



MEMORANDUM

October 8, 2021

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. John Burton
Hon. Gail Gilman
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director 

SUBJECT: Request authorization to award Deloitte & Touche LLP a contract for Implementation of Government Accounting Standards Board Statement Number 87 in a contract amount not to exceed \$200,000.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 21-40

EXECUTIVE SUMMARY

Pursuant to Port Commission authorization (Resolution 21-27), Port staff issued a Request for Proposals ("RFP") for professional services to implement Government Accounting Standards Board Statement Number 87. Two firms submitted proposals in response to the RFP. The Contract Monitoring Division ("CMD") determined that all of the firms met the City's Local Business Enterprise ("LBE") Ordinance eligibility requirements. A selection panel then evaluated and scored the written proposals. CMD monitored the panel evaluation process.

Port staff now seeks Port Commission authorization to award professional services contracts services to the high scoring firm Deloitte & Touche LLP ("Deloitte"). Staff recommends the award of a contract in the not-to-exceed amount of \$200,000 with a maximum term of twenty months. The proposed contracts will be funded through the Port's operating budget for non-personnel services.

STRATEGIC PLAN OBJECTIVE

This contracting opportunity supports the goals of the Port's Strategic Plan as follows:

THIS PRINT COVERS CALENDAR ITEM NO. 10B

Evolution – By enabling Port staff to respond to changing public accounting compliance requirements.

Stability: – By maintaining the Port’s financial strength through proper accounting for the value of Port property.

BACKGROUND

The Governmental Accounting Standards Board (“GASB”) establishes the accounting and financial reporting standards and requirements for U.S. state and local governments. In June 2017, GASB issued Statement No. 87 that creates new requirements for financial reporting of leases.¹ GASB now requires a single model for lease accounting that results in a balance sheet impact on both the lessee and lessor.

The Port is a lessor in more than 1,500 leasehold arrangements. To comply with GASB 87, the Port must review all of its leases, complete documentation, and demonstrate compliance. The Port faces a tight timeline for GASB 87 analysis and implementation. The first mandatory implementation deadline is June 30, 2022 and implementation will include a change to the Port’s annual financial statement for Fiscal Year 2021-22. If the Port fails to complete GASB 87 implementation, it will not be able to issue its audited financial statements on time, potentially harming the Port’s bond rating and delaying issuance of the City of San Francisco’s annual financial report.

The Port is actively collaborating with the Office of the Controller regarding the implementation of GASB Statement No. 87. The Controller recommended supplementing the Port’s accounting team for the implementation of this requirement through use of its prequalified list for audit services. Use of the prequalified pool ensures that the Port engages a firm approved by the Controller for the GASB 87 work and also reduces the time to procure a contract by several months.

On March 24, 2020, the Controller’s Office published a list of prequalified suppliers who provide accounting and auditing services from respondents to a request for qualifications (CON | 2020-02). The outreach, selection, and Contract Monitoring Division’s monitoring of a request for qualifications process for a prequalified list requires the same steps as a formal contract solicitation process. In this prequalified pool, the Local Business Enterprise (LBE) requirement was set at the time the pool was created and the requirement is 10%.

Prequalified suppliers have demonstrated compliance with City requirements and a panel reviewed and ranked the suppliers in the applicable scope subset areas, called service areas.² Prequalified lists provide an option for City departments to contract with

¹ Governmental Accounting Standards Series, “Statement No. 87 of the Governmental Accounting Standards Board.” https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176169170145&acceptedDisclaimer=true

² Firms that are ranked in a prequalified pool have demonstrated compliance with the Equal Benefits Ordinance, Health Care Accountability Ordinance, Minimum Compensation Ordinance, Local Business Enterprise Ordinance and insurance requirements established by the Office the Risk Manager.

a streamlined and expedited process saving months in time.³ For the firms, it is beneficial to be on a prequalified list. Prequalification reduces the time and cost associated with bidding by creating numerous contract opportunities with multiple departments from a single RFQ response. The firm completes the compliance requirements for contracting with the City once instead of duplicating the response for the City boilerplate requirements.⁴

SCOPE OF WORK

This project is organized into three major tasks. Task 1 involves gathering required information from leases and organizing the data electronically (spreadsheet or database) in a fashion that can be used to generate GASB 87 calculations, required schedules, and journal entries. This task includes current calculation of minimum lease payments. Task 2 includes developing the calculation and schedules required, including present value calculations, and amortization schedules. Task 3 involves creating the journal entries and financial disclosures in accordance with GASB 87 standards. At the conclusion of this project, the Port will have compliant accounting and reporting for all leases. The first mandatory implementation deadline is June 30, 2022.

CONTRACT ADVERTISEMENT AND OUTREACH

On July 14, 2021, the Port issued the RFP. The solicitation was emailed to all prequalified firms in the Controller's audit services list for Service Area 3: Financial, Management, or Accounting Review Services. The Port contacted all eligible firms via telephone to maximize outreach of this solicitation.

