

SUBRECIPIENT FEDERAL ASSET DISPOSITION POLICY

Guidelines and Procedures for the Proper Disposition of Federally Funded Assets



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1.0 Purpose

The Los Angeles County Metropolitan Transportation Authority (Metro), in accordance with federal laws and regulations (including 2 C.F.R. Part 200), the Federal Transit Administration (FTA) Master Agreement ([MA](#)), and the FTA Award Management Requirements ([FTA Circular 5010.1F](#)), established the Metro Subrecipient Federal Asset Disposition Policy ("Policy").

The Policy provides clear guidelines and procedures for the proper disposition of federally funded vehicles, equipment (including shelters and associated passenger amenities), and facilities acquired by Metro subrecipients. The Policy ensures compliance with federal regulations, transparency in asset management, and accountability in the disposition process.

This Policy and all associated forms are available at mygrants.metro.net under the "Resources" section. The webpage will maintain the most current versions and will be updated as revisions are made.

2.0 Scope

This Policy applies to **all** federally funded assets acquired by Metro subrecipients via a pass-through grant agreement with the FTA, Federal Highway Administration, U.S. Department of Transportation, or any other Federal Agency ("Federal Agency"). Funding sources include, but are not limited to, FTA Section 5307, 5309, 5310, 5316, 5317, 5339, the Congestion Mitigation and Air Quality (CMAQ) Improvement Program, the Surface Transportation Block Grant Program, and the Carbon Reduction Program.

Disposition requirements apply to all federally funded assets no longer used for their originally intended purpose, including those assets that have met their minimum useful life (Section 3), those prematurely withdrawn from service before the end of its minimum useful (Section 4), situations of abuse, misuse, or non-utilization (Section 5), or assets damaged or destroyed involving insurance proceeds (Section 6).

The Federal Agency is entitled to its share of the remaining federal interest upon disposition. The disposition of assets must be approved by the appropriate authorities within Metro and the Federal Agency. Subrecipients must notify Metro **prior** to removing an asset from service. Failure to notify Metro may constitute a breach of obligations under the Funding Agreement.

If a federally funded asset remains in good working condition and serves the project effectively, subrecipients are encouraged to continue using the asset beyond its minimum useful life under the terms of the Funding Agreement. Metro will retain continuing control of the asset and, if applicable, will remain the lienholder to confirm compliance with this Policy and all Federal requirements.

Assets are not closed out until Metro sends correspondence confirming that the disposition adhered to this Policy and all applicable federal laws and requirements.

3.0 Disposition of Assets Meeting Their Useful Life

3.1 Approval Request

Subrecipients must notify Metro **prior** to using an asset for anything other than its original project purpose, removing an asset from service, or filing a planned nonoperation with the California Department of Motor Vehicles. Failure to notify Metro of these occurrences, or of any substitute, additional, or incidental use of an asset, may constitute a breach of obligations under the Funding Agreement.

Subrecipients must submit an [Asset Disposition Request Form](#), located in the appendix, prior to disposing of a federally funded asset and submit it to Metro for approval before proceeding with any further actions. One form is required for each asset.

As part of its review of the Asset Disposition Request Form, Metro will complete a **Federal Interest Worksheet** to accurately document the valuation of the asset for purposes of determining the disposition method and calculation of the federal interest. The federal interest calculation is affected by whether an asset has met its minimum useful life requirements. Examples of Federal Interest Worksheets can be found in [Section 7](#).

If applicable, Metro will release its lien on a vehicle upon approval of the disposition request and will provide the vehicle title to the subrecipient to proceed with the disposition.

3.2 Minimum Useful Life Standards

The minimum useful life is determined by years in service or the accumulation of revenue miles, whichever comes first. The minimum useful life in years is calculated based on the date an asset is placed in service and continues until it is removed from service. The time an asset is taken out of service for maintenance, repairs, unforeseen difficulty maintaining the asset, low ridership, changes in operating circumstances, or other reasons are excluded from the useful life calculation. For vehicles, the minimum useful life in miles refers to the total miles accumulated in transit revenue service, with non-revenue miles being excluded from the useful life calculation.

An asset is considered to have met its useful life if it is utilized according to the following minimum useful life standards.

Asset	Minimum Useful Life*
Buses/Light Vehicles	
Large heavy-duty transit buses 35'-40'	12 years/500,000 miles
Small heavy-duty transit buses 30'	10 years/350,000 miles
Medium medium-duty transit buses 25'-35'; Sprinter bus	7 years/200,000 miles
Medium light-duty transit buses 25'-35', Raised top vans	5 years/150,000 miles

Light-duty vehicles (minivans, sedans, light-duty buses) < 30 ft	4 years/100,000 miles
<u>Trolleys</u>	
Fixed guideway steel-wheeled	25 years
Fixed guideway electric, rubber tires	15 years
Simulated trolleys (rubber tires, internal combustion engine)	Refer to bus useful life
<u>Rail Vehicles</u>	25 years
<u>Ferries</u>	
Passenger ferries	25 years
Other ferries (w/o refurbishment)	30 years
Other ferries (w/ refurbishment)	60 years
<u>Facilities</u>	
Buildings- concrete, steel, and frame construction	40 years
<u>Other Capital Equipment</u>	
Fare boxes	10 years
Computer hardware	4 years
Computer software	4 years
Scheduling/fleet management software	4 years
Mobile data computers (real-time dispatching)	7 years
Communications equipment, mobile radios, base stations	10 years
Security/Surveillance equipment, cameras for vehicles	Same as vehicle
Security/Surveillance equipment, cameras for buildings	10 years
Shop equipment- e.g. bus washing, tire changers	10 years
Bus lift	20 years
Wheelchair lift	Same as vehicle
Bus shelters	15 years
Bus shelter/stop benches	10 years
Office furniture	10 years
Engine for bus/trolley	4 years
Bus stop signage	10 years
HVAC parts	5 years
Asphalt parking lot	15 years
Commercial roofing	15 years
* Estimated useful life. Actual useful life will be determined based on industry standards or proven useful life developed at a federal test facility (see bus testing reports).	

