



ETING MINUTES

State of Louisiana ERP Project

Blueprint Workshop / FI-RE-003 Real Estate Leasing

10/30/2008 @ 8:30 to 4:30

Location: DOTD 2nd Floor – War Room

Attendees:

No.	Name	Invited?	Attended?	Comments
1.	Afranie Adomako	Y		DOA/OSRAP
2.	Gail Allato	Y		DWF
3.	Thomas Bickham	Y		DOC
4.	Jackie Boyd	Y	Y	DHH
5.	Dom Cali	Y		DOTD
6.	Bridget Depland	Y		DSS
7.	Angela Everett	Y	Y	FP&C
8.	Duane Fontenot	Y		DSS
9.	Bobby Freyou	Y		DOA/OSL
10.	Hubert Graves	Y		DOTD
11.	Beverly Hodges	Y		DOA/ERP
12.	Tracy Holmes	Y		DOA/OFSS
13.	Charles Hudson	Y		DOTD
14.	Lori Humm	Y		DOTD
15.	Randy Janies	Y	Y	DOA/FP&C
16.	Debbie Kabel	Y	Y	FP&C
17.	Wynnette Kees	Y		DWF
18.	Gene Knecht	Y		DOA/OFSS
19.	Keri Labauve	Y		DOTD
20.	Allison Lang	Y	Y	FP&C
21.	Deborah Mckneely	Y	Y	DOTD
22.	Denise Marrero	Y		DOA/FP&C
23.	Diane Pfeifer	Y		DSS
24.	Sonya Pulliam	Y		DHH
25.	Gary Ramsey	Y		DCRT/OSP
26.	Mary Ramsrud	Y		IBM
27.	Henry Rayborn	Y	Y	DOA/ORM
28.	Sharon Reed	Y	Y	DOA/FP&C
29.	Jeff Reynolds	Y		DHH/SPOC
30.	Mark Rhodes	Y		DOA/OSRAP
31.	Lonnie Richardson	Y	Y	DOI
32.	Belinda Rogers	Y		DOA/ERP

33.	Shannon Rushing	Y		DCRT/CRT
34.	Lloyd Scallan	Y		DOTD
35.	Suzanne Sharp	Y		DOC
36.	Beverly Shaw	Y		CRT
37.	Bill Smith	Y	Y	STA
38.	Rhoma Speights	Y	Y	DOA/ERP
39.	Amanda Stein	Y	Y	DOA/ORM
40.	Peter Tabone	Y	Y	IBM
41.	Robbie Tate	Y		DOA/OFSS
42.	Drew Thigpen	Y		STA
43.	Patti Wallace	Y	Y	DOE
44.	Billy Wilson	Y		DOA/OSB
45.	Sue Wheeler	Y	Y	DOA/ERP
46.	Marsha Duncan	N	Y	DOTD
47.	Jackie Boyd	N	Y	DHH
48.	Gerry Hanson	N	Y	DOA/ERP
49.	Lisa Gillen	N	Y	DOA/ERP
50.				

	<i>Agenda Item and Notes</i>	<i>Owner(s)</i>	<i>Action Items & Assignments</i>	<i>Comments / Follow-up</i>
1.	Logistics, Ground Rules, & Introduction	Sue Wheeler	<ul style="list-style-type: none"> None 	
2.	Project Timeline	Peter Tabone	<ul style="list-style-type: none"> None 	
3.	Workshop Objectives	Peter Tabone	<ul style="list-style-type: none"> None 	
4.	Business Process Review <ul style="list-style-type: none"> SAP Glossary SAP concepts & functionality Leading practices Enterprise readiness challenges 	Peter Tabone	<ul style="list-style-type: none"> See action items & assignments below. 	Hard copies provided - SAP Glossary Proposed TO-BE SAP screen slides Other comments

5. Action Items

		1. Check with project AP/AR team on how the vendor setup will work and how it relates to these Business Partner options.	
		2. Check on the use of interagency transfer as it relates to internal lease outs and external lease outs. Check with CO team.	
		3. Identify who is responsible for extracting the leasing data for conversion.	
		4. Determine if the Real Estate module needs to account for the scenario whereby state employees live in state owned residence.	
		5. Contact other agencies and determine what condition types are needed.	
		6. Contact OSRAP to determine required GL postings associated with condition types (leasing-out and leasing-in)	
		7. Get standard list of renewal types to add to delivered list.	
		8. Provide list or terminate notice reasons. (Randy OFPC)	
		9. Check with OSRAP – Are security deposit leases legal?	
		10. Need to look at vacancy cost center and condition types in the rental space (Peter)	
		11. State Lands- determine whether (a) generic use and (b) specific use is required when we are capturing occupancy codes.	
		12. Level of detail required for rental space usage type.	
		13. Determine the state requirements for straight-lining rents. FASB 13 –OSRAP.	

