



Annual Report on Leasing Arrangements

December 2018

1. Introduction

This is the third annual report of the Federal Transit Administration (FTA) 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." In response to the requirements of 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 pertaining to leasing arrangements:

1. A detailed description of the capital leasing arrangements activities carried out pursuant to Section 3019(c); and
2. An evaluation of the capital leasing program, including data that grantees 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) sets forth reporting requirements for grantees to submit reports to FTA that compare the costs and benefits of leasing versus purchasing rolling stock no more than three years after executing a new capital lease for rolling stock. The due date for the grantee reports is December 4, 2018. The 2019 Annual Report on Leasing Arrangements will include an evaluation of the data submitted by grantees.

This report includes FTA's implementation activities and all available program information for the period of October 1, 2017 to September 30, 2018. The annual reports and any corresponding webpages referenced therein are available to the public at: <https://www.transit.dot.gov>.

2. Capital Leasing Arrangements Program Activities

FTA completed two tasks in response to the changes made in the FAST Act relating to capital leasing. One was to develop a template for the Capital Leasing Report and the other was to rescind the rule outlining cost effectiveness requirements for capital leases (49 C.F.R. part 639).

2.1. Capital Leasing Report

During Fiscal Year 2018, FTA completed the Capital Leasing Report template to be used by grantees to meet the reporting requirements under Section 3019(c)(4). The template helps grantees to identify and organize the relevant information for submittal to FTA. The template will enable grantees to submit the relevant information in a uniform format, making it easier for FTA to summarize the findings for this annual report.

To pilot test the template, five grantees who had previously executed rolling stock capital leases were asked to participate in completing the draft template. Their feedback was used to improve the questions and the format. The pilot participants found it easy and quick to answer the questions in the report. The form consists of nine different questions, requesting both quantitative data and descriptive information to understand the potential costs and benefits of leasing.

The Capital Leasing Report will be made available to grantees electronically, accessible through FTA's Transportation Awards Management System (TrAMS). The availability of the report template will be communicated to the industry. A copy of the template is available at <https://www.transit.dot.gov>.

2.2. Rescind Capital Lease Cost Effectiveness Regulation

49 C.F.R. part 639 contains the requirements to qualify for capital assistance when leasing facilities or equipment under Federal public transportation laws. In Section 3002 of the FAST Act, the underlying statute for this regulation was revised. The revision changed the definition of "capital project" so that a recipient is no longer required to conduct a cost-effectiveness analysis before leasing public transportation equipment or facilities with Federal funds. FTA issued a final rule to rescind 49 C.F.R. part 639 on September 20, 2018.

3. Capital Leases Data

FTA collects capital lease data in two separate systems, the National Transit Database (NTD) and the Transit Awards Management System (TrAMS).

3.1 National Transit Database (NTD)¹

Transit agencies submit to the NTD information on facilities and vehicles, identifying whether they are leased or purchased. This data includes all vehicles, irrespective of the source of funding (Federal or Non-Federal). The NTD categorizes the revenue vehicle leases into three different categories, separating between private and public entities. Table 1 below provides a summary of the types of revenue vehicles leased and the percentage of the total revenue vehicle fleet, with the data broken down by urban, rural, and tribal recipients. In Fiscal Year 2018, a total of 175,079 revenue vehicles were reported to the NTD. Of these, 9,642 revenue vehicles were leased, accounting for approximately 5.5 percent of the total revenue vehicle fleet.

¹ See the December 2016 Capital Leasing Arrangements Report "Definitions" section for more NTD information.
U.S. Department of Transportation

Table 1: Summary of Number of Revenue Vehicles Leased, Fiscal Year 2018

Type of Lease	Recipient Type			
	Urban	Rural	Tribal	Total
Leased or Borrowed from Related Parties by a Private Entity	648	137	0	785
Leased or Borrowed from Related Parties by a Public Agency	1,211	842	132	2,185
Leased Under Lease Purchase Agreement by a Private Entity	410	66	0	476
Leased Under Lease Purchase Agreement by a Public Agency	1,487	810	26	2,323
True Lease by Private Entity	442	45	0	487
True Lease by Public Agency	3,305	62	19	3,386
Total Leased Vehicles	7,503	1,962	177	9,642
Total Revenue Vehicle Fleet	149,956	24,059	1,064	175,079
Leased Revenue Vehicles as a Share of Total Fleet	5.00%	8.15%	16.64%	5.51%

Source: National Transit Database

3.2 Transit Awards Management System (TrAMS)

For Fiscal Year 2018, FTA awarded 34 grants for bus rolling stock leases, rail rolling stock leases and rural projects for a total of \$111.3 million. According to TrAMS data for Fiscal Year 2018, \$26.1 million was awarded for bus rolling stock leases and related maintenance and equipment expenditures. The awards included leases for 40-foot buses, 35-foot buses, intercity buses, commuter buses, tires, security enhancement and paratransit equipment, as well preventive maintenance expenditures for leased assets. Grants were also awarded for the lease of rail rolling stock totaling \$85.2 million. There was also a lease for rural projects of \$60,000. In Fiscal Year 2018, FTA awards for rolling stock totaled approximately \$3.9 billion. Grant awards for capital leases account for 3 percent of the total rolling stock grant awards made in Fiscal Year 2018.

4. Capital Leasing Program Evaluation

Available data from the sources listed above indicate that capital leasing arrangements constitute a relatively small but meaningful proportion of the overall number of rolling stock projects supported by FTA. FTA will provide a more detailed evaluation based on the changes during FY 2018 upon receipt of the data submitted by the grantees in the FY 2019 report.

5. Conclusion

FTA will continue to provide technical assistance and outreach to all grantees through its website at: <https://www.transit.dot.gov>. FTA will make available the Capital Leasing Report template and subsequent guidance to assist grantees with the new reporting requirement deadline scheduled to begin running in Fiscal Year 2019.