3.3 Disposition Methods

Federally funded assets that have reached the end of their minimum useful life may be disposed of through various approved methods, including auction, sale, scrapping, retained for other uses, or transfer to another public agency, subject to Metro's prior approval. Each method requires proper documentation, as outlined in Section 3.5. The approved disposition methods are described below:

Auction: Assets are sold in an auction to the highest bidder. This method is preferred to ensure the highest possible return is achieved. Subrecipients are not required to use a specific auction method or service. Metro may assist subrecipients in locating an auction service.

Sale to a Private Party: If an auction is not feasible, assets may be sold directly to private buyers or other interested parties.

Scrapped: Assets that have no market value and are no longer operational or beyond repair may be dismantled, recycled, or disposed of entirely.

Retained: Assets meeting minimum useful life requirements can be retained and used beyond their originally intended purpose.

Transfers: Assets meeting minimum useful life requirements can be transferred to another eligible public or private agency, subject to Metro approval. Transfers are generally limited to active Metro subrecipients and must be conducted at no cost. Metro may assist in identifying an eligible recipient.

3.4 Federal Interest Valuation

The Federal Agency is entitled to its share of the remaining federal interest in the fair market value of vehicles, equipment, and facilities valued at more than \$10,000 per unit, or unused supplies with a total aggregate fair market value exceeding \$10,000.

Fair Market Value

Fair market value may be determined using the gross sales proceeds, an appraised value, or a market valuation report. For assets that are auctioned or sold, the fair market value is the gross sales price. Auctions are the most straightforward method to meet the federal requirement of ensuring the highest possible return on a federally funded asset.

For assets that are retained, transferred, or scrapped, the fair market value must be approved by Metro prior to disposition. Additional documentation may be required in these circumstances.

In rare instances where fair market value cannot be reasonably established, straight-line depreciation may be used to calculate the remaining federal interest. Use of this method requires prior approval from the Federal Agency. For vehicles, straight-line depreciation may only be used if the asset has met the minimum useful life requirements in both mileage and years.

Calculating the Federal Interest

For assets with a fair market value of more than \$10,000, the subrecipient may retain \$5,000 and the percentage of the local share of the remaining proceeds. Any remaining federal share must be returned to the Federal Agency. Subrecipients are responsible

for selling and handling expenses. For assets with a value of \$10,000 or less, the subrecipient may retain the full proceeds from the disposition.

The table below provides scenarios to demonstrate the federal interest due when disposing of an asset that has met its minimum useful life requirements. In both scenarios, the asset was procured using federal funds under a grant and a subrecipient Funding Agreement with an 80% federal share and a 20% local share.

Federal Interest When Useful Life is Met	Scenario A	Scenario B
Fair Market Value	\$9,000	\$15,000
Federal Share (%)	80%	80%
Retained by Subrecipient	(\$9,000)	(\$5,000)
Remaining Value	\$0	\$10,000
Local Share of Remaining Value	\$0	(\$2,000)
Federal Interest Due	\$0	\$8,000

In Scenario A, the fair market value is under \$10,000. Therefore, the subrecipient retains the full \$9,000, and no funds are due to the Federal Agency.

In Scenario B, the fair market value exceeds \$10,000. Therefore, the subrecipient retains the initial \$5,000 and an additional \$2,000 (20% of the remaining \$10,000). The remaining \$8,000 is due to the Federal Agency.

Note: In certain situations, alternative federal requirements may require a different method for calculating the federal interest. Metro will provide additional guidance to subrecipients, as needed, to ensure the appropriate calculation method is applied for these assets.

3.5 Documentation and Reporting

Subrecipients must submit an [Asset Disposition Request Form](#) for approval prior to taking any further action. One form is required for each asset. Metro will complete a **Federal Interest Worksheet** to determine the appropriate disposition method and calculate any federal interest due.

Upon Metro's approval, the subrecipient is authorized to proceed with the asset's disposal in accordance with the approved disposition method. All asset dispositions must be properly documented and reported in compliance with applicable federal

requirements. The following documentation is required and must be submitted to Metro for each approved disposition method:

Auction:

1. **Auction Sales Report:** Must include the asset details and sales information. The report must clearly indicate the gross proceeds from the sale, as this is the amount that will be used to calculate the federal interest.

Sale to a Private Party:

1. **Appraisal or Approved Asset Valuation:** An appraisal, a minimum of three quoted offers, or other valuation documentation approved by Metro, if the sales price is substantially lower than the estimated valuation in the Federal Interest Worksheet.
2. **Sales Agreement Copy:** A copy of the sales agreement between the subrecipient and the private buyer, clearly outlining the asset details, sale price, and terms of the sale.
3. **Sales Confirmation Documentation:** Documentation confirming the sale of the asset, including the receipt of payment.

Scrapped:

1. **Appraisal or Approved Asset Valuation:** An appraisal, repair estimate, or other valuation documentation approved by Metro, if the remaining fair market value exceeds \$10,000, as determined by the estimated valuation in the Federal Interest Worksheet. If the estimated value is \$10,000 or less, no additional valuation documentation is required, as no federal interest remains.
2. **Disposal Documentation:** Documentation confirming how the asset was dismantled, recycled, or disposed of (e.g., receipt from recycling center or certificate of destruction), including any proceeds received from the disposal.

