



# GASB 87 and Lease Management Software Solution

Finance Division

Board of Public Utilities  
January 10, 2022

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## DISCUSSION

1. City Council will consider approving a Professional Consultant Services Agreement from RFP 2086 with Lance, Soll & Lunghard, LLP, for a GASB 87 and Lease Management software solution, in an amount not-to-exceed \$366,102, for a three-year term through December 31, 2024, with the option to extend for two additional one-year terms.
2. Board approval is requested for the expenditures related to the Public Utilities allocation of costs associated with a GASB 87 and Lease Management software solution.

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## GASB 87 OVERVIEW

1. Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for U.S. state and local governments.
2. GASB 87 is a major pronouncement. The last time there was a major pronouncement was in fiscal year 2002 with GASB 34.
3. New lease reporting requirement for all governmental agencies.
4. Previously recorded leases as rental revenue (if lessor) or a rent/lease expense (if lessee) if not considered a capital lease.

## GASB 87 OVERVIEW

5. Now if a lease has a greater than 12-month term and is material:
  - Record a lease obligation liability and corresponding intangible asset on the balance sheet (lessee).
  - Record lease receivable and corresponding deferred inflow of resources on the balance sheet (lessor).
6. New standard will be effective for the 6/30/2022 financial statements.

## BACKGROUND

### Analysis of new standard and current process

1. The City is party to lease agreements as both a lessee and lessor there are approximately 450 leases citywide across multiple departments.
2. Current lease information is stored many ways over multiple departments using programs, such as Microsoft Excel, and ePropertyPlus.
3. Current software solutions utilized by the City do not offer the capability to record and track leases that adhere to the new accounting standard.
4. Finance, Riverside Public Utilities, and Community Economic Development staff determined the need of a software solution that could streamline the recording and tracking of leases as well as adhere to the new GASB 87 standard.
5. Given the COVID-19 pandemic, current staffing levels and workloads, it was determined a consultant would be needed in order to obtain, analyze and record the 450+ leases under the new standard.



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## RFP 2086

1. April 6, 2021 – RFP 2086 was posted to solicit proposals for a GASB 87 and Lease Management Software Solution and consulting services.
2. May 10, 2021 – Proposals received from 7 consultants; however, only five were found to be responsive.
3. August 20, 2021 - Finance, Community and Economic Development, Riverside Public Utilities, and Innovation and Technology completed the review, interviews and evaluations.
4. Lance, Soll & Lunghard, LLP (LSL) was the most qualified candidate and was selected.



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## CITYWIDE PRICING AND FISCAL IMPACT

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
<b>Total</b>	<b>\$ 159,125</b>	<b>\$ 48,266</b>	<b>\$ 49,860</b>	<b>\$ 52,851</b>	<b>\$ 56,000</b>	<b>\$366,102</b>
General Fund %	82,307	24,965	25,790	27,337	28,966	189,365
Other Enterprise Funds %	38,409	11,650	12,035	12,757	13,517	88,368
<b>RPU Funds 24%</b>	<b>38,409</b>	<b>11,650</b>	<b>12,035</b>	<b>12,757</b>	<b>13,517</b>	<b>88,368</b>

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## STRATEGIC PLAN ALIGNMENT

### Strategic Priority 5 – High Performing Government

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

### Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation

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## RECOMMENDATION

That the Board of Public Utilities approve an expenditure for an amount not to exceed \$88,368 for the RPU portion of cost associated with RFP 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.