



# United States Department of the Interior


OFFICE OF THE ASSISTANT SECRETARY  
POLICY, MANAGEMENT AND BUDGET  
Washington, DC 20240




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## Memorandum

To: Bureau Finance Officers  
Bureau Procurement Officers  
Bureau Property Officers

From: Daniel Fletcher   
Director, Office of Financial Management

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Director, Office of Acquisition and Property Management

Subject: Future Lease Payment Disclosures

As required by OMB Circular A-136, *Financial Reporting Requirements*, future minimum lease payments are disclosed in a footnote to the financial statements. This guidance is issued to ensure disclosure consistency in reporting minimum lease payments for direct leases and GSA agreements for real and personal property.

### Direct Leases

Bureaus should calculate future minimum lease payments for non-cancelable operating leases with an initial or remaining term greater than one year. Future minimum lease payments should be calculated based on the provisions of the lease or using the OMB inflation factors when the lease is silent. For leases that have an indefinite period of performance, only calculate the future lease payments five years outward. A lease is considered to have ended, for reporting purposes, when the lease term ends but continues on a month-to-month basis.

### GSA Agreements

#### *Real Property*

Bureaus should calculate future minimum lease payments for all GSA real property agreements regardless of whether they are non-cancelable. Though an agency may end a GSA Occupancy Agreement (OA) with short notice (e.g. 3 months), Interior often stays in these buildings for an extended period of time. Future minimum lease payments should be calculated based on the provisions of the agreement or, if silent, the OMB inflation factors compounded annually and applied against those portions of the current fiscal year's actual rental expense not predetermined in future years and

without a specific escalation clause to determine the future payments. For agreements that are cancelable or have an indefinite period of performance, calculate the future payments five years outward. In general, the inflation factors are applied to the executory costs included in the billings from GSA. When shell rates and tenant improvement costs are not fixed for the term of the lease, or executory costs are fixed for the term of the lease, calculations should be adjusted accordingly.

#### *Personal Property (i.e. vehicles)*

Bureaus should calculate future minimum lease payments for all GSA personal property agreements in the same manner as GSA real property agreements. While vehicle agreements with GSA are non-binding, Interior generally maintains a fleet of vehicles on an ongoing basis. Future minimum lease payments should be calculated based on the provisions of the agreement or, if silent, the OMB inflation factors compounded annually and applied against the current fiscal year's actual rental expense. For agreements that are cancelable or have an indefinite period of performance, calculate the future payments five years outward. In general, future minimum lease payments for GSA vehicles are computed five years outward by applying the inflation factors to the billings from GSA for the current fiscal year.

#### Inflationary Factors

Inflation factors should be compounded annually and applied against those portions of the current fiscal year's actual rental expense not predetermined in future years and without a specific escalation clause to determine the future payments. For fiscal year 2007, all bureaus are directed to use the following OMB inflation factors when calculating future lease payments.

- FY 2008 - 2.4%
- FY 2009 - 2.5%
- FY 2010 - 2.5%
- FY 2011 - 2.5%
- FY 2012 - 2.5%
- Years Thereafter - 2.5%

If you have questions regarding this guidance, please contact Patricia Halseth, PFM at (202) 208-4703 or [patricia\\_halseth@ios.doi.gov](mailto:patricia_halseth@ios.doi.gov).