Retained for Other Use:

1. **Appraisal or Approved Asset Valuation:** An appraisal or other valuation documentation approved by Metro, if the remaining fair market value exceeds \$10,000 as determined by the estimated valuation in the Federal Interest Worksheet, and the subrecipient wishes to propose an alternative valuation. Alternatively, the subrecipient may choose to pay the federal interest amount due based on the estimated valuation. If the estimated value is \$10,000 or less, no additional valuation documentation is required, as no federal interest remains.
2. **Asset Self-Certification Form:** A completed [Asset Self-Certification Form](#) signed by a duly authorized representative.

Transfers:

1. **Appraisal or Approved Asset Valuation:** An appraisal or other valuation documentation approved by Metro, if the remaining fair market value exceeds \$10,000 as determined by the estimated valuation in the Federal Interest Worksheet, and the subrecipient wishes to propose an alternative valuation. Alternatively, the subrecipient may choose to pay the federal interest amount due

based on the estimated valuation. If the estimated value is \$10,000 or less, no additional valuation documentation is required, as no federal interest remains.

2. **Transfer Agreement and Confirmation:** A copy of the executed transfer agreement between the subrecipient and receiving party, along with documentation confirming that the transfer has been completed. Transfers must be conducted at **no cost**, and no payment or exchange of funds is permitted between parties.
3. **Asset Self-Certification Form:** A completed [Asset Self-Certification Form](#) signed by a duly authorized representative.

3.6 Federal Interest Payment of Proceeds

Upon submission of the required disposition documentation, Metro will review the information to determine whether any funds must be returned to the Federal Agency. If no repayment is required, the disposition process will be considered complete once the subrecipient receives final written confirmation from Metro.

If repayment is required, Metro will seek concurrence from the Federal Agency regarding the disposition and calculation of the remaining federal interest. Once confirmed, Metro will issue a letter to the subrecipient with instructions for submitting the payment to the Federal Agency.

3.7 Asset Closeout

Metro will issue formal closeout correspondence once an asset disposition process is complete. Metro retains continuing control over the asset until this correspondence is provided. The letter will identify the specific assets that have been closed out. Subrecipients must continue to use, maintain, and report on all federally funded assets not identified in the closeout correspondence, in accordance with the terms of the Funding Agreement.

4.0 Disposition of Assets Before Their Useful Life

4.1 Approval Request

Subrecipients must notify Metro **prior** to using an asset for anything other than its original project purpose, removing an asset from service, or filing a planned nonoperation with the California Department of Motor Vehicles. Failure to notify Metro of these occurrences, or of any substitute, additional, or incidental use of an asset, may constitute a breach of obligations under the Funding Agreement.

Any disposition of federally assisted property before the end of its minimum useful life requires prior written approval from both Metro and the Federal Agency. Please note that early dispositions typically result in a significantly higher federal interest repayment compared to assets that have met their minimum useful life. Subrecipients should carefully consider the financial implications, as any proceeds determined to be the federal share will be owed back to the Federal Agency.

Subrecipients must submit an [Asset Disposition Request Form](#) to initiate a disposition request. One form is required for each asset. Once submitted, Metro will complete a **Federal Interest Worksheet** to determine the most appropriate disposition method and calculate any federal interest due.

Given the high market value of used assets, subrecipients are encouraged to continue using the federally funded asset through the end of its minimum useful life in accordance with the original purpose of the award. If applicable, Metro will release its lien against a vehicle upon approval of the request and will provide the vehicle title to the subrecipient to proceed with the disposition.

4.2 Minimum Useful Life Standards

The minimum useful life is determined by years in service or the accumulation of revenue miles, whichever comes first. The minimum useful life in years is calculated based on the date an asset is placed in service and continues until it is removed from service. The time an asset is taken out of service for maintenance, repairs, unforeseen difficulty maintaining the asset, low ridership, changes in operating circumstances, or other reasons are excluded from the useful life calculation. For vehicles, the minimum useful life in miles refers to the total miles accumulated in transit revenue service, with non-revenue miles excluded from the useful life calculation.

Below are the minimum useful life standards for federally funded assets:

Asset	Minimum Useful Life*
<u>Buses/Light Vehicles</u>	
Large heavy-duty transit buses 35'-40'	12 years/500,000 miles
Small heavy-duty transit buses 30'	10 years/350,000 miles
Medium medium-duty transit buses 25'-35'; Sprinter bus	7 years/200,000 miles
Medium light-duty transit buses 25'-35', Raised top vans	5 years/150,000 miles
Light-duty vehicles (minivans, sedans, light-duty buses) < 30 ft	4 years/100,000 miles
<u>Trolleys</u>	
Fixed guideway steel-wheeled	25 years
Fixed guideway electric, rubber tires	15 years
Simulated trolleys (rubber tires, internal combustion engine)	Refer to bus useful life
<u>Rail Vehicles</u>	25 years
<u>Ferries</u>	
Passenger ferries	25 years
Other ferries (w/o refurbishment)	30 years
Other ferries (w/ refurbishment)	60 years
<u>Facilities</u>	
Buildings- concrete, steel, and frame construction	40 years
<u>Other Capital Equipment</u>	
Fare boxes	10 years
Computer hardware	4 years
Computer software	4 years

Scheduling/fleet management software	4 years
Mobile data computers (real-time dispatching)	7 years
Communications equipment, mobile radios, base stations	10 years
Security/Surveillance equipment, cameras for vehicles	Same as vehicle
Security/Surveillance equipment, cameras for buildings	10 years
Shop equipment- e.g. bus washing, tire changers	10 years
Bus lift	20 years
Wheelchair lift	Same as vehicle
Bus shelters	15 years
Bus shelter/stop benches	10 years
Office furniture	10 years
Engine for bus/trolley	4 years
Bus stop signage	10 years
HVAC parts	5 years
Asphalt parking lot	15 years
Commercial roofing	15 years
* Estimated useful life. Actual useful life will be determined based on industry standards or proven useful life developed at a federal test facility (see bus testing reports).	

