City of Oxford
Board of Aldermen
Special Meeting
December 14, 2021, 3:00 pm - 4:00 pm
City Hall Courtroom

DOCUMENTS

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AGENDA

City of Oxford
Board of Aldermen
Special Meeting
Tuesday, December 14, 2021, 3:00 pm - 4:00 pm
City Hall Courtroom

THE CITY OF OXFORD

Notice that certain aldermen may be included in the meeting via teleconference, subject to the City of Oxford Code of Ordinances, Section 2-82.

- Pursuant to Section 21-3-21, Mississippi Code of 1972 Annotated, I, Robyn Tannehill, Mayor of the City of Oxford, Mississippi, do hereby call the Mayor and Board of Aldermen of Oxford, MS, to a SPECIAL MEETING to be held on **December 14, 2021 at 3:00pm**, for the transaction of important business. The meeting will be held in the Courtroom of City Hall. The business to be acted upon at the Special Meeting is the consideration of the following:

1. Call to order.

2. Adopt the agenda for the meeting.

3. Discuss 2022 Health Insurance rates.

4. Consider an executive session.

5. Adjourn.

If you need special assistance related to a disability, please contact the ADA Coordinator or visit the office at: 107 Courthouse Square, Oxford, MS 38655. (662) 232-2453 (Voice) or (662) 232-2300 (Voice/TTY)

Robyn Tannehill

Robyn Tannehill, Mayor

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward I, Rick Addy, of the foregoing meeting on 12/14/2021 at 10:00 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward II, Mark Huelse, of the foregoing meeting on 12/14/2021 at 10:00 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward III, Brian Hyneman, of the foregoing meeting on 12/14/2021 at 10:00 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward IV, Kesha Howell-Atkinson, of the foregoing meeting on 12/14/2021 at 10:00 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward V, Preston Taylor, of the foregoing meeting on 12/14/2021 at 10:00 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward VI, Jason Bailey, of the foregoing meeting on 12/14/2021 at 10:00 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman At-Large John Morgan of the foregoing meeting on 12/14/2021 at 10:00 a.m./p.m.

MINUTES

City of Oxford
Board of Aldermen
Special Meeting
Tuesday, December 14, 2021, 3:00 pm - 4:00 pm
City Hall Courtroom

THE CITY OF OXFORD

- Pursuant to Section 21-3-21, Mississippi Code of 1972 Annotated, I, Robyn Tannehill, Mayor of the City of Oxford, Mississippi, do hereby call the Mayor and Board of Aldermen of Oxford, MS, to a SPECIAL MEETING to be held on **December 14, 2021 at 3:00pm**, for the transaction of important business. The meeting will be held in the Courtroom of City Hall. The business to be acted upon at the Special Meeting is the consideration of the following:

1. Call to order.

   The Special Meeting of the Mayor and Board of Alderman of the City of Oxford, Mississippi, was called to order by Mayor Tannehill at 3:00pm on Tuesday, December 14, 2021, in the courtroom of Oxford City Hall when and where the following were present:

   Robyn Tannehill, Mayor
   Rick Addy, Alderman Ward I
   Mark Huelse, Alderman Ward II-via Microsoft Teams
   Brian Hyneman, Alderman Ward III
   Kesha Howell-Atkinson-Ward IV-via Microsoft Teams
   Preston Taylor, Alderman Ward V-absent
   Jason Bailey, Alderman Ward VI
   John Morgan, Alderman At Large

   Mayo Mallette, PLLC- Of Counsel-absent
   Ashley Atkinson- City Clerk
   Bart Robinson- Chief Operating Officer
   Braxton Tullos-HR Director

2. Adopt the agenda for the meeting.

   It was moved by Alderman Addy, seconded by Alderman Hyneman to adopt the agenda for the meeting. All the aldermen present voting aye, Mayor Tannehill declare the motion carried.

3. Discuss 2022 Health Insurance rates.

   The Board discussed the proposed 2022 Health Insurance rates and it was moved by Alderman Addy, seconded by Alderman Bailey to accept the proposal provided by Blue Cross Blue Shield, which includes a 26% increase, approximately $418,779.00, from last year. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

4. Consider an executive session.

   No action was taken on this item.

5. Adjourn.

It was moved by Alderman Addy, seconded by Alderman Bailey to adjourn the meeting. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

Robyn Tannehill

Robyn Tannehill, Mayor

Ashley Atkinson, City Clerk

CORPORATION OF OXFORD MISSISSIPPI

City of Oxford
Board of Aldermen
Regular Meeting
December 21, 2021, 5:00 pm - 7:00 pm
City Hall Courtroom

DOCUMENTS

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Table of Contents (cont.)

MINUTES

City of Oxford
Board of Aldermen
Regular Meeting
Tuesday, December 21, 2021, 5:00 pm - 7:00 pm
City Hall Courtroom

THE CITY OF OXFORD

1. Call to order.

   The meeting of the Mayor and Board of Alderman of the City of Oxford, Mississippi, was called to order by Mayor Tannehill at 5:00pm on Tuesday, December 21, 2021, in the courtroom of Oxford City Hall when and where the following were present:

   Robyn Tannehill, Mayor
   Rick Addy, Alderman Ward I
   Mark Huelse, Alderman Ward II
   Brian Hyneman, Alderman Ward III
   Kesha Howell-Atkinson, Alderman Ward IV
   Preston Taylor, Alderman Ward V
   Jason Bailey, Alderman Ward VI
   John Morgan, Alderman At Large

   Mayo Mallette, PLLC- Of Counsel
   Ashley Atkinson- City Clerk
   Bart Robinson- Chief Operating Officer
   Reanna Mayoral- City Engineer
   Ben Requet- Director of Planning
   Jeff McCutchen- Police Chief
   Matt Davis- Director of Parking Enforcement
   Braxton Tullos- Human Resources Director
   Joey Gardner- Fire Chief
   Seth Gaines- Director of Oxford Park Commission
   Mike Young- Asst. Director of Oxford Park Commission
   Arledia Bennett- RSVP Director-absent
   Rob Neely- General Manager of Oxford Utilities
   Lynwood Jones- Superintendent of City Shop- absent
   Jimmy Allgood- Director of Emergency Management
   Amberlyn Liles- Environmental Services Director
   Greg Pinion- Buildings & Grounds Superintendent
   Donna Fisher- Municipal Court Clerk-absent
   Kara Giles- Executive Assistant to the Mayor
   Hollis Green- Director of Development Services
   John Crawley- Asst. City Engineer-absent
   Chris Carter- Senior Building Inspector
   Brad Freeman- mTrade Park Director
   Clay Brownlee- mTrade Park Assistant Director-absent
   Michael Temple- IT Department
   Chris Simmons- IT Director
   Donna Zampella- General Manager of Oxford University Transit
   Mark Levy- General Government

2. Adopt the agenda for the meeting.

   It was moved by Alderman Bailey, seconded by Alderman Bailey to adopt the agenda for the meeting with the deletion of items 6(bx) and 6(bxi) and the addition of items 22, 23, and 30. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

3. Mayor's Report

4. Announce the 2021 Virginia H. Chrestman City Employee of the Year. (Braxton Tullos)

   Donna Fisher, the Municipal Court Clerk, was selected as the 2021 Virginia H. Chrestman City Employee of the Year. Donna is currently the longest serving City employee; she was hired in 1985. The Board thanked her for her dedication and service to the City.

5. Authorize the approval of the minutes of the Regular Meeting on December 7, 2021 and the Special Meeting on December 14, 2021. (Ashley Atkinson)

   It was moved by Alderman Huelse, seconded by Alderman Bailey to approve the minutes of the Regular Meeting on December 7, 2021 and the Special Meeting on December 14, 2021. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

6. Authorize the approval of accounts for all city departments. (Ashley Atkinson)

   It was moved by Alderman Morgan, seconded by Alderman Howell-Atkinson to approve the account for all City departments, including a claims docket showing General Fund claims

numbered 115125-115246, Trust & Agency claims numbered 35566-35611 and 5178-5183, Water & Sewer claims numbered 36914-36949, and Metro Narcotic claims numbered 7776-7781, and totaling $1,050,110.73. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

7. Consider the consent agenda:

It was moved by Alderman Hyneman, seconded by Alderman Taylor to approve the following consent agenda items. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

a. Fixed Assets Management:

i. Request permission to declare a 2004 GMC truck with VIN 1GTEK14V64Z238397 and asset tag #1489 surplus in the Oxford Fire Department and authorize its disposal. (Joey Gardner)

ii. Request permission to surplus a Dell Laptop with SN5RNSOC2 and asset tag #2468, a Dell Laptop with SN 3XNHMQ1 and asset tag #2469, and a Dell X Pro with SN 45-533-319-204 and asset tag #3518 in the City Shop Department and authorize their disposal. (Lynwood Jones)

b. Human Resources:

i. Request permission to accept the resignation of Tom Echols in the Oxford Utilities-Electric Division and advertise for a replacement. (Braxton Tullos)

ii. Request permission to hire Patrick Hodge in the Buildings & Grounds Department as a Full-time Laborer with an annual salary of $28,487.11. (Braxton Tullos)

iii. Request permission to hire Sarah Hollowell as a Full-time Event Manager at the Oxford Conference Center with an annual salary of $52,500.00. (Braxton Tullos)

iv. Request permission to correct the salaries of Michael Mitchell and Greg Galloway in the Oxford Police Department to $51,342.53 from $51,300.00. (Braxton Tullos)

v. Request permission to accept the resignation of Stephen Sherer in the Oxford Police Department, effective December 23, 2021. (Braxton Tullos)

vi. Request permission to promote Shane Fortner to Lieutenant in the Oxford Police Department-Criminal Investigations Division with a new annual salary of $60,006.94. (Braxton Tullos)

vii. Request permission to promote Mark Hodges to Sergeant in the Oxford Police Department-Criminal Investigations Division with a new annual salary of $57,742.00. (Braxton Tullos)

viii. Request permission to promote Joel "Scott" Hollowell to Investigator in the Oxford Police Department-Criminal Investigations Division with a new annual salary of $52,542.00. (Braxton Tullos)

ix. Request permission to hire Nickie Denley as a Deputy Court Clerk in the Municipal Court Department with an annual salary of $36,284.89. (Braxton Tullos)

x. Request permission to hire an employee in the Oxford Animal Resource Center Department. (Braxton Tullos)

This item was removed from the agenda.

xi. Request permission to hire an employee in the Development Services-Engineering Department. (Braxton Tullos)

This item was removed from the agenda.

xii. Request permission to hire Jesse Clock as a Training Officer in the Oxford Fire Department with an annual salary of $63,852.65. (Braxton Tullos)

xiii. Request permission to approve Abigail Shake, Cheryl Couch, Megan Lashley, Stacey Spiehler, Andrew Spiehler, and Eliot Parker as unpaid volunteers for the ARC. (Braxton Tullos)

c. Miscelleanous:

i. Request approval of water and/or sewer adjustments in accordance with the Oxford Utilities Leak Adjustment Policy. (Rob Neely)

ii. Request permission to accept a donation from Kaye H. Bryant in the amount of $500.00 for the benefit of the Oxford Animal Resource Center. (Kelli Briscoe)

d. Travel Requests:

i. Request permission for an employee to attend PIO and Community Engagement online training course on January 20-21, 2022 at a cost of $350.00. (Jeff McCutchen)

ii. Request approval for an employee in the Human Resources Department to participate in Leadership Lafayette at a cost of $500.00. (Braxton Tullos)

8. Consider a request from Northeast MS Electric Power Association for an exemption from the IBC fire sprinkler system requirements. (Chris Carter)

   After a brief discussion, this item was removed from the agenda by the requestor. No action was taken.

9. Consider an agreement with LiveBarn for mTrade Park. (Brad Freeman)

   It was moved by Alderman Bailey, seconded by Alderman Morgan to approve an agreement with LiveBarn for mTrade Park, contingent on counsel's approval. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

10. Request permission to accept the bids received for the replacement of the flooring at the Old Activity Center and award the contract. (Seth Gaines)

    It was moved by Alderman Bailey, seconded by Alderman Addy to accept the bids received for the replacement of the flooring at the Old Activity Center and award the contract to Gym Service and Installation Co., Inc., in the amount of $103,780.00. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

11. Request permission to accept a donation from Johnny Morgan for purchase of a K-9 for OPD and upfits for a 2021 Dodge Durango. (Jeff McCutchen)

    It was moved by Alderman Bailey, seconded by Alderman Addy to accept a donation, in the amount of $52,342.97, from Johnny Morgan for the purchase of a K9 (Jocko) for the Oxford Police Department and upfits for the new K9 vehicle. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

12. Request permission for two officers to attend the Police Service Dog Handler Course on January 10- 20, 2022, in Little Rock, AR, at an estimated cost of $4,004.00. (Jeff McCutchen)

    It was moved by Alderman Morgan, seconded by Alderman Bailey to allow two officers to attend the Police Service Dog Handler Course on January 10-20, 2022, in Little Rock, AR, at an estimated cost of $4,004.00. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

13. Request permission to accept the FY'21 Homeland Security Grant from the MS Department of Public Safety in the amount of $172,900.00. (Jeff McCutchen)

    It was moved by Alderman Bailey, seconded by Alderman Addy to accept the FY 2021 Homeland Security Grant from the MS Department of Public Safety in the amount of $172,900.00, with no match. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

14. Request permission for Community Church to host a singing event (Christmas Carols) on December 24, 2021 from 5:00-8:00pm in front of City Hall. (Jeff McCutchen)

    It was moved by Alderman Addy, seconded by Alderman Bailey to approve an event permit for the Community Church to host a singing event (Christmas Carols) on December 24, 2021 from 5:00-8:00pm in front of City Hall. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

15. Request permission to sign a contract with Axon Enterprises in the amount of $6,240.01 for equipment for the Oxford Police Department. (Jeff McCutchen)

    It was moved by Alderman Bailey, seconded by Alderman Addy to approve a contract with Axon Enterprises in the amount of $6,240.01 for equipment for the Oxford Police Department. This cost is covered by the donation from Johnny Morgan. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

16. Request permission for an event in front of City Hall on January 17, 2022 for the Martin Luther King, Jr. Holiday, which will include the closure of a portion of the parking in front of City Hall. (Jeff McCutchen)

    It was moved by Alderman Addy, seconded by Alderman Taylor to approve an event permit for an event on January 17, 2022 for the Martin Luther King, Jr. Holiday, which will include the closure of a portion of the parking in front of City Hall. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

17. Second Reading and Public Hearing on a proposed Ordinance to Establish Chapter 54- Historic Preservation, Article I and Amend Existing Boundaries. (Kate Kenwright)

    After calling for public comment, and receiving none, it was moved by Alderman Morgan, seconded by Alderman Huelse to approve an Ordinance 2021-18 to Establish Chapter 54- Historic Preservation, Article I and Amend Existing Boundaries. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

18. First reading of a proposed Ordinance to rezone approximately +/- .53 acres, for Case #2816, for property owned by Oxford Farms, LLC, from (INST-E) Institutional-Education and a portion of unzoned former ROW to (TNB) Traditional Neighborhood Business, for property located at the South Lamar Boulevard and Belk Boulevard roundabout, being further identified as PPIN #8854. (Ben Requet)

    The second reading and public hearing on this proposed Ordinance will be at the next regular meeting.

19. Consider a request from Earl Dismuke to utilize City property for the installation of a mural at Oxford Square North. (Ben Requet)

It was moved by Alderman Bailey, seconded by Alderman Morgan to approve a request from Earl Dismuke to utilize City property for the installation of a mural at Oxford Square North. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

20. Consider a subscription agreement with Lease Query for the management and implementation of GASB 96 & GASB 87 requirements. (Ashley Atkinson)

    It was moved by Alderman Morgan, seconded by Alderman Howell-Atkinson to approve a subscription agreement, for a period of three years at a cost of $35,700.00, and pending counsel's approval of the agreement, with Lease Query for the management and implementation of GASB 96 & GASB 87 requirements. A budget amendment for $35,700.00 is also approved for 001-040-585. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

21. Request permission to purchase two traffic counters. (Reanna Mayoral)

    It was moved by Alderman Huelse, seconded by Alderman Addy to re-allocate funding and purchase two traffic counters for the Development Services-Street Department. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

22. Request project activation for the Interchange Improvement Project at SR 7 and University Avenue and to grant the Mayor permission to sign all related documents as required for compliance with the MDOT LPA Project manual. (Reanna Mayoral)

    It was moved by Alderman Addy, seconded by Alderman Taylor to approve the project activation for the Interchange Improvement Project at SR 7 and University Avenue and to grant the Mayor permission to sign all related documents as required for compliance with the MDOT LPA Project manual. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

23. Request permission to close a portion of Commonwealth Boulevard, to install a new storm drain, on either December 22nd or 23rd with permission to coordinate an alternate date with the Oxford Police Department, if necessary. (Reanna Mayoral)

    It was moved by Alderman Addy, seconded by Alderman Huelse to close a portion of Commonwealth Boulevard, to install a new storm drain, on either December 22nd or 23rd, with permission to coordinate an alternate date with the Oxford Police Department, if necessary. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

24. Consider a contract with Daniels & Associates for professional services for the Booster Station Project at the Rivers Hill/Kroger water tank. (Reanna Mayoral)

    It was moved by Alderman Bailey, seconded by Alderman Huelse to approve a contract with Daniels & Associates for professional services for the Booster Station Project at the Rivers Hill/Kroger water tank. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

25. Request permission to advertise for the Booster Pump Station Project at the Rivers Hill/Kroger Water Tank. (Reanna Mayoral)

    It was moved by Alderman Bailey, seconded by Alderman Huelse to advertise for the Booster Pump Station Project at the Rivers Hill/Kroger water tank. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

26. Consider Addendum #1 to the contract with Daniels & Associates for professional services for the Brittany Woods Water Project. (Reanna Mayoral)

    It was moved by Alderman Howell-Atkinson, seconded by Alderman Taylor to approve Addendum #1 to the contract with Daniels & Associates for professional services for the Brittany Woods Water Project. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

27. Consider a contract with Daniels & Associates for professional services for a project to modify external water system connections. (Reanna Mayoral)

    It was moved by Alderman Huelse, seconded by Alderman Bailey to approve a contract with Daniels & Associates for professional services for a project to modify external water system connections. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

28. Request permission to advertise for a project to modify external water system connections. (Reanna Mayoral)

    It was moved by Alderman Huelse, seconded by Alderman Bailey to advertise for a project to modify external water system connections. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

29. Request permission to allow a scout group to install low voltage solar lighting along the trail on Longest Road. (Bart Robinson)

    It was moved by Alderman Addy, seconded by Alderman Bailey to allow a Boy Scout group to install low voltage solar lighting along the trail on Longest Road. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

30. Consider Change Order #4 for Oxford Fire Station #2. (Bart Robinson)

    It was moved by Alderman Morgan, seconded by Alderman Howell-Atkinson to approve Change Order #4 for Oxford Station #2 in the amount of $21,181.27. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

31. Consider a Resolution authorizing the Mayor to be the signatory for Opioid Litigation documents. (Bart Robinson)

    It was moved by Alderman Bailey, seconded by Alderman Huelse to authorize the Mayor to be the signatory for the Opioid Litigation documents. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

32. Consider a proposal from Green Grove for the review and progress of the Tree Preservation Ordinances. (Bart Robinson)

    It was moved by Alderman Hyneman, seconded by Alderman Taylor to accept a proposal, in the amount of $5,500.00, from Green Grove the the review and progress of the Tree Preservation Ordinances. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

33. Discuss the 911 Emergency Medical Response Plan. (Bart Robinson)

    Chief Operating Officer, Bart Robinson, updated the Board regarding the 911 Emergency Medical Response Plan. No action was taken.

34. Consider an executive session.

    It was moved by Alderman Bailey, seconded by Alderman Addy to consider an executive session for two matters of property ownership. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

    It was moved by Alderman Bailey, seconded by Alderman Addy to enter into an executive session for a matter of property ownership on Pegues Road and a matter of property ownership regarding a historic property. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

    It was moved by Alderman Addy, seconded by Alderman Huelse to hire an appraiser to determine the value of Cedar Oaks. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

    It was moved by Alderman Huelse, seconded by Alderman Bailey to return to regular session. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

35. Adjourn.

It was moved by Alderman Bailey, seconded by Alderman Huelse to adjourn the meeting. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

Robyn Tannehill

Robyn Tannehill, Mayor

Ashley Atkinson, City Clerk

THE CITY OF
OXFORD

SURPLUS FORM

PLEASE USE A DIFFERENT FORM FOR EACH ITEM YOU WANT TO DECLARE SURPLUS. BE SURE TO PROVIDE AS MUCH INFORMATION AS POSSIBLE ABOUT THE ASSET BEING SURPLUSED. TURN COMPLETED FORMS IN TO THE CITY CLERK'S OFFICE.

Date of Request: December 16, 2021

Department that owns Fixed Asset: Oxford Fire Dept.

Fixed Asset Tag Number (If item is not tagged, please put N/A): 1489

Physical Location of Asset: Station 1

If the item being surplused is a vehicle or a piece of equipment, please provide:

GMC \ Pick up \ 2004

Make Model Year

1GTEK14V64Z238397 \ White

VIN / Serial Number Color

If the item being surplused is a tool, please provide:

Description of Tool (including brand): _____

_____ \ _____

Serial Number (if none, write N/A) Color

For all other assets, please provide a complete description of the asset to be surplused:

_____

_____

_____

_____

_____

Name of Person Submitting Surplus Request: Joey Gardner

Date Approved by BOA: _____

107 Courthouse Square
Oxford, MS 38655

(p) 662-236-1310
(f) 662-232-2337

THE CITY OF
OXFORD

SURPLUS FORM

PLEASE USE A DIFFERENT FORM FOR EACH ITEM YOU WANT TO DECLARE SURPLUS. BE SURE TO PROVIDE AS MUCH INFORMATION AS POSSIBLE ABOUT THE ASSET BEING SURPLUSED. TURN COMPLETED FORMS IN TO THE CITY CLERK'S OFFICE.

Date of Request: 1-24-2022

Department that owns Fixed Asset: Maintenance - Shop

Fixed Asset Tag Number (If item is not tagged, please put N/A): 02468

Physical Location of Asset: 717 Molly Barr Rd

If the item being surplused is a vehicle or a piece of equipment, please provide:- Laptop Computer

Dell Laptop | Laptop Computer | 7-18-2016 D.O.P.

Make | Model | Year

Serial-5RNSOC2 - Express Code 12556436402 |

VIN / Serial Number | Color

If the item being surplused is a tool, please provide:

Description of Tool (including brand): _____

_____ |

Serial Number (if none, write N/A) | Color

For all other assets, please provide a complete description of the asset to be surplused:

(1) Dell Laptop Serv. Tag Serial-5RN5OC2
Express Service Code: 12556436402

Purchase July 18, 2016

Name of Person Submitting Surplus Request: _____

Date Approved by BOA: _____

107 Courthouse Square
Oxford, MS 38655

(p) 662-236-1310
(f) 662-232-2337

THE CITY OF
OXFORD

SURPLUS FORM

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Date of Request: 1-24-2020

Department that owns Fixed Asset: City Shop

Fixed Asset Tag Number (If item is not tagged, please put N/A): 02469

Physical Location of Asset: Shop @ 717 Molly Barr Rd

If the item being surplused is a vehicle or a piece of equipment, please provide: Computer

Dell Laptop | Laptop Computer | 9-27-2011

Make | Model | Year - D.O.P.

Ser# 3XNHMQ1 - Express Code 85651845851

~~VIN~~ / Serial Number | Color

If the item being surplused is a tool, please provide:

Description of Tool (including brand): _____

_____ | _____

Serial Number (if none, write N/A) | Color

For all other assets, please provide a complete description of the asset to be surplused:

(1) Dell Laptop Service Tag S.N. 3XNHMQ1
Express Service Code 85651845851

Purchase Date Sept. 27, 2011

Name of Person Submitting Surplus Request: _____

Date Approved by BOA: _____

107 Courthouse Square
Oxford, MS 38655

(p) 662-236-1310
(f) 662-232-2337

THE CITY OF
OXFORD

SURPLUS FORM

PLEASE USE A DIFFERENT FORM FOR EACH ITEM YOU WANT TO DECLARE SURPLUS. BE SURE TO PROVIDE AS MUCH INFORMATION AS POSSIBLE ABOUT THE ASSET BEING SURPLUSED. TURN COMPLETED FORMS IN TO THE CITY CLERK'S OFFICE.

Date of Request: 12-15-21

Department that owns Fixed Asset: Shop

Fixed Asset Tag Number (If item is not tagged, please put N/A): 03518

Physical Location of Asset: Shop

If the item being surplused is a vehicle or a piece of equipment, please provide:

Windows Dell X Pro \ Product Key XBPFR-X9D2R-C7YHR-PFDK

Make Model 2W TTY ~~Year~~

00045-533-319-704 X10-60256

VIN / Serial Number Color

If the item being surplused is a tool, please provide:

Description of Tool (including brand): _____

_____ \ _____

Serial Number (if none, write N/A) Color

For all other assets, please provide a complete description of the asset to be surplused:

_____

_____

_____

_____

_____

Name of Person Submitting Surplus Request: _____

Date Approved by BOA: _____

107 Courthouse Square
Oxford, MS 38655

(p) 662-236-1310
(f) 662-232-2337

ROBERT M. NEELY III, P.E.
GENERAL MANAGER

OXFORD
UTILITIES

ROBYN M. TANNEHILL
MAYOR

MEMO:

DATE: 12-21-21

TO: MAYOR TANNEHILL & BOARD OF ALDERMEN

CC: ASHLEY ATKINSON

FROM: ROB NEELY

RE: AGENDA ITEMS

I have the following agenda items for the Tuesday, December 21, 2021 Board Meeting.

1. Consider water and/or sewer bill adjustments in accordance with Oxford Utilities Leak Adjustment Policy. (Rob Neely)

Please find a description for each agenda item on the following page. If you have any questions, please feel free to contact me.

Thanks

Robert M. Neely III, P.E., C.P.E.
General Manager

P.O. BOX 827
OXFORD, MS 38655

WWW.OXFORDUTILITIES.COM

PHONE (662) 232-2373
FAX (662) 232-2375

1. Consider water and/or sewer bill adjustments in accordance with Oxford Utilities Leak Adjustment Policy. (Rob Neely)

The Oxford Utilities Billing Supervisor has reviewed the accounts listed in the attached spreadsheet and confirmed that 1) The leaks associated with the referenced accounts meet the criteria of the Board approved leak adjustment policy and 2) The customer did not receive the benefit of the utility service being adjusted. Based on those findings, Oxford Utilities recommends that the board approve the adjustment of the referenced accounts.

WATER/SEWER ADJUSTMENTS | OXFORD UTILITIES
DECEMBER 2, 2021 - DECEMBER 15, 2021
TO BE APPROVED: DECEMBER 21, 2021

ACCOUNT NUMBER	CUSTOMER NAME	ADDRESS	WATER ADJUSTMENT	SEWER ADJUSTMENT	ADJUSTMENT TYPE
204711-036072	ANDREA M HIGHTOWER	117 WOODWARD PLACE	-$129.58	-$172.28	INSIDE
208645-001308	MICHAEL A SMITH	12 PRIVATE ROAD 3151 APT. 10	-$14.56	-$19.35	INSIDE
205886-038163	VENITA M WASHINGTON	1204 VAN DORN STREET	-$24.14	-$32.10	INSIDE
225991-037775	CAMILLA MYESHA WHITING	1714 BROOME LOOP	-$24.85	-$33.04	INSIDE
205445-030132	BRITTNEY STEWART	222 POWERS DRIVE	-$209.10	-$278.01	INSIDE
000715-037467	SHARNARD WILLIAMS	2950 S LAMAR BLVD APT. 6	-$72.42	-$96.29	INSIDE
002722-013699	HELEN DERVELOY	400 SHADOW CREEK DRIVE APT. 306	-$67.81	-$90.15	INSIDE
200524-100537	PAT PATTERSON	419 JACKSON AVENUE E	-$87.75	-$109.03	INSIDE
203127-020114	ELIZABETH BARNETT	45 COUNTY ROAD 321	-$50.16	-$56.34	INSIDE
209542-037626	TERRENCE THOMAS	602 CENTERPOINTE COVE	-$113.96	-$128.00	INSIDE
210335-110158	WILLIAM M DYE JR	233 ST ANDREWS CIRCLE - LANDSCAPE	-$157.27	X	LANDSCAPE
203149-030830	TIMERA RODGERS	138 TWINGATES DRIVE	-$38.70	-$102.42	OUTSIDE
209230-104829	SALLIE REED	12 COUNTY ROAD 1001	-$399.83	X	WT ONLY
209222-041325	JOHNNIE NEILSON	4 COUNTY ROAD 1052	-$21.43	X	WT ONLY
		TOTAL:	**-$1,411.56**	**-$1,117.01**	

ARC DONATIONS

To be Accepted by BOA on 12/21/2021

1. Kaye H. Bryant- $500.00
2.

OXFORD
HUMAN RESOURCES

MEMORANDUM

To: Board of Alderman
From: Braxton Tullos, Human Resources Director
Date: December 21, 2021
Re: Request Approval of Training

I am requesting approval from the Mayor and Board of Aldermen for **Laurie Steele** to participate in Leadership Lafayette.

The cost of this training is $500**.**

I recommend approval.

THE CITY OF
OXFORD

MEMORANDUM

TO: Board of Aldermen

FROM: Chris Carter, CBO

Building Official

DATE: December 8, 2021

Re: Request for exemption to fire sprinkler requirement

North East Mississippi Electric Power Association (NEMEPA) is requesting an exemption to the International Building Code (IBC) requirement to install a fire sprinkler system in conjunction with their repair garage expansion.

NEMEPA currently has an approx. 4000 square foot repair garage facility on their campus. They are expanding the garage to approx. 8000 square feet. The IBC requires a vehicle repair facility that services commercial vehicles to be protected with an NFPA 13 sprinkler system when the fire area is in excess of 5000 square feet.

Repair garages are prone to the likely presence of a significant amount of flammable liquids and other combustibles. Studies have shown that fires fueled by the types and quantities of accelerants likely to be present in a repair garage result in an extremely rapid rate of fire spread and are highly unmanageable for the fire service in large square footage areas. The presence of a fire sprinkler system has been proven to slow the rate that a fire spreads as well as aid the fire service personnel in controlling the intensity of the fire so they may extinguish it quicker and more safely.

An IBC approved alternative to the fire sprinkler system is to construct a 3 hour rated fire wall in order to cut the total fire area down to two fire areas that are each less the 5000 square foot threshold.

After numerous conversations with OFD Chief and Chief Inspector, Building Dept. staff recommends disapproval of this request.

VENUE AGREEMENT

DATE:

BETWEEN: **LIVEBARN INC.** ("LiveBarn")

and

_____ _____ ("Venue Owner")

WHEREAS LiveBarn Inc. and Venue Owner wish to enter into this Agreement pursuant to which LiveBarn will install at Venue Owner's Playing Surfaces described in the attached Schedule "A" (each "Playing Surface" being a "Playing Surface", a "Soccer Field, a "Baseball Field", a "Basketball Court" or a multi-use "Turf Field") a fully automated sports broadcasting system for the delivery of live and/or on demand video and audio streaming to internet connected devices such as smartphones, computers or tablets (the "Automated Online Broadcast Service");

NOW, THEREFORE, in consideration for the mutual promises set out below, and for other good and valuable consideration acknowledged by the parties, LiveBarn and Venue Owner agree as follows:

1 AUTOMATED ONLINE BROADCAST SERVICE

1.1 LiveBarn shall, at its own expense, install and maintain all hardware and software required for the operation and maintenance of the Automated Online Broadcast Service in regards to each Playing Surface. The initial installation will occur within six months from the date of this Agreement (such six month date being herein referred to as the "Latest Install Date"); it will be scheduled with the written approval (including email) of Venue Owner, and concurrently with the installation, LiveBarn will specifically explain to Venue Owner representative onsite exactly where any hardware or other components will be installed. Installation will then only proceed with the consent of Venue Owner which consent will be deemed upon LiveBarn undertaking its installation. The initial installation for each Playing Surface shall include up to one (1) computer, one (1) router, one (1) modem, between one (1) and three (3) power converters, and up to two (2) cameras to be placed on the side walls or on the beams or columns extending from the walls or roof, or on a backstop adjacent to the field. The internet connection and accompanying hardware shall be located adjacent to the respective Playing Surface in a secure location with electrical power outlets. The exact selection of camera locations will be made after consideration for optimal broadcast quality and avoidance of any obstruction. Any modification to the installation will only be undertaken with the permission and process with Venue Owner as outlined above. Venue Owner shall assume the cost of electricity for the components installed in connection with this Agreement.

1.2 In addition LiveBarn shall, at its expense and upon Venue Owner's request, install one advertising management box adjacent to a TV screen that is provided by the Venue. The LiveBarn advertising management box will display a combination of LiveBarn highlights and a Live feed, as well as additional LiveBarn information.

1.3 Title to all hardware, software, and wiring shall remain in the name of LiveBarn.

1.4 All content broadcast using the Automated Online Broadcast Service, including the video and audio relating to all sports and recreational activities occurring on each Playing Surface (collectively, the "Content"), will be made available to LiveBarn's subscribers on a monthly subscription basis, subject to sections 1.7 and 1.8 below. LiveBarn will determine the pricing for its offerings of the Automated Online Broadcast Service. From time to time LiveBarn may provide a free trial at its discretion.

1.5 Revenue generated from the Automated Online Broadcast Service will be the property of LiveBarn; however, LiveBarn will supply Venue Owner with a unique code to enable it to market and solicit new memberships for LiveBarn, for which LiveBarn will pay Venue Owner thirty percent (30%) of the revenues generated from these memberships over the full lifetime of these memberships, during the term of this Agreement. Venue Owner will be responsible for the cost and installation of a dedicated internet connection with a minimum of 10 MBS upload per Playing Surface. LiveBarn will work together with Venue Owner in facilitating this process, and LiveBarn will be provided with internet account access for troubleshooting. If Venue Owner is unable or unwilling to provide a dedicated internet connection, LiveBarn will, at its own expense, install and maintain the internet bandwidth required, and the quarterly amount payable to Venue Owner will be offset by the cumulative amount paid by LiveBarn for the Venue local internet, defined for the purpose of this calculation at $85 per month per internet line, however Venue Owner shall not be responsible for the outlay of any of this cost if the amount of revenue share owing to it is less than the calculation above. The above code will enable Venue Owner to solicit LiveBarn memberships by providing potential members with the attraction of a 10% discount. The above payments to Venue Owner will only apply to LiveBarn memberships originated with the unique code allocated to Venue Owner. LiveBarn will pay Venue Owner its revenue share within 30 days of the end of each calendar quarter. Venue Owner will provide a staff person to communicate with and receive LiveBarn's various local marketing initiatives (including social media) as described below.

1.6 LiveBarn shall be the exclusive owner of all rights in and to the Content, and shall have the exclusive right to broadcast the Content for all purposes and in any manner it determines in its sole discretion, including by providing its broadcast signal to national broadcasters and digital media distributors. Without limiting the foregoing, the Venue Owner acknowledges that online distributions of the Content from each Playing Surface will be made available to all subscribers of the Automated Online Broadcast Service, subject to sections 1.7 and 1.8 below.

1.7 LiveBarn will provide Venue Owner with an exclusive online administrative password to enable Venue Owner in its discretion to "blackout" any particular dates or time periods from being broadcast on any selected Playing Surface (the "Blackout Restrictions").

1.8 LiveBarn will also provide Venue Owner with the ability in its discretion to restrict viewer access to any broadcasts from its Venue to a pre-selected potential audience for privacy purposes.

1.9 During the Term (as defined below), LiveBarn will provide Venue Owner with three (3) complimentary LiveBarn accounts for each Playing Surface.

1.10 LiveBarn will hold Venue Owner harmless for any injuries to LiveBarn employees and agents in connection with their work.

2 TERM AND TERMINATION

2.1 The term of this Agreement commences on the date hereof and continues until the six year anniversary of the Latest Install Date (the "Term"), and it will automatically renew for successive terms of two (2) years, unless either party notifies the other in writing of its intent to discontinue this Agreement at least ninety (90) days before the expiration of the then current term.

2.2 Notwithstanding the foregoing, but subject to Subsection 3.1 below, either party shall have the right to terminate this Agreement for any reason upon giving (90) days written notice to the other party.

2.3 Upon termination of this Agreement by expiration of the term or for any other cause, LiveBarn shall, at its own cost and expense, remove all hardware, software and wiring from Venue Owner's location.

2.4 Venue Owner shall have the right to terminate this Agreement if LiveBarn materially breaches this Agreement and the material breach is not cured to within forty (40) days after Venue Owner provides written notice which outlines such breach to LiveBarn.

3 EXCLUSIVITY

3.1 In consideration for the investment of time and expense incurred by LiveBarn to fulfill its obligations under this Agreement, the receipt and sufficiency of which is hereby acknowledged, the Venue Owner hereby declares and agrees that for a period of six (6) years from the commencement date of the Term, and notwithstanding the termination of this Agreement by the Venue Owner, for any reason, LiveBarn shall have the absolute exclusivity to broadcast Content from each of the Playing Surfaces using unmanned operated cameras. For greater certainty, the said exclusivity shall apply for the six (6) year period even if the Venue Owner elects to terminate this Agreement pursuant to Subsection 2.2 above prior to the expiration of the Term.

3.2 The Venue Owner hereby declares and acknowledges that the foregoing exclusivity, including the term thereof, is reasonable in the circumstances, and that LiveBarn is relying upon such exclusivity in connection with the provision of the Automated Online Broadcast Service and that LiveBarn would not have entered into this Agreement without such exclusivity. However, the foregoing exclusivity shall not apply should LiveBarn cease operations or to the extent Venue Owner terminates this agreement in accordance with section 2.4.

3.3 Venue Owner acknowledges and agrees that, in the event of a breach or threatened breach by it of the provisions of Subsection 3.1 above, LiveBarn will have no adequate remedy in money or damages and, accordingly, shall be entitled to an injunction in a court of competent jurisdiction against such breach. However, no specification in this Agreement of any specific legal or equitable remedy shall be construed as a waiver or prohibition against any other legal or equitable remedies in the event of a breach of any of the provisions of this Agreement.

4 SUPPLY OF AUTOMATED ONLINE BROADCAST SERVICE

4.1 LiveBarn will use reasonable skill and care to make the Automated Online Broadcast Service available throughout the Term. Notwithstanding the foregoing, LiveBarn shall have no responsibility, liability, or obligation whatsoever to Venue Owner, or any other third party, for any interruptions of the Automated Online Broadcast Service.

4.2 LiveBarn may, without any liability to Venue Owner, suspend the supply of all or part of the Automated Online Broadcast Service upon giving Venue Owner notice. This would occur if the LiveBarn equipment is repeatedly damaged or LiveBarn is unable to obtain a sufficient internet signal to the venue.

4.3 The Venue Owner agrees to notify LiveBarn by email to venuesupport@livebarn.com as soon as it becomes aware of any interruption or malfunction with the Automated Online Broadcast Service. Venue Owner will not be responsible for damage or malfunction of any equipment and LiveBarn will repair or replace at its cost any malfunctioning components which is required. Any required service visit by LiveBarn will be scheduled with the written approval (including email) of Venue Owner. LiveBarn will specifically explain the repair, replacement or service work to Venue Owner representative onsite and this work will only proceed with the consent of Venue Owner which consent will be deemed upon LiveBarn undertaking its work.

4.4 From time to time there will be a need for on site assistance from the Venue to perform basic troubleshooting and Venue Owner will be responsible to assist when necessary.

5 NOTICE TO PUBLIC

5.1 The Venue Owner agrees to post a notice at the entrance to its venue and inside each Playing Surface, advising the public that the venue is monitored by video cameras for security, safety and commercial purposes, and participants waive any claim relating to the capture or public transmission of his/her participation while at the venue. LiveBarn will supply and post these notices during its initial installation and reserves the right to modify the language contained therein from time to time, in its sole discretion, to satisfy its legal obligations.

5.2 In all agreements with parties for usage of the Venue, Venue Owner will include provisions both disclosing the existence of LiveBarn broadcasting at the Venue and requiring such parties to notify all their users of the Venue of this.

6 MARKETING

6.1 Venue Owner agrees to promote LiveBarn through all available avenues discussed in this section, understanding that it is in Venue's best interest financially to market LiveBarn to their customers and patrons. LiveBarn will also provide, at its expense, a minimum of one (1) 2.5 x 6' color printed standing banner, branded with Venue Owner's unique code described in Subsection 1.5, to be displayed within Venue Owner's lobby in a prominent location. Venue Owner understands that failure to comply and make reasonable promotion and marketing efforts will result in lower revenue share payments to Venue Owner.

6.2 Venue Owner will provide a marketing contact person (s) who will be responsible for interacting with LiveBarn and becoming knowledgeable about the various LiveBarn marketing and promotion initiatives. Upon installation of LiveBarn, Venue Owner will make said contact available for a 30 minute video web session, serving as an orientation into all of the best practices for introducing and promoting LiveBarn. This person will subsequently be responsible for implementing promotion and marketing initiatives to Venue's customers and patrons.

6.3 Venue Owner will place a LiveBarn banner or link on their website with a backlink and embedded demo video where possible. Venue Owner will do the same with any organizations, associations, clubs and affiliates that it owns that use their facility.

6.4 Venue Owner will announce the LiveBarn installation as well as embed any demo video on all of their social media networks. Venue Owner will also like and follow LiveBarn on said social media networks as well as share content when tagged, acknowledging that this will only be used when venue is directly involved with any video shared. Venue Owner will do the same with any organizations, associations, clubs, affiliates that it owns that use their facility.

7 GENERAL

7.1 Any amendment to this Agreement must be in writing and signed by both parties.

7.2 Although LiveBarn will remain liable for its obligations hereunder, LiveBarn shall be permitted to use agents and subcontracts to perform its installation, maintenance and repair obligations hereunder.

7.3 The waiver of a breach of any provision of this Agreement will not operate or be interpreted as a waiver of any other or subsequent breach.

7.4 If any part of this Agreement is held to be invalid or unenforceable, that part will be severed and the rest of the Agreement will remain in force. Headings herein are for reference only.

7.5 LiveBarn hereby represents that it maintains $2,000,000 of General Liability Insurance, $2,000,000 in Media Coverage Insurance and $2,000,000 in Cyber Insurance, and that upon execution of this Agreement Venue Owner will become a Certificate Holder, with its name and location included in such insurance policies.

7.6 All notices required under this Agreement must be given in writing and by email to LiveBarn at venuesupport@livebarn.com, fmiller@livebarn.com, ray@livebarn.com, and to Venue Owner at its address listed herein. Either party may change its address from time to time by providing notice of such change to the other party.

7.7 This Agreement describes the entire understanding and agreement of the parties, and supersedes all oral and written agreements or understandings between them related to its subject matter.

7.8 This Agreement may be executed in one or more counterparts, each of which will be deemed an original, and all of which taken together will be deemed to be one instrument.

7.9 This Agreement is governed by and will be interpreted under the laws of the State of New York. Any disputes shall be heard in the courts of the State of New York.

7.10 Each party shall keep the terms contained herein confidential and neither of its directors, officers, employees, agents or representatives, where applicable, shall disclose the terms contained herein without the express written consent of the other party, unless such disclosure is required by applicable law.

7.11 Venue Owner will not be liable to LiveBarn by reason of inconvenience or annoyance for any damages or lost revenue due to power loss or shortage, mechanical breakdown, structural damage, roof collapse, fire, flood, renovations, improvements,

alterations, or closure of the facility by it or any regulatory agency.

7.12 LiveBarn consents to Venue Owner promoting in its marketing materials that LiveBarn supplies it with the LiveBarn installed product.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date and at the place first above mentioned.

LIVEBARN INC.
Per: _____

VENUE OWNER
Per: _____
Print Name:
Date:

PLEASE FILL OUT SCHEDULE A

Venue Name and Address:

Name of Each Playing Surface:
(i.e. Court #1 or Main Field)

Please use a check mark to choose which ISP solution will be utilized per paragraph 1.5.

LiveBarn provided internet. _____

Venue provided internet _____

Regardless of solution above please provide who your current Internet Service Provider is _____

We require one point of contact to initiate communication with for each venue. This person will receive a request to complete an online form that gathers information about the venue and points of contact.

Primary Contact - Venue General Manager or Decision Maker:

Name:

Work Number:

Cell Phone:

Email Address:

Bid Tabulation

New Flooring at Old Activity Center

12/9/2021

2:00 PM

THE CITY OF OXFORD

	Contractor	Certificate of Responsibility	Bid Bond	Acknowledge Addendum	Price per square foot	Lump Sum Price
1	~~RFS Sports~~	~~Unresponsive~~				
2	The Davis Robinson Group, Inc dba Sports Floors, Inc.	24534	SureTec Insurance Company	Yes	$ 8.04	$ 107,897.32
3	Gym Service and Installation Co., Inc.		American Souther Insurance Company	Yes	$ 7.68	$ 103,780.00
4						
5						
6						
7						

STATE OF MISSISSIPPI
TATE REEVES, GOVERNOR
DEPARTMENT OF PUBLIC SAFETY
SEAN J. TINDELL, COMMISSIONER

SUBRECIPIENT GRANT AWARD

Subrecipient: **CITY OF OXFORD POLICE DEPARTMENT**
(2 LPR systems ($50,000), $25,000 for SWAT, ALERRT/ERASE Kit, MILO Pro Training System)

Project Title(s): FY'21 Homeland Security Grant Program

Grant Period: 10/01/2021 – 09/30/2022 Date of Award: 09/01/2021

Total Amount of Award: **$172,900.00** Grant No.: **21LE286**

In accordance with the provisions of Federal Fiscal Year 2021 Homeland Security Grant Program, the Mississippi Office of Homeland Security (MOHS), State Administrative Agency (SAA), hereby awards to the foregoing Subrecipient a grant in the federal amount shown above. The CFDA number is 97.067 and MOHS federal grant number is **EMW-2021-SS-00014-S01**. Authorizing Authority for Program: Section 2002 of the *Homeland Security Act of 2002*, as amended (Pub. L. No. 107-296), (6 U.S.C. 603).

Payment of Funds: The original signed copy of this Award must be signed by the Official Authorized to Sign in the space below and returned to the MOHS **no later than November 15, 2021**. **The grant shall be effective upon return of this form and final approval the MOHS of the grant budget and program narrative.** Grant funds will be disbursed to subgrantees (according to the approved project budget) upon receipt of evidence that funds have been invoiced and products received and/or that funds have been expended (i.e., invoices, contracts, itemized expenses, etc.).

I certify that I understand and agree that funds will only be expended for those projects outlined in the funding amounts as individually listed above. I also certify that I understand and agree to comply with the general and fiscal terms and conditions of the grant including special conditions and the Mississippi Department of Public Safety, Office of Homeland Security, Homeland Security Grant Program, Policies and Procedures Manual; to comply with provisions of the Act governing these funds and all other federal laws and regulations; that all information is correct; that there has been appropriate coordination with affected agencies; that I am duly authorized to commit the applicant to these requirements; that costs incurred prior to grant application approval will result in the expenses being absorbed by the subrecipient; and that all agencies involved with this project understand that all federal funds are limited to a twelve-month period.

Supplantation: The Act requires that subrecipients provide assurance that subrecipient funds will not be used to supplant or replace local or state funds or other resources that would otherwise have been available for homeland security activities. In compliance with that mandate, I certify that the receipt of federal funds through the MOHS shall in no way supplant or replace state or local funds or other resources that would have been made available for homeland security activities.

ACCEPTANCE FOR THE SUBRECIPIENT

Robyn Tannehill
Signature of Official Authorized to Sign

Signature of MOHS Director

SUBRECIPIENT AWARD NOTICE: THIS AWARD IS SUBJECT TO THE GRANT SPECIAL CONDITIONS AND FINAL APPROVAL BY THE MOHS OF THE SUBRECIPIENT'S GRANT PROGRAM BUDGET AND NARRATIVE.

OXFORD POLICE DEPARTMENT

Chief of Police
Chief Jeff McCutchen

SPECIAL EVENT, PARADE, OR PUBLIC ASSEMBLY PERMIT

In accordance with City of Oxford Municipal Code, 102-637, The City of Oxford Police Department does hereby grant the petitioner, permission to hold an event on the following date(s), time(s), and location: Upon approval by the Chief of Police.

No permit received with less than 14 days prior to the event date will be approved.

102-640. - Fees. A nonrefundable fee of $25.00 to cover administrative costs of processing the permit shall be paid to the City of Oxford by the applicant when the application is filed.

Name of Applicant: Fish Robinson

Address: 68 Hwy 334 Oxford, MS 38655

Telephone: 662-816-9111

Name of Organization: Community Church

Address:

Telephone:

Organization Director: Fish Robinson

Email: *fishrobinson9111@gmail.com*

On Site Contact Person:
Name: Fish Robinson
Telephone:

Requested Date(s): 12-24-2021 Christmas Eve

Requested Time(s): 5 p.m. to 8 p.m.

Requested Location(s): In front of City Hall

Type of Event: Singing Christmas Carols

Designation of any Public Facilities and / or Equipment to be utilized:

Detailed Route Information, Start to Finish:

Spacing Intervals to be maintained between units of such parade or assembly: None

Area/Width of Street, Sidewalk, or Public Area to be used by event: Expected Number of Participants and/or vehicles, animals, etc.:

Number of expected Spectators:

Assembly Point and time of Participants:

Description of any type of recording equipment, signs, banners, attention getting devices to be used for the event:

Special Detail Instructions:

Fish Robinson	12-7-2021	12:30
Applicant	Date	Time

Permit Approved By:

Chief of Police	Date	Time

Axon Enterprise, Inc.
17800 N 85th St.
Scottsdale, Arizona 85255
United States
VAT: 86-0741227
Domestic: (800) 978-2737
International: +1.800.978.2737

Q-351829-44505.648DG

Issued: 11/05/2021
Quote Expiration: 12/31/2021
EST Contract Start Date: 05/01/2022
Account Number: 140284
Payment Terms: N30
Delivery Method: Fedex - Ground

SHIP TO	BILL TO
Business;Delivery;Invoice-715 Molly Barr Rd 715 Molly Barr Rd Oxford, MS 38655-2158 USA	Oxford Police Dept. - MS 715 Molly Barr Rd Oxford, MS 38655-2158 USA Email:

SALES REPRESENTATIVE	PRIMARY CONTACT
David Gollobit Phone: +1 6023212774 Email: dgollobit@axon.com Fax:	 Phone: (662) 232-2400 Email: rrasberry@oxfordpolice.net Fax: (662) 232-2314

Program Length	30 Months
TOTAL COST	$6,240.01
ESTIMATED TOTAL W/ TAX	$6,240.01

Bundle Savings	$1,140.23
Additional Savings	$0.00
TOTAL SAVINGS	$1,140.23

PAYMENT PLAN

PLAN NAME	INVOICE DATE	AMOUNT DUE
Upfront	Apr, 2022	$6,240.01

Quote Details

Standard Terms and Conditions

Axon Enterprise Inc. Sales Terms and Conditions

Axon Master Services and Purchasing Agreement:

This Quote is limited to and conditional upon your acceptance of the provisions set forth herein and Axon's Master Services and Purchasing Agreement (posted at www.axon.com/legal/sales-terms-and-conditions), as well as the attached Statement of Work (SOW) for Axon Fleet and/or Axon Interview Room purchase, if applicable. In the event you and Axon have entered into a prior agreement to govern all future purchases, that agreement shall govern to the extent it includes the products and services being purchased and does not conflict with the Axon Customer Experience Improvement Program Appendix as described below.

ACEIP:

The Axon Customer Experience Improvement Program Appendix, which includes the sharing of de-identified segments of Agency Content with Axon to develop new products and improve your product experience (posted at www.axon.com/legal/sales-terms-and-conditions), is incorporated herein by reference. By signing below, you agree to the terms of the Axon Customer Experience Improvement Program.

Acceptance of Terms:

Any purchase order issued in response to this Quote is subject solely to the above referenced terms and conditions. By signing below, you represent that you are lawfully able to enter into contracts. If you are signing on behalf of an entity (including but not limited to the company, municipality, or government agency for whom you work), you represent to Axon that you have legal authority to bind that entity. If you do not have this authority, please do not sign this Quote.

FLEET STATEMENT OF WORK BETWEEN AXON ENTERPRISE AND AGENCY

Introduction

This Statement of Work ("SOW") has been made and entered into by and between Axon Enterprise, Inc. ("AXON"), and Oxford Police Dept. - MS the ("AGENCY") for the purchase of the Axon Fleet in-car video solution ("FLEET") and its supporting information, services and training. (AXON Technical Project Manager/The AXON installer)

Purpose and Intent

AGENCY states, and AXON understands and agrees, that Agency's purpose and intent for entering into this SOW is for the AGENCY to obtain from AXON deliverables, which used solely in conjunction with AGENCY's existing systems and equipment, which AGENCY specifically agrees to purchase or provide pursuant to the terms of this SOW.

This SOW contains the entire agreement between the parties. There are no promises, agreements, conditions, inducements, warranties or understandings, written or oral, expressed or implied, between the parties, other than as set forth or referenced in the SOW.

Acceptance

Upon completion of the services outlined in this SOW, AGENCY will be provided a professional services acceptance form ("Acceptance Form"). AGENCY will sign the Acceptance Form acknowledging that services have been completed in substantial conformance with this SOW and the Agreement. If AGENCY reasonably believes AXON did not complete the professional services in conformance with this SOW, AGENCY must notify AXON in writing of the specific reasons within seven (7) calendar days from delivery of the Acceptance Form. AXON will remedy the issues to conform with this SOW and re-present the Acceptance Form for signature. If AXON does not receive the signed Acceptance Form or written notification of the reasons for rejection within 7 calendar days of the delivery of the Acceptance Form, AGENCY will be deemed to have accepted the services in accordance to this SOW.

Force Majeure

AGNECY is responsible for providing a mobile data computer (MDC) with the same software, hardware, and configuration that AGENCY personnel will use with the AXON system being installed. AGENCY is responsible for making certain that any and all security settings (port openings, firewall settings, antivirus software, virtual private network, routing, etc.) are made prior to the installation, configuration and testing of the aforementioned deliverables.

Network

AGENCY is responsible for making certain that any and all network(s) route traffic to appropriate endpoints and AXON is not liable for network breach, data interception, or loss of data due to misconfigured firewall settings or virus infection, except to the extent that such virus or infection is caused, in whole or in part, by defects in the deliverables.

Cradlepoint Router

When applicable, AGENCY must provide AXON Installers with temporary administrative access to Cradlepoint's NetCloud Manager to the extent necessary to perform Work pursuant of this Statement of Work.

Evidence.com

AGENCY must provide AXON Installers with temporary administrative access to Axon Evidence.com to the extent necessary to perform Work pursuant of this SOW.

Wireless Upload System

If purchased by the AGENCY, on such dates and times mutually agreed upon by the parties, AXON will install and configure into AGENCY's existing network a wireless network infrastructure as identified in the AGENCY's binding quote based on conditions of the sale.

VEHICLE INSTALLATION

Preparedness

Upon completion of installation and configuration, AXON will systematically test all installed and configured in-car hardware and software to ensure that ALL functions of the hardware and software are fully operational and that any deficiencies are corrected unless otherwise agreed upon by the AGENCY, installation, configuration, test and the correct of any deficiencies will be completed in each vehicle accepted for installation.

Prior to installing the Axon Fleet camera systems, it is both the responsibility of the AGENCY and the AXON Installer to test the vehicle's existing systems' operation to identify, document any existing component or vehicle systems' failures. Prior to any vehicle up-fitting the AXON Installer will introduce the system's components, basic functions, integrations and systems overview along with reference to AXON approved, AGENCY manuals, guides, portals and videos. It is both the responsibility of the AGENCY and the AXON Installer to agree on placement of each components, the antenna(s), integration recording trigger sources and customer preferred power, ground and ignition sources prior to permanent or temporary installation of an Axon Fleet camera solution in each vehicle type. Agreed placement will be documented by the AXON Installer.

AXON welcomes up to 5 persons per system operation training session per day, and unless otherwise agreed upon by the AGENCY, the first vehicle will be used for an installation training demonstration. The second vehicle will be used for an assisted installation training demonstration. The installation training session is customary to any AXON Fleet installation service regardless of who performs the continued Axon Fleet system installations.

OXFORD
PLANNING
DEPARTMENT

Memorandum

To: Mayor and Board of Aldermen

From: Ben Requet, Director of Planning
Kate Kenwright, Historic Preservationist

Date: December 21st, 2021

Re: Second Reading and Public Hearing of an Ordinance to Amend Chapter 54 Historic Preservation, Article I and Amend Existing Boundaries

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Planning Comments:

The City of Oxford, in conjunction with the Mississippi Department of Archives and History, recently underwent a re-survey of Oxford's local historic districts. This work is the final piece of the project that Planning Staff have been working on in partnership with the Mississippi Department of Archives and History to update all surveys for our local historic districts, and to determine if any changes needed to be made to the boundaries of those districts. All surveys in the existing districts were updated, and the consultant on the project (Judith Johnson & Associates) did recommend some changes to the existing local districts.

This work was completed with matching grant funds through the Mississippi Department of Archives and History. MDAH put out the RFP for the project, and the consultant was chosen through MDAH with input from Planning Department Staff.

The changes proposed will more closely align Oxford's local historic districts with the existing National Register districts. An existing and proposed map is included with this report.

Instead of five local historic districts, there will now be three: North Lamar, Courthouse Square, and South Lamar. The number of properties included in local design review/under the purview of the Historic Preservation Commission and the Courthouse Square Historic Preservation Commission has not radically changed—only 62 properties have been removed from all three districts in total. While not an MDAH requirement for modifying historic district boundaries, Staff believed it was important to notify these property owners of the proposed modification to the district boundary. The letter sent to those property owners is also included with this report.

The properties that have been removed from the districts were on the advice of the consultant—often it is more recently built condos or other buildings that were not determined to contribute to the architectural, historic, or cultural significance of the district in which the property is located.

