



## Board Report

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File #: 2015-1573, File Type: Policy

Agenda Number: 64.

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**EXECUTIVE MANAGEMENT COMMITTEE  
OCTOBER 15, 2015**

**SUBJECT: DONATION OF SURPLUS BUSES TO NON-PROFIT ORGANIZATIONS**

**ACTION: APPROVE ADOPTION OF BOARD POLICY TO ALLOW FOR DONATION OF SURPLUS BUSES FOR NON-TRANSIT APPLICATIONS**

**RECOMMENDATION**

EXECUTIVE MANAGEMENT COMMITTEE RECOMMENDED (6-0) adopting an expansion of existing Board Policy to allow for the **donation of Metro surplus buses to non-profit organizations** for purposes that are not transit related.

**ISSUE**

Metro's current policy for donating surplus buses to non-profit organizations requires that surplus buses exceed the Federal Transit Administration (FTA) requirement for usable life expectancy, which is 12-years or 500,000 miles. In addition to the FTA's useful life expectancy requirement, the Board's policy requires that surplus buses that have residual market value be used only for public transit related purposes within Los Angeles County. The recommended policy expansion will allow Metro to donate surplus buses for diverse and innovative community initiatives.

While the Board's policy is sound, it does not provide for the type of flexibility that would further other worthy public policy needs. As an example, non-profit organizations in Los Angeles have expressed an interest in obtaining Metro surplus buses to address the needs of the local homeless population. In San Francisco, the non-profit organization Lava Mae has repurposed San Francisco Municipal buses into mobile shower and toilet facilities that service the homeless. The adoption of the recommended policy expansion would allow Metro to consider similar donations to non-profit organizations thus furthering all of Metro's community interests.

**DISCUSSION**

Metro's direct and contract operated bus service fleet requirement for the current June through December, 2015 Shake-up is 2,378 buses (peak/spares). Metro will typically retire buses that have met the FTA usable life expectancy (12 years or 500,000 miles), and when the new vehicles bring the bus fleet total over the peak/spare bus service requirements. When the bus fleet requirement exceeds the peak/spare bus services requirement, retired, surplus buses are sold through a public auction. These vehicles normally yield an average value of \$3,000 per bus. Although, the expansion

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of the Board's policy may mean the loss of some nominal revenue, the return to the community could very well exceed the value of lost sales revenue.

In addition to having to meet the FTA's usable life expectancy requirement, Metro must also be cognizant that fleet vehicles that are closest to retirement have CNG tanks that are not rated and certified beyond 12 years. Metro would not be responsible for tank replacements on buses being donated; that would be the responsibility of the non-profit organization accepting the donation. Surplus vehicle donations to eligible non-profit organizations must factor in this limitation and cost to operate retired vehicles after ownership transfer.

The recommended policy would still require non-profit organizations to make formal requests to Metro for retiring buses, and the Board may choose to approve donations on a case by case basis to assure that the repurposed use of vehicles is consistent with the Board's community and civic interests.

### **DETERMINATION OF SAFETY IMPACT**

Adoption of this policy will have no impact on the safety of our system.

### **FINANCIAL IMPACT**

Adoption of this policy would have a marginal effect on the agency's finances as the buses would have been fully depreciated and the cost accounting basis realized in year over year reporting. The salvage value of the retired vehicles would be in the three to four thousand dollar range per unit depending on market price of metals.

#### **Impact to Budget**

Metro will not realize the three to four thousand dollars per bus that would have been credited to Enterprise Fund operations miscellaneous revenue category if the buses had been sold instead of donated. If the Board chooses to approve the proposed change in policy, then this loss in operating eligible revenues will have to be backfilled with other available local operating resources on an on-going basis.

### **NEXT STEPS**

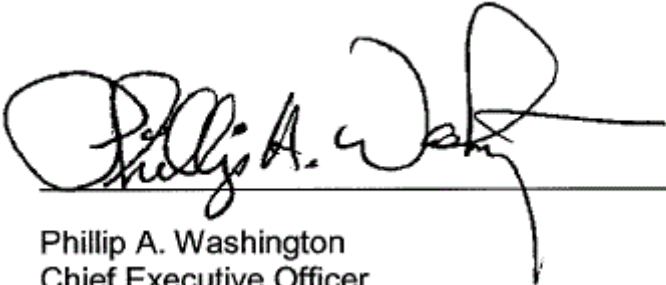
If the recommended expansion of the Board's policy for donating retiring surplus buses is adopted, staff will revise it's Procurement Policy and Procedures Manual to include the eligibility of donated buses for non-transit related uses. Staff will also communicate this policy expansion to municipal and civic organizations to encourage the application of innovative uses and repurposing of Metro surplus vehicles.

### **ATTACHMENTS**

None

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