



## **NAPA VALLEY TRANSPORTATION AUTHORITY Board Agenda Letter**

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**TO:** Board of Directors  
**FROM:** Kate Miller, Executive Director  
**REPORT BY:** Antonio Onorato, Director, Administration, Finance, and Policy  
(707) 259-8779 / Email: [anonorato@nvta.ca.gov](mailto:anonorato@nvta.ca.gov)  
**SUBJECT:** Resolution No. 19-12 Disposing of Non-Performing Assets with Federal Interest

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### **RECOMMENDATION**

That the Napa Valley Transportation Authority (NVTA) Board: (1) Declare certain capital assets as non-performing, and (2) Approve Resolution No. 19-12 (Attachment 1) Authorizing the disposal of fixed asset property items according to the Policies, Practices, and Procedures Chapter 7- Financial Management, Section 7.3: Asset Management; and Federal Transit Administration Circular 5010.1E requirements.

### **OTHER OPTIONS FOR CONSIDERATION**

Option #1: That the Board approve the disposition of assets.

Option #2: That the Board delay disposition of the assets and consider additional funding to improve performance with low probability of functioning performance.

Option #3: Continue to store the vehicles in their current non-working condition.

### **COMMITTEE RECOMMENDATION**

None

### **EXECUTIVE SUMMARY**

Eight gasoline/electric hybrid New Flyer buses were purchased in 2009 and 2010 with ISE drive propulsion systems. Shortly after purchase, the vehicles were plagued with power losses and involuntary shut downs causing significant safety concerns. After numerous attempts and several hundred thousand in additional investment to correct the deficiencies in the last few years, the buses have suffered critical failures and cannot be maintained without additional infusion of funding. Staff has concerns that additional

investment will not result in improved performance and is recommending that the buses be early retired. Staff recommends the Board declare New Flyer Buses 154, 155, 156, 157, 158, 159, 160, and 161 as non-performing assets prior to the end of its useful life of twelve years and to dispose the assets per NVTA policy and Federal Transit Administration (FTA) requirements.

### **PROCEDURAL REQUIREMENTS**

1. Staff Report
2. Public Comments
3. Motion, Second, Discussion and Vote

### **FISCAL IMPACT**

Is there a Fiscal Impact? Yes. On an accounting basis, a charge of \$1,051,327 would be posted in the Transit Fund as a realized loss. However, the fair market value of the vehicles would be \$0 or negligible since they are non-performing assets.

Purchase price of the vehicles:	\$4,677,328
<u>Accumulated depreciation:</u>	<u>\$3,626,001</u>
Fiscal Impact (Loss):	(\$1,051,327)

### **STRATEGIC GOALS MET BY THIS PROPOSAL**

Goal 2 - Improve system safety in order to support all modes and serve all users

Goal 3 - Use taxpayer dollars efficiently

### **CEQA REQUIREMENTS**

**ENVIRONMENTAL DETERMINATION:** The proposed action is not a project as defined by 14 California Code of Regulations 15378 (California Environmental Quality Act (CEQA) Guidelines) and therefore CEQA is not applicable

### **BACKGROUND AND DISCUSSION**

In 2008, the NVTA Board approved for the Executive Director at the time to enter into a piggyback agreement with Montebello Bus Lines to acquire eight New Flyer Industries gasoline/electric hybrid buses. Four buses were funded with a combination of Transportation for Clean Air (TFCA), FTA, Transportation Development Act (TDA), and Proposition 1B grants and the last four buses were 100% funded with federal American Recovery and Reinvestment Act funds. Four buses were delivered in 2009 and another four were delivered in 2010.

Soon after delivery, the new buses were experiencing breakdowns with the propulsion drive system manufactured by ISE Corp. Frequently, the buses would stall in

intersections making the buses a major safety hazard for riders and drivers. At the time, New Flyer and ISE worked with Transdev staff to resolve the issues since the vehicles and engine were still under the manufacturer's warranty. However, in 2012, ISE Corp filed for bankruptcy protection cancelling the warranty and any support for the continued involuntary shutdowns.

At its February 20, 2013 meeting, the Board approved \$203,431 for training and maintenance to improve the performance of the New Flyer buses. At the time, the performance of the New Flyer fleet had improved significantly, but reliability was still an issue and power loss continued on nearly all the vehicles.

Recently, Transdev informed staff the buses were no longer operational and cannot be serviced without a significant infusion of resources. Even if additional resources are dedicated, the drive system will continue to fail.

Staff recommends the Board declare the capital assets as non-performing and removed from NVRTA's fixed asset portfolio. Since the rolling stock was purchased with federal grants, staff will work with FTA officials to retire the vehicles before the end of their useful life of twelve years and request that any remaining federal interest be waived.

Non-performing or surplus equipment that no longer meets the Agency's needs may be offered to eligible non-profit organizations prior to being placed on the list for auction or disposal. It is unlikely any organization would want the vehicles since they are not in drivable condition.

In accordance with Policies, Practices, and Procedures Chapter 7 – Financial Management, acceptable means of disposal are outlined below:

- a. Sell personal property that is no longer needed for Agency use for fair market value.
- b. Trade surplus personal property with another government or public agency if the property received in return is needed for Agency use.
- c. Donate, sell at less than fair market value, or otherwise transfer personal property to another government or public agency if the Agency no longer needs the property for its own use.
- d. Dispose of personal property that is no longer needed for Agency use and that has **negligible or no economic value** in a manner deemed appropriate by the Agency.

## **SUPPORTING DOCUMENTS**

Attachment: (1) Resolution No. 19-12

**RESOLUTION No. 19-12**

**A RESOLUTION OF THE  
NAPA VALLEY TRANSPORTATION AUTHORITY (NVTA)  
AUTHORIZING THE DISPOSAL OF NON-PERFORMING ASSETS WITH  
FEDERAL TRANSIT ADMINISTRATION INTEREST REMAINING**

**WHEREAS**, the Napa Valley Transportation Authority (NVTA) is the designated public transit services provider within Napa County, and

**WHEREAS**, buses 154, 155, 156, 157 purchased in 2009 and 158, 159, 160, and 161 purchased in 2010 are gasoline electric/hybrid vehicles manufactured by New Flyer Industries with ISE Corp drive system; and

**WHEREAS**, the New Flyer buses have been plagued with power loss and shutdowns since purchase;

**WHEREAS**, ISE Corp filed for Chapter 11 bankruptcy in 2010 voiding any warranties on the propulsion system; and

**WHEREAS**, in 2013, the Board of Directors approved additional funds to improve the performance of the New Flyers which enhanced the stability of the fleet for a short time; and

**WHEREAS**, Transdev mechanics are unable to further service the vehicles without an additional infusion of funds; and

**WHEREAS**, it is staff's recommendation to declare the assets as non-performing and cost prohibitive to maintain, and

**WHEREAS**, disposal of grant funded property must comply with FTA Circular 5010.1E and NVTA Financial Management Policies;

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**NOW, THEREFORE, BE IT RESOLVED**, that the Napa Valley Transportation and Authority that the designated non-performing assets are properly disposed of according to FTA requirements and NVTA policy.

Passed and Adopted the 17<sup>th</sup> day of July, 2019.

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Chris Canning, NVTA Chair

Ayes:

Nays:

Absent:

ATTEST:

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Karalyn E. Sanderlin, NVTA Board Secretary

APPROVED:

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DeeAnne Gillick, NVTA Legal Counsel