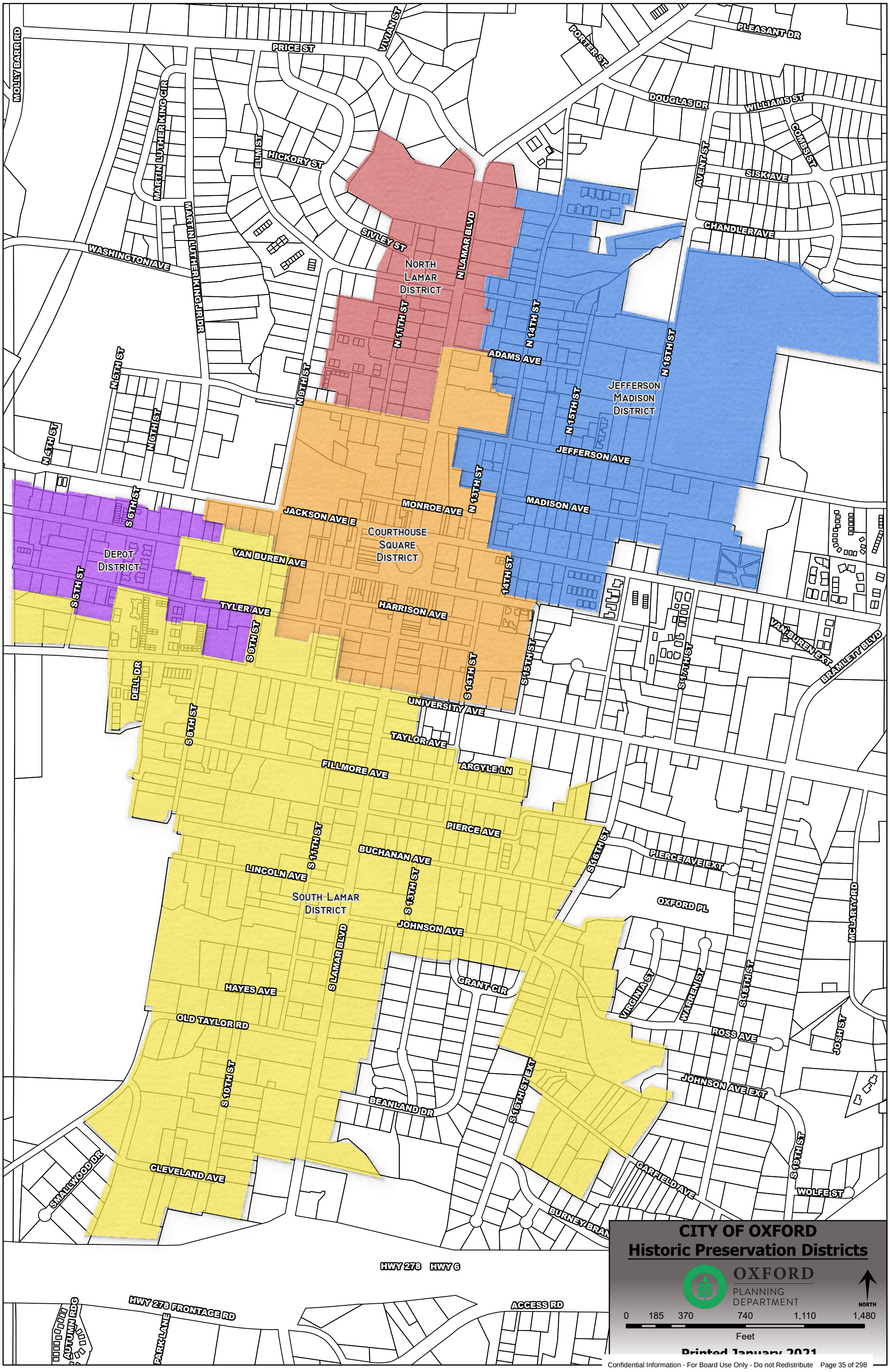
The other major outcome of this work is a new GIS map

(https://coogis.maps.arcgis.com/apps/instant/attachmentviewer/index.html?appid=16d19b0103ae4e58b139ca0a635f97f9), which will be available to the public. It is currently accessible in draft form on the City of Oxford website. Viewers can search by address or photo to view all of the information about a specific property from the updated survey. We hope that this will aid property owners, architects, engineers, realtors, etc. in exploring the history of the properties that they come into contact with or work on.

In 2007, ordinances were established to define Oxford's historic districts. These ordinances were approved by the Mayor and Board of Aldermen, but they were not codified in a specific place in the municipal code. As a result, Staff is proposing modifications to the Historic Preservation District Ordinance to create sections that house the three district boundary maps.

A public hearing regarding the proposed boundary changes was held at the November 15, 2021 meeting of the Historic Preservation Commission; there was no public comment at that hearing. The Commission recommended that the Mayor and Board of Aldermen approve the proposed changes.

As this is a second reading, no voting action is required by the Mayor and Aldermen.


MOLLY BARR RD
PRICE ST
VIVIAN ST
PORTER ST
PLEASANT DR
DOUGLAS DR
WILLIAMS ST
COMBS ST
AVENT ST
SISK AVE
MARTIN LUTHER KING CIR
ELM ST
HICKORY ST
MARTIN LUTHER KING JR DR
SIVLEY ST
N LAMAR BLVD
CHANDLER AVE
WASHINGTON AVE
NORTH LAMAR DISTRICT
N 11TH ST
N 14TH ST
N 16TH ST
ADAMS AVE
N 5TH ST
N 6TH ST
N 9TH ST
N 15TH ST
JEFFERSON MADISON DISTRICT
JEFFERSON AVE
N 13TH ST
MADISON AVE
MONROE AVE
JACKSON AVE E
COURTHOUSE SQUARE DISTRICT
S 6TH ST
DEPOT DISTRICT
VAN BUREN AVE
S 5TH ST
TYLER AVE
S 9TH ST
HARRISON AVE
14TH ST
S 15TH ST
S 17TH ST
VAN BUREN EXT
BRAMLETT BLVD
S 14TH ST
DELL DR
S 8TH ST
UNIVERSITY AVE
TAYLOR AVE
FILLMORE AVE
ARGYLE LN
PIERCE AVE
S 11TH ST
BUCHANAN AVE
S 16TH ST
PIERCE AVE EXT
LINCOLN AVE
S 13TH ST
SOUTH LAMAR DISTRICT
OXFORD PL
JOHNSON AVE
S LAMAR BLVD
GRANT CIR
HAYES AVE
VIRGINIA ST
JARRETT ST
S 16TH ST
ROSS AVE
JOSH ST
OLD TAYLOR RD
S 10TH ST
JOHNSON AVE EXT
BEANLAND DR
S 16TH ST EXT
S 19TH ST
SMALLWOOD DR
CLEVELAND AVE
GARFIELD AVE
WOLFE ST
HWY 278
HWY 6
HWY 278 FRONTAGE RD
ACCESS RD
AUTUMN RDG
PARK LANE
CITY OF OXFORD
Historic Preservation Districts
OXFORD
PLANNING
DEPARTMENT
NORTH
0
185
370
740
1,110
1,480
Feet
Printed January 2021

NEW HISTORIC PRESERVATION DISTRICT BOUNDARIES

0 200 400 800 1,200 1,600 Feet

NORTH

OXFORD PLANNING DEPARTMENT

(Ordinance 2021-

ORDINANCE AMENDING CHAPTER 54 HISTORIC PRESERVATION, ARTICLE I IN GENERAL TO ADD SECTION 54-1 PRESERVATION DISTRICTS IN THE CODE OF ORDINANCES OF THE CITY OF OXFORD, MISSISSIPPI

BE IT ORDAINED BY THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF OXFORD, MISSISSIPPI AS FOLLOWS:

SECTION I. That Chapter 54 Historic Preservation of the Code of Ordinances, Oxford, Mississippi, is hereby amended to read as follows:

Article I – In General

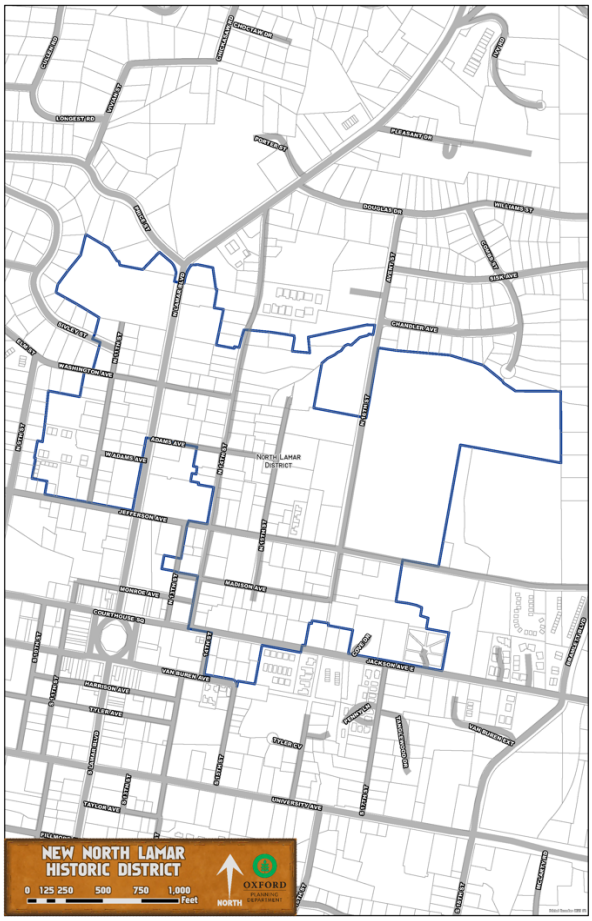
ADD – Sec. 54-1. Preservation Districts

(a) Courthouse Square Historic District – The Courthouse Square district merits protection as a local district to promote the preservation of its important collection of historic buildings, constructed mainly over the period of 1840-1950, and for its role as a significant social, cultural, and economic center during that same period. The unique historical character of the Square provided by its buildings has and will continue to provide an important contribution to the economic growth of the community through increased property values, increased sales tax receipts, and through the growth of Oxford as a place for architectural and cultural tourism.

i. Courthouse Square Historic District Boundary Map

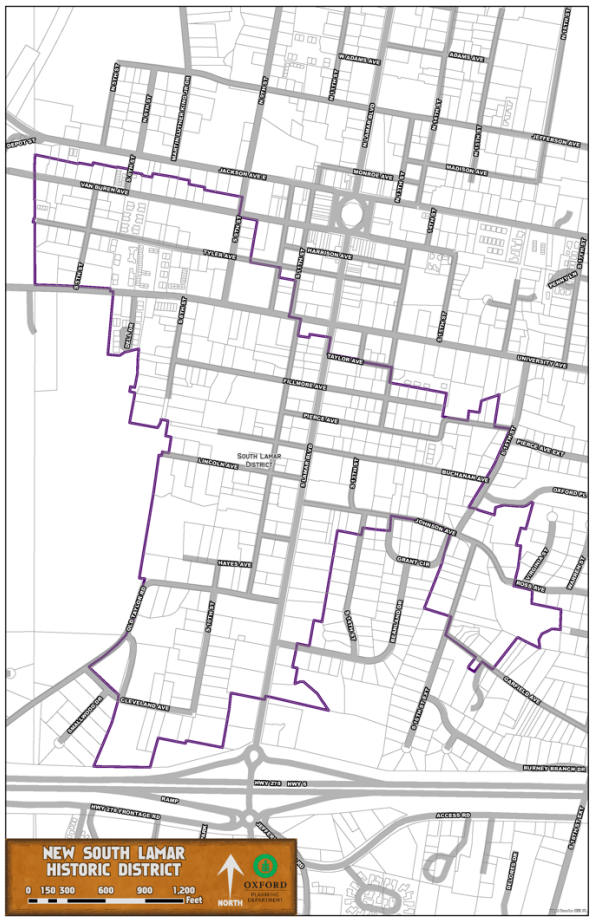
(b) North Lamar Historic District – The North Lamar district is historically significant to the City of Oxford as it includes many of the historic residential properties in the northern gateway to downtown Oxford, constructed mainly over the period of 1840 to 1950. The district includes numerous historic and architecturally significant properties that exemplify the unique architectural and historical character of Oxford. The district is also important on the local level for its ability to represent broader themes of significance in eras of economic prosperity, development and redevelopment, and of changing periods of architectural styles.

i. North Lamar Historic District Boundary Map



(c) South Lamar Historic District – The South Lamar district features an important collection of residential architecture, constructed mainly over the period of 1840 to 1950. The district is comprised of buildings that are significant architecturally on the national and state-wide level and is important on the local level for its ability to represent broader themes of significance in eras of economic prosperity, development and redevelopment, and of changing periods of architectural styles. It also contains the Oxford depot, and the residential neighborhood that served for decades as a pathway between the depot and the Courthouse Square.

i. South Lamar Historic District Boundary Map



Section 54-2 – 54-17. – Reserved.

SECTION II. REPEALING CLAUSE

All ordinances or parts of ordinances in conflict herein shall be, and the same are hereby repealed.

SECTION III. EFFECTIVE DATE

All ordinances shall take effect and be in force as provided by law.

The above ordinance having being first reduced to writing and read and considered section by section at a public meeting or the governing authorities of the City of Oxford Mississippi on motion of Alderman_____, seconded by Alderman_____, and the roll being called, the same by the following votes:

Alderman Addy	voted
Alderman Huelse	voted
Alderman Hyneman	voted
Alderman Howell-Atkinson	voted
Alderman Taylor	voted

Alderman Bailey	voted
Alderman Morgan	voted

APPROVED, this day the _____of_____, 2021.

_____

ROBYN TANNEHILL, MAYOR

_____

ASHLEY ATKINSON, CITY CLERK

OXFORD
PLANNING
DEPARTMENT

Memorandum

To: Mayor and Board of Aldermen

From: Ben Requet, AICP, Planning Director

Date: December 21, 2021

Re: First Reading of a request by Oxford Farms, LLC. to rezone approximately +/- .53 Acres from (INST-E) Institutional-Education and a portion of unzoned former right of way to (TNB) Traditional Neighborhood Business for property located at the South Lamar Boulevard and Belk Boulevard Roundabout. (PPIN #8854)

Request: This is a request to rezone approximately +/- .53 acres from (INST-E) Institutional-Education and a portion of unzoned former right of way to (TNB) Traditional Neighborhood Business. Staff recommended approval of the request at the December 13, 2021 Planning Commission meeting, and the Planning Commission approved a motion to recommend approval of the rezoning to the Mayor and Aldermen with a 5-0 vote (Commissioner Milam recusing from the vote and Commissioner Murphy absent.)

Comments: The subject property is a peninsula situated at the intersections of South Lamar Boulevard, Belk Boulevard and Jeff Davis Extended. There are three tracts associated with this property. The property measures approximately, +/- .66 acres. (Tract 1 measures +/- .13 acres, Tract 2 measures +/- .18 acres and Tract 3 measures +/- .35 acres.)

Tract 3 was previously part of the Baptist Memorial Hospital but sold to the University of Mississippi when the new hospital was constructed. In 2017, this portion of property was zoned Institutional-Education because it was owned by the University of Mississippi to support their mission. Tract 2 was part of the original Belk Boulevard right of way and does not have any zoning. In 2018, the Belk Boulevard and South Lamar Boulevard intersections were redone to incorporate a roundabout resulting in a remanent of the right of way remaining. Tract 1 is owned by Oxford Farms, LLC. and it is zoned Traditional Neighborhood Business (TNB).

More recently, Oxford Farms, LLC. has acquired both Tract 2 and Tract 3 of this property from the University of Mississippi and the City of Oxford. As a result, this property is no longer controlled by the University of Mississippi, and the Institutional-Education zoning should no longer be applicable. Also, because the trajectory of Belk Boulevard has been changed, the old right of way is not needed by the City of Oxford and should therefore be zoned accordingly.

Rezoning Requirements: The criteria to rezone property are cited in a number of Mississippi cases and are as follows:

> *"Before a zoning board reclassifies property from one zone to another, there must be proof either: (1) that there was a mistake in the original zoning, or (2) (a) that the character of the neighborhood has changed to such an extent as to justify reclassification, and (b) that there was a public need for rezoning."(Burden v. City of Greenville, 1999).*
>
> *In another case, the court stated: "Before property is reclassified, applicant seeking rezoning must prove beyond by clear and convincing evidence either that there was mistake in original zoning, or that character of neighborhood had changed to such an extent as to justify rezoning and that public need existed for rezoning". (City of Biloxi v. Hilbert, 1992)*
>
> *Finally, in Fondren North Renaissance v. Mayor and City Council of City of Jackson, 1999, the court stated, "Under the "change and mistake " rule of municipal zoning, based on the presumption that the original zoning is well-planned and designed to be permanent, before a zoning board may reclassify property from one zone to another, there must be proof either: (1) that there was a mistake in the original zoning, or (2)(a) that the character of the neighborhood has changed to such an extent as to justify reclassification, and (b) that there was a public need for rezoning.*

Therefore, the merits of the applicant's request for rezoning, based on the criteria established in the cited cases, is as follows:

Mistake: In this instance, there was not a mistake.

Change and Need: Among the many changes to the character of this neighborhood, the primary change is that this property will no longer be owned by the University of Mississippi and the City of Oxford. Also, since the property will be owned by the adjoining property owner, in this instance it is rational to keep the zoning districts consistent for the many reasons that justified the adjoining property to be zoned Traditional Neighborhood Business. In 2018, a new intersection at Belk Boulevard and South Lamar was constructed that also contributes to the changed in the character of the neighborhood.

Planning Commission Meeting (December 13, 2021)

There was not discussion by the Planning Commission.

Staff Recommendation: Staff recommended approval of the rezoning of this property from (INST-E) Institutional-Education and a portion of unzoned former right of way to (TNB) Traditional Neighborhood Business. A motion to recommend approval of the rezoning to the Mayor and Board of Aldermen was made by Commissioner

Planning Commission Recommendation:

A motion to recommend approval of the rezoning to the Mayor and Board of Aldermen was made by Commissioner Johnson. That motion received a second by Commissioner Alexander. The motion carried with a 5-0 vote. (Commissioner Milam recusing from the vote and Commissioner Murphy absent.)

As this is a first reading, no voting action is required by the Mayor and Aldermen.

OXFORD
PLANNING
DEPARTMENT

Case 2816

To: Oxford Planning Commission
From: Benjamin Requet, AICP, Director of Planning
Date: December 13, 2021

Applicant: Oxford Farms, LLC
Owner: Same
Request: Zoning Map Amendment
Location: South Lamar roundabout (PPIN #8854)
Zoning: (INST-E) Institutional - Education

Surrounding Zoning:

North: (INST-E) Institutional - Education
South: (TNB) Traditional Neighborhood Business
East: (INST-E) Institutional - Education
West: (TNB) Traditional Neighborhood Business

Planning Comments:
The subject property is a peninsula situated at the intersections of South Lamar Boulevard, Belk Boulevard and Jeff Davis Extended. There are three tracts associated with this property. The property measures approximately, +/- .66 acres. (Tract 1 measures +/- .13 acres, Tract 2 measures +/- .18 acres and Tract 3 measures +/- .35 acres.)

Tract 3 was previously part of the Baptist Memorial Hospital but sold to the University of Mississippi when the new hospital was constructed. In 2017, this portion of property was zoned Institutional-Education because it was owned by the University of Mississippi to support their mission. Tract 2 was part of the original Belk Boulevard right of way and does not have any zoning. In 2018, the Belk Boulevard and South Lamar Boulevard intersections were redone to incorporate a roundabout resulting in a remanent of the right of way remaining. Tract 1 is owned by Oxford Farms, LLC. and it is zoned Traditional Neighborhood Business (TNB).

More recently, Oxford Farms, LLC. has acquired both Tract 2 and Tract 3 of this property from the University of Mississippi and the City of Oxford. As a result, this property is no longer controlled by the University of Mississippi, and the Institutional-Education zoning should no longer be applicable. Also, because the trajectory of Belk Boulevard has been changed, the old right of way is not needed by the City of Oxford and should therefore be zoned accordingly.

Rezoning Requirements: The criteria to rezone property are cited in a number of Mississippi cases and are as follows:

> *"Before a zoning board reclassifies property from one zone to another, there must be proof either: (1) that there was a mistake in the original zoning, or (2) (a) that the character of the neighborhood has changed to such an extent as to justify reclassification, and (b) that there was a public need for rezoning."(Burden v. City of Greenville, 1999).*
>
> *In another case, the court stated: "Before property is reclassified, applicant seeking rezoning must prove beyond by clear and convincing evidence either that there was mistake in original zoning, or that character of neighborhood had changed to such an extent as to justify rezoning and that public need existed for rezoning". (City of Biloxi v. Hilbert, 1992)*
>
> *Finally, in Fondren North Renaissance v. Mayor and City Council of City of Jackson, 1999, the court stated, "Under the "change and mistake " rule of municipal zoning, based on the presumption that the original zoning is well-planned and designed to be permanent, before a zoning board may reclassify property from one zone to another, there must be proof either: (1) that there was a mistake in the original zoning, or (2)(a) that the character of the neighborhood has changed to such an extent as to justify reclassification, and (b) that there was a public need for rezoning.*

Therefore, the merits of the applicant's request for rezoning, based on the criteria established in the cited cases, is as follows:

Mistake: In this instance, there was not a mistake.

Change and Need: Among the many changes to the character of this neighborhood, the primary change is that this property will no longer be owned by the University of Mississippi and the City of Oxford. Also, since the property will be owned by the adjoining property owner, in this instance it is rational to keep the zoning districts consistent for the many reasons that justified the adjoining property to be zoned Traditional Neighborhood Business. In 2018, a new intersection at Belk Boulevard and South Lamar was constructed that also contributes to the changed in the character of the neighborhood.

Recommendation: Staff recommends approval of the request to rezone the subject property measuring approximately +/- .66 acres from (INST-E) Institutional-Education and a portion of property that is unzoned to (TNB) Traditional Neighborhood Business.

OXFORD
PLANNING
DEPARTMENT

APPLICATION FOR ZONING MAP AMENDMENT

Applicant's Name Oxford Farms, LLC

Mailing Address 3850 Majestic Oaks Drive; Oxford, MS 38655

Address of Property in Question South Lamar Boulevard (Round-a-bout at old Hospital) **PPIN #** 8854; Old City ROW Belk St.

Telephone Number (s) Day 662-252-9675

Interest in Property (•) **Owner** ( ) **Leaseholder** ( ) **Option to Purchase** ( ) **Other Legal Interest**

Present Zoning Classification of Property 8854 is INST-E and Old Belk ROW is NO ZONING

Proposed Zoning Classification of Property TNB - Traditional Neighborhood Business

Legal Description of Property (Include all subdivision lot numbers or metes and bounds description and tax parcel numbers)

see attached.

What changed or changing conditions make the passage of this amendment necessary?

The round-a-bout was constructed leaving this property on the opposite the old hospital.

What other circumstances justify the proposed change?

The owner has changed from UM and BMH to a private owner. No longer institutional.

What error(s), if any, in the Zoning Map would be corrected by the proposed amendment?

No errors

Signature of Owner or Authorized Agent _____ **Date** November 18, 2021

A legal description and a plat showing the land area affected by the proposed amendment, zoning classification of the area and all abutting properties, all public and private rights-of-way and easements bounding and intersecting the designated area and abutting properties must be attached along with a filing fee payable to the City of Oxford.

FOR CITY USE ONLY

Date Filed _____

Date of Public Hearing _____

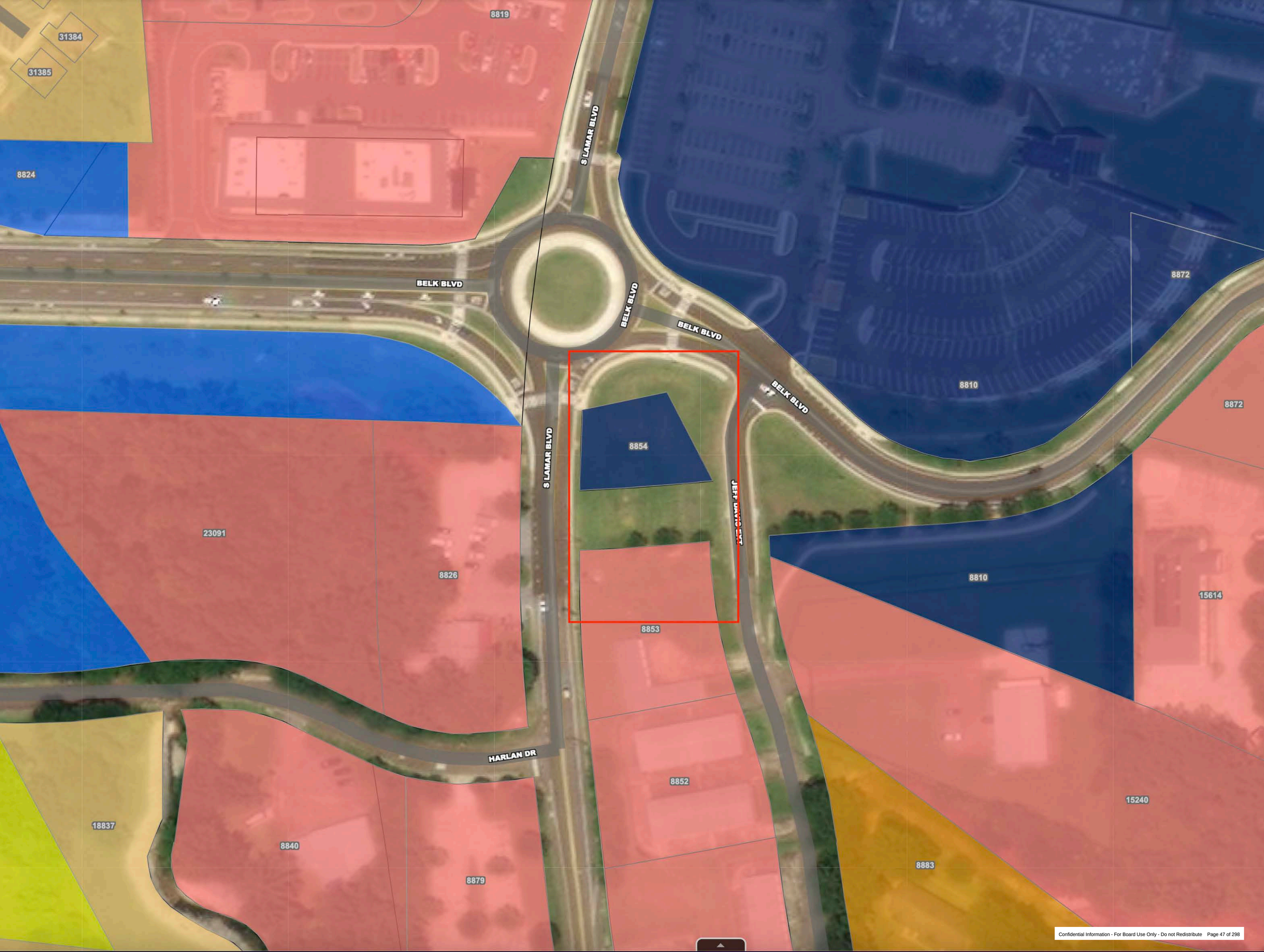
Decision of Board of Adjustment _____

_____

Effective Date _____

_____ _____

Zoning Administrator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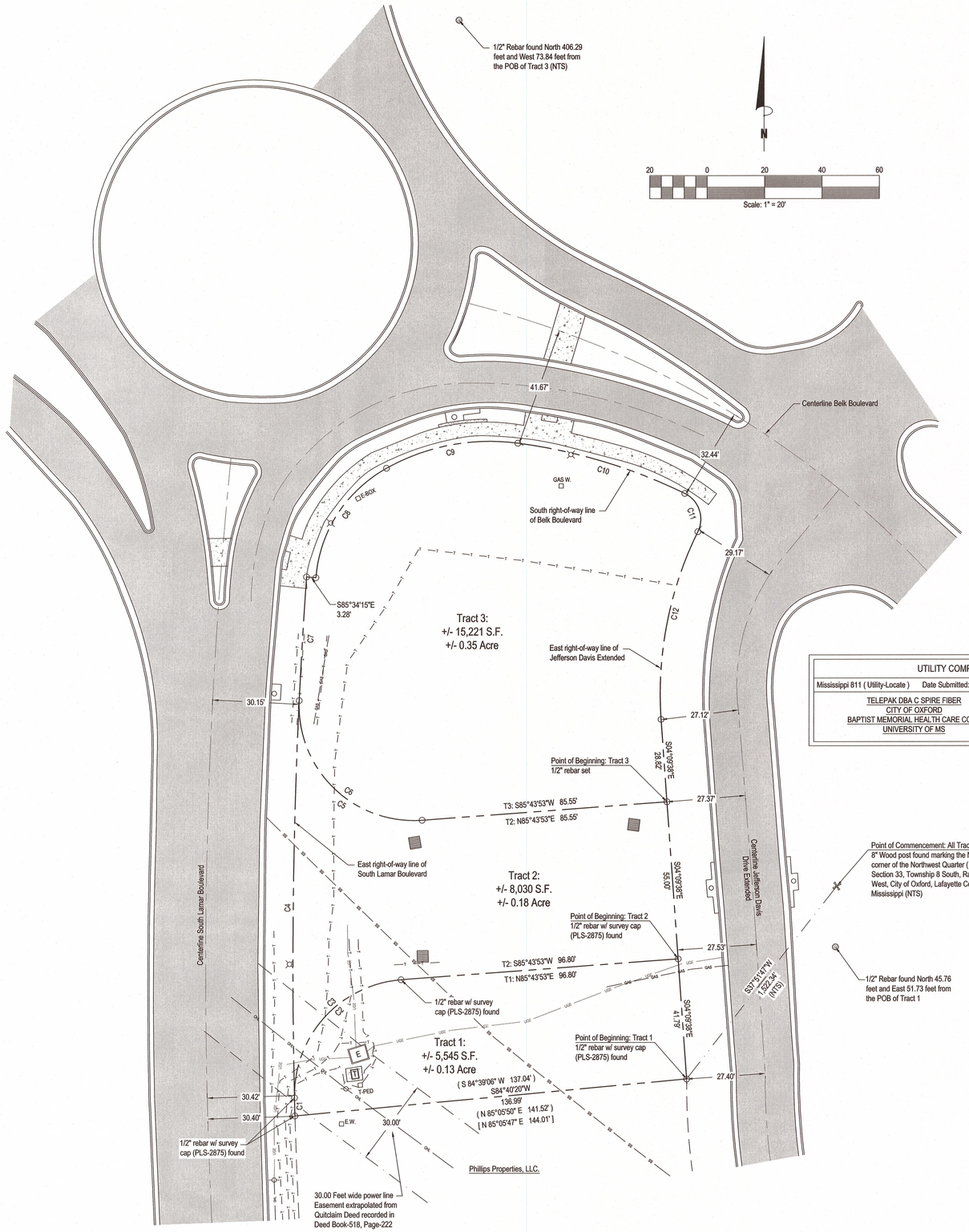

Curve Table				
Curve #	Length	Radius	Chord Direction	Chord Length
C1	6.31'	1898.88'	N01° 29' 18"W	6.31'
C2	60.84'	40.00'	N42° 08' 42"E	55.14'
C3	60.84'	40.00'	S42° 08' 42"W	55.14'
C4	138.36'	1898.88'	N00° 34' 38"E	138.33'
C5	67.56'	40.00'	S45° 44' 12"E	59.81'
C6	67.56'	40.00'	N45° 44' 12"W	59.81'
C7	43.14'	1898.88'	N03° 18' 55"E	43.14'
C8	47.24'	48.00'	N32° 37' 27"E	45.36'
C9	47.40'	74.00'	N79° 10' 00"E	46.59'
C10	61.08'	188.00'	S73° 10' 45"E	60.81'
C11	15.70'	10.00'	S18° 51' 55"E	14.14'
C12	67.43'	127.50'	S10° 59' 27"W	66.65'

UTILITY COMPANIES NOTIFIED		
Mississippi 811 (Utility-Locate)	Date Submitted: November 16, 2020	Verification # 2011160480958
TELEPAK DBA C SPIRE FIBER CITY OF OXFORD BAPTIST MEMORIAL HEALTH CARE CORP UNIVERSITY OF MS		MAXXSOUTH BROADBAND LLC CENTERPOINT ENERGY OXFORD 1 AT&T DISTRIBUTION

LEGEND

	RIGHT-OF-WAY LINES	T-BOX	TELEPHONE BOX
	PROPERTY LINES		INLET
	SECTION TIE		SECTION CORNER
	CENTERLINE ROAD		PROPERTY CORNERS
OHL	OVERHEAD LINES		MONUMENTS FOUND
UGE	UNDERGROUND ELECTRIC LINES		UTILITY POLES
SS	SEWER LINES		LIGHT POLES
W	WATER LINES	E-BOX	ELECTRIC BOX
GAS	GAS LINES	GAS W.	GAS WARNING PEDESTAL
T	UNDERGROUND FIBEROPTIC LINES	T-PED	TELEPHONE PEDESTAL
	CONCRETE AREAS	E.W.	ELECTRIC WARNING PEDESTAL
	ASPHALT AREAS	E	ELECTRIC BOX
[N 79°36'00" W 210.00']	PLAT CALLS	T	TRANSFORMER BOX
(N 79°36'00" W 210.00')	DEED CALLS	C.O.	CLEANOUT
S 89°57'34" W 210.00'	MEASURED CALLS	FB	FIBER OPTIC BOX
POB	POINT OF BEGINNING	G.V.	GAS VALVE
POC	POINT OF COMMENCEMENT		GUARD POST
CL	CENTERLINE ROAD	(NTS)	NOT TO SCALE

(All symbols in legend may not be used on current survey.)

Notes:
1. This is a Class "B" Survey as set forth in Appendix "A" of the Standards of Practice for Land Surveying in the State of Mississippi.
2. This survey meets the conditions of closure and accuracy for condition "B" as set forth in Appendix "B" of the standards of practice for Land Surveying in the State of Mississippi.
3. Field survey completed December 16, 2020.
4. "True" Geodetic Bearings were established from GPS Observation by Williams Engineering.
5. Tract 1 of subject survey is Zoned TNB "Traditional Neighborhood Business" as per City of Oxford Interactive Zoning Map Adopted March 19, 2019 and is subject to the regulations, setbacks, and easements found in the City of Oxford Land Development Code latest addition.
6. Tract 2 is shown without zoning as per City of Oxford Interactive Zoning Map Adopted March 19, 2019 and is subject to the regulations, setbacks, and easements found in the City of Oxford Land Development Code latest addition. *Accepted for zoning change to TNB per Special Exception Approved by the Planning Commission 12/15/2020.
7. Tract 3 of subject survey is Zoned INST-E "Institutional Education" as per City of Oxford Interactive Zoning Map Adopted March 19, 2019 and is subject to the regulations, setbacks, and easements found in the City of Oxford Land Development Code latest addition. *Accepted for zoning change to TNB per Special Exception Approved by the Planning Commission 12/15/2020.
8. This property is subject to any right-of-way or easements recorded or unrecorded shown or not shown on plat of survey.
9. All property corners set are 1/2" rebar with survey cap, unless otherwise stated.
10. Underground utilities shown on this survey represent surface markings of the utilities on site by various utility owners. Underground utilities may exist which were not marked by various utility owners. Williams Engineering Consultants, Inc. is not responsible for utilities not shown that were not located by utility owners. Utility parameters are shown as provided by owners. Underground utilities shown are an approximation. Excavation required for exact location of underground utilities shown/not shown on this survey.

Deed References:
- A. Deed Book-430, Page-536
- B. Deed Book-402, Page-642
- C. Instrument No. 201106223
- D. Instrument No. 201707833
- E. Instrument No. 202000631
- F. Instrument No. 201611938
- G. Instrument No. 201700670
- H. Instrument No. 201707463
- I. Instrument No. 201707747
- J. Instrument No. 201612228
- K. Instrument No. 201710844
- L. Instrument No. 201008187
- M. Instrument No. 201008190
- N. Previous survey for Baptist Memorial Hospital North MS Inc. Property by Jimmy L. Cleveland Dated 09/30/2011 with Job No. 1173-B
- O. Previous ALTA survey for Phillips Properties, LLC by Elliot & Britt Engineering Dated 02/22/2019 with Job No. S119-007
- P. Previous ALTA/NSPS Land Title Survey for the University of Mississippi by PEC Dated 08/17/2017 with Drawing No. 7240
- Q. Construction documents for Baptist Memorial Hospital North Mississippi Belk Boulevard Realignment by A2H Dated January, 2017

Tract 1 Description (Currently in the name of Baptist Memorial Hospital, North Mississippi, INC.): A tract of land being a fraction of the Northwest Quarter (NW 1/4) of Section 33, Township 8 South, Range 3 West, City of Oxford, Lafayette County, Mississippi; being described in more detail as follows:

Commencing at an 8" wood post found marking the Northeast corner of the Northwest Quarter (NW 1/4) Section 33, Township 8 South, Range 3 West, City of Oxford, Lafayette County, Mississippi; run thence S 37°51'47" W for a distance of 1,522.34 feet to a 1/2" rebar with survey cap (PLS-2875) found on the West right-of-way line of Jefferson Davis Drive Extended (27.40 feet from centerline), said rebar being the Point of Beginning of this description; run thence S 84° 40' 20" W leaving said West right-of-way line for a distance of 136.99 feet to a 1/2" rebar with survey cap (PLS-2875) found on the East right-of-way line of South Lamar Boulevard (30.40 feet from centerline), said rebar also being at the beginning of a circular curve to the right; run thence along said East right-of-way line and along said curve having an arc length of 6.31 feet, a chord bearing of N 01° 29' 18" W, a chord length of 6.31 feet, and a radius of 1898.88 feet to a 1/2" rebar with survey cap (PLS-2875) found at the beginning of a circular curve to the right; run thence leaving said East right-of-way line and along said curve having an arc length of 60.84 feet, a chord bearing of N 42° 08' 42" E, a chord length of 55.14 feet, and a radius of 40.00 feet to a 1/2" rebar with survey cap (PLS-2875) found; run thence N 85° 43' 53" E for a distance of 96.80 feet to a 1/2" rebar with survey cap (PLS-2875) found on the aforementioned West right-of-way line of Jefferson Davis Drive Extended (27.53 feet from centerline); run thence S 04° 09' 38" E along said West right-of-way line for a distance of 41.79 feet to the Point of Beginning of the herein described tract of land. Said tract contains 0.13 acre or 5,545 S.F., more or less.

"True" Geodetic Bearings were established from GPS Observation by Williams Engineering Consultants, Inc. (662-236-9675)

Tract 2 Description (Currently in the name of City of Oxford): A tract of land being a fraction of the Northwest Quarter (NW 1/4) of Section 33, Township 8 South, Range 3 West, City of Oxford, Lafayette County, Mississippi; being described in more detail as follows:

Commencing at an 8" wood post found marking the Northeast corner of the Northwest Quarter (NW 1/4) Section 33, Township 8 South, Range 3 West, City of Oxford, Lafayette County, Mississippi; run thence S 37°51'47" W for a distance of 1,522.34 feet to a 1/2" rebar with survey cap (PLS-2875) found on the West right-of-way line of Jefferson Davis Drive Extended (27.40 feet from centerline); run thence N 04°09'38" W along said West right-of-way line for a distance of 41.79 feet to a 1/2" rebar with survey cap (PLS-2875) found, said rebar being the Point of Beginning of this description; run thence S 85° 43' 53" W leaving said West right-of-way line for a distance of 96.80 feet to a 1/2" rebar with survey cap (PLS-2875) found at the beginning of a circular curve to the left; run thence along said curve having an arc length of 60.84 feet, a chord bearing of S 42° 08' 42" W, a chord length of 55.14 feet, and a radius of 40.00 feet to a 1/2" rebar with survey cap (PLS-2875) found on the East right-of-way line of South Lamar Boulevard (30.42 feet from centerline) at the beginning of a circular curve to the right; run thence along said East right-of-way line and along said curve having an arc length of 138.36 feet, a chord bearing of N 00° 34' 38" E, a chord length of 138.33 feet, and a radius of 1,898.88 feet to a 1/2" rebar set (30.15 feet from centerline) at the beginning of a circular curve to the left; run thence leaving said East right-of-way line and along said curve having an arc length of 67.56 feet, a chord bearing of S 45° 44' 12" E, a chord length of 59.81 feet, and a radius of 40.00 feet to a 1/2" rebar set; run thence N 85° 43' 53" E for a distance of 85.55 feet to a 1/2" rebar set on the aforementioned West right-of-way line of Jefferson Davis Drive Extended (27.37 feet from centerline); run thence S 04° 09' 38" E along said West right-of-way line for a distance of 55.00 feet to the Point of Beginning of the herein described tract of land. Said tract contains 0.18 acre or 8,030 S.F., more or less.

"True" Geodetic Bearings were established from GPS Observation by Williams Engineering Consultants, Inc. (662-236-9675)

Tract 3 Description (Currently in the name of Baptist Memorial Hospital, North Mississippi, INC.): A tract of land being a fraction of the Northwest Quarter (NW 1/4) of Section 33, Township 8 South, Range 3 West, City of Oxford, Lafayette County, Mississippi; being described in more detail as follows:

Commencing at an 8" wood post found marking the Northeast corner of the Northwest Quarter (NW 1/4) Section 33, Township 8 South, Range 3 West, City of Oxford, Lafayette County, Mississippi; run thence S 37°51'47" W for a distance of 1,522.34 feet to a 1/2" rebar with survey cap (PLS-2875) found on the West right-of-way line of Jefferson Davis Drive Extended (27.40 feet from centerline); run thence along said West right-of-way line as follows: N 04°09'38" W for a distance of 41.79 feet to a 1/2" rebar with survey cap (PLS-2875) found (27.53 feet from centerline); run thence N 04°09'38" W for a distance of 55.00 feet to a 1/2" rebar set (27.37 feet from centerline), said rebar being the Point of Beginning of this description; run thence S 85° 43' 53" W leaving said West right-of-way line for a distance of 85.55 feet to a 1/2" rebar set at the beginning of a circular curve to the right; run thence along said curve having an arc length of 67.56 feet, a chord bearing of N 45° 44' 12" W, a chord length of 59.81 feet, and a radius of 40.00 feet to a 1/2" rebar set on the East right-of-way line of South Lamar Boulevard (30.15 feet from centerline), said rebar also being at the beginning of a circular curve to the right; run thence along the East right-of-way line of South Lamar Boulevard, the South right-of-way line of Belk Drive, and along the aforementioned West right-of-way line of Jefferson Davis Drive Extended as follows: along said curve having an arc length of 43.14 feet, a chord bearing of N 03° 18' 55" E, a chord length of 43.14 feet, and a radius of 1898.88 feet to a 1/2" rebar set; run thence S 85° 34' 15" E for a distance of 3.28 feet to a 1/2" rebar set at the beginning of a circular curve to the right; run thence along said curve having an arc length of 47.24 feet, a chord bearing of N 32° 37' 27" E, a chord length of 45.36 feet, and a radius of 48.00 feet to a 1/2" rebar set at the beginning of a circular curve to the right; run thence along said curve having an arc length of 47.40 feet, a chord bearing of N 79° 10' 00" E, a chord length of 46.59 feet, and a radius of 74.00 feet to a 1/2" rebar set at the beginning of a circular curve to the right; run thence along said curve having an arc length of 61.08 feet, a chord bearing of S 73° 10' 45" E, a chord length of 60.81 feet, and a radius of 188.00 feet to a 1/2" rebar set at the beginning of a circular curve to the right; run thence along said curve having an arc length of 15.70 feet, a chord bearing of S 18° 51' 55" E, a chord length of 14.14 feet, and a radius of 10.00 feet to a 1/2" rebar set at the beginning of a circular curve to the left; run thence along said curve having an arc length of 67.43 feet, a chord bearing of S 10° 59' 27" W, a chord length of 66.65 feet, and a radius of 127.50 feet to a 1/2" rebar set; run thence S 04° 09' 38" E for a distance of 28.82 feet to the Point of Beginning of the herein described tract of land. Said tract contains 0.35 acre or 15,221 S.F., more or less.

"True" Geodetic Bearings were established from GPS Observation by Williams Engineering Consultants, Inc. (662-236-9675)

Date: December 22, 2020

RICHARD S. DANIELS REGISTERED PROFESSIONAL LAND SURVEYOR STATE OF MISSISSIPPI

Richard S. Daniels, PLS Nº 02922
PLS-02922

WILLIAMS ENGINEERING CONSULTANTS, INC.
Professional Engineers | Professional Land Surveyors
720 NORTH LAMAR BOULEVARD, SUITE A
P.O. BOX 1197 OXFORD, MISSISSIPPI 38655
662.236.9675

Boundary Survey For:
Andrew Callicutt
3 Tracts of land being a fraction of the Northwest Quarter (NW 1/4) of Section 33, Township 8 South, Range 3 West, City of Oxford, Lafayette County, Mississippi

REVISION	DATE

Scale:	1" = 20'
Date:	12/22/2020
File:	SD-203412 (Andy Callicutt-Jeff Davis Ext) Survey/Callicutt Jeff Davis-Lamar Survey.dwg
Proj.No.:	SD-203412
Drawn By:	JCP
Checked By:	RSD

Sheet Title:
Boundary Survey

Sheet No.:
1

Tract 1 Description (Currently in the name of Baptist Memorial Hospital, North Mississippi, INC.): A tract of land being a fraction of the Northwest Quarter (NW 1/4) of Section 33, Township 8 South, Range 3 West, City of Oxford, Lafayette County, Mississippi; being described in more detail as follows:

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Tract 2 Description (Currently in the name of City of Oxford): A tract of land being a fraction of the Northwest Quarter (NW 1/4) of Section 33, Township 8 South, Range 3 West, City of Oxford, Lafayette County, Mississippi; being described in more detail as follows:

Commencing at an 8" wood post found marking the Northeast corner of the Northwest Quarter (NW 1/4) Section 33, Township 8 South, Range 3 West, City of Oxford, Lafayette County, Mississippi; run thence S 37°51'47" W for a distance of 1,522.34 feet to a 1/2" rebar with survey cap (PLS-2875) found on the West right-of-way line of Jefferson Davis Drive Extended (27.40 feet from centerline); run thence N 04°09'38" W along said West right-of-way line for a distance of 41.79 feet to a 1/2" rebar with survey cap (PLS-2875) found, said rebar being the Point of Beginning of this description; run thence S 85° 43' 53" W leaving said West right-of-way line for a distance of 96.80 feet to a 1/2" rebar with survey cap (PLS-2875) found at the beginning of a circular curve to the left; run thence along said curve having an arc length of 60.84 feet, a chord bearing of S 42° 08' 42" W, a chord length of 55.14 feet, and a radius of 40.00 feet to a 1/2" rebar with survey cap (PLS-2875) found on the East right-of-way line of South Lamar Boulevard (30.42 feet from centerline) at the beginning of a circular curve to the right; run thence along said East right-of-way line and along said curve having an arc length of 138.36 feet, a chord bearing of N 00° 34' 38" E, a chord length of 138.33 feet, and a radius of 1,898.88 feet to a 1/2" rebar set (30.15 feet from centerline) at the beginning of a circular curve to the left; run thence leaving said East right-of-way line and along said curve having an arc length of 67.56 feet, a chord bearing of S 45° 44' 12" E, a chord length of 59.81 feet, and a radius of 40.00 feet to a 1/2" rebar set; run thence N 85° 43' 53" E for a distance of 85.55 feet to a 1/2" rebar set on the aforementioned West right-of-way line of Jefferson Davis Drive Extended (27.37 feet from centerline); run thence S 04° 09' 38" E along said West right-of-way line for a distance of 55.00 feet to the Point of Beginning of the herein described tract of land. Said tract contains 0.18 acre or 8,030 S.F., more or less.

OXFORD
PLANNING
DEPARTMENT

Memorandum

To: Mayor and Board of Aldermen

From: Ben Requet, Director of Planning

Date: December 21, 2021

Re: Request to utilize City of Oxford property for the installation of a mural at Oxford Square North.

Earl Dismuke, on behalf of Oxford Square North, LLC., is requesting the ability to utilize City of Oxford property at the rear of Oxford Square North to install a mural on the wall beside the grease trap. Due to the size of this wall, the prep for the mural and the painting of the mural will take a considerable amount of time. Therefore, the applicant is requesting the ability to utilize this property from March 1-April 30, 2022.

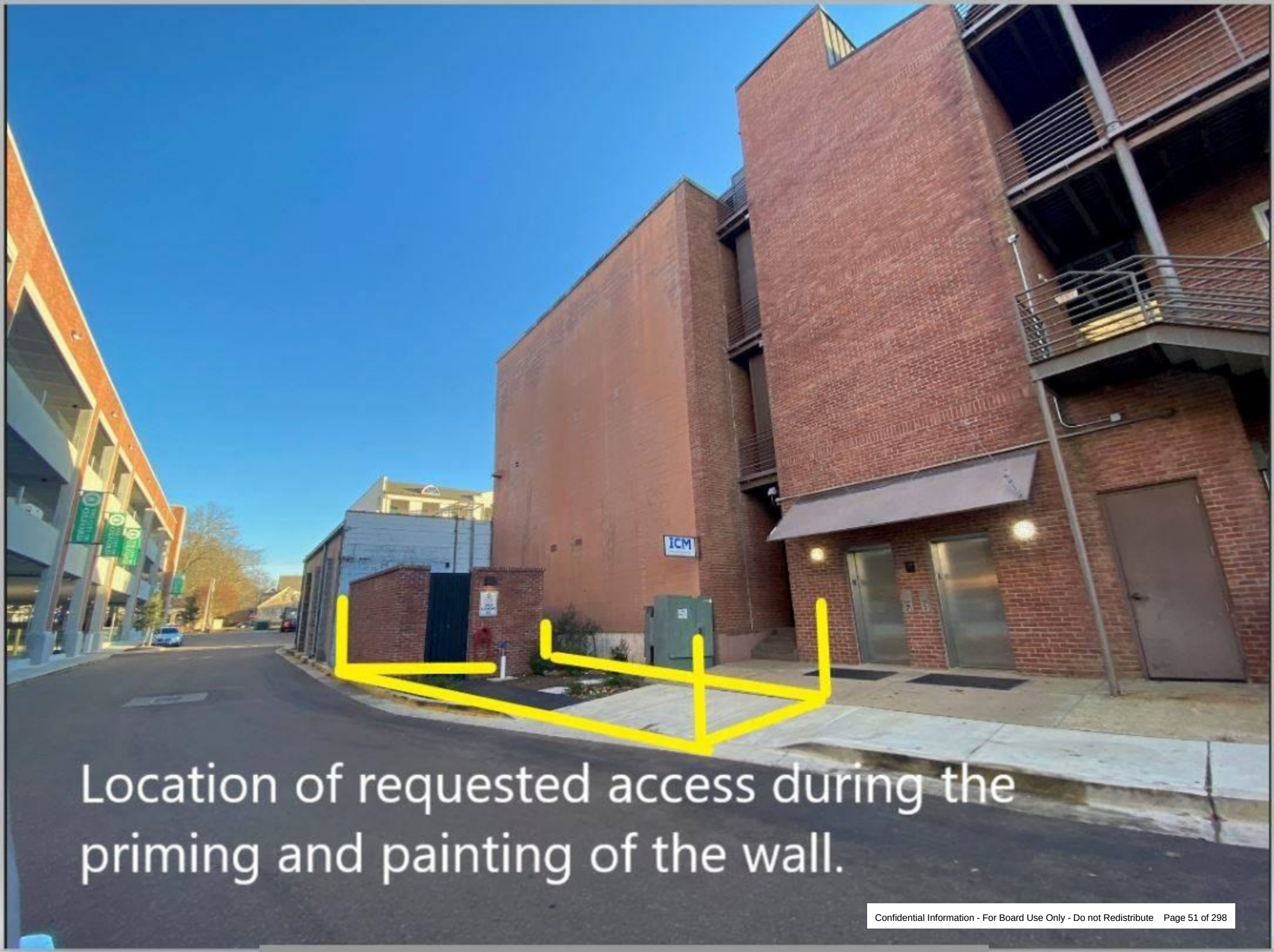
March 1-11 – The wall will require prep work in advance of the painting of the mural to include pressure washing and primer coats. In order to perform this work, a hydraulic lift will be utilized with it being parked on the concrete sidewalk near the elevators to Oxford Square North.

March 11-15 – The artist plans to project the image at night onto the wall to create the stencil for the mural. This part of the process requires a scaffolding (approximately 7' length by 5' width) to be setup approximately 20-25' away from the wall. This means that the scaffolding will be located in the road beside the grease trap and will likely reduce the road width to one lane. In speaking with Donna Zampella, she does not see this as an issue as long as buses are able to get in and out of the parking lot through one lane. Mr. Dismuke indicates that this part of the process should only take one or two nights but they are requesting the use for the entire week in case weather creates delays.

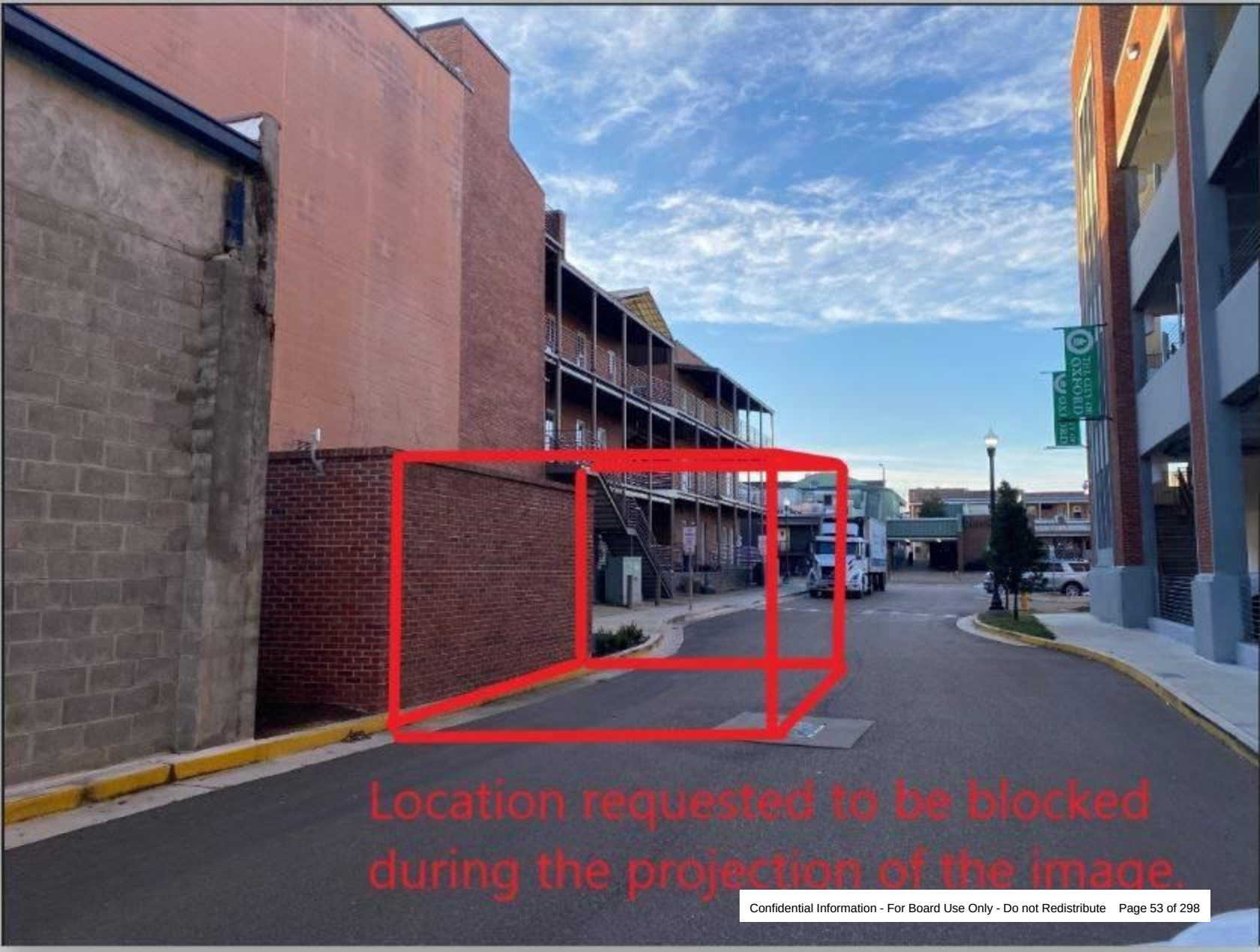
March 15-April 30 – The artist will be painting the mural on the wall which will only require the use of the hydraulic lift.

Other considerations:

- The applicant is also requesting the ability to park the hydraulic lift in one or two parking spaces in the parking lot at night.
- It is possible that landscaping is damaged during the installation of this mural. If that happens, the applicant (Oxford Square North, LLC.) shall be responsible for the cost of replacement.
- The applicant shall not block access to the elevators to Oxford Square North.
- The applicant shall not block access to the grease trap.
- The applicant shall provide a protective barrier on or around the grease trap to protect it from paint.
- The applicant shall provide reflective devices around the scaffolding and the hydraulic lift.


ICM
Location of requested access during the priming and painting of the wall.

Location of requested access during the priming and painting of the wall.


Location requested to be blocked
during the projection of the image.


ICM
USED COOKING OIL

OXFORD
CITY CLERK

TO: Mayor and Board of Aldermen

FROM: Ashley Atkinson, City Clerk

RE: Lease Query Software

DATE: December 17, 2021

With the start of FY21/22, we are now required to comply with two new Governmental Accounting Standards Board (GASB) standards. The first one is GASB 87, and it establishes a single model for lease accounting and aims to improve accounting and financial reporting for leases by governments.

So, going forward, as a result of GASB 87, we are required to accurately portray all lease obligations in our financial statements. (This standard was scheduled to go into effect earlier, but the implementation date was delayed due to Covid-19. The first fiscal year we are required to comply is FY21/22, the current fiscal year.) The second standard we are required to comply with is GASB 96- the updated accounting standards for Subscription-Based Information Technology Arrangements (SBITAs). A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology software.

Complying with both of these standards is something that is going to take a lot of time and maintenance (to constantly update our records throughout the year), and neither I nor Jessi have enough time to manually track this information in addition to all of our other duties. So, our options are to either (1) pay to use specialized software to track the leases/ SBITAs for us or (2) pay increased audit fees each year because our auditors will have to back-track and figure everything out for us.

LeaseQuery is a company that has software that was built specifically to help entities comply with these new accounting standards by tracking all leases and SBITAs. The University of MS already uses their software to track their leases. Jessi and I have participated in several Zoom calls with them to learn more about the process, and we also had our auditors sit in on one call with us. We believe using the LeaseQuery software is our best option, so we are requesting the approval of an agreement with LeaseQuery at the 12/21/2021 BOA meeting.

While the one-year option is the cheapest, the three-year option provides for a larger discount. This is an un-budgeted item and will require a budget amendment if you approve the purchase.

I ask that you approve the three-year option in the amount of $35,700.00, pending Pope's approval of the agreement.

107 Courthouse Square, Oxford, MS 38655 **(p) 662-236-1310 (f) 662-232-2337**

MAY 2020

Governmental Accounting Standards Series

Statement No. 96 of the Governmental Accounting Standards Board

Subscription-Based Information Technology Arrangements

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

For additional copies of this Statement and information on applicable prices and discount rates, contact:

Order Department
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Telephone Orders: 1-800-748-0659

Please ask for our Product Code No. GS96.