4.3 Disposition Methods

Federally funded assets that have **not** yet reached the end of their minimum useful life may only be disposed of with prior written approval from both Metro and the Federal Agency. Due to the higher federal interest typically associated with early dispositions and the documentation required, subrecipients are strongly encouraged to continue using the asset through the end of its minimum useful life in accordance with its original project purpose.

Once written approval is obtained, subrecipients may proceed with one of the approved disposition methods. Each method requires proper documentation, as outlined in Section 4.5. The approved disposition methods are described below:

Auction: Assets are sold in an auction to the highest bidder. This method is preferred to ensure the highest possible return is achieved. Subrecipients are not required to use a specific auction method or service. Metro may assist subrecipients in locating an auction service.

Sale to a Private Party: If an auction is not feasible, assets may be sold directly to private buyers or other interested parties.

Transfers: Assets can be transferred to another eligible public or private agency, subject to Metro approval. Transfers are generally limited to active Metro subrecipients and must be conducted at no cost. Metro may assist in identifying an eligible recipient.

Scrapped: Assets that are no longer operational or beyond repair may be dismantled, recycled, or disposed of entirely.

Like-Kind Exchange: In exigent circumstances, such as when a subrecipient requires a larger or smaller vehicle to better meet service needs, Metro may assist in facilitating a like-kind exchange with another eligible subrecipient. This method is subject to approval from both Metro and the Federal Agency.

4.4 Federal Interest Valuation

The Federal Agency is entitled to its share of the remaining federal interest in the fair market value of vehicles, equipment, and facilities, or the total aggregate fair market value of unused supplies.

The calculation of federal interest for early dispositions differs from that of assets that have met their minimum useful life and typically result in a higher repayment obligation to the Federal Agency.

For assets that have **not** met minimum useful life requirements, the amount of federal interest that the subrecipient must return to the Federal Agency is the greater of: A) the federal share of the remaining useful life, calculated using straight line depreciation based on either mileage or years (whichever is more advantageous to the subrecipient), or B) the federal share of the asset's sales price or fair market value.

The table below illustrates the federal interest calculation when disposing of an asset that has **not** yet met its minimum useful life requirements. In each valuation method, the asset was procured using federal funds under a grant and a subrecipient Funding Agreement with an 80% federal share and a 20% local share.

Federal Interest for Early Dispositions	Method A Fair Market Value	Method B Depreciation (Miles)	Method C Depreciation (Years)
Original Purchase Price	\$70,000	\$70,000	\$70,000
Useful Life	-	100,000 Miles	4 Years
Service Life (Actual Time in Service)	-	30,000 Miles	2 Years
Remaining Value (%)	-	70%	50%
Fair Market Value or Depreciated Value	\$55,000	\$49,000	\$35,000
Federal Share (%)	80%	80%	80%
Total Federal Interest Due	\$44,000	\$39,200	\$28,000

Method A calculates the federal interest based on the federal share of the fair market value of \$55,000. Fair market value may be determined using gross sales proceeds, an appraisal, or a market valuation report.

Methods B and C apply straight line depreciation to the original purchase price to estimate the remaining value. Method B uses mileage, while Method C uses years. In accordance with federal guidance, Metro applies whichever depreciation method, years or miles, is most advantageous to the subrecipient.

In this example, Method A is applied because it results in the highest federal interest amount due. If only one of Method B or C produced a higher value than Method A, that amount would be used. If both Methods B and C produced higher values than Method A, the lower of the two depreciation methods would be used.

4.5 Documentation and Reporting

Subrecipients must submit an [Asset Disposition Request Form](#) for approval prior to taking any further action. One form is required for each asset. Metro will complete a **Federal Interest Worksheet** to determine the appropriate disposition method and calculate any federal interest due.

Please note that early dispositions also require written approval from the Federal Agency. Metro will coordinate and submit the approval request to the Federal Agency on behalf of the subrecipient.

Upon approval, the subrecipient is authorized to proceed with the asset's disposal in accordance with the approved disposition method. All asset dispositions must be properly documented and reported in compliance with applicable federal requirements. The following documentation is required and must be submitted to Metro for each approved disposition method:

Auction:

1. **Auction Sales Report:** Must include the asset details and sales information. The report must clearly indicate the gross proceeds from the sale, as this is the amount that will be used to calculate the federal interest.

Sale to a Private Party:

1. **Appraisal or Approved Asset Valuation:** An appraisal, a minimum of three quoted offers, or other valuation documentation approved by Metro, if the sales price is substantially lower than the estimated valuation in the Federal Interest Worksheet.
2. **Sales Agreement Copy:** A copy of the sales agreement between the subrecipient and the private buyer, clearly outlining the asset details, sale price, and terms of the sale.
3. **Sales Confirmation Documentation:** Documentation confirming the sale of the asset, including the receipt of payment.

Scrapped:

1. **Appraisal or Approved Asset Valuation:** An appraisal, repair estimate, or other valuation documentation approved by Metro, if the remaining fair market value exceeds \$10,000, as determined by the estimated valuation in the Federal Interest Worksheet.
2. **Disposal Documentation:** Documentation confirming how the asset was dismantled, recycled, or disposed of (e.g., receipt from recycling center or certificate of destruction), including any proceeds received from the disposal.