Discussion:

Business Process Hierarchy (slide 17)

The business scenarios, business processes, and business process steps relate to the “Business View” of the enterprise. The detailed transactions relate to the “Software View”

Real Estate Solution Map (slide 18)

This leasing workshop will focus on the Commercial Real Estate Management functionality in SAP. It will include Lease Management, Condition Adjustment, Percentage Rent, Cost Recovery, and Legal Compliance.

RE Lifecycle (slide 21)

Peter presented an overview of previous workshops. The workshops should focus on requirements, not how the legacy systems are used.

Sue: SLABS is a tracking database only, with no direct financial postings. SAP will cover both the tracking and financial side. Real estate transactions will have a financial impact in SAP.

Real Estate Contracts (slide 23)

Peter discussed the accounting impacts of Real Estate Contracts, such as how costs are collected in the system. You can think of the Real Estate module as a blend between FI (financial accounting) and CO (controlling or cost accounting).

RE – Financial Posting (slide 24)

The high level financial posting flow was described. The financial posting requires a Controlling Object of some sort.

Controlling Objects in RE-FX (slide 25)

The cost accounting elements of RE-FX were explained. The focus is on the RE-FX objects:

- Business entity
- Building
- Properties
- Rental Unit
- Pooled Space
- Rental Space
- Real Estate Contract
- Cost collector SU

RE Arch. Objects (AO) (slides 27 – 29)

Peter reviewed the structure of Architectural Objects. They are user defined and company code *independent*. They can be structured in the following hierarchy:
Site > Building > Floor > Room

RE Usage Objects (UO) (slide 30)

Peter reviewed the structure of Usage Objects which are company code *dependent*. The key objects and their hierarchy include:
Company Code > Business Entity > Land/Buildings

State's Usage Objects (slide 31)

The following usage structure was presented as a State of Louisiana solution:

Company > Site > Building > Pooled Space > Rental Space

Where Pooled Space = overall available space within a usage type, and
Rental Spade = space that is extracted from the Pooled Space to be occupied.

RE – Dual View Principle (slide 32)

Usage view and architectural view can both be used and tied at key points (i.e. floor and pooled space).

Business Partners (slide 33)

Option 1: We can setup the system to automatically create a vendor based on a business partner. Should SAP allow automatically allow vendor setup?

Option 2: Create the vendor first.

Will the person that sets up the business partner be able to setup the vendor? OSRAP currently sets up the vendors.

Action Item 1: Check with project AP/AR on how the vendor setup will work and how it relates to these Business Partner options.

Lease Process (slide 34)

RE Contract / Lease items were explained.

System Demo

Peter described the 5 scenario elements to the demonstration including the Real Estate Object, Business Partner, Real Estate Contract, Activation, and Financial Posting. Peter provided an online demonstration of SAP for each of the following scenarios.

Leasing-In Scenario (payable):

This is the scenario where a building is being leased, with the State as lessee. The Contract Type drop down list was displayed. You can setup whatever contract types you need in addition to the ones delivered by SAP. You can also associate business partners to each of the contract types.

Site code. Measurements.
Condition type = "making payment".

Flow Type – defines GL account determination
The system will make the financial posting automatically based on the flow type; can give notice to stop posting at some point in future.

External Lease-Out Scenario (receivable):

In this scenario the State is the lessor to a private entity. For example, Barnes and Noble leases space from State. This will be a different *contract type* than the Leasing-in scenario.

Peter explained the use of formulas and recommended that we don't delete any delivered formulas. Formulas can be used to calculate rental amounts based on variables such as square footage and price per square foot. You can make contract terms dependent on other contracts.

