



AGENDA MEMORANDUM

Action Item for the City Council Meeting September 7, 2021

DATE: September 7, 2021

TO: Peter Zanoni, City Manager

FROM: Heather Hurlbert, CPA, CGFO, Director of Finance and Business Analysis
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**GASB 87 Compliant Lease & GASB 96 Subscription Based Information
Technology Arrangements Compliant Accounting Software**

CAPTION:

Motion authorizing a six-year agreement with Lance, Soll & Lunghard, LLP, of Brea, California, in the amount of \$116,833 for GASB 87 Compliant Lease & GASB 96 Subscription-Based Information Technology Arrangements Compliant Accounting Software and Related Services, effective upon issuance of a notice to proceed, with FY2021 funding in the amount of \$23,400.00 available in the General Fund.

SUMMARY:

This motion authorizes a six-year agreement with Lance, Soll & Lunghard, LLP, in the amount of \$116,833 for software services related to new accounting standards - GASB 87 Leases & GASB 96 Subscription-Based Information Technology Arrangements.

BACKGROUND AND FINDINGS:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87 Leases to be effective in FY2022 and Statement No. 96 Subscription-Based Information Technology Arrangements to be effective in FY2023. Both standards require that financial statements be restated to conform to the new standards at the beginning of the respective fiscal year. This purchase provides specialized software to assist in accounting and reporting under these standards

GASB 87 requires that the present value of future lease payments be recorded as a liability or receivable on the City's financial statements, a right-to-use asset be recorded, and future revenues or expenditures be reported as Deferred Outflows or Inflows. GASB 96 requires the

same accounting for subscription-based information technology agreements (SBITAs). The receivables, liabilities, deferred revenues or expenditures, and right to use assets must be amortized over the expected term of the lease or SBITA. Several additional financial statement disclosure footnotes, tables and other information that go along with this accounting are also required under these statements.

Each lease or SBITA must be evaluated independently, and a corresponding set of amortization schedules be developed for each. The City has approximately 40 leases and over 100 SBITAs. Use of a software that can hold the payment schedules, terms and other information on each lease or SBITA and provide reports for all of the required amortizations, journal entries, and required financial statement disclosures is recommended to ensure accuracy in preparing the City's financial statements.

PROCUREMENT DETAIL:

Contracts and Procurement conducted a competitive Request for Proposals process to obtain proposals for qualified firms to provide a GASB 87 & GASB 96 Subscription Based Information Technology Arrangements Compliant Accounting Software. The City received five proposals and evaluated them against the published criteria.

The evaluation committee was comprised of representatives from the Finance and IT Department. The City considered three firms as finalists, interviews were conducted, and pricing was evaluated. The final evaluation ranked Lance, Soll & Lunghard, LLP as the highest ranked firm based on two factors 1) Interview; and 2) Pricing. Total scores were tabulated on Technical Evaluation, Interview and Pricing.

ALTERNATIVES:

The City could use spreadsheets to track all of the leases and SBITAs and manually prepare the amortization schedules, journal entries, and required financial statement disclosures. This method would be less accurate and would require additional staff resources.

FISCAL IMPACT:

The fiscal impact in FY2021 is \$23,400 which includes purchase of the software and initial implementation services. The remaining cost will be budgeted through the annual budgeting process.

FUNDING DETAIL:

Fund:	1020	General Fund
Organization/Activity:	10751	Accounting Operations
Mission Element:	182	Produce financial reports
Project # (CIP Only):		
Account:	520100	Computer equip&software noncaptl

RECOMMENDATION:

Staff recommends approval of this motion authorizing a six-year agreement with Lance, Soll & Lunghard, LLP, in the amount of \$116,833 for software services related to new accounting standards - GASB 87 Leases & GASB 96 Subscription-Based Information Technology Arrangements.

LIST OF SUPPORTING DOCUMENTS:

Evaluation Matrix
Service Agreement
Subscription Agreement