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Policies and Procedures

No. 33

Subject:

Board Approval: 3/25/04

CAPITAL ASSET DISPOSAL

PURPOSE:

To establish guidelines and procedures for the disposal of MTS capital assets.

BACKGROUND:

MTS has various capital assets which, over time, will become obsolete due to normal use and wear or new technology and require disposal. Laws governing the purchase of such assets require the use of a competitive procurement process. Likewise, the disposal or sale of property purchased with public funds should be done so in an open competitive process. In the past, the County of San Diego Public Auction was primarily utilized to dispose of such property. This policy would allow MTS various disposal options and establish guidelines and procedures.

It is the policy of MTS to capitalize assets with a unit purchase value of \$5,000 or more. This policy shall ensure that when it is required to dispose of such assets, it be done in a manner which is in the best interests of the Board within the standards and procedures set forth.

PROCEDURES:

- 33.1 Methods. The method of disposal must be approved by the MTS Board of Directors for capital assets with a depreciated value of \$25,000 or more. For assets valued under \$25,000, the Chief Executive Officer may authorize disposal and the method. In either case, such methods may include, but not be limited to, the following:
 - (a) Trade-in Allowance - provided that an independent appraisal is conducted to determine the value or an analysis is conducted that certifies that the sale price is fair and reasonable.
 - (b) Use of other government agency-sponsored competitive auctions, such as the County of San Diego.



- (c) Competitive sale.
- (d) Negotiated sale.
- (e) Use of Internet Auction sites, such as eBay.

33.2 Competitive Sale. Under a competitive sale, the following procedures must be followed:

- Notification to the Public. This would include, at a minimum, placing of an advertisement in a newspaper(s) of general circulation. The ad must specify the item(s) to be sold, the condition and the terms for the sale, and the date/time/place sealed bids are to be received.
- All bids must be sealed.
- Prospective bidders may be afforded an opportunity to view the item(s) being disposed.
- Award. The award shall be to the highest responsive, responsible bidder.

33.3 Negotiated Sale. Capital assets with an individual value in excess of \$10,000 or an aggregate value in excess of \$25,000 may be disposed of on a negotiated sale basis provided a finding by the MTS Board of Directors by a two-thirds vote that special circumstances exist that make it in the best interest of the Board. Such circumstances may include the following:

- (a) Unique item(s) may have a limited resale market.
- (b) The financial interest of MTS would be best served by negotiation.
- (c) In the case of used buses, the Board shall give specific direction on the method of disposal to be followed on a case-by-case basis considering potential financial return and available alternatives, including the sale for scrap or other nonoperating purposes to avoid use of the vehicles and resultant air pollution in California and the San Diego region. A method of disposal may be approved even though the financial benefit may be less than other methods of disposal.
- (d) If approved, the Chief Executive Officer may be authorized to negotiate a sale price.

33.4 Internet Auction

- (a) Notification to the Public. Place the item up for bid on a publicly accessible Web site, such as eBay, consistent with auction requirements and MTS policies and procedures.
- (b) Prospective bidders will be afforded an opportunity to view the item(s) being disposed.

- (c) Award. The Chief Executive Office is authorized to negotiate the sale price. The award shall be to the highest responsive, responsible bidder.
- 33.4 Ineligible Participants. MTS, the San Diego Association of Governments (SANDAG), San Diego Transit Corporation (SDTC), and San Diego Trolley, Inc. (SDTI) employees, Board members, and members of their immediate family may not participate in a competitive or negotiated sale of MTS capital assets.
- 33.5 Federal Grant-Funded Assets. Capital assets which have been purchased with federal capital grant funds must be disposed of in a manner consistent with Federal Transit Administration (FTA) regulations. The proceeds from such disposal shall be distributed in the percent of which was provided for the original purchase. The local share should be returned to MTS for deposit in the appropriate capital depreciation account.
- 33.6 Fully Depreciated Capital Assets. Capital assets with a depreciated asset value of less than \$1,000 may be disposed of by the least costly, most efficient method as determined by the Chief Executive Officer. For audit purposes, a memorandum must be filed that certifies the depreciated value of the asset and indicates the method of disposal (i.e., trash, destruction).
- 33.7 Capital Depreciation Account. The proceeds from the sale of any capital asset shall be returned to MTS to be credited to the appropriate depreciation reserve account.

DDarro/SChamp/JGarde
POLICY.33.CAPITAL ASSET DISPOSAL
7/14/06

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