Retained for Other Use:

1. **Appraisal or Approved Asset Valuation:** An appraisal or other valuation documentation approved by Metro, if the remaining fair market value exceeds \$10,000 as determined by the estimated valuation in the Federal Interest Worksheet, and the subrecipient wishes to propose an alternative valuation. Alternatively, the subrecipient may choose to pay the federal interest amount due based on the estimated valuation.
2. **Asset Self-Certification Form:** A completed [Asset Self-Certification Form](#) signed by a duly authorized representative.

Transfers:

1. **Appraisal or Approved Asset Valuation:** An appraisal or other valuation documentation approved by Metro, if the remaining fair market value exceeds \$10,000 as determined by the estimated valuation in the Federal Interest Worksheet.
2. **Transfer Agreement and Confirmation:** A copy of the executed transfer agreement between the subrecipient and receiving party, along with documentation confirming that the transfer has been completed. Transfers must be conducted at **no cost**, and no payment or exchange of funds is permitted between parties.
3. **Asset Self-Certification Form:** A completed [Asset Self-Certification Form](#) signed by a duly authorized representative.

4.6 Federal Interest Payment of Proceeds

Upon submission of the required disposition documentation, Metro will review the information to determine whether any funds must be returned to the Federal Agency. If no repayment is required, the disposition process will be considered complete once the subrecipient receives final written confirmation from Metro.

If repayment is required, Metro will seek concurrence from the Federal Agency regarding the disposition and calculation of the remaining federal interest. Once confirmed, Metro will issue a letter to the subrecipient with instructions for submitting the payment to the Federal Agency.

4.7 Asset Closeout

Metro will issue formal closeout correspondence once an asset disposition process is complete. Metro retains continuing control over the asset until this correspondence is

provided. The letter will identify the specific assets that have been closed out. Subrecipients must continue to use, maintain, and report on all federally funded assets not identified in the closeout correspondence, in accordance with the terms of the Funding Agreement.

5.0 Abuse, Misuse, or Non-Utilization of an Asset

5.1 Approval Request

Metro may conduct inquiries into abuse, misuse, or non-utilization of federally funded assets. Metro staff may request to inspect the asset, conduct interviews with subrecipients, or take other measures as appropriate to ensure assets are used for their originally intended purpose.

Abuse, misuse, or non-utilization of a federally funded asset with the subrecipient's knowledge and consent constitutes a breach of obligations under the Funding Agreement and will initiate a disposition of the asset.

Metro holds ultimate responsibility for determining that the use of an asset rises to the level of abuse or misuse. Metro may suggest corrective actions that would allow the subrecipient to continue using the asset in compliance with federal requirements. When feasible, subrecipients are encouraged to take corrective measures and use the asset for its originally intended purpose through the end of its minimum useful life.

If an asset cannot be used for its originally intended purpose, subrecipients must complete an [Asset Disposition Request Form](#) prior to disposing of an asset. One form is required for each asset. Once submitted, Metro will complete a **Federal Interest Worksheet** to determine the most appropriate disposition method and calculate any federal interest due.

If applicable, Metro will release its lien against a vehicle upon approval of the disposition request and provide the vehicle title to the subrecipient to proceed with the disposition.

5.2 Federal Interest Valuation

In cases of abuse, misuse, or non-utilization, the federal interest shall be calculated based on the condition of the asset immediately prior to the event or circumstance that rendered the asset unusable, regardless of the extent of insurance coverage.

In accordance with this Policy, the federal interest must be calculated to ensure the highest possible return to the Federal Agency in cases where abuse, misuse, or non-utilization occurred with the subrecipient's knowledge and consent.

The table below illustrates the federal interest calculation when disposing of an asset under these circumstances. In each valuation method, the asset was procured using

federal funds under a grant and a subrecipient Funding Agreement with an 80% federal share and a 20% local share.

Federal Interest for Assets Abused, Misused, or Not Utilized	Method A Fair Market Value	Method B Depreciation (Miles)	Method C Depreciation (Years)	Method D Restore to Original Condition
Original Purchase Price	\$70,000	\$70,000	\$70,000	\$70,000
Useful Life	-	100,000	4 Years	-
Service Life (Actual Time in Service)	-	30,000	2 Year	-
Remaining Value (%)	-	70%	50%	-
Fair Market Value or Remaining Value	\$55,000	\$49,000	\$35,000	-
Federal Share (%)	80%	80%	80%	80%
Federal Interest Due	\$44,000	\$39,200	\$28,000	\$56,000

Method A calculates the federal interest based on the federal share of the fair market value of \$55,000. Fair market value may be determined using gross sales proceeds, an appraisal, or a market valuation report.

Methods B and C apply straight line depreciation to the original purchase price to estimate the remaining value. Method B uses mileage, while Method C uses years. Unlike routine dispositions discussed in Section 4, Metro does **not** apply the depreciation method most advantageous to the subrecipients in cases of abuse, misuse, or non-utilization.

Method D represents the full payment scenario, in which the asset is returned to its original condition by requiring the subrecipient to repay the entire federal share of the original purchase price to the Federal Agency.

To ensure the highest possible return to the Federal Agency in cases of abuse, misuse, or non-utilization, Method D is used in this example, as it results in the highest federal interest amount. If another method were to yield a higher federal interest, that amount would be used instead.

5.3 Federal Interest Payment of Proceeds

Upon submission of the required disposition documentation, Metro will review the information to determine whether any funds must be returned to the Federal Agency. If no repayment is required, the disposition process will be considered complete once the subrecipient receives final written confirmation from Metro.

If repayment is required, Metro will seek concurrence from the Federal Agency regarding the disposition and calculation of the remaining federal interest. Once confirmed, Metro will issue a letter to the subrecipient with instructions for submitting the payment to the Federal Agency.

