



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JANUARY 10, 2022

SUBJECT: EXPENDITURE FOR PUBLIC UTILITIES PORTION OF THE GASB 87 AND LEASE MANAGEMENT SOFTWARE SOLUTION FROM REQUEST FOR PROPOSAL NO. 2086 TO LANCE, SOLL & LUNGHARD, LLP FOR SERVICES THROUGH DECEMBER 31, 2026, IN THE AMOUNT OF \$88,368

ISSUE:

Consider approving an expenditure for the Riverside Public Utilities portion of the costs associated with Request for Proposal No. 2086 for software to support the implementation of GASB 87 and lease management, with Lance, Soll & Lunghard, LLP, for a three-year term with the option to extend for two additional one-year terms through December 31, 2026, for an amount not to exceed \$88,368.

RECOMMENDATION:

That the Board of Public Utilities approve an expenditure for an amount not to exceed \$88,368 for the Riverside Public Utilities portion of cost associated with Request for Proposal No. 2086 for software to support the implementation of GASB 87 and lease management, with Lance, Soll & Lunghard, LLP, for a three-year term with the option to extend for two additional one-year terms through December 31, 2026, for an amount not to exceed \$88,368.

BACKGROUND:

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases, essentially eliminating the concept of off-balance sheet financing and requiring organizations to recognize equipment and real estate type leases as assets and liabilities on the balance sheet. Under GASB 87, a lessee government is required to recognize: (1) a lease liability; and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize: (1) a lease receivable; and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

The requirements of GASB 87 are effective for the City's fiscal year beginning July 1, 2021 (fiscal year 2021/22). The City is party to lease agreements as both a lessee and lessor for various types of property, including real estate and equipment. The City has estimated approximately 450 leases citywide spanning across multiple departments; however, it is likely a significant portion of these leases are not GASB 87 relevant, but instead will be recorded and monitored in the new software solution for lease management purposes. Current lease information is stored in a variety

of ways across the City including electronic and printed contracts retained by the departments, Microsoft Excel worksheets, and ePropertyPlus, which is currently used by the City's Real Property Services division to manage property leases; actual number of City-wide leases is unknown at this time.

The current software solutions utilized by the City, does not offer the capability to record and track leases that adhere to the new accounting standard. Finance staff met with Riverside Public Utilities and Community Economic Development staff to determine the needs and capabilities required for a new lease software solution to help ensure one single software could meet the City's lease recording and tracking reporting requirements. In order to streamline the lease recording and tracking process and to adhere to the new GASB 87 standard, it was determined that a new software solution would be required. Additionally, given the COVID-19 pandemic, current staffing levels and workloads, it was determined a consultant would be needed to obtain, analyze, and record the 450+ leases under the new standard.

DISCUSSION:

On April 6, 2021, Request for Proposal (RFP) No. 2086 was posted on PlanetBids to solicit proposals from qualified consultants to submit proposals for a GASB 87 and Lease Management software solution. The RFP closed on May 10, 2021 and proposals were received from seven consultants in response to the RFP; five were found to be responsive.

On August 30, 2021, staff from the Finance Department, Community and Economic Development Department, Riverside Public Utilities Department, and Innovation and Technology Department completed the review, interviews, evaluation and scoring of the proposals on qualifications, pricing, experience, professional references, and approach and methodology.

Ranking	Company	City, State	RFP Proposal Amount
1	Lance, Soll & Lunghard, LLP	Brea, California	\$193,556
2	IGM Technology	Toronto, Canada	\$70,324
3	GCR	Metairie, Louisiana	\$187,879
4	Nakisa	Montreal, Quebec	\$907,000
5	Sierra Digital	Houston, Texas	\$823,740

Lance, Soll & Lunghard, LLP (LSL) received the highest scores and was chosen as the most qualified. Although Lance, Soll & Lunghard, LLP's pricing was not the lowest, the combination of the weight factor for pricing (15%) and the higher scores in qualifications (25%), experience (30%), professional references (10%), and approach and methodology (20%) established them as the most qualified consultant to complete this project.