The GASB website can be accessed at www.gasb.org.

Summary

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

How the Board Considered Costs and Benefits in the Development of This Statement

One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The Board believes that the expected benefits that will result from the information provided through implementation of this Statement—more consistent accounting and financial reporting, and more comparable information about SBITAs—are significant and justify the perceived costs of implementation and ongoing compliance.

Certain decisions made by the Board were intended to provide cost relief. For example, the scope of this Statement excludes contracts with stand-alone tangible capital assets and contracts with a combination of a tangible capital asset and an insignificant software component. In addition, this Statement includes an exception for short-term SBITAs. This Statement also requires governments to report an entire multiple-component contract as a single SBITA when determining that a best estimate to allocate the contract price to multiple components is not practicable. Additionally, this Statement permits, but does not require, governments to include capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage in the measurement of the subscription asset recognized at transition.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 3 discusses the applicability of this Statement.

Statement No. 96 of the
Governmental Accounting
Standards Board

Subscription-Based Information Technology Arrangements

May 2020

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116

Statement No. 96 of the Governmental Accounting Standards Board

Subscription-Based Information Technology Arrangements

May 2020

CONTENTS

Statement No. 96 of the Governmental Accounting Standards Board

Subscription-Based Information Technology Arrangements

May 2020

INTRODUCTION

1. It has become common for governments to enter into subscription-based contracts to use vendor-provided information technology (IT). Subscription-based information technology arrangements (SBITAs) provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. Prior to the issuance of this Statement, there was no accounting or financial reporting guidance specifically for SBITAs.

2. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

3. This Statement establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement apply to financial statements of all state and local governments.

4. This Statement does not apply to:

a. Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in Statement No. 87, *Leases,* in which the software component is insignificant when compared to the cost of the underlying tangible capital asset (for example, a computer with operating software or a smart copier that is connected to an IT system)
b. Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs
c. Contracts that meet the definition of a public-private and public-public partnership in paragraph 5 of Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
d. Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software, which are subject to Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* as amended.

5. This Statement supersedes *Implementation Guide No. 2015-1,* Questions Z.51.21 and Z.51.38. This Statement amends Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* paragraphs 116 and 117; Statement No. 38, *Certain Financial Statement Note Disclosures,* paragraph 10; Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* paragraphs 11 and 12; Statement 51, paragraph 3; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* paragraph 135; Statement 87, paragraph 8; Implementation Guide 2015-1, Questions 5.77.1, Z.51.18, Z.51.22, and Z.51.23; Implementation Guide No. 2017-2, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* Question 4.61; and Implementation Guide No. 2019-3, *Leases,* Questions 4.22, 4.25, 4.64, and 4.67.

Definition

6. For purposes of applying this Statement, a SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like[1] transaction.

7. To determine whether a contract conveys control of the right to use the underlying IT assets, a government should assess whether it has both of the following:

a. The right to obtain the present service capacity from use of the underlying IT assets as specified in the contract
b. The right to determine the nature and manner of use of the underlying IT assets as specified in the contract.

8. SBITAs include contracts that, although not explicitly identified as a SBITA, meet the definition of a SBITA in paragraph 6. That definition excludes contracts that solely provide IT support services but includes contracts that contain *both* a right-to-use IT asset component and an IT support services component.

Subscription Term

9. The subscription term is the period during which a government has a noncancellable right to use the underlying IT assets (referred to as the noncancellable period), plus the following periods, if applicable:

a. Periods covered by a government's option to extend the SBITA if it is reasonably certain, based on all relevant factors, that the government will exercise that option

[1]The scope of this Statement includes both exchange and exchange-like transactions. Footnote 1 of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* states, "The difference between exchange and exchange-like transactions is a matter of degree. In contrast to a 'pure' exchange transaction, an exchange-like transaction is one in which the values exchanged, though related, may not be quite equal or in which the direct benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics of the transaction are strong enough to justify treating the transaction as an exchange for accounting recognition."

b. Periods covered by a government's option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that the government will *not* exercise that option
c. Periods covered by a SBITA vendor's option to extend the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor will exercise that option
d. Periods covered by a SBITA vendor's option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor will *not* exercise that option.

Periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the subscription term. For example, a rolling month-to-month SBITA, or a SBITA that continues into a holdover period until a new SBITA contract is entered into, would not be enforceable if both the government and the SBITA vendor have an option to terminate and, therefore, either could cancel the SBITA at any time. Provisions that allow for termination of a SBITA as a result of either payment of all sums due or default on subscription payments are *not* considered termination options.

10. A fiscal funding or cancellation clause allows a government to cancel a SBITA, typically on an annual basis, if the government does not appropriate funds for the subscription payments. That type of clause should affect the subscription term only if it is reasonably certain that the clause will be exercised.

11. At the commencement of the subscription term, a government should assess all factors relevant to the likelihood that the government or the SBITA vendor will exercise the options identified in paragraphs 9a–9d, whether those factors are contract based, underlying IT asset based, market based, or government specific. The assessment often will require the consideration of a combination of interrelated factors. Examples of factors to consider include, but are not limited to, the following:

a. A significant economic incentive, such as contractual terms and conditions for the optional periods that are favorable compared with current market rates
b. A potential change in technological development that significantly affects the technology used by the underlying IT assets
c. A potential significant change in the government's demand for the SBITA vendor's IT assets

d. A significant economic disincentive, such as costs to terminate the SBITA and sign a new SBITA (for example, negotiation costs, costs of identifying another suitable underlying IT asset or another suitable SBITA vendor, implementation costs, or a substantial cancellation penalty)
e. The history of exercising options to extend or terminate
f. The extent to which the underlying IT assets in the SBITA are essential to the provision of government services.

12. A government should reassess the subscription term only if one or more of the following occur:

a. The government or SBITA vendor elects to exercise an option even though it was previously determined that it was reasonably certain that the government or SBITA vendor would not exercise that option.
b. The government or SBITA vendor elects not to exercise an option even though it was previously determined that it was reasonably certain that the government or SBITA vendor would exercise that option.
c. An event specified in the SBITA contract that requires an extension or termination of the SBITA takes place.

Short-Term SBITAs

13. A short-term SBITA is a SBITA that, at the commencement of the subscription term, has a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. As discussed in paragraph 9, periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods and should be excluded from the maximum possible term. For a SBITA that has cancellable periods, such as a rolling month-to-month SBITA or a year-to-year SBITA, the maximum possible term of that SBITA is the noncancellable period, including any notice periods.

14. A government should recognize short-term subscription payments as outflows of resources (for example, expense) based on the payment provisions of the SBITA contract. A government should recognize an asset if subscription payments are made in advance or a liability if subscription payments are to be

made subsequent to the reporting period. A government should not recognize an outflow of resources for the period for which the SBITA vendor grants the right to use the underlying IT assets to the government free of charge (for example, one or more months free).

Recognition and Measurement for SBITAs Other Than Short-Term SBITAs—Economic Resources Measurement Focus

15. At the commencement of the subscription term, a government should recognize a subscription liability and an intangible right-to-use asset (a capital asset hereinafter referred to as the subscription asset), except as provided in paragraphs 13 and 14 (short-term SBITAs). The commencement of the subscription term occurs when the initial implementation stage is completed, as described in paragraphs 29 and 30, at which time the government has obtained control of the right to use the underlying IT assets, and, therefore, the subscription asset is placed into service.

Subscription Liability

16. A government initially should measure the subscription liability at the present value of subscription payments expected to be made during the subscription term. Measurement of the subscription liability should include the following, if required by a SBITA:

a. Fixed payments
b. Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), measured using the index or rate as of the commencement of the subscription term
c. Variable payments that are fixed in substance, as discussed in paragraph 17
d. Payments for penalties for terminating the SBITA, if the subscription term reflects the government exercising (1) an option to terminate the SBITA or (2) a fiscal funding or cancellation clause
e. Any subscription contract incentives (as discussed in paragraphs 42 and 43) receivable from the SBITA vendor
f. Any other payments to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required based on an assessment of all relevant factors.

17. Variable payments other than those that depend on an index or a rate, such as variable payments based on future performance of a government, usage of the underlying IT assets, or number of user seats, should not be included in the measurement of the subscription liability. Rather, those variable payments should be recognized as outflows of resources (for example, expense) in the period in which the obligation for those payments is incurred. However, any component of those variable payments that is fixed in substance should be included in the measurement of the subscription liability.

18. The future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be the interest rate implicit in the SBITA. If the interest rate cannot be readily determined by the government, the government's estimated incremental borrowing rate (an estimate of the interest rate that would be charged for borrowing the subscription payment amounts during the subscription term) should be used. A government is not required to apply the guidance for imputation of interest in paragraphs 173–187 of Statement 62, as amended, but may do so as a means of determining the interest rate implicit in the SBITA.

19. In subsequent financial reporting periods, a government should calculate the amortization of the discount on the subscription liability and report that amount as an outflow of resources (for example, interest expense) for those periods. Any subscription payments made should be allocated first to the accrued interest liability and then to the subscription liability.

20. A government should remeasure the subscription liability at subsequent financial reporting dates if one or more of the following changes have occurred at or before those financial reporting dates, based on the most recent SBITA contract before the changes,[2] and the changes individually or in the aggregate are expected to significantly affect the amount of the subscription liability since the previous measurement:

a. There is a change in the subscription term.
b. There is a change in the estimated amounts for subscription payments already included in the measurement of the subscription liability (except as provided in paragraph 21).

[2]Changes arising from amendments to a SBITA contract should be accounted for in accordance with the provisions in paragraphs 54–57 for SBITA modifications and terminations.

c. There is a change in the interest rate the SBITA vendor charges the government, if used as the initial discount rate.
d. A contingency, upon which some or all of the variable payments that will be made over the remainder of the subscription term are based, is resolved such that those payments now meet the criteria for measuring the subscription liability in accordance with paragraph 16. For example, an event occurs that causes variable payments that were contingent on the performance or use of the underlying IT assets to become fixed for the remainder of the subscription term.

21. If a subscription liability is remeasured for any of the changes in paragraph 20, the liability also should be adjusted for any change in an index or a rate used to determine variable payments if that change in the index or rate is expected to significantly affect the amount of the liability since the previous measurement. A subscription liability is not required to be remeasured solely for a change in an index or a rate used to determine variable payments.

22. A government also should update the discount rate as part of the remeasurement if there is a change[3] in the subscription term and that change is expected to significantly affect the amount of the subscription liability.

23. A subscription liability is not required to be remeasured, nor is the discount rate required to be reassessed, solely for a change in a government's incremental borrowing rate.

24. If the discount rate is required to be updated based on the provisions in paragraph 22, the discount rate should be based on the revised interest rate the SBITA vendor charges the government at the time the discount rate is updated. If that interest rate cannot readily be determined, the government's estimated incremental borrowing rate at the time the discount rate is updated should be used.

[3]See footnote 2.

Subscription Asset

Measurement

25. A government initially should measure the subscription asset as the sum of the following, less any SBITA vendor incentives (as discussed in paragraphs 42 and 43) received from the SBITA vendor at the commencement of the subscription term:

a. The amount of the initial measurement of the subscription liability, as discussed in paragraph 16
b. Payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, if applicable
c. Capitalizable initial implementation costs as described in paragraph 29b.

26. Payments before the commencement of the subscription term associated with the SBITA contract made to the SBITA vendor, as well as payments made for the capitalizable initial implementation costs before the commencement of the subscription term, should be reported as a prepayment (an asset). A prepayment to a SBITA vendor should be reduced by any incentives received from the same SBITA vendor before the commencement of the subscription term, if a right of offset exists (as described in paragraph 501 of Statement 62, as amended). That prepayment should be reclassified as an addition to the initial measurement of the subscription asset at the commencement of the subscription term. If the SBITA vendor incentives are greater than the SBITA vendor prepayments made to the same vendor, the difference should be reported as a liability until the commencement of the subscription term, at which time that amount should reduce the initial measurement of the subscription asset.

27. A subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. The amortization of the subscription asset should be reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes. Amortization should begin at the commencement of the subscription term as described in paragraph 15.

28. A subscription asset generally should be adjusted by the same amount as the corresponding subscription liability when that liability is remeasured based on paragraphs 20–24. However, if that change reduces the carrying value of the subscription asset to zero, any remaining amount should be reported in the resource flows statement (for example, a gain).

Outlays Other Than Subscription Payments, including Implementation Costs

Stages of implementation

29. Activities associated with a SBITA—other than a government making subscription payments to the SBITA vendor for the right to use the underlying IT assets—should be grouped into the following stages:

a. *Preliminary Project Stage.* Activities in this stage include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the SBITA.
b. *Initial Implementation Stage.* Activities in this stage include ancillary charges related to designing the chosen path, such as configuration, coding, testing, and installation associated with the government's access to the underlying IT assets. Other ancillary charges necessary to place the subscription asset into service also should be included in this stage. The initial implementation stage for the SBITA is completed when the subscription asset is placed into service.
c. *Operation and Additional Implementation Stage.* Activities in this stage include maintenance, troubleshooting, and other activities associated with the government's ongoing access to the underlying IT assets. Activities in this stage also may include additional implementation activities, such as those related to additional modules as discussed in paragraph 30, that occur after the subscription asset is placed into service.

30. If a SBITA has more than one module and the modules are implemented at different times, the initial implementation stage for the SBITA is completed, and, therefore, the subscription asset is placed into service when initial implementation is completed for the first independently functional module or for the first set of interdependent modules, regardless of whether all remaining modules

have been completely implemented. For the remaining modules of that SBITA, all additional implementation activities should be considered subsequent implementation outlays and should be accounted for in accordance with paragraphs 38–40.

31. Data conversion should be considered an activity of the initial implementation stage only to the extent that it is determined to be necessary to place the subscription asset into service—that is, in condition for use. Otherwise, data conversion should be considered an activity of the operation and additional implementation stage.

Accounting for outlays incurred

32. Other than subscription payments for the right to use the underlying IT assets, outlays incurred prior to completing all of the following should be expensed as incurred:

a. Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the subscription asset
b. Demonstration of the technical or technological feasibility such that the subscription asset will provide its expected service capacity
c. Demonstration of the current intention, ability, and presence of effort to enter into a SBITA contract.

33. The requirements in paragraph 32 should be considered to be completed only when both of the following occur:

a. The activities noted in the preliminary project stage as described in paragraph 29a are completed.
b. Management implicitly or explicitly authorizes and commits to funding the SBITA, at least for the current fiscal year in the case of a multiyear project.

Preliminary project stage

34. Outlays associated with activities in the preliminary project stage should be expensed as incurred.

Initial implementation stage

35. Outlays associated with activities in the initial implementation stage generally should be capitalized as part of the subscription asset.

36. If no subscription asset is recognized (for example, if the contract is a short-term SBITA), activities in the initial implementation stage should be expensed as incurred.

Operation and additional implementation stage

37. Outlays in this stage that are associated with operational activities should be expensed as incurred, except for those that meet one of the capitalization criteria in paragraph 40. Outlays in this stage that are associated with additional implementation activities should be accounted for in accordance with paragraph 40.

Accounting for certain outlays, including subsequent implementation outlays

38. The activities of implementation of a SBITA described in paragraph 29 may overlap or occur in multiple cycles. Regardless of whether a SBITA is composed of one module, more than one module implemented at the same time, or more than one module implemented at different times, the recognition guidance for outlays other than subscription payments should be applied based on the nature and timing of the activity. Although both factors should be considered, the nature of the activity should be the determining (that is, more influential) factor. Subscription payments should be accounted for in accordance with the recognition and measurement requirements in paragraphs 16–28.

39. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

40. If outlays are a result of SBITA modifications as described in paragraphs 52–55, the outlays should be accounted for in accordance with those paragraphs. There also may be outlays associated with a SBITA already in operation that are incurred in addition to subscription payments. For example, after the subscription asset is placed into service, a government may incur outlays associated with converting its legacy data on an old server to the

vendor's cloud storage. Generally, those outlays should be expensed as incurred. However, additional outlays that are not a result of SBITA modifications but that result in either of the following should be capitalized as an addition to an existing subscription asset:

a. An increase in the functionality of the subscription asset; that is, the subscription asset allows the government to perform tasks that it could not previously perform with the subscription asset
b. An increase in the efficiency of the subscription asset; that is, an increase in the level of service provided by the subscription asset without the ability to perform additional tasks.

Impairment

41. The presence of impairment indicators (described in paragraph 9 of Statement 42, as amended) with respect to the underlying IT assets may result in a change in the manner or duration of use of the subscription asset. Such a change in the manner or duration of use of the subscription asset may indicate that the service utility of the subscription asset is impaired. The length of time during which the government cannot use the underlying IT assets, or is limited to using them in a different manner, should be compared to their previously expected manner and duration of use to determine whether there is a significant decline in the service utility of the subscription asset. If a subscription asset is impaired, the amount reported for the subscription asset should be reduced first for any change in the corresponding subscription liability. Any remaining amount should be recognized as an impairment.

Incentives Provided by a SBITA Vendor

42. As used in this Statement, incentives provided by a SBITA vendor (SBITA vendor incentives) are (a) payments made to, or on behalf of, a government for which the government has a right of offset with its obligation to the SBITA vendor or (b) other concessions granted to the government. A SBITA vendor incentive is equivalent to a rebate or discount and includes an agreement to pay a government's preexisting subscription obligations to a third party, other reimbursements of end user costs, free subscription periods, and reductions of interest or principal charges by the SBITA vendor.

43. SBITA vendor incentives reduce the amount that a government is required to pay for a SBITA. SBITA vendor incentives that provide payments to, or on behalf of, a government at or before the commencement of a subscription term should be included in initial measurement by directly reducing the amount of the subscription asset. (See paragraphs 25 and 26.) SBITA vendor incentives that provide payments after the commencement of the subscription term should be factored into the present value of the subscription payments for the periods in which the incentive payments will be provided, when initially measuring the subscription liability, as described in paragraph 16e. Accordingly, SBITA vendor incentive payments to be provided after the commencement of the subscription term are included in the initial measurement and any remeasurement of the subscription liability if the incentive payments are fixed or fixed in substance, whereas variable or contingent incentive payments are not included.

Contracts with Multiple Components

44. A government may enter into contracts that contain multiple components, such as (a) a contract that contains both a subscription component (that is, the right to use the underlying IT assets) and a nonsubscription component or (b) a contract that contains multiple underlying IT asset components. Examples of nonsubscription components include a separate perpetual licensing arrangement (which is excluded from this Statement as described in paragraph 4d) and maintenance services for the IT assets.

45. If a government enters into a contract that contains both a subscription component and a nonsubscription component, the government should account for the subscription and nonsubscription components as separate contracts unless the contract meets the exception in paragraph 48.

46. If a SBITA involves multiple underlying IT asset components and the IT asset components have different subscription terms, the government should account for each underlying IT asset component as a separate subscription component. The provisions of this paragraph should be applied unless the contract meets the exception in paragraph 48.

47. To allocate the contract price to the different components, a government first should use any prices for individual components that are included in the contract, as long as the price allocation does not appear to be unreasonable based on the terms of the contract and professional judgment, maximizing the use of observable information (for example, using readily available observable

stand-alone prices). Stand-alone prices are those that would be paid if the right to use the same or similar IT asset components were contracted individually or if the right to use the same or similar nonsubscription components were contracted individually. Some contracts provide discounts for bundling multiple subscription components or bundling subscription and nonsubscription components together in one contract. Those discounts may be taken into account when determining whether individual component prices do not appear to be unreasonable. For example, if the individual component prices each are discounted by the same percentage from normal market prices, the discount included in those component prices would not appear to be unreasonable.

48. If a contract does not include prices for individual components, or if any of those prices appear to be unreasonable as provided in paragraph 47, a government should use professional judgment to determine its best estimate for allocating the contract price to those components, maximizing the use of observable information. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA. In addition, a government should account for a SBITA with multiple modules in which the subscription term commences at the same time for all modules (as described in paragraph 30) as a single SBITA.

49. If multiple components are accounted for as a single SBITA as provided in paragraph 48, the accounting for that SBITA should be based on the primary subscription component within that SBITA. For example, the primary subscription component's term should be used for the SBITA if those components have different terms.

Contract Combinations

50. Contracts that are entered into at or near the same time with the same SBITA vendor should be considered part of the same contract if either of the following criteria is met:

a. The contracts are negotiated as a package with a single objective.
b. The amount of consideration to be paid in one contract depends on the price or performance of the other contract.

51. If multiple contracts are determined to be part of the same contract, that contract should be evaluated in accordance with the guidance for contracts with multiple components in paragraphs 44–49.

SBITA Modifications and Terminations

52. The provisions of a SBITA contract may be amended while the contract is in effect. Amendments change the provisions of the SBITA contract. Examples of amendments to SBITA contracts include changing the contract price of the arrangement, lengthening or shortening the subscription term, adding or removing underlying IT assets, and changing the index or rate upon which variable payments depend. An amendment should be considered a SBITA modification unless the government's right to use the underlying IT assets decreases, in which case the amendment should be considered a partial or full SBITA termination. By contrast, exercising an existing option, such as an option to extend or terminate the SBITA as discussed in paragraphs 12a and 12b, is subject to the guidance for remeasurement.

53. If variable payments of a SBITA contract depend on an interbank offered rate (IBOR), an amendment of the contract solely to replace the IBOR with another rate (that is adjusted, if necessary, to essentially equate the replacement rate and the original rate) by either changing the rate or adding or changing fallback provisions related to the rate, is not a modification to the SBITA contract.

SBITA Modifications

54. A government should account for an amendment during the reporting period resulting in a modification to a SBITA contract as a separate SBITA (that is, separate from the most recent SBITA contract before the modification) if both of the following conditions are present:

a. The SBITA modification gives the government an additional subscription asset by adding access to more underlying IT assets that were not included in the original SBITA contract.
b. The increase in subscription payments for the additional subscription asset does not appear to be unreasonable based on (1) the terms of the amended SBITA contract and (2) professional judgment, maximizing the use of observable information (for example, using readily available observable standalone prices).

55. Unless a modification is reported as a separate SBITA as provided in paragraph 54, a government should account for a SBITA modification by remeasuring the subscription liability. The subscription asset should be adjusted by the difference between the remeasured liability and the liability immediately before the SBITA modification. However, if the change reduces the carrying value of the subscription asset to zero, any remaining amount should be reported in the resource flows statement (for example, a gain).

SBITA Terminations

56. A government should account for an amendment during the reporting period resulting in a decrease in the government's right to use the underlying IT assets (for example, the subscription term is shortened or the underlying IT assets are reduced) as a partial or full SBITA termination.

57. A government generally should account for the partial or full SBITA termination by reducing the carrying values of the subscription asset and subscription liability and recognizing a gain or loss for the difference.

Financial Statements Prepared Using the Current Financial Resources Measurement Focus

58. If a SBITA is expected to be paid from general government resources, the SBITA should be accounted for and reported on a basis consistent with governmental fund accounting principles.

59. An expenditure and other financing source should be reported in the period the subscription asset is initially recognized. The expenditure and other financing source should be measured as provided in paragraphs 16–18. Subsequent governmental fund subscription payments should be accounted for consistent with principles for debt service payments on long-term debt.

Notes to Financial Statements

60. A government should disclose in notes to financial statements the following information about its SBITAs (which may be grouped for purposes of disclosure) other than short-term SBITAs:

a. A general description of its SBITAs, including the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined
b. The total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets
c. The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability
d. The amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability
e. Principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter
f. Commitments under SBITAs before the commencement of the subscription term
g. The components of any loss associated with an impairment (the impairment loss and any related change in the subscription liability, as discussed in paragraph 41).

61. For disclosure purposes, subscription liabilities are not considered debt that is subject to the disclosure requirements in Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

EFFECTIVE DATE AND TRANSITION

62. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

63. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years presented. If restatement for prior fiscal years is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest fiscal year restated. In the first fiscal year that this Statement is applied, the notes to financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior fiscal years presented should be disclosed.

64. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. If applied to earlier fiscal years, those assets and liabilities should be recognized and measured using the facts and circumstances that existed at the beginning of the earliest fiscal year restated. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

The provisions of this Statement need not be applied to immaterial items.

This Statement was issued by unanimous vote of the seven members of the Governmental Accounting Standards Board.

David A. Vaudt, *Chairman*
Jeffrey J. Previdi, *Vice Chairman*
James E. Brown
Brian W. Caputo
Michael H. Granof
Kristopher E. Knight
Carolyn Smith

Appendix A

BACKGROUND

A1. Subscription-based information technology arrangements (SBITAs) have become prevalent in the government environment as state and local governments continue to migrate away from traditional information technology (IT) arrangements based on a purchasing and perpetual licensing model. A SBITA conveys control of the right to use a SBITA vendor's IT assets, and the arrangement commonly includes provisions such as remote access to software applications or cloud data storage. A SBITA differs from a traditional technology arrangement covered by existing guidance in that it allows temporary use that ends when the subscription expires. Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* as amended, does not address accounting for SBITAs. Section Z.51 in *Implementation Guide No. 2015-1,* as amended, addressed only certain aspects of accounting for purchased computer software. The scope of Statement No. 87, *Leases,* as amended, excludes leases of intangible assets, such as SBITAs that provide governments with the right to use vendors' IT software.

A2. The Financial Accounting Standards Board (FASB) issued Accounting Standards Updates No. 2015-05, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement,* and No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* The FASB guidance treats arrangements that are similar to a SBITA as either a licensing arrangement or a service contract but requires the capitalization of certain implementation costs. No specific guidance for SBITAs was identified in other authoritative literature. In the absence of specific guidance for SBITAs in GASB literature, accounting and financial reporting for SBITAs has been inconsistent. One outcome of that inconsistency has been an increase in the number of technical inquiries the GASB has received in recent years regarding accounting for SBITAs.

A3. At their March 2017 meeting, members of the Governmental Accounting Standards Advisory Council (GASAC) ranked IT arrangements, including cloud computing, in the top four among all pre-agenda research activities and potential standards-setting topics in the GASB's technical plan. The GASAC mem-

bers who specifically commented on the possibility of performing pre-agenda research on those types of transactions were favorable to that potential addition. The Board approved the start of pre-agenda research in April 2017.

A4. Pre-agenda research was conducted to determine whether specific guidance was needed for SBITAs and to identify key accounting issues relating to them. The GASB conducted interviews with government IT officials and industry IT experts and administered surveys to financial statement preparers and auditors. That research found diverse opinions as to the classification and accounting treatment of SBITAs. Survey results showed that preparers and auditors were analogizing to Statement 51, as amended, Statement 87, as amended, Concepts Statement No. 4, *Elements of Financial Statements,* and FASB Update 2015-05. Diversity in practice also was exhibited in the accounting for implementation costs related to SBITAs.

A5. Based on findings from the pre-agenda research, the Board added the SBITA project to the current technical agenda in April 2018. The purpose of the project was to provide stakeholders with specific guidance related to the accounting and financial reporting for SBITAs. The Board began deliberations in August 2018. Additional outreach was conducted throughout the project to better understand different aspects of the transactions and needs of the stakeholders. Feedback received from the GASAC members at their November 2018 and March 2019 meetings also was considered during the Board's deliberations.

A6. In May 2019, the Board issued an Exposure Draft, *Subscription-Based Information Technology Arrangements.* The Board received 35 written responses to the Exposure Draft from organizations and individuals. As discussed in Appendix B, comments and suggestions from stakeholders contributed to the Board's deliberations in developing the requirements of this Statement. In addition, further feedback was provided by GASAC members at their October 2019 and March 2020 meetings. The Board's consideration of the individual feedback from the GASAC members throughout the development of this Statement is incorporated throughout Appendix B. When project issues are discussed with the GASAC members, they do not take formal positions, either in support or opposition, with regard to those issues.

Appendix B

BASIS FOR CONCLUSIONS

Introduction

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

General Approach and Relationship with Other Statements

B2. The Board developed the guidance in this Statement based on the GASB's conceptual framework and relevant accounting standards and, when needed, developed additional guidance to address specific issues identified by stakeholders through pre-agenda research and outreach activities. Paragraph 4 of Statement 87 defines a lease as "a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction" (footnote reference omitted). The Board noted that in a SBITA, the contract (a) grants a government control of the right to use a SBITA vendor's IT assets for a period of time and (b) requires the government to pay the SBITA vendor a subscription fee for that right. The Board believes that because the key characteristics of a SBITA resemble those of a lease, the most appropriate and efficient approach to developing guidance for SBITAs is to incorporate into the SBITA standards all relevant guidance from Statement 87, as amended. Statement 87, as amended, was based on the foundational principle that leases are financings, and the Board believes that SBITA transactions also meet this principle.

B3. Based on that approach, the Board reviewed the topics covered in Statement 87, as amended, and established three criteria as indicators of whether guidance for a particular topic also should be included in this Statement. The three criteria evaluated were whether a topic is (a) relevant to SBITAs, (b) prevalent in practice, and (c) a key issue identified by stakeholders in the pre-agenda research.

B4. One of the key issues identified by stakeholders in the pre-agenda research for SBITAs was accounting for implementation costs and other associated outlays. Stakeholders' views differed on whether to capitalize those outlays. Statement 51, as amended, provides guidance for whether and when to capitalize outlays incurred at different stages when a government internally generates computer software. Accordingly, the Board considered whether those capitalization criteria should be incorporated into the SBITA standards and decided it was appropriate to do so, as discussed in paragraphs B36–B48.

Scope and Applicability

B5. This project initially was intended to address all IT arrangements, including cloud computing. However, informed by feedback from the additional outreach activities conducted after the project started, the Board decided it was necessary to reconsider the scope of the project.

B6. Two primary factors informed the Board's decision to limit the scope of the project to SBITAs only, rather than to all IT arrangements. First, even though this project provides an opportunity to develop comprehensive standards for all IT arrangements, the Board believes that new guidance is not needed for all types of IT arrangements. Statement 51, as amended, and related implementation guidance already provide comprehensive guidance for internally generated computer software and commercially available software acquired through perpetual licensing agreements. Second, stakeholders generally view SBITAs differently from traditional perpetual licensing or purchasing arrangements because SBITAs only grant a government the right to use a vendor's IT assets for a limited period specified in a SBITA contract and do not allow a government to own or to use a vendor's IT assets indefinitely. Therefore, much of the guidance in Statement 51, as amended, cannot easily be applied to SBITAs. During the GASB's additional outreach, some stakeholders asserted that this project

should focus on SBITAs because diversity in practice implies a need for specific guidance. Some stakeholders also were concerned that if the scope of the project was too broad, the final standards would not be available for an extended period of time.

B7. Some respondents to the Exposure Draft questioned the exclusion of perpetual licensing arrangements from the scope of this Statement, as described in paragraph 4d. The Board believes that perpetual licensing arrangements do not satisfy the definition of a SBITA. Perpetual licensing arrangements are indefinite, whereas SBITAs are for a finite period of time in a contract. Some arrangements may be labeled by vendors as *subscriptions* because they involve an installment plan, but those arrangements do not, in fact, meet the definition of a SBITA because they grant a perpetual license for the right to use software indefinitely rather than for a finite period of time. Therefore, the Board concluded that the scope of this Statement should exclude perpetual licensing arrangements.

B8. Another issue considered by the Board was whether there is a need to establish guidance for governments that act as vendors in SBITAs. The Board noted that certain governments may become SBITA vendors that provide the right to use their own IT assets for other entities. However, research conducted by the GASB for IT arrangements, including cloud computing, did not find that governments acting as vendors were prevalent in practice at this time. Therefore, the Board concluded that this Statement applies to government end users but does not apply to governments that provide the right to use their IT assets to other entities through SBITAs.

B9. Some stakeholders expressed concern about the cost of applying the guidance to "small ticket" SBITAs that have a low dollar value relative to other capital assets. The Board concluded that a threshold should not be set to specifically exclude small ticket SBITAs from the scope of this Statement. The Board believes that the determination of whether the provisions of this Statement apply to the accounting and financial reporting of a particular SBITA should be left to professional judgment, taking into consideration materiality guidance provided in Questions 7.4.1 and 7.9.8 in Implementation Guide 2015-1. Similarly, some stakeholders questioned whether there should be a minimum number of user seats before a SBITA is recognized. Although more user seats may result in higher payments, the Board believes that significance should not be based on the number of user seats alone.

B10. Some respondents to the Exposure Draft requested clarification of a perceived overlap in scope between Statement 87, as amended, and the SBITA guidance. The Board originally proposed in the Exposure Draft an additional exclusion to Statement 87, as amended. The proposal provided that contracts that meet the definition of a SBITA, which include IT hardware, would be excluded from the scope of Statement 87, as amended. However, after considering stakeholder feedback, the Board acknowledged that there was confusion about whether certain arrangements, such as leases of tangible capital assets with IT functions, would remain in the scope of Statement 87, as amended, or whether they would be excluded from the scope of Statement 87, as amended, and be subject to this Statement. Research and outreach conducted suggests that even though *IT* is a generally understood term, because IT or IT hardware is not defined in existing GASB literature, governments rely on their own professional judgment and capital assets policies to determine whether a tangible capital asset is IT related. Additionally, as "smart" technology becomes increasingly ubiquitous, many capital assets that generally have not had IT functions in the past have been transformed into or replaced with smart equipment, such as smart copiers and smart heating and air conditioning systems. The Board noted that, without clarifying what IT hardware is, there would continue to be confusion about whether leases of certain capital assets, such as smart copiers and laptops with operating systems, would be considered IT hardware and, therefore, would be within the scope of this Statement. However, defining an engineering term, like *IT hardware,* would be challenging from an accounting standards-setting perspective. To minimize the potential confusion, reduce complexity, and provide cost relief to governments, the Board decided to modify the SBITA definition and scope provisions proposed in the Exposure Draft.

B11. Those modifications consist of two clarifications. The first modification clarifies that all contracts that convey control of the right to use another party's tangible capital assets without a software component are not included in the SBITA definition by eliminating the reference to IT hardware and, therefore, keeps those contracts within the scope of Statement 87, as amended. In the Exposure Draft, the definition of a SBITA included *IT infrastructure.* The Board decided that the term *IT infrastructure* also should be removed to eliminate ambiguity around whether that terminology encompasses both IT software and tangible capital assets. The second modification clarifies that tangible capital assets that are part of a contract that also includes IT software, in which the cost of the software component is insignificant when compared to the cost of the underlying tangible capital assets, is outside the scope of this Statement and, therefore, keeps those arrangements within the scope of Statement 87, as

amended. In addition, because of the challenges and complexities associated with defining IT hardware, the Board concluded that the term *IT hardware* in the proposed definition of a SBITA in the Exposure Draft should be replaced with the term *tangible capital assets.*

B12. Because the definition of a lease covers all nonfinancial assets including tangible capital assets, the Board believes that the revised definition of a SBITA, which does not include stand-alone tangible capital assets, would reduce governments' burden to determine which of their stand-alone tangible capital assets should be classified as IT hardware and included in the scope of this Statement. The Board acknowledges that many tangible capital assets contain a pre-installed software component (such as an operating system) or are connected to an IT system (such as smart equipment). Therefore, the Board believes it is necessary to exclude from the scope of this Statement those contracts with a combination of both IT software and tangible capital assets, in which the cost of the software component is insignificant relative to the cost of the underlying tangible capital assets. The Board noted that assessing whether the cost of a software component is insignificant still requires professional judgment. However, that assessment is an accounting issue, whereas determining whether specific tangible capital assets are IT related is an engineering issue. With those two modifications to the SBITA definition and scope provisions, tangible capital assets with either no software component or an insignificant one would remain subject to the leases guidance. As a result of those modifications, software becomes the main focus of this Statement.

SBITA Definition

B13. Based on the research conducted, the Board noted that all SBITAs have the following defining characteristics: (a) they are for the temporary use rather than ownership of IT assets, (b) they grant a government control of the right to use a SBITA vendor's IT assets, and (c) they are exchange or exchange-like transactions. Those characteristics are similar to those of a lease, a contract that also is based on the right to use an underlying asset. Therefore, the Board decided that the definition of a SBITA should resemble that of a lease. An arrangement that does not grant control of the right to use the underlying IT assets and, thus, does not meet the conceptual definition of an asset, also would not meet the definition of a SBITA. The Board concluded that this Statement is not intended to clarify the treatment for arrangements that do not meet the definition of a SBITA. Similarly, the Board believes that a contract should be evaluated for accounting as a SBITA based on the substance of the

arrangement rather than the label on the contract. For example, a contract may be called a lease, but the underlying asset is primarily IT software. While that contract may not use the term *subscription,* it would be accounted for as a SBITA if it meets the definition.

B14. One example of a typical SBITA is a cloud computing arrangement. The three most common deployment models for cloud computing are Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS). All three models involve a SBITA vendor providing the customer with the right to use the SBITA vendor's IT resources, including its software application and cloud infrastructure (including network, servers, operating systems, storage, and other tools). SaaS provides a customer with the ability to use a SBITA vendor's applications (software) through a cloud infrastructure. PaaS allows a customer to use a SBITA vendor's tools or coding language (software) to create applications that will run on the SBITA vendor's cloud infrastructure. IaaS allows a customer to remotely access the SBITA vendor's network, server, and other fundamental computing tools to process, store, and operate the customer's data. Although those cloud computing deployment models are referred to by many as "as a Service," the economic substance of those arrangements is, in fact, the right to use vendors' IT assets. The reference to "services" in those models highlights the fundamental difference between the subscription models and the traditional purchasing and perpetual licensing models.

B15. Many SBITAs also include service components, such as routine maintenance and minor updates. However, the primary component of those SBITAs is the right to use the underlying IT assets, rather than the service components. The presence of the service components does not change the fundamental nature of those SBITAs.

B16. Some firms contract with governments solely to provide IT support services. Those services typically aim to streamline or enhance overall user experience, to provide training for end users' employees, or to provide off-site live troubleshooting for end users of the IT assets provided by a specific SBITA vendor. Those firms sometimes are referred to as the "partners" in the cloud computing "eco-system." Some SBITA vendors also rely on those service firms to provide after-sale IT support to SBITA end users.

B17. If a firm solely provides IT support services, those support services may be analogized to maintenance services provided for the benefit of a lessee. Paragraph 6 of Statement 87 specifically excludes contracts for services from the definition of a lease, unless those contracts contain both a lease component

and a service component. The Board concluded that this Statement should take the same approach as Statement 87, as amended. Thus, the definition of a SBITA excludes contracts that solely provide IT support services. However, the contracts that contain both a right-to-use IT asset component and an IT support services component are included in the scope of this Statement.

B18. Some arrangements may involve another party instead of a one-to-one relationship between the government and the SBITA vendor. Some respondents to the Exposure Draft sought clarification on whether this Statement would apply to arrangements in which the government does not have direct rights to the underlying IT assets from the SBITA vendor. The Board concluded that the applicability of this Statement to those situations would depend on the specific facts and circumstances to determine whether the various criteria in the definition of a SBITA are met.

Subscription Term

B19. This Statement provides that a fiscal funding or cancellation clause in a SBITA should affect the subscription term only if it is reasonably certain that the clause will be exercised. Some respondents to the Exposure Draft requested clarification about whether such a clause should be evaluated only at the commencement of the subscription term or at commencement and periodically thereafter. The Board noted that a fiscal funding or cancellation clause is equivalent to a cancellation option in a SBITA. This Statement requires that a government, at the commencement of the subscription term, assess all factors relevant to the likelihood that the government or the SBITA vendor will exercise an option. Furthermore, this Statement requires that a government reassess the subscription term only if one or more of the three scenarios described in paragraph 12 of this Statement subsequently occur. Therefore, the Board concluded that additional clarification was not necessary.

Short-Term SBITAs

B20. Pre-agenda research indicated that the length of a SBITA term may vary from several months to 10 years but generally is from 1 to 5 years. The length of the term may be affected by the size of the SBITA vendor, the needs of the government, and the intended function of the subscribed IT assets.

B21. In Statement 87, as amended, an exception to the recognition, measurement, and disclosure requirements is provided for short-term leases. That

exception was intended to provide cost relief based on the Board's considerations that the financing component would be much less significant in lease contracts of 12 months (or less). Statement 87, as amended, defines a short-term lease using the term *maximum possible term* rather than *lease term*. As discussed in paragraph B29 of Statement 87, "The use of *maximum possible term* in the definition removes the effect of potential options to extend or terminate the lease on the classification of a lease as short term. Maximum possible term assumes that all options to extend would be exercised and inherently would exclude all options to terminate." In accordance with the provisions for short-term leases in Statement 87, as amended, no capital asset or long-term liability should be recognized by a lessee. Instead, the short-term lease payments are required to be recognized as outflows of resources based on the payment provisions of the lease contract. In addition, there are no specific disclosure requirements for short-term leases, providing further cost relief.

B22. The Board believes a SBITA with a maximum possible term of 12 months (or less) is similar to a short-term lease, and, therefore, a similar exception is provided for those SBITAs based on similar cost-benefit considerations. Consistent with the provisions in paragraph 17 of Statement 87, this Statement requires that a government in a short-term SBITA recognize subscription payments as outflows of resources (for example, expense) based on the payment provisions in the SBITA contract, rather than recognizing a subscription asset and subscription liability.

B23. Some respondents to the Exposure Draft expressed concerns about the provisions that distinguished cancellable periods from noncancellable periods and described the maximum possible term. Those respondents questioned the determination of the subscription term if both the government and the SBITA vendor have the option to cancel the contract. The same concern was raised about paragraph 16 of Statement 87, which led to the issuance of Question 4.19 in Implementation Guide No. 2019-3, *Leases.* That question clarifies the provisions for the lease term regarding cancellable periods (paragraph 12 of Statement 87), which states, "Periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party (or if both parties have to agree to extend) are cancelable periods and are excluded from the lease term." Based on the concerns raised by respondents and the additional clarification provided by the leases Implementation Guide question, the Board concluded that similar guidance was needed for SBITAs and, therefore, decided to provide language in paragraph 13 of this Statement that clarifies the maximum possible term provisions for a short-term SBITA.

Recognition of a Subscription Asset and a Subscription Liability

B24. A key issue identified in the pre-agenda research was whether a SBITA should result in recognition of an asset and a liability or an expense for the government. In paragraph 8 of Concepts Statement 4, assets are defined as "resources with present service capacity that the government presently controls." Paragraph 10 of Concepts Statement 4 also states that "an asset may be tangible and have physical form, such as buildings and equipment, or may be intangible, such as the right to use intellectual property. It remains an asset only so long as it is still capable of providing services." At the commencement of a SBITA subscription term, a government obtains control of the right to use a SBITA vendor's IT assets by paying a subscription fee for access to those IT assets. The "right to use" is a resource that provides present service capacity to the government. That right to use may be the right to access the SBITA vendor's computing tools, or the right to run the SBITA vendor's cloud-based application (software) via internet access, or both. Paragraph 12 of Concepts Statement 4 explains that a government has control of the asset if it "has the ability to determine whether to (a) directly use the present service capacity to provide services to citizens; (b) exchange the present service capacity for another asset, such as cash; or (c) employ the asset in any of the other ways it may provide benefit." Within the confines of the contract, it is at the discretion of the government to decide whether, and to what extent, it will use the SBITA vendor's IT assets. In other words, the government has control over the nature and manner of the right to use the underlying IT assets, despite the SBITA vendor owning the IT assets. The Board noted that either the government or the SBITA vendor could have possession of the underlying IT assets associated with a SBITA. The Board concluded that a government's right to use the underlying IT assets resulting from a SBITA meets the definition of an asset in Concepts Statement 4 and, therefore, should be recognized as a *subscription asset.*

B25. Paragraph 17 of Concepts Statement 4 defines liabilities as "present obligations to sacrifice resources that the government has little or no discretion to avoid." Paragraph 18 of Concepts Statement 4 provides that liabilities generally cannot be avoided because they are legally enforceable, meaning that a court can compel the government to fulfill its obligation. That paragraph also states that "Generally, legally enforceable liabilities arise from legislation of other levels of government or contractual relationships, which may be written or oral. . . . For exchange transactions, the obligation becomes a liability and

legally enforceable when the underlying exchange takes place.'' In addition, paragraph 22 of Concepts Statement 4 states that ''For an obligation to be a liability, it should be a present obligation. The event that created the liability has taken place.''

B26. This Statement requires that a government recognize a subscription liability and subscription asset at the commencement of the subscription term, which occurs when the subscription asset is placed into service. The commencement of the subscription term may be later than the date on which the SBITA contract takes effect (the inception of the SBITA contract) because of the time needed for implementation. That provision is similar to Question 4.12 in Implementation Guide 2019-3, which indicates that the commencement of the lease term for a building that is under construction is when the certificate of occupancy is issued. The Board believes that a government does not have present service capacity of a SBITA until the initial implementation stage is completed because the government does not have control of the right to use the underlying IT assets until that time. Additionally, in some cases, a SBITA has multiple modules and the modules are not placed into service at the same time. In those instances, a subscription asset is placed into service when the first independent module or the first set of interdependent modules is implemented, as described in paragraph 30 of this Statement. The Board believes that a government has present service capacity for the subscription asset even though not all modules have been placed into service at that point, which is a scenario similar to a tangible capital asset under a lease that is under construction.

B27. Payments to a SBITA vendor may begin at the inception of a SBITA contract, when the SBITA vendor provides the government with access to the underlying IT assets, rather than when the government begins to use those IT assets. That is because a government often needs to complete an implementation process to make its own tangible capital assets or software compatible with the SBITA vendor's IT assets. As previously noted, the Board believes that it is not until that implementation process is complete that the government obtains control of the right to use the underlying IT asset, at which time the subscription asset is placed into service. Even though a government can start making payments to the SBITA vendor prior to the completion of the initial implementation stage, the Board believes that only when the subscription asset is placed into service does the obligation to make payments to the SBITA vendor become a present obligation. Accordingly, the Board concluded that the

government's present obligation to make payments to a SBITA vendor at or after the commencement of the subscription term meets the definition of a liability in Concepts Statement 4 and, therefore, should be recognized as such.

B28. Some respondents to the Exposure Draft requested clarification regarding the initial implementation stage as it relates to when a subscription asset is placed into service. The Board believes that the subscription asset is not placed into service until the SBITA is configured, tested, and made compatible with a government's existing IT assets to allow the government to obtain control of the right to use the underlying IT assets. The threshold for when initial implementation for a SBITA is considered complete determines when the subscription asset is considered to have been placed into service, at which time the subscription term commences. Therefore, the Board included language in paragraph 15 that clarifies the measurement and amortization of the subscription asset.

Subscription Liability

B29. Provisions for the measurement of a subscription liability generally are based on those of a lease liability in paragraph 21 of Statement 87. However, items that the Board determined are not applicable to SBITAs are excluded. Specifically, SBITAs do not include provisions for residual value guarantees or purchase options and, consequently, such features are not included in the measurement of a subscription liability.

B30. Some respondents to the Exposure Draft requested clarification regarding measurement of the subscription liability if payment amounts depend on the number of licensees or user seats, which are indications of how many of a government's employees can use the underlying IT assets. The Board believes that those types of payments are like variable payments based on usage of the underlying IT assets. Therefore, the Board decided to specifically refer to user seats in the description of variable payments that are not included in the initial measurement of the subscription liability. Additionally, there could be other factors on which variable payments are based. The Board decided to clarify that other types of variable payments, except those that depend on an index or a rate, should not be included in the initial measurement of the subscription liability.

B31. Some respondents to the Exposure Draft suggested that the SBITA liability be measured based on undiscounted payment amounts instead of at present value. Although that suggestion would eliminate some costs associated with applying this Statement, the Board believes that measuring the SBITA liability at present value is consistent with the foundational principle of a SBITA as a financing, and the expected benefit of recognizing the cost of financing justifies the cost of calculating the present value. Other respondents to the Exposure Draft requested additional alternatives for the discount rate, such as a municipal bond index rate. Regarding SBITAs, the Board believes that using a uniform rate for all governments in this situation would not be a faithful representation of the actual arrangements that are entered into by governments with different risk profiles and credit standings.

B32. This Statement requires that in subsequent reporting periods, a government's subscription payment be allocated first to the accrued interest liability and then to the subscription liability. That requirement is consistent with Statement 87, as amended. This Statement does not specify how payments allocated to the accrued interest liability should be classified in the statement of cash flows because the Board believes that guidance already is provided in Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* as amended. A SBITA other than a short-term SBITA results in the government recording an intangible subscription asset.

Subscription Asset

Measurement

B33. A SBITA vendor often requires a government to make payments associated with the SBITA contract before the commencement of the subscription term, even though the subscription asset has not been placed into service. Additionally, a government might make payments for capitalizable initial implementation costs prior to commencement of the subscription term. The Board believes such payments are similar in nature to the payments made by a lessee prior to the commencement of a lease, as addressed in Question 4.32 in Implementation Guide 2019-3. Given the similar nature of leases and SBITAs, the Board believes that in the context of a SBITA, payments made to the SBITA

vendor as well as payments made for capitalizable initial implementation costs prior to the commencement of the subscription term should be accounted for as prepayments in the same manner as leases, as described in paragraph 26 of this Statement.

B34. Paragraph 501 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* states that "assets and liabilities should not be offset in the statement of net assets except where a right of offset exists" (footnote reference omitted). The Board believes that prepayments to, and incentives from, different vendors is not a circumstance "where a right of offset exists." To avoid a misunderstanding of the provision in paragraph 26, which requires a prepayment to be reduced by an incentive, the Board concluded that a prepayment made by a government only can be reduced by an incentive received from the same SBITA vendor, that is, when a right of offset exists.

B35. Some respondents to the Exposure Draft requested clarification on the measurement and amortization of a subscription asset if the implementation period for a SBITA spans multiple years. The Board believes the addition of clarifying language regarding when the subscription asset is placed into service, as discussed in paragraph B28, adequately addresses SBITAs for which implementation spans multiple years.

Outlays Other Than Subscription Payments, including Implementation Costs

B36. Accounting for implementation costs was another key issue identified by stakeholders during the pre-agenda research. Such costs may include configuration, coding, data conversion, data migration, testing, and other ancillary charges that are necessary for the government to prepare its system for accessing the subscribed IT assets. The Board considered providing a definition or description of implementation costs in this Statement. However, stakeholders interviewed during the pre-agenda research generally had a common understanding of what implementing a SBITA entails and what the costs of implementation may include. The Board is concerned that a definition or description of implementation costs would have to be broad enough to encompass all types of SBITAs and to continue to be relevant as technology evolves. In addition, the Board noted that this Statement provides guidance on the

stages of implementing a SBITA and believes that guidance is sufficient for a government to identify its implementation costs. Therefore, the Board concluded that it is not necessary to provide a definition or description of implementation costs in this Statement.

B37. Statement 51, as amended, groups activities associated with internally generated computer software into three stages: (a) preliminary project stage, (b) application development stage, and (c) post-implementation/operation stage. The Board believes it also is necessary to consider all activities in the life cycle of a SBITA, other than making subscription payments, and group them into stages similar to the stages in Statement 51, as amended. The types of activities undertaken to internally generate computer software can be different from the types of activities needed to prepare a government's own system for a SBITA. However, despite the differences, the three stages help depict the general chronological order of the typical activities undertaken in both circumstances.

B38. Analogizing to the guidance in Statement 51, as amended, the Board decided that the first stage for a SBITA also should be referred to as the *preliminary project stage,* which includes those activities that ultimately lead to the final selection of the technology and SBITA vendor. The second stage of implementing a SBITA, however, reflects a difference from the second stage for internally generated computer software. Therefore, the Board believes the term *initial implementation stage* more appropriately reflects the activities in this stage for a SBITA. In the Board's view, the third stage is similar for both internally generated software and a SBITA because activities in this stage would include those associated with a government's ongoing operations. Those operations occur either after the computer software has been generated or after a SBITA has been placed into service. However, a government may conduct additional implementation activities to enhance the efficiency or functionality of a subscription asset that has been placed into service, as described in paragraph 40. In instances in which a SBITA has multiple modules, a government also may incur subsequent implementation outlays related to additional modules, as described in paragraph 30. Based on the nature of the different types of activities that can be undertaken at this stage, the Board concluded that using the term *post-implementation* from Statement 51, as amended, in the stage title could be confusing in the context of SBITAs. For the same reason, the Board also concluded that the phrase *additional implementation* should be added to the stage title to indicate that this stage includes both

operational and additional implementation related activities. As a result of these differences, the Board decided that the most appropriate title for the third stage of SBITAs should be *operation and additional implementation stage.*

B39. In Statement 51, as amended, the costs of activities performed in the preliminary project stage are required to be expensed as incurred because it is not until the activities in that stage are completed and management commits to funding the SBITA that the outlays meet the definition of an asset. The Board believes the same logic applies to a SBITA and, therefore, concluded that the costs of activities in the preliminary project stage of a SBITA should be expensed as incurred. Similarly, Statement 51, as amended, requires expensing the costs of activities that occur in the post-implementation/operation stage as they are incurred, unless they meet the capitalization criteria described in paragraph 15 of that Statement. The Board believes that a similar approach with clarifications is appropriate for SBITAs and, therefore, provides guidance in this Statement based on that provision in Statement 51, as amended.

B40. Statement 51, as amended, requires capitalization of the costs associated with activities in the application development stage. Paragraph 18 of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* as amended, states that "The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use." Additionally, paragraph 30 of Statement 87 requires that "initial direct costs that are ancillary charges necessary to place the lease asset into service" be included in the initial measurement of a lease asset. The Board believes the costs of the activities in the second stage of a SBITA life cycle—the initial implementation stage—are similar in nature to ancillary charges for a capital asset as described in Statement 34, as amended, and for a lease asset as described in Statement 87, as amended. The costs of those activities often are referred to as implementation costs for SBITAs. The Board believes implementation costs add to the value of a subscription asset because, like ancillary charges, they are necessary for the government to place the subscription asset into service. The Board noted that implementation costs can be part of a SBITA's main contract with the SBITA vendor or included in a separate contract with another outside party unrelated to the SBITA vendor. Additionally, implementation costs could include staff costs of the government other than training. Regardless of who is associated with the implementation activities, the Board believes the nature of

implementation costs is the same and the accounting should not differ. Based on those considerations, the Board concluded that costs incurred in the initial implementation stage of a SBITA should be capitalized as part of the subscription asset.

B41. Some respondents to the Exposure Draft requested clarification of the initial implementation stage for SBITAs with more than one module. As previously noted, the Board decided that the commencement of the subscription term, as well as the beginning of the amortization period, is the point at which the initial implementation is completed for the first independently functional module or for the first set of interdependent modules, regardless of whether implementation of the entire SBITA has been completed. The Board believes that is the point at which the SBITA vendor has delivered control of the right to use the underlying IT assets. Additionally, the Board noted that is the point at which the SBITA vendor generally would start charging the full amount of subscription payments.

B42. The Board acknowledges that if a SBITA has more than one module, activities in the three stages of implementation described in paragraph 29 of this Statement may occur in a different sequence for each module. Additionally, a government may decide to implement another module that was included in the original SBITA contract, enter into a new SBITA contract for an additional module, or add another module through a modification of the original SBITA contract, after all three stages of the original SBITA have been completed. In those situations, the provisions described in paragraphs 38–40 of this Statement also should apply because there could be significant additional costs that increase the functionality or efficiency of the subscription asset.

B43. Paragraph 10c of Statement 51 includes *application training* as an example of activities in the post-implementation/operation stage, the last stage of developing and installing internally generated computer software. As previously noted, Statement 51, as amended, provides that outlays that are incurred in the first and last stages should be expensed, and outlays incurred in the second stage—the application development stage—should be capitalized. However, paragraph 14 of Statement 51 states that ‘‘outlays associated with application training activities that occur during the application development stage should be expensed as incurred.’’ This effectively requires all application training costs to be expensed as incurred, regardless of the stage in which the training costs were incurred.

B44. In addition, the answer to question Z.51.15 in Implementation Guide 2015-1 provides that the training of employees involved with developing internally generated computer software should not be considered an activity of the application development stage, and, therefore, the related outlays should be expensed as incurred. The explanation provided in that answer states that "although the skills obtained by the employees through the training may facilitate the development of the computer software, the training itself does not further the development of the software and does not otherwise contribute to putting the software in condition for use."

B45. The Board noted that some governments may incur significant outlays associated with training during the initial implementation stage and the operation and additional implementation stage of SBITAs. The Board considered whether it would be appropriate to separate those training-associated outlays into two types: (a) outlays associated with developing or acquiring training materials and (b) outlays associated with all other training activities, in order to determine whether it would be appropriate to capitalize the first type and expense the second type. However, the Board noted that training-associated outlays are not unique to SBITAs. Rather, governments can incur training-associated outlays under many other circumstances, and the respective accounting treatments are part of a broader topic: capitalization criteria for training costs and other similar costs. The Board also noted that there is no conceptual basis to treat training-associated outlays for SBITAs differently from those for internally generated computer software covered in Statement 51, as amended. Therefore, the Board does not believe it is appropriate to address the topic of capitalization criteria for training costs in this Statement. As a result, the Board concluded that the guidance for training-associated outlays in the context of SBITAs should be consistent with that guidance in Statement 51, as amended.

B46. Some respondents to the Exposure Draft disagreed with the requirement to expense training costs regardless of the stage in which they are incurred. A respondent suggested that the initial training costs be capitalized as an ancillary charge because initial training is required by some SBITA contracts as part of the initial implementation for the SBITA. The Board acknowledges that scenario could be an issue for governments. However, in the context of a SBITA, even though certain employees may be required by the contract to obtain training and show a certain aptitude with the SBITA vendor's IT assets before the vendor considers the government to have obtained the necessary skills to use its IT assets, the training itself does not contribute to the present service capacity of the subscription asset. Another issue raised was that in some SBITAs, initial training costs are included in a lump sum price for the vendor's

set of deliverable services and those costs cannot be separated from the other initial implementation costs; therefore, initial training costs should be capitalized rather than expensed. After considering those comments, the Board believes that the guidance to address those scenarios is provided in the provisions addressing contracts with multiple components.

B47. Some respondents to the Exposure Draft questioned whether data conversion costs should be capitalized as part of the initial implementation of a SBITA if they are necessary to place the subscription asset into service. The Board noted that a similar issue was addressed in paragraph 10 of Statement 51, which states, "Data conversion should be considered an activity of the application development stage only to the extent it is determined to be necessary to make the computer software operational. . . ." The Board considered the differences between *placed into service* and *operational* and believes a SBITA is operational when the subscription asset is placed into service. Similar to the consideration in paragraph 68 of Statement 51, the determination of whether data conversion activities are necessary to make the subscription asset operational and, therefore, are an activity of the initial implementation stage, may require professional judgment and may depend on the nature of the subscription asset and its intended use. Additional data conversion that is needed after the initial implementation stage may not be of the same nature as the data conversion necessary for the initial implementation of a SBITA. Data conversion can be part of the government's routine operation, once the new system under the SBITA has been set up to process noncritical data left in the government's legacy system. After considering the questions raised by those respondents, the Board included language in paragraph 31 of this Statement to more clearly address when costs associated with data conversions should be capitalized.