Internal Lease-Out Scenario: In this example, one state entity is leasing to another state entity.

Peter made a white board drawing showing the structural differences between the Lease-In and Lease-Out scenarios as follows:

Lease In:
Building – Real Estate Contract

Lease Out:
Building
 Pooled Space
 Rental Space – Real Estate contract

When you create a building in the system you will also need to create the pooled space elements (floors). You will also need to designate who will be setting up the RE records. (ERP team is currently researching Office of Land Management [OLM] requirements related to this)

FPC: There are so many agreements, concern about who will be doing the data entry related to the architectural view. Peter explained the events leading up to the decision to use the Architectural View.
ORM: Square footage by floor is not entered by ORM, just total square feet based on criteria that may be different than other sources.

Pooled Space: There are two different usage types (internal vs. external)

How do we define the pooled space? If we define pooled space at the building level, instead of the floor level, then the Architectural View can be designed at the detailed level. Large pooled space designations do not need to be tied to Architectural Object details. If Rental spaces are defined as subsets of the big pooled space, then the rental space could be tied to the Architectural Object. (Floor/room levels for example).

ORM: When we attach site improvements to a building, we don't add to a particular area, it's added to the whole building. We don't need the detailed breakdown.

FPC: We don't want to have to enter in all the details in the Architectural Object just to issue a lease.
Peter: You will not have to. This can be accommodated. The AO can be setup at the floor level, then used.

FPC: Who will determine the space by floor? We lease space from other state entities like the University of New Orleans. We don't have the space by floor for these leases.

Peter: How do you (FPC) identify available space in a state owned building?

FPC: Agencies generally seek out their own space.

ORM: There are only 60 buildings in SLABS that the office of state buildings owns. FPC has detailed information on these buildings, but none of the other 1500. There are about 800 commercial leases.

Of 11000 buildings in the portfolio, how many are owned by the state? 9000 are "owned" by the state (the State may not have legal title, but the buildings are insured by the State). There are about 1500 Lease-In arrangements (we pay for use of buildings owned by others)

Action Item 2: Check on the use of interagency transfers as they relate to internal lease out and external lease out arrangements. Check with the Controlling team.

Action Item 3: Determine who is responsible for extracting the lease data for conversion.

DOI: We should add a requirement reflecting the need to establish pooled space at the floor level for all state owned buildings.

Key Decision 1: Requirement that pooled space be established at the floor level for all state owned/insured buildings.

- > Pooled space at floor level

- > Available space by floor

Contract Types (slide 36):

ORM: Need to include insured contents of legislator's home office.

Peter: We can accommodate this in SAP.

Peter: What contract types do we need? (all types shown on slide come delivered with SAP)

Lease-in

Lease-out

Own use (internal contract)

Service contract

Key Decision 2: Keep all delivered Contract Types. Plus, add the following:

Cooperative endeavor agreements (i.e. local gov. provides space, state provides service)

Residential lease in's

Residential lease out's

Land Lease-out

ORM: There are state employees living in a state owned residence. Sometime they pay lease, sometimes not,

Action Item 4: In real estate, do we need to account for the scenario for state employees living in state owned residence?

Contract Data (slide 37):

Do we need to define condition groups per contract type? If so, what?

OFC

Public Int.

Inter-agency

Third party

Key Decision 3: Add the following condition Groups:

- OFC
- Public?
- Inter-Agency
- 3rd party

Action Item 5: Contact other agencies and determine what condition types are needed.

Action Item 6: Contact OSRAP to determine required general ledger postings associated with condition types (leasing-out and leasing-in).

Distribution Costs (slide 38):

DOE: Can parking leases be tied to another lease?
Peter: Yes.

Renewal Rules (slide 39):

Renewal rules are used to extend the terms of the contract. SAP delivered examples were provided on slide. Are there state specific renewal rules?
All kinds of variations used by the state: What do we add to the delivered list of rules?
Peter noted that renewal rules can be setup to send emails for related notifications.

Action Item 7: Get standard list of renewal types to add to delivered list.

Key Decision 4: Add a State specific renewal rule (5 and 5)

Termination Notice Reasons (slide 40):

Action Item 8: Provide list or terminate notice reasons. (Randy OFPC)

Delivered reasons:
Lessor default
Moving into state owned space
Lack of funding
Others to be provided ...