5.4 Asset Closeout

Metro will issue formal closeout correspondence once an asset disposition process is complete. Metro retains continuing control over the asset until this correspondence is provided. The letter will identify the specific assets that have been closed out. Subrecipients must continue to use, maintain, and report on all federally funded assets not identified in the closeout correspondence, in accordance with the terms of the Funding Agreement.

6.0 Insurance Proceeds

6.1 Reporting the Accident

Subrecipients are required to notify Metro when a federally funded asset is lost or damaged due to an accident, casualty, fire, or natural disaster. Subrecipients must complete the [Asset Disposition Request Form](#) prior to disposing of a federally funded asset and submit it to Metro for approval before proceeding with any further action. One form is required for each asset.

Metro will use this form to complete a **Federal Interest Worksheet** to determine the most appropriate disposition method and any remaining federal interest. If applicable, Metro will release its lien against a vehicle upon approval of the request and provide the vehicle title to the subrecipient to proceed with the disposition.

6.2 Insurance Claims

Metro subrecipients must file a claim with their insurance provider as soon as possible. A copy of the insurance claim and all related documentation, including the repair estimates or market valuation reports, must be submitted to Metro.

6.3 Disposal Methods

When federally funded assets are lost or damaged, they may be repaired, replaced, or scrapped. Below are details on each method:

Repairable Asset: If an asset is deemed repairable, the subrecipient must utilize the insurance proceeds to cover the repair costs. The federal interest will remain with the asset. The period during which the asset is out of service for repairs will not be included in the calculation of its useful life.

Replacement Due to Total Loss: If an asset is deemed a total loss, the subrecipient may apply the insurance proceeds to the cost of replacing the asset with a like-kind asset. No additional federal funds will be provided by Metro for the replacement. If the

subrecipient intends to use other funding sources to cover any portion of the replacement cost, they must notify Metro in advance and provide details regarding the source of those funds. The federal interest will remain with the new asset.

Scrapped Due to Total Loss: If an asset is determined to be a total loss and the subrecipient opts not to replace the asset, it may be dismantled, recycled, or fully disposed of. The federal interest must be returned to the Federal Agency. If the insurance proceeds are less than the federal interest, the subrecipient must remit the full amount of the insurance proceeds along with any additional funds necessary to satisfy the total federal interest. If the insurance proceeds exceed the federal interest, the subrecipient must return only the amount equal to the federal interest.

6.4 Federal Interest Valuation for Total Loss with Insurance Proceeds

The Federal Agency is entitled to its share of the remaining federal interest in vehicles, equipment, and facilities, or total aggregate fair market value of unused supplies. The federal interest does not depend on the extent of insurance coverage or the insurance proceeds received. The federal interest shall be calculated based on the condition of the asset immediately before the accident, casualty, fire, or natural disaster.

Subrecipients not using insurance proceeds on repairs or a replacement must return the federal interest to the Federal Agency. Metro encourages subrecipients to apply proceeds to repairs or a replacement if at all feasible.

Calculating the Federal Interest

The federal interest calculation depends on whether the asset has met its minimum useful life. Section 3 of this Policy outlines the requirements and considerations for assets that have met their minimum useful life. Section 4 provides guidance on calculating the federal interest for assets that have not yet met their useful life. In cases where Metro determines that an asset has been misused or abused, Section 5 explains how the federal interest is calculated.

The table below provides scenarios that compare insurance proceeds to federal interest. In both scenarios, the asset was procured using federal funds under a grant and subrecipient Funding Agreement with an 80% federal share and a 20% local share.

Insurance Proceeds & Federal Interest	Scenario A	Scenario B
	Insurance Proceeds Higher Than Federal Interest	Insurance Proceeds Less Than Federal Interest
Project Purchase Price	\$81,250	\$81,250
Project Federal Share (\$)	\$65,000	\$65,000
Project Federal Share (%)	80%	80%
Actual Original Price	\$95,000	\$95,000

Overmatch	\$13,750	\$13,750
Actual Local Share	31.6%	31.6%
Market Valuation Report	\$72,500	\$72,500
Federal Share	80%	80%
Remaining Federal Interest	\$58,000	\$58,000
Insurance Proceeds	\$68,000	\$55,000
Difference	\$10,000	(\$3,000)

In Scenario A, the insurance proceeds are sufficient to cover the remaining federal interest. The subrecipient is not required to return any surplus insurance proceeds beyond the federal interest amount. If the asset is not being replaced, the federal interest calculation is considered complete, and the subrecipient must remit the \$58,000 federal interest to the Federal Agency.

In Scenario B, the insurance proceeds are insufficient to satisfy the full federal interest. In such cases, the subrecipient is responsible for covering the difference out of pocket. For this reason, Metro strongly encourages subrecipients to apply insurance proceeds toward the repair or replacement of the asset when feasible.

6.5 Handling of Insurance Proceeds

Once an insurance claim is processed and proceeds are received, the funds must be used in accordance with the disposal method approved by Metro. Subrecipients are required to submit documentation verifying the amount of proceeds received. If the insurance proceeds are issued directly to Metro (e.g., when Metro is listed as the lienholder of the asset), Metro will provide the subrecipient with specific instructions for remitting the payment.

6.6 Documentation and Reporting

Upon Metro's approval of an [Asset Disposition Request Form](#), the subrecipient is authorized to proceed with the asset's disposal in accordance with the approved disposition method. All asset dispositions must be properly documented and reported in compliance with applicable federal requirements. The following documentation is required and must be submitted to Metro for each approved disposition method:

Repairable Asset:

- 1. Insurance Claim Documentation:** Proof that an insurance claim has been filed.
- 2. Market Valuation Report:** Issued by the insurance provider, this report supports the insurance claim and provides an assessment of the asset's fair market value.
- 3. Proof of Insurance Proceeds:** Documentation confirming the amount received from the insurance provider (e.g. check copy).

