



Annual Report on Leasing Arrangements December 2019

1. Introduction

The Federal Transit Administration (FTA) is posting this annual report on Leasing Arrangements in response to the requirements of the Fixing America's Surface Transportation (FAST) Act (Pub. L. 114-94), Section 3019 - Innovative Procurement, subsection (c) entitled, "Leasing Arrangements." As required by Section 3019(c)(5), FTA prepares and makes public by the end of December (for the preceding fiscal year) an annual report that includes the following information on leasing arrangements:

1. A detailed description of the capital leasing activities carried out pursuant to Section 3019(c); and
2. An evaluation of the capital leasing program, including data that grant recipients are required to submit to FTA regarding the overall costs and benefits of leasing rolling stock and a comparison of expected short-term and long-term maintenance costs of leasing versus buying rolling stock.

Section 3019(c)(4) also establishes a requirement for grant recipients undertaking capital leases to submit reports to FTA comparing the costs and benefits of leasing versus purchasing rolling stock. These reports are due to FTA no more than 3 years after executing a new lease for rolling stock. The earliest possible due date for these reports would have been December 4, 2018, which is 3 years after the enactment of Section 3019(c)(4). As of the date this report was completed, FTA has received one leasing report.

This report includes an evaluation of the leasing report submitted to FTA for the period of October 1, 2017 to August 15, 2019. Previous annual reports are available at:
<https://www.transit.dot.gov/funding/funding-finance-resources/capital-leasing/capital-leasing>

2. Capital Leasing Program Evaluation

FTA uses its Transit Awards Management System (TrAMS) to track grant awards. Each grant includes specific Activity Line Items (ALI) to indicate what activities the funds will be used for. Based on an analysis of ALIs for leasing rolling stock and rolling stock associated capital maintenance items, FTA identified specific grants that included funds for leases and

related equipment. Since the enactment of the reporting requirements for capital leases, FTA has awarded an estimated \$41.3 million in 39 grants for new capital leases for bus rolling stock and associated items. Fourteen of these grants were for bus rolling stock, to include buses, vans, and cars, and 25 were for associated items, to include only tire leases.

The table below provides the breakdown of the leases executed by Fiscal Year (FY):

Fiscal Year	Number of Leases
2016	4
2017	8
2018	13
2019 (August 15)	14
Total	39

Of the leases executed for rolling stock in FY 2016, FTA received information on the costs and benefits of one lease. The deadline for two of the reports is outside the timeframe of this report.

The grant recipient listed cash flow and timing of acquiring the rolling stock as the primary benefit of leasing over purchasing. Leasing allowed the grant recipient to acquire more vehicles at one time; it would have taken between 4 to 5 years to raise the funds to purchase 20 vehicles. By spreading out payments over time, the grant recipient is able to replace more transit vehicles sooner than if the funds had been used for purchasing the vehicles over 4 to 5 years. This also resulted in saving maintenance costs on older vehicles and improving service by eliminating disruptions due to vehicle breakdowns. The interest cost of the lease was partly recovered through the agency avoiding paying higher prices for the vehicles in future years due to inflation of almost four percent per year. The agency also was able to get a discount on buying the 20 buses at one time. Although the full cost of the leased vehicles was slightly higher than the cost of the purchased vehicles, the lease was more beneficial to the transit agency than the purchase option.

To track the leasing of batteries since the enactment of the FAST Act, FTA reviewed the grant awards made under the discretionary Low or No Emissions Program that included leased batteries. Since 2016, nine awards have been made that included leased batteries. It is possible that batteries are leased using other funding programs, however, TrAMS does not contain a specific ALI that would allow FTA to identify battery l

3. Capital Leases Data

Using the TrAMS data on awards for FY 2019, FTA awarded 28 grants for leases of bus rolling stock and rail rolling stock for a total of approximately \$12.4 million.¹ The TrAMS data for FY 2019 (through August 15, 2019) shows that FTA awarded more than \$7.2 million for bus rolling stock leases and related equipment expenditures. The awards included leases for 40-foot buses, 35-foot buses, commuter buses, vans, sedan/station wagons, and tires. FTA awarded approximately \$5.1 million for rail rolling stock leases.

In FY 2019, FTA awards for rolling stock totaled approximately \$2.5 billion. Grant awards for rolling stock leases account for one percent of the total rolling stock grant awards made in FY 2019.

4. Conclusion

This report summarized the leasing activity, including information on the number of leases executed since December 4, 2015, and a report summarizing the costs and benefits of leasing versus purchasing.