B48. As discussed in paragraph B23 of this Statement, some respondents to the Exposure Draft expressed concerns about expensing implementation costs for SBITAs that are determined to be short term because either party has the option to cancel the SBITA contract without notifying the other party. However, as previously discussed, this Statement provides that no capital asset or long-term liability should be recognized for a short-term SBITA. The Board believes it would be inappropriate to capitalize ancillary charges necessary to place a subscription asset into service if a subscription asset is not recognized. Consequently, the Board concluded that implementation costs for a short-term SBITA should be expensed as incurred.

Impairment

B49. The Board considered whether and how to provide comprehensive guidance for identifying, assessing, and measuring impairment of a subscription asset. Based on the pre-agenda research conducted about the nature of SBITAs, the Board believes it is uncommon for a subscription asset to be considered permanently impaired. As already discussed, for many governments, one of the advantages of the subscription model over the traditional purchasing or perpetual licensing models is the convenience of being able to rely on the SBITA vendor to ensure continuous access to the subscribed IT assets with minimum interruption. Even if there is a temporary interruption or system downtime for a government, contract provisions in SBITAs generally require the SBITA vendor to restore access to the system within a short period of time. Based on those considerations, the Board believes providing comprehensive guidance for impairment, including developing specific examples of impairment indicators, in the SBITA standards is not necessary. Statement 87, as amended, references Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* as amended, and, therefore, provides minimal additional guidance for impairment of a lease asset. The Board concluded that the same approach is appropriate for this Statement.

Incentives Provided by a SBITA Vendor

B50. Similar to subscription payments, incentives provided by a SBITA vendor may be fixed or variable. Paragraph 43 of this Statement provides that variable or contingent incentive payments are not included in the measurement of the subscription liability, just as variable subscription payments (other than those that depend on an index or a rate) are not included. Some respondents to the Exposure Draft requested further guidance on the treatment of those payments when they occur. After considering those comments, the Board clarified paragraph 43 to indicate which incentive payments generally should be factored into the present value of the subscription payments for the periods in which the incentive payments will be provided, when initially measuring the subscription liability.

Contracts with Multiple Components

B51. As previously noted from pre-agenda research and subsequent outreach activities, the Board recognized that many SBITA contracts have multiple components. Similar to a lease contract with multiple components, a SBITA contract may include a subscription component for the right to use a SBITA vendor's IT assets and a nonsubscription component, such as a separate perpetual licensing arrangement attached to a SBITA (which is excluded from this Statement as described in paragraph 4d), or SBITA vendor-provided IT support services. For example, a SBITA vendor may provide remote live troubleshooting services to a government's employees. Sometimes, a SBITA contract may include an itemized pricing schedule to reflect the price for each component. Other times, a SBITA contract does not provide itemized pricing and charges a single price for all components in the contract. In addition, the level of itemization in pricing schedules can vary significantly. Statement 87, as amended, generally requires that the components of leases be accounted for separately. However, an exception provided in paragraph 67 of Statement 87 allows a government to account for some or all components in the contract as a single lease unit "if it is not practicable to determine a best estimate for price allocation for some or all components in the contract. . . ."

B52. A SBITA with multiple modules may be considered to have multiple subscription components for the purposes of applying paragraphs 44–49 of this Statement. However, because the subscription term commences at the same time for all modules regardless of whether all modules are implemented at the same time (as described in paragraph 30 of this Statement), the Board concluded that separation of those components should not be required.

B53. In applying the rationale of Statement 87, as amended, the Board believes that even though there will be incremental costs associated with separating multiple components and allocating the contract price to those components, not separating multiple components may cause period expenses to be capitalized and a subscription liability to be recognized for services that have not been provided. However, the Board also acknowledges that there will be circumstances in which it is not practicable for governments to allocate prices due to the complex nature of SBITA contracts. Therefore, similar to Statement 87, as amended, the Board concluded it is appropriate to provide cost relief and a practical exception by allowing a government to report multiple-component contracts as a single SBITA if determining a best estimate to allocate the contract price is not practicable.

SBITA Modifications and Terminations

B54. The Board developed the modification and termination guidance for SBITAs based on the lease modification and termination guidance in Statement 87, as amended. Similar to leases, SBITA contracts may be modified during the subscription term. The parties may agree to extend the SBITA contract if, initially, there is no option to extend, payment amounts could be revised, or another underlying IT asset might be added to the SBITA contract. Additionally, a government and SBITA vendor might agree to terminate the contract prior to its scheduled end date, even if such a provision was not included in the SBITA contract before the modification. This Statement provides guidance for accounting for SBITA modifications and terminations because the Board believes the accounting for a SBITA contract should reflect changes in the provisions of the prior SBITA contract.

B55. Statement No. 93, *Replacement of Interbank Offered Rates,* amended Statement 87 to provide an exception to the lease modification guidance for contracts amended only to replace an IBOR with another rate by either changing the rate upon which variable payments depend or adding or changing rate fallback provisions. This Statement also provides measurement guidance for SBITAs that include variable payments that depend on an index or a rate; therefore, the Board concluded that SBITAs should have the same exception to the modification guidance. While the elimination of the IBORs is expected to occur before this Statement is effective, the Board concluded that this provision should be provided for governments that choose to early implement this Statement.

Financial Statements Prepared Using the Current Financial Resources Measurement Focus

B56. Statement 87, as amended, requires leases expected to be paid from general governmental resources to be accounted for and reported on a basis consistent with governmental fund accounting principles. The Board concluded that the same accounting and reporting principles should apply to SBITAs expected to be paid from resources of governmental funds.

B57. The Board developed the disclosure requirements for SBITAs based on the disclosure requirements for lessees in Statement 87, as amended. During the development of the leases standards, GASB outreach with users regarding the usefulness of proposed lessee disclosures suggested that all of the lessee disclosure requirements were considered to be essential to users' overall understanding and analyses of governmental financial statements. The similarities between the fundamental nature of SBITAs and leases suggest that information essential for users regarding leases also would be essential with respect to SBITAs. The Board believes that requiring similar disclosures for SBITAs will not add significant incremental costs because, at the time of implementation of this Statement, many governments already will have implemented the requirements in Statement 87, as amended, and will be familiar with the similar required note disclosures for SBITAs.

B58. The disclosures required for a government include a general description of its SBITAs and information about variable payments. The Board believes that information about variable payments is essential for financial statement users to understand that a government may be required to pay more for the use of the subscription asset than the amount recognized as a subscription liability. To provide users with information about the full cost of the SBITA, a government also is required to disclose the amount of outflows recognized in the period for variable subscription payments and other payments not previously included in the measurement of the subscription liability.

B59. Some respondents to the Exposure Draft suggested that certain disclosures may be overly burdensome. The Board acknowledges those concerns but believes that the disclosures of the total amount of the subscription assets and the principal and interest requirements to maturity both provide valuable information about the magnitude of the right-to-use asset recognized in a SBITA and the timing of the government's obligations to make subscription payments. Disclosure of outflows, such as termination penalties, that were not included in the measurement of the subscription liability provides information about the full cost of the SBITA. Additionally, the Board believes that any impairment loss components would infrequently occur, but disclosure of the impairment loss would be essential in explaining the resulting changes in the measurement of the subscription liability.

B60. Some respondents to the Exposure Draft raised concerns about the potential for their SBITA contracts to include a confidentiality provision that may prevent them from disclosing information required by this Statement about their SBITAs. Outreach by the Board indicated that standard contracts may include some confidentiality provisions for pricing and discount information and that the purpose of those terms typically is to prevent publicizing line item prices or discounts. The Board noted that the disclosure requirements for SBITAs apply only at the aggregated level and not to each individual SBITA contract. For example, only the total subscription liability for all of a government's SBITAs is required to be disclosed in the form of principal and interest requirements to maturity. The subscription liability is the present value of future subscription payments of all of a government's SBITA contracts, which is not the same as line item pricing for each individual SBITA contract. If a government has only one SBITA, the Board believes that because only the present value of the future subscription payments—the subscription liability—is required to be disclosed, rather than the allocation of the contract price to individual line items or discounts, there would not be conflicts between the disclosure requirements in this Statement and what the confidentiality provisions generally would cover, nor would the transparency of essential information about SBITAs be sacrificed.

B61. The Board considers the information included in the required disclosures essential. Nevertheless, in an effort to reduce the length of the disclosures for governments with many SBITAs, the Board believes that preparers will consider the significance of their SBITAs and use their professional judgment to decide whether it is appropriate to aggregate disclosures.

B62. The Board considered providing guidance in this Statement regarding the placement, aggregation, and display of the disclosures, specifically in relation to the leases and capital asset note disclosures. However, the Board previously has refrained from providing authoritative guidance on the placement of information within notes to financial statements. The Board also believes the note disclosures related to a subscription asset as an intangible asset should be provided in a similar manner as other major classes of assets that are similar in nature; however, the Board concluded that the location of SBITA information, whether presented with lease disclosures, capital asset disclosures, or separately, should be left to professional judgment.

Disclosures Considered but Not Required

B63. The Board considered all lessee disclosure requirements in Statement 87, as amended, but decided not to require certain disclosures that are not applicable to SBITAs. As previously mentioned, the Board decided not to require disclosures related to residual value guarantees or purchase options because they are irrelevant to SBITAs. The Board also decided not to require a government to disclose the amounts of the subscription assets by major classes of underlying assets, separately from other capital assets. For example, the amount of the subscription asset associated with the underlying tangible capital asset is not required to be separate from the amount of the subscription asset associated with the underlying IT software. The Board believes such disclosure is not essential to users' understanding of the subscription asset. The Board believes that the requirement to disclose the total amount of the subscription assets and the related accumulated amortization, separately from other capital assets, is sufficient information for users of financial statements.

Considerations Related to Benefits and Costs

B64. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for financial reporting is the assessment of the expected benefits and perceived costs. The Board strives to determine that its standards (including disclosure requirements) address a significant user need and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B65. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in accordance with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze new information to meaningfully inform their assessments and decisions.

B66. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has taken place. Nonetheless, the Board undertakes this assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

B67. The primary source of information on the expected benefits of this Statement is the pre-agenda research, which showed diversity in practice in accounting and financial reporting for SBITAs due to the lack of specific guidance for those transactions. Diversity in practice diminishes the comparability and, therefore, usefulness of reported financial information. The Board believes that this Statement reduces diversity in practice by providing specific, uniform guidance for SBITAs.

B68. During the pre-agenda research, stakeholders not only expressed a general concern about the lack of guidance for SBITAs but also identified key issues that the new guidance for SBITAs should address. The guidance in this Statement provides (a) a definition of a SBITA, (b) recognition and measurement guidance for SBITAs, (c) accounting guidance for implementation costs associated with SBITAs, and (d) note disclosure requirements for SBITAs. The Board believes the provisions in this Statement address key issues identified by stakeholders.

B69. Information that the Board considered regarding the perceived costs of implementing and complying with the provisions in this Statement came primarily from the anticipated costs of implementation and ongoing compliance of Statement 87, as amended. In developing Statement 87, the Board considered information on the perceived costs received from the Statement 87 task force, GASAC members, due process comments, public hearing testimony, and results from a field test of the proposed leases standards. In developing this Statement, the Board considered information on the perceived costs received from GASAC members and due process comments on the Exposure Draft. The Board recognizes that there will be costs incurred to implement and continue complying with the provisions of this Statement; however, the Board believes that preparers, auditors, and users familiar with the guidance in Statement 87, as amended, will be unlikely to incur significant incremental costs to understand and implement the provisions of this Statement. The Board believes the costs

likely will result from reviewing existing SBITAs, staff training, and system changes to track each SBITA contract. The Board believes that governments generally have fewer SBITA contracts than lease contracts, so governments generally will incur less cost to review existing SBITA contracts. Also, as previously noted, because many governments with leases already will have implemented the requirements in Statement 87, as amended, at the time of implementation of this Statement, the Board believes some governments may be able to use similar systems from their implementation of Statement 87, as amended, to implement this Statement.

B70. This Statement requires capitalization of certain implementation costs. The Board acknowledges the costs associated with identifying, analyzing, and capitalizing certain implementation outlays and considered respondent comments to the Exposure Draft regarding this requirement. However, the Board continues to believe that this accounting treatment is the most conceptually consistent and representative of the underlying transactions. The Board noted that the costs of complying with this requirement would include tracking implementation outlays and determining the nature of those outlays and in which stage they occur. Benefits include consistency with current capital asset guidance in which ancillary charges necessary to place an asset into service are capitalized. Additionally, because implementation costs can be significant relative to the subscription payments in a SBITA, recognition of those outlays communicates information to users about the total "initial amount" incurred associated with the subscription asset. The Board believes that the expected benefits of capitalizing certain implementation costs justify the perceived costs of implementing and complying with that requirement.

B71. Certain decisions made by the Board in developing this Statement were intended to provide some measure of cost relief for governments. The Board decided to incorporate exceptions similar to those in Statement 87, as amended, to reduce costs of implementation and ongoing compliance. Those include the provisions regarding:

a. The short-term SBITA exception, including not requiring disclosures related to short-term SBITAs
b. Allowing the stated contract prices to be used when allocating the contract price to multiple components of a SBITA, if those prices do not appear to be unreasonable
c. Allowing best estimates to be used for allocating the contract price to multiple components, if no separate prices are included in the contract or if stated prices appear to be unreasonable

d. The requirement to treat an entire multiple-component contract as a single SBITA if determining a best estimate is not practicable.

In addition, the transition provisions are similar to the transition provisions in Statement 87, as amended, and are intended to mitigate costs of implementation.

B72. The Board also made other decisions that were intended to provide cost relief. For example, based on respondent comments to the Exposure Draft, the Board modified the definition of a SBITA and the scope of this Statement, as discussed in paragraphs B10–B12, to keep both contracts with stand-alone tangible capital assets and contracts with a combination of a tangible capital asset and an insignificant software component within the scope of Statement 87, as amended, rather than in this Statement. Another example, discussed in paragraph B63 of this Statement, is the Board's decision not to require the disclosure of the amount of the subscription assets by major classes of underlying assets. In addition, as discussed in paragraph B77 of this Statement, the Board does not require initial implementation stage and operation and additional implementation stage capitalizable outlays incurred prior to transition to be capitalized as part of the subscription asset upon implementation of this Statement.

B73. The Board also considered the aggregate expected benefits and perceived costs associated with the entirety of the requirements in this Statement. The Board is cognizant that the costs of implementing the changes required by this Statement are unavoidable and may be burdensome for some governments. However, the Board believes that the expected benefits that will result from the information provided through implementation of this Statement are significant and justify the perceived costs of implementation and ongoing compliance.

Effective Date and Transition

B74. The effective date proposed in the Exposure Draft was for fiscal years beginning after June 15, 2021. Some respondents to the Exposure Draft suggested that the effective date for this Statement be delayed. However, the Board noted that the primary impetus for this Statement was to address arrangements that did not previously have guidance and were the cause of stakeholder inquiries. The Board believes that the original effective date would have allowed the new guidance to fill a gap in the previous literature and would have led to greater consistency in practice for those types of arrangements in

a timely manner. However, as a result of the COVID-19 pandemic, the Board decided that a one-year postponement for the effective date of many pronouncements was appropriate, as included in the newly issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* After considering the effects of Statement 95, the Board also decided to add one year to the originally proposed effective date of this Statement. This also is consistent with the effective date for Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* because the pandemic was factored into the establishment of the effective date for that pronouncement.

B75. This Statement encourages early application. The Board believes that some preparers, especially those familiar with Statement 87, as amended, and Statement 51, as amended, might elect to apply the requirements to fiscal years before the effective date. That would provide better information to financial statement users and allow other governments to learn from the experience of the early adopters. The Board considered that there could be comparability issues in the interim if some governments adopt early application but believes that the benefits of early application justify the potential interim comparability issues.

B76. This Statement requires that SBITAs be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year of implementation. That is the same transition requirement used in Statement 87, as amended. The Board believes that it would not be practical to require governments to return to the commencement of each SBITA term and determine what the balances would have been if this Statement had been in effect from that time. The subscription liability should be measured using the remaining subscription term and discount rate as of the beginning of the fiscal year of implementation or the beginning of the earliest fiscal year restated. The subscription asset should be measured based on the subscription liability at that date.

B77. Some respondents to the Exposure Draft requested clarification about whether costs of certain stages that were incurred before implementation of this Statement, which otherwise would be capitalizable as part of the subscription asset, should be included in the measurement of the subscription asset at transition. Such costs could be significant for some governments. However, the Board was concerned about data availability and the potential cost to retrieve that data, particularly for SBITAs that commenced prior to the issuance of this Statement. Therefore, the Board decided to permit, but not require, govern-

ments to include capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage in the measurement of the subscription asset at transition. The Board believes that the benefit of allowing those governments that have the information available to capitalize those costs outweighs concerns about comparability during the transition period. In regard to transition, the Board also considered whether to provide guidance on how to address prepaid subscription payments that occurred prior to the implementation of this Statement but concluded that the provisions associated with prepayments as described in paragraph 26 of this Statement provided adequate guidance.

B78. The provisions of this Statement, including transition provisions in paragraph 64, should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years presented. The Board generally believes that retroactive application provides more useful and comparable information than prospective application but realizes that a practical approach would be more cost beneficial without completely sacrificing comparability. Therefore, if restatement of prior fiscal years is not practicable, this Statement allows for restatement as of the implementation date.

B79. The phrase *if practicable* has been used in other GASB standards in a similar context as used in this Statement with respect to transition provisions that require restating the financial statements for all prior periods presented. The Board believes that reasonable efforts should be employed before a government determines that restatement of all prior periods presented is not practicable. In other words, *inconvenient* should not be considered equivalent to *not practicable.*

Appendix C

CODIFICATION INSTRUCTIONS

Codification of Governmental Accounting and Financial Reporting Standards—June 2022 Update

C1. The instructions that follow update the December 31, 2019 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), as amended by Statements 87, 94, and 95 and Implementation Guide 2019-1, for the provisions of this Statement. Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND LEGAL COMPLIANCE **SECTION 1200**

.115 [Insert new subparagraph (f) as follows.] Section S80, "Subscription-Based Information Technology Arrangements," paragraph .107 discusses the effects of legal restrictions on GAAP for transactions related to subscription-based information technology arrangements.

* * *

REPORTING CAPITAL ASSETS **SECTION 1400**

Sources: [Add GASBS 96.]

See also: [Add Section S80, "Subscription-Based Information Technology Arrangements."]

.123 [Insert new subparagraph (d) as follows.] Assets resulting from subscription-based information technology arrangements, which are addressed in Section S80. [GASBS 51, ¶3, as amended by GASBS 69, ¶39, GASBS 72, ¶64, GASBS 87, ¶20, GASBS 94, ¶37–¶39, and GASBS 96, ¶15]

[Insert new paragraph .142 and heading as follows; renumber subsequent paragraphs.]

Capital Assets Resulting from Subscription-Based Information Technology Arrangements

.142 Paragraphs .122–.156 of Section S80 provide guidance on accounting and financial reporting for capital assets resulting from subscription-based information technology arrangements. [GASBS 96, ¶25–¶61]

.172 [Revise footnote 27 as follows:] Paragraph .131 of Section L20, paragraph .148 of Section P90, and paragraph .138 of Section S80 provide additional guidance for assessing impairment of lease assets, intangible right-to-use assets of an operator in a public-private or public-public partnership, and subscription assets, respectively. [GASBS 42, ¶11, as amended by GASBS 87, ¶34, GASBS 94, ¶52, and GASBS 96, ¶41]

.173 [Revise footnote 28 as follows:] Paragraph .131 of Section L20, paragraph .148 of Section P90, and paragraph .138 of Section S80 provide additional guidance for assessing impairment of lease assets, intangible right-to-use assets of an operator in a public-private or public-public partnership, and subscription assets, respectively. [GASBS 42, ¶12, as amended by GASBS 87, ¶34, GASBS 94, ¶52, and GASBS 96, ¶41]

[Delete Question .713-8; renumber subsequent question.]

.717-8 [Revise the question as follows:] How should outlays associated with the internal modification of an existing internally generated computer software system that makes it able to interface with a new internally generated computer software system be reported? [GASBIG 2015-1, QZ.51.18, as amended by GASBS 96, ¶4]

.717-10 [Revise the question as follows:] This section provides guidance for the treatment of outlays associated with data conversion and user training activities for internally generated computer software. Section S80 provides guidance for treatment of such outlays associated with subscription-based

information technology arrangements. How should such outlays be accounted for if the activities are associated with the acquisition of computer software that is not considered internally generated and is not a subscription-based information technology arrangement? [GASBIG 2015-1, QZ.51.22, as amended by GASBS 96, ¶3]

.717-11 [In the first sentence of the question, replace *A government* with *Associated with a purchased perpetual software license, a government*. In the first sentence of the answer, replace *of computer software* with *of purchased computer software*.] [GASBIG 2015-1, QZ.51.23, as amended by GASBS 96, ¶4]

[Delete Question .717-13.]

[Insert new heading .723 and associated text as follows; renumber subsequent headings and questions.]

.723 Capital Assets Resulting from Subscription-Based Information Technology Arrangements

No questions assigned.

* * *

REPORTING LIABILITIES **SECTION 1500**

.129 [Revise the third sentence as follows:] For this purpose, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, an operator's liability for installment payments associated with a public-private or public-public partnership, subscription liabilities arising from subscription-based information technology arrangements, or accounts payable. [GASBS 38, ¶10, as amended by GASBS 88, ¶4 and ¶6, GASBS 94, ¶58, and GASBS 96, ¶61]

* * *

CLASSIFICATION AND TERMINOLOGY **SECTION 1800**

Sources: [Add GASBS 96.]

[Insert new heading and paragraph .129 following current paragraph .128 as follows; renumber subsequent paragraphs.]

Subscription-Based Information Technology Arrangement Transactions

.129 For subscription-based information technology arrangements, an expenditure and other financing source should be reported in the period the subscription asset is initially recognized. The expenditure and other financing source should be measured as provided in paragraphs .113–.115 of Section S80, "Subscription-Based Information Technology Arrangements." Subsequent governmental fund subscription payments should be accounted for consistent with principles for debt service payments on long-term debt. [GASBS 96, ¶59]

[Insert new heading .718 and associated text as follows; renumber subsequent headings and questions.]

.718 Subscription-Based Information Technology Arrangement Transactions

No questions assigned.

* * *

NOTES TO FINANCIAL STATEMENTS **SECTION 2300**

Sources: [Add GASBS 96.]

.106 [Revise current subparagraph (l) as follows:] Required disclosures about capital assets, including lease assets and subscription assets arising from subscription-based information technology arrangements. (See paragraphs .117–.119 and .121 of this section.)

[In the sources, add GASBS 96, ¶60 to the amending sources of GASBS 34, ¶116 and ¶117.]

.107 [Insert new subparagraph (hhh) as follows; renumber subsequent subparagraphs.] Subscription-based information technology arrangements. (See Section S80, "Subscription-Based Information Technology Arrangements," paragraphs .157 and .158.) [In the sources, add GASBS 96, ¶60 and ¶61.]

.117 [Revise the second sentence as follows:] The information disclosed should be divided into major classes of capital assets, with separate presentation of totals for (a) lease assets and (b) subscription assets arising from subscription-based information technology arrangements, and major classes of long-term liabilities, as well as between those associated with governmental activities and those associated with business-type activities. [GASBS 34, ¶116, as amended by GASBS 63, ¶8, GASBS 87, ¶37, and GASBS 96, ¶60 and ¶61]

.118 [Replace *with lease assets presented separately,* with *with the total for lease assets and the total for subscription assets arising from subscription-based information technology arrangements, each presented separately*.] [GASBS 34, ¶117, as amended by GASBS 87, ¶37 and GASBS 96, ¶60]

* * *

DEBT EXTINGUISHMENTS AND TROUBLED DEBT RESTRUCTURING **SECTION D20**

.136 [Revise the first sentence as follows:] For purposes of applying paragraphs .129–.165, troubled debt restructurings do not include changes in lease agreements (the accounting is prescribed by Section L20, "Leases"), subscription-based information technology arrangements (the accounting is prescribed by Section S80, "Subscription-Based Information Technology Arrangements"), public-public partnership arrangements (the accounting is prescribed by Section P90, "Public-Private and Public-Public Partnerships"), or employment-related agreements (for example, pension or other postemployment benefit plans and deferred compensation contracts). [GASBS 62, ¶135, as amended by GASBS 87, ¶3–¶8 and ¶10–¶91, GASBS 94, ¶68–¶75, and GASBS 96, ¶54–¶57]

* * *

LEASES **SECTION L20**

.106 [Insert new subparagraph (e) as follows; renumber subsequent subparagraphs.] Contracts that are in the scope of Section S80, "Subscription-Based Information Technology Arrangements." [GASBS 87, ¶8, as amended by GASBS 91, ¶19 and ¶20, GASBS 94, ¶9 and GASBS 96, ¶3 and ¶4]

.706-2 [In the first sentence of the question, replace *computers* with *computers with an insignificant software component*.] [GASBIG 2019-3, Q4.22, as amended by GASBS 96, ¶4]

.708-3 [In the first sentence of the question, add *(with an insignificant software component)* after *copy machines*.] [GASBIG 2019-3, Q4.25, as amended by GASBS 96, ¶4]

.724-2 [In the first sentence of the question, replace *computers* with *computers with an insignificant software component*.] [GASBIG 2019-3, Q4.64, as amended by GASBS 96, ¶4]

.727-1 [In the first sentence of the question, replace both instances of *computers* with *computers with an insignificant software component*.] [GASBIG 2019-3, Q4.67, as amended by GASBS 96, ¶4]

* * *

[Insert new Section S80, "Subscription-Based Information Technology Arrangements," as follows:]

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS **SECTION S80**

Source: GASBS 96

See also: Section 1400, "Reporting Capital Assets"
Section 2300, "Notes to Financial Statements"

Scope and Applicability of This Section

.101–.102 [GASBS 96, ¶3–¶4; in paragraph .101, replace *SBITAs* with *subscription-based information technology arrangements (SBITAs)* and in subparagraph (a) replace the first use of *IT* with *information technology (IT)*.]

.103–.158 [GASBS 96, ¶6–¶61, including headings and footnotes]

* * *

Sources: [Add GASBS 96.]

[Revise heading .107, as follows:] Replace *Leases and Public-Public Partnership Arrangements* with *Leases, Public-Public Partnership Arrangements, and Subscription-Based Information Technology Arrangements*.

[Replace paragraph .107 with the following:]

.107 If the provisions of a lease, a public-public partnership arrangement, or a subscription-based information technology arrangement are modified in a way that changes the amount of the remaining lease liability, operator's liability for installment payments or liability for the underlying public-public partnership asset, or subscription liability, respectively, and the modification either (a) does not give rise to a new agreement or (b) does give rise to a new agreement but such agreement also meets the definition of a lease, a public-public partnership arrangement, or a subscription-based information technology arrangement, respectively, then the present balances of the lease asset and the lease liability, or the intangible right-to-use asset and the liability for installment payments or liability for the underlying public-public partnership asset, or the subscription asset and the subscription liability, respectively, should be adjusted by an amount equal to the difference between the lease liability, liability for installment payments or for the underlying public-public partnership asset, or subscription liability, respectively, under the revised or new agreement and the carrying amount of the pre-petition lease liability, liability for installment payments or for the underlying public-public partnership asset, or subscription liability, respectively. The lease liability, liability for installment payments or for the underlying public-public partnership asset, or subscription liability under the revised or new agreement should be computed using the rate of interest used to report the lease, liability for installment payments or for the underlying public-public partnership asset, or subscription-based information technology agreement initially. A termination of a lease, a public-public partnership arrangement, or a subscription-based information technology arrangement should be accounted for by removing the lease asset and lease liability, or the intangible right-to-use asset and liability for installment payments or liability for the underlying public-public partnership asset, or the subscription asset and subscription liability, respectively, with a gain or loss recognized for the difference. [GASBS 58, ¶8, as amended by GASBS 87, ¶73, ¶74, and ¶78; GASBS 94, ¶71–¶73; GASBS 96, ¶54–¶57]

* * *

PENSION PLANS ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION Pe5**

.713-1 [In the question and in the answer, replace *subscriptions* with *subscriptions to industry publications*.] [GASBIG 2015-1, Q5.77.1, as amended by GASBS 96, ¶6–¶8]

* * *

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION Po50**

.716-1 [In the question and in the answer, replace *subscriptions* with *subscriptions to industry publications*.] [GASBIG 2017-2, Q4.61, as amended by GASBS 96, ¶6–¶8]

* * *

Comprehensive Implementation Guide—June 2022 Update

C2. The instructions that follow update the December 31, 2019 *Comprehensive Implementation Guide,* as amended by Statement 95 and Implementation Guide 2019-3, for the provisions of this Statement.

* * *

[Update cross-references throughout.]

* * *

5.77.1. [In the question and in the answer, replace *subscriptions* with *subscriptions to industry publications*.] [GASBIG 2015-1, Q5.77.1, as amended by GASBS 96, ¶6–¶8]

8.117.1. [In the question and in the answer, replace *subscriptions* with *subscriptions to industry publications*.] [GASBIG 2017-2, Q4.61, as amended by GASBS 96, ¶6–¶8]

12.20.2. [In the first sentence of the question, replace *computers* with *computers with an insignificant software component*.] [GASBIG 2019-3, Q4.22, as amended by GASBS 96, ¶4]

12.23.2. [In the first sentence of the question, add *(with an insignificant software component)* after *copy machines*.] [GASBIG 2019-3, Q4.25, as amended by GASBS 96, ¶4]

12.105.2. [In the first sentence of the question, replace *computers* with *computers with an insignificant software component*.] [GASBIG 2019-3, Q4.64, as amended by GASBS 96, ¶4]

12.109.1. [In the first sentence of the question, replace both instances of *computers* with *computers with an insignificant software component*.] [GASBIG 2019-3, Q4.67, as amended by GASBS 96, ¶4]

Z.51.18. [Revise the question as follows:] How should outlays associated with the internal modification of an existing internally generated computer software system that makes it able to interface with a new internally generated computer software system be reported? [GASBIG 2015-1, QZ.51.18, as amended by GASBS 96, ¶4]

[Replace Question Z.51.21 with the following:]

Z.51.21. [Question number not used]

Z.51.22. [Revise the question as follows:] Statement 51 provides guidance for the treatment of outlays associated with data conversion and user training activities for internally generated computer software. Statement No. 96, *Subscription-Based Information Technology Arrangements,* provides guidance for treatment of such outlays associated with subscription-based information technology arrangements. How should such outlays be accounted for if the activities are associated with the acquisition of computer software that is not considered internally generated and is not a subscription-based information technology arrangement? [GASBIG 2015-1, QZ.51.22, as amended by GASBS 96, ¶3]

Z.51.23. [In the question, replace *A government has* with *Associated with purchased software, a government also has*. In the first sentence of the answer, replace *computer software* with *purchased computer software*.] [GASBIG 2015-1, QZ.51.23, as amended by GASBS 96, ¶4]

[Replace Question Z.51.38 with the following:]

Z.51.38. [Question number not used]

* * *

NO. 366 | JUNE 2017

Governmental Accounting Standards Series

Statement No. 87 of the Governmental Accounting Standards Board

Leases

GASB

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Summary

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

Lease Term

The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable:

a. Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
b. Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
c. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option

d. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised.

Lessees and lessors should reassess the lease term only if one or more of the following occur:

a. The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option.
b. The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option.
c. An event specified in the lease contract that requires an extension or termination of the lease takes place.

Short-Term Leases

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Lessee Accounting

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational

manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

Lessor Accounting

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

Contracts with Multiple Components and Contract Combinations

Generally, a government should account for the lease and nonlease components of a lease as separate contracts. If a lease involves multiple underlying assets, lessees and lessors in certain cases should account for each underlying asset as a separate lease contract. To allocate the contract price to different components, lessees and lessors should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment, or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract should be accounted for as a single lease unit. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria should be considered part of the same lease contract and should be evaluated in accordance with the guidance for contracts with multiple components.

Lease Modifications and Terminations

An amendment to a lease contract should be considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease should be accounted for by remeasuring the lease liability and adjusting the related lease asset by a lessee and remeasuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.

Subleases and Leaseback Transactions

Subleases should be treated as transactions separate from the original lease. The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.

A transaction qualifies for sale-leaseback accounting only if it includes a sale. Otherwise, it is a borrowing. The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.

A lease-leaseback transaction should be accounted for as a net transaction. The gross amounts of each portion of the transaction should be disclosed.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

How the Board Considered Costs and Benefits in the Development of This Statement

One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The Board considered the costs of both the individual provisions in this Statement and the Statement as a whole. The Board is cognizant that the costs of implementing the changes required by this Statement may be significant. However, the Board believes that the expected benefits that will result from the information provided through implementation of this Statement, both initially and on an ongoing basis, are significant.

To reduce the cost of implementation, this Statement includes an exception for short-term leases, as described above, and exceptions for contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. In response to stakeholder feedback, this Statement excludes supply contracts and leases of inventory. In addition, this Statement includes cost-reducing provisions regarding reassessment of the lease term, requiring governments to report multiple-component contracts as a single lease unit when determining a best estimate for allocating the contract price to individual components is not practicable, and not requiring lessors to derecognize underlying assets, among other provisions.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 3 discusses the applicability of this Statement.

Statement No. 87 of the
Governmental Accounting
Standards Board

Leases

June 2017

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116

Statement No. 87 of the Governmental Accounting Standards Board

Leases

June 2017

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Statement No. 87 of the Governmental Accounting Standards Board

Leases

June 2017

INTRODUCTION

1. Governments enter into leases for many types of assets. The previous guidance for leases has been in effect for many years. Under the previous guidance, leases were classified as either capital or operating depending on whether the lease met any of four tests. In many cases, the previous guidance resulted in reporting lease transactions differently than similar nonlease financing transactions.

2. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

3. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement apply to financial statements of all state and local governments.

4. For purposes of applying this Statement, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like[1] transaction.

5. To determine whether a contract conveys control of the right to use the underlying asset, a government should assess whether it has both of the following:

a. The right to obtain the present service capacity from use of the underlying asset as specified in the contract
b. The right to determine the nature and manner of use of the underlying asset as specified in the contract.

6. Leases include contracts that, although not explicitly identified as leases, meet the definition of a lease. This definition excludes contracts for services except those contracts that contain *both* a lease component and a service component.

7. As used in the definition of a lease, a nonfinancial asset is an asset that is not a financial asset as that term is defined in Statement No. 72, *Fair Value Measurement and Application.*[2] Examples of nonfinancial assets include land, buildings, vehicles, and equipment.

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[1]The scope of this Statement includes both exchange and exchange-like transactions. Footnote 1 of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* states that the difference between exchange and exchange-like transactions is a matter of degree. In contrast to a "pure" exchange transaction, an exchange-like transaction is one in which the values exchanged, though related, may not be quite equal or in which the direct benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics of the transaction are strong enough to justify treating the transaction as an exchange for accounting recognition.

[2]A financial asset is defined in paragraph 86 of Statement 72 as, "Cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to do either of the following:

a. Receive cash or another financial instrument from a second entity
b. Exchange other financial instruments on potentially favorable terms with the second entity (for example, an option)."

8. This Statement does not apply to:

a. Leases of intangible assets, including rights to explore for or to exploit natural resources such as oil, gas, and minerals and similar nonregenerative resources; licensing contracts for items such as motion picture films, video recordings, plays, manuscripts, patents, and copyrights; and licensing contracts for computer software. In sublease transactions, however, this Statement does apply to the intangible right-to-use assets that are created by the original leases of tangible underlying assets.
b. Leases of biological assets, including timber, living plants, and living animals.
c. Leases of inventory.
d. Contracts that meet the definition of a service concession arrangement in paragraph 4 of Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.*
e. Leases in which the underlying asset is financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor.
f. Supply contracts, such as power purchase agreements.

9. This Statement supersedes NCGA Statement 5, *Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments;* Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases;* Statement No. 38, *Certain Financial Statement Note Disclosures,* paragraph 11; Statement 60, paragraph 7; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* paragraphs 211–271, and footnotes 85–141; Statement No. 65, *Items Previously Reported as Assets and Liabilities,* paragraphs 7 and 16–18, and footnotes 6 and 7; and *Implementation Guide No. 2015-1,* Question Z.38.1. This Statement amends NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles,* paragraphs 42 and 43; Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* paragraph 37; Statement No. 14, *The Financial Reporting Entity,* paragraphs 58 and 76; Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* paragraphs 81, 116, and 117; Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* paragraphs 11 and 12; Statement No. 44, *Economic Condition Reporting: The Statistical Section,* paragraphs 23 and 45; Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* paragraph 3; Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* paragraph 74;

Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies,* paragraph 8; Statement 62, paragraphs 3, 5, 6, 113, 135, 254, 320, 351, 368–370, and 450, and footnote 12; Statement 65, paragraph 5; Statement No. 66, *Technical Corrections—2012,* paragraph 2; NCGA Interpretation 6, *Notes to the Financial Statements Disclosure,* paragraphs 4 and 5; Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements,* paragraphs 7, 9, 11, and 13; Implementation Guide 2015-1, Questions 2.27.5, 2.32.1, 5.72.1, 7.9.6, 7.30.2, 9.24.1, Z.42.9, Z.51.21, and Z.54.11; Implementation Guide No. 2016-1, *Implementation Guidance Update—2016,* Questions 5.2 and 5.35; and Implementation Guide No. 2017-2, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans,* Question 4.51.

10. The provisions of paragraphs 20–34 for lessee recognition and measurement, paragraphs 40–55 for lessor recognition and measurement, and paragraphs 71–79 for lease modifications and terminations apply to financial statements prepared using the economic resources measurement focus and, if applicable, to financial statements prepared using the current financial resources measurement focus. The provisions of paragraphs 35 and 36 for lessee recognition and paragraph 56 for lessor recognition only apply to financial statements prepared using the current financial resources measurement focus.

11. This Statement establishes guidance for the various aspects of lease transactions as follows:

a. Paragraphs 12–15 define the lease term.
b. Paragraphs 16–18 address short-term leases.
c. Paragraph 19 addresses contracts that transfer ownership.
d. Paragraphs 20–39 provide lessee recognition, measurement, and disclosure guidance.
e. Paragraphs 40–60 provide lessor recognition, measurement, and disclosure guidance, including provisions in paragraph 41 for leases of assets that are investments and provisions in paragraphs 42 and 43 for certain regulated leases, such as agreements between air carriers and airports.
f. Paragraphs 61 and 62 address lease incentives.
g. Paragraphs 63–70 address contracts with multiple components and contract combinations.
h. Paragraphs 71–79 address lease modifications and terminations.
i. Paragraphs 80 and 81 address subleases.
j. Paragraphs 82–87 address sale-leaseback and lease-leaseback transactions.

k. Paragraphs 88 and 89 address intra-entity leases.
l. Paragraphs 90 and 91 address leases between related parties.

Lease Term

12. The lease term is the period during which a lessee has a noncancelable right to use an underlying asset (referred to as the noncancelable period), plus the following periods, if applicable:

a. Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
b. Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will *not* exercise that option
c. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
d. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will *not* exercise that option.

Periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party (or if both parties have to agree to extend) are cancelable periods and are excluded from the lease term. For example, a rolling month-to-month lease, or a lease that continues into a holdover period until a new lease contract is signed, would not be enforceable if both the lessee and the lessor have an option to terminate and, therefore, either could cancel the lease at any time. Provisions that allow for termination of a lease due to (1) purchase of the underlying asset, (2) payment of all sums due, or (3) default on payments, are not considered termination options.

13. A fiscal funding or cancellation clause allows governmental lessees to cancel a lease, typically on an annual basis, if the government does not appropriate funds for the lease payments. This type of clause should affect the lease term only if it is reasonably certain that the clause will be exercised.

14. At the commencement of the lease term, the lessee and the lessor should assess all factors relevant to the likelihood that the lessee or the lessor will exercise options identified in paragraphs 12a–12d, whether these factors are

contract based, underlying asset based, market based, or government specific. The assessment often will require the consideration of a combination of these interrelated factors. Examples of factors to consider include, but are not limited to, the following:

a. A significant economic incentive, such as contractual terms and conditions for the optional periods that are favorable compared with current market rates
b. A significant economic disincentive, such as costs to terminate the lease and sign a new lease (for example, negotiation costs, relocation costs, abandonment of significant leasehold improvements, costs of identifying another suitable underlying asset, costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location, or a substantial cancellation penalty)
c. The history of exercising options to extend or terminate
d. The extent to which the asset underlying the lease is essential to the provision of government services.

15. Lessees and lessors should reassess the lease term only if one or more of the following occur:

a. The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option
b. The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option
c. An event specified in the lease contract that requires an extension or termination of the lease takes place.

Short-Term Leases

16. A short-term lease is a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. For a lease that is cancelable by either the lessee or the lessor, such as a rolling month-to-month lease or a year-to-year lease, the maximum possible term is the noncancelable period, including any notice periods.

Lessees

17. A lessee should recognize short-term lease payments as outflows of resources (for example, expense) based on the payment provisions of the lease contract. The lessee should recognize an asset if payments are made in advance or a liability for rent due if payments are to be made subsequent to the reporting period. The lessee should not recognize an outflow of resources during any rent holiday period (for example, one or more months free).

Lessors

18. A lessor should recognize short-term lease payments as inflows of resources (for example, revenue) based on the payment provisions of the lease contract. The lessor should recognize a liability if payments are received in advance or an asset for rent due if payments are to be received subsequent to the reporting period. The lessor should not recognize an inflow of resources during any rent holiday period (for example, one or more months free).

Contracts That Transfer Ownership

19. A contract that (a) transfers ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options (see paragraph 12), but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised (see paragraph 13), should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor.

Lessee Recognition and Measurement for Leases Other Than Short-Term Leases and Contracts That Transfer Ownership

20. At the commencement of the lease term, a lessee should recognize a lease liability and an intangible right-to-use lease asset (a capital asset hereinafter referred to as the lease asset), except as provided in paragraphs 16–18 (short-term leases), and paragraph 19 (contracts that transfer ownership).

Lease Liability

21. A lessee initially should measure the lease liability at the present value of payments expected to be made during the lease term. Measurement of the lease liability should include the following, if required by a lease:

a. Fixed payments
b. Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the lease term
c. Variable payments that are fixed in substance (as discussed in paragraph 22)
d. Amounts that are reasonably certain of being required to be paid by the lessee under residual value guarantees
e. The exercise price of a purchase option if it is reasonably certain that the lessee will exercise that option
f. Payments for penalties for terminating the lease, if the lease term reflects the lessee exercising (1) an option to terminate the lease or (2) a fiscal funding or cancellation clause
g. Any lease incentives (as discussed in paragraphs 61 and 62) receivable from the lessor
h. Any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

22. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease liability. Rather, those variable payments should be recognized as outflows of resources (for example, expense) in the period in which the obligation for those payments is incurred. However, any component of those variable payments that is fixed in substance should be included in the measurement of the lease liability.

23. The future lease payments should be discounted using the interest rate the lessor charges the lessee, which may be the interest rate implicit in the lease. If the interest rate cannot be readily determined by the lessee, the lessee's estimated incremental borrowing rate (an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term) should be used. Lessees are not required to apply the guidance for imputation of interest in paragraphs 173–187 of Statement 62 but may do so as a means of determining the interest rate implicit in the lease.

24. In subsequent financial reporting periods, the lessee should calculate the amortization of the discount on the lease liability and report that amount as an outflow of resources (for example, interest expense) for the period. Any payments made should be allocated first to the accrued interest liability[3] and then to the lease liability.

25. The lessee should remeasure the lease liability at subsequent financial reporting dates if one or more of the following changes have occurred at or before that financial reporting date, based on the most recent lease contract before the changes,[4] and the changes individually or in the aggregate are expected to significantly affect the amount of the lease liability since the previous measurement:

a. There is a change in the lease term.
b. An assessment of all relevant factors indicates that the likelihood of a residual value guarantee being paid has changed from reasonably certain to not reasonably certain, or vice versa.
c. An assessment of all relevant factors indicates that the likelihood of a purchase option being exercised has changed from reasonably certain to not reasonably certain, or vice versa.
d. There is a change in the estimated amounts for payments already included in the measurement of the lease liability (except as provided in paragraph 26).
e. There is a change in the interest rate the lessor charges the lessee, if used as the initial discount rate.
f. A contingency, upon which some or all of the variable payments that will be made over the remainder of the lease term are based, is resolved such that those payments now meet the criteria for measuring the lease liability under paragraph 21. For example, an event occurs that causes variable payments that were contingent on the performance or use of the underlying asset to become fixed payments for the remainder of the lease term.

26. If a lease liability is remeasured for any of the changes in paragraph 25, the liability also should be adjusted for any change in an index or rate used to determine variable payments if that change in the index or rate is expected to

[3]In the statement of cash flows, payments allocated to the accrued interest liability should be classified as financing activities as provided in Statement 9.

[4]Changes arising from amendments to a lease contract should be accounted for under the provisions of paragraphs 71–79 for lease modifications and terminations.

significantly affect the amount of the liability since the previous measurement. A lease liability is not required to be remeasured solely for a change in an index or rate used to determine variable payments.

27. The lessee also should update the discount rate as part of the remeasurement if one or both of the following changes[5] have occurred and the changes individually or in the aggregate are expected to significantly affect the amount of the lease liability:

a. There is a change in the lease term.
b. An assessment of all relevant factors indicates that the likelihood of a purchase option being exercised has changed from reasonably certain to not reasonably certain, or vice versa.

28. A lease liability is not required to be remeasured, nor is the discount rate required to be reassessed, solely for a change in the lessee's incremental borrowing rate.

29. If the discount rate is required to be updated based on the provisions in paragraph 27, the discount rate should be based on the revised interest rate the lessor charges the lessee at the time the discount rate is updated. If that interest rate cannot be readily determined, the lessee's estimated incremental borrowing rate at the time the discount rate is updated should be used.

Lease Asset

30. A lessee initially should measure the lease asset as the sum of the following:

a. The amount of the initial measurement of the lease liability (see paragraph 21)
b. Lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives (as discussed in paragraphs 61 and 62) received from the lessor at or before the commencement of the lease term
c. Initial direct costs that are ancillary charges necessary to place the lease asset into service.

[5]See footnote 4.

Any initial direct costs that would be considered debt issuance costs under paragraph 12 of Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt,* should be recognized as outflows of resources (for example, expense) in the period in which they are incurred.

31. A lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset, except as provided in paragraph 32. The amortization of the lease asset should be reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes.

32. If a lease contains a purchase option that the lessee has determined is reasonably certain of being exercised, the lease asset should be amortized over the useful life of the underlying asset. In that circumstance, if the underlying asset is nondepreciable, such as land, the lease asset should not be amortized.

33. A lease asset generally should be adjusted by the same amount as the corresponding lease liability when that liability is remeasured based on paragraphs 25–29. However, if that change reduces the carrying value of the lease asset to zero, any remaining amount should be reported in the resource flows statement (for example, a gain).

34. The presence of impairment indicators (described in paragraph 9 of Statement 42) with respect to the underlying asset may result in a change in the manner or duration of use of the lessee's right-to-use asset. Such a change in the manner or duration of use of the lessee's right-to-use asset may indicate that the service utility of that lease asset is impaired. The length of time during which the lessee cannot use the underlying asset, or is limited to using it in a different manner, should be compared to its previously expected manner and duration of use to determine whether there is a significant decline in service utility of the lease asset. If a lease asset is impaired, the amount reported for the lease asset should be reduced first for any change in the corresponding lease liability. Any remaining amount should be recognized as an impairment.

Financial Statements Prepared Using the Current Financial Resources Measurement Focus

35. If a lease is expected to be paid from general government resources, the lease should be accounted for and reported on a basis consistent with governmental fund accounting principles.

36. An expenditure and other financing source should be reported in the period the lease is initially recognized. The expenditure and other financing source should be measured as provided in paragraphs 21–23. Subsequent governmental fund lease payments should be accounted for consistent with principles for debt service payments on long-term debt.

Notes to Financial Statements—Lessees

37. A lessee should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases:

a. A general description of its leasing arrangements, including (1) the basis, terms, and conditions on which variable payments not included in the measurement of the lease liability are determined and (2) the existence, terms, and conditions of residual value guarantees provided by the lessee not included in the measurement of the lease liability
b. The total amount of lease assets, and the related accumulated amortization, disclosed separately from other capital assets
c. The amount of lease assets by major classes of underlying assets, disclosed separately from other capital assets
d. The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the lease liability
e. The amount of outflows of resources recognized in the reporting period for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability
f. Principal and interest requirements to maturity, presented separately, for the lease liability for each of the five subsequent fiscal years and in five-year increments thereafter
g. Commitments under leases before the commencement of the lease term
h. The components of any loss associated with an impairment (the impairment loss and any related change in the lease liability, as discussed in paragraph 34).

38. A lessee also should provide relevant disclosures for the following transactions, if applicable:

a. Sublease transactions (see paragraph 81)
b. Sale-leaseback transactions (see paragraph 85)
c. Lease-leaseback transactions (see paragraph 87).

39. A lessee is not required to disclose collateral pledged as a security for a lease (under paragraph 113 of Statement 62) if that collateral is solely the asset underlying the lease.

Lessor Recognition and Measurement for Leases Other Than Short-Term Leases and Contracts That Transfer Ownership

40. At the commencement of the lease term, a lessor should recognize a lease receivable and a deferred inflow of resources, except as provided in paragraphs 16–18 (short-term leases), paragraph 19 (contracts that transfer ownership), paragraph 41 (leases of assets that are investments), and paragraphs 42 and 43 (certain regulated leases). Any initial direct costs incurred by the lessor should be reported as outflows of resources (for example, expense) for the period.

Leases of Assets That Are Investments

41. If the underlying asset in a lease meets the requirements in Statement 72 to be reported as an investment measured at fair value, the lessor should not apply the recognition and measurement provisions of this Statement. The lessor should disclose the information in paragraph 57d of this Statement but is not required to make the other disclosures in paragraph 57.

Certain Regulated Leases

42. Certain leases are subject to external laws, regulations, or legal rulings. For example, the U.S. Department of Transportation and the Federal Aviation Administration regulate aviation leases between airports and air carriers and other aeronautical users. Lessors should not apply the provisions in paragraphs 44–59 of this Statement to leases that meet the provisions of paragraph 43.

43. Lessors should recognize inflows of resources (for example, revenue) based on the payment provisions of the lease contract and provide the disclosures in paragraph 60 for leases for which external laws, regulations, or legal rulings establish all of the following requirements:

a. Lease rates cannot exceed a reasonable amount, with reasonableness being subject to determination by an external regulator.
b. Lease rates should be similar for lessees that are similarly situated.
c. The lessor cannot deny potential lessees the right to enter into leases if facilities are available, provided that the lessee's use of the facilities complies with generally applicable use restrictions.

Lease Receivable

44. A lessor initially should measure the lease receivable at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Measurement of the lease receivable should include the following, if required by a lease:

a. Fixed payments
b. Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the lease term
c. Variable payments that are fixed in substance (as discussed in paragraph 45)
d. Residual value guarantee payments that are fixed in substance (as discussed in paragraph 46)
e. Any lease incentives (as discussed in paragraphs 61 and 62) payable to the lessee.

45. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable. Rather, those variable payments should be recognized as inflows of resources (for example, revenue) in the period to which those payments relate. However, any component of those variable payments that is fixed in substance should be included in the measurement of the lease receivable.

46. Amounts to be received under residual value guarantees (that are not fixed in substance) should be recognized as a receivable and an inflow of resources if (a) a guarantee payment is required (as agreed to by the lessee and lessor) and (b) the amount can be reasonably estimated. Amounts to be received for

the exercise price of a purchase option or penalty for lease termination should be recognized as a receivable and an inflow of resources (for example, revenue) when those options are exercised.

47. The future lease payments to be received should be discounted using the interest rate the lessor charges the lessee, which may be the interest rate implicit in the lease. Lessors are not required to apply the guidance for imputation of interest in paragraphs 173–187 of Statement 62 but may do so as a means of determining the interest rate implicit in the lease.

48. In subsequent financial reporting periods, the lessor should calculate the amortization of the discount on the lease receivable and report that amount as an inflow of resources (for example, interest revenue) for the period. Any payments received should be allocated first to the accrued interest receivable and then to the lease receivable.

49. The lessor should remeasure the lease receivable at subsequent financial reporting dates if one or more of the following changes have occurred at or before that financial reporting date, based on the most recent lease contract before the changes,[6] and the changes individually or in the aggregate are expected to significantly affect the amount of the lease receivable since the previous measurement:

a. There is a change in the lease term.
b. There is a change in the interest rate the lessor charges the lessee.
c. A contingency, upon which some or all of the variable payments that will be received over the remainder of the lease term are based, is resolved such that those payments now meet the criteria for measuring the lease receivable under paragraph 44. For example, an event occurs that results in variable payments that were contingent on the performance or use of the underlying asset becoming fixed payments for the remainder of the lease term.

50. If a lease receivable is remeasured for any of the changes in paragraph 49, the receivable also should be adjusted for any change in an index or rate used to determine variable payments if that change in the index or rate is expected

[6]Changes arising from amendments to a lease contract should be accounted for under the provisions of paragraphs 71–79 for lease modifications and terminations.

to significantly affect the amount of the receivable since the previous measurement. A lease receivable is not required to be remeasured solely for a change in an index or rate used to determine variable payments.

51. The lessor also should update the discount rate as part of the remeasurement if one or both of the following changes[7] have occurred and the changes individually or in the aggregate are expected to significantly affect the amount of the lease receivable:

a. There is a change in the lease term.
b. There is a change in the interest rate the lessor charges the lessee.

52. If the discount rate is updated based on the provisions in paragraph 51, the receivable should be remeasured using the revised discount rate.

Deferred Inflow of Resources

53. A lessor initially should measure the deferred inflow of resources as follows:

a. The amount of the initial measurement of the lease receivable (see paragraph 44)
b. Lease payments received from the lessee at or before the commencement of the lease term that relate to future periods (for example, the final month's rent), less any lease incentives (as discussed in paragraphs 61and 62) paid to, or on behalf of, the lessee at or before the commencement of the lease term.

54. A lessor subsequently should recognize the deferred inflow of resources as inflows of resources (for example, revenue) in a systematic and rational manner over the term of the lease. The deferred inflow of resources generally should be adjusted by the same amount as any change resulting from the remeasurement of the lease receivable as discussed in paragraphs 49–52.

[7]See footnote 6.

Underlying Asset

55. A lessor should not derecognize the asset underlying the lease. A lessor should continue to apply other applicable guidance to the underlying asset, including depreciation and impairment. However, if the lease contract requires the lessee to return the asset in its original or enhanced condition, a lessor should not depreciate the asset during the lease term.

Financial Statements Prepared Using the Current Financial Resources Measurement Focus

56. In financial statements prepared using the current financial resources measurement focus, a lessor should recognize a lease receivable and a deferred inflow of resources to account for a lease. A lessor should measure the deferred inflow of resources at the initial value of the lease receivable (see paragraph 44), plus the amount of any payments received at or before the commencement of the lease term that relate to future periods (for example, the final month's rent). A lessor subsequently should recognize the deferred inflow of resources as inflows of resources (for example, revenue), if available, in a systematic and rational manner over the term of the lease.

Notes to Financial Statements—Lessors

57. A lessor should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases and certain regulated leases:

a. A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable payments not included in the measurement of the lease receivable are determined
b. The total amount of inflows of resources (for example, lease revenue, interest revenue, and any other lease-related inflows) recognized in the reporting period from leases, if that amount cannot be determined based on the amounts displayed on the face of the financial statements
c. The amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the lease receivable, including inflows of resources related to residual value guarantees and termination penalties

d. The existence, terms, and conditions of options by the lessee to terminate the lease or abate payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments.

58. A lessor also should provide relevant disclosures for the following transactions, if applicable:

a. Leases of assets that are investments (see paragraph 41)
b. Certain regulated leases (see paragraph 60)
c. Sublease transactions (see paragraph 81)
d. Sale-leaseback transactions (see paragraph 85)
e. Lease-leaseback transactions (see paragraph 87).

59. In addition to the disclosures in paragraphs 57 and 58, if a lessor's principal ongoing operations consist of leasing assets to other entities, the government should disclose a schedule of future payments that are included in the measurement of the lease receivable, showing principal and interest separately, for each of the five subsequent fiscal years and in five-year increments thereafter.

60. A lessor with one or more regulated leases, as described in paragraphs 42 and 43, should disclose the following about those lease activities (which may be grouped for purposes of disclosure), other than short-term leases:

a. A general description of its agreements
b. The extent to which capital assets are subject to preferential or exclusive use by counterparties under agreements, by major class of assets and by major counterparty
c. The total amount of inflows of resources (for example, lease revenue, interest revenue, and any other lease-related inflows) recognized in the reporting period from these agreements, if that amount cannot be determined based on the amounts displayed on the face of the financial statements
d. A schedule of expected future minimum payments under these agreements for each of the subsequent five years and in five-year increments thereafter
e. The amount of inflows of resources recognized in the reporting period for variable payments not included in expected future minimum payments
f. The existence, terms, and conditions of options by the lessee to terminate the lease or abate lease payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments.

Lease Incentives

61. As used in this Statement, lease incentives are (a) payments made to, or on behalf of, the lessee, for which the lessee has a right of offset with its obligation to the lessor, or (b) other concessions granted to the lessee. A lease incentive is equivalent to a rebate or discount and includes assumption of a lessee's preexisting lease obligations to a third party, other reimbursements of lessee costs, rent holidays, and reductions of interest or principal charges by the lessor.

62. Lease incentives reduce the amount that a lessee is required to pay for a lease. Lease incentives that provide payments to, or on behalf of, a lessee at or before the commencement of a lease term are included in initial measurement by directly reducing the amount of the lease asset (see paragraph 30). Lease incentive payments to be provided after the commencement of the lease term should be accounted for by lessees and lessors as reductions of lease payments for the periods in which the incentive payments will be provided. Those payments should be measured by lessees consistently with the lessee's lease liability (paragraphs 21–29) and by lessors consistently with the lessor's lease receivable (paragraphs 44–52). Accordingly, lease incentive payments to be provided after the commencement of the lease term are included in initial measurement and any remeasurement if they are fixed or fixed in substance, whereas variable or contingent lease incentive payments are not included in initial measurement.

Contracts with Multiple Components

63. Lessees and lessors may enter into contracts that contain multiple components, such as a contract that contains both a lease component and a nonlease component, or a lease that contains multiple underlying assets.