The Port received and responded to ten questions from potential responders. Staff issued one addendum to clarify dates in the RFP.

SELECTION PROCESS

Submittals were due on August 3, 2021 and the Port received two responses to the RFP in advance of the submittal deadline. The following two consultant teams responded to the RFP:

1. Crowe LLP (non-LBE)
2. Deloitte & Touche LLP (non-LBE)

CMD staff reviewed and determined that all firms complied with the CMD requirements.

Selection Panel

³ A typical formal RFP/RFQ is about 20 pages long and includes seven attachments. An RFP to select a supplier from a prequalified pool is four-five pages long and includes one attachment.

⁴ A typical formal RFP/RFQ response prepared by a supplier is 40-50 pages long. A response to an RFP from a selection from a prequalified pool is about six-ten pages long.

The Port convened a three-member evaluation panel for an orientation on August 11 and August 13, 2021. The panel deliberated on August 19, 2021. The panel consisted of a financial accounting manager/CPA from the Port, a finance director/CPA from the Mayor’s Office of Housing and Community Development (MOHCD) , and a senior capital finance manager from the Municipal Transportation Agency (SFMTA). The panel members are experienced in public finance, accounting, and implementing mandatory standards issued by the GASB. The Port’s CMD Compliance Officer approved the panel composition and attended all panel meetings.

Evaluation Criteria

Written proposals were evaluated and scored by the selection panel based upon the following criteria:

- 40 points – Prior Experience of firm including review of comparable experience
- 30 points – Experience Summary of Proposed team
- 30 points – Project Cost
- 100 points Total

The City Administrative Code Chapter 14B, the LBE and Non-Discrimination in Contracting Ordinance, establishes rating bonuses for LBE firms and LBE joint venture partnerships. No firms were granted a rating bonus. This solicitation and all contracts from this prequalified pool have a 10% LBE requirement. The CMD Award Memo outlining CMD’s determination and the LBE status of the subconsultants is in Appendix A.

Table 1. Implementation of GASB Statement No. 87 Scores

Proposer	Written Proposal Score	LBE Rating Bonus	Final Total Score	Final Rank	Ethnicity⁵
Deloitte & Touche, LLP	255	-	255	1	Not Available
Crowe, LLP	235	-	235	2	Not Available

The Port issued a Notice of Intent to Award on August 26, 2021 and received no protests of this notice.

SELECTED CONSULTANTS

Deloitte & Touche LLP

Deloitte & Touche is a professional services firm providing consulting services in audit and assurance, tax, consulting and risk and financial advisory services. Deloitte serves many public sector organizations and holds contracts with the City and County of San Francisco including the Controller’s Office and the Department of Public Health with financial management support including GASB 87 compliance. Deloitte will meet the

⁵ This information is for informational and data collection purposes only and may not be taken into account by the Port Commission when considering the approval or disapproval of any contract award. See Attachment 1, CMD Award memo.

10% LBE requirement through engagement with Ross Infrastructure Development LLC (LBE-OBE).

FUNDING

The Port's operating budget for non-personnel services will fund these proposed contract services.

SCHEDULE

The planned contracting schedule is shown below:

<u>Activity</u>	<u>Target Date</u>
Port Commission Authorization to Award Contracts	October 12, 2021
Notice To Proceed	November 1, 2021
Contract Completion	October 31, 2022

RECOMMENDATION

Port staff recommends that the Port Commission authorize to award a contract to Deloitte & Touche LLP for services for implementation of GASB 87 for a not to exceed value of \$200,000 with a term of no longer than 20 months. The contract will be funded through the Port's operating budget for non-personnel services.

Prepared by: Stephanie Tang, Contracts and Procurement Manager
Finance and Administration Division

For: Katharine Petrucione, Deputy Director
Finance and Administration Division

and

Peter Yee, Fiscal Officer
Finance and Administration Division

Attachments

A: CMD Award Memo

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 21-40

- WHEREAS, The Port of San Francisco is committed to implementing best practices for accounting and following all requirements of the Government Accounting Standards Board (“GASB”);
- WHEREAS, The GASB Statement No. 87 on leases was issued in June 2017 and created a new standard requiring governments recognize and report certain lease assets and liabilities, establishing a single model for lease accounting based on the foundational principle that a lease is a legal instrument to finance the right to use an underlying asset;
- WHEREAS, The Port of San Francisco is lessor to more than 1,500 leasehold arrangements in real estate, maritime, development and administrative divisions and seeks to comply with GASB Statement No. 87 requirements prior to the GASB implementation deadline;
- WHEREAS, The Office of the Controller created a prequalified list from qualified respondents to a Request For Qualifications for Audit Services (CON | RFQ 2020-02) on March 24, 2020;
- WHEREAS, On July 14, 2021 the Port Commission approved Resolution 21-27, authorizing staff to issue a Request for Proposals to solicit professional services for implementation of GASB Statement No. 87 with a term of twenty (20) months and a total not to exceed \$200,000 (the “RFP”); and
- WHEREAS, Port staff advertised the RFP on July 15, 2021 and received two responsive proposals on August 3, 2021; and
- WHEREAS, Port staff convened an evaluation panel to evaluate and score the proposals; and
- WHEREAS, Port staff selected the proposal with the highest responsive score, received from Deloitte & Touche LLP; now, therefore be it
- RESOLVED, That the Port Commission expresses its thanks and appreciation to the three-member scoring panel for their participation in and support of the Port’s evaluation of responses to the RFP; and further be it
- RESOLVED That the Port Commission authorizes Port staff to negotiate a professional services contract with the recipient of the highest responsive score to the RFP for implementation of GASB Statement No. 87 for the services described in the accompanying staff report in

