

New Lease Administration Initiative

Audience (primary): University's financial community [UFA staff (all_staff); Chief Business Officers and central administration finance leaders (RUFL); Budget officers/people with system access; Business managers for Chancellor and central units; School and center-based finance staff (general_ledger_users)], Mike Gower, Michele Norin

Audience (secondary): Key members in IP&O (Henry Velez, Dave Schulz, Tony Calcado, Debra McNally, Jessica Burke; Jennifer Englese; Marie Defabritis-Azeri), OGC (Rob Roesener), OIT (Piyush Patel, Eileen Markey, Ellen Law)

Objective: Provide update on lease administration project

Sent Date: April 16, 2021

Sender: Lease Administration Mailbox

Attachment: n/a

Dear Rutgers Colleagues,

As a follow up to the [February 25, 2021 Finance Town Hall](#), we want to share a brief summary of the meeting overview, as well as some immediate and longer term impacts and next steps.

Overview Summary

The university has a significant equipment and real estate lease portfolio, including approximately 800 leases and 2,500 assets, collectively managed by University Procurement Services (UPS) and Institutional Planning & Operations (IP&O) Real Estate. On July 1, 2021 GASB Statement No. 87, Leases (GASB 87), a new standard on lease accounting that establishes a single approach to accounting and reporting for real estate and equipment leases will become effective.

GASB 87 categorizes all leases as financing, which essentially eliminates the current distinction between operating and capital leases. Lessee required to recognize liability; lessor required to recognize asset. This new standard will require extensive qualitative and quantitative disclosures.

While the primary focus of the lease administration initiative is to establish compliance with GASB 87, we also will implement a new, universitywide lease management and accounting solution and enhanced processes.

Expected Impacts

This initiative will have implications for Chancellor and central units as we work toward establishing and maintaining a robust and effective lease management program. Specifically,

1. All new changes (including those anticipated/negotiated prior to a contract being executed) and ongoing changes in equipment and real estate lease terms, including terminations, end of term, etc., **must** be disclosed to UPS for equipment and other assets and IP&O Real Estate for land, building, space, and or other real-state to ensure ongoing compliance with GASB 87.

We anticipate the implementation of the new lease management and accounting solution from LeaseAccelerator/EZ Lease to be completed prior to the GASB 87 effective date of July 1, 2021. As a result, you may receive automated notifications from the solution to help improve the maintenance of the lease portfolio, and collaboration with UPS and IP&O-Real Estate.

2. While there are no anticipated changes to the purchase order and payment process at this time, it will be important for departments to properly fund all lease purchase orders and approve all invoices in RU Marketplace in a timely manner. All check requests for rent payments must be submitted to Account Payable on time.

Similar to fixed assets, there will be specific Natural Accounts that the university will use for lease transactions to assist in the reconciliation and reporting process. These Natural Accounts will be determined by the University Controller's Office and communicated as we move closer to implementation.

3. While the new lease solution will be administered centrally, you can contact UPS and/or IP&O-Real Estate for specific information and/or reports for your respective lease portfolio. In the longer term, we will work the university's financial leadership to define reporting enhancements and potential self-service options.
4. We will explore a universitywide capital spend/allocation guidance framework, in partnership with the Chancellor and central units, to seek uniformity in how the university approaches, evaluates, approves, and executes lease documents and transactions. Given the vast number of units involved in leasing decisions, we are taking a thoughtful and measured approach to gain alignment. Any potential new framework would be implemented after the GASB 87 effective date of July 1, 2021.

Next Steps

We plan to hold conference calls with financial leaders from the Chancellor and central units to further discuss this initiative. We will discuss the impact, provide an update on new developments, answer questions and discuss options for rolling out changes to your respective units.

Thank you in advance for your support. Please distribute this communication within your respective units. If you have questions or require lease approach guidance, please contact the team at leaseadmin@finance.rutgers.edu.

We continue to look forward to working with you all.

John Fahey, *Associate Vice President University Finance and Administration, PMO Executive*

Nimish Patel, *Associate Vice President University Finance and Administration, Chief Procurement Officer*

Ernie DiSandro, *Associate Vice President University Finance and Administration, University Controller*

Henry Velez, *Vice President, Institutional Planning and Operations, IPO-Business Services*