64. If a lessee or lessor enters into a contract that contains both a lease component (such as the right to use a building) and a nonlease component (such as maintenance services for the building), the government should account for the lease and nonlease components as separate contracts unless the contract meets the exception in paragraph 67.

65. If a lease involves multiple underlying assets and the assets have different lease terms, the lessee and the lessor should account for each underlying asset as a separate lease component. In addition, the lessee should account for each

underlying asset as a separate lease component if the underlying assets are in different major classes of assets for disclosure purposes under paragraph 37c. The provisions of this paragraph should be applied unless the contract meets the exception in paragraph 67.

66. To allocate the contract price to the different components, lessees and lessors first should use any prices for individual components that are included in the contract, as long as the price allocation does not appear to be unreasonable based on the terms of the contract and professional judgment, maximizing the use of observable information; for example, using readily available observable stand-alone prices. Stand-alone prices are those that would be paid or received if the same or similar assets were leased individually or if the same or similar nonlease components (such as services) were contracted individually. Some contracts provide discounts for bundling multiple leases or lease and nonlease components together in one contract. Those discounts may be taken into account when determining whether individual component prices do not appear to be unreasonable. For example, if the individual component prices are each discounted by the same percentage from normal market prices, the discount included in those component prices would not appear to be unreasonable.

67. If a contract does not include prices for individual components, or if any of those prices appear to be unreasonable as provided in paragraph 66, lessees and lessors should use professional judgment to determine their best estimate for allocating the contract price to those components, maximizing the use of observable information. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single lease unit.

68. If multiple components are accounted for as a single lease unit as provided for in paragraph 67, the accounting for that unit should be based on the primary lease component within that unit. For example, the primary lease component's lease term should be used for the unit if the lease components have different lease terms.

Contract Combinations

69. Contracts that are entered into at or near the same time with the same counterparty should be considered part of the same contract if either of the following criteria is met:

a. The contracts are negotiated as a package with a single objective.
b. The amount of consideration to be paid in one contract depends on the price or performance of the other contract.

70. If multiple contracts are determined to be part of the same contract, that contract should be evaluated in accordance with the guidance for contracts with multiple components in paragraphs 63–68.

Lease Modifications and Terminations

71. The provisions of a lease contract may be amended while the contract is in effect. Amendments modify the provisions of the lease contract. Examples of amendments to lease contracts include changing the contract price, lengthening or shortening the lease term, and adding or removing an underlying asset. An amendment should be considered a lease modification unless the lessee's right to use the underlying asset decreases, in which case the amendment should be considered a partial or full lease termination. By contrast, exercising an existing option, such as an option to extend or terminate the lease as discussed in paragraphs 15a and 15b, is subject to the guidance for remeasurement.

Lease Modifications

72. The lessee and lessor should account for an amendment during the reporting period resulting in a modification to a lease contract as a separate lease (that is, separate from the most recent lease contract before the modification) if both of the following conditions are present:

a. The lease modification gives the lessee an additional lease asset by adding one or more underlying assets that were not included in the original lease contract.

b. The increase in lease payments for the additional lease asset does not appear to be unreasonable based on (1) the terms of the amended lease contract and (2) professional judgment, maximizing the use of observable information (for example, using readily available observable stand-alone prices).

Lessees

73. Unless a modification is reported as a separate lease as provided in paragraph 72, a lessee should account for a lease modification by remeasuring the lease liability. The lease asset should be adjusted by the difference between the remeasured liability and the liability immediately before the lease modification. However, if the change reduces the carrying value of the lease asset to zero, any remaining amount should be reported in the resource flows statement (for example, a gain).

74. If prior to the expiration of the lease term a change to the provisions of a lease results from a debt refunding by the lessor, including an advance refunding, in which the perceived economic advantages of the refunding are passed through to the lessee, the change should be accounted for as follows:

a. If a change to the provisions of a lease results from a debt refunding by the lessor, including an advance refunding that results in a defeasance of debt, the lessee should adjust the lease liability to the present value of the future lease payments under the revised lease using the effective interest rate applicable to the revised lease contract. The resulting difference should be reported as a deferred outflow of resources or a deferred inflow of resources. The deferred outflow of resources or the deferred inflow of resources should be recognized as an adjustment to an outflow of resources (for example, as an increase or decrease to interest expense) in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.
b. If (1) the provisions of a lease are changed in connection with an advance refunding by the lessor that results in a defeasance of debt and (2) the lessee is obligated to reimburse the lessor for any costs related to the refunded debt that have been or will be incurred (such as an unamortized discount or a call premium), the lessee should recognize those costs in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Lessors

75. Unless a modification is reported as a separate lease as provided in paragraph 72, a lessor should account for a lease modification by remeasuring the lease receivable. The deferred inflow of resources should be adjusted by the difference between the remeasured receivable and the receivable immediately before the lease modification. However, to the extent that the change relates to payments for the current period, the change should be recognized as an inflow of resources (for example, revenue) or an outflow of resources (for example, expense) for the current period.

76. If prior to the expiration of the lease term a change to the provisions of a lease results from a debt refunding by the lessor, including an advance refunding, in which the perceived economic advantages of the refunding are passed through to the lessee, the change should be accounted for as follows:

a. If a change to the provisions of a lease results from a debt refunding by the lessor, including an advance refunding that results in a defeasance of debt, the lessor should adjust the lease receivable to the present value of the future lease payments based on the interest rate applicable to the revised lease contract and also should adjust the deferred inflows of resources. The adjustment to the deferred inflow of resources should be recognized as inflows of resources or outflows of resources (for example, gain or loss) over the remaining life of the old debt or the life of the new debt, whichever is shorter.
b. If a change to the provisions of a lease results from an advance refunding that results in a defeasance of debt, the lessor also should systematically recognize, as inflows of resources (for example, revenue), any reimbursements to be received from the lessee for costs related to the refunded debt (such as an unamortized discount or a call premium) over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Lease Terminations

77. The lessee and lessor should account for an amendment during the reporting period resulting in a decrease in the lessee's right to use the underlying asset (for example, the lease term is shortened or the number of underlying assets is reduced) as a partial or full lease termination.

Lessees

78. A lessee generally should account for the partial or full lease termination by reducing the carrying values of the lease asset and lease liability, and recognizing a gain or loss for the difference. However, if the lease is terminated as a result of the lessee purchasing an underlying asset from the lessor, the lease asset should be reclassified to the appropriate class of owned asset.

Lessors

79. A lessor should account for the partial or full lease termination by reducing the carrying values of the lease receivable and related deferred inflow of resources, and recognizing a gain or loss for the difference. However, if the lease is terminated as a result of the lessee purchasing an underlying asset from the lessor, the carrying value of the underlying asset should be derecognized and included in the calculation of any resulting gain or loss.

Subleases

80. A sublease involves three parties: the original lessor, the original lessee (who also is the lessor in the sublease), and the new lessee. The original lessor should continue to apply the general lessor guidance. The government that is the original lessee and becomes the lessor in the sublease should account for the original lease and the sublease as two separate transactions, as a lessee and a lessor, respectively. Those two separate transactions should not be offset against one another. The new lessee should apply the general lessee guidance.

81. The original lessee (now the lessor in the sublease) should include the sublease in its disclosure of the general description of lease arrangements. Its lessor transactions related to subleases should be disclosed separately from its lessee transactions related to original leases.

Sale-Leaseback Transactions

82. Sale-leaseback transactions involve the sale of an underlying asset by the owner and a lease of the property back to the seller (original owner). A sale-leaseback should include a transaction that qualifies as a sale (see para-

graphs 287–319 and 321–323 of Statement 62) to be eligible for sale-leaseback accounting. A sale-leaseback transaction that does not include a qualifying sale should be accounted for as a borrowing activity by the seller-lessee and a lending activity by the buyer-lessor.

83. The sale and lease portions of a sale-leaseback transaction should be accounted for in financial statements prepared using the economic resources measurement focus as two separate transactions—a sale transaction and a lease transaction—except that the difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and subsequently recognized in the resource flows statements in a systematic and rational manner over the term of the lease. However, if the lease portion of the transaction qualifies as a short-term lease, any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be recognized immediately.

84. A sale-leaseback transaction is considered to have off-market terms if there is a significant difference between (a) the sale price and the estimated fair value of the asset or (b) the present value of the contractual lease payments and the estimated present value of what the lease payments for that asset would be at the market price, whichever of the two differences is more readily determinable. That difference should be reported based on the substance of the transaction (for example, as a borrowing, a nonexchange transaction, or an advance lease payment) rather than as part of the sale-leaseback transaction.

85. A seller-lessee should disclose the terms and conditions of sale-leaseback transactions in addition to the disclosures required of a lessee in paragraph 37. A buyer-lessor should provide the disclosures required of a lessor in paragraph 57.

86. For entities that elect to apply the regulated operations guidance of Statement 62, and that meet the criteria in paragraphs 476–500 of that Statement, as amended, the difference between (a) the amount of inflows of resources or outflows of resources (for example, revenue or expense) recognized for a transaction that is accounted for as a sale-leaseback and (b) the amount of inflows of resources or outflows of resources included in allowable cost for rate-making purposes should be recognized as a separate regulatory-created asset or regulatory-created deferred inflow of resources, as appropriate.

Lease-Leaseback Transactions

87. In a lease-leaseback transaction, an asset is leased by one party (first party) to another party and then leased back to the first party. The leaseback may involve an additional asset (such as leasing a school building that has been constructed by a developer on land owned by and leased back to a school district) or only a portion of the original asset (such as leasing back only one floor of a building to the owner). A lease-leaseback transaction should be accounted for as a net transaction. Both parties to a lease-leaseback transaction should disclose the amounts of the lease and the leaseback separately in the notes to financial statements.

Intra-Entity Leases

88. When the lessee or lessor is included as a blended component unit of the primary government, the reporting requirements of this Statement do not apply. Instead, when the lessor is a blended component unit, the debt and assets of the lessor should be reported as if they were the primary government's debt and assets. For example, the capital assets leased from a blended component unit would be reported as capital assets, and related debt would be reported as a long-term liability in the reporting entity's government-wide financial statements. The debt service activity of the lessor would be reported as a debt service activity of the reporting entity. With respect to leases with or between blended component units, for which eliminations are required, these eliminations should be made before the financial statements of the blended component units are aggregated with those of the primary government. The remaining cash payments between component units should be reported as inflows of resources and outflows of resources.

89. Lease arrangements between the primary government and discretely presented component units (or between discretely presented component units) should be treated in the same manner as any other lease under the provisions of this Statement. However, related receivables and payables should not be combined with other amounts due to or due from discretely presented component units or with lease receivables and payables with organizations outside the reporting entity.

Leases between Related Parties

90. In the separate financial statements of the related parties, the classification and accounting should be the same as for similar leases between unrelated parties, except in cases in which it is clear that the terms of the transaction have been significantly affected by the fact that the lessee and lessor are related. In such cases, the classification and accounting should be modified as necessary to recognize the substance of the transaction rather than merely its legal form. For example, if the lease contract is structured to meet the definition of a short-term lease but the related parties have a mutual understanding that the lease contract will stay in effect for several more years, that lease should not be accounted for as a short-term lease. The nature and extent of leasing transactions with related parties should be disclosed.

91. In financial statements for which an interest in an investee is accounted for using the equity method, any inflow of resources or outflow of resources (for example, gain or loss) on a leasing transaction with the related party should be accounted for in accordance with the principles set forth in paragraphs 202–210 of Statement 62 and paragraph 77 of Statement 72.

EFFECTIVE DATE AND TRANSITION

92. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

93. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period that this Statement is applied, the notes to financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

94. Leases should be recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. If applied to earlier periods, leases should be recognized and measured using the facts and circumstances that existed at the beginning of the earliest period restated.

However, lessors should not restate the assets underlying their existing sales-type or direct-financing leases. Any residual assets for those leases should become the carrying values of the underlying assets.

The provisions of this Statement need not be applied to immaterial items.

This Statement was issued by unanimous vote of the seven members of the Governmental Accounting Standards Board.

David A. Vaudt, *Chairman*
Jan I. Sylvis, *Vice Chairman*
James E. Brown
Brian W. Caputo
Michael H. Granof
Jeffrey J. Previdi
David E. Sundstrom

Appendix A

BACKGROUND

A1. Accounting for leases has been the subject of much discussion by various standards-setting bodies. Guidance provided by the Accounting Principles Board in 1964 in Opinion No. 5, *Reporting of Leases in Financial Statements of Lessee,* helped shape Financial Accounting Standards Board (FASB) Statement No. 13, *Accounting for Leases.* FASB Statement 13 was published in 1976 and has formed the basis for the existing model used by many different standards setters. For state and local governments, the National Council on Governmental Accounting (NCGA) Statement 1, *Governmental Accounting and Financial Reporting Principles,* published in 1979, stated that FASB Statement 13 was applicable to governmental units. Some modifications were made to accounting for leases in the governmental environment through NCGA Statement 5, *Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments,* and GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases.* The GASB codified the requirements of FASB Statement 13, as amended, as of November 30, 1989, as GASB guidance with the issuance of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

A2. In 2006, the FASB and the International Accounting Standards Board (IASB) started a joint project to reexamine their guidance for leases. In June 2007, the GASB issued Concepts Statement No. 4, *Elements of Financial Statements.* Because the FASB's leases guidance (as of November 30, 1989) is the basis for the GASB requirements in Statement 62, the FASB and IASB project presented an opportunity for the GASB to reconsider lease accounting in light of (a) definitions of financial statement elements (including assets and liabilities) that were not in place when the GASB leases guidance was established and (b) the research and approaches considered by the FASB and IASB. In 2011, the GASB initiated pre-agenda research on leases. The pre-agenda research initially focused on monitoring the developments of the FASB and IASB project.

A3. Considering the GASB conceptual framework and the significant changes to lease accounting being proposed by the FASB and IASB, the Board added a leases project to the current technical agenda in April 2013. The addition of the project is consistent with the GASB's strategic objective to periodically undertake reexamination projects on pronouncements that have been effective for a sufficient length of time.

A4. In November 2014, the Board approved a Preliminary Views, *Leases.* The Preliminary Views proposed accounting and financial reporting requirements for both lessees and lessors based on the foundational principle that leases in the scope of the project are financings of a right to use an underlying asset. Thirty-eight responses to the Preliminary Views were received from organizations and individuals, and 15 organizations or individuals testified at public hearings held in April 2015.

A5. After consideration of respondent comments and testimony on the proposals in the Preliminary Views, the Board issued an Exposure Draft, *Leases,* in January 2016. The Exposure Draft continued to propose a single reporting approach for all leases based on the foundational principle that leases in the scope of the project are financings of a right to use an underlying asset. The Board received 71 written responses to the Exposure Draft from organizations and individuals. In addition, 11 organizations or individuals testified at a public hearing held in June 2016.

A6. The GASB conducted outreach to stakeholders during and after the comment periods for the Preliminary Views and for the Exposure Draft, including a webinar for the benefit of financial statement users. Also, the GASB conducted a field test during the comment period for the Preliminary Views, in which participants were asked to apply the provisions of the Preliminary Views to some or all of their leases as either a lessee or a lessor. Some participants chose to do both. Field test participants provided information that addressed whether the provisions of the Preliminary Views were understandable and operational, and they estimated costs to implement the proposed requirements in the Preliminary Views.

A7. The Board assembled a task force for the project composed of members broadly representative of the GASB's stakeholders. The task force members provided feedback on issues discussed by the Board and on the drafts of the Preliminary Views, Exposure Draft, and final Statement. In addition, further feedback was provided by members of the Governmental Accounting Standards Advisory Council (GASAC) at several of its meetings throughout the Board's due process.

Appendix B

BASIS FOR CONCLUSIONS

Introduction

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

Foundational Principle

B2. The accounting and financial reporting guidance for leases in this Statement is based on the foundational principle that leases are financings. In a lease transaction, a lessee receives the legal right to use an underlying asset (the asset that is subject to the lease, such as a vehicle or building) at the commencement of the lease term. In exchange, the lessee promises to make payments over time for the right to use that underlying asset. Therefore, the lessee has financed the acquisition of that legal right. Conversely, a lessor receives payments over time for transferring to the lessee the legal right to use the underlying asset.

B3. In developing the foundational principle, the Board considered whether there are inherently different types of leases in the governmental environment. The guidance in NCGA Statement 5 and Statement 62 was based on the notion that some leases essentially are financed purchases of the underlying asset (classified as capital leases) and other leases (classified as operating leases) are not. The approach to accounting for a lease was dependent on that classification. The capital or operating lease classification depended on whether the lease met any of four tests. Those tests were intended to determine whether most of the risks and benefits of ownership of the underlying asset were transferred to the lessee. If so, the lease essentially was a financed purchase of the asset and would be accounted for as a capital lease. Those tests have been criticized because their application in many cases resulted in reporting lease transactions differently than similar nonlease financing transactions.

B4. Some respondents to the Exposure Draft disagreed with the foundational principle that leases are financing arrangements. Instead, they believe that there are different types of leases and that the accounting should acknowledge those distinctions. In their view, a lease of equipment for its entire useful life is different from a lease of office space in a building for a few years. Some respondents also were concerned that capital and operating leases (the terminology used in NCGA Statement 5 and Statement 62) often are treated differently for calculating debt covenants or statutory debt limits. In their view, eliminating that distinction in financial reporting could cause some governments to not be in compliance with those covenants or limits.

B5. The Board acknowledges that there are many varieties of leases. Despite the differences that may be present in the details of individual lease agreements in the governmental environment, they all contain the element of financing (as described in paragraph B2). Therefore, the Board believes that a single approach that accounts for leases based on that common financing element should be required. The Board considered another potential method for classifying leases into different types that would be based on whether the lessee consumes substantially all of the economic benefits derived from the underlying asset. The Board also considered whether leases could be classified based on the purpose of the lease or the intent of the government for entering into the arrangement. However, any of those classifications would result in a different accounting approach for similar transactions and would reduce comparability.

B6. The Board also discussed whether some or all leases should be treated as executory contracts for accounting and financial reporting purposes. An executory contract requires performance by one party over the term of the contract, in exchange for payments made by the other party as performance occurs. The guidance in Statement 62 for operating leases was based on the notion that those leases should be accounted for as executory contracts. However, the Board believes that performance pursuant to a lease contract does not occur over the term of the contract. Rather, the lessor has satisfied the obligation *at the commencement of the lease term* when the lessee is granted the right to use the underlying asset, consistent with the provisions established in Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.*

Scope and Applicability

Definition of a Lease

B7. This Statement defines a lease as "a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction" (paragraph 4; footnote omitted). That definition primarily is based on the definition included in Statement 62, with modifications to clarify its application. One modification is the replacement of the term *agreement* with the more precise and limiting term *contract.* This change was made to require that a lease, whether written or verbal, be legally enforceable. (See paragraph B24 for discussion of fiscal funding or cancellation clauses.) The Board also added the notion of *control* and noted that a lease conveys control of the *right to use* the asset of a different legal entity (the underlying asset) rather than control of the underlying asset itself, which is retained by the lessor. The addition of the notion of control focuses on concerns of respondents to the Exposure Draft about differentiating leases from other types of contracts, such as supply contracts. Supply contracts, such as those that are power purchase agreements, normally convey access to the output of assets, rather than control of the right to use the asset. The definition also is expanded to apply to nonfinancial assets rather than only capital assets. The broader definition allows for the possibility of other types of assets to be leased. However, the Board excluded financial assets from the definition so that, for example, securities lending and similar activities would not be subject to this Statement.

B8. The Board believes that a contract should be evaluated for accounting as a lease based on the substance of the arrangement rather than the label on the contract. For example, a contract that transfers ownership of the underlying asset is a purchase regardless of whether it is labeled as a lease.

B9. The definition of a lease in this Statement also specifies that a lease should be an exchange or exchange-like transaction. Some governmental contracts that transfer the right to use an asset require only a nominal amount, such as one dollar per year, to be exchanged for the right to use the underlying asset. The Board believes that the substance of that type of arrangement represents a nonexchange transaction (such as a donation or grant), which is addressed within the scope of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.*

B10. Some respondents to the Preliminary Views questioned the exclusion of nonexchange transactions from the definition of a lease, citing concerns about how to account for those transactions. The Board acknowledges that the existing guidance for nonexchange transactions in Statement 33 does not specifically address the right to use nonfinancial assets in nonexchange transactions, such as the free use of office space. The Board noted that those nonexchange transactions, although not in the scope of this Statement, are expected to be addressed as part of the GASB's project on revenue and expense recognition.

Arrangements Excluded from This Guidance or Considered for Exclusion

B11. Statement 62 identified several lease-like arrangements that are not subject to its leases guidance, including contracts for the rights to explore for natural resources, licensing contracts, and service concession arrangements. Those scope exclusions are carried forward in paragraph 8 because of the unique features and complexities associated with those types of transactions. The Board believes the lease-like portion of those transactions should not be addressed without consideration of the entirety of each transaction. However, consideration of the entirety of those transactions is outside the scope of this Statement. Additionally, the GASB specifically addressed the accounting for service concession arrangements in Statement 60.

B12. A common type of licensing contract is for computer software. Question Z.51.21 in *Implementation Guide No. 2015-1* stated that licensing agreements for computer software should not be treated as leases. However, some respondents to the Preliminary Views questioned whether the proposed leases standards would impact the guidance in the Implementation Guide. Again, because of the unique features and complexities of these transactions, the Board decided to explicitly exclude licensing contracts for computer software from this Statement. Those contracts are expected to be studied further as part of the GASB's separate pre-agenda research activity addressing information technology arrangements, including cloud computing.

B13. Paragraph 8a excludes intangible assets from the scope of this Statement, except for an intangible right-to-use asset that becomes the underlying asset in a sublease arrangement. The Board believes that intangible assets present issues that differ from those of tangible nonfinancial assets and, accordingly, should not be addressed in this Statement. However, in a sublease

transaction, the original lessee is subleasing its *intangible* right to use the underlying *tangible* nonfinancial asset. Therefore, the intangible right-to-use asset being leased in a sublease is included in the scope of this Statement.

B14. This Statement requires that leases that transfer ownership of the underlying asset to the lessee be accounted for as financed purchases or sales. Some respondents to the Exposure Draft argued that a lease that contains a bargain purchase option or one in which it is reasonably certain that a purchase option would be exercised also should be accounted for as a financed purchase or sale. Those respondents believe that governments normally would exercise bargain purchase options, even if only to resell the asset (presumably for a gain), and it is likely that such an option would not be in the contract unless the government expected to exercise it. Similarly, if purchase of the underlying asset is reasonably certain, they believe that the substance of the lease is a financed purchase or sale. The Board considered the merits of those comments but continues to believe that some governments do not exercise bargain purchase options for a variety of reasons, even if it appears to be economically advantageous to do so. For example, the government may not do so because of the time and effort required for compliance with procurement requirements. Those considerations persuaded the Board that the presence of a bargain purchase option in a lease contract is not equivalent to a provision that transfers ownership of the underlying asset. Therefore, the Board concluded that a lease that contains any purchase option, including a bargain purchase option, should not be treated as a financed purchase or sale until that option is exercised.

B15. The Board considered whether there should be a scope exclusion for leases associated with certificates of participation. Some leases form the revenue stream that supports repayment of the certificates of participation debt. The Board believes that the association of lease payments with certificates of participation does not affect the substance of the lease transaction; therefore, the Board concluded that there should not be an exclusion for such leases.

B16. A government may issue conduit debt in its name to finance the construction or acquisition of capital assets for another entity, with the other entity agreeing to repay the debt. That arrangement may have some of the characteristics of a lease. However, issuers of conduit debt are not required under Interpretation No. 2, *Disclosure of Conduit Debt Obligations,* to recognize a liability for the debt. In addition, the facilities constructed or acquired with the proceeds of the debt often are not reported in the financial statements of issuers of conduit debt. Due to accounting complexities associated with those arrange-

ments, the Board concluded that leases in which the underlying asset is financed with outstanding conduit debt should not be included in the scope of this Statement, unless both the underlying asset and the conduit debt are reported by the lessor. The Board has initiated a separate pre-agenda research activity to reexamine accounting and financial reporting for conduit debt.

B17. Some respondents to the Exposure Draft requested additional modifications to the scope of this Statement. As discussed in paragraph B7, the Board added an exclusion for supply contracts. The Board also added an exclusion for leases of inventory because the use of inventory normally involves a transfer of ownership rather than a lease. Some respondents to the Exposure Draft requested that the scope also exclude historical works of art and assets under construction. The Board decided not to exclude those arrangements because they do not have the same complexities found in other transactions that were excluded from the scope of this Statement.

B18. Some respondents to the Exposure Draft requested clarification regarding the treatment of cloud computing contracts. As previously noted, those contracts are expected to be studied further as part of the pre-agenda research activity addressing information technology arrangements, including cloud computing. The Board noted that under this Statement, evaluations include whether contracts (a) convey control of the right to use another entity's underlying asset, (b) are service contracts, or (c) include both lease and service components. Similarly, some respondents requested clarification on the treatment of contracts for cell phone tower placement; connection points for antennae; and grazing, hunting, and farming rights. The Board believes that the definition of a lease provides sufficient guidance for determining whether those contracts are leases.

Lease Term

Noncancelable Period

B19. The determination of the lease term begins with the noncancelable period. Because the definition of a lease focuses on legally enforceable rights and obligations associated with a lease contract, the lease term has the same focus. The noncancelable period is included in the lease term because it is the period for which the lessee and lessor are legally obligated without the possibility of cancellation.

Options to Extend or Terminate

B20. Many leases include options to extend, such as a five-year lease that the lessee can extend to six years. Likewise, many leases include options to terminate the lease at or after a certain point in time, such as a five-year lease that the lessee can terminate at the end of the fourth year. The Board considered whether periods covered by an option to extend and periods after a potential termination date should be included in the lease term. Limiting the lease term to only the noncancelable period could lead to opportunities to structure leases with short noncancelable periods and many options to extend (even when all parties understand the intent is to extend) or with an early termination option (even when all parties understand there is no intent to terminate). Therefore, the Board concluded that the lease term should include certain periods covered by options to extend or terminate the lease (determined by the likelihood of those options being exercised) so that the lease term reflects how long the lease is expected to be in effect.

B21. The Exposure Draft proposed that only a *lessee's* options to extend or terminate a lease should be considered in determining the lease term. A respondent disagreed with excluding consideration of lessor-only options from the lease term because, if a lessor-only option to extend was exercised, the lessee would have little or no discretion to avoid the contractual lease payments before the end of the lease term. Similarly, if the lessee is reasonably certain that a lessor-only option to terminate would be exercised, inclusion of the subsequent period would overstate the lease term. The Board noted that although lessor-only options may be difficult in certain circumstances for a lessee to evaluate, those options would have the same enforceability as lessee options if exercised. Based on those considerations, the Board concluded that the most conceptually consistent approach for determining the lease term is to consider both lessee and lessor options to extend or terminate a lease contract.

B22. The Board initially considered several probability thresholds for including a period covered by an extension or termination option in the lease term, including *more likely than not, probable, virtually certain,* and *a significant economic incentive to exercise the option.* In the Preliminary Views, the Board proposed using a threshold of *probable* for consistency with guidance in Statement 62 for recognition of a liability arising from a contingency. In response to concerns expressed by respondents to the Preliminary Views, the Board decided to propose *reasonably certain* in the Exposure Draft as the threshold for including periods in the lease term covered by options to extend or terminate.

The Board believes that the term *reasonably certain,* although also requiring the use of professional judgment, is a higher threshold and is less speculative than *probable.* Additionally, it essentially retains the threshold of *reasonably assured* in the prior leases guidance in Statement 62.

B23. The Board also discussed the factors a government should consider when determining the likelihood that an extension or termination option will be exercised. Although the Board acknowledges that having a significant economic incentive may be a good indicator that an option will be exercised, governments do not always make decisions solely for economic reasons. Therefore, a government should consider all relevant factors, including but not limited to economic factors, in determining the likelihood that an option will be exercised. The Board also believes that a lessor should be able to make that assessment at the commencement of the lease term based on information received about the lessee's plans during the lease negotiations.

Fiscal Funding or Cancellation Clauses

B24. Many governmental lease contracts include fiscal funding or cancellation clauses. Those clauses allow governmental lessees to end a lease, typically on an annual basis, if the government does not appropriate funds for the lease payments. Laws or regulations often require inclusion of a fiscal funding or cancellation clause, but the government, acting in good faith when it enters into the lease, does not intend or expect to exercise that clause. Therefore, the Board concluded that a fiscal funding or cancellation clause should not affect the lease term unless it is reasonably certain that the clause will be exercised (that is, funds will not be appropriated).

Reassessments

B25. The Board initially considered requiring reassessment of the lease term if there is a change in the relevant factors that led to the initial determination of whether it was reasonably certain that a lessee would exercise options to extend or terminate a lease. The Board was concerned, however, that such a reassessment process could be costly, especially for governments with many leases. The Board also initially was concerned about the lessor's ability to evaluate the lessee's circumstances to make the reassessment. Alternatively, the Board considered using a triggering event approach so that reassessment would be required only in certain specific and obvious circumstances. However, the Board was again influenced by the potential costliness of that approach

based on concerns about lessors not knowing whether a triggering event has occurred. At the other end of the spectrum, the Board considered whether a government should *ever* be required to reassess the lease term but determined that reassessments are appropriate in certain circumstances.

B26. The Exposure Draft proposed that a government be required to reassess the lease term only if the government either (a) *elects* to exercise an option even though it was originally determined that the lessee would not exercise that option or (b) *elects* not to exercise an option even though it was originally determined that the lessee would exercise that option. For example, if it were considered reasonably certain at the commencement of the lease term that the lessee would exercise an option to extend but the lessee does not exercise that option by the exercise date, the lease term should be reassessed. In response to concerns raised by respondents to the Exposure Draft, the Board concluded that the lease term should be updated when the lessee or lessor elects to exercise an option or not to exercise an option contrary to the initial determination of the lease term. The Board believes that requirement imposes less of a burden on preparers because there will be little or no judgment involved and there is no requirement for ongoing reassessments. When a lessee or lessor communicates its intention to exercise or not exercise an option, both the lessee and lessor would know whether an option will be exercised and, therefore, would be able to reassess the lease term, if necessary.

B27. Another criterion (proposed by some respondents) requires a government to reassess the lease term of the most recent lease contract before the change when an event specified in the lease contract that requires an extension or termination of the lease takes place. The Board agreed to add that criterion in paragraph 15c because it is consistent with the underlying principle of the two reassessment criteria in paragraphs 15a and 15b. All three criteria are based on the principle that the lease term should not be reassessed until an event occurs or an action is taken. That is, probability is not considered in determining whether the lease term should be remeasured. The Board believes the additional criterion will not require the level of judgment necessary to evaluate probability and, therefore, will not add significant implementation effort.

B28. Some respondents proposed additional criteria that they believe should require the lease term to be reassessed. An additional criterion offered by some respondents would have required a government to evaluate the likelihood that a significant event or a significant change in circumstances, within the control of management, would occur that directly affects whether the government is reasonably certain (a) to exercise or not to exercise an option to extend or

terminate the lease or (b) to purchase the underlying asset. That proposed criterion would have introduced a probability consideration to the criteria for reassessment in paragraphs 15a and 15b. The Board decided that, for the reasons described in the preceding paragraphs, the proposed criterion should not be added.

Short-Term Leases

Definition of a Short-Term Lease

B29. A short-term lease is defined as a lease that has a maximum possible term of 12 months (or less), including any options to extend, regardless of their probability of being exercised. The use of *maximum possible term* in the definition removes the effect of potential options to extend or terminate the lease on the classification of a lease as short term. Maximum possible term assumes that all options to extend would be exercised and inherently would exclude all options to terminate. The Board was concerned that basing the definition of a short-term lease on the assumption that options to extend would not be exercised would allow for structuring leases to avoid the requirements of the general accounting and financial reporting guidance for leases in this Statement. For example, at the commencement of the lease term, a lessee determines that it is not reasonably certain that an extension option would be exercised, and accordingly, it does not include that option in the lease term. If the lessee later exercises that option and the term extends beyond 12 months, the lease would have to be recognized at that time. The Board believes that the monitoring effort and the resultant reclassification would have negated the cost relief provided by the short-term exception.

B30. Some respondents to the Exposure Draft argued that 12 months is too short to provide meaningful cost relief because, they assert, few leases would qualify for the exception as proposed. These respondents suggested extending the definition to two, three, or five years. After considering those comments, the Board reaffirmed its decision that 12 months is the most appropriate length of time upon which to base the definition of a short-term lease. Twelve months generally is consistent with many governments' budgetary and financial reporting cycles and is used in classifying assets and liabilities as current and noncurrent in a classified statement of net position. The Board also considered that the financing component would be much less significant in lease contracts of 12 months or less.

Accounting for Short-Term Leases

B31. The Board considered whether there should be an election to apply the short-term exception to the reporting requirements. It concluded that establishing the short-term exception as a requirement rather than an accounting policy election would enhance comparability among governments. The Board believes that comparability would be reduced if governments could choose whether to apply the short-term exception.

B32. The guidance for reporting short-term leases in this Statement is intended to provide cost relief by not requiring lessees or lessors to apply the overall recognition and measurement provisions of this Statement. Allowing lessees and lessors to recognize only outflows and inflows of resources based on the payment provisions of the lease contract eliminates the need for preparers to calculate amounts for assets and liabilities with useful lives or maturities of less than one year. That approach is not equivalent to cash-basis recognition, as governments still would be required to recognize assets and liabilities for payments paid or received before or after the reporting period.

Notes to Financial Statements for Short-Term Leases

B33. The Board proposed in the Preliminary Views that a lessee be required to disclose the amount of outflows (for example, expenses or expenditures) recognized during the reporting period related to short-term leases to provide information about the volume of a government's short-term lease activity. Some respondents to the Preliminary Views commented that a requirement to identify short-term lease outflows of resources would negate the cost relief offered by the short-term exception. Those respondents argued that the cost of identifying short-term leases and tabulating the amount for disclosure would be comparable to the costs of applying the recognition and measurement provisions. The Board agreed with those arguments and decided not to include a disclosure requirement for short-term lease outflows in this Statement.

Recognition and Measurement for Lessees

Lease Liability

Recognition

B34. This Statement requires lessees to recognize and measure transactions as leases, including recognition of a lease liability, except for (a) leases outside the scope of this Statement, (b) contracts that transfer ownership of the underlying asset to the lessee and do not contain termination options (but may contain fiscal funding or cancellation clauses that are not reasonably certain of being exercised), and (c) short-term leases. Liabilities are defined in Concepts Statement 4 as present obligations to sacrifice resources that the government has little or no discretion to avoid. It further states that the event that created the liability has already occurred. For example, the Board believes that the lessee taking possession of the underlying asset or gaining access to use the underlying asset is an event that creates such an obligation. The lessee already has received the right to use the underlying asset and has a present obligation to make the payments in exchange for that right. Unless the lessee renegotiates the lease, the lessee has little or no discretion to avoid the contractual lease payments (or termination penalties) before the end of the lease term.

Measurement

B35. The Board concluded that the lease liability should be measured at the present value of future lease payments expected to be made during the lease term, which represent the obligations of the lessee under the lease contract. The present value calculation is consistent with the notion that a lease is a financing transaction and recognizes the cost of the financing.

B36. There are several different types of payments that might be required under a lease contract. Fixed payments are established as specific dollar amounts in the lease contract, and the lessee is obligated to make them. As discussed in paragraph 62, lease incentives receivable from the lessor reduce the lease liability because they are components of the same transaction with the same counterparty and, thus, the payable and receivable can be offset. Variable payments are sometimes required and may depend on an index or rate (for example, Consumer Price Index or a commodity index), or on future

performance or usage by the lessee (for example, a percentage of sales or machine hours used). However, because of the variability and unpredictability of those payments, their measurement requires more judgment and estimation than fixed payments.

B37. Variable payments that depend on an index or rate have a baseline measurement at the commencement of the lease term, using the current index or rate and, therefore, are included in the measurement of the lease liability. The Board considered whether future variable payments that depend on an index or rate should be measured using expected changes in that index or rate. However, the Board decided that the potential cost of developing such expectations outweighed the expected benefit of a more representationally faithful liability amount. Therefore, the Board concluded that the current index or rate could be assumed to stay in effect when initially measuring the future payments.

B38. Variable payments that depend on future performance of the lessee or usage of the underlying asset by the lessee do not have a baseline measurement at the commencement of the lease term and, therefore, are excluded from the measurement of the liability. There may be expectations of the levels of future performance or usage, but estimating those amounts may not be practical because they are dependent upon events or transactions that have not occurred. The Board decided that variable payments that depend on future performance of the lessee or usage of the underlying asset by the lessee should not be included in the measurement of the lease liability. However, the Board concluded that any minimum guarantee amount or other portions of those variable payments that are fixed in substance can be reliably measured and, therefore, should be included in the lease liability because they are not dependent upon events or transactions that have not occurred.

B39. Other types of payments, such as those arising from purchase options and residual value guarantees, may be contingent upon future events. The Board concluded that such payments should be included in the measurement of the lease liability if it is reasonably certain that payments arising from those options or guarantees will be required. As discussed in paragraph B22, several alternatives were considered to establish a threshold for whether options should be included in the determination of the lease term. Those same alternatives were considered for determining whether to include contingent payments in the measurement of the lease liability. Consistent with its reasons for using a threshold of *reasonably certain* when assessing the lease term, the Board decided to apply the same threshold for including contingent payments in the determination of the lease liability.

B40. The Board considered whether to provide guidance for selecting the discount rate to be used for making the present value calculation of the lease liability. The previous leases guidance in Statement 62 included provisions for determining the discount rate to be applied to a lease liability, and the Board agreed that reducing the level of guidance for this issue would not be desirable from a consistency standpoint. The Board concluded that the interest rate the lessor charges the lessee, which may be the interest rate implicit in the lease, is preferable because it is the rate at which the transaction is made. However, consistent with Statement 62, the Board also concluded that if the interest rate implicit in the lease is not readily determinable, the lessee's estimated incremental borrowing rate is an acceptable alternative.

B41. The Board also considered but rejected the use of a risk-free interest rate for discounting because leases are not risk free. The Board also considered a discount rate based on a municipal bond index. However, it determined that the interest rate the lessor charges the lessee or the lessee's estimated incremental borrowing rate is more specific to the transaction and the parties to the lease and is a better representation of the actual transaction than a more generic market rate.

Remeasurement

B42. The Board concluded that a lease liability should be remeasured in certain circumstances to reflect changes under the lease contract or the estimates incorporated into the liability measurement under the lease contract, such as a change in the probability of exercising an option. This Statement specifies several conditions under which the lease payment amounts likely have changed because of changes to the estimates used in determining the liability. This Statement also requires that the liability be remeasured if any of those changes are expected to significantly affect the amount of the lease liability. The Preliminary Views proposed that a change in the index or rate used to determine variable lease payments require a potential remeasurement of the liability. However, in response to concerns of some respondents to the Preliminary Views, the Board decided to require remeasurement of variable lease payments only if the liability is already required to be remeasured under paragraph 25 of this Statement. That modification was made because the frequency of changes in an index or rate used to determine variable lease payments could place a significant burden on preparers to evaluate the significance of the change each time an index or rate changed.

B43. Certain circumstances also trigger reassessment of the discount rate used to measure the lease liability. The Board considered not requiring an update to the discount rate after initial determination but noted that there could be situations in which an update is warranted because the updated measurement would provide more relevant information. The Preliminary Views proposed that a significant change in the index or rate used to determine variable lease payments require reassessment of the discount rate. That proposed requirement was not carried forward to be consistent with the Board's other decisions regarding remeasurement of the liability.

B44. Some stakeholders raised the issue of contingent rentals subsequently becoming noncontingent. For example, a concessionaire's lease may require a nominal payment in the first year and fixed payments in subsequent years based on a percentage of first-year sales. To more accurately report significant changes to the lease liability, and the lease asset, the Board added a requirement that remeasurement occur when a contingency, upon which some or all of the variable payments are based, is resolved such that those payments now meet the criteria for inclusion in the measurement of the lease liability.

Reporting Cash Flows

B45. Some respondents to the Exposure Draft requested additional guidance for the classification of leases in the statement of cash flows. The Board noted that Question 5.2 in Implementation Guide No. 2016-1, *Implementation Guidance Update—2016,* as amended, provides guidance on that topic. The Codification Instructions in Appendix C of this Statement provide conforming amendments to that question in the Implementation Guide.

Lease Asset

Recognition

B46. This Statement requires lessees to recognize a lease asset to correspond with the lease liability. Assets are defined in Concepts Statement 4 as resources with present service capacity that the government presently controls. At the commencement of the lease term, the lessee obtains the right to use the underlying asset by either gaining physical possession of the asset or attaining access to use the underlying asset. The lease asset is the right to use the underlying asset rather than the underlying asset itself. The right to use makes

the underlying asset a resource to the lessee and gives the lessee access to the underlying asset's present service capacity. Therefore, the Board believes that this right meets the definition of an asset.

Measurement

B47. The Board concluded that the initial measurement of the lease asset should be based on the measurement of the associated lease liability. The Board considered whether the lease asset should be measured independently of the lease liability (for example, on a fair value basis) but decided against that approach. Capital assets generally are measured at historical cost, which is the amount paid for those assets. The lease liability generally represents the amount to be paid for the lease asset, except as noted in paragraph 30. Therefore, basing the measurement of the lease asset on the lease liability is consistent with the accounting for most capital assets at historical cost. Additionally, it recognizes the relationship between the liability and the asset because they arise from the same transaction.

B48. The measurement of the lease asset includes any lease payments made at or before the commencement of the lease term. Those payments are not included in the lease liability but are part of the cost of the lease asset. Therefore, those amounts should be added to the amount derived from the lease liability so that the lease asset is measured at its total cost. Accordingly, any lease incentive payments received from the lessor at or before the commencement of the lease term reduce the amount capitalized, as discussed in paragraph 62.

B49. Ancillary charges necessary to place an asset into service are capitalized as part of the cost of that asset under paragraph 18 of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.* Debt issuance costs other than insurance, described in paragraph 12 of Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt,* as amended, are recognized as an expense or expenditure of the period in which they are incurred. To be consistent with those provisions, the Board decided that initial direct costs associated with a lease (for example, structuring fees such as legal and administrative costs) should be accounted for as if they were paid in a financed purchase of a capital asset. The Board considered accounting for all initial direct costs the same way (either capitaliz-

ing or expensing all of them) as a matter of practicality, but it believes that governments are accustomed to making these determinations and, therefore, would not have significant difficulty in applying this provision.

B50. Statement No. 72, *Fair Value Measurement and Application,* defines an investment and provides accounting guidance for assets that meet that definition. In some circumstances, an asset recognized under a lease could meet the definition of an investment (for example, if the lease is entered into for the purpose of subleasing solely for profit). The Board believes that meeting the definition of an investment changes the character of, for example, a lease receivable; measurement of that receivable as an investment is appropriate even though it arises from an arrangement that otherwise would be accounted for as a lease.

Remeasurement

B51. Paragraph 33 of this Statement requires that when a lease liability is remeasured, the corresponding lease asset be adjusted by the same dollar amount (except when the adjustment would cause the asset to be reported as a negative amount, and in cases of impairment, which is discussed in paragraph B52). The Board believes that changes in the value of the lease liability typically coincide with changes in the value of the lease asset, but not necessarily by the same amount. The Board acknowledges that adjusting the lease asset by the same amount may result in the asset being reported at an amount different from historical cost or fair value. Nevertheless, the Board believes that the expected benefits of requiring separate remeasurement of the lease asset are not sufficient to justify the perceived costs of that remeasurement. The Board also considered that, if a change in the lease liability results from a change in an index or rate that is attributable to the current period, the change in the liability should be reported in the resource flows statement for the period rather than as an adjustment to the related asset. However, in the interest of maintaining consistency, the Board rejected that exception and instead decided to require that this change in the lease liability also be accompanied by a corresponding change in the lease asset.

Impairment

B52. The Board considered whether an exception to Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* should be made for lease assets. That consideration led

to the Board's conclusion that a lease asset, although intangible, could experience a significant and unexpected decline in service utility such that impairment should be recognized. The decline in service utility of the intangible right to use an underlying asset often is a result of a decline in the service utility of the underlying asset itself. For example, if a leased building is damaged by a flood, the value of the lessee's right to use the building is similarly affected. Because a lease asset arises from the right to use an underlying asset for a length of time, the service utility of that lease asset is associated with a measure of time. The Board noted that if the lease asset is impaired, there often will be a change to the corresponding lease liability (for example, payments may not be required for the time the underlying asset is unusable).

Lessee Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus

B53. This Statement carries forward without significant change the accounting for leases in governmental funds in NCGA Statement 5, as amended. The Board believes that guidance remains sufficient for use in financial statements prepared using the current financial resources measurement focus.

Expense Recognition

B54. Consistent with the foundational principle that a lease is a financing, this Statement requires that a lessee recognize interest expense related to the amortization of the discount on the lease liability. A lessee also should recognize amortization expense related to the lease asset, representing the decrease in the useful life of the right to use the underlying asset over the lease term. The interest expense and amortization expense are reported in the resource flows statements with other interest and depreciation or amortization expense amounts. The Board considered whether the interest and amortization expenses related to a lease could be combined and reported as a single rent expense amount, so that the expense could be classified as an operating expense, consistent with the manner in which expenses for operating leases were classified in Statement 62. However, the Board believes that presentation would be inconsistent with the foundational principle that a lease is a financing.

B55. The Board considered whether amortization of the lease asset should be guided by a government's depreciation policy for owned assets. That alternative was ultimately rejected, however, because the lease asset is an intangible

asset that is distinct from the underlying asset being leased, and the period for which the lessee has the right to use the underlying asset may be shorter than the useful life of the underlying asset itself.

B56. The Board concluded that amortization of the lease asset should be calculated in a systematic and rational manner to be consistent with depreciation and amortization of other capital assets. Amortization in a systematic and rational manner does not necessarily mean the same amount would be amortized in each period. For example, a calculation that results in a constant total lease cost (the total of the separately determined interest and amortization) could be considered systematic and rational in some cases.

Notes to Financial Statements—Lessees

B57. The disclosures required for lessees in paragraph 37 include a general description of their leasing arrangements. The Board enhanced the information that was previously required to be disclosed by Statement 62 with details about variable payments and residual value guarantees not included in the lease liability. The Board believes that this information is essential for a financial statement user to understand that the lessee may be required to pay more for use of the lease asset than the amount recognized as a lease liability. In that same regard, to provide information to users about the full cost of leases, lessees are required to disclose the amount of expense recognized in the period for variable lease payments and other payments not previously included in the lease liability.

B58. Some respondents to the Exposure Draft suggested that the proposed disclosures may be overly lengthy for governments with many leases. In addition, some respondents stated that the extent of the disclosures could affect their ability to negotiate competitive future lease arrangements. The Board considers the disclosures for lessees in this Statement to be essential and believes that preparers will aggregate disclosures when appropriate and consider the significance of the lease transactions in compiling the information necessary to meet the disclosure requirements.

Other Considerations for Notes to Financial Statements

B59. The Board considered, but decided not to require, several other potential disclosures relating to amounts recognized in the financial statements, including (a) significant assumptions and judgments used in accounting for leases,

(b) the numerical discount rate or average of rates used to discount the future lease payments, (c) the amount of initial direct costs capitalized, (d) all lease-related expenses and cash flows, (e) the existence of options to extend or terminate the lease, (f) categorization of options to extend by their likelihood, and (g) the portion of the liability that relates only to the noncancelable period of the lease. The Board rejected those potential disclosures because they were not considered to provide essential information, were not required for similar transactions that do not meet the definition of a lease, or were not cost beneficial.

B60. The Board also considered and rejected disclosures about amounts *not* recognized in the financial statements, including (a) a schedule of future payments for nonlease components included in a contract that contains a lease, (b) the fair value of a lease liability, (c) why the government chose to lease rather than buy the underlying asset, and (d) leases for which the government is paying a below-market rate. Again, the Board decided not to require these disclosures because they were not considered to provide essential information, were not required for similar transactions that do not meet the definition of a lease, or were not cost beneficial.

Recognition and Measurement for Lessors

B61. The Board believes that governmental lessees and lessors should account for the same transaction in a way that mirrors how the other party accounts for it. Consequently, the Board concluded that the lessee and lessor accounting models should be symmetrical to the extent appropriate. Some respondents to the Exposure Draft suggested that the Board retain the lessor model provided in Statement 62, though it lacked symmetry with the lessee model. The Board acknowledges that there are fewer concerns with the lessor model in Statement 62 but believes that it was necessary to reconsider that model in a complete reexamination of lease accounting. Pursuant to that review, the Board determined that a new lessor accounting model should be developed in the governmental environment for symmetry with the lessee model based on the foundational principle that leases are financings.

B62. As discussed in paragraph B14, the Board believes that the substance of a lease that transfers ownership is a sale of the underlying asset rather than a financing of an intangible right-to-use asset. In addition, as discussed in paragraph B50, the Board believes that underlying assets that meet the definition of an investment should be measured in accordance with guidance for invest-

ments. Therefore, in addition to an exception for short-term leases, this Statement also provides exceptions to its general lessor recognition and measurement requirements for leases that transfer ownership, and leases for which the underlying asset is investment property. The Board noted that investment property generally is reported at fair value, which may be determined using a valuation technique that considers the present value of future lease payments to be received. A lessor's reporting of a separate lease receivable for the leased investment property essentially would be duplicating the value of those future lease payments.

B63. This Statement also provides an exception to its general lessor recognition and measurement requirements for certain regulated leases that meet the criteria in paragraph 43. This exclusion addresses aviation leases between airports and air carriers (often referred to as airport–airline agreements) and other leases with similar characteristics. Federal laws, regulations, and related court decisions require that fees imposed on aeronautical users of airports be fair and reasonable. The U.S. Department of Transportation is required to make determinations on the reasonableness of terms in response to complaints filed with the Department. Federal laws, regulations, and related court decisions also prohibit airports from unjustly discriminating against aeronautical users and require airports to apply a consistent methodology in establishing fees for similarly situated aeronautical users. A practical effect is that airports cannot prevent air carriers from entering into leases if facilities are available, provided that the lessee's use of the facilities complies with applicable aeronautical use restrictions.

B64. Because of the characteristics of those regulated leases, the Board believes that the nature of those lease agreements is different from a normal financing of a right to use an underlying asset. The Board also noted that those lease agreements almost always require payments that vary from period to period because of the cost-recovery nature of the agreements and that, in many instances, they contain revenue-sharing provisions. Therefore, for those types of agreements, the Board believes it is most appropriate to recognize lease revenue based on the provisions of the agreement even if those provisions result in irregular recognition from, for example, a rent holiday. This exception does not apply to leases that do not meet the criteria in paragraph 43, such as most leases of terminal space to restaurants and other non-aviation-related vendors at airports. The Board believes that those leases are not substantively different from other nonregulated leases, such as leases of vendor stalls at government-owned sports stadiums.

B65. The Exposure Draft proposed that the exception for certain regulated leases be based on legal requirements (a) establishing the costs that may be recovered through lease payments and (b) significantly limiting the ability of the lessor to set rates in excess of those costs. Although those criteria describe some leases between airports and air carriers, respondents to the Exposure Draft noted that airports and air carriers may voluntarily agree to rates in excess of costs, as long as those rates are applied consistently between similarly situated air carriers. Respondents also noted some instances in which legal requirements allow lease rates to recover more than cost, such as for debt service coverage. The Board consulted with subject matter experts to refine the Exposure Draft's proposed provisions so that the criteria would apply to all regulated aviation leases at airports.

Lease Receivable

Recognition

B66. This Statement requires lessors to recognize a lease receivable for leases within the scope of this Statement. The lease contract gives the lessor the right to receive payments in exchange for the lessee's right to use the underlying asset. The Board believes the lessor's right to receive payments meets the definition of an asset in Concepts Statement 4. Assets are defined as resources with present service capacity that the government presently controls. The right to receive payments is a resource that can be drawn upon, and the lessor presently controls that right.

Measurement

B67. This Statement requires a lease receivable to be measured at the present value of future lease payments expected to be made during the lease term. The receivable includes fixed payments, variable payments that depend on an index or rate, and variable payments that are fixed in substance. Those components of the lease receivable are symmetrical with components of the lessee's lease liability.

B68. Other types of payments, such as those arising from purchase options and residual value guarantees (that are not fixed in substance), may be contingent upon future events. The Board acknowledges the different treatment of those possible payments in the lessee's lease liability and the lessor's lease receivable and that the payments may be recognized in a lessor's receivable

later than when they are recognized in a lessee's liability. The Board considered including those payments in the calculation of the lease receivable when it was reasonably certain that the payments would be made. The Board concluded that to do so would be tantamount to recognition of a contingent asset, which conflicts with the guidance in paragraph 112 of Statement 62.

B69. The Board's decision to provide guidance for selecting the discount rate to be used for making the present value calculation is discussed in paragraph B40. The Board believes that the interest rate the lessor charges the lessee is the most appropriate discount rate because it is the rate incorporated into the transaction, and the lessor would have the information to determine that rate. Some respondents to the Preliminary Views questioned that presumption, citing examples of leases in which lease payments are set using a method that does not involve an interest rate (for example, comparison of market rents for similar pieces of real estate). Nevertheless, the Board believes that a discount rate can be imputed on any future payment stream, even if it was not explicitly factored into the determination of the payment amounts.

Remeasurement

B70. The provisions for remeasurement of a lease receivable are similar to those for remeasurement of a lessee's lease liability, which are discussed in paragraph B42. However, changes in amounts included only in a lessee's liability attributable to the exercise of a purchase option or a residual value guarantee would not cause remeasurement of the lessor's receivable. The basis for requiring a lessor's reassessment of the discount rate is the same as for reassessment by a lessee, as discussed in paragraph B43.

B71. Some respondents raised the issue of contingent rentals subsequently becoming noncontingent. For the reasons discussed in paragraph B44, the Board added a requirement that remeasurement occur when a contingency, upon which some or all of the variable payments that will be received over the remainder of the lease term are based, is resolved such that those payments meet the criteria for remeasuring the lease receivable.

Deferred Inflow of Resources

B72. This Statement requires lessors to recognize a deferred inflow of resources to correspond to the lease receivable. A deferred inflow of resources is defined in Concepts Statement 4 as an acquisition of net assets by the

government that is applicable to a future reporting period. The Board believes that recognizing a lease receivable is an acquisition of net assets and that the lease payments included in the lease receivable relate to future reporting periods. Thus, the lessor is required to recognize revenue as the service capacity of the underlying asset is used by the lessee over future reporting periods. This conclusion is consistent with the reporting requirements in Statement 60. That Statement requires governments to report deferred inflows of resources associated with capital assets for many service concession arrangements.

Underlying Asset

B73. When the lessor gives the lessee the right to use the underlying asset, the lessor relinquishes its right to use that asset. Under Statement 62, when a lessor recognized a lease receivable for a lease that qualified as a capital lease, the lessor also derecognized the underlying asset. For this Statement, the Board considered derecognition of the underlying asset but concluded that doing so would present significant issues that were not prevalent under the former guidance, because that guidance resulted in many leases being classified as operating rather than capital leases. For example, if only a portion of a building is leased to another party, the lessor would derecognize only a portion of the historical cost of the building. The amount recognized as a lease receivable likely would not be equivalent to the portion of the historical cost that would be derecognized because the underlying asset is valued at historical cost rather than the present value of the right to use that asset.

B74. Some respondents to the Exposure Draft expressed concern about recognizing both a lease receivable and the underlying asset, suggesting that it would inflate the government's total assets. As mentioned in the preceding paragraph, the Board considered derecognizing some or all of the underlying asset but concluded that relinquishing the right to use an asset, which it still owns, does not diminish the historical cost recognized for that asset. The Board believes that recognizing the lease receivable with the corresponding deferred inflow of resources does not inflate the lessor's statement of net position because, at initial measurement, those two accounts generally decrease and increase net position by the same amounts.

B75. The underlying asset in a lease generally would continue to be accounted for in accordance with other applicable guidance, including depreciation and impairment. However, if the lease contract requires the lessee to return the

asset in its original or enhanced condition, the lessor would not depreciate the asset during the lease term because the service capacity of that asset would be at least the same at the end of the lease as it was at the beginning and, accordingly, it would not be appropriate to recognize a reduction through depreciation. This conclusion also is consistent with similar provisions in Statement 60.

Lessor Obligations

B76. The Board considered whether a lessor has obligations during the lease term that would result in recognition of a liability rather than a deferred inflow of resources. The Board concluded that a lessor has satisfied the principal obligation under a lease after the lessor has made the underlying asset available to the lessee at the commencement of the lease term. Leases may include language requiring the lessor to not interfere with the lessee's "quiet enjoyment" of the use of the asset and perhaps other assurances. Those provisions restraining the lessor's activities are not easily quantifiable and do not potentially require the lessor to sacrifice resources, which is essential for recognition of a liability. Service and other nonlease obligations that are included in the same contract would be separated under the multiple component guidance in paragraphs 63–68 (discussed in paragraphs B89–B91).

Lessor Recognition in Financial Statements Prepared Using the Current Financial Resources Measurement Focus

B77. The Board concluded that a lessor should recognize a lease receivable for the present value of lease payments and a deferred inflow of resources for the portion of that amount that is not available (as defined for governmental funds). The Board believes that, under the current financial resources measurement focus of governmental funds, lease receivables should be accounted for no differently than other receivables.

Participation by Third Parties

B78. This Statement supersedes the lessor guidance in Statement 62 for when the underlying asset in the lease is sold or the lease is assigned to a third party, because much of that guidance was related to determining whether a sale had occurred. However, that determination should be made when an asset is sold, regardless of whether there is a lease in place. The Board believes that the

guidance in paragraphs 282–349 of Statement 62 for sales of real estate is sufficient to address leased asset situations and, accordingly, additional guidance need not be included in this Statement.

Leveraged Leases

B79. This Statement supersedes the lessor guidance for leveraged leases in Statement 62. A leveraged lease is one that involves a creditor providing long-term financing to the lessor for the acquisition of the underlying asset. Under Statement 62, a lessor in a leveraged lease offsets the lease receivable with the associated debt. The Board believes that offsetting is not appropriate because a right of offset for those two amounts does not exist. Furthermore, because leveraged leases are uncommon in the governmental environment, the Board concluded that it is not necessary to specifically address leveraged leases in this Statement.

Notes to Financial Statements—Lessors

B80. Lessors are required to disclose a general description of their leasing arrangements for the same reasons described in paragraph B57 for the corresponding disclosure by lessees. However, general disclosure about residual value guarantees is not specifically required for lessors because the underlying assets are not derecognized.

B81. The Board decided to not carry forward the proposed requirement in the Exposure Draft for lessors to disclose the carrying amount of assets on lease or held for leasing and the related accumulated depreciation. That disclosure was required under the prior model because operating leases were not recognized in the financial statements. Under the lessor model in this Statement, however, lessors recognize a lease receivable and related deferred inflows of resources for all leases. Therefore, the Board believes that the potential benefit of that disclosure would no longer justify its expected cost.

