



Annual Report on Leasing Arrangements December 2020

1. Introduction

The Federal Transit Administration (FTA) is posting the annual report on Leasing Arrangements pursuant 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 transit 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.

This Fiscal Year (FY) 2020 report includes updated information on the number of leases executed since December 4, 2015, a summary of capital leasing activities from August 16, 2019 through July 27, 2020, and total expenditures for leasing rolling stock and related equipment for FY 2019 and FY 2020 (through July 27, 2020). This report also includes a summary of a report submitted to FTA by a grant recipient that compared the costs and benefits of leasing versus purchasing on a lease it executed in 2017. Previous annual reports are available on the FTA website at: [Capital Leasing Report](#).

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. After receiving additional information from grantees, FTA found that some of the leases identified previously as new leases were not new leases. New awards made on existing leasing contracts had been classified as new leases and other contract arrangements, such as turnkey contracts, were misclassified as rolling stock capital leases by the grantees. The number of new capital leases executed by year is revised in this report to account for these discrepancies. Since FY 2016, the enactment year of the reporting requirement for capital leases, FTA has awarded an estimated \$31.2 million in 30 grants for new capital leases to include bus rolling stock and associated items. Eleven of these grants were for bus rolling stock, that include buses, vans, and cars, and nineteen were for associated items, to consist mainly of tire leases. There were no new capital leases for rail rolling stock.

Table 1: Number of New Leases Executed by Fiscal Year

Fiscal Year	New Rolling Stock Leases	New Leases for Associated Items	Total
2016	2	2	4
2017	1	6	7
2018	5	8	13
2019	1	3	4
2020 (as of July 27)	2	0	2
Total	11	19	30

Often, leases for associated items outnumber the leases for rolling stock. Tires seem to be leased most often under these contracts. Some transit agencies also choose to lease batteries for electric vehicles, but data for these leases is not available through TrAMS, so they are not included in the table above. While this is not yet standard in the industry, from 2016 to 2019, 12 awards have been made under the FTA Low or No Emission Grant program that included battery leases. Battery leases for electric-powered buses make the upfront capital cost of purchasing electric vehicles more competitive compared to purchasing internal combustion engine buses. Furthermore, battery leases enable the cost of the batteries to be spread over the life of the vehicle, much like paying for fuel.

For the one new lease executed for rolling stock in FY 2017, the grant recipient's

report submitted to FTA addressed the leasing of two cars and one van for a period of 24 months and 36 months, respectively. Although the cost of leasing the vehicles was higher than the estimated cost of purchasing them, the grant recipient cited that leasing allows them to operate a newer fleet of vehicles that would be more reliable and safer for both the driver and the riders. The rationale provided was that newer vehicles experience fewer breakdowns, have minimal maintenance, and include the latest safety features. The grant recipient was responsible for maintenance of the vehicles, both short- and long- term. Because the vehicles were under the manufacturer's warranty during the lease period, maintenance costs were minimal, except for the van that required additional maintenance due to higher than average usage.

3. Capital Lease Expenditures

In FY 2019, FTA awarded 31 grants for bus rolling stock leases and related equipment expenditures, and rail rolling stock and related equipment expenditures, totaling approximately \$96.5 million. The majority of the total expenditures was attributable to one large award for a rail rolling stock lease that was made at the end of the year. In FY 2019, FTA awarded a total of \$2.9 billion for rolling stock and related equipment expenditures. Thus, grant awards for rolling stock leases accounted for just over three percent of the total rolling stock awards in FY 2019.

For FY 2020 (through July 27, 2020), FTA awarded 16 grants totaling more than \$9 million for bus rolling stock leases and related equipment expenditures. The awards included leases for autonomous vehicle shuttle buses, vans, and tires. To date, FTA has not awarded any grants for rail rolling stock leases in FY 2020.

In FY 2020, through July 27, 2020, FTA awarded a total of \$1.4 billion for bus and rail rolling stock. Thus, grant awards for rolling stock leases accounted for less than one percent of the total rolling stock grant awards in FY 2020 through July 27, 2020.

4. Summary

This report includes updated information on the number of leases executed since December 4, 2015, total expenditures on leasing rolling stock and related equipment for FY 2019 and FY 2020 (through July 27), and a summary of the costs and benefits of leasing versus purchasing from a report submitted by a grantee. Total expenditures for FY 2020 will be included in the next annual report.