



MEMORANDUM

July 9, 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 approval to issue a Request for Proposals for Implementation of Government Accounting Standards Board Statement No. 87

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 21-27

EXECUTIVE SUMMARY

Port staff is seeking the Port Commission's authorization to advertise a Request for Proposals ("RFP") for professional services to implement Government Accounting Standards Board Statement ("GASB") Number 87. The contractor will assist the Port with lease review and compliance, as required by GASB 87 in advance of the required deadlines. The first mandatory compliance reports are due June 30, 2022.

This RFP process will be a competitive selection process within a prequalified pool established by the Office of the Controller for audit services. After the evaluation and scoring of the prequalified consultants, Port staff will recommend awarding one contract for a maximum duration of twenty months to the highest-ranked consultant team. The contract not-to-exceed value is \$200,000.

STRATEGIC OBJECTIVE

This contract opportunity will support the goals of the Port's Strategic Plan as follows:

Evolution:

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

THIS PRINT COVERS CALENDAR ITEM NO. 7A

Stability:

By maintaining the Port's financial strength through proper accounting for the value of Port property.

BACKGROUND

The Governmental Accounting Standards Board 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 Office of the Controller recommended supplementing the Port's accounting team for the implementation of this requirement through use of its prequalified list for audit services, CON | RFP 2020-02. 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. 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. The 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 a streamlined and expedited process saving months in time.³ For the firms, it is beneficial to be on a prequalified list. It reduces the time and cost associated with bidding by creating numerous contract opportunities with multiple departments from a single RFQ response. The firm

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.

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

completes the compliance requirements for contracting with the City once instead of duplicating the response for the City boilerplate requirements.⁴

PROJECT SCOPE

This project is organized into three major tasks. Task 1 involves gathering required information from leases and organizing the data electronically (excel 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. This work will be completed from contract execution through the next 20 months.

SELECTION PROCESS

The Port proposes to select a contractor for this opportunity through a competitive process soliciting the Office of the Controller's audit services prequalified pool. The Port will advertise the RFP to the members of the pool in Service Area 3 – Financial, Management, or Accounting Review Services. A short proposal will be required and the Contract Monitoring Division ("CMD") will monitor the review process. Port staff and a CMD representative will convene a selection panel. This panel will have the expertise in the required fields, knowledge of the project area and objectives, and meet diversity requirements as determined by CMD. The selection process is envisioned to include the following steps:

1. Written Proposal Evaluation, Ranking and Pre-Qualification
After Port and CMD staff review proposals for responsiveness, the evaluation panel will score each written proposal based upon criteria included in the RFP. Expected criteria include a review of similar experience, experience of assigned staff, and cost.
2. Contract Negotiation and Award
Port staff will request Port Commission approval to award the contract.

LOCAL BUSINESS ENTERPRISE

It is the goal of the Port to maximize participation of LBEs in its contracting opportunities. CMD has established a goal of 10% for the firms on the prequalified list and the firms have already submitted a commitment to meet a 10% minimum LBE participation for each contract originating from the prequalified pool. In this RFP, a responding firm would reaffirm its commitment to meet the original LBE requirement.

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

The City's Administrative Code Chapter 14B, the LBE and Non-Discrimination in Contracting Ordinance establishes a rating bonus for LBE prime consultants who respond. The bonus applies to each phase of the selection process, including review of the written proposal.

OUTREACH EFFORTS

Subject to Port Commission authorization, Port staff will advertise the RFP opportunity to the firms in Service Area 3 of the Controller's pool for audit services. Port staff will send copies of the RFP to the members of the pool and conduct one-on-one follow-up with the participants via telephone or email. There will be no pre-submittal conference, but there will be a question and answer period for clarifications to the RFP.

SCHEDULE

<u>Activity</u>	<u>Target Date</u>
Port Commission Authorization to Advertise	July 13, 2021
Commence RFP Advertisement	July 14, 2021
Questions about RFP Due	July 21, 2021
Submission Due Date	August 3, 2021
Port Commission Authorization to Award Contracts	September 14, 2021
New Contract Commences	October 2021

FUNDING

Funding for these services is appropriated through the Port's operating budget for non-personnel services.

SUMMARY

Port staff recommends that the Port Commission approve the attached resolution authorizing staff to advertise a Request for Proposals soliciting accounting and financial professional services from the Controller's pool for audit services as described above.

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

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Finance and Administration Division

For: Katharine Petrucione, Deputy Director
Finance and Administration Division

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

RESOLUTION NO. 21-27

WHEREAS, The Port of San Francisco is committed to implement 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 new standards in how governments should recognize certain lease assets and liabilities and established a single model for lease accounting based on the foundational principle that leases are financings of 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 the GASB Statement No. 87 requirements prior to the GASB implementation deadline;

WHEREAS, the Office of the Controller created a prequalified list CON | RFQ 2020-02 on March 24, 2020 for Audit Services;

WHEREAS, the Contract Monitoring Division staff established a 10% subcontracting goal for firms in the Controller’s pool of Audit Services;

WHEREAS, Port staff now seeks Port Commission authorization to issue a Request for Proposals (“RFP”) for Implementation of Government Accounting Standards Board Statement Number 87 through a solicitation from the prequalified list established by the Office of Controller for Audit Services;

WHEREAS, Port staff will negotiate a professional services contract with the respondent to the RFP that offers the best value, which draft professional services contract will be brought to the Commission for approval prior to execution, now; therefore be it:

RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to advertise the RFP for Implementation of Government Accounting Standards Board Statement No. 87, with an approximate value of \$200,000 and approximate term of 20 months.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 14, 2021.

Secretary