



Annual Report on Leasing Arrangements

December 2021

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 (FY)) 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 three years after executing a new lease for rolling stock.

This annual report for FY2021 includes updated information on the number of leases executed since December 4, 2015, a summary of capital leasing activities for FY2020 and part of FY2021 (through July 31, 2021) and one report submitted to FTA by a grant recipient that compared the costs and benefits of leasing versus purchasing on a lease executed in December 2017. Previous annual reports are available on FTA's website at <https://www.transit.dot.gov/funding/funding-finance-resources/capital-leasing/2019-annual-report-leasing-arrangements-report>.

2. Capital Leasing Program Evaluation

FTA uses its Transit Awards Management System (TrAMS) to track grant awards. Each grant includes Activity Line Items (ALIs) to indicate the type of funding

activities applicable to the grant. Based on an analysis of the ALIs for leasing new rolling stock and associated capital maintenance items, FTA identified 36 grants, totaling an estimated \$35.2 million since FY2016, the year the reporting requirements for capital leases was enacted. Out of the 36 awards, FTA has awarded 11, or 31 percent of the awards for bus rolling stock to include buses, vans, cars, and a ferry boat, and 25, or 69 percent of the awards for associated capital maintenance items, to consist mainly of tire leases. There were no new capital leases for rail rolling stock.

Table 1: Number of New Lease Awards Executed by Fiscal Year¹

Fiscal Year	New Rolling Stock Leases	New Associated Capital Maintenance Items Leases	Total
2016	2	2	4
2017	1	6	7
2018	4	8	12
2019	1	3	4
2020	2	1	3
2021 (as of July 31st)	1	5	6
Total	11	25	36

Leases for associated capital maintenance items continue to outnumber the leases for rolling stock. Tires leases are the most prevalent under this category. Some transit agencies also lease batteries for electric vehicles. FTA does not identify battery leases as a separate line item in TrAMS. However, based on information from FTA's Low or No Emission Grant program, 13 awards have been made under this program from 2016 to 2021, that included the lease of batteries for electric vehicles.

As transit agencies have three years from the time of executing a rolling stock lease to submit a report to FTA. On occasion, lease awards are made several years after the execution of a lease, so the data in the table above may not align exactly with the number of awards for new leases and the reports submitted. Also, some reports may have been included in previous year's report. In 2021, FTA received one report from a grantee. The grantee leased 10 buses for a period of seven years. At the end of the lease, the recipient will own the buses. Although the cost of leasing the buses was higher than the estimated cost of purchasing them, the grant recipient cited limited funding as the reason for leasing the buses. Leasing allowed the recipient to receive the 10 buses upfront, instead of

¹ New Capital Leases for FY2018 was reduced from 5 to 4 due to the grantee not entering a new capital lease. Grantee is in the process of allocating the funding to another ALI.

waiting until they had the funding to purchase them outright, which would have taken much longer to acquire and provide service. The grant recipient is responsible for maintenance of the buses, both short- and long- term. The recipient cited there was no difference in maintenance costs when compared to leasing vs purchasing, as they are responsible for all maintenance costs for the leased buses.

3. Capital Lease Expenditures

In FY 2020, FTA awarded 24 grants for bus rolling stock leases and associated capital maintenance items, and rail rolling stock and associated capital maintenance items totaling approximately \$88.1 million. Much of this total, \$72.2 million or 82 percent was attributed to a large award for a rail rolling stock lease awarded toward the end of FY 2020. The total FTA awards for all rolling stock and associated capital maintenance items was \$3.6 billion in FY 2020. Grant awards for rolling stock leases accounted for nearly 2.5 percent of the total rolling stock awards in FY 2020. Compared to FY 2019 funding totals, awards funded for capital leases decreased by approximately 9 percent.

For FY 2021 (through July 31, 2021), FTA awarded 13 grants totaling more than \$63.1 million for bus rolling stock leases and related equipment expenditures and rail rolling stock. The awards included leases for a commuter locomotive electric, 35-ft buses, ferry boats and tires. As of July 19, 2021, FTA has awarded a total of \$1.2 billion for all bus and rail rolling stock and associated capital maintenance items for FY 2021. Grant awards for rolling stock leases currently account for 5 percent of the total rolling stock and associated capital maintenance items.

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 2020 and FY 2021 (through July 31), and a summary of the costs and benefits of leasing versus purchasing from a report submitted by a grantee. The final total capital leasing expenditures for the FY 2021 will be included in the next annual report.