



# Insights from Lease Implementation

David Bullock, Partner – MGO

Craig Boyer, Assistant Controller –  
Alameda County

Rick Bruneau, Deputy Director of  
Finance – City of San José

# WHAT WE WILL COVER TODAY

## Key Implementation Insights

- Know Where to Find Your Leases
- Identify the Plan for Lease Data Collection
- Develop Appropriate Policy Documents
- The General Ledger and Financial Reporting



# WHAT WE WILL COVER TODAY (continued)

## Other Implementation Insights

- Decision to Use Lease Software vs. Spreadsheets
- Assemble a Lease Implementation Task Force
- Understand What Types of Leases Do Not Apply to GASB 87
- Measuring the Present Value of Lease Payments
- Calculating the Lease Liability for Contracts with Multiple Components
- Understanding Key Lease Criteria



# Key Implementation Insights



# Alameda County – Implementation Insights

## Know Where to Find Your Leases

What was challenging about this implementation step and why?

- Decentralized organization of County finance amongst various departments
- Many leases with long duration where the format of lease documentation transitioned from paper to electronic
- Educating department finance people on how to identify potential leases

How we resolved the implementation challenge.

- Multiple trainings to County department finance staff
- Queries of County accounting software to ensure completeness
- Review of County contract documentation for completeness



# City of San José – Implementation Insights

## Identify the Plan for Lease Data Collection

What was challenging about this implementation step and why?

- Decentralized contract management
- Completeness and accuracy of data collected to determine lease population

How we resolved the implementation challenge.

- Presented City-wide training at project kick-off
- Developed lease tracking template to document key terms of agreements
- Reviewed existing lease and rental account activity from accounting system
- Scheduled one-on-one meetings between Accounting team and Departments
- Searched contracts database for potential lease agreements; returned to departments for clarification



# Alameda County – Implementation Insights

## Develop Appropriate Policy Documents

Challenges that led to written policies:

- Requesting lease agreements from County departments
- Evaluating the lease population subject to implementation
- Implementation of new operational and accounting procedures for building leases

Policies developed to respond to challenges:

- County Lease Policy – documents department responsibility for providing lease agreements
- County Scoping Memo – determines which lease agreements are part of the County lease implementation
- Lease Implementation Memo – documents new procedures between the General Services Agency and the Auditor-Controller Agency for recording building leases in the County accounting software

### Lease Policy Considerations

- 1) Define lease scope
- 2) Identify lease threshold
- 3) Document process for calculating borrowing rate



# City of San José – Implementation Insights

## The General Ledger and Financial Reporting

What was challenging about this implementation step and why?

- Ensuring consistency with recording GASB 87 and non-GASB 87 lease transactions in the appropriate general ledger accounts
- Differences in reconciling GL transactions with the lease tracker/lease agreements

How we resolved the implementation challenge.

- Coordinated with budget office to establish new general ledger account codes
- Communicated change through formal Accounting Guidance Memo
- Trained department fiscal staff on when to use new account codes
- Consistently reviewed, communicated, and followed-up with departments





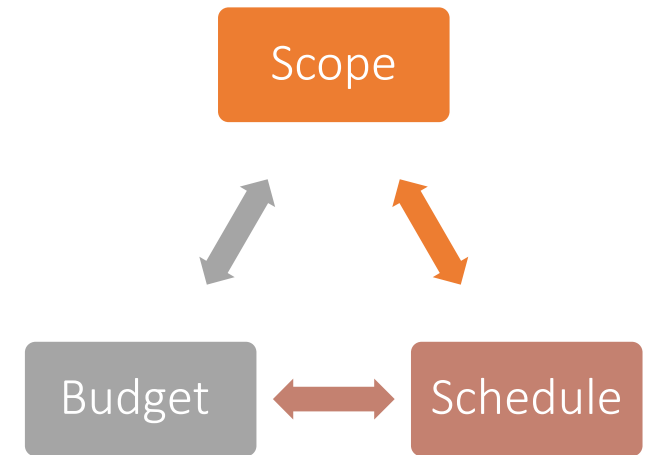
# Other Implementation Insights



# Other Implementation Insights

## Decision to Use Lease Software vs. Spreadsheets

- Scope – how large and complex is the lease portfolio?
  - Schedule – how much time will it take to procure and implement a software solution?
  - Budget – are resources available to procure and implement the software?
- Complete a Cost/Benefit analysis based on the scope, schedule and budget of your project



# Other Implementation Insights

## **Assemble a Lease Implementation Task Force**

- Established task force early in the process to better understand County contracts
- Included County Counsel, General Services and Real Property Management
- City's task force included similar contacts as County with the addition of outside consultants and purchasing staff



# Other Implementation Insights

## **Understand What Types of Leases Do Not Apply to GASB 87**

- Accounting team reviewed agreements to make initial determination on GASB 87 qualifications
- Requested consultant to sample agreements to confirm GASB 87 leases
- Coordinated meetings between accounting, consultant, and department to evaluate unique and complex arrangements



# Other Implementation Insights

## **Measuring the Present Value of Lease Payments**

- Most leases did not have an explicit discount rate or sufficient information to calculate an implicit discount rate
- The County's financial advisor provided data to support the borrowing rate used
- Using County's financial system for calculations



# Other Implementation Insights

## Calculating the Lease Liability for Contracts with Multiple Components

- Many contracts with multiple components that are not explicitly separated in the contracts
- Worked with Real Property Management to obtain information to separate components where possible
- Focus effort on separating agreements between lease liability and expense components
- Consider allocation methods for single contracts that span multiple departments (i.e. multi-functional devices/printers)



# Other Implementation Insights

## Understanding Key Lease Criteria

- Applying the facts and circumstances for leases at transition
- Which options are included in the lease term
- Understanding leases with variable payment provisions
- What costs should be added to the leased asset, and what is the appropriate amortization period



# Questions?

