

STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION**Division of Transit and Rail**

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TO: Transportation Commission

FROM: Mark Imhoff, Director, Division of Transit & Rail

DATE: June 7, 2012

RE: Options related to disposal of FREX buses

The purpose of this memo is to inform you of the options being considered by DTR relative to the potential disposal of the ten buses owned by CDOT and operated by the City of Colorado Springs for the FREX interregional bus service.

Background: The City of Colorado Springs was originally awarded Senate Bill 1 strategic transit funding for 80% of the cost of purchasing nineteen buses to be used for the FREX interregional bus service between Colorado Springs and Denver. In 2010, when the City requested to dispose of nine of the buses and use the proceeds for operating expenses, the Commission agreed, with the stipulation that the City relinquish its 20% local interest and place a portion of the proceeds in escrow.

More recently, the mayor proposed to discontinue local funding for the FREX service. This will effectively end the service in August and force CDOT to dispose of the ten CDOT-owned buses. While the mayor's recommendation to discontinue local funding has not been acted upon by the city council as of today, it is important that DTR plan for the likelihood that it would have to dispose of the vehicles, given that disposal will take time and CDOT would not want to insure and store the buses. CDOT will also need to inform the City of when and how to return to CDOT \$220,000 being held in escrow from the bus sale proceeds.

Review of the Asset

These 40' buses have a minimum useful life of 12 years or 500,000 miles. By August they'll be five years old and have an average of 267,000 miles on each. The buses are neither a city bus coach with two passenger doors (the kind typically operated in local service by RTD) **nor** are they an over-the-road coach with a bathroom (the kind typically operated by firms like Greyhound). Instead, they are low-floor commuter coaches with 39 seats, only one passenger door and no bathroom. They are configured for mid-distance commuter service. We found it would be very difficult to place a retrofit a bathroom into these buses,

given their low floor and existing layout.

Despite these operational limitations, after speaking with a few Colorado transit operators we believe there would be sufficient interest in Colorado to dispose of the buses. Among those with a potential interest are RFTA, Summit Stage, Eco Transit, Gunnison Valley RTA and Fort Collins. We've not yet received a response from RTD.

The buses were purchased for \$376,755 each. In 2010 nine of the buses were sold to a transit operator in Pennsylvania after no Colorado operator expressed an interest. They were sold for a very favorable \$155,000 per unit. It's not possible to determine what their value is now on the open market because we wouldn't expect to see the same year/model vehicles for sale from other operators this soon. There are none known to be for sale on the market. Based on their age and mileage we estimate their **value** is approximately \$120,000 per unit.

Review of Options

There are three primary options for disposal of the buses:

- (1) Offer them to Colorado public transit operators with a 20% local match requirement:** This and the next option would likely be far less timely and expensive. Both would also provide a lot of benefit to Colorado operators at a time when funds are hard to come by. Transferring the buses to known operators in the state would likely be easier than transferring out of state. There is some question as to whether some operators would be willing or able to easily have or be able to justify paying the local match for a used bus.
- (2) Offer them to Colorado public transit operators with no local match:** This has the same advantages as (1) but without the burden of a local match.
- (3) Sell the buses on the open market:** While Colorado Springs was able to sell all nine earlier buses to one operator, that may be an exceptional case; it's possible we might have to sell to more than one operator, which would involve more time, effort and advertising. The easier method would be to sell all ten to a private vendor, though they would expect to pay far less, so they could then "flip" them at a profit. A major drawback to selling is that it would have a great opportunity cost: that is, they would be unavailable to Colorado operators.

Other Considerations

The 10 buses are titled to Colorado Springs but owned by CDOT. We would likely request the City to assist with selling the buses, but there would still be a lot of paperwork for CDOT. An in-state transfer would be the least burdensome.

If the buses were transferred to Colorado transit operators we would place a lien on the vehicles and take physical possession of the titles, as we do with other grant awards, and then would place some general requirements on them to use the buses regularly. We would require them to re-paint the buses and make it clear the buses come “as-is.”

If the buses are made available to Colorado operators, it would likely be necessary to establish some criteria for prioritizing to whom they’d be transferred. The following are recommended criteria:

1. Considering their original use, priority should be given to buses that would be used for regional or statewide service.
2. Priority should also be given to replacements for rolling stock that is at or beyond its minimum useful life; buses for expansion of services would be a lower priority and use as a backup bus would be the lowest priority, all things considered.
3. If requests for the buses exceed the number available, a reasonable geographical distribution of the buses would also be considered.