settlements – When a vehicle funded through OPT has been in an accident and totaled, or can no longer be used as a safe public transit vehicle, the office must be notified at once. Insurance information and a letter stating damages and the amount of the proposed settlement to the transit system should be sent to OPT. The office must concur with the decision to 'total out' any vehicle funded through programs administered by OPT. The settlement funds can be used for purchase of a vehicle of similar age, mileage, capacity and condition for continued transit use. OPT must concur with this purchase. If the vehicle has not met the replacement threshold and a replacement is not purchased, the federal share of the vehicle must be returned. This is based on straight-line depreciation or settlement value whichever is greater. If the vehicle has met the replacement threshold and is not replaced, any insurance funds should be used in the public transit program.

If a system settles with an insurance company on damages to the vehicle and does not use the full amount of the settlement for costs related to the damage, the remainder must be put back in the public transit program. However, vehicles must be repaired to the point where they are mechanically sound, safe and in presentable condition.

Repayment of Federal Share – As noted above, if any FTA funded equipment is disposed of prior to reaching its minimum useful life, the residual federal interest must be refunded or credited toward purchase of another piece of equipment.

If equipment purchased with funds administered by OPT are used to the minimum useful life or beyond prior to disposition, no repayment of federal share is required, but sale proceeds must be retained in the system's public transit program.

For direct recipients of FTA funding, however, repayment of federal share is required on any item with a disposition value of \$5,000 or more, though a credit for sales cost is allowed. Smaller disposition amounts must be retained in the public transportation program.

Reporting the Disposition of Equipment

The Capital Equipment Disposition form (Disposal/LKS form) must be completed and sent to OPT when any federally-funded equipment is sold, transferred, or disposed of in any other way. The form can be found in the [Transit System Portal](#). This form is intended for the use of Iowa's transit systems and requires a Personal Identification Number to submit. Disposal of a vehicle prior to OPT selecting the project for funding may result in the elimination of the project.

The disposition report must be filed to finalize the federal inventory and document the value of the equipment at disposition. The report includes a certification that the full proceeds from the sale will be retained to benefit the public transit program. Systems are asked to document the use of such funds in their own files and have such information available for future review by this office or FTA.

Disposition Deadlines – Transit systems are required to post a notice that they have equipment available for sale/transfer on the [Classified Ad System](#) on the OPT website within 45 days after accepting a replacement for a vehicle funded under a statewide grant or a like-kind substitution has been approved, unless an exemption is given as discussed below. The equipment will remain on the Classified Ad System web site for 30 days. Then the transit system, along with OPT staff will review any transfer requests. The transit system will have 45 days to proceed with the transfer of the equipment to another transit system or dispose of the equipment locally.

If the transit system has other equipment that is no longer actively being used, the transit system is required to notify OPT, and discuss the likelihood of the equipment being used in the future. The transit system may be asked to offer the equipment to other transit systems via the website.

Delayed Disposition – Sometimes the most appropriate opportunity for vehicle disposition may be a few months away or a transit system may have need to use the replaced vehicle for a short while until another vehicle gets delivered. With OPT approval the transit system may delay disposition for up to one year. If, at the end of this period, the need for the delay still exists, a new request for delayed disposition must be submitted. (PTMS points do not accumulate on delayed disposition vehicles) The Delayed Disposition Request form (Disposal/LKS form) can be found in the [Transit System Portal](#). This form is intended for the use of Iowa's transit systems and requires a Personal Identification Number to submit.

Retention of Vehicles - With OPT approval, vehicles may be retained indefinitely and will be treated the same under the PTMS process as replaced/used vehicles purchased or transferred from other transit systems, when prioritizing projects for vehicles replacements or expansion. The Request for Vehicle Retention password protected form for Iowa's transit systems can be found at the [Transit System Portal](#).

Like-Kind Substitution (LKS) of Vehicles – If a vehicle cannot be kept in service until it is successfully programmed for replacement through the statewide PTMS process, a vehicle deemed by OPT staff to be substantially similar may be purchased entirely with local funds as a replacement vehicle. Such a request shall be submitted in conjunction with a request for advanced disposition. The Disposal/LKS Form can be found in the [Transit System Portal](#). LKS requests must justify why the vehicle should be considered comparable in terms of miles, age, passenger capacity, ADA features and mechanical condition. Please note: a disposal form for the vehicle being replaced must be completed.

Advanced Disposition – Transit systems are encouraged to review the utilization of the vehicles in their fleet and to contact OPT regarding disposition of any equipment which is not needed or not being actively used. Disposal of such unneeded vehicles may require repayment of the federal share, if they cannot be transferred to another transit system that will commit to utilize them for the remainder of their minimum useful life. The Advanced Disposition form (Disposal/LKS form) can be found in the [Transit System Portal](#). This form is intended for the use of Iowa's transit systems and requires a Personal Identification Number to submit.

Generally, disposing of a vehicle prior to receipt of a replacement vehicle is considered an indication that the vehicle was not needed for the delivery of public transit services and can result in the cancellation of any programmed project for purchase of a replacement. Under limited circumstances, OPT may authorize disposition of a vehicle in advance of the delivery of a replacement. Such an advanced disposition may be allowed to facilitate transfer to another system with urgent equipment needs, or it may be allowed when a vehicle is in such bad condition that the transit system has acquired (by transfer or outright purchase) a used vehicle to meet its equipment needs until the original vehicle's replacement arrives. In this instance, a Like-kind Substitution (LKS) request should be made in conjunction with the Advance Disposition request. These forms can be found in the [Transit System Portal](#). As noted above, LKS requests must justify why the vehicle should be considered comparable in terms of miles, age, passenger capacity, ADA features and mechanical condition.