LSL will assist the City with implementing LeaseQuery GASB 87 and Lease Management software solution with the end goal of being in compliance with Governmental Accounting Standards.

Lance, Soll & Lunghard, LLP						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Negotiated Cost Proposal	\$112,800	\$32,913	\$34,888	\$36,981	\$39,200	\$256,782
Monitoring & Disclosure Consulting, Support and Consulting Services	14,500	5,700	5,000	5,300	5,600	36,100
Contingency	31,825	9,653	9,972	10,570	11,200	73,220
Total	\$159,125	\$48,266	\$49,860	\$52,851	\$56,000	\$366,102
General Fund 52%	82,307	24,965	25,790	27,337	28,966	189,365
Other Enterprise Funds 24%	38,409	11,650	12,035	12,757	13,517	88,368
RPU Funds 24%	38,409	11,650	12,035	12,757	13,517	88,368

The staff is requesting a 25% contingency to cover the cost of unknown transactions that could potentially meet the GASB 87 standard. Any transactions that fall within the contingency will be charged to the correct fund. The contract costs are associated with the number of leases owned by each fund.

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolution No. 23256.

Next Steps

In January 2022, the City Council is expected to consider approving a Professional Consultant Services Agreement from RFP 2086 with Lance, Soll & Lunghard, LLP, for the implementation of LeaseQuery GASB 87 and Lease Management software solution to be in compliance with Government Accounting Standards, in the amount of \$292,882, with a 25% change order authority, or \$73,220, for a total amount not-to-exceed \$366,102, for services for a three-year term with the option to extend for two additional one-year terms through June 30, 2026.

STRATEGIC PLAN ALIGNMENT:

This item contributes to Strategic Priority 5 – *High Performing Government* and Goal No. 5.2, utilize technology, data, and process improvement strategies to increase efficiencies, guide decision making, and ensure services are accessible and distributed equitably throughout all geographic areas of the City

The item aligns with each of the five Cross-Cutting Threads as follows:

1. Community Trust – The consulting services and new software will enhance transparency regarding the number of leases and corresponding assets and liabilities associated with those leases.
2. Equity – This report is neutral towards this cross-cutting thread.

3. Fiscal Responsibility – The consulting services and new software provide fiscal responsibility and accountability by tracking the amounts of the City leases and will further enhance the City's ability to track its finances.
4. Innovation – The new software is the most to up to date software available to track and report on all of the City's leases mandated by the new GASB 87 standards. This will enhance efficiency and financial transparency related to these leases.
5. Sustainability & Resiliency – The consulting services and new software will enhance the City's ability to track and maintain lease obligations and rental assets. With the new tracking, the City will have better tools available to make sound financial decisions.

FISCAL IMPACT:

The total cost to RPU is not to exceed \$88,368, with funding Fiscal Year 2021/22 in the amount of \$38,409. Sufficient funds are included in the proposed Fiscal Year 2021/22 Management Services Software Purchase/Licensing Account No. 6000000-425700. Funding for future years will be included as a part of the biennial budget process.

RPU	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Subtotal	\$ 30,727	\$ 9,320	\$ 9,628	\$ 10,206	\$ 10,814	\$ 70,695
Contingency	7,682	2,330	2,407	2,551	2,703	17,674
Grand Total	\$ 38,409	\$ 11,650	\$ 12,035	\$ 12,757	\$ 13,517	\$ 88,368

Prepared by: Carlie Myers, Utilities Assistant General Manager/Business and Customer Services
 Approved by: Todd M. Corbin, Utilities General Manager
 Approved by: Kris Martinez, Assistant City Manager
 Approved as to form: Phaedra A. Norton, City Attorney

Certifies availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer

Attachment: Presentation