B82. The total amount of revenue from leases is disaggregated in the resource flows statements (interest revenue is reported separately from other lease-related revenue). The Board believes that disclosure of the total amount of revenue from leasing activities, including variable lease payments and other payments not previously included in the lease receivable, is essential to financial statement users to understand the relative significance of leases on the lessor's financial statements.

B83. Some governments issue debt to finance the construction or acquisition of assets that will be leased. That debt often is secured by the lease payments. In that case, this Statement requires disclosure of any lessee options to terminate the lease or provisions to abate lease payments during periods when, for example, the underlying asset is damaged and cannot be used by the lessee. The Board believes that disclosure of such termination options and abatement provisions is essential in those situations because their presence creates a risk that the lessee will not make some or all payments and jeopardize the security of the underlying debt.

B84. This Statement carries forward the requirement in Statement 62 to disclose a schedule of future lease payments included in the lease receivable. However, it limits that disclosure to governments whose principal ongoing operations consist of leasing assets to other entities. It expands the disclosure to include all payments beyond the initial five years and requires principal and interest amounts to be shown separately. The Board believes that disclosure will provide users with essential information about future cash flows included in the lease receivable for those types of governments.

Other Considerations for Notes to Financial Statements

B85. The Board considered several other potential disclosures relating to amounts recognized in the financial statements, including the existence of options to extend or terminate the lease, but declined to establish any additional requirements. The Board noted that either (a) disclosure is not required for similar balances and transactions relative to nonleasing activities or (b) sufficient information already is available in other disclosures.

Notes to Financial Statements for Investment Leases and Certain Regulated Leases

B86. Leases of investment assets are excluded from the recognition and measurement provisions of this Statement (see paragraph B62). Nevertheless, the Board considered whether those leases also should be exempted from disclosure requirements. Outreach to financial statement users indicated that the disclosures required for investments generally would be sufficient for those types of transactions and, as a result, the Board did not extend all of the lessor

disclosure requirements to leases of investment assets. However, the disclosure of lessee termination options for leases that secure debt payments was considered essential because of the risk to the lessor, even if the underlying asset is classified as an investment.

B87. This Statement establishes separate disclosures for aviation leases between airports and airlines, and other leases with similar characteristics, due to the unique characteristics of those leases (as discussed in paragraph B63). The disclosures are based on the general lessor disclosure requirements, modified as needed to address the different nature of the leases. For example, because a lease receivable is not reported for those leases, there is no requirement to disclose principal and interest payments included in a lease receivable. Also, considering respondent comments on the Exposure Draft, the Board modified the previously required disclosure of the carrying amount of assets on lease or held for leasing to, instead, require disclosure of the extent to which capital assets are subject to preferential or exclusive use by counterparties under agreements, such as airport–airline agreements. That changes the focus of the disclosure from (a) assets not available for use by a lessor to (b) risks from lease concentration with specific lessees. For example, an airport could disclose the total number of terminal gates at an airport and the number of gates being leased by each major tenant under preferential or exclusive agreements. Based on discussions with subject matter experts, the Board believes that disclosure of lease counterparty concentration risk provides more useful information. The Board also believes that for aviation leases between airports and airlines, the extent to which capital assets are subject to preferential or exclusive use by counterparties also is more relevant than information about assets not available for use by a lessor.

Lease Incentives

B88. A respondent to the Exposure Draft raised an issue as to whether leasehold improvements would be lease incentives. The Board noted that leasehold improvements typically are provided by the lessee. In that case, a leasehold improvement is not an incentive received from the lessor. Nevertheless, some lease contracts may require the lessor to pay for leasehold improvements. In that case, the payment for a leasehold improvement may be an example of a lease incentive payment to or on behalf of the lessee if, for example, it provides additional assets to the lessee without additional cost. The

determination would be based on the facts and circumstances of the leasehold improvement. To specifically address this type of situation, the Board added explicit guidance in paragraphs 61 and 62 to clarify the accounting for lease incentives.

Contracts with Multiple Components

B89. The Board considered whether this Statement should provide guidance for separating contracts with multiple components. In theory, the reporting for lease contracts with multiple underlying assets or with a service component should be the same as if the components were in separate contracts. The Board recognizes the potential cost and complexity of separating multiple components of a contract but believes that separation generally should be required so that the financial statements faithfully represent the substance of the transaction.

B90. Some respondents to the Exposure Draft expressed concerns over the expected costs of and difficulties in separating multiple components. The Board recognizes that there are incremental costs associated with separating multiple components and allocating the contract price to those components. However, the Board believes that not doing so for multiple underlying assets may misstate both the nature of lease assets and the related liabilities. Furthermore, not separating lease components from nonlease components would result in capitalizing a period expense and recognizing a liability for services that have not been provided. The Board also believes that once new policies are established and new systems are put in place, separation of multiple components could become a manageable routine. The Board believes that the benefit of eliminating potentially significant inconsistencies between reporting services provided through a lease contract and services provided through a separate service contract outweighs the potential cost of separating the nonlease components.

B91. The Board considered allowing governments to elect not to separate contract components. That election would have provided for an optional accounting policy, rather than a requirement to separate contract components. If such an election were made, the government would account for the entire contract as one lease. However, to enhance comparability among governments and for the other reasons discussed in the preceding paragraphs, the Board reaffirmed its earlier decision not to allow a policy election.

Allocation of the Contract Price

B92. Some contracts with multiple components provide individual prices for each component, whereas other contracts provide only a single payment amount for all the components. To allocate the contract price for multiple components in a lease contract, the Exposure Draft proposed requiring that the lessee and lessor use individual prices included in the contract, if those contract prices are reasonable based on observable stand-alone prices for leasing the same or similar assets or contracting for the same or similar services. The Exposure Draft provided alternative allocation methods if the contract did not stipulate prices for individual components or if those prices were not reasonable.

B93. Some respondents were concerned that the Exposure Draft proposal would have required governments to obtain observable stand-alone prices to provide positive evidence corroborating the reasonableness of individual contract prices. Those respondents argued that the assurance derived from obtaining that evidence would not justify the expected significant costs of and difficulty in obtaining it. They also asserted that it would be impractical to obtain observable stand-alone prices in every instance of multiple-component contracts, given the volume of leases entered into by many governments and the prevalence of multiple-component contracts, which are common for equipment and real estate leases. The Board was influenced by those concerns and consequently agreed to modify the language in paragraph 66 to instead provide for a determination that individual contract prices do not appear to be unreasonable, thus avoiding the implication that governments are required to obtain stand-alone prices to provide positive evidence of reasonableness. Notwithstanding that decision, the Board believes that readily available stand-alone prices likely provide the best indication that contract prices do not appear to be unreasonable and, accordingly, paragraph 66 emphasizes that governments should maximize their use to support a judgment that individual contract prices do not appear to be unreasonable.

B94. The Exposure Draft also provided that if there are no contract prices for individual components or if those prices are not reasonable, lessees and lessors should seek readily available observable stand-alone prices for individual components to allocate the contract price. The Exposure Draft further stated that if observable stand-alone prices are not readily available for some or all of the components, a government may choose between (a) making an estimate to allocate the remaining contract price or (b) treating the remaining

components as a single lease unit, based on the primary lease component. Some respondents observed that, given the expected difficulty in obtaining individual stand-alone prices, many governments would choose to treat the remaining components as a single lease rather than make an allocation based on estimates. They contended that such a consequence would be contrary to the Board's objective in seeking separation of contract components, as discussed in paragraphs B89 and B90. The Board agreed that such an outcome was not optimal and, therefore, modified the provisions in paragraph 66 to provide governments with the flexibility to use other reasonable and more cost-beneficial methods to allocate consideration, while also emphasizing that the use of readily available observable stand-alone prices should be maximized in determining their best estimate.

B95. The Board considered that a potential disadvantage of using estimates to allocate the contract price would be inconsistency among the best estimates developed by different governments for contracts with similar components. However, the Board noted that the primary objective of separating the contract price into multiple components—especially separating prices between lease and nonlease components—is to ensure that financial reporting faithfully represents the substance of those multiple-component contracts. The Board concluded that allowing governments to use their best estimates to allocate the contract price would simplify the allocation process and provide significant cost relief to governments, while still achieving a faithful representation of those transactions. However, the Board acknowledges that there may be circumstances in which it is not practicable for governments to make estimates for price allocation due to the unique nature of leases specifically designed for the leasing parties, specific provisions stipulated in certain lease contracts, or other unique circumstances. Therefore, the Board continues to believe it is appropriate to provide additional cost relief by requiring governments to report multiple-component contracts as a single lease unit if determining a best estimate is not practicable.

B96. As previously noted, some respondents to the Exposure Draft expressed concerns about the practicality and potential cost of separating contracts with multiple components. Some suggested excluding components if they are insignificant to the contract. The Board believes such an exclusion should be considered under the general materiality guidelines and, as a result, it is not necessary to explicitly address it in this Statement. Others suggested that the Statement exclude a contract from the separation requirements if the components are rarely contracted for separately. The Board sees little advantage to that approach compared to the effort required to determine the best estimates

for contract price allocation. To qualify for such an exclusion, a government would have to research the frequency with which the components are contracted for separately, which the Board believes would require a comparable amount of effort.

Contract Combinations

B97. Contracts entered into at or near the same time with the same counterparty would be subject to combination for financial reporting purposes if either of two criteria is met. The Board believes that meeting either of those criteria would indicate that the substance of the contracts is a single lease and, therefore, the contracts should be accounted for as such.

Other Potential Exceptions

B98. The Board considered several other potential exceptions to the overall recognition and measurement provisions that, similar to the short-term exception, could provide some cost relief to preparers. Some stakeholders raised specific concerns about the burden of applying those provisions to leases of assets, such as copy machines and small computer equipment, that are often leased in high volume but at low per-asset cost. The Board considered providing an explicit exception for "small ticket" items but concluded that it would be inappropriate for the Board to prescribe a dollar limit that could apply to all governments. If such assets are considered to be insignificant, individually and in the aggregate, the provisions of this Statement may not apply.

B99. Some stakeholders questioned whether a government would be permitted to set a policy establishing thresholds for capitalization of its leases, similar to those commonly used for capital assets. The Board views capitalization policies as methods to operationalize materiality; that is, those policies allow governments to specify amounts that they consider to be significant, individually or in the aggregate. The Board believes that a policy similar to those that establish capitalization thresholds could be used for leases. However, establishing such a policy is within the province of management and, accordingly, is not addressed in this Statement. The Board noted, however, that the assessment of the significance of liabilities is independent of capitalization policies.

B100. Another potential exception would have been to apply this Statement only to leases of a government's core assets, excluding leases of assets that are considered to be "noncore." However, the Board chose not to pursue this

exception because of the difficulty in defining core and noncore assets in a way that would be comparable among governments. Additionally, the types of assets about which some respondents raised concerns may not be covered by the exception. For example, some computers might be considered core, whereas others might be considered noncore.

Lease Modifications and Terminations

B101. Lease contracts often are modified during the lease term. The parties may agree to extend a lease when there is no option to extend, payment amounts could be revised, or another underlying asset might be added. Sometimes a lessee and lessor might agree to terminate a lease prior to its scheduled end date, even if such a provision was not included in the most recent lease contract before the modification. This Statement provides guidance for accounting for lease terminations and modifications because the Board believes the accounting for a lease should reflect changes in the provisions of the prior lease contract.

B102. This Statement requires that an amendment to a lease contract that diminishes (but does not terminate) the lessee's right to use the underlying asset be accounted for as a partial lease termination. For example, shortening the lease term or reducing a lease from four vehicles to three is a partial termination. In contrast, other amendments to a lease contract, including a reduction in payment amounts, are modifications rather than terminations. The Board believes that this guidance is appropriate because the lessee retains the same right to use the underlying asset, even if the lessee will be paying less for that right going forward. The provisions in this Statement for lease modifications are similar to prior guidance in Statement 62.

B103. This Statement requires that the additional portion of a modified lease be accounted for as a new lease, separately from the current portion of the lease, when two conditions are met. The first condition, as proposed in the Exposure Draft, would have required that a lease modification give the lessee an additional lease asset either by lengthening the lease term or by adding one or more underlying assets that were not included in the original lease. The Board decided that a modification that lengthens the lease term does not grant an additional lease asset; it merely changes an attribute of the lessee's existing lease asset. The second condition, as proposed in the Exposure Draft, would have required that the lease payments for the additional portion in a modified lease be reasonably priced compared to its stand-alone price. In light of the

revisions the Board made to the requirements regarding the allocation of the contract price to multiple components discussed in paragraphs B92 and B93, the Board concluded that it was appropriate to similarly modify that condition in paragraph 72b. That is, if lease payments for the additional lease asset appear to be unreasonable based on (a) the terms of the amended contract and (b) professional judgment, the modification amends the terms and conditions of the existing lease rather than creating a new lease.

B104. When a lease is fully or partially terminated, the lessee no longer has the same right to use the underlying asset. Therefore, this Statement requires a lessee to remove the carrying value, or a portion thereof, of the intangible lease asset that represents that right to use. An early termination often relieves the lessee of its obligations to make future lease payments, although there may be some final payments or termination penalties required. An early lease termination could be the result of factors that could indicate impairment of the underlying asset, and the applicable guidance in Statement 42 would apply.

B105. The guidance for lease modifications resulting from a debt refunding by the lessor, including an advance refunding, in which the perceived economic advantages of the refunding are passed through to the lessee was originally provided by Statement 62. That guidance has been modified for this Statement to align those provisions with the basic principles established in this Statement.

Subleases

B106. Sometimes a government will enter into a lease for an underlying asset and, either simultaneously or at a later date, sublease that underlying asset (or a portion of it) to another party. This Statement requires that subleases be accounted for as separate transactions from the original leases. The Board views the lease and sublease as two separate transactions entered into with different parties and, accordingly, concluded that there is no basis for offsetting the lease payable and receivable amounts. (A lease and sublease with the same party would be a lease-leaseback per paragraph 87 and is discussed in paragraph B113.)

B107. Outreach to users indicated that a general description of sublease arrangements would be essential to financial statement users for understanding the nature of the government's overall leasing activities. Consistent with the view discussed in paragraph B106, transactions of a lessee as a lessor in a sublease are required to be reported separately from the lessee transactions.

Statement 62 required disclosure of sublease payments to be received. This Statement does not require that disclosure because the payments to be received from subleases would be included in the lease receivable and the note disclosure of future lease payments required for lessors. The Board does not believe that sublease payments are sufficiently different from other lease payments to require separate disclosure.

Sale-Leaseback Transactions

B108. This Statement requires that a sale-leaseback include a transaction that qualifies as a sale under the guidance for sales of real estate in Statement 62. The sales-of-real-estate criteria include the provision that an option or requirement for a seller to repurchase the asset would preclude sale treatment. The Board believes that a qualifying sale should occur for a transaction to be accounted for as a sale-leaseback and that the sales-of-real-estate criteria should be used to determine whether a sale has occurred, regardless of whether a leaseback is involved.

B109. Statement 62, as amended, provided that recognition of a gain or loss on the sale in a sale-leaseback transaction depends on the extent to which the seller-lessee retains use of the property. Determining what portion of the gain or loss to recognize at the time of the sale depended on interpretation of the terms *minor portion* and *substantially all.* To simplify that process, this Statement requires that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be deferred by the seller-lessee over the term of the leaseback, regardless of how much use of the property the seller-lessee retains. A leaseback that qualifies as a short-term lease also is excluded for the same reasons short-term leases are excluded.

Sale-Leaseback Transactions with Off-Market Terms

B110. This Statement contains specific provisions for when a sale-leaseback has off-market terms. The Board believes that the substance of sale-leaseback transactions with off-market terms is different from similar transactions with market terms and that the benefits of recognizing the substance of the transaction outweigh concerns about the possible cost and complexity of identifying and calculating the difference between market and off-market terms.

Notes to Financial Statements for Sale-Leaseback Transactions

B111. The Board believes that disclosure of the terms and conditions of a sale-leaseback is essential for users of the seller-lessee's financial statements to understand the transaction, including any commitments made or further involvement of the seller-lessee in carrying out the transaction. The Board considered requiring disclosure of gains or losses arising from sale-leaseback transactions but does not believe these gains or losses are substantially different enough from those arising from other capital asset disposals to warrant a separate disclosure requirement.

Sale-Leaseback without a Transaction That Qualifies as a Sale

B112. The Board concluded that a sale-leaseback that does not include a transaction that qualifies as a sale is accounted for as a financing because the substance of the transaction is a borrowing rather than a sale of an asset. Such a transaction would be subject to existing standards for long-term liabilities, including disclosures; therefore, the Board does not believe such requirements need to be repeated in this Statement. Statement 62 requires a seller-lessee in a failed sale-leaseback to disclose any sublease payments receivable. The Board decided that requirement is not necessary because if the seller-lessee enters into a sublease, it would become a lessor for the sublease transaction and follow the lessor guidance, including applicable disclosures.

Lease-Leaseback Transactions

B113. In a lease-leaseback transaction, each party is both a lessor and a lessee. Because each portion of the transaction is with the same counterparty, a right of offset exists. The Board believes that disclosure of the gross amounts of the lease and leaseback would provide users with essential information about the magnitude of each portion of the transaction.

Intra-Entity Leases

B114. This Statement does not change the guidance for intra-entity leases established in NCGA Statement 5, as referenced in Statement No. 14, *The Financial Reporting Entity.* The Board believes that guidance is a specific application of the general guidance for transactions within a financial reporting entity. However, the Board decided to provide guidance for eliminations with or between blended component units in this Statement so that the eliminations will be reported consistently among governments. The Board believes these eliminations reduce complexity in the financial statements without sacrificing essential information to financial statement users.

Leases between Related Parties

B115. Leases between related parties are subject to the requirements in Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards,* to report the substance of the transaction, if significantly different from its form. This Statement carries forward related application guidance for leases between related parties previously included in Statement 62. The Board considered whether to provide an exception to the requirements in those Statements for leases because of the emphasis in this Statement on legally enforceable rights and obligations stemming from a lease contract. However, the Board believes that the substance of a lease arrangement with a related party should be the basis for financial statement recognition because of the potential for structuring a lease contract in a manner that might distort the substance of the transaction.

Considerations Related to Benefits and Costs

B116. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for financial reporting is the assessment of the expected benefits and perceived costs. The Board strives to determine that its standards (including disclosure requirements) address a significant user need and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B117. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in accordance with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze new information to meaningfully inform their assessments and decisions.

B118. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has taken place. Nonetheless, the Board undertakes this assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

B119. The Board gathered information on the expected benefits of improving the existing leases standards primarily through input from financial statement users on the project task force and GASAC, and research with users related to disclosure requirements. The feedback indicated that users are interested in (a) the future payment commitments of a lessee, (b) the revenue stream that a lessor is expected to receive, and (c) the longer term impact of leases on the resources of the government. The Board believes that the recognition and disclosure requirements of this Statement are responsive to the needs expressed by the users.

B120. Information that the Board considered regarding the perceived costs came primarily from input from financial statement preparers on the project task force and GASAC, due process comments received on the Preliminary Views and Exposure Draft in comment letters and public hearing testimony, and results from a field test. Participants in the field test provided the Board with their estimates of the initial costs to implement the proposed standards and the recurring annual costs in subsequent years.

B121. The Board considered the anticipated costs in two categories: general costs of applying the standards and costs of applying particular provisions. For general costs of applying the standards, the Board anticipates that a majority of

governments will incur some costs in adopting this Statement because many governments have a significant number of leases. Based on feedback received from stakeholders, those costs likely will result from reviewing existing lease agreements, staff training, and system changes. Many of those costs will increase with the number of significant leases that a government has and the complexity of those arrangements. For example, it may take more effort to account for a lease contract with options to extend and multiple components than a lease without those elements. Respondent comments related to costs and benefits raised concerns about the overall effort and resources needed to implement the proposed guidance, to test for subsequent compliance, and to monitor leases for changes that would result in adjustments to the amounts recognized in financial statements. Some respondents also raised concerns regarding the limited resources of governments, especially smaller ones, to assess a significant volume of leases. Although this Statement does not require regular reassessments, some circumstances require updates or changes to the amounts recognized. Overall, the treatment in this Statement is very similar to the previous guidance for capital leases in Statement 62, which should help mitigate some of the costs of implementation. Additionally, as discussed elsewhere in this Basis for Conclusions, the Board made several decisions in the interest of reducing costs. These include, but are not limited to, the provisions regarding:

a. The short-term lease exception, including not requiring disclosures related to short-term leases by either lessees or lessors
b. Not requiring a lessor to derecognize the underlying asset or calculate a residual value
c. Allocation of the contract price to multiple components of a lease that allows the stated contract prices to be used if they do not appear to be unreasonable
d. Allocation of the contract price to multiple components that allow best estimates to be used for allocation if no separate prices are included in the contract or if stated prices appear to be unreasonable
e. The requirement to treat an entire multiple-component contract as a single lease unit if determining a best estimate is not practicable
f. The general exclusion from recognition and measurement requirements of leases of underlying assets that are held as investments
g. Not requiring lessors to disclose the carrying amount (and accumulated depreciation) of assets on lease or held for leasing by major classes of assets (except for certain regulated leases).

In addition, the transition provisions discussed in paragraphs B124 and B125 are intended to mitigate costs of implementation.

B122. The Board considered the aggregate expected benefits and perceived costs associated with the entirety of the requirements in this Statement. The Board is cognizant that the costs of implementing the changes required by this Statement may be significant. However, the Board believes that the expected benefits that would result from the information provided through implementation of this Statement, both initially and on an ongoing basis, are significant and justify the perceived costs.

Effective Date and Transition

B123. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. The Board believes that this effective date allows adequate time for financial statement preparers to plan for the transition and implementation of the provisions of this Statement. The Exposure Draft proposed an earlier effective date. However, some respondents to the Exposure Draft requested an extension of that effective date. The Board acknowledges that implementation will be more challenging for governments with many leases. The Board believes that the extension of the effective date, which is one year later than proposed in the Exposure Draft, will reduce the burden on preparer governments by providing additional time to analyze existing lease contracts and gather information for reporting and disclosure requirements; implement internal controls; update information technology systems; work with grant providers to address changes in lease reporting; and address potential changes in statutes and policies, debt limits, and compliance with debt covenants. The Board believes the effective date provides sufficient time for implementation if governments do not delay in beginning their implementation process.

B124. This Statement requires that leases be recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. The Board believes that it would not be practical to require governments to return to the commencement of each lease term and determine what the balances would have been if this Statement had been in effect from that time. Therefore, the adjustments should be made based on the remaining lease payments as of the beginning of the period of implementation or the beginning of any earlier periods restated. The Board considered requiring prospective application only to new leases entered into after the effective date. Although prospective implementation could have made transition easier, the

Board is concerned about the usefulness of information provided when lease transactions are accounted for under different models. Additionally, it could be many years before all existing leases accounted for under Statement 62 have expired.

B125. Some lessor governments previously derecognized underlying assets in accordance with the guidance in Statement 62 for sales-type or direct-financing leases. The Board believes that it is not meaningful for those lessors to determine what the value of the underlying asset would be at the time of implementation and recognize it. Therefore, if any residual asset had been included in the net investment in the lease under Statement 62, that amount should become the new carrying value of the underlying asset. In many cases, those leases involve a transfer of ownership, and the lessor will not retain ownership of the asset at the end of the lease.

B126. This Statement encourages early application. The Board considered whether comparability among governments could suffer if some governments chose early application. However, the benefits of early application include better information provided to financial statement users and the ability of other governments to learn from the experience of the early adopters. The Board believes that these benefits outweigh the potential for comparability issues in the interim.

B127. The provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. The phrase *if practicable* has been used in other GASB standards in a similar context as used in this Statement with respect to transition provisions that require restating the financial statements for all prior periods presented. The Board believes that reasonable efforts should be employed before a government determines that restatement of all prior periods presented is not practicable. In other words, *inconvenient* should not be considered equivalent to *not practicable.*

Appendix C

CODIFICATION INSTRUCTIONS

C1. The instructions that follow update the June 30, 2016 *Codification of Governmental Accounting and Financial Reporting Standards* for the effects of this Statement. Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[In all sections, update cross-references.]

* * *

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND LEGAL COMPLIANCE **SECTION 1200**

.115 [In subparagraph (c), replace *paragraphs .108–.110* with *paragraph .110*.]

* * *

REPORTING CAPITAL ASSETS **SECTION 1400**

.120 [Replace *capital lease* with *lease*.] [GASBS 62, ¶3 and ¶5, as amended by GASBS 87, ¶20 and ¶30]

.121 [Revise the second sentence as follows:] Paragraph .121 of Section L20 provides that, during the term of a lease, a portion of each payment that relates to the lease liability should be recorded as an outflow of resources (for example, interest expense). [GASBS 62, ¶6, as amended by GASBS 87, ¶24]

.139 [Replace *capital lease* with *lease*.] [GASBS 51, ¶3, as amended by GASBS 69, ¶40, GASBS 72, ¶64, and GASBS 87, ¶20]

[Revise paragraph .156, including heading as follows:]

Capital Assets Obtained through Leases

.156 Paragraphs .127–.136, .138, and .151 of Section L20 provide guidance on reporting assets obtained through leases.

.186 [Add the following footnote at the end of the first sentence of subparagraph (a); renumber subsequent footnotes:]

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[33]Paragraph .131 of Section L20 provides additional guidance for assessing impairment of lease assets. [GASBS 42, ¶11, as amended by GASBS 87, ¶34]

.187 [Add the following footnote at the end of the first sentence; renumber subsequent footnotes:]

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[34]Paragraph .131 of Section L20 provides additional guidance for measuring impairment of lease assets. [GASBS 42, ¶12, as amended by GASBS 87, ¶34]

.719-8 [Delete *paragraphs .103–.515 of*.] [GASBIG 2015-1, QZ.51.21, as amended by GASBS 87, ¶8]

.735-1 [In the last sentence in the answer, replace *assets under a capital lease* with *a lease asset under a lease*.] [GASBIG 2015-1, Q7.9.6, as amended by GASBS 87, ¶20]

.745-2 [Delete *under a capital lease*.] [GASBIG 2015-1, QZ.42.9, as amended by GASBS 87, ¶20]

* * *

REPORTING LIABILITIES **SECTION 1500**

.102 [Replace *capital and operating leases* with *leases*; in sources, remove GASBS 13, ¶7, from amending sources of NCGAS 1, ¶42, and add GASBS 87, ¶20, as an amending source of NCGAS 1, ¶42 and GASBS 34, ¶81.]

.103 [Replace *capital and operating leases* with *leases*; in sources, remove GASBS 13, ¶9, from and add GASBS 87, ¶20, ¶35, and ¶36, to the amending sources of NCGAS 1, ¶43.]

.106 [In the last sentence of footnote 2, replace *rental* with *the lease payment*.] [GASBS 62, fn12, as amended by GASBS 87, ¶53]

.117 [Replace *capital leases* with *leases*; in sources, add GASBS 87, ¶20, as an amending source of GASBI 6, ¶9.]

.119 [Replace *capital leases* with *leases*; in sources, add GASBS 87, ¶35 and ¶36 as an amending source of GASBI 6, ¶11.]

.122 [In the third sentence, replace *capital leases* with *leases*.] [NCGAS 1, ¶70 and ¶72, as amended by GASBS 34, ¶82; GASBS 6, ¶16; GASBI 6, ¶13, as amended by GASBS 87, ¶35 and ¶36]

* * *

BASIS OF ACCOUNTING **SECTION 1600**

.118 [Replace *capital leases* with *leases*; in sources, add GASBS 87, ¶20 as an amending source of GASBI 6, ¶9.]

.120 [Replace *capital leases* with *leases*.] [NCGAS 1, ¶72; GASBI 6, ¶13, as amended by GASBS 87, ¶20]

* * *

CLASSIFICATION AND TERMINOLOGY **SECTION 1800**

Sources: [Delete NCGA Statement 5; add GASB Statement 87.]

[In footnote 3, replace *rental* with *the lease payment*.] [GASBS 62, fn12, as amended by GASBS 87, ¶53]

[In heading above paragraph .128, replace *Capital Lease* with *Lease*.]

.128 [Replace with ¶36.] [GASBS 87, ¶36]

.743-1 [Replace *capital lease* with *lease*.] [GASBIG 2015-1, QZ.54.11, as amended by GASBS 87, ¶20]

* * *

[In footnote 33, replace *rental* with *the lease payment*.] [GASBS 62, fn12, as amended by GASBS 87, ¶53]

.715-11 [Replace *capital lease* with *lease* and *capital leases* with *leases*.] [GASBIG 2015-1, Q7.30.2, as amended by GASBS 87, ¶20]

* * *

NOTES TO FINANCIAL STATEMENTS SECTION 2300

Sources: [Add GASB Statement 87.]

.106 [In subparagraph (j), replace paragraph references with *.134, .135, .136, .153, .154, .155, and .156*. In subparagraph (l), replace *capital assets* with *capital assets, including lease assets*. In sources, add NCGAI6, ¶5, as amended; remove GASBS 62, ¶223, ¶231, ¶239, ¶355, ¶256, and ¶270; and replace GASBS 34 sources with the following:] GASBS 34, ¶116, as amended by GASBS 62, ¶4, GASBS 63, ¶8, and GASBS 87, ¶37; GASBS 34, ¶117, as amended by GASBS 62, ¶4 and GASBS 87, ¶37

.117 [Revise the second sentence as follows:] The information disclosed should be divided into major classes of capital assets, with lease assets presented separately, and major classes of long-term liabilities, as well as between those associated with governmental activities and those associated with business-type activities. [GASBS 34, ¶116, as amended by GASBS 63, ¶8 and GASBS 87, ¶37]

.118 [Replace *capital assets* with *capital assets, with lease assets presented separately,*.] [GASBS 34, ¶117, as amended by GASBS 87, ¶37]

* * *

CASH FLOWS STATEMENTS SECTION 2450

.133 [In current paragraph .132, renumbered for the effects of Statement No. 84, *Fiduciary Activities,* replace *an asset* with *a lease asset* and replace *capital lease* with *lease*.] [GASBS 9, ¶37, as amended by GASBS 87, ¶20]

[Revise Question .707-16 as follows:]

.707-16 Q—How should lease activities be classified in the statement of cash flows?

A—Most leases result in the lessee recording an intangible lease asset, which is a type of capital asset. The capital and related financing activities category is directly affected by capitalization policies. (See paragraph 63 of the Basis for Conclusions of Statement 9.) If a lease results in a lessee recognizing a lease asset, the cash flows (including the interest portion) should be included in the capital and related financing activities category as an outflow in the lessee's statement of cash flows. A lessor should normally classify the inflows in the lessor's statement of cash flows consistent with how the underlying asset is classified on the statement of net position, that is, as an investing or capital and related financing activity. The lease transaction is a financing of a nonfinancial asset. The timing of the cash flows does not coincide with the date of the financing, but the cash flows are, nevertheless, payments for the right to use the nonfinancial asset. (See the discussion of noncash disclosures in Question .714-2 of this section.)

Cash flows resulting from a short-term lease, on the other hand, usually should be classified with operating activities. The lessee's cash payments always should be presented as an operating activities outflow. The lessor's cash receipts normally should be presented as an operating activities inflow; however, Question .707-3 discusses factors that should be evaluated to determine whether lease revenue may be classified as an investing activities inflow. (See Examples B, C, E, H, and I in nonauthoritative paragraph .901 of this section.)

[GASBIG 2015-1, Q2.27.5, as amended by GASBS 87, ¶16, ¶20, ¶40, and ¶55, and GASBIG 2016-1, Q5.2]

.714-2 [Replace the last two sentences of subparagraph (b) of the answer with the following:] For example, when an enterprise fund enters into a lease for a building, a noncash transaction occurs because a liability for a lease obligation and a lease asset for the right to use the building are recorded in the statement of net position.

[Revise the third sentence of subparagraph (c) of the answer as follows:] For example, a lease transaction typically meets the definition of a capital and related financing activity.

[In the last paragraph of the answer, replace *obtaining a capital asset by entering into a capital lease* with *obtaining a lease asset by entering into a lease*.] [GASBIG 2015-1, Q2.32.1, as amended by GASBS 87, ¶20]

* * *

REPORTING ENTITY AND COMPONENT UNIT PRESENTATION AND DISCLOSURE **SECTION 2600**

.118 [Replace *capital lease* with *lease* throughout. In the second sentence, replace *paragraph .149* with *paragraph .184*, and in the third sentence, replace *paragraph .150* with *paragraph .185*.] [GASBS 14, ¶58, as amended by GASBS 87, ¶88 and ¶89]

* * *

STATISTICAL SECTION **SECTION 2800**

.122 [Replace *capital leases* with *leases*.] [GASBS 44, ¶23, as amended by GASBS 87, ¶20]

.503 [Replace *capital leases* with *leases*.] [GASBS 44, ¶45, as amended by GASBS 87, ¶20]

.506 [Replace *capital leases* with *leases*.] [GASBS 44, ¶45, as amended by GASBS 87, ¶20]

.714-1 [Replace *capital leases* with *leases*.] [GASBIG 2015-1, Q9.24.1, as amended by GASBS 87, ¶20, and GASBIG 2016-1, Q5.35]

* * *

CLAIMS AND JUDGMENTS **SECTION C50**

Sources: [Add GASB Statement 87.]

[Revise paragraph .168 as follows:]

.168 [In the first sentence, delete *long-term leases*; insert new footnote 26 following *commitments,*.] [GASBS 62, ¶113, as amended by GASBS 87, ¶39]

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[26]A lessee is not required to disclose collateral pledged for a lease if that collateral is solely the asset underlying the lease. [GASBS 87, ¶39]

* * *

DEBT EXTINGUISHMENTS AND TROUBLED DEBT RESTRUCTURING **SECTION D20**

.126 [Replace sources with the following:] [GASBS 62, ¶135 as amended by GASBS 87, ¶3–¶8 and ¶10–¶91]

* * *

DERIVATIVE INSTRUMENTS **SECTION D40**

.171 [Replace *paragraph .127* with *paragraphs .134–.136*.] [GASBS 53, ¶74 as amended by GASBS 87, ¶37–¶39]

* * *

ACCOUNTING FOR PARTICIPATION IN JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS **SECTION J50**

.110 [In the first sentence, replace *capital leases* with *leases*; in the fourth sentence replace *capital lease* with *lease*.] [GASBS 14, ¶76, as amended by GASBS 87, ¶20]

* * *

LEASES **SECTION L20**

Source: [Remove all sources; add GASB Statement 87.]

[Replace entire section, including the effects of Statement 84, with the following:]

Scope and Applicability of This Section

.101–.106 [GASBS 87, ¶3–¶8, including footnotes]

.107–.188 [GASBS 87, ¶10–¶91, including headings and footnotes]

* * *

LENDING ACTIVITIES **SECTION L30**

[Replace paragraph .117 with the following:]

.117 The provisions of paragraphs .105–.109 should apply to lessors in determining the net amount of *initial direct costs* as that term is used in paragraph .137 of Section L20, "Leases." [GASBS 62, ¶450, as amended by GASBS 87, ¶40]

* * *

REAL ESTATE **SECTION R30**

.141 [Replace *paragraphs .159–.171* with *paragraphs .178–.182*.] [GASBS 62, ¶320, as amended by GASBS 87, ¶82–¶86]

.171 [Replace subparagraph (b) with the following: *Initial direct costs of leases (see Section L20).*] [GASBS 62, ¶351, as amended by GASBS 87, ¶20 and ¶40]

.188 [Delete footnote 35 and renumber subsequent footnotes; replace *operating leases* with *leases*.] [GASBS 62, ¶368, as amended by GASBS 87, ¶40]

.189 [Delete *operating* throughout.] [GASBS 62, ¶369, as amended by GASBS 87, ¶40]

.190 [Insert a new second sentence as follows:] Lease revenue should be recognized in accordance with the provisions in paragraphs .149 and .150 of Section L20. [GASBS 62, ¶370; GASBS 87, ¶53 and ¶54]

* * *

BANKRUPTCIES **SECTION Bn5**

[In heading above paragraph .107, replace *Capital Leases* with *Leases*. Replace paragraph .107 with the following:]

.107 If the provisions of a lease are modified in a way that changes the amount of the remaining lease liability and the modification either (a) does not give rise to a new agreement or (b) does give rise to a new agreement but such agreement also meets the definition of a lease, then the present balances of the lease asset and the lease liability should be adjusted by an amount equal to the difference between the lease liability under the revised or new agreement and the carrying amount of the pre-petition lease liability. The lease liability under the revised or new agreement should be computed using the rate of interest used to record the lease initially. A termination of a lease should be accounted for by removing the lease asset and lease liability, with a gain or loss recognized for the difference. [GASBS 58, ¶8, as amended by GASBS 87, ¶73, ¶74, and ¶78]

* * *

PENSION PLANS ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION Pe5**

.708-1 [Replace *capital lease* with *lease*.] [GASBIG 2015-1, Q5.72.1, as amended by GASBS 87, ¶20]

* * *

REGULATED OPERATIONS **SECTION Re10**

[Delete paragraphs .118 and .119; renumber subsequent paragraphs.]

.118 [In current paragraph .120, replace *by the deposit method or as a financing under paragraphs .150–.171 of Section L20* with *as a sale-leaseback*.] [GASBS 62, ¶254, as amended by GASBS 87, ¶82–¶84]

* * *

C2. The instructions that follow update paragraph C1 of Implementation Guide No. 2017-2, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* for the effects of this Statement.

* * *

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION Po50**

.711-1 [Replace *capital lease* with *lease*.] [GASBIG 2017-2, Q4.51, as amended by GASBS 87, ¶20]

* * *

C3. The instructions that follow update the June 30, 2016 *Comprehensive Implementation Guide* for the effects of this Statement.

* * *

[Revise Question 2.27.5 as follows:]

2.27.5. Q—How should lease activities be classified in the statement of cash flows?

A—Most leases result in the lessee recording an intangible lease asset, which is a type of capital asset. The capital and related financing activities category is directly affected by capitalization policies. (See paragraph 63 of the Basis for Conclusions of Statement 9.) If a lease results in a lessee recognizing a lease asset, the cash flows (including the interest portion) should be included in the capital and related financing activities category as an outflow in the lessee's statement of cash flows. A lessor normally should classify the inflows in the lessor's statement of cash flows consistent with how the underlying asset is classified on the statement of net

position, that is, as an investing or capital and related financing activity. The lease transaction is a financing of a nonfinancial asset. The timing of the cash flows does not coincide with the date of the financing, but the cash flows are, nevertheless, payments for the right to use the nonfinancial asset. (See the discussion of noncash disclosures in Question 2.32.1 in Implementation Guide 2015-1.)

Cash flows resulting from a short-term lease, on the other hand, usually should be classified with operating activities. The lessee's cash payments always should be presented as an operating activities outflow. The lessor's cash receipts normally should be presented as an operating activities inflow; however, Question 4.9 discusses factors that should be evaluated to determine whether lease revenue may be classified as an investing activities inflow. (See Examples B, C, E, H, and I in nonauthoritative Appendix B2-1 in Implementation Guide 2015-1.)

[GASBIG 2015-1, Q2.27.5, as amended by GASBS 87, ¶16, ¶20, ¶40, and ¶55, and GASBIG 2016-1, Q5.2]

2.32.1. [Replace the last two sentences of subparagraph (b) of the answer with the following:] For example, when an enterprise fund enters into a lease for a building, a noncash transaction occurs because a liability for a lease obligation and a lease asset for the right to use the building are recorded in the statement of net position.

[Revise the third sentence of subparagraph (c) of the answer as follows:] For example, a lease transaction typically meets the definition of a capital and related financing activity.

[In the last paragraph of the answer, replace *obtaining a capital asset by entering into a capital lease* with *obtaining a lease asset by entering into a lease*.] [GASBIG 2015-1, Q2.32.1, as amended by GASBS 87, ¶20]

5.72.1. [Replace *capital lease* with *lease*.] [GASBIG 2015-1, Q5.72.1, as amended by GASBS 87, ¶20]

7.9.6. [In the last sentence in the answer, replace *assets under a capital lease* with *a lease asset under a lease*.] [GASBIG 2015-1, Q7.9.6, as amended by GASBS 87, ¶20]

7.30.2. [Replace *capital lease* with *lease*.] [GASBIG 2015-1, Q7.30.2, as amended by GASBS 87, ¶20]

9.24.1. [Replace *capital leases* with *leases*.] [GASBIG 2015-1, Q9.24.1 as amended by GASBS 87, ¶20 and GASBIG 2016-1, Q5.35]

[Delete Question Z.38.1.]

Z.42.9. [Delete *under a capital lease*.] [GASBIG 2015-1, QZ.42.9, as amended by GASBS 87, ¶20]

Z.51.21. [Replace *Statement 62, paragraphs 211–271, as amended,* with *Statement No. 87, Leases,*; replace *Statement 62* with *Statement 87*.] [GASBIG 2015-1, QZ.51.21, as amended by GASBS 87, ¶8]

Z.54.11. [Replace *capital lease* with *lease*.] [GASBIG 2015-1, QZ.54.11, as amended by GASBS 87, ¶20]

* * *

C4. The instructions that follow update paragraph C4 of Implementation Guide 2017-2 for the effects of this Statement.

* * *

8.112.1. [Replace *capital lease* with *lease*.] [GASBIG 2017-2, Q4.51, as amended by GASBS 87, ¶20]

* * *

LeaseQuery
BUILT BY ACCOUNTANTS FOR ACCOUNTANTS

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT, by and between LeaseQuery and Client, is effective as of the Effective Date. Each of Client and LeaseQuery is referred to herein as a "party" and collectively as the "parties." In consideration for the mutual covenants and agreements contained in this Agreement (as defined below), the parties agree as follows:

1. DEFINITIONS.

1.1 "Accounting Standards" means (i) with respect to a Sales Order that includes the purchase of a subscription to LeaseQuery's software for management of leases, FASB ASC Topic 840, FASB ASC Topic 842, and either (as elected by Client during implementation) (a) IFRS 16 or (b) GASB No. 13 and GASB No. 87, (ii) with respect to a Sales Order that includes the purchase of a subscription to LeaseQuery's software for management of SBITAs, GASB No. 96, and (iii) with respect to a Sales Order that includes the purchase of a subscription to any other product, if applicable to such other product, as defined in such Sales Order or addendum to this Agreement relating to such other product.

1.2 "Agreement" means this Subscription Agreement, including any schedules, addenda and exhibits hereto.

1.3 "Beta Services" means services or functionality that LeaseQuery may make available to Client to try at its option at no additional charge which is designated as beta, pilot, limited release, developer preview, nonproduction, evaluation or by a similar description.

1.4 "Business Day" means any day on which the New York Stock Exchange is open for unrestricted trading.

1.5 "Certified Service Partner" means any third party that is a member of LeaseQuery's certified service partner program for the Solution, which program requires, as a condition to such membership, that the participating organization, among other things, successfully complete LeaseQuery's Certified Service Partner training program and enter into a certified service partner agreement with LeaseQuery.

1.6 "Client" means the entity listed on the signature page of this Agreement and any of its Client Subsidiaries that accesses the Solution at any point during the term of this Agreement. "Client" shall exclude any Client Subsidiary that, during the term of this Agreement, does not access the Solution, which Client Subsidiary shall be deemed a third party for purposes of this Agreement.

1.7 "Client Data" means all Client Confidential Information that is entered into the Solution.

1.8 "Client Subsidiary" means any entity which is directly or indirectly owned by the entity listed on the signature page of this Agreement. For purposes of the preceding sentence, "directly or indirectly owned" means direct or indirect ownership of more than 50% of the voting interests of the subject entity.

1.9 "Client Feedback" means suggestions, enhancement requests, recommendations or other feedback provided by Client or its personnel relating to the operation or functionality of the Solution or the content of the Documentation.

1.10 "Confidential Information" means (i) information that is marked by the disclosing party as "confidential," (ii) whether or not marked as "confidential," information of a party of a special and unique nature and value relating to such matters as trade secrets, know-how, systems, programs, developments, designs, procedures, manuals, products, financial statements or forecasts, confidential reports and communications, in each case whether such information is shared prior to or during the term of the Sales Order, and (iii) with respect to LeaseQuery's Confidential Information, the terms and conditions of this Agreement, any Sales Order, or any drafts thereof, including without limitation all terms relating to pricing.

1.11 "Dispute" means any controversy or claim between the parties arising out of or relating to this Agreement or any Sales Order, the breach, termination, enforcement, interpretation or validity thereof, or any services provided under this Agreement or Sales Order, whether in contract, tort or otherwise.

1.12 "Documentation" means the user instructions and specifications for the Solution described in the Solution, as may be updated by LeaseQuery from time to time.

1.13 "Effective Date" means the date this Agreement is last signed below.

1.14 "FASB ASC Topic 840" means Accounting Standards Codification® Topic 840, *Leases*, as promulgated by the Financial Accounting Standards Board.

1.15 "FASB ASC Topic 842" means Accounting Standards Codification® Topic 842, *Leases*, as promulgated by the Financial Accounting Standards Board (or any successor standard), as may be modified by the Financial Accounting Standards Board from time to time.

1.16 "Force Majeure Event" means any event that is reasonably beyond the control of the party, including, without limitation, acts of God, strikes, lockouts, riots, acts of war, epidemics, pandemics, governmental action after the Effective Date, fire, communication line failures, power failures, earthquakes, or other disasters.

1.17 "GASB" means the Governmental Accounting Standards Board.

1.18 "GASB No. 13" means Statement No. 13 of the GASB, *Accounting for Operating Leases with Scheduled Rent Increases*.

1.19 "GASB No. 87" means, commencing with Client's fiscal year-end financial statements for fiscal years beginning after December 15, 2019, Statement No. 87 of the GASB, *Leases*, as may be modified by the GASB from time to time.

1.20 "GASB No. 96" means, commencing with fiscal years starting after June 15, 2022, Statement No. 96 of the GASB, *Subscription-Based Information Technology Arrangements*, as may be modified by the GASB from time to time.

1.21 "IFRS 16" means International Financial Reporting Standards (IFRS) 16, *Leases*, as promulgated by the International Accounting Standards Board (or any successor standard), as may be modified by the International Accounting Standards Board from time to time.

1.22 "Initial Term" means the initial term of an applicable Sales Order, as set forth in such Sales Order; provided, however, that if such Sales Order does not contain an Initial Term, the Initial Term shall be one year, commencing on the date such Sales Order is last signed by the parties.

1.23 "Integration" means any application programming interface or other functionality that integrates the Solution with a third-party application, such as (without limitation) Client's third-party general ledger accounting software, through LeaseQuery's integration platform referred to as LeaseQuery Connect or otherwise.

1.24 "Intellectual Property Rights" means any and all common law, statutory and other intellectual property rights, including, without limitation, copyrights, trademarks, trade secrets, patents and other proprietary rights issued, honored or enforceable under any applicable laws anywhere in the world, and all moral rights related thereto.

1.25 "LeaseQuery" means LeaseQuery, LLC, a Delaware limited liability company.

1.26 "Legal Notices" shall be as defined in Section 10.1 of this Agreement.

1.27 "NDA" means any confidentiality or nondisclosure agreement (or other agreement with a similar purpose) entered into by the parties hereto or their respective affiliates in consideration of potentially entering into the business relationship governed by this Agreement.

1.28 "Preexisting Materials" means all items of property (including, without limitation, equipment and Intellectual Property Rights) that such party owned prior to the provision of any Professional Services.

1.29 "Professional Services" means, if applicable for the purchased subscription, any services purchased by Client that are provided by LeaseQuery's personnel or its subcontractors' personnel for the implementation of the applicable Solution or ongoing support of Client in connection with its use of the Solution. For the avoidance of doubt, the provision of access to the Solution is not a Professional Service.

1.30 "Record" means any individual record with a unique identifier that is entered into and stored in the Solution. With respect to LeaseQuery's Solution for leases, a single leased asset may be comprised of multiple Records (such as for land and improvements), and a single contract may provide for multiple leased assets.

1.31 "Renewal Term" has the meaning set forth in Section 6.1 of this Agreement.

1.32 "Sales Order" means any sales order or statement of work (as may be amended by a change order, amendment or otherwise, from time to time) that (i) describes the LeaseQuery products and services purchased by Client and the fees related thereto, (ii) specifically incorporates by reference the terms and conditions of this Agreement, and (iii) is signed by both parties.

1.33 "SBITA" means subscription-based information technology arrangements, as defined in GASB No. 96.

1.34 "Sensitive Personal Information" means an individual's (i) government-issued identification number, including without limitation a Social Security number, driver's license number, or state-issued identification number, (ii) financial account number, credit reporting information, or credit, debit or other payment cardholder information, with or without any required security or access code, personal identification number, or password that permits access to the individual's financial account, or (iii) biometric, genetic, health or health insurance data.

1.35 "Solution" means the specific LeaseQuery product, to which Client purchases a subscription pursuant to a Sales Order, that is hosted by LeaseQuery or by a third-party hosting service provider for LeaseQuery.

1.36 "Taxes" means any direct or indirect local, state, federal or foreign taxes, levies, duties or similar governmental assessments of any nature, including, without limitation, value-added, excise, sales, use or withholding taxes.

1.37 "Update" means a modification to the Solution or workaround to fix bugs, correct errors or maintain material compliance with the Accounting Standards.

1.38 "Upgrade" means any modification to the Solution that is not an Update, including, without limitation, a new version or release of the Solution that adds new features, functional capabilities or other improvements to the Solution.

2. SCOPE OF SERVICES.

2.1 Provision of Access to the Solution. By entering into a Sales Order, (i) Client subscribes for access to the Solution, and (ii) LeaseQuery agrees to enable Client to access the Solution via a website in accordance with and subject to the terms and conditions of the applicable Sales Order and this Agreement. LeaseQuery will make commercially reasonable efforts to maintain availability of the Solution in accordance with the SLAs set forth in Exhibit A hereto, but Client acknowledges and agrees that LeaseQuery shall not be responsible for any downtime of the Solution other than as set forth in Exhibit A.

2.2 Updates. LeaseQuery will make commercially reasonable efforts to release Updates to the Solution as necessary to ensure that throughout the term of the applicable Sales Order, the Solution operates in material compliance with the Accounting Standards, provided that Client has paid all fees that are due under this Agreement and such Sales Order. Client acknowledges that LeaseQuery is not required or obligated to provide any Updates or any Upgrades to the Solution other than those which are necessary for the Solution to continue to operate in material compliance with any Accounting Standards. Any Updates or Upgrades that are not necessary for the Solution to continue to operate in material compliance with any Accounting Standards may be offered separately with different pricing. Client agrees that its purchase of the subscription and any Professional Services (if applicable) is not contingent on the delivery of any future functionality or features or dependent on any oral or written comments made by LeaseQuery regarding future functionality or features.

2.3 Professional Services (if applicable). All Professional Services, if any, will be provided remotely. LeaseQuery may subcontract the performance of any Professional Services. LeaseQuery will be responsible for the quality of any Professional Services performed by such subcontractors to the extent LeaseQuery would be responsible to Client under this Agreement had LeaseQuery provided such Professional Services. Unless otherwise set forth in an applicable Sales Order, each deliverable shall be deemed delivered and accepted upon its delivery. Solely with respect to the purchase of a subscription to LeaseQuery's Solution for leases, LeaseQuery shall provide the following Professional Services in accordance with the terms of this Agreement (including, without limitation, Section 5.3 of this Agreement) and the applicable Sales Order:

(a) *Organizational Database Structure Setup*. LeaseQuery will coordinate with Client to structure Client's database in the Solution in a manner that is consistent with Client's unique organizational structure as it relates to consolidated financial reporting. In order to complete this implementation step and any of the steps in the following subparagraphs of this Section, during the first 60 days of Client's subscription, Client shall (i) designate a point person at Client's corporate office (such as a controller) to serve as project manager for Client, (ii) provide LeaseQuery with, as applicable, an accurate, complete and detailed explanation of Client's cost centers, profit centers, business units, divisions, regions and locations, (iii) within no more than 30 days after LeaseQuery's request, provide LeaseQuery with Client's accurate and complete organizational structure chart showing which Records should roll-up into which entities, and if and how those entities roll-up into a parent entity for financial reporting purposes, and (iv) provide any other information requested by LeaseQuery in order to complete this implementation step. In addition, LeaseQuery personnel will be available during such 60-day period to conduct a remote training session (not to exceed four hours) to educate Client's authorized users on the Solution (except for LeaseQuery Essential). In the event Client requests any additional training, LeaseQuery may provide such training at its then-current applicable hourly rates pursuant to subparagraph (d) of this section.

(b) *Bulk Record Migration Service*. Solely to the extent included in the Sales Order, LeaseQuery will review with Client a standard template for the bulk upload of Records in Microsoft Excel. LeaseQuery will, in consultation with Client, perform

a test migration of a sample of source documents provided by Client and review the results. Any necessary modifications to the template or otherwise that LeaseQuery identifies during this initial test will be discussed with Client and incorporated and/or implemented. Following this review, Client will populate the template with all necessary data and provide LeaseQuery with the properly populated and formatted template in Microsoft Excel, which LeaseQuery will use to perform one full bulk Record migration. LeaseQuery will then perform a reconciliation of the migrated lease data to Client's commitments or minimum future payments disclosure. The fixed fee for the bulk Record migration service shall include up to eight (8) hours devoted by LeaseQuery to correcting errors in the Client-populated template; any additional time in excess of eight (8) hours will be invoiced separately at LeaseQuery's then-current standard hourly rates. Client acknowledges that (i) it may be necessary or more efficient to manually enter contracts with complex or nonstandard terms (such as real estate leases with escalation clauses, for example) and (ii) Client's failure to populate the bulk upload template with complete and accurate information may significantly delay Client's implementation. For the avoidance of doubt, this implementation service is limited to the bulk upload of data necessary to create Records in the Solution, and it does not include the upload of any source documents, such as contracts, which may be uploaded by Client or, at Client's request, by LeaseQuery pursuant to the following subparagraph. After the bulk Record migration service is complete, Client may, without LeaseQuery's assistance, re-use the configured bulk Record migration template to perform additional bulk Record migrations (such as, for example, if Client acquires another organization and wishes to migrate its contracts) during the term of the applicable Sales Order without any additional bulk Record migration fees charged by LeaseQuery.

(c) *Contract Analysis and Record Entry*. Solely to the extent set forth in the Sales Order, LeaseQuery will analyze Client's relevant contracts provided by Client in an organized fashion and in the format requested by LeaseQuery and enter any related Records into the Solution. If requested by Client, LeaseQuery will also upload the contracts (as source documents) and attach each such contract to the Record to which it relates. If, pursuant to the Sales Order, Client purchases an implementation package for contract analysis and Record entry services covering up to a certain number of Records for an upfront fee, Client will provide LeaseQuery with all information (in the format requested by LeaseQuery) necessary to analyze such contracts, enter the Records and perform any other Professional Services related thereto; provided, however, that any source documents provided to LeaseQuery more than 60 days after the execution of the Sales Order shall not be considered part of the purchased implementation package, will not be included in the fixed fee for such implementation package set forth in the Sales Order, and will be invoiced as an "additional Record" at the per-Record rate set forth in the Sales Order. For clarity, it is the responsibility of Client to determine which of its contracts are governed by the applicable Accounting Standards and therefore should be managed by the Solution.

(d) *Custom Journal Entry Export.* Solely to the extent set forth in the Sales Order, after LeaseQuery reviews with Client the specifications of the Solution's standard journal entry exportation, Client may submit a one-time request for any of the following customizations thereto: (i) selection of columns to be included in the export with unique ordering and naming; (ii) custom formatting of LeaseQuery data points; (iii) population of certain fields in the export based on logic formulas; (iv) concatenation of LeaseQuery data points; (v) for leases, bifurcation of total lease expense into liability lease expense and asset lease expense; and (vi) configuration of output as either a .csv file or .txt file. Any other configurations, and any requests or modifications submitted after configuration work begins, are out-of-scope. All configurations shall be deemed part of the Solution and accessible throughout the term of the subscription therefor. Customized journal entry exports are not custom reports and cannot be used to reverse transactions.

(e) *Other Professional Services*. As part of the implementation of the Solution and/or on an ongoing basis, LeaseQuery may provide additional Professional Services in the form, type and manner mutually agreed by the parties, subject to the terms of this Agreement and any applicable Sales Order.

2.4 Limitations of Services. Client acknowledges that LeaseQuery is not a registered public accounting firm, and some or all of the Professional Services (if any) may be performed by individuals who are not certified public accountants. LeaseQuery's performance of services, including the provision of access to the Solution and the performance of any Professional Services, does not constitute an audit in accordance with generally accepted auditing standards, an examination of or any other form of assurance with respect to internal controls, or other attestation, review or compilation services in accordance with standards or rules established by the American Institute of Certified Public Accountants, the Public Company Accounting Oversight Board or any other regulatory body. LeaseQuery will not express, and will not be deemed to have expressed, an opinion or any other form of assurance with respect to any matters as a result of the performance of any such services, including with respect to Client's financial statements, tax returns or Client's operating or internal controls. LeaseQuery will not perform, and will not be deemed to have performed, any evaluation of Client's internal controls and procedures for financial reporting upon which Client's management can base its assertions in connection with the Sarbanes-Oxley Act of 2002, as amended, or any related rules or regulations. LeaseQuery will not make any representations or warranties and will not provide any assurances that Client's disclosure controls and procedures are compliant with the certification requirements of, or that Client's internal controls and procedures for financial reporting are effective as required by, any applicable law. Neither the Solution nor any Professional Services may be relied upon to identify errors or fraud should they exist. LeaseQuery does not provide legal or tax

services, and none of its services will be performed by attorneys. Client acknowledges and agrees that LeaseQuery is not, and will not agree to be named as, an expert under the Securities Act of 1933, as amended, or any other state or federal securities laws.

3. CLIENT DUTIES AND RESPONSIBILITIES.

3.1 Use of Output and Professional Services. Client's access to the Solution and Client's use of any outputs therefrom, all Professional Services (if any) and all other deliverables by LeaseQuery, shall be solely for Client's benefit and are not intended to be relied upon, and shall not be relied upon, by any other party. Client shall not disclose the outputs, Professional Services or other deliverables, or refer to the Solution, outputs therefrom, Professional Services or other deliverables, in any communication to any third party other than (i) Client's independent auditors solely in connection with their audit of Client's financial statements, (ii) Certified Service Partners solely for the purpose of providing implementation-related services for Client that are permitted under LeaseQuery's certified service partner program and provided such Certified Service Partners comply with the restrictions set forth in this sentence, (iii) regulatory authorities with jurisdiction over Client to the extent required by such authority, and (iv) to the extent required by an order of a court of competent jurisdiction or a valid subpoena, provided that, in the case of this subclause (iv), Client provides LeaseQuery with prompt written notice of any such requirement and reasonably cooperates, at LeaseQuery's expense, with LeaseQuery's efforts to obtain a protective order or otherwise limit such disclosure. In the event Client creates its own materials based on the content of the outputs, Professional Services or other deliverables for disclosure to a third party, Client shall not in any way, expressly or by implication, attribute such materials to LeaseQuery or identify LeaseQuery as the source of the content reflected in such Client-created materials.