Key Decision 5: Add the following Termination Reasons:
(In every contract):

- 1) Owner default
- 2) Move to state own
- 3) Lack of funding

Termination Rejection Reason (slide 41):

What do we need to add to the delivered termination rejection reasons?

Key Decision 6: Add a "Not justified" reason.

Security Deposit Agreements (slide 43):

Action Item 9: Check with OSRAP – Are security deposit leases legal?

Rental Adjustments (slide 44):

Key Decision: We will use rental adjustments.

Action Item 10) Need to look at vacancy cost center and condition types in the rental space (Peter)

Lease Accounting (slides 45 and 46):

Peter described the lease accounting functionality and its important components and typical accounting entries.

Key Decision 7: Use component adjustments

Calculation Formulas (slide 47):

Calculation formulas are used to calculate the condition amount. These formulas will need to be determined as part of system design.

Distribution Formulas (slide 48): **(key decision, see chart)**

Key Decision 8: Leave the formulas as they are in SAP.

Organizational Impact 1:

Need for all agencies to supply per floor usable space.

Organizational Impact 2:

Agency (OSL) responsible for entering building data collected.

FPC: For leases that move from a fixed lease contract to a month-to-month contract, there needs to be built in messages to notify the agency.

Peter: In the system, you will update the frequency to monthly.

FPC: For agencies within the executive branch, who are leasing to private party, FPC is not involved and does not want to be involved. In this case, each agency would be responsible for its own renewals etc. If LSU is leasing a building out, the building will be in SAP, but with no financial impact. But, if executive branch agency leases from LSU, it goes through FPC. We can set up contracts to have financial impact, or not for non LaGov entities.

Action Item 11: State Lands- determine whether (a) generic use and (b) specific use is required when we are capturing occupancy codes.

Action Item 12: Determine the level of detail required for rental space usage type.

Peter explained the way that utilities can be capture and charged to the building.

Action Item 13: Determine the state requirements for straight-lining rents. FASB 13 –OSRAP.

Parking Lot: May need to expand contract types to a per agency basis.

Options for Internal Occupancy Recovery:

See slide for options....

Parking Lot: Get with Gene Knecht (OFSS) on cost recovery.

Recap:

Peter: We need to determine process flow for the To-Be business process related to leases, including the swim lanes (who does what).

End of Meeting

Wall Charts

Key Decisions

1) Group wants a requirement that the following will be entered into SAP for all state insured buildings:

- > Pooled space at floor level
- > Available space by floor

2) Contract Types needed:

All standard types
Plus" Cooperative endeavor
Land Lease- Out
Residential Lease – In
Residential Lease - Out

3) Condition Groups:

OFC
Public ?
Inter-Agency
3rd party

4) Contract Renewal Rules

Keep all standard
Add state specific:
- 5 and 5

5) Termination Reasons

(In every contract):
1) Owner default
2) Move to state own
3) Lack of funding
Other

6) Termination rejection reasons

Not justified

7) Use component adjustments

8) Distribution formulas: leave as they are in SAP

Integration Points

FRICE-W

Organizational Impact

- 1) Need for all agencies to supply usable space per building per floor
- 2) OSL is responsible for entering building data (Org Impact 1) supplied by agencies

Parking lot

- 1) Expand contract type to be per agency for security purposes
- 2) Get with Gene Knecht (OFSS)

Action Items

- 1) Check with AP and AR about creating vendor records
- 2) Check on inter-department transfer
- 3) ID departments that are responsible for entering data
- 4) Set-up employees living in state property for payroll deducts
- 5) Contact other agencies and determine what lease types they need
- 6) OSRAP – Accounts on Leasing – In and Leasing – Out
- 7) List of renewal types
- 8) List of terminate notice reasons (Randy in FP& C)
- 9) Check with OSRAP – Are security deposit leases legal?
- 10) Look at vacancy cost center and condition types on rental space – Peter
- 11) State Lands- determine whether (a) generic use, and (b) specific use is required when we are capturing occupancy codes.
- 12) Level of detail required for rental space usage type.
- 13) Determine the state requirements for straight lining rents. FASB 13 -OSRAP