

Leases Implementation Task Force Meeting Minutes

June 11, 2020, 1:30 PM to 4:00 PM

Video Conference (WebEx)

Attendance

Mr. Perry, FASAB senior analyst, and Ms. Dewhirst, FASAB fellow on detail from GSA, were present throughout the meeting. Formal attendance was not taken due to the large task force membership and observer group constituency.

This meeting was held via WebEx, and all members and observers dialed in. Ninety-six phone numbers connected into the conference call.¹

Welcome; Overview of Meeting Objectives; Project Status and Timelines (Agenda Item #1)

Welcome

The task force meeting officially convened at about 1:30 PM. Mr. Perry kicked off the meeting by welcoming task force members.

Overview of Meeting Objectives

Mr. Perry stated that the task force would discuss the lessee disclosures and lessor recognition, measurement, and disclosures for leases other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases topic areas during this meeting.

Review Project Plan

Mr. Perry noted that the timelines in the leases implementation project plan (Attachment 1) remain unchanged. Ms. Dewhirst reminded the task force about the request for volunteers to draft the task force and AAPC meeting minutes and perform a fatal flaw review of the implementation guidance. Assistance from the task force in these areas would be very beneficial for Mr. Perry and Ms. Dewhirst as they continue to work on upcoming sections of the implementation guidance.

AAPC May Meeting

Mr. Perry provided an overview of the May AAPC Meeting. He expressed the AAPC's appreciation to the task force for the work completed to date. He pointed out a few of the comments from the AAPC and mentioned that he would go over those in more detail during agenda item #2.

SFFAS 58, *Deferral of the Effective Date of SFFAS 54, Leases*

Mr. Perry thanked the task force for their participation in the deferral project. The Board approved deferring the effective date of SFFAS 54, *Leases*, to reporting periods beginning after September 30, 2023. The expected issuance date of SFFAS 58 is June 19, 2020.

Task Force Discussion of Draft Implementation Guidance (Agenda Item #2)

¹The total meeting time was 148 minutes. 83 of 96 numbers connected for at least 30 minutes; 65 of 96 for at least 60 minutes; 53 of 96 for at least 90 minutes; and 45 of 96 for at least 120 minutes. Some numbers represent individual task force members/participants/observers, while others represent groups of members/participants/observers.

Revisiting Previously Covered Topic Areas

Mr. Perry asked task force members to provide input, question-by-question, as he recapped the edits made under the topic areas (Attachment 2) based on task force feedback at the May 12th meeting and AAPC feedback at the May 7th meeting.

Mr. Perry presented two additional questions and answers added to the lease term topic area since the previous meeting based on consultations with GSA. Mr. Perry thanked GSA for their input and noted that the draft language on these two questions and answers required minimal, if any, revisions by staff after their submission.

Edits to other topic areas included minor technical corrections and clarifying edits made in consultation with certain task force members. These edits were reviewed at a high level during the meeting, and the task force generally concurred with those revisions.

More significant edits included:

- Clarifying edits to the capitalization threshold question and answer. Mr. Perry noted that staff moved the question and answer from the lease liability topic area to the lease asset topic area based on task force input. Task force members suggested removing the citation of SFFAS 6 paragraph 13 within the answer to prevent confusion regarding the scope and applicability of SFFAS 6 to lease assets. Although the drafted answer attempted to clarify the need to analogize the SFFAS 6 guidance to a different class of assets that do not generally fall under the scope of SFFAS 6, the task force found that the answer was sufficiently supported without including the citation.
- Removal of the question-and-answer candidate surrounding the budget and accrual reconciliation. The task force noted that this particular question and answer would likely further confuse preparers and prove to be unuseful.

Task Force Discussion of Newly-Drafted Topic Areas

Ms. Dewhirst directed task force members' attention to the newly-drafted lessor recognition, measurement, and disclosures for leases other than short-term leases, contracts or agreements that transfer ownership topic area, inviting members to provide input and ask questions as she recapped each question and answer and the intended implementation issue to be clarified by each.

The task force provided minor feedback on a few select questions. Ms. Dewhirst and Mr. Perry discussed the imputation of interest rates with the task force and noted several cost-prohibitive challenges raised by task force members that will likely result in challenges and methodological inconsistencies in calculating imputed interest rates for lease assets. In addition, there are a few challenges associated with incremental borrowing rates. For example, lease terms may be longer than 30 years, but Treasury note terms do not extend beyond 30 years. Mr. Perry noted that staff has been consulting with an economist on deep future discounting and the drawbacks of discounting into the deep future at higher interest rates. Mr. Perry speculated that staff will likely recommend implementation guidance and omnibus proposals to the AAPC and Board, respectively, to address these issues.

Next Steps (Agenda Item #3)

Next Topic Areas (Projected)

Ms. Dewhirst indicated that the remaining topic areas of SFFAS 54 will be reviewed at the next task force meeting.

FASAB June Board Meeting

Ms. Dewhirst and Mr. Perry encouraged task force members to listen in during the June 24th–25th FASAB Board meeting. The Board will be discussing the leases omnibus proposals developed to-date and the findings and recommendations of the software licenses working group. Mr. Perry thanked the software licenses working group for their input and work.

Next Steps

Mr. Perry and Ms. Dewhirst will:

- a. Continue drafting the next bundle of questions and answers.
- b. Follow up directly with task force members to obtain clarification as needed.
- c. Continue to discuss implementation issues one-on-one with task force representatives—over the phone and electronically—in the coming weeks.

Task force members will continue to communicate implementation issues to Mr. Perry and Ms. Dewhirst as they are identified.

Adjournment

Mr. Perry and Ms. Dewhirst thanked the task force for a productive meeting.

The meeting adjourned at about 4:00 PM.

The next task force meeting will be Thursday, July 16 [Staff note: subsequently rescheduled to July 23], at 1:30 PM via WebEx and teleconference.