3.2 Restrictions on Use of the Solution. Client shall not (i) use the Solution in any way that violates the terms of this Agreement, the Documentation, Sales Order or applicable law; (ii) modify, copy or create any derivative works based on, or reverse engineer or decompile, the Solution, Documentation or any portion thereof; (iii) attempt to license, sell, resell, rent, lease, transfer, assign, distribute, time share, offer in a service bureau, or otherwise share Client's access to the Solution with any third party, except that such access may be shared as permitted under this Agreement with Client's employees (provided that separate login credentials are created for and used by each authorized user) and, solely for the purpose of providing Professional Services (if applicable) for Client that are permitted under LeaseQuery's certified service partner program, a Certified Service Partner; (iv) use Client's access to the Solution or Documentation for any benchmarking or competitive purpose or to build or design any commercially available product or service; (v) interfere with or disrupt performance of the Solution or the data contained therein; (vi) attempt to gain access to the Solution or LeaseQuery's related systems or networks in a manner not set forth in this Agreement; (vii) use Client's access to the Solution to send or store infringing, obscene, threatening, or otherwise unlawful or tortious material, including, without limitation, material that violates privacy, confidentiality, Intellectual Property Rights or other rights of third parties; (viii) share any Sensitive Personal Information with LeaseQuery or enter, or cause or request to be entered, any such information into the Solution; or (ix) access the Solution for the benefit of, or for any purpose if Client is, a competitor of LeaseQuery. Client shall be liable for the acts and omissions of all Client-authorized users relating to this Agreement or any Sales Order. LeaseQuery may alter, suspend or discontinue all or a portion of Client's access to the Solution if LeaseQuery reasonably suspects that (a) Client's access to the Solution may be causing harm to LeaseQuery or other users, or (b) such suspension is necessary to comply with law or a request from a law enforcement agency or to prevent, remediate or mitigate an actual or potential security incident. LeaseQuery will use commercially reasonable efforts to resolve the issues causing the suspension of the Solution. Client agrees that no information obtained through the Solution or the Professional Services (if applicable) will be acquired for, shipped, transferred, or re-exported, directly or indirectly, to proscribed or embargoed countries or their nationals, nor be used for nuclear activities, chemical biological weapons, or missile projects unless authorized by the U.S. government. Proscribed countries are set forth in the U.S. Export Administration Regulations and are subject to change without notice, and Client must comply with the list as it exists in fact. Client certifies that neither it nor any of its users are on the U.S. Department of Commerce's Denied Persons List or affiliated lists or on the U.S. Department of Treasury's Specially Designated Nationals List. Client shall reimburse LeaseQuery for all costs incurred in enforcing the use restrictions in this Section, including, without limitation, attorneys' fees, legal costs, and court or arbitration costs.

3.3 Responsibility for Client Data. Client is exclusively responsible for its financial statements, tax returns, and the accuracy, quality and legality of all Client Data, including, without limitation, obtaining all required authorizations, permissions and consents necessary for LeaseQuery and its contractors and subcontractors to access and use the Client Data in accordance with this Agreement. LeaseQuery shall not be responsible for (i) any Client Data entered into the Solution by Client, or (ii) any judgments made (whether by Client or LeaseQuery) with respect to any inaccuracies, ambiguities or inconsistencies in any agreement containing Client Data. Client is responsible for the use of the output which it obtains from the Solution.

3.4 Responsibility for Users and Authentication Credentials. Client shall (i) be responsible for safeguarding its user names and passwords, (ii) be responsible for the identification and authentication of its users and any access, whether or not authorized by Client, to the Solution that results from the actions or omissions of Client or any of its personnel, and (iii) notify LeaseQuery promptly of any unauthorized access or use.

3.5 Cooperation with Provision of Professional Services. If Client purchases Professional Services, Client shall cooperate reasonably and in good faith with LeaseQuery in the execution of the Professional Services by, without limitation, (i) attending and actively participating in scheduled meetings; (ii) promptly providing complete, accurate and timely information, data and responses as requested by LeaseQuery; and (iii) promptly completing any other tasks or approvals that are reasonably necessary to enable LeaseQuery to efficiently complete the Professional Services.

3.6 Client Subsidiaries. The party named on the signature page of this Agreement on behalf of Client (i) represents and warrants that it has the authority to enter into this Agreement and any Sales Order on behalf of each of its Client Subsidiaries and bind each such Client Subsidiary to the terms and conditions of this Agreement and any applicable Sales Order, (ii) shall be jointly and severally responsible for each such Client Subsidiary, and (iii) shall ensure that each such Client Subsidiary complies with the terms and conditions of this Agreement and any applicable Sales Order.

3.7 Purchase by Client Affiliates of LeaseQuery Products and Services. If any Client Subsidiary or affiliate of Client (or, with respect to customers subject to the GASB's financial reporting requirements, any related governmental entity) wishes to incorporate the terms of this Agreement with respect to its purchase of its own separate subscription or Professional Services from LeaseQuery, and LeaseQuery wishes to sell such subscription and/or Professional Services pursuant to such terms, such Client Subsidiary or other affiliate may do so by entering into a separate Sales Order that specifically incorporates the terms of this Agreement, in which event, notwithstanding anything to the contrary herein, solely with respect to such Sales Order, the terms of this Agreement shall apply to such Sales Order as if this Agreement were entered into between LeaseQuery and such Client Subsidiary or affiliate (rather than with the party that executed this Agreement for Client). If any Client Subsidiary or affiliate of Client requests to incorporate these terms, Client hereby consents to LeaseQuery's disclosure of these terms and any applicable Sales Order to such Client Subsidiary or affiliate.

3.8 Certified Service Partners. If Client elects to engage any Certified Service Partner to provide any Professional Services that are permitted under LeaseQuery's certified service partner program, Client (i) acknowledges and agrees that any such services provided by any Certified Service Partner shall be provided directly to Client, solely for the benefit of and reliance by Client, and subject to any terms or conditions that may be entered into directly between Client and such Certified Service Partner; (ii) acknowledges and agrees that no such Certified Service Partner shall be deemed a subcontractor, agent or client of LeaseQuery, and LeaseQuery shall have no responsibility for, and shall have no obligation to review, any services provided by any Certified Service Partner; and (iii) hereby releases LeaseQuery from any claims arising out of or relating to any services provided by any Certified Service Partner for Client.

4. INTELLECTUAL PROPERTY RIGHTS.

4.1 Ownership; Reservation of Rights. LeaseQuery owns and reserves all right, title and interest in and to the Solution, Documentation and other LeaseQuery Intellectual Property Rights. No rights are granted to Client under this Agreement or any Sales Order other than as expressly set forth in this Agreement. Under no circumstance will Client have the right to access the object code or source code for the Solution. By submitting Client Feedback, Client hereby assigns to LeaseQuery all right, title and interest in and to such Client Feedback. LeaseQuery shall have no obligation to accept or incorporate Client Feedback, and Client shall have no obligation to provide Client Feedback.

4.2 Client Data. Client agrees to allow LeaseQuery to collect Client Data and use Client Data for the purposes of providing and improving the Solution and performing Professional Services (if applicable). As between Client and LeaseQuery, Client owns all Client Data. Notwithstanding anything to the contrary in this Agreement, LeaseQuery may anonymize and/or aggregate any data obtained from the Solution or the operation thereof, including, without limitation, performance results for the Solution, information derived from data inputted into the Solution, reports generated by the Solution, and any derivative works of any of the foregoing. LeaseQuery shall own and may utilize such anonymized and/or aggregated information for purposes of LeaseQuery's business, provided that LeaseQuery's use thereof will not directly or indirectly reveal through any reasonably foreseeable method the identity of Client, any individual or any specific data entered by Client (or by LeaseQuery on behalf of Client) into the Solution.

4.3 Professional Services; Preexisting Materials. In connection with the provision of Professional Services (if applicable), each party shall be the sole and exclusive owner of all Intellectual Property Rights in and to its Preexisting Materials and any modifications, derivatives, or improvements it makes thereto. Except as expressly set forth herein, both parties understand and agree that no license, right, title or interest in any of the other party's Preexisting Materials or Intellectual Property Rights is granted under this Agreement and neither party will gain by virtue of this Agreement or any Sales Order any rights of ownership in any Intellectual Property Rights or Preexisting Materials owned by the other party. Neither party shall make, have made, sell, offer to sell, use, disclose, reproduce, distribute, perform, display, modify, copy or create derivative works of any of the other party's Preexisting Materials or Intellectual Property Rights in any form or forum without the other party's prior written consent.

4.4 Indemnification for Infringement. LeaseQuery shall indemnify, defend and hold Client harmless from and against any third-party claims or suits arising out of actual infringement by the Solution and the reports generated by the Solution of the third-party's Intellectual Property Rights, provided that (i) Client immediately notifies LeaseQuery in writing of the third-party claim, (ii) Client

tenders to LeaseQuery complete control of the defense, and (iii) Client cooperates with LeaseQuery in its defense of the claim at LeaseQuery's expense. These obligations of LeaseQuery do not apply with respect to claims arising out of or related to Client Data or to portions or components of the Solution or reports generated by the Solution (A) that (in the case of reports generated by the Solution) are modified (other than by LeaseQuery) after delivery by LeaseQuery, (B) where Client continues the allegedly infringing activity after being notified thereof, or (C) where Client's use of the Solution or reports generated by the Solution is not in accordance with this Agreement and the applicable Sales Order. If LeaseQuery or Client is enjoined from providing access to, or using, the Solution or LeaseQuery reasonably believes that LeaseQuery or Client will be enjoined, LeaseQuery shall have the right, at its sole option, to obtain for Client the right to continue to access the Solution or to replace or modify the Solution so that it is no longer infringing. If neither of the foregoing options is commercially practicable to LeaseQuery, then Client's access to the Solution may be terminated at the option of LeaseQuery and LeaseQuery shall refund or offset against other amounts due to LeaseQuery any prepaid subscription fees prorated for the portion of the then-current term remaining after the effective date of the termination. The obligations set forth in this paragraph shall be LeaseQuery's sole and exclusive obligations, and Client's sole and exclusive remedy, for infringement.

5. FEES; CHARGES.

5.1 Invoices; Payment. Fees and expenses will be invoiced to Client in accordance with the terms and conditions of this Agreement, unless otherwise agreed by the parties and set forth in the applicable Sales Order. All fees and expenses due under this Agreement or any Sales Order shall be due and payable within thirty (30) days of the invoice date. Client shall provide LeaseQuery with complete and accurate billing and contact information, including a valid email address for receipt of invoices, and shall promptly update LeaseQuery with any changes to such information. Except as specifically set forth in this Agreement, all payment obligations are non-cancelable and all payments made are non-refundable. Any payment not received from Client by the due date will accrue interest from the date such payment is due until the date such payment is paid at the compounded monthly rate of the lesser of 1.0% of the outstanding balance or the maximum rate permissible under applicable law. Client shall reimburse LeaseQuery for all costs incurred in collecting any overdue payments and related interest, including, without limitation, attorneys' fees, legal costs, court or arbitration costs and collection agency fees.

5.2 Subscription Fees. LeaseQuery reserves the right to adjust the subscription fees in connection with any renewal of the Sales Order. Any such change may be evidenced solely by the invoice submitted by LeaseQuery for such upcoming Renewal Term; provided, however, that with respect to any increase in annual subscription fees by an amount that exceeds an annual, compounded rate of three percent (3%), calculated from the Effective Date through the effective date of the increased fees, LeaseQuery must first provide such invoice or other notice to Client at least 60 days before the end of the then-current term. All subscription fees are based on access rights acquired and shall not be contingent on any actual access, the entry of any data or information into the Solution or the completion of any Client-requested software integration or software development; provided, however, that in the event that an applicable Sales Order provides that additional or supplemental fees shall be payable if a specified number of Records is exceeded (a "Record Threshold"), (i) the number of Records to be measured against the Record Threshold shall be calculated as the maximum number of Records maintained by the Solution at any time during the term of the applicable Sales Order, and (ii) once such Record Threshold has been exceeded, such additional or supplemental fees may be invoiced, and shall be payable, in advance for the remainder of the then-current term and shall be calculated based on the number of full or partial months (without intramonth proration) from the date such Record Threshold is exceeded through the end of the then-current term.

5.3 Fees for Professional Services. Unless otherwise agreed upon by the parties, all Professional Services (if applicable) specifically described in a Sales Order shall be provided for the fees set forth in such Sales Order, provided that LeaseQuery reserves the right to change such fees upon 60 days' notice (which may be in the form of an invoice) in connection with a renewal of the Sales Order. Solely with respect to a Sales Order that includes the purchase of a subscription to LeaseQuery's Solution for leases, any fees for lease analysis and Record entry services set forth in the Sales Order (whether paid upfront based on a maximum number of Records or per-Record on an ongoing basis) include, for each Record, one original lease and one amendment. An additional $100 fee will apply for each additional amendment (invoiced no more frequently than monthly in arrears). To the extent LeaseQuery does not receive during the first 60 days after the Effective Date (and, with respect to Client's accurate and complete organizational structure as described in Section 2.3(a) of this Agreement, within no more than 30 days after LeaseQuery's request) information necessary to complete any of the implementation-related Professional Services described in Section 2 of this Agreement, LeaseQuery will reallocate its resources as needed to perform such Professional Services after Implementation at LeaseQuery's then-current standard hourly rates or, in the case of contract analysis and Record entry services, at the per-Record rate set forth in the Sales Order for such services provided on an "as needed" basis. Unless otherwise specified in an applicable Sales Order, all Professional Services shall be provided on a time and materials basis at LeaseQuery's then-current standard rates and invoiced in arrears no more frequently than on a monthly basis in increments not to exceed one hour.

5.4 Suspension of Services. Without limiting any of LeaseQuery's rights to suspend or discontinue access to the Solution pursuant to any other provision of this Agreement, LeaseQuery may, without liability to Client, alter, suspend, or discontinue all or a portion of Client's access to the Solution and/or any Professional Services at any time if LeaseQuery believes in good faith that Client has breached,

or has communicated its intention to breach, any of the terms of this Agreement with respect to such Solution or any Sales Order, including, without limitation, the failure to pay any invoiced fees or expenses in a timely manner.

5.5 Taxes. LeaseQuery's fees do not include any Taxes. Client is responsible for paying all Taxes related to this Agreement or any Sales Order, excluding LeaseQuery's income taxes. If LeaseQuery has a legal obligation to pay or collect Taxes for which Client is responsible under this section, regardless of when LeaseQuery is made aware of such legal obligation, the appropriate amount shall be invoiced to and promptly paid by Client (without reducing the amount of fees or expense reimbursements to which LeaseQuery is entitled under this Agreement and any Sales Order), unless Client provides LeaseQuery with a valid tax exemption certificate authorized by the appropriate taxing authority.

6. TERM AND TERMINATION.

6.1 Term of Sales Order. Unless otherwise specified in the Sales Order, the term of each Sales Order shall commence on the date such Sales Order is last signed by the parties and shall continue for the Initial Term thereof. Thereafter, such Sales Order shall automatically renew for an unlimited number of consecutive terms, each of the same duration as the immediately preceding term (each, a "Renewal Term") unless (i) otherwise specified in a Sales Order or (ii) either party provides written notice of such party's determination not to renew the Sales Order at least 30 days and no more than 120 days prior to the end of the then-current term. In the event either party declines to renew any Sales Order in accordance with the preceding sentence for any or no reason, such party shall not have any liability to the other party merely as a result of such non-renewal, including without limitation any claim for detrimental reliance.

6.2 Term of this Agreement. This Agreement shall remain in effect until all Sales Orders have been terminated, at which point this Agreement shall automatically terminate. For the avoidance of doubt, if any Sales Order is terminated, the terms of this Agreement shall continue to apply to any other Sales Order that has not been terminated.

6.3 Termination. Any Sales Order may be terminated by either party if the other party materially breaches the terms or conditions of this Agreement with respect to such Sales Order and the breaching party fails to cure such breach within 30 days of the date that written notice of the breach is given by the non-breaching party. In addition, any Sales Order may be immediately terminated by LeaseQuery with written notice to Client if LeaseQuery determines that the provision of services in exchange for the fees as set forth in this Agreement or in the applicable Sales Order may be in conflict with law or would subject LeaseQuery to industry-specific registration, certification, licensing or similar requirements.

6.4 Effect of Termination. Upon a termination of any Sales Order or this Agreement for any reason, Client shall promptly (but in no event within more than 30 days) pay LeaseQuery all amounts owed as of the effective date of the termination, including, without limitation, the subscription fees for the unexpired then-current term (to the extent not already paid). Client may request the exportation of its Client Data at any point during the term of this Agreement, provided such access has not been suspended in accordance with the terms of this Agreement. In addition, LeaseQuery will retain the Client Data then stored in the Solution for at least 90 days following the effective date of the termination of this Agreement. Upon LeaseQuery's receipt during such 90-day period of Client's written request, so long as all amounts due to LeaseQuery under this Agreement and all Sales Orders have been paid, LeaseQuery will make all such Client Data available to Client in a .csv or other mutually agreeable format. Following this 90-day period, Client may permanently lose its data.

7. REPRESENTATIONS; WARRANTIES; DISCLAIMERS.

7.1 Representations and Warranties. Each party represents, with respect to this Agreement and any applicable Sales Order, that (i) it has the requisite power, authority and capacity to enter into this Agreement or the Sales Order, and (ii) this Agreement and the Sales Order each constitute a legal, valid and binding obligation, enforceable against such party. Client represents and warrants that it (a) is not a competitor of LeaseQuery and (b) has obtained all required authorizations, permissions and consents necessary for LeaseQuery and its contractors and subcontractors to access and use the Client Data for the purposes described herein. LeaseQuery warrants that (1) the Solution shall operate materially in accordance with the terms of this Agreement and the applicable Sales Order, provided that Client's sole and exclusive remedy for noncompliance with the SLAs set forth in Exhibit A are as set forth in Exhibit A; and (2) any Professional Services (if applicable) shall be performed in good faith.

7.2 Warranty Remedies. To receive remedies for LeaseQuery's breach of a warranty, Client must promptly report the breach of warranty in writing to LeaseQuery no later than thirty (30) days of the first date the deficiency is identified by Client. As Client's sole and exclusive remedy and LeaseQuery's sole liability for an act or omission constituting a breach of warranty, (i) LeaseQuery shall correct the deficiency at no additional charge to Client, or (ii) in the event it is not commercially practicable for LeaseQuery to correct such deficiencies after good-faith efforts, LeaseQuery shall refund to Client or offset against other amounts due to LeaseQuery any fees paid allocable to the defective portion of the service from the date LeaseQuery received such notice.

7.3 DISCLAIMER OF WARRANTIES AND REPRESENTATIONS. Except for the limited warranties and representations expressly provided in Section 7.1 of this Agreement and to the maximum extent permitted by applicable law, LeaseQuery does not make, and specifically negates and disclaims, any warranties, representations, promises, covenants, obligations, agreements or guarantees of any kind, whether express or implied (including, without limitation, any implied warranties of merchantability or fitness for a particular purpose), written or oral, past, present or future, statutory or otherwise, with respect to the Solution, Professional Services and/or related documentation. Client is not relying on, and has not relied on, any other representation, warranty or other information with respect to LeaseQuery, the Solution, or the Professional Services. Client is responsible for making its own evaluation of the adequacy and suitability of the Solution and Professional Services for Client's needs. LeaseQuery does not warrant that the Solution will be error free or uninterrupted or that any integration with a third-party software provider will remain available for the duration of Client's subscription. Loss of internet access or failure of any third-party software, hardware or other interfacing or communicating device is Client's responsibility and is not warranted by LeaseQuery.

8. LIMITATION OF LIABILITY; INDEMNIFICATION.

8.1 DISCLAIMER OF CERTAIN DAMAGES. Under no circumstances shall LeaseQuery or any of its affiliates or subcontractors have any liability whatsoever for (i) any damages of any kind arising out of any interruption in availability of internet connectivity or the Solution, (ii) any damages of any kind arising out of errors in the entry of data or information into the Solution, or (iii) any consequential, indirect, incidental, punitive, special or exemplary damages, loss of Client's profit or revenue, loss of use, loss of data or business interruption damages.

8.2 LIMITATION OF LIABILITY. To the maximum extent permitted by applicable law, in no event shall the aggregate liability of LeaseQuery or any of its affiliates or subcontractors, regardless of the cause and regardless of any other failure of any provision or undertaking in this Agreement, under contract, tort or any other theory of liability (including claims alleging negligence), exceed (i) in case of causes of action that arise out of or relate to Professional Services, the total amounts paid by Client to LeaseQuery for the Professional Services giving rise to the claim during the six months preceding the date such cause of action arises, and (ii) in the case of any other cause of action, 50% of the annualized subscription fee (to the extent paid by Client) as of the date such cause of action arises for the product giving rise to the claim, except to the extent resulting from LeaseQuery's willful misconduct or bad faith. In circumstances where any limitation of liability or indemnification provision in this Agreement is unavailable, the aggregate liability of LeaseQuery and its affiliates and subcontractors for any claim shall not exceed an amount that is proportional to the relative fault that the conduct of LeaseQuery and its affiliates and subcontractors bears to all other conduct giving rise to such claim.

8.3 INDEMNIFICATION. To the maximum extent permitted by applicable law, Client shall indemnify and hold harmless LeaseQuery, its affiliates and subcontractors, and their respective personnel from all claims, liabilities and expenses (including, without limitation, attorneys' fees) attributable to claims of third parties relating to or resulting from the use of the Solution or the use or disclosure of any outputs therefrom, any Professional Services or any other deliverables from LeaseQuery. This indemnification provision applies regardless of whether the third-party claim is caused or alleged to be caused in whole or in part by the indemnified party; provided, however, that it shall not apply to the extent of LeaseQuery's willful misconduct or bad faith.

9. CONFIDENTIALITY.

Each party acknowledges that in the course of this Agreement, it may have access to and may be making use of, acquiring or adding to Confidential Information of the other party. Each party hereby confirms that it will not, using at least the same degree of care as it employs in maintaining in confidence its own Confidential Information of a similar nature (but in no event less than a reasonable degree of care), disclose any such Confidential Information to a third party except with the prior written consent of the other party or as specifically provided in this Agreement. This Agreement imposes no confidentiality obligation upon the receiving party with respect to information that (i) was in the receiving party's possession before receipt from the disclosing party without an obligation to keep such information confidential; (ii) is or becomes available to the public through no fault of the receiving party; (iii) is received in good faith by the receiving party from a third party not subject to an obligation of confidentiality owed to the disclosing party and who discloses the Confidential Information without an obligation of confidentiality; or (iv) is disclosed as required by law or regulation, to respond to governmental inquiries, or in connection with litigation pertaining hereto, provided in each case that the party so compelled promptly provides the other party with prior notice of such compelled disclosure (to the extent legally permitted) and provides reasonable assistance, at the other party's cost, if the other party wishes to contest or otherwise limit the disclosure. If a party discloses (or threatens to disclose) any Confidential Information of the other party in breach of confidentiality protections in this Section, the other party shall have the right, in addition to any other remedies available, to seek injunctive relief to enjoin such acts, it being acknowledged by the parties that any other available remedies may be inadequate. Client hereby consents to LeaseQuery disclosing Client's Confidential Information to contractors providing administrative, infrastructure and other support services to LeaseQuery, subcontractors providing services in connection with this Agreement, whether inside or outside of the United States, and actual or potential investors or acquirers.

With respect to any NDA, notwithstanding anything to the contrary in such NDA, the obligations of the parties under such NDA shall be superseded in their entirety by the observance by the parties of the confidentiality obligations in this Agreement, and any Confidential Information shared under such NDA shall be treated as Confidential Information under this Agreement.

10. MISCELLANEOUS.

10.1 Notices. Except as otherwise expressly specified in this Agreement, all notices related to this Agreement or any Sales Order shall be effective upon (i) personal delivery, (ii) the third Business Day after mailing, (iii) the first Business Day following dispatch using a nationally recognized overnight courier (with all fees prepaid), or (iv) except with respect to notices of direct or indemnifiable claims, demands, waivers, termination or non-renewal of a Sales Order, or a termination of this Agreement (collectively, "Legal Notices"), which shall be clearly identifiable as Legal Notices, the day of sending via email; provided, however, that (in the case of subclauses (i) through (iv) of this sentence) such notice shall be effective only if (a) delivered in accordance with this sentence and (b) with respect to notices to LeaseQuery, a mandatory copy is delivered via email to legalnotices@leasequery.com. Each party may modify its recipient of notices or the address for notices by providing notice pursuant to this Agreement.

10.2 Force Majeure. LeaseQuery will not be liable for any act, omission, or failure to fulfill its obligations under this Agreement or any Sales Order if such act, omission, or failure arises from any Force Majeure Event. If LeaseQuery is unable to fulfill its obligations due to the Force Majeure Event, LeaseQuery will as soon as practicable notify Client in writing of the reasons for its failure to fulfill its obligations and the effect of such failure and use reasonable means to avoid or remove the cause and perform its obligations.

10.3 Marketing. Client acknowledges and agrees that LeaseQuery may use the name, logo or marks of Client and its affiliates in a representative client list or other marketing material. Client may revoke the rights granted in this paragraph at any time by providing at least thirty (30) days' written notice to LeaseQuery via email to legalnotices@leasequery.com.

10.4 Integrations. In the event that, per Client's request, LeaseQuery makes available to Client any Integration, then Client may use such Integration during the term of the applicable Sales Order on a non-exclusive, non-transferable, non-assignable (except pursuant to Section 10.10 of this Agreement) basis, subject at all times to the terms and conditions of this Agreement. Any disclosure of Client Data to a third party through the Integration shall be deemed, for purposes of this Agreement, a disclosure by Client rather than LeaseQuery. The Integration shall be deemed part of the Solution for purposes of this Agreement; provided, however, that any third-party software or third-party data accessed through an Integration is independent from LeaseQuery, and LeaseQuery has no control over, is not responsible for, and makes no warranties or representations regarding, such third-party software, data, website, security or other information accessed through the Integration. Provision of the Integration does not imply that LeaseQuery endorses or accepts any responsibility for the software, content accessed therefrom or availability thereof. Client acknowledges that integrated third-party software providers may, with or without notice, restrict, interrupt, discontinue or terminate the Integration, or require LeaseQuery to do any of the foregoing, in which case the license granted under this Section shall automatically terminate, and LeaseQuery shall not be responsible for, and shall have no liability (including any obligation to provide a refund, credit or other compensation) in connection therewith.

10.5 Beta Services. From time to time, LeaseQuery may make Beta Services available to Client at no charge. Client may choose to try such Beta Services or not in its sole discretion. Any use of Beta Services is subject to the Beta Services Terms and Conditions available at leasequery.com/beta_services_terms, which may be updated by LeaseQuery from time to time.

10.6 Entire Agreement; Amendment and Modification. This Agreement (together with any Sales Order) contains the entire agreement and understanding among the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements (including, without limitation, any NDA), understandings, proposals, representations, promises, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. Payment of invoices shall not be dependent upon a Client-generated purchase order. Client's provision of any such purchase order under this Agreement shall be for the informational purposes only, and any terms or conditions stated in such purchase order shall be void and will not modify the terms or become part of this Agreement, or otherwise affect either party's rights or obligations, in any way, even if such purchase order is signed by LeaseQuery. The express terms of this Agreement control and supersede any course of performance or usage of the trade inconsistent with any of the terms of this Agreement. No modification, amendment, or waiver of any provision of this Agreement or any Sales Order shall be effective unless in writing and signed by the party against whom the modification, amendment or waiver is to be asserted. Any click-through terms that Client, or a third party on behalf of Client, requires of LeaseQuery shall have no effect and hereby are deemed null and void.

10.7 Interpretation. This Agreement is the result of negotiations between, and has been reviewed by, the parties and their respective legal counsel, and shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. Headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement. If any date on which a party is required to make a payment or a delivery pursuant to the terms of this Agreement or a Sales Order is not a Business Day, then such party shall make such payment or delivery on the next

Business Day. Any schedules and exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

10.8 Severability. If any provision of this Agreement or any Sales Order is held to be invalid, illegal, or unenforceable, such provision will be deemed restated, in accordance with applicable law, to reflect as nearly as possible the original intentions of the parties, and the remainder of this Agreement or such Sales Order will remain in full force and effect.

10.9 Waiver. Failure of either party to seek remedy of any breach of any portion of this Agreement or any Sales Order by the other party from time to time shall not constitute a waiver of such rights in respect to the same or any other breach.

10.10 Assignment. Client shall not assign, voluntarily or involuntarily, all or any portion of this Agreement (or any Sales Order) without the prior written consent of LeaseQuery, provided that, upon advance written notice to LeaseQuery, Client may assign all (or a portion) of its rights and obligations under this Agreement (together with all Sales Orders) without LeaseQuery's consent to a successor by merger or a purchaser of all or substantially all of Client's assets, but only if, as reasonably determined by LeaseQuery, such successor or purchaser is not a competitor of LeaseQuery. In the event of a purported assignment or delegation of any of Client's rights or obligations under this Agreement (or any Sales Order) made in violation of this section, such assignment or delegation shall be void, and LeaseQuery shall have the right to terminate this Agreement immediately upon written notice to Client without limiting any of LeaseQuery's other rights or remedies herein. Any assignment or delegation that is made in accordance with this section shall be binding upon and shall inure to the benefit of the parties and their respective permitted successors and assigns.

10.11 No Third-Party Beneficiaries. This Agreement and any Sales Order are for the sole benefit of the parties hereto and their respective permitted successors and assigns and nothing herein or in any Sales Order, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement or any Sales Order.

10.12 Limitation on Actions. Except with respect any express indemnification obligation under Section 8.3 of this Agreement, no action relating to any Dispute (other than to collect unpaid invoices) may be brought more than one year after the cause of action accrued, and Client shall not raise any Dispute based on the alleged inaccuracy of an invoice more than ninety (90) days after the invoice date.

10.13 Survival. Notwithstanding anything herein to the contrary, the provisions of Section 1, Section 2.1, Section 3.1, Section 3.2, Section 3.6, Section 3.7, Section 3.8, Section 4, Section 5.5, Section 6.4, Section 8, Section 9 and Section 10 hereof shall survive any termination of this Agreement.

10.14 Conflicts. In the event of a conflict between the terms of this Agreement and a Sales Order, the terms of this Agreement shall control, except to the extent that a Sales Order expressly provides that certain provisions therein shall control over specified provisions of this Agreement.

10.15 Governing Law. Issues of arbitrability shall be determined by an arbitrator in accordance with the federal substantive and procedural laws relating to arbitration; in all other respects, all matters arising out of or relating to this Agreement or any Sales Order shall be governed, construed and enforced in accordance with the laws of the State of Delaware, without reference to the conflicts of law principles that would require the application of any other law.

10.16 Dispute Resolution; Arbitration; WAIVER OF JURY TRIAL. Any Dispute (including, without limitation and for the avoidance of doubt, the determination of the scope or applicability of this Section) shall be finally determined and resolved on an individual basis by binding arbitration in Atlanta, Georgia. The arbitration shall be administered by JAMS Mediation, Arbitration and ADR Services ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures or pursuant to JAMS' Streamlined Arbitration Rules and Procedures, if applicable (collectively, the "Rules") that are in effect at the time of the commencement of the arbitration, except to the extent modified by this section. LeaseQuery and Client agree that each party waives the right to a jury trial and to assert class or collective action claims against the other. The obligation to arbitrate shall extend to and encompass any claims that either party may have or assert against any of the other party's personnel. The arbitration shall be conducted before one arbitrator to be appointed in accordance with the applicable provisions of the JAMS Rules. No arbitrator may serve as an arbitrator with respect to the Dispute unless such arbitrator agrees in writing to abide by the terms of this section. Except with respect to the interpretation and enforcement of these arbitration procedures, the arbitrator shall apply the governing law set forth herein in connection with the Dispute. The arbitrator shall have no power to award damages inconsistent with this Agreement, including the limitations on liability herein. To the extent the arbitration is governed by JAMS' Streamlined Arbitration Rules and Procedures, no discovery shall be permitted in connection with the arbitration, except to the extent that it is expressly authorized by the arbitrator upon a showing of substantial need by the party seeking discovery. The parties and the arbitrator shall maintain the confidential nature of the arbitration proceeding and the award, including the hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., and judgment

on the arbitrator's award may be entered in any court having jurisdiction thereof. Notwithstanding anything to the contrary in this Section, with respect to any claim brought by LeaseQuery for nonpayment of its fees, expenses or interest, LeaseQuery, in its sole discretion, may elect to bring such claim to mandatory arbitration pursuant to this Section or, alternatively, in the courts of the State of Georgia or the federal courts located in the Northern District of Georgia, and in the event LeaseQuery elects to bring such claim in any of such courts, (i) each party irrevocably submits to the exclusive jurisdiction of such courts, (ii) each party hereby waives, and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or thereof, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in such courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, (iii) each of the parties hereby consents to and grants any such court jurisdiction over the person of such parties and over the subject matter of any such Dispute, and (iv) each of the parties hereby irrevocably waives all right to a trial by jury and all right to assert class or collective action claims against the other in any action, proceeding or counterclaim arising out of or relating to this Agreement. Except as otherwise set forth in this Agreement, each party shall bear its own costs in connection with a Dispute, including, without limitation, attorneys' fees and arbitration and court costs.

10.17 Federal Clients. If Client is a U.S. federal government department or agency or contracting on behalf of such department or agency, all services described herein, including the provision of access to the Solution and all Professional Services, are "Commercial Items" as that term is defined at 48 C.F.R. §2.101, consisting of "Commercial Computer Software" and "Commercial Computer Software Documentation", as those terms are used in 48 C.F.R. §12.212 or 48 C.F.R. §227.7202, and supporting Professional Services in accordance with paragraph (5) of the definition of "Commercial Item" in 48 C.F.R. §2.101. Consistent with 48 C.F.R. §12.212 or 48 C.F.R. §227.7202-1 through 227.7202-4, as applicable, access to the Solution and supporting Professional Services are provided to Client with only those rights as provided under the terms and conditions of this Agreement and any applicable Sales Order.

10.18 Multiple Counterparts. This Agreement and any Sales Order may be executed in multiple counterparts, including facsimile signatures (e.g., pdf files) and digital signatures using digital software that electronically captures, or otherwise allows a signatory to adopt, an identifying mark as such person's signature to this Agreement or such Sales Order, each of which shall be deemed an original, but all of which shall be deemed to be one and the same agreement. A signed copy of this Agreement or a Sales Order delivered by e-mail or other means of electronic communication shall be deemed to have the same legal effect as delivery of an original signed copy.

* * *

IN WITNESS WHEREOF, the parties hereto have executed this Subscription Agreement as of the date last signed below.

LeaseQuery, LLC

By: _____

Name: Chris Ramsey

Title: Chief Revenue Officer

Date: _____

The City of Oxford~~[•]~~

By: _____

Name: _____

Title: _____

Date: _____

Exhibit A
Service Level Agreements (SLAs)

LeaseQuery's Solution is a software-as-a-service based on a multi-tenanted operating model that applies common, consistent management practices for all clients using the service. This common operating model, which requires LeaseQuery to make uniform availability commitments across its client base, allows LeaseQuery to provide the high level of service reflected in its agreements with its clients. Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Agreement.

1. **Service Availability.** LeaseQuery's service availability commitment for a given calendar month is 99.9%, excluding Planned Maintenance. For purposes of calculating service availability, (i) "Total" means the total minutes in the month; (ii) "Unplanned Outage" means the total minutes for which Client notifies LeaseQuery within 30 days after the end of the applicable month and LeaseQuery confirms that the Solution is unavailable due to an unplanned outage during the month; and (iii) "Planned Maintenance" means the total minutes of planned maintenance during the month. Planned Maintenance will occur only between 12:00 a.m. (midnight) and 2:00 a.m. (Eastern Time), Monday through Friday, or, on Friday and Saturday, between 11:00 p.m. and 5:00 a.m. the following morning (Eastern Time). All times are subject to change upon reasonable notice. If actual maintenance occurs outside of the times reserved for Planned Maintenance, such time is considered an Unplanned Outage. If actual maintenance is less than the time reserved for Planned Maintenance, the difference will not be applied as a credit to offset any Unplanned Outage time for the month. The measurement point for service availability is the availability of the Solution at the hosting data center's internet connection points. Service availability is calculated per month as follows:

$$\left(\frac{\text{Total} - \text{Unplanned Outage} - \text{Planned Maintenance}}{\text{Total} - \text{Planned Maintenance}} \right) \text{ X } 100 \geq 99.9\%$$

2. **Noncompliance with Service Availability Commitment**. The consequences of a failure by LeaseQuery to meet the service availability commitment set forth above are set forth below:

(a) First month of missed availability: If requested by Client, the parties shall meet telephonically, at Client's request, to discuss potential corrective actions.

(b) Second consecutive month: 10% of the subscription fee for the applicable month.

(c) Third consecutive month: 20% of the subscription fee for the applicable month.

(d) Fourth consecutive month: 30% of the subscription fee for the applicable month.

(e) Fifth consecutive month: 40% of the subscription fee for the applicable month.

(f) Sixth consecutive month: 50% of the subscription fee for the applicable month.

(g) More than six consecutive months: Within 30 days of such failure, either party shall have the option to terminate the Agreement.

Credits shall be deducted from subsequent invoices for subscription fees or other fees or, upon the expiration or termination of the Agreement, paid to Client directly or offset against other amounts due to LeaseQuery hereunder. The remedies set forth in this exhibit shall be Client's sole remedies and LeaseQuery's sole liability for missed service availability commitments.

THE CITY OF OXFORD

Prepared By:

Gabe Harris
gabe.harris@leasequery.com
205.531.5085

PROJECT GOALS

Simplify your lease management and help your accounting team minimize lease accounting errors, which could lead to material misstatements, using CPA-approved software and implementation processes that facilitate compliance with minimum business disruption.

LeaseQuery's purpose-built lease accounting software mitigates these common consequences of increasing complexities relating to lease accounting:

1. Increased audit fees
2. Additional employees
3. Inaccurate financial statements
4. Possible reissuance of prior financial statements
5. Missed lease payments, overpayments and late fees
6. Manual entry errors

LEASEQUERY SOLUTION

LeaseQuery will help The City of Oxford meet its project goals and avoid the potential negative impacts by providing the following benefits:

Produce lessor and lessee journal entries by total entity level and individual asset level:

Lessor:

Account	Debit	Credit
Cash	10,000.00	
Interest Revenue		1,983.08
Deferred Inflow of Resources		635,975.75
ST Lease Rec.	97,872.60	
LT Lease Rec.	539,043.63	
Lease Revenue		8,957.40

Lessee:

Account	Debit	Credit
Cash		2,000.00
Interest Expense	429.11	
Lease Asset	106,416.71	
ST Lease Liab.		19,281.80
LT Lease Liab.		85,564.02
Depreciation Expense	1,773.61	
Accumulated Depreciation		1,773.61

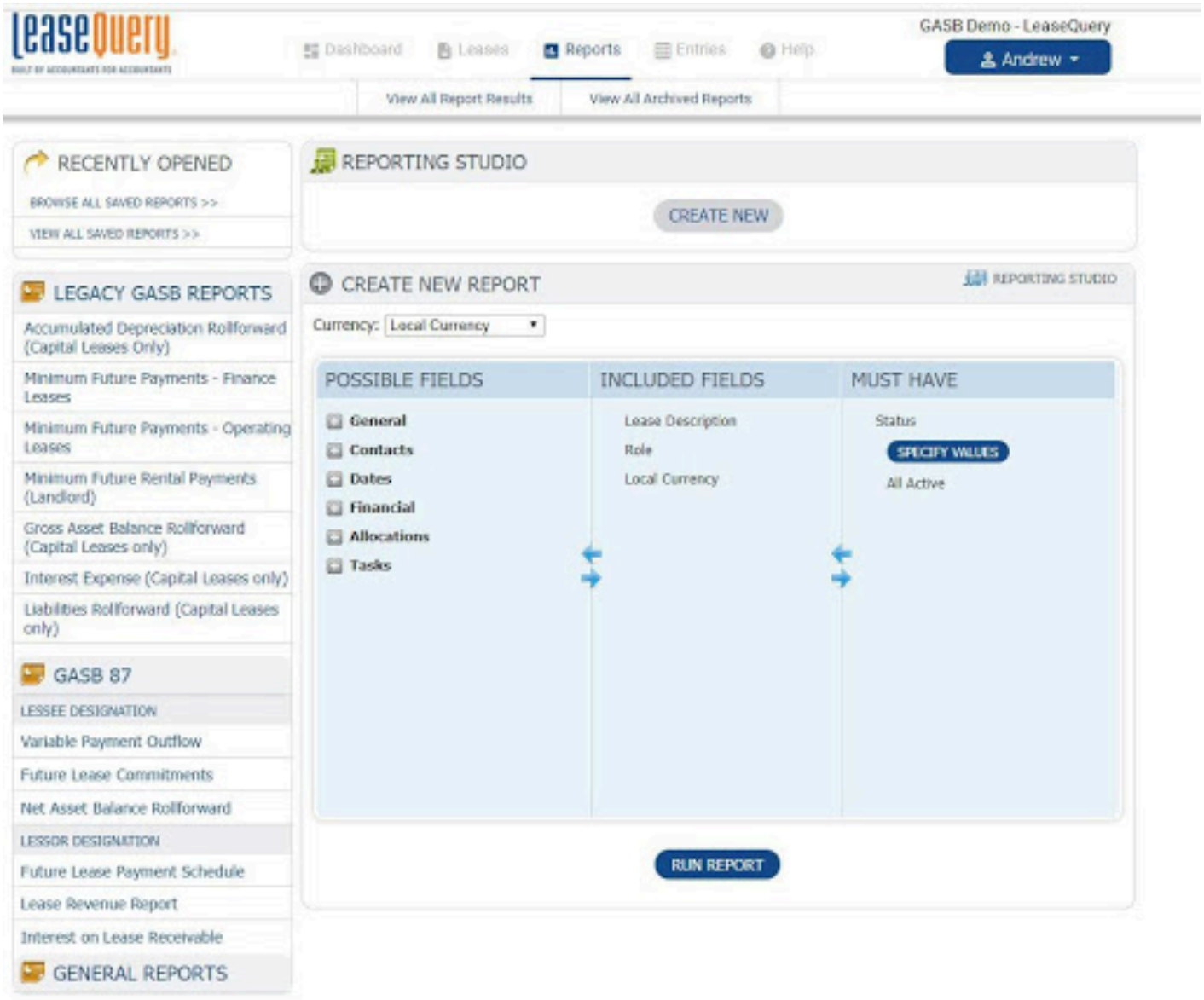
Calculate the effect of the new lease accounting rules on The City of Oxford's account balances and provide a standard journal entry export that can be easily adapted to load into your GL system:

ACCOUNT BALANCES DECEMBER 2018 BY (TENANT/LESSEE) — EXPORT TO EXCEL

December 2018 Balances
Currency: USD - US Dollar

Actual (Old Rules)		Lookback Period (New Rules)	
Account	**Balance**	**Account**	**Balance**
ST Deferred Rent	(485,816.30)	ST Lease Liab	(3,855,768.11)
LT Deferred Rent	(1,578,257.28)	LT Lease Liab	(20,567,911.00)
Lease Incentive Liability	(733,412.23)		
Total Liability	**(2,797,485.81)**	**Total Liability**	**(24,423,679.13)**
ST Prepaid Rent	12,295.86	ROU Asset	21,638,489.19
LT Prepaid Rent	0.00		
Total Asset	**12,295.86**	**Total Asset**	**21,638,489.19**

Provide suggested financial disclosures and reports within seconds:



Calculate amortization tables for individual leases, for both the lessor and the lessee:

Perform the capital vs. operating lease test and provide documentation supporting the results:

RESULTS

Your Forklift - Toyota, J9000, 66458651 lease is a **Capital Lease** because of the 4th test. Here are the results of the test:

HERE ARE THE RESULTS OF THE TEST:	
1st test: Ownership transfer at lease end: No	Title to the asset does not transfer at lease end.
2nd test: Purchase option: No	There is no purchase option.
3rd test: Lease Term test: No	The lease term is 84 Months while the Useful life is 240 Months. The lease term is less than 180 Months (75% of the remaining useful life).
4th test: Fair Value Test: Yes	The Present Value of the minimum lease payments is 62,363.97 while the fair value of the asset is 65,000.00. The present value of the minimum lease payments is greater than or equal to 58,500.00 (90% of the fair value).

BY ACCOUNTANTS, FOR ACCOUNTANTS

LeaseQuery was founded by accountants in 2011 to help businesses and accountants avoid lease accounting errors that could lead to material misstatements by using CPA-approved software and implementation processes that facilitate compliance with minimum business disruption. We are the first purpose-built lease accounting software solution to be fully compliant with the FASB's, GASB's, and IASB's new lease accounting standards. LeaseQuery is a debt-free privately-held company with no outside investment, which enables us to better serve our clients without outside influence.

Our clients choose LeaseQuery because we provide more than just software. We contribute to our clients' success by partnering with them during the scoping, design and implementation of our solution. By working with hundreds of diverse entities, we have developed best practices that substantially reduce the time to implement our solution and provide value to our clients. As such, we have received recommendations from all of the Big 4 Accounting Firms and numerous regional firms.

LeaseQuery is proud to serve all types of businesses, from small privately-held organizations, to government organizations and agencies, to publicly-traded Fortune 500 companies with over 25,000 leased assets.

PROPOSED ACCOUNT IMPLEMENTATION AND ONBOARDING, PT. 1

Designated Client Contacts

Client Implementation Point of Contact: Jessi Tolleson / jtolleson@oxfordms.net / (662) 232-2303

Client Executive Sponsor: Jessi Tolleson / jtolleson@oxfordms.net / (662) 232-2303

If the Sales Order is signed on or before November 17, 2021, the estimated implementation completion date is March 29, 2022, assuming the following critical dates are met.

Phase I: Setup

LeaseQuery receives signed contract from The City of Oxford
– Day 1, [11/17/2021].

Kickoff email sent from LeaseQuery to The City of Oxford
– Between Day 1 and Day 3, [11/19/2021].

This email will include:

- An introduction to your project manager
- Suggested dates and times for a kickoff call
- An overview of initial documents to be shared

Kickoff Call
– Between Day 4 and Day 15, [12/1/2021]

Initial documents shared with your LeaseQuery Implementation team
– Day 22, [12/8/2021].

With the service you purchased, you will be asked to provide some or all of the following:

- Your organizational structure showing which leases roll up into which entities, and if and how those entities roll up to a parent company
- Your required and optional fields for an upload template
- Documents for reconciliation

Discuss and Complete Organization Structure and/or Bulk Upload Template
– Day 30, [12/16/2021].

PROPOSED ACCOUNT IMPLEMENTATION AND ONBOARDING, PT. 2

Phase II: Onboarding

The following implementation dates assume LeaseQuery receives the necessary lease information from The City of Oxford on or before last day in Phase I.

Training #1
– Day 35, [12/21/2021].
- Upload Template and lease entry

Training #2
– Day 42, [12/28/2021].
- Reports and Journal Entries

Test Upload Overview
– Day 65, [1/20/2022].
- Review sample batch of 5 leases (This is a single test to ensure accuracy and content with data input)

Upload Template Completed by The City of Oxford
– Between Day 39 and Day 85, [2/8/2022].

Upload Template uploaded into LeaseQuery by Implementation Team
– Between Day 85 and Day 88, [2/15/2022].

Reconciliation to be performed by LeaseQuery
– Between Day 89 and Day 96, [2/22/2022].
- Dependent on if reconciliation data was provided.

Training #3
– Day 101, [2/27/2022].
- Updating, modifying, and renewing lease records, further report details

Phase III: Training and Access

Orientation, Ongoing Support, and Access to LeaseQuery
– Day 131, [3/29/2022].

We will schedule a transition call with our Customer Solutions Team to learn next steps.

Description of LeaseQuery Services

LeaseQuery Software Subscription
The software subscription provides The City of Oxford with access to the LeaseQuery software for an unlimited number of users and includes any updates necessary to maintain compliance with GASB 87, GASB 96, FASB ASC Topic 842, and IFRS 16.

Organizational Database Structure Setup and Training

During implementation, we will work with you to identify costs centers, profit centers, business units, divisions, regions, and locations to structure your LeaseQuery database so it accounts for your organizational roll-up structure. LeaseQuery provides a standard journal entry export that is formatted for configuration to import to your general ledger. We will also provide up to 4 hours of in-depth training on the entire LeaseQuery solution.

Bulk Record Configuration and Upload
LeaseQuery maintains a general upload template that will be reviewed with The City of Oxford. During implementation, you will take your current leases and input that information into the template for LeaseQuery to upload and enter into your customized database in the software.

Lease Entry and Analysis
LeaseQuery will analyze The City of Oxford's selected leases while entering them into the LeaseQuery Software to identify inconsistencies between the lease document and the spreadsheets The City of Oxford currently uses. We routinely find errors in our clients' records, so this review process is important to improve the accuracy of the software's outputs.

GASB 96 Module
The software subscription provides The City of Oxford with access to the LeaseQuery GASB 96 module which includes any updates necessary to maintain compliance with GASB 96. The number of standard leases and SBITAs together will count towards the total contract number.

PROPOSED DISCOUNTS AND COSTS FOR CITY OF OXFORD, MS

LeaseQuery would be delighted to partner with The City of Oxford to provide the best solution and value possible to meet the project goals. With that in mind, LeaseQuery is offering:

- A software subscription covering up to 100 records for an annual fee of $9,399.96 for purchasing a prepaid 12 months subscription.
- A 25% discount on the organizational database structure setup and training fee, from $10,000.00 to $7,500.00, for purchasing a prepaid 12 months subscription.
- Configuration of the bulk upload template and initial bulk upload of included leases for $5,000.00.

We have separately provided a sales order for a 12 months subscription, that will lock in pricing (including the discounts described above) for the purchased subscription for this 12 month period.

Summary of Upfront Costs:

Subscription for LeaseQuery Advanced, up to 100 Records ($7 per additional Record, monthly)	$8,400.00
Subscription for GASB 96 Module (Records aggregated with LeaseQuery Advanced; annual access fee shown)	$1,000.00
Organizational database structure setup	$7,500.00
Bulk migration service, up to the number of Records covered by the initial subscription ($10 per additional Record)	$5,000.00
Total Upfront Costs:	**$21,900.00**
Total Incentives and Savings:	**$2,500.00**

Notes:

- The aggregate number of Records for SBITAs and leases is subject to the maximum number of Records and additional per-Record fees shown above for LeaseQuery Advanced.
- Contract analysis and Record entry services may be provided on an as needed and as requested basis for $250 per Record, invoiced monthly in arrears.

We greatly appreciate the opportunity to partner with The City of Oxford on this project. If you wish to purchase a subscription and engage LeaseQuery to provide the services described in this proposal, please review and sign the separately provided sales order and return it to us.

Please contact Gabe Harris at 205.531.5085 or gabe.harris@leasequery.com with any questions.

THE CITY OF OXFORD

Prepared By:

Gabe Harris
gabe.harris@leasequery.com
205.531.5085

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December 2018 Balances
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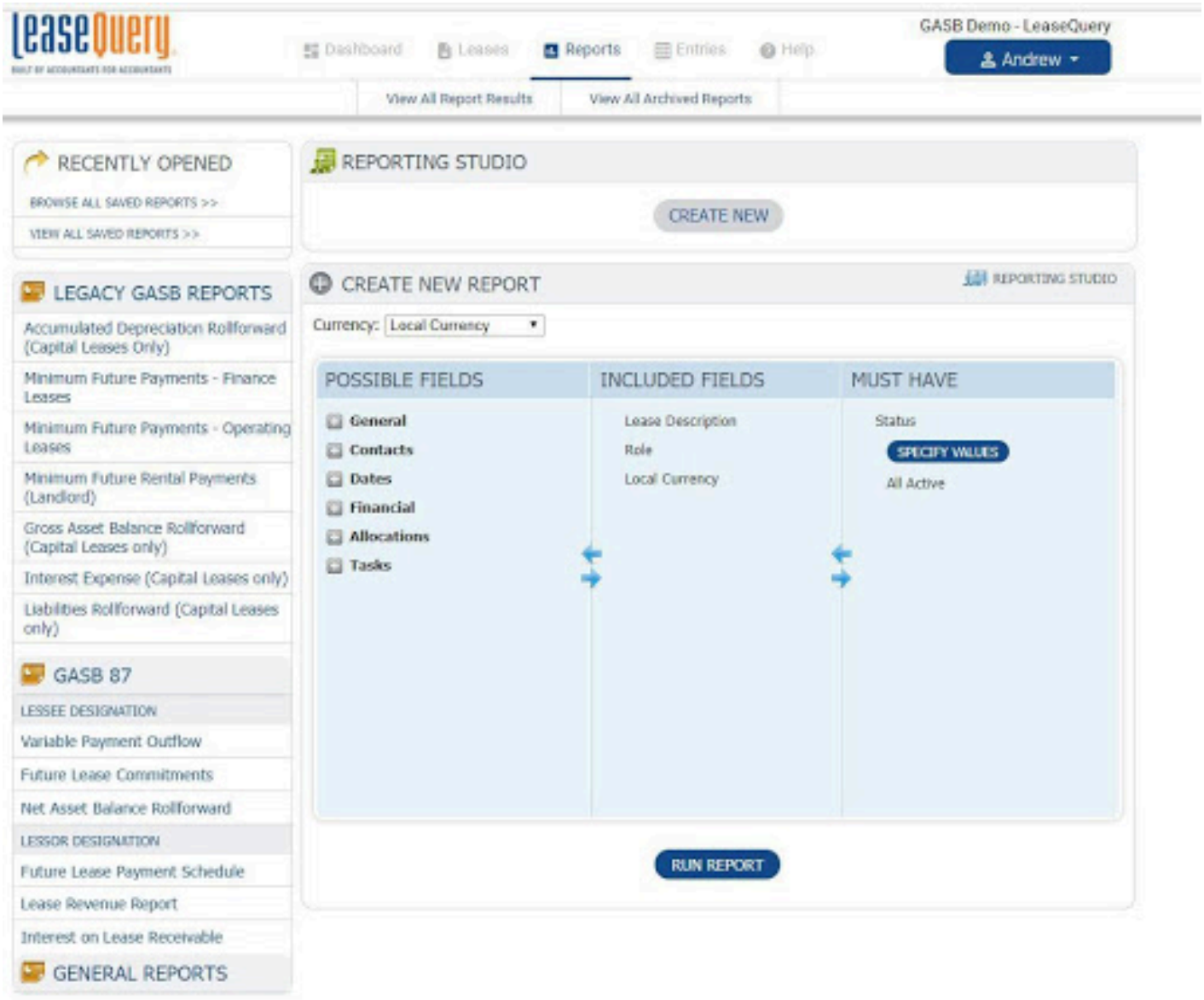

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PROPOSED ACCOUNT IMPLEMENTATION AND ONBOARDING, PT. 1

Designated Client Contacts

Client Implementation Point of Contact: Jessi Tolleson / jtolleson@oxfordms.net / (662) 232-2303

Client Executive Sponsor: Jessi Tolleson / jtolleson@oxfordms.net / (662) 232-2303

If the Sales Order is signed on or before December 13, 2021, the estimated implementation completion date is April 24, 2022, assuming the following critical dates are met.

Phase I: Setup

LeaseQuery receives signed contract from The City of Oxford
– Day 1, [12/13/2021].

Kickoff email sent from LeaseQuery to The City of Oxford
– Between Day 1 and Day 3, [12/15/2021].

This email will include:

- An introduction to your project manager
- Suggested dates and times for a kickoff call
- An overview of initial documents to be shared

Kickoff Call
– Between Day 4 and Day 15, [12/27/2021]

Initial documents shared with your LeaseQuery Implementation team
– Day 22, [1/3/2022].

With the service you purchased, you will be asked to provide some or all of the following:

- Your organizational structure showing which leases roll up into which entities, and if and how those entities roll up to a parent company
- Your required and optional fields for an upload template
- Documents for reconciliation

Discuss and Complete Organization Structure and/or Bulk Upload Template
– Day 30, [1/11/2022].

PROPOSED ACCOUNT IMPLEMENTATION AND ONBOARDING, PT. 2

Phase II: Onboarding

The following implementation dates assume LeaseQuery receives the necessary lease information from The City of Oxford on or before last day in Phase I.

Training #1
– Day 35, [1/16/2022].
- Upload Template and lease entry

Training #2
– Day 42, [1/23/2022].
- Reports and Journal Entries

Test Upload Overview
– Day 65, [2/15/2022].
- Review sample batch of 5 leases (This is a single test to ensure accuracy and content with data input)

Upload Template Completed by The City of Oxford
– Between Day 39 and Day 85, [3/6/2022].

Upload Template uploaded into LeaseQuery by Implementation Team
– Between Day 85 and Day 88, [3/13/2022].

Reconciliation to be performed by LeaseQuery
– Between Day 89 and Day 96, [3/20/2022].
- Dependent on if reconciliation data was provided.

Training #3
– Day 101, [3/25/2022].
- Updating, modifying, and renewing lease records, further report details

Phase III: Training and Access

Orientation, Ongoing Support, and Access to LeaseQuery
– Day 131, [4/24/2022].

We will schedule a transition call with our Customer Solutions Team to learn next steps.

Description of LeaseQuery Services

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PROPOSED DISCOUNTS AND COSTS FOR CITY OF OXFORD, MS

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- A software subscription covering up to 100 records for an annual fee of $9,399.96 for purchasing a prepaid 36 months subscription.
- A 75% discount on the organizational database structure setup and training fee, from $10,000.00 to $2,500.00, for purchasing a prepaid 36 months subscription.
- Configuration of the bulk upload template and initial bulk upload of included leases for $5,000.00.

We have separately provided a sales order for a 36 months subscription, that will lock in pricing (including the discounts described above) for the purchased subscription for this 36 month period.

Summary of Upfront Costs:

Subscription for LeaseQuery Advanced, up to 100 Records ($7 per additional Record, monthly)	$25,200.00
Subscription for GASB 96 Module (Records aggregated with LeaseQuery Advanced; annual access fee shown)	$3,000.00
Organizational database structure setup	$2,500.00
Bulk migration service, up to the number of Records covered by the initial subscription ($10 per additional Record)	$5,000.00
Total Upfront Costs:	**$35,700.00**
Total Incentives and Savings:	**$7,500.00**

Notes:

- The aggregate number of Records for SBITAs and leases is subject to the maximum number of Records and additional per-Record fees shown above for LeaseQuery Advanced.
- Contract analysis and Record entry services may be provided on an as needed and as requested basis for $250 per Record, invoiced monthly in arrears.

