



Monterey County

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: 21-233

March 23, 2021

Introduced: 3/11/2021

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

- a. Approve and Authorize the Auditor-Controller to sign a non-standard agreement with LeaseQuery, LLC for a software tool for analysis of County's real property and other types of leases in compliance with Governmental Accounting Standards Board (GASB) Statement No. 87, for an agreement term of March 23, 2021 through March 23, 2022, for an agreement amount not to exceed \$56,900; and
- b. Approve the recommendation of the Auditor-Controller to accept all non-standard provisions in Agreement, including insurance, limitation of liability, and indemnification; and
- c. Authorize the Auditor-Controller to sign up to three one-year future amendments to the Agreement where the amendments do not significantly alter the scope of work.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and Authorize the Auditor-Controller to sign a non-standard agreement with LeaseQuery, LLC for a software tool for analysis of County's real property and other types of leases in compliance with Governmental Accounting Standards Board (GASB) Statement No. 87, for an agreement term of March 23, 2021 through March 23, 2022, for an agreement amount not to exceed \$56,900; and
- b. Approve the recommendation of the Auditor-Controller to accept all non-standard provisions in Agreement, including insurance, limitation of liability, and indemnification; and
- c. Authorize the Auditor-Controller to sign up to three one-year future amendments to the Agreement where the amendments do not significantly alter the scope of work.

SUMMARY/DISCUSSION:

The office of the Auditor-Controller (ACO) is charged with ensuring the County's Comprehensive Annual Financial Report (CAFR) complies with the principles as set forth by the Governmental Accounting Standards Board (GASB). GASB is the governing body that issues accounting and financial reporting standards for state and local governments. Complying with GASB is mandated but also is a requirement for the County to continue receiving a clean (unmodified) opinion on the CAFR from the external auditor, and the Certificate of Achievement for Excellence in Financial Reporting award, both of which are vital to the County's credit rating.

GASB issued Statement No. 87 - Leases which has an effective date of July 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating and capital leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a

lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The ACO conducted a preliminary survey with the County departments and ascertained there are approximately 275 lease contracts (records) that fall within the scope of GASB 87. For successful implementation, each of these leases must be reviewed, necessary information needs to be extracted (i.e. inception date, payment amounts, possession date, in arrears payment terms, annual escalation, discount rate etc.) and compiled for the calculations and footnote disclosures. Upon detailed review, a single lease contract may provide for multiple assets, such as for land and improvements. To comply with GASB 87, County must account for these assets separately, leading to an increase in the number of records maintained in LeaseQuery. LeaseQuery is also available to perform lease analysis. Combining the potential additional record entry and lease analysis work, ACO has estimated \$21,800 in contingency cost, which is included in the not to exceed amount of \$56,900.

To achieve accurate and timely compliance with the standard on an ongoing basis, the County must rely on maintaining software that will retain documentation, calculate, account for, and report the amortization and other necessary schedules related to each lease held by County departments. Our current ERP System is not currently capable of supporting financial reporting requirements of GASB 87. It could provide the reporting requirement; however, it requires additional customization and configurations to the system. Upon detailed deliberation LeaseQuery, a lease accounting and management software, was selected to help implement the new required accounting standard due to cost, implementation timeline, the ease of use, and the uncertainty of County's future with CGI's ERP solutions due to County's plan for RFP.

LeaseQuery software will assist the County departments and the ACO staff in complying with the GASB 87 requirements. The software will retain audit trail, documentation, calculations for the leases and necessary footnote disclosures for the financial statements. It will create efficiencies by eliminating manual ongoing calculations for each lease held by County departments and by creating a central repository for all the calculations and schedules. The software will consolidate all the lease information and provide consolidated disclosures and compliance reports which will be used in by ACO staff when developing County's CAFR each fiscal year.

The ACO has negotiated cost savings by purchasing a one-year subscription with the option of entering into three annual renewals to utilize the LeaseQuery Solutions software. LeaseQuery will support the accounting for leases countywide to ensure GASB No. 87 compliance as well as provide the necessary document retention for audit purposes.

OTHER AGENCY INVOLVEMENT:

County Counsel has approved the contract as to the legal form. The Information Technology Department has reviewed and approved the contract.

FINANCING:

Costs in the amount of \$56,900 for initial one-year subscription implementation, setup of organizational structure, training on the LeaseQuery system, initial bulk upload of County lease records

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fee and contingency costs will be absorbed by the ACO's FY 2020-21 adopted base-line budget due to salary savings. The subscription and service fees for future years is estimated to be \$40,000 annually and will be requested as an augmentation for FY2021-22 and included in the ACO budget thereafter.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This proposed action will allow the Auditor-Controller's Office to promote accountability and transparency while practicing efficient and effective resource management.

Check the related Board of Supervisors Strategic Initiatives:

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

Prepared by: Maria Papurello, Administrative Service Officer, 755-5084


Approved by: Becky Gong, CGFM, Chief Deputy Auditor-Controller, 755-5029


Attachments:

Board Report

LeaseQuery - Sales Order/Agreement

Summary of Governmental Accounting Standards Board Statement No. 87 - Leases

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