an amount not to exceed \$200,000 and with a term no longer than twenty (20) months, but if, after negotiation, a mutually acceptable contract cannot be agreed to with the recipient of the highest responsive score to the RFP then the Port staff may negotiate a contract under the same constraints and conditions with the recipient of the next highest responsive score; and be it further

RESOLVED That the Port Commission authorizes the Executive Director to execute a professional services contract for implementation of GASB Statement No. 87 for the services described in the accompanying staff report in an amount not to exceed \$200,000 and with a term no longer than twenty (20) months with a successful respondent to the RFP identified by Port staff, and to enter any other agreement, work order, or purchase order necessary to effectuate the purposes of this Resolution that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port, and are necessary and advisable to comply with GASB Statement No. 87 and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director, or her designee, of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 12, 2021.

Secretary



CONTRACT MONITORING DIVISION OFFICE OF THE CITY ADMINISTRATOR



London N. Breed, Mayor
Carmen Chu, City Administrator

Romulus Asenloo, Director

MEMORANDUM

Date: September 22, 2021
To: Stephanie Tang, the Port of San Francisco
From: Alysabeth Alexander-Tut, Contract Monitoring Division
Subject: RFP 2021-05 Implementation of GASB 87—CMD Award Memo

The Contract Monitoring Division (“CMD”) has reviewed the proposal submitted for the above referenced project and determined responsiveness to the Chapter 14B pre-award requirements. RFP 2021-05 was solicited from CON RFQ2020-02 for Audit Services, which established a LBE subcontracting requirement of 10% and solicited CMD Forms. The CMD Forms¹ from CON RFQ2020-02 transferred to Port RFP 2021-05. CMD has determined that the following proposals were materially compliant with the 14B subcontracting requirements:

- Deloitte & Touche (“Deloitte”)
- Crowe LLP

Score Sheets and Tabulations:

CMD has reviewed the raw score sheets submitted by the panelists. According to the score tabulations submitted by Stephanie Tang of the Port of San Francisco and independently confirmed by CMD, the breakdown of the scores are as follows:

Firm	LBE Status and Rating Bonus	Score	Rank
Deloitte & Touche	N/A	255	1
Crowe LLP	N/A	235	2

Deloitte met the 10% LBE subcontracting requirement by listing the following LBE firms on the CMD Form 2A for CON RFQ2020-02:

¹ CMD did not review CMD Forms that were collected by the CON RFQ2020-02 pool at proposal, nor issue an award memo. The pool was executed without CMD review for 14B compliance. CMD is using the information provided on the original CMD Form 2A information to transfer to this contract. CMD did verify that the LBE was certified at the time of proposal in a relevant CMD Category.

LBE Subcontractor	Scope of Work	Status ²	Percent of Work
Ross Infrastructure Development LLC ³	Future services to be procured under contract	SF LBE OBE	10%
LBE Total			10%

Deloitte did not list any non-LBE subcontractors.

Deloitte has been informed by email on August 30, 2021, that the CMD forms and commitment submitted with CON RFQ2020-02 transfer to Port RFP 2021-05 Implementation of GASB 87.

Based on the foregoing, CMD has determined that Deloitte has complied with the Chapter 14B Subconsulting requirement. Should you have any questions, please contact Alysabeth Alexander-Tut at Alysabeth.Alexander-Tut@sfgov.org

² The Port of San Francisco has specifically requested that CMD include in the Award Memo the specific ethnicity of each LBE proposer and the subcontractors of the awardee, where available. CMD does not require businesses to self-identify the ethnicity of the business owner but any business may choose to do so. CMD reiterates to the Port and any other agency that ethnicity information in no way factors into the evaluation or award of this or any other contract. CMD recommends against the publication or announcement of the ethnicity information provided below, including but not limited to Commission meetings.

Ross Infrastructure Development: No ethnicity listed

³ This LBE was certified for one year 7/30/2019-7/31/2020, and was certified at the time of proposal to the original pool CON2020-02. Deloitte may still utilize Ross Infrastructure Development for full LBE credit.