We greatly appreciate the opportunity to partner with The City of Oxford on this project. If you wish to purchase a subscription and engage LeaseQuery to provide the services described in this proposal, please review and sign the separately provided sales order and return it to us.

Please contact Gabe Harris at 205.531.5085 or gabe.harris@leasequery.com with any questions.

OXFORD
DEVELOPMENT
SERVICES

MEMORANDUM

To: Board of Alderman

From: Reanna Mayoral, P.E., City Engineer

CC:

Date: December 21, 2021

Re: Consider Purchase of Traffic Counters

Staff requests permission to reallocate funds ($8,900.00) within the Street Department budget to purchase two traffic counters including hardware and software. The traffic counters we were using are now non-functioning and beyond repair. New traffic counters were not included in the current Fiscal Year budget and Staff is requesting a budget reallocation to use funds allocated for a service truck. As previously reported to the Board, the truck supplier has cancelled our order and we have been informed that there are no service trucks available this year. Therefore, there are funds available in the current budget.

Staff requests permission to reallocate funds from the Street Department budget originally designated for the purchase of a service truck to purchase two traffic counters for use in traffic studies.

21a

OXFORD
DEVELOPMENT
SERVICES

MEMORANDUM

To: Board of Alderman

From: Reanna Mayoral, P.E., City Engineer

CC:

Date: December 21, 2021

Re: Project Activation for Interchange Improvement Project at SR 7 and University Avenue

Staff requests the Board activate the Interchange Improvement Project at SR 7 and University Avenue, known as Project Number SP-0019-02(058)/107834-30100. The City, County and the Mississippi Department of Transportation (MDOT) have jointly entered into a Memorandum of Understanding to provide for the funding, design, and construction of improvements at this intersection. The design process will follow the guidelines provided in the MDOT Local Public Agency (LPA) Manual, with Step One (1) being a request to activate the project. Preliminary Engineering and design work will begin soon.

Staff requests for the Board of Aldermen to request project activation of the Interchange Improvement Project at SR 7 and University Avenue, to grant the Mayor permission to sign documents requesting activation or other documents as required for compliance with the MDOT LPA Project Manual.

Addy
Taylor

2b

OXFORD
DEVELOPMENT
SERVICES

MEMORANDUM

To: Board of Alderman

From: Reanna Mayoral, P.E., City Engineer

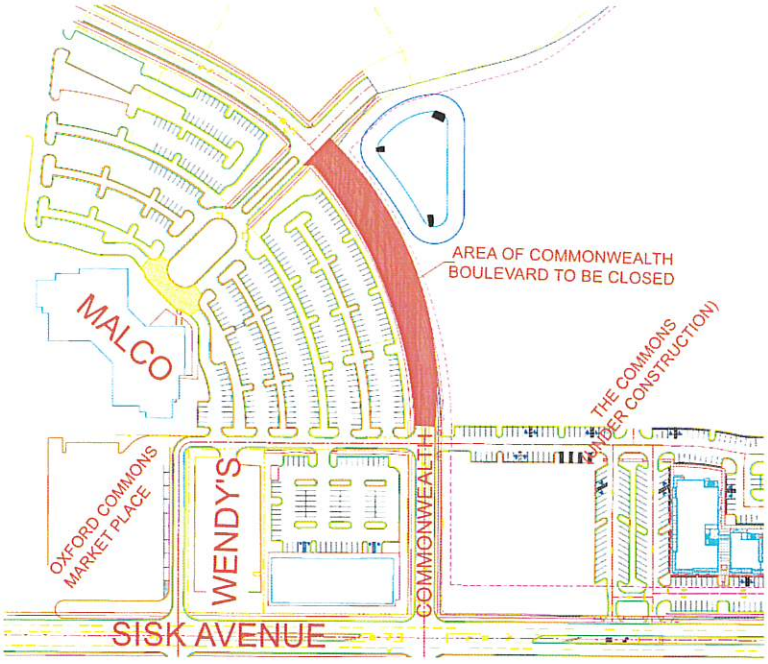
CC: Chief Jeff McCutchen, Oxford Police Department

Date: December 21, 2021

Re: Request to close to a portion of Commonwealth

M&N Excavators requests to close a portion of Commonwealth Boulevard between the main Malco East entrance and Enterprise on either Wednesday, December 22nd or Thursday, December 23rd to install a new storm drain required for construction in the adjacent lot. There will be access to all businesses throughout construction. In the event of rain or other conflicts, Staff requests permission to coordinate with Oxford Police Department to approve an alternate date for the closure.

Staff requests permission for M&N Excavators to close a portion of Commonwealth Boulevard on either December 22rd or December 23rd with permission to coordinate an alternate date with Oxford Police Department if necessary.



OXFORD
DEVELOPMENT
SERVICES

MEMORANDUM

To: Board of Alderman

From: Reanna Mayoral, P.E., City Engineer

CC: Rob Neely, P.E., Oxford Utilities

Date: December 21, 2021

Re: Contract with Daniels & Associates, Inc. for professional services required for a Booster Pump project at the Rivers Hill/Kroger Tank

Staff recommends that the Board enter into a contract with Daniels & Associates, Inc. for professional engineering services related to a project to add a booster pump station at the Rivers Hill/Kroger water tank. Professional services associated with this agreement include design, bidding and construction inspection. This project was not budgeted in the current fiscal year but is necessary in order to take another tank offline for interior maintenance. There are funds available in the budget because there are multiple large scale projects that cannot be completed this fiscal year, including the Highway 7 Utility relocations. The Highway 7 Utility relocation project was designated for ARP funding and this booster pump project is also eligible to use those funds.

Staff recommends that the Board enter into a contract with Daniels & Associates, Inc. for professional engineering services related to a project to add a booster pump station at the Rivers Hill/Kroger water tank.

AGREEMENT BETWEEN OWNER AND ENGINEER
FOR
ENGINEERING SERVICES

THIS IS AN AGREEMENT effective as of December 21, 2021, by and between **DANIELS & ASSOCIATES, INC.**, hereinafter called the **ENGINEER** and the **CITY OF OXFORD**, hereinafter called the **OWNER**. The Owner and the Engineer in consideration of their mutual covenants as set forth herein agree as follows:

WHEREAS, the Owner intends to install booster pumps at the Rivers Hill Elevated Tank and discharge piping from the pumps northward to Sisk Avenue, and,

WHEREAS, the Owner desires to engage the Engineer to provide technical and professional services as described hereinafter, and,

WHEREAS, the Engineer does hereby agree to perform said professional and technical services for the Owner.

NOW THEREFORE, the parties do hereto mutually agree as follows:

1.0 Employment of Engineer:

The Owner hereby agrees to employ the Engineer, and the Engineer hereby agrees to perform the technical and professional services set forth hereinafter in connection with engineering and consulting services as required to perform "Facilities Design" and "Construction Observation" for installation of two booster pumps, discharge piping, and controls at the Rivers Hill Elevated Tank; and approximately 3,200 linear feet of distribution piping.

2.0 Scope of Services:

The Engineer shall do, perform, and carry out in a diligent and competent manner the technical and professional services necessary to provide the services set forth below. Engineering and/or consulting services which the Engineer will perform and assist the Owner in performing will include the following as they relate to items described in Section 1.1 above:

2.1 Performing all necessary design work, calculations, drafting, and related matters necessary to prepare detailed construction plans, specifications, and preliminary and final construction estimates.

2.2 Obtaining all required regulatory agency approvals, including the Mississippi State Department of Health.

2.3 Advertising the project for bids in the various construction advertisement media; attending the pre-bid conference and bid letting, tabulating bid proposals, analyzing bids and making recommendation(s) to the Owner for awarding construction contract(s).

2.4 Interpreting the intent of the plans and specifications to protect the Owner against defects and deficiencies in construction on the part of the contractor(s). The Engineer shall not guarantee the performance by any contractor.

2.5 Providing on-site observations of the work of the contractor(s) as construction progresses on a part-time basis. The Engineer does not guarantee the performance of the contractor(s) by the Engineer's performance of on-site observations. The Engineer's undertaking hereunder shall not relieve the contractor(s) of their obligation to perform the work in conformity with the plans and specifications and in a workmanlike manner, and furthermore shall not make the Engineer an insurer of the contractor(s) performance, and shall not impose upon the Engineer any obligation to see to it that the work is performed in a safe manner.

2.6 Final inspection of all construction drawings and submission of record drawings and full documentation and certification required by the Department of Health.

2.7 Any work requested by the Owner that is not included in the Scope of Services will be charged on an hourly rate basis. No work will be performed outside the Scope of Services without written notice and agreement of terms.

3.0 Compensation for Engineering Services:

The Owner shall compensate the Engineer for all Facilities Design and Construction Observation Services rendered under this agreement a lump sum fee in an amount equal to 10% of construction costs.

The Engineer will submit monthly or periodic invoices to the Owner requesting payment. Such requests will be based upon the amount and value of work and services performed by the Engineer to date. The Owner will pay the Engineer the full amount of said invoices within 30 days after the date of the invoice. Failure to pay the amount due within 30 days will be just cause for the Engineer to cease work on the project.

The Engineer's services and compensation under this Agreement have been agreed to in anticipation of the orderly and continuous progress of the Project through completion. The Engineer's obligation to render services hereunder will be for a period which may reasonably be required for completion of said services.

4.0 Performance and Completion:

The performance of engineering services to be provided as described in Section 1.0 of this agreement shall commence beginning or after the execution of this Agreement and shall be completed within ninety (90) days after completion of all construction.

5.0 Amendments to Agreement for Engineering Services:

Changes to this document may be made by written Supplemental Agreement executed by the Owner and the Engineer.

6.0 Termination of Agreement:

The obligation to provide further services under this Agreement may be terminated by either party upon 30 days written notice if said party has just cause or in the event of substantial failure by the other party to perform in accordance with the terms hereof through no fault of the terminating party.

6.1 The Owner may, upon seven (7) days written notice, terminate this agreement if the Owner believes that the Owner is being provided with poor, untimely and/or unsatisfactory work by the Engineer or if the Owner is generally dissatisfied with the work and/or performance of the Engineer.

6.2 The Engineer may, upon seven (7) days written notice, terminate this agreement if the Engineer believes that the Engineer is being requested by the Owner to furnish or perform services contrary to the Engineer's responsibilities as a licensed professional or if there is a major change in the original scope of services supplied to the Owner. The Engineer shall have no liability to the Owner after such termination.

6.3 If such termination takes place, the Owner shall, without prejudice to any other rights or remedies, have the right to complete the work using another Engineer. The Owner shall have all rights to the work and or data that has been completed to the date of termination. If transfer of electronic files is required, the Engineer will not be held liable for any changes made by the Owner or any future consultants.

6.4 The Engineer shall be compensated with an equitable adjustment to the originally agreed upon price for all work completed or services performed by the Engineer to the date of the notice of termination of the agreement. All other conditions of the agreement shall remain as is.

IN WITNESS WHEREOF, the **OWNER** and the **ENGINEER** have executed this AGREEMENT under the laws of the State of Mississippi as of this the 21st day of December 2021.

CITY OF OXFORD

By:_____
ROBYN TANNEHILL, MAYOR
City of Oxford
107 Courthouse Square
Oxford MS 38655

DANIELS & ASSOCIATES, INC.

By:_____
DAVID G. DANIELS, PRESIDENT
Daniels & Associates, Inc.
PO Box 1056
Oxford MS 38655

OXFORD
DEVELOPMENT
SERVICES

MEMORANDUM

To:	Board of Alderman
From:	Reanna Mayoral, P.E., City Engineer
CC:	Rob Neely, P.E., Oxford Utilities
Date:	December 21, 2021
Re:	Request Permission to Advertise—Booster Pump station at Rivers Hill/Kroger Elevated Tank

Staff requests permission to advertise for a project to add a booster pump station at the Rivers Hill/Kroger water tank. This project was not budgeted in the current fiscal year but is necessary in order to take another tank offline for interior maintenance. Staff recommends the use of ARP funds for this project, which will be available this Fiscal Year due to the fact that it is not possible to complete all of the MDOT Highway 7 Utility relocations before September 30, 2022.

Staff requests permission to advertise for the Rivers Hill/Kroger Booster Pump Station Project.

OXFORD
DEVELOPMENT
SERVICES

MEMORANDUM

To: Board of Alderman

From: Reanna Mayoral, P.E., City Engineer

CC: Rob Neely, P.E., Oxford Utilities

Date: December 21, 2021

Re: Consider Addendum Number 1 to contract with Daniels & Associates, Inc. for professional services required for the Brittany Woods Water Improvement Project

Staff recommends that the Board approve Addendum Number 1 to the contract with Daniels & Associates, Inc. for professional engineering services related to the Brittany Woods Water Improvement Project. This addendum allows for the extension of the water main to F.D. Buddy East. These Engineering services for this contract are budgeted in the current fiscal year.

ADDENDUM NO.1 TO
AGREEMENT BETWEEN OWNER AND ENGINEER
FOR
ENGINEERING SERVICES

This is Addendum No. 1 to the Agreement for Engineering Services between Daniels & Associates, Inc. and the City of Oxford, dated October 5, 2021. The Owner and the Engineer mutually agree to the following revisions to the Agreement:

On page 1 of the agreement, Section 1.0 Employment of the Engineer, add the following subsection to amend the project description:

1.2 *Installation of approximately 2,800 linear feet of 16" diameter ductile iron water main along University Avenue from Highway 334 eastward to the west side of the roundabout.*

All other provisions of the Agreement for Engineering Services shall remain unchanged and in full effect.

This Addendum shall be attached to and become a part of the Agreement referred to herein.

In witness whereof, the Owner and the Engineer have executed this Addendum under the laws of the State of Mississippi as of this the 21st day of December 2021.

CITY OF OXFORD

By:_____
ROBYN TANNEHILL, MAYOR
City of Oxford
107 Courthouse Square
Oxford MS 38655

DANIELS & ASSOCIATES, INC.

By: David G. Daniels
DAVID G. DANIELS, PRESIDENT
Daniels & Associates, Inc.
PO Box 1056
Oxford MS 38655

ADDENDUM NO.1 TO
AGREEMENT BETWEEN OWNER AND ENGINEER
FOR
ENGINEERING SERVICES

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On page 1 of the agreement, Section 1.0 Employment of the Engineer, add the following subsection to amend the project description:

1.2 Installation of approximately 2,800 linear feet of 16" diameter ductile iron water main along University Avenue from Highway 334 eastward to the west side of the roundabout.

All other provisions of the Agreement for Engineering Services shall remain unchanged and in full effect.

This Addendum shall be attached to and become a part of the Agreement referred to herein.

In witness whereof, the Owner and the Engineer have executed this Addendum under the laws of the State of Mississippi as of this the 21st day of December 2021.

CITY OF OXFORD

By:_____
ROBYN TANNEHILL, MAYOR
City of Oxford
107 Courthouse Square
Oxford MS 38655

DANIELS & ASSOCIATES, INC.

By: David G Daniel
DAVID G. DANIELS, PRESIDENT
Daniels & Associates, Inc.
PO Box 1056
Oxford MS 38655

OXFORD
DEVELOPMENT
SERVICES

MEMORANDUM

To: Board of Alderman

From: Reanna Mayoral, P.E., City Engineer

CC: Rob Neely, P.E., Oxford Utilities

Date: December 21, 2021

Re: Consider Contract with Daniels & Associates, Inc. for professional services required for a project to Modify External Water System Connections

Staff recommends that the Board enter into a contract with Daniels & Associates, Inc. for professional engineering services related to a project to modify external water system connections. Professional services associated with this agreement include design, bidding and construction inspection. This project was not budgeted in the current fiscal year but was identified as a need in the recently completed Risk and Resiliency Assessment. There are funds available in the budget because there are multiple projects that cannot be completed this fiscal year, including the Western Hills Treatment Plant conversion project.

Staff recommends that the Board enter into a contract with Daniels & Associates, Inc. for professional engineering services related to a project to modify external water systems connections.

OXFORD
DEVELOPMENT
SERVICES

MEMORANDUM

To: Board of Alderman

From: Reanna Mayoral, P.E., City Engineer

CC: Rob Neely, P.E., Oxford Utilities

Date: December 21, 2021

Re: Request Permission to Advertise—Modification of External Water System Connections Project

Staff requests permission to advertise for a project to add meters and post indicators at emergency connections with adjacent water associations. This project was not budgeted in the current fiscal year, but the Risk and Resiliency Assessment recently completed by Oxford Utilities and W.L. Burle Engineers identified the project as a need. There are funds available for this project as it is not possible to complete the design and construction of every project approved in the Water and Sewer project this year (such as the Western Hills Treatment Plant conversion.)

Staff requests permission to advertise for the External Water System Connection Modification Project.

AIA Document G701™ – 2017

Change Order

PROJECT: *(Name and address)* 1218 Oxford Fire Station No. 2	**CONTRACT INFORMATION:** Contract For: General Construction Date: February 6, 2020	**CHANGE ORDER INFORMATION:** Change Order Number: 004 Date: December 16, 2021
OWNER: *(Name and address)* City of Oxford 107 Courthouse Square Oxford, MS 38655	**ARCHITECT:** *(Name and address)* Wier Boerner Allin Architecture, PLLC 2727 Old Canton Rd. Suite 200 Jackson, MS 39216	**CONTRACTOR:** *(Name and address)* Legacy Construction Services 25 Commercial Loop Way Rossville, TN 38066

THE CONTRACT IS CHANGED AS FOLLOWS:
(Insert a detailed description of the change and, if applicable, attach or reference specific exhibits. Also include agreed upon adjustments attributable to executed Construction Change Directives.)

Item 1: Additional cost of $21,181.27 for revised storm drainage design as needed due to latent site conditions. The cost is detailed in Contractor's Proposed Change Order #9. The added scope also includes an increase in Contract Time of 14 calendar days.

Item 2: 160 calendar days are being added to the Contract Time. These days are the result of weather delay days incurred throughout the duration of the Project as well as delays resultant from material and staff shortages due to the Covid-19 pandemic.

The original Contract Sum was	$	1,595,000.00
The net change by previously authorized Change Orders	$	-10,731.00
The Contract Sum prior to this Change Order was	$	1,584,269.00
The Contract Sum will be increased by this Change Order in the amount of	$	21,181.27
The new Contract Sum including this Change Order will be	$	1,605,450.27

The Contract Time will be increased by One hundred seventy-four (174) days.
The new date of Substantial Completion will be November 24, 2021

NOTE: This Change Order does not include adjustments to the Contract Sum or Guaranteed Maximum Price, or the Contract Time, that have been authorized by Construction Change Directive until the cost and time have been agreed upon by both the Owner and Contractor, in which case a Change Order is executed to supersede the Construction Change Directive.

NOT VALID UNTIL SIGNED BY THE ARCHITECT, CONTRACTOR AND OWNER.

Wier Boerner Allin Architecture, PLLC **ARCHITECT** *(Firm name)*	Legacy Construction Services **CONTRACTOR** *(Firm name)*	City of Oxford **OWNER** *(Firm name)*
Julie Markle **SIGNATURE**	Bracey Herin **SIGNATURE**	**SIGNATURE**
Julie Markle, Project Architect **PRINTED NAME AND TITLE**	Bracey Herin, President **PRINTED NAME AND TITLE**	Robyn Tannehill, Mayor **PRINTED NAME AND TITLE**
12-16-21 **DATE**	12-16-21 **DATE**	**DATE**

11/30/21

Wier Boerner Allin Arch, PLLC
2727Old Canton Rd, Suite 200
Jackson, MS 39216

Proposed Change Order #09

Project Number: 1218
Oxford Fire Station #2
399 F.D. Buddy East Pkwy
Oxford, MS 38655

Change Order:

M&N Excavators		$15,180.00
Legacy drainage		$ 2,562.55
		$17,742.55
MPC		$ 621.00
Legacy overhead		$ 1,836.36
Legacy profit		$ 1,836.36
		$22,036.27
Credit-concrete bottom of pond		$ - 855.00
	Total:	$21,181.27

Add 14 days to contract

Bracey Herin
Legacy Construction Services

RESOLUTION AUTHORIZING THE EXECUTION OF THE MISSISSIPPI STATE-LOCAL GOVERNMENT OPIOID LITIGATION MEMORANDUM OF UNDERSTANDING

A Resolution authorizing the City of Oxford (herein referred to as this "Governmental Unit") to join with the State of Mississippi and other local governmental units as a participant in the *MISSISSIPPI STATE-LOCAL GOVERNMENT OPIOID LITIGATION MEMORANDUM OF UNDERSTANDING* (the "MOU") and any subsequent Formal Agreements necessary to implement the MOU, including but not limited to, the Subdivision Settlement Participation Form(s) in Exhibit K of the *Distributor Settlement Agreement* and the *Janssen Settlement Agreement*[1].

WHEREAS, the City of Oxford has suffered harm from the opioid epidemic;

WHEREAS, the City of Oxford recognizes that the entire State of Mississippi has suffered harm as a result from the opioid epidemic;

WHEREAS, the State of Mississippi has a pending action in state court, and a number of Mississippi Cities and Counties have also filed an action *In re: National Prescription Opiate Litigation*, MDL No. 2804 (N.D. Ohio) (the "Opioid Litigation") and City of Oxford is not a litigating participant in that action;

WHEREAS, the State of Mississippi and lawyers representing certain various local governments involved in the Opioid Litigation have proposed a unified plan for the allocation and use of prospective settlement dollars from opioid related litigation;

WHEREAS, the Mississippi Memorandum of Understanding (the "MOU") sets forth a framework of a unified plan for the proposed allocation and use of opioid settlement proceeds and it is anticipated that formal agreements implementing the MOU will be entered into at a future date; and,

WHEREAS, participation in the MOU by a large majority of Mississippi cities and Counties will materially increase the amount of funds to Mississippi and should improve Mississippi's relative bargaining position during additional settlement negotiations;

WHEREAS, failure to participate in the MOU will reduce funds available to the State, the City of Oford, and every other Mississippi city and County;

NOW, THEREFORE, BE IT RESOLVED BY THIS GOVERNMENTAL UNIT:

SECTION 1. That this Governmental Unit finds that participation in the MOU would be in the best interest of the Governmental Unit and its citizens in that such a plan ensures that almost all of the settlement funds go to abate and resolve the opioid epidemic.

[1] Available at https://nationalopioidsettlement.com/

SECTION 2. That this Governmental Unit hereby expresses its support of a unified plan for the allocation and use of opioid settlement proceeds as generally described in the MOU, attached hereto as Exhibit "A."

SECTION 3. That Mayor Robyn Tannehill is hereby expressly authorized to execute the MOU in substantially the form contained in Exhibit "A" and to execute other forms required meet deadlines of the settlement.

SECTION 4. That outside counsel, Mayo Mallette, PLLC, is hereby authorized to execute the any formal agreements implementing a unified plan for the allocation and use of opioid settlement proceeds that is not substantially inconsistent with the MOU and this Resolution including but not limited to the Subdivision Settlement Participation Form(s) in the *Distributor Settlement Agreement* and the *Janssen Settlement Agreement*[2].

SECTION 5. That the Clerk be and hereby is instructed to record this Resolution in the appropriate record book upon its adoption.

SECTION 6. The clerk of this Governmental Unit is hereby directed to furnish a certified copy of this Ordinance/Resolution to the Mississippi Attorney General

Attorney General Lynn Fitch
c/o Ta'Shia Gordon
Post Office Box 220
Jackson, MS 39205

SECTION 7. This Resolution shall take effect immediately upon its adoption.

Adopted this day of , _____, 2021.

Alderman _____ moved for adoption of the Resolution, which motion was seconded by Alderman _____, said Resolution having been introduced in writing at a regular meeting of the Mayor Board of Aldermen of the City of Oxford, Mississippi, held on December 21, 2021, which was read, considered, debated and ultimately adopted unanimously, paragraph by paragraph, section by section, then as a whole, and the question being put to a vote, the Mayor recorded the votes as follows:

[2] Available at https://nationalopioidsettlement.com/

Alderman Rick Addy voted: ___

Alderman Mark Huelse voted: ___

Alderwoman Janice Antonow voted: ___

Alderman Kesha Howell-Atkinson voted: ___

Alderman Preston E. Taylor voted: ___

Alderman Jason Bailey voted: ___

Alderman John Morgan voted: ___

_____

Robyn Tannehill

Mayor of the City of Oxford, Mississippi

_____

Attest: Ashley Atkinson

City Clerk, City of Oxford, Mississippi

THE CITY OF
OXFORD

MEMORANDUM

To: Board of Aldermen
From: Bart Robinson
CC:
Date: December 21, 2021
Re: Consider Proposal from Green Groves, LLC for Tree Ordinance Consultation

The Tree Board is recommending certified consulting arborist, Matt Neilson of Green Groves, LLC, study the efficacy of the current Tree Ordinance (Chapter 34, Section 34-32 *Tree Preservation and Protection*). The tree ordinance, originally adopted in 2008, as part of the site plan process is guided by the following principles:

Sec. 34-32 a
This section shall be enforced according to the following principles:

(1) Preservation of existing trees shall be the first, best, and standard approach.
(2) If preservation cannot be achieved, on-site mitigation shall next be pursued.
(3) If neither of the above approaches can be achieved, payment shall be made to the tree escrow account.

The attached proposal from Green Groves describes the methodology, which includes staff interviews, precedent research, and recommendations for improvement.

Green Groves LLC
107 Riverbirch Lane
Oxford, MS 38655 US
+1 7065344216
matt@greengrovesllc.com

Estimate

ADDRESS
Bart Robinson
City of Oxford

ESTIMATE 1018
DATE 12/13/2021

DATE	ACTIVITY	DESCRIPTION	QTY	RATE	AMOUNT
01/03/2022	Tree Consultation	#1 - Interview 4 staff separately from city of Oxford departments to ask for their suggestions and opinions Proposed timeframe: Jan 2022 - February 2022 Meet individually in separate meetings with Reanna Mayoral (Engineering), Greg Pinion (Buildings & Grounds), Hollis Green (Development Services), and Ben Requet (Planning) and to ask questions and gather input on the Oxford tree ordinance effectiveness and opportunities for improvement; list of people to meet with subject to change at city's request. #2 - Visit 5 project sites built in the last 10 years in Oxford to evaluate what's working and what's not with trees Proposed timeframe: March - May 2022 Ask each of the department directors for a list of projects that are representative of small, medium, and large size developments that were built before and after the implementation of the ordinance Visit these sites, document with photos, and note the outcomes as it relates to the stated objectives of the tree ordinance. #3 - Conduct a tree tour with the same 3 staff of 1 project sites (from the 5 selected) for evaluation and discussion Proposed timeframe: June 2022 Invite the Oxford staff that I interviewed to visit one of the 5 project sites and	1	5,500.00	5,500.00

discuss the results of the project as it pertains to the implementation of the ordinance.

#4 - Compare current Oxford tree ordinance/other related documents to 2 other cities of similar demographics in the southeast; extract best practices

Proposed timeframe: August 2022

Review and outline the main points of 2 other tree ordinances from cities of similar size as Oxford and extract best practices from their ordinances that might be considered as improvements to the Oxford ordinance.

#5 - Evaluate current ordinance and make suggestions for improvement based on the previous four steps

Proposed timeframe: September 2022

Write a set of recommendations to improve the current ordinance based on the above steps.

Present information and recommendations to the tree board and other interested parties

SUBTOTAL	5,500.00
TAX	0.00
TOTAL	**$5,500.00**

Accepted By

Accepted Date

Green Groves LLC
107 Riverbirch Lane
Oxford, MS 38655 US
+1 7065344216
matt@greengrovesllc.com

Estimate

ADDRESS
Bart Robinson
City of Oxford

ESTIMATE 1018
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Present information and recommendations to the tree board and other interested parties

SUBTOTAL	5,500.00
TAX	0.00
TOTAL	**$5,500.00**

Accepted By

Accepted Date

Lafayette County
911 Emergency Medical Response Plan

Operational Overview

We have reviewed ambulance response data and have developed the attached Demand Analysis and Heat Maps. In order to meet this level of demand we would propose a staffing model as follows:

3 ALS Ambulances 24 Hrs. / 7 Days a Week plus:
3 ALS Ambulances 12 Hrs./ Monday-Friday or 2 ALS Ambulances 12 Hrs./ Saturday-Sunday and
1 ALS Supervisor Fly Car 9 Hrs./ Monday-Friday

The above staffing pattern would be supplemented as needed for special events (home Ole Miss football weekends, etc.).

The number of units and unit hours of operation will vary from time to time as we gain a better understanding of the demand over the first 90 days of operation as the sole provider of the 911 services.

The Heat Maps show us that the primary areas of high utilization are inside the city limits of Oxford and in the densely populated areas of Lafayette County surrounding the city limits. This is not surprising as these are the areas with the highest concentration of housing units and businesses. Areas of lower population density and hence lower ambulance demand are the outer areas of Lafayette County and Harmontown. These areas will be more difficult to serve, but by better ambulance deployment we will also be able to give a high level of coverage to these areas.

Our proposed geographical Deployment Plan for the ambulances in our staffing model is as follows:

We will start the deployment plan from our hospital office and after 90 days we will determine outlying posting areas once we have 90 days of 100% of all 911 emergency data in Lafayette County and the City of Oxford.

We believe that this plan will give us the best level of coverage over the entire county. In order to staff for this level of coverage we will need to hire 6 additional Paramedics and an additional 6 EMT's to fill out our existing roster. We estimate this will take approximately 30 to 45 days to implement. The projected plan would commence on January 31st, 2022. The plan depends upon making Baptist Ambulance the sole provider for 911 Emergency Services inside Lafayette County and the City of Oxford.

Call Intake & Ambulance Dispatch

In order to gain maximum efficiency in dispatching ambulances on emergency medical calls we propose the following:

I. Baptist Ambulance will provide to the Lafayette County 911 Center AVL (automatic vehicle location) Monitoring system at Baptist Ambulance's expense. This will allow near real time tracking of all Lafayette County Baptist Ambulance units by County 911 Center staff.

II. Baptist Ambulance will provide to the Lafayette County 911 Center an E911 Interface software system at Baptist Ambulance's expense. This will allow direct "one button" transfer of call data from Lafayette County 911 Center CAD (Computer Aided Dispatch) system to Baptist Ambulance CAD system. This will allow for faster and more accurate transfer of data on all calls.

III. Baptist will support the Lafayette County 911 Center in rolling out MPDS (Medical Priority Dispatch System) EMD (Emergency Medical Dispatch) system for all emergency medical calls coming into the 911 Center. This can be accomplished in one of two ways.

   i. Emergency medical calls can be transferred to a Baptist Dispatcher at the Baptist Dispatch Center who can then use MPDS System to triage call to Alpha, Bravo, Charlie or Delta levels based on level of patient criticality.
   Baptist will sponsor MPDS Emergency Medical Dispatcher training classes for County 911 Dispatchers and provide MPDS Dispatch Protocol Flip Charts for use by County 911 Dispatchers. County 911 Dispatchers can then MPDS System to triage call to Alpha, Bravo, Charlie, and or Delta level calls based on level of patient acuity.

   ii. Baptist will co-locate a certified Emergency Medical Dispatcher in the County 911 Center to provide primary Emergency Medical Dispatch services.

Coordination of First Responder Services

In order to better coordinate resources and reduce response times we propose the following:

I. Baptist Ambulance and Lafayette County and Oxford City Fire Departments will develop a protocol regarding ALS First Responder utilization under the direction of the Lafayette County Medical Director.

II. On all appropriate emergency medical calls that Baptist Ambulance sends an ALS Ambulance, the Lafayette County or Oxford City Fire Department will respond an ALS Engine Company when available to act as medical first responder.

III. Baptist Ambulance will resupply (swap out) Lafayette County and Oxford Fire Department ALS Engine Companies for supplies and medications used (except any narcotics, which must be separately accounted for by each agency).

Medical Direction and Oversight

In order to provide independent oversight and continuous medical direction and clinical quality improvement we propose the following:

I. Baptist Ambulance will provide to the County an annual fee of $50,000.00 to be used to hire a Medical Director mutually agreed upon between Baptist Ambulance and Lafayette County.

II. The Medical Director will set local clinical protocols for Baptist ambulance crews and Lafayette County and Oxford Fire Department first responder crews.

III. The Medical Director will oversee system operation and coordination between Baptist Ambulance and the Fire Department First Responders and as needed will provide on-scene support.

IV. The Medical Director will take lead in investigating any complaints or issues regarding emergency medical services within the County.

V. Baptist Ambulance will provide Medical Director with an SUV with light bar and siren to utilize while responding to calls and while conducting official business.

EMS Oversight Committee

Baptist Ambulance would propose the Lafayette County Administrator and the City of Oxford Mayor work together to form an oversight committee to discuss the overall performance of the ambulance service and to discuss determined KPI's (Key Performance Indicators) by the committee. The committee would meet monthly at the outset of this proposal and thereafter at an interval mutually determined to be appropriate. An example of KPI's for the ambulance service would be, but not limited to are:

1.On-Time/Response Time Performance

2. Out-of Chute Times

3. EnRoute Times

4. Time on Task Performance.

RESOLUTION AUTHORIZING THE EXECUTION OF THE MISSISSIPPI STATE-LOCAL GOVERNMENT OPIOID LITIGATION MEMORANDUM OF UNDERSTANDING

A Resolution authorizing the City of Oxford (herein referred to as this "Governmental Unit") to join with the State of Mississippi and other local governmental units as a participant in the *MISSISSIPPI STATE-LOCAL GOVERNMENT OPIOID LITIGATION MEMORANDUM OF UNDERSTANDING* (the "MOU") and any subsequent Formal Agreements necessary to implement the MOU, including but not limited to, the Subdivision Settlement Participation Form(s) in Exhibit K of the *Distributor Settlement Agreement* and the *Janssen Settlement Agreement*[1].

WHEREAS, the City of Oxford has suffered harm from the opioid epidemic;

WHEREAS, the City of Oxford recognizes that the entire State of Mississippi has suffered harm as a result from the opioid epidemic;

WHEREAS, the State of Mississippi has a pending action in state court, and a number of Mississippi Cities and Counties have also filed an action *In re: National Prescription Opiate Litigation*, MDL No. 2804 (N.D. Ohio) (the "Opioid Litigation") and City of Oxford is not a litigating participant in that action;

WHEREAS, the State of Mississippi and lawyers representing certain various local governments involved in the Opioid Litigation have proposed a unified plan for the allocation and use of prospective settlement dollars from opioid related litigation;

WHEREAS, the Mississippi Memorandum of Understanding (the "MOU") sets forth a framework of a unified plan for the proposed allocation and use of opioid settlement proceeds and it is anticipated that formal agreements implementing the MOU will be entered into at a future date; and,

WHEREAS, participation in the MOU by a large majority of Mississippi cities and Counties will materially increase the amount of funds to Mississippi and should improve Mississippi's relative bargaining position during additional settlement negotiations;

WHEREAS, failure to participate in the MOU will reduce funds available to the State, the City of Oford, and every other Mississippi city and County;

NOW, THEREFORE, BE IT RESOLVED BY THIS GOVERNMENTAL UNIT:

SECTION 1. That this Governmental Unit finds that participation in the MOU would be in the best interest of the Governmental Unit and its citizens in that such a plan ensures that almost all of the settlement funds go to abate and resolve the opioid epidemic.

[1] Available at https://nationalopioidsettlement.com/

SECTION 2. That this Governmental Unit hereby expresses its support of a unified plan for the allocation and use of opioid settlement proceeds as generally described in the MOU, attached hereto as Exhibit "A."

SECTION 3. That Mayor Robyn Tannehill is hereby expressly authorized to execute the MOU in substantially the form contained in Exhibit "A" and to execute other forms required meet deadlines of the settlement.

SECTION 4. That outside counsel, Mayo Mallette, PLLC, is hereby authorized to execute the any formal agreements implementing a unified plan for the allocation and use of opioid settlement proceeds that is not substantially inconsistent with the MOU and this Resolution including but not limited to the Subdivision Settlement Participation Form(s) in the *Distributor Settlement Agreement* and the *Janssen Settlement Agreement*[2].

SECTION 5. That the Clerk be and hereby is instructed to record this Resolution in the appropriate record book upon its adoption.

SECTION 6. The clerk of this Governmental Unit is hereby directed to furnish a certified copy of this Ordinance/Resolution to the Mississippi Attorney General

Attorney General Lynn Fitch
c/o Ta'Shia Gordon
Post Office Box 220
Jackson, MS 39205

SECTION 7. This Resolution shall take effect immediately upon its adoption.

Adopted this day of , _____, 2021.

Alderman _____ moved for adoption of the Resolution, which motion was seconded by Alderman _____, said Resolution having been introduced in writing at a regular meeting of the Mayor Board of Aldermen of the City of Oxford, Mississippi, held on December 21, 2021, which was read, considered, debated and ultimately adopted unanimously, paragraph by paragraph, section by section, then as a whole, and the question being put to a vote, the Mayor recorded the votes as follows:

[2] Available at https://nationalopioidsettlement.com/

Alderman Rick Addy voted: ___

Alderman Mark Huelse voted: ___

Alderwoman Janice Antonow voted: ___

Alderman Kesha Howell-Atkinson voted: ___

Alderman Preston E. Taylor voted: ___

Alderman Jason Bailey voted: ___

Alderman John Morgan voted: ___

_____

Robyn Tannehill

Mayor of the City of Oxford, Mississippi

_____

Attest: Ashley Atkinson

City Clerk, City of Oxford, Mississippi

THE CITY OF
OXFORD

MEMORANDUM

To: Board of Aldermen
From: Bart Robinson
CC:
Date: December 21, 2021
Re: Consider Proposal from Green Groves, LLC for Tree Ordinance Consultation

The Tree Board is recommending certified consulting arborist, Matt Neilson of Green Groves, LLC, study the efficacy of the current Tree Ordinance (Chapter 34, Section 34-32 *Tree Preservation and Protection*). The tree ordinance, originally adopted in 2008, as part of the site plan process is guided by the following principles:

Sec. 34-32 a
This section shall be enforced according to the following principles:

(1) Preservation of existing trees shall be the first, best, and standard approach.
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(3) If neither of the above approaches can be achieved, payment shall be made to the tree escrow account.

The attached proposal from Green Groves describes the methodology, which includes staff interviews, precedent research, and recommendations for improvement.

Green Groves LLC
107 Riverbirch Lane
Oxford, MS 38655 US
+1 7065344216
matt@greengroveslIc.com

Estimate

ADDRESS
Bart Robinson
City of Oxford

ESTIMATE 1018
DATE 12/13/2021

DATE	ACTIVITY	DESCRIPTION	QTY	RATE	AMOUNT
01/03/2022	Tree Consultation	#1 - Interview 4 staff separately from city of Oxford departments to ask for their suggestions and opinions Proposed timeframe: Jan 2022 - February 2022 Meet individually in separate meetings with Reanna Mayoral (Engineering), Greg Pinion (Buildings & Grounds), Hollis Green (Development Services), and Ben Requet (Planning) and to ask questions and gather input on the Oxford tree ordinance effectiveness and opportunities for improvement; list of people to meet with subject to change at city's request. #2 - Visit 5 project sites built in the last 10 years in Oxford to evaluate what's working and what's not with trees Proposed timeframe: March - May 2022 Ask each of the department directors for a list of projects that are representative of small, medium, and large size developments that were built before and after the implementation of the ordinance Visit these sites, document with photos, and note the outcomes as it relates to the stated objectives of the tree ordinance. #3 - Conduct a tree tour with the same 3 staff of 1 project sites (from the 5 selected) for evaluation and discussion Proposed timeframe: June 2022 Invite the Oxford staff that I interviewed to visit one of the 5 project sites and	1	5,500.00	5,500.00

discuss the results of the project as it pertains to the implementation of the ordinance.

#4 - Compare current Oxford tree ordinance/other related documents to 2 other cities of similar demographics in the southeast; extract best practices

Proposed timeframe: August 2022

Review and outline the main points of 2 other tree ordinances from cities of similar size as Oxford and extract best practices from their ordinances that might be considered as improvements to the Oxford ordinance.

#5 - Evaluate current ordinance and make suggestions for improvement based on the previous four steps

Proposed timeframe: September 2022

Write a set of recommendations to improve the current ordinance based on the above steps.

Present information and recommendations to the tree board and other interested parties

SUBTOTAL	5,500.00
TAX	0.00
TOTAL	**$5,500.00**

Accepted By

Accepted Date

Green Groves LLC
107 Riverbirch Lane
Oxford, MS 38655 US
+1 7065344216
matt@greengrovesllc.com

Estimate

ADDRESS
Bart Robinson
City of Oxford

ESTIMATE 1018
DATE 12/13/2021

DATE	ACTIVITY	DESCRIPTION	QTY	RATE	AMOUNT
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Present information and recommendations to the tree board and other interested parties

SUBTOTAL	5,500.00
TAX	0.00
TOTAL	**$5,500.00**

Accepted By

Accepted Date

Lafayette County
911 Emergency Medical Response Plan

Operational Overview

We have reviewed ambulance response data and have developed the attached Demand Analysis and Heat Maps. In order to meet this level of demand we would propose a staffing model as follows:

3 ALS Ambulances 24 Hrs. / 7 Days a Week plus:
3 ALS Ambulances 12 Hrs./ Monday-Friday or 2 ALS Ambulances 12 Hrs./ Saturday-Sunday and
1 ALS Supervisor Fly Car 9 Hrs./ Monday-Friday

The above staffing pattern would be supplemented as needed for special events (home Ole Miss football weekends, etc.).

The number of units and unit hours of operation will vary from time to time as we gain a better understanding of the demand over the first 90 days of operation as the sole provider of the 911 services.

The Heat Maps show us that the primary areas of high utilization are inside the city limits of Oxford and in the densely populated areas of Lafayette County surrounding the city limits. This is not surprising as these are the areas with the highest concentration of housing units and businesses. Areas of lower population density and hence lower ambulance demand are the outer areas of Lafayette County and Harmontown. These areas will be more difficult to serve, but by better ambulance deployment we will also be able to give a high level of coverage to these areas.

Our proposed geographical Deployment Plan for the ambulances in our staffing model is as follows:

We will start the deployment plan from our hospital office and after 90 days we will determine outlying posting areas once we have 90 days of 100% of all 911 emergency data in Lafayette County and the City of Oxford.

We believe that this plan will give us the best level of coverage over the entire county. In order to staff for this level of coverage we will need to hire 6 additional Paramedics and an additional 6 EMT's to fill out our existing roster. We estimate this will take approximately 30 to 45 days to implement. The projected plan would commence on January 31st, 2022. The plan depends upon making Baptist Ambulance the sole provider for 911 Emergency Services inside Lafayette County and the City of Oxford.

Call Intake & Ambulance Dispatch

In order to gain maximum efficiency in dispatching ambulances on emergency medical calls we propose the following:

I. Baptist Ambulance will provide to the Lafayette County 911 Center AVL (automatic vehicle location) Monitoring system at Baptist Ambulance's expense. This will allow near real time tracking of all Lafayette County Baptist Ambulance units by County 911 Center staff.

II. Baptist Ambulance will provide to the Lafayette County 911 Center an E911 Interface software system at Baptist Ambulance's expense. This will allow direct "one button" transfer of call data from Lafayette County 911 Center CAD (Computer Aided Dispatch) system to Baptist Ambulance CAD system. This will allow for faster and more accurate transfer of data on all calls.

III. Baptist will support the Lafayette County 911 Center in rolling out MPDS (Medical Priority Dispatch System) EMD (Emergency Medical Dispatch) system for all emergency medical calls coming into the 911 Center. This can be accomplished in one of two ways.

   i. Emergency medical calls can be transferred to a Baptist Dispatcher at the Baptist Dispatch Center who can then use MPDS System to triage call to Alpha, Bravo, Charlie or Delta levels based on level of patient criticality.
   Baptist will sponsor MPDS Emergency Medical Dispatcher training classes for County 911 Dispatchers and provide MPDS Dispatch Protocol Flip Charts for use by County 911 Dispatchers. County 911 Dispatchers can then MPDS System to triage call to Alpha, Bravo, Charlie, and or Delta level calls based on level of patient acuity.

   ii. Baptist will co-locate a certified Emergency Medical Dispatcher in the County 911 Center to provide primary Emergency Medical Dispatch services.

Coordination of First Responder Services

In order to better coordinate resources and reduce response times we propose the following:

I. Baptist Ambulance and Lafayette County and Oxford City Fire Departments will develop a protocol regarding ALS First Responder utilization under the direction of the Lafayette County Medical Director.

II. On all appropriate emergency medical calls that Baptist Ambulance sends an ALS Ambulance, the Lafayette County or Oxford City Fire Department will respond an ALS Engine Company when available to act as medical first responder.

III. Baptist Ambulance will resupply (swap out) Lafayette County and Oxford Fire Department ALS Engine Companies for supplies and medications used (except any narcotics, which must be separately accounted for by each agency).

Medical Direction and Oversight

In order to provide independent oversight and continuous medical direction and clinical quality improvement we propose the following:

I. Baptist Ambulance will provide to the County an annual fee of $50,000.00 to be used to hire a Medical Director mutually agreed upon between Baptist Ambulance and Lafayette County.

II. The Medical Director will set local clinical protocols for Baptist ambulance crews and Lafayette County and Oxford Fire Department first responder crews.

III. The Medical Director will oversee system operation and coordination between Baptist Ambulance and the Fire Department First Responders and as needed will provide on-scene support.

IV. The Medical Director will take lead in investigating any complaints or issues regarding emergency medical services within the County.

V. Baptist Ambulance will provide Medical Director with an SUV with light bar and siren to utilize while responding to calls and while conducting official business.

EMS Oversight Committee

Baptist Ambulance would propose the Lafayette County Administrator and the City of Oxford Mayor work together to form an oversight committee to discuss the overall performance of the ambulance service and to discuss determined KPI's (Key Performance Indicators) by the committee. The committee would meet monthly at the outset of this proposal and thereafter at an interval mutually determined to be appropriate. An example of KPI's for the ambulance service would be, but not limited to are:

1.On-Time/Response Time Performance

2. Out-of Chute Times

3. EnRoute Times

4. Time on Task Performance.

Addendum to Contract
with
City of Oxford, Mississippi

The City of Oxford, Mississippi ("the City"), a municipality existing under the laws of the State of Mississippi, despite any contrary provision(s) contained in any contract to which the City is a party, does not, among other things, waive any rights, benefits, limitations or prohibitions that may be provided under any law, statute(s), regulation(s), or policies. All provisions to the contrary in any contract to which the City is a party are hereby null, void, and deleted. Not intended to be an exhaustive list, the following are examples of such matters and certain authority related to such matters, and shall be exceptions to any contrary provision(s) in any contract to which the City is a party:

1. The City does not indemnify or hold harmless any party.
   Miss. Const. Art. 4, § 100
   Miss. AG Op., Chamberlin (Oct. 18, 2002)
   Miss. AG Op., Paul B. Watkins, Jr., (Oct. 5, 2011)

2. The City does not make any warranty.
   Miss. Const. Art. 4, § 100
   Miss. AG Op., Chamberlin (Oct. 18, 2002)

3. The City does not waive any claim: past, present, or future.
   Miss. Const. Art. 4, § 100
   Miss. AG Op., Clark (June 7, 2002)
   Miss. AG Op., Chamberlin (Oct. 18, 2002)

4. The City does not waive its sovereign immunity. The City shall only be responsible for liability resulting from the actions of its officers, agents, and employees acting within the course and scope of their official duties. Liability of the City is determined and controlled by the Miss. Code Ann. § 11-46-1, et seq., including all defenses and exceptions contained therein.
   Miss. Code Ann. § 11-46-1, et seq.
   Miss. AG Op., Paul B. Watkins, Jr., (Oct. 5, 2011)

5. The City does not agree to the application of the laws of another state, or venue in a foreign jurisdiction.
   U.S. Const. amend XI
   Miss. Code Ann. 11-11-3
   Miss. Code Ann. 11-45-1
   Miss. Const. Art. 4, § 100
   District of Jackson v. Wallace, 196 So. 223 (1940)
   Miss. AG Op., Nowak (Nov. 18, 2005)

6. The City does not limit the tort liability of another party to the amount of the contract or to any other set amount.
   Miss. Const. Art. 4, § 100
   Miss. AG Op., Chamberlin (Oct. 18, 2002)
   Miss. AG Op., Clark (June 7, 2002)
   Miss. AG Op., Hathorn (May 28, 1992)

7. The City does not agree to waive warranties of merchantability, fitness for a particular purpose, or any common law warranties to which it is entitled.
   Miss. Const. Art. 4, § 100
   Miss. Code Ann. § 75-2-719
   Miss. AG Op., Chamberlin (Oct. 18, 2002)
   Miss AG Op., Long (Feb. 27, 2009)

8. The City and its governing authorities may not bind a subsequent administration to contracts made by the former municipal officers.
   Humble Oil and Refining v. State, 41 So.2d 765 (Miss. 1949)
   In re Municipal Boundaries of District of Southaven, 864 So.2d 912 (Miss. 2003)
   Miss. AG Op., Paul B. Watkins, Jr., (Oct. 5, 2011)

9. Provisions that limit the time for the City to pursue legal actions are deleted and void.
   Miss. Const. Art 4, § 104
   Miss. Const. Art. 4 § 100
   Miss. Code Ann. § 15-1-5
   Miss. AG Op., Chamberlin (Oct. 18, 2002)
   Miss. AG Op., Thomas (Dec. 2, 2003)

10. The City does not agree to submit to binding arbitration.
    Miss. AG Op., Clark (June 7, 2002)
    Miss. AG Op., Chamberlin (Oct. 18, 2002)
    Miss. AG Op., Paul B. Watkins, Jr., (Oct. 5, 2011)

11. The City shall make payments for all amounts owed under a contract agreement in accordance with state law and is not subject to late fees or penalties otherwise.
    Miss. Code Ann. § 31-7-305.
    Miss. AG Op., Meadows (August 18, 2008)
    Miss. AG Op., Pearson (November 22, 1993)

12. The City does not limit or waive its lawful right to damages of any type, including but not limited to, punitive, consequential or special.
    Miss. Const. Art. 4, § 100
    Miss. AG Op., Chamberlin (Oct. 18, 2002)
    Miss. AG Op., Hathorn (May 28, 1992)
    Miss. AG Op., Thomas (Dec. 2, 2003)

13. The City may not be a subscriber or stockholder to stock of any corporation or association; control must be under the power of public through public agents responsibly accountable to government.

    Miss. Const. Art. 7, § 183
    Miss. Const. Art. , § 258
    Miss. AG Op., Oldmixon (April 24, 1991)
    Bister v LeFlore County, 125 So. 816, 818 (Miss. 1930)

14. The City does not agree to waive rights and remedies conferred to it by virtue of any UCC provision.

    Miss. AG Op., Chamberlin (Oct. 18, 2002)

15. The City is governed by the Mississippi Public Records Act of 1983 regarding the release of information, and by the policies, procedures, definitions, exemptions and protections contained therein, as well as any lawful policies related thereto, adopted by the City. Such laws, regulations and policies control, and, where applicable, supersede any non-disclosure or confidentiality provisions of any contract with the City.

    Miss. Code Ann. § 25-61-1, et. seq.

16. Any Contractor/Seller doing business with the City shall comply with all applicable local, state, and federal ethics, bid, nepotism and employment laws.

The undersigned hereby acknowledge that they have read, reviewed, understood and agreed to this Addendum.

_____
Signature

_____
By: Name

_____
Its: Title

City of Oxford
Board of Aldermen
Special Meeting
December 21, 2021, 3:00 pm - 5:00 pm
City Hall Courtroom

DOCUMENTS

Table of Contents

AGENDA

City of Oxford
Board of Aldermen
Special Meeting
Tuesday, December 21, 2021, 3:00 pm - 5:00 pm
City Hall Courtroom

THE CITY OF OXFORD

Notice that certain aldermen or commissioners may be included in the meeting via teleconference, subject to the City of Oxford Code of Ordinances, Section 2-82.

- Pursuant to Section 21-3-21, Mississippi Code of 1972 Annotated, I, Robyn Tannehill, Mayor of the City of Oxford, Mississippi, do hereby call the Mayor and Board of Aldermen of Oxford, MS, to a SPECIAL MEETING to be held on **December 21, 2021 at 3:00pm**, for the transaction of important business. The meeting will be held in the Courtroom of City Hall. The business to be acted upon at the Special Meeting is the consideration of the following:

1. Call to order.

2. Adopt the agenda for the meeting.

3. Request permission to reconsider a prior motion, from the December 7, 2021 meeting, awarding the Municipal Depository Bid to Bancorp South. (Ashley Atkinson)

4. Request permission to reject all Municipal Depository Bids received on November 29, 2021 and authorize the City Clerk to advertise again. (Ashley Atkinson)

5. Discuss auxiliary insurance services.

6. Consider leadership training proposal from the Whitten Group.

7. Discuss plans and architectural proposal for the former OPC Administration Building.

8. Consider an executive session.

9. Adjourn.

If you need special assistance related to a disability, please contact the ADA Coordinator or visit the office at: 107 Courthouse Square, Oxford, MS 38655. (662) 232-2453 (Voice) or (662) 232-

Robyn Tannehill

Robyn Tannehill, Mayor

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward I, Rick Addy, of the foregoing meeting on 12/21/2021 at 11:05 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward II, Mark Huelse, of the foregoing meeting on 12/21/2021 at 11:05 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward III, Brian Hyneman, of the foregoing meeting on 12/21/2021 at 11:05 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward IV, Kesha Howell-Atkinson, of the foregoing meeting on 12/21/2021 at 11:05 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward V, Preston Taylor, of the foregoing meeting on 12/21/2021 at 11:05 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman Ward VI, Jason Bailey, of the foregoing meeting on 12/21/2021 at 11:05 a.m./p.m.

I, City Clerk of the City of Oxford, Mississippi, or a Deputy Clerk, do hereby certify that I have notified Alderman At-Large John Morgan of the foregoing meeting on 12/21/2021 at 11:05 a.m./p.m.

MINUTES

City of Oxford
Board of Aldermen
Special Meeting
Tuesday, December 21, 2021, 3:00 pm - 5:00 pm
City Hall Courtroom

THE CITY OF OXFORD

- Pursuant to Section 21-3-21, Mississippi Code of 1972 Annotated, I, Robyn Tannehill, Mayor of the City of Oxford, Mississippi, do hereby call the Mayor and Board of Aldermen of Oxford, MS, to a SPECIAL MEETING to be held on **December 21, 2021 at 3:00pm**, for the transaction of important business. The meeting will be held in the Courtroom of City Hall. The business to be acted upon at the Special Meeting is the consideration of the following:

1. Call to order.

   The Special Meeting of the Mayor and Board of Alderman of the City of Oxford, Mississippi, was called to order by Mayor Tannehill at 3:00pm on Tuesday, December 21, 2021, in the courtroom of Oxford City Hall when and where the following were present:

   Robyn Tannehill, Mayor
   Rick Addy, Alderman Ward I
   Mark Huelse, Alderman Ward II
   Brian Hyneman, Alderman Ward III
   Kesha Howell-Atkinson-Ward IV
   Preston Taylor, Alderman Ward V
   Jason Bailey, Alderman Ward VI
   John Morgan, Alderman At Large

   Mayo Mallette, PLLC- Of Counsel
   Ashley Atkinson- City Clerk
   Bart Robinson- Chief Operating Officer
   Braxton Tullos-HR Director

2. Adopt the agenda for the meeting.

   It was moved by Alderman Bailey, seconded by Alderman Huelse to adopt the agenda for the meeting. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

3. Request permission to reconsider a prior motion, from the December 7, 2021 meeting, awarding the Municipal Depository Bid to Bancorp South. (Ashley Atkinson)

   It was moved by Alderman Bailey, seconded by Alderman Huelse to reconsider a prior motion, from the December 7, 2021 meeting, awarding the Municipal Depository Bid to Bancorp South. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

4. Request permission to reject all Municipal Depository Bids received on November 29, 2021 and authorize the City Clerk to advertise again. (Ashley Atkinson)

   It was moved by Alderman Bailey, seconded by Alderman Howell-Atkinson to reject all Municipal Depository Bids received on November 29, 2021 and authorize the City Clerk to advertise again. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

5. Discuss auxiliary insurance services.

   After some discussion, it was moved by Alderman Bailey, seconded by Alderman Hyneman to approve the $3,076.00 increase to the $20,000.00 life insurance policy for City employees. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

   It was moved by Alderman Bailey, seconded by Alderman Addy to approve a payment of $98,000.00 to Wings for coverage for all City employees and City residents and to amend the Human Resources budget for the expense. Several of the aldermen had questions regarding the coverage and the Mayor did not call for a vote at this time. This issue will be re-visited at a future meeting.

6. Consider leadership training proposal from the Whitten Group.

   It was moved by Alderman Bailey, seconded by Alderman Huelse to approve a leadership training proposal from the Whitten Group in the amount of $65,000.00 and amend the Human Resources budget for the expense. There will be eight day long classes for approximately 30 employees. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

7. Discuss plans and architectural proposal for the former OPC Administration Building.

   It was moved by Alderman Bailey, seconded by Alderman Huelse to approve an architectural proposal, in an amount not to exceed $15,000.00, for the former OPC Administration Building and

to amend the General Government budget for the expense. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

8. Consider an executive session.

   It was moved by Alderman Huelse, seconded by Alderman Addy to consider an executive session for personnel matters and a matter of potential litigation. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

   It was moved by Alderman Bailey, seconded by Alderman Addy to enter into an executive session for personnel matters in the Municipal Court Department, the Oxford Police Department, and the Oxford Fire Department, and a matter of potential litigation regarding a balcony. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

   It was moved by Alderman Addy, seconded by Alderman Bailey to increase Jay Chain's salary by $14,000.00, contingent on him continuing to be the City Prosecutor. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

   It was moved by Alderman Huelse, seconded by Alderman Bailey to increase the pay for a list of employees in the Oxford Police Department and to amend the Police Department budget as needed. Sworn law enforcement officers will receive an increase of $6,500.00 each and administrative employees will receive an increase of $2,000.00 each. The increases will go into effect on January 13, 2022. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

   It was moved by Alderman Bailey, seconded by Alderman Addy to return to regular session. All the aldermen present voting aye, Mayor Tannehill declared the motion carried.

9. Adjourn.

It was moved by Alderman Addy, seconded by Alderman Hyneman to adjourn the meeting. All the alderman present voting aye, Mayor Tannehill declared the motion carried.

Robyn Tannehill, Mayor

Ashley Atkinson, City Clerk

CORPORATION OF OXFORD MISSISSIPPI