4. **Repair Estimates or Invoices:** Documentation detailing the cost of repairs.
5. **Proof of Repairs:** Documentation confirming the repairs were completed (e.g., invoices, receipts, or work orders).
6. **In-Service Confirmation:** An email to Metro confirming the asset was repaired and placed back into service.

Replacement Due to Total Loss:

1. **Insurance Claim Documentation:** Proof that an insurance claim has been filed.
2. **Market Valuation Report:** Issued by the insurance provider, this report supports the insurance claim and provides an assessment of the asset's fair market value.
3. **Proof of Insurance Proceeds:** Documentation confirming the amount received from the insurance provider (e.g. check copy).
4. **Proof of Replacement:** Documentation showing the purchase of the like-kind replacement asset (e.g., purchase order, invoice).
5. **In-Service Confirmation:** An email to Metro confirming the replacement asset has been placed into service.

Scrapped Due to Total Loss:

1. **Insurance Claim Documentation:** Proof that an insurance claim has been filed.
2. **Market Valuation Report:** Issued by the insurance provider, this report supports the insurance claim and provides an assessment of the asset's fair market value.
3. **Proceeds Documentation:** Documentation confirming the amount received from the insurance provider (e.g. check copy), or proceeds from scrapping the asset, including a breakdown of gross proceeds, any fees, and net proceeds.
4. **Disposal Documentation:** Proof of how the asset was dismantled, recycled, or fully disposed of (e.g., receipt from recycling center, certificate of destruction).

6.7 Federal Interest Payment of Proceeds

Upon the submission of the required disposition documentation, Metro will review the information to determine whether any funds must be returned to the Federal Agency. If no repayment is required, the disposition process will be considered complete once the subrecipient receives final written confirmation from Metro.

If repayment is required, Metro will seek concurrence from the Federal Agency regarding the disposition and calculation of the remaining federal interest. Once confirmed, Metro will issue a letter to the subrecipient with instructions for submitting the payment to the Federal Agency.

6.8 Asset Closeout

Metro will issue formal closeout correspondence once an asset disposition process is complete. Metro retains continuing control over the asset until this correspondence is provided. The letter will identify the specific assets that have been closed out. Subrecipients must continue to use, maintain, and report on all federally funded assets not identified in the closeout correspondence, in accordance with the terms of the Funding Agreement.

7.0 Example Federal Interest Worksheets

The following are examples of Federal Interest Worksheets that illustrate how federal interest is calculated under various disposition scenarios:

1. **Example 1** – Closeout of an auctioned asset that has met its minimum useful life.
2. **Example 2** – Calculation of the federal interest owed by a subrecipient retaining an asset that has met its minimum useful life, with proceeds due to the Federal Agency.
3. **Example 3** – Calculation of the expected federal interest for a subrecipient intending to sell an asset that has not yet met its minimum useful life.

Los Angeles County Metropolitan Transportation Authority

Subrecipient Asset Disposition - Asset Auctioned

Vehicle	
VIN	Vehicle VIN Here
Purchase Price	\$ 118,243.00
Federal Share	90%
Mileage	154,213
Service Life	6.030
Fair Market Value	\$ 7,000.00

Due to FTA	
Fair Market Value	\$ 7,000.00
Retained by Subrecipient	\$ (7,000.00)
Remaining Value	\$ -
Local Share of Remaining Value	\$ -
Total Due to FTA	\$0.00
Total Retained by Subrecipient	\$7,000.00

Disposition	
Date	10/10/24
Type	Auction
Funding Source	
Agency	FTA
Grant	CA-16-1234
Useful Life	
Years	5
Miles	150,000

Service Life	
In-Service Date	7/25/16
Out-of-Service Date	8/4/22
Service Life (Years)	6.030
Met Useful Life?	Yes

Los Angeles County Metropolitan Transportation Authority
Subrecipient Asset Disposition - Asset Retained (Funds Due to FTA)

Vehicle	
VIN	Vehicle VIN Here
Purchase Price	\$ 84,567.00
Federal Share	90%
Mileage	161,789
Service Life	7.337
Expected Fair Market Value	\$ 32,425.00

Due to FTA	
Fair Market Value	\$ 32,425.00
Retained by Subrecipient	\$ (5,000.00)
Remaining Value	\$ 27,425.00
Local Share of Remaining Value	\$ (2,742.50)
Total Due to FTA	\$24,682.50
Total Retained by Subrecipient	\$7,742.50

Disposition	
Date	1/17/24
Type	Retain
Funding Source	
Agency	FTA
Grant	CA-16-1234
Useful Life	
Years	5
Miles	150,000

Service Life	
In-Service Date	4/22/16
Out-of-Service Date	8/22/23
Service Life (Years)	7.337
Met Useful Life?	Yes

Expected Fair Market Value			
Offer	Year	Mileage	Price
Sale	2017	144,723	\$ 34,455.00
Sale	2017	132,328	\$ 39,999.99
Listing	2016	174,986	\$ 22,820.00
Expected Fair Market Value			\$ 32,425.00

Los Angeles County Metropolitan Transportation Authority
Subrecipient Asset Disposition - Early Disposition (Funds Due to FTA)

Vehicle	
VIN	Vehicle VIN Here
Purchase Price	\$ 67,823.00
Federal Share	90%
Mileage	48,723
Service Life	1.995
Fair Market Value	\$ 37,425.89

Due to FTA	
Federal Interest	\$ 36,691.31
Retained by Subrecipient	\$ (5,000.00)
Remaining Value	\$ 31,691.31
Local Share of Remaining Value	\$ (3,169.13)
Total Due to FTA	\$28,522.18
Total Retained by Subrecipient	\$8,169.13

