



United States Department of the Interior

OFFICE OF THE SECRETARY

Washington, DC 20240

JUN 24 2015

FINANCIAL MANAGEMENT MEMORANDUM 2015- 021 (Vol. II. B)

To: Bureau Chief Financial Officers
Bureau Procurement Chiefs
Bureau Senior Asset Management Officers

From:  Douglas A. Glenn
Deputy Chief Financial Officer and Director
Office of Financial Management

Debra E. Sonderman
Director 
Office of Acquisition and Property Management

Subject: Future Minimum Lease Payment Disclosures

As required by the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, future minimum lease payments are disclosed in a footnote to the financial statements. This memorandum is issued to ensure disclosure consistency in reporting future minimum lease payments for direct leases and General Services Administration (GSA) occupancy agreements for space.

Bureaus should calculate future minimum lease payments for **non-cancelable leases only**. If a lease can be canceled at any time during the lease term, the lease is considered a cancelable lease and future minimum lease payments need not be disclosed. Since all Department of the Interior personal property agreements are cancelable, bureaus should not calculate future minimum lease payments for personal property leases.

I. Commercial Leases

Bureaus should calculate future minimum lease payments for non-cancelable real property delegated leases with an initial or remaining term greater than one year. A lease is considered to have ended, for reporting purposes, when the lease is in hold-over (the lease term ended but payment continues on a month-to-month basis). The future payments should be calculated for the life of the lease as indicated in the agreement.

Bureaus may calculate future minimum lease payments for commercial leases using either one of the following methods:

- Provisions of the lease, or
- The OMB inflation factors.

II. GSA Occupancy Agreements

Bureaus should calculate future minimum lease payments for all non-cancelable GSA space occupancy agreements with an initial or remaining term greater than one year. While the agreement may state that it is non-cancelable, it is considered cancelable if the provisions allow for cancellation during the agreement term. The future payments should be calculated for the life of the occupancy agreement as indicated in the agreement.

Bureaus may calculate future minimum lease payments for GSA space occupancy agreements using either one of the following methods:

- Provisions of the occupancy agreement, or
- The OMB inflation factors.

III. OMB Inflation Factors

The OMB inflation factors should be compounded annually. The costs that the inflation factors are applied to may include the following:

- Operating costs;
- Real estate taxes;
- Public building service fee;
- Building-specific amortized capital security, if applicable;
- Parking;
- Antennas; and
- Joint use.

Inflation factors should **not** be applied to the following costs:

- Shell rental rate;
- Amortized tenant improvements;
- GSA-installed building improvements;
- Rent charges – other space; or
- Billing adjustments.

For fiscal year (FY) 2015 reporting, use the following OMB inflation factors:

- FY 2016 – 1.02 percent;
- FY 2017 – 1.80 percent;
- FY 2018 – 1.80 percent;
- FY 2019 – 1.80 percent;
- FY 2020 – 1.80 percent; and
- Years thereafter – 1.80 percent.

If you have questions regarding this guidance, please contact Sherry Lee, Staff Accountant in the Office of Financial Management, at (202) 219-4096 or via e-mail at Sherry_Lee@ios.doi.gov; or Michael Wright, Space and Housing Manager in the Office of Acquisition and Property Management, at (754) 400-7381 or via e-mail at Michael_C_Wright@ios.doi.gov.

cc: Finance Officers Partnership
Financial Statements Guidance Team

Replaces: FMM 2014 - 021 (Vol.II.B)