Disposition	
Date	2/7/25
Type	Auction
Funding Source	
Agency	FTA
Grant	CA-23-1234
Useful Life	
Years	5
Miles	150,000

Service Life	
In-Service Date	1/25/23
Out-of-Service Date	1/22/25
Service Life (Years)	1.995
Met Useful Life?	No

Early Disposition			
	Fair Market Value	Depreciation (Miles)	Depreciation (Years)
Useful Life	N/A	150,000	5
Service Life	N/A	48,723	1.995
Value	\$ 37,425.89	\$ 45,792.73	\$ 40,768.13
Federal Interest	\$ 33,683.30	\$ 41,213.46	\$ 36,691.31
Federal Interest		\$	36,691.31

8.0 Definitions

Abuse: Use of or failure to reasonably use a federally funded asset in such a way that results in harm to the asset, a third party, or some other significant negative impact.

Appraisal: An assessment of an asset's fair market value conducted by an independent firm or expert with experience evaluating similar assets.

Asset: An item of property, including vehicles, equipment, and facilities, acquired with federal funds, and having a useful life of more than one year.

Asset Disposition Request Form: A form submitted by subrecipients to Metro for approval before disposing of an asset.

Auction: A method of disposition in which assets are sold to the highest bidder.

Disposition: The process of selling, transferring, scrapping, or otherwise removing an asset no longer used for its originally intended purpose.

Federal Agency: The agency of the federal government awarding the grant that the subrecipient used to procure the asset, defined by 5 U.S.C. 551(1) and 552(f).

Federal Interest: The federal government's share of the fair market value of an asset based on the percentage of federal funds used for the asset's purchase.

Federal Interest Worksheet: Form completed by Metro to accurately document the valuation of a federally assisted asset for purposes of determining the disposition method and calculation of the federal interest, if any.

Fair Market Value: The price an asset would sell for in a competitive and open market.

FTA (Federal Transit Administration): The Federal Agency that provides financial and technical assistance to local public transit systems.

FTA Circular 5010.1F: A document outlining the Award Management Requirements, including asset management and disposition procedures, for FTA-funded projects ([link](#)).

FTA Circular 9070.1H: A document outlining the Award Management Requirements, including asset management and disposition procedures, for Section 5310-funded projects ([link](#)).

Inappropriate Use: Use of a federally funded asset that is inconsistent with its originally intended purpose or ineligible for reimbursement under federal program rules.

Insurance Proceeds: Funds from an insurance claim for damaged or lost assets.

Like-Kind Exchange: Replacing a federally funded asset with the same type of equipment with a similar useful life. See Appendix G of FTA Circular 5010.1F.

Lienholder: The entity that holds a lien on an asset, giving them a right to possession in case of default.

Market Valuation Report: A report provided by an insurance provider assessing the fair market value of a damaged or lost asset.

Minimum Useful Life: The minimum acceptable period a capital asset purchased with federal funds should be used in revenue service.

Misuse: Use of a federally funded asset that falls outside the scope of the Funding Agreement relationship with Metro.

Negotiated Sale: A method of asset disposition where the sale price and terms are negotiated directly between the seller and a prospective buyer.

Non-Utilization: Unreasonably delaying or failing to use a federally funded asset with its originally intended purpose.

Scrapped: Dismantling or recycling an asset beyond repair or with no market value.

Straight-Line Depreciation: A method of calculating an asset's value by evenly spreading the cost over its useful life.

Subrecipient: An entity that receives federal funds through Metro to carry out a part of a federal program through a Subrecipient Funding Agreement.

Subrecipient Funding Agreement: Contractual agreement between Metro and subrecipient to administer federal funds in procuring an asset.

Transfer Agreement: An agreement to transfer ownership of an asset from one entity to another, used when assets are transferred to other eligible entities rather than sold.

Quoted Offer: In selling to private parties, formal, written offers to purchase the asset, clearly showing the sales price, the date of the offer, and asset information.

Appendix

The following forms are included for use during the asset disposition process.

[Asset Disposition Request Form](#) – Form initiating asset disposition process.

[Asset Self-Certification Form](#) – Form used to track remaining federal interest, if applicable, when asset is transferred, retained, or other circumstances as deemed appropriate by Metro.

Asset Disposition Request Form

Agency Name

Mailing Address for Vehicle Title (if applicable)

Point of Contact Name

Email

Phone Number

Asset Type

Vehicle

Equipment
(including shelters)

Facility

Other

Asset Description

Asset Lost or Damaged?

Yes No

Asset ID Number

In-Service Date

Out of Service Date
(if applicable)

Months in Service
(excluding time out of service)

Additional Vehicle Information (if applicable)

Year

Make and Model

Current Mileage

VIN

License Plate Number

Does Metro Hold
the Vehicle Title?
Yes No

Planned Disposal Method

Reason for Disposal



Metro

Completed Forms **MUST** be Submitted to Metro for Approval
Prior to Taking any Action

Asset Self-Certification Form

Agency Name

Address

Point of Contact Name

Email

Phone Number

Asset Type

Vehicle

Equipment
(including shelters)

Facility

Other

Asset Description

Current Condition of Asset

Asset ID/Serial Number

Date of Acquisition

Additional Vehicle Information (if applicable)

Year

Make and Model

Current Mileage

VIN

License Plate Number

Certification Statement

By signing below, I certify that the asset described above will be used and maintained in compliance with all applicable federal requirements. Any federal interest, if applicable, will be tracked and returned as outlined in 2 C.F.R. Part 200 and FTA Circular 5010.1F.

Authorized Representative
Name and Title

Signature

Date



Metro

Completed Forms **MUST** be Submitted to Metro for Approval