

# **State of Alaska FY2005 Governor's Operating Budget**

## **Department of Administration Lease Administration Component Budget Summary**

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**Component: Lease Administration**

**Contribution to Department's Mission**

The leases program provides cost effective office space for State agencies in a timely manner.

**Core Services**

- Procure private leased space for use by the State Executive Branch.
- Manage and administer over 495 private leases statewide.
- Provide space-planning recommendations.
- Conduct lease rate and lease space availability market research studies.
- Consolidate state owned and/or leased space when economies can be realized.
- Review agency remodel request in leased facilities and coordinate with lessor.
- Maximize efficiency of owned and leased space.

End Results	Strategies to Achieve Results
<p><b>(1) Maximize Effectiveness and Efficiency of State Occupied Space (Leased &amp; Owned).</b></p> <p><u>Target:</u> 10% reduction in office space per employee from FY2003. <u>Measure:</u> Percent reduction of amount of space occupied.</p> <p><u>Target:</u> 5 % reduction in average cost of leased space. <u>Measure:</u> The cost of new negotiated rental rate per square foot versus market rate per square foot.</p>	<p><b>(1) Revise and implement cost effective state space standards.</b></p> <p><u>Target:</u> All agencies in compliance with new state standards. <u>Measure:</u> Percent of agencies in compliance.</p> <p><b>(2) Re-negotiate lease terms to obtain reduced costs.</b></p> <p><u>Target:</u> All expiring leases re-negotiated at lower costs. <u>Measure:</u> Percent of leases negotiated at reduced rates.</p> <p><b>(3) Amend AS 36.30.083 to enable flexible and cost effective lease negotiations.</b></p> <p><u>Target:</u> Amend statue during 2004 Legislative Session. <u>Measure:</u> Statute amended.</p>

FY2005 Resources Allocated to Achieve Results							
<p><b>FY2005 Component Budget: \$882,500</b></p>	<p><b>Personnel:</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right;">9</td> </tr> <tr> <td style="padding-left: 20px;">Part time</td> <td style="text-align: right;">1</td> </tr> <tr> <td style="padding-left: 20px;"><b>Total</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>10</b></td> </tr> </table>	Full time	9	Part time	1	<b>Total</b>	<b>10</b>
Full time	9						
Part time	1						
<b>Total</b>	<b>10</b>						

**Performance Measure Detail**

**(1) Result: Maximize Effectiveness and Efficiency of State Occupied Space (Leased & Owned).**

**Target:** 10% reduction in office space per employee from FY2003.

**Measure:** Percent reduction of amount of space occupied.

**Target:** 5 % reduction in average cost of leased space.

**Measure:** The cost of new negotiated rental rate per square foot versus market rate per square foot.

### **(1) Strategy: Revise and implement cost effective state space standards.**

**Target:** All agencies in compliance with new state standards.

**Measure:** Percent of agencies in compliance.

### **(2) Strategy: Re-negotiate lease terms to obtain reduced costs.**

**Target:** All expiring leases re-negotiated at lower costs.

**Measure:** Percent of leases negotiated at reduced rates.

### **(3) Strategy: Amend AS 36.30.083 to enable flexible and cost effective lease negotiations.**

**Target:** Amend statute during 2004 Legislative Session.

**Measure:** Statute amended.

## **Key Component Challenges**

- Implement revised space standards manual and guidelines.
- Obtain replacement space for leases expiring in FY 2004 and FY 2005.
- Obtain new or additional space for state agencies as required.
- Continue multi year task of designing, planning, constructing and relocating departments from private leases for occupancy to the Robert B. Atwood Building.
- Review and refine automated lease tracking system.
- Continue developing and providing lease procurement training classes for state customer agencies.
- Continue developing and providing training for lease occupants and agency procurement staff.
- Conduct site investigations of lease and owned space to ensure maximum efficiency – improve space management.
- Reduce office space per employee by 10%.
- Reduce average lease cost of leased space by 5%.
- Identify and implement new lease procurement methods.
- Continue to use newly revised lease solicitation documents (decreases lessors requirements and overall lease rate).
- Develop and solicit a statewide moving contract and eliminate the requirement from the standard lease solicitation document.

The following leases have expirations which require renewal or replacement during or before FY 2005. When these leases are replaced the cost of a new lease may exceed the limits set in AS 36.30.080 (c), or \$500,000 per year or \$2.5 million for the life of the lease. The Current Annual Cost is the current annual lease cost of the current lease. Replacement of these leases will take place throughout the next fiscal year and the actual replacement costs are not known at the time of budget preparation. A projection of the potential total cost of the replacement leases has been included under Potential Cost of Replacement Lease w/ all Renewal Options. The actual annual and total cost of each lease will be determined by market conditions at the time of solicitation. This list shall serve as the required notification under AS 36.30.080 (c).

Lease No.	Location	Agency	Current Sq Ft	Current Annual Cost	Current Lease Exp Date	Replacement / New Lease Expiration w/ all Renewal Options	Potential Cost of Lease w/ all Renewal Options
Renew 2401	Anchorage	DEC	40,050	\$1,025,631	5/31/04	5/31/06	\$6,153,786
New Lease	Anchorage	HS&S	23,414	\$561,936	9/30/05	9/30/15	\$7,024,200
Renew 2382	Anchorage	LAW	67,603	\$1,454,030	9/30/08	9/30/13	\$14,540,303

## Significant Changes in Results to be Delivered in FY2005

In order to achieve overall lease cost savings a number of strategies will be implemented in FY 2005. In addition to reducing the number of leased facilities, newly revised space standards will be used as a guideline to equitably reduce the amount of leased space needed, expanded boundaries, new revised lease solicitation documents will be used to decrease the lessors requirements and overall lease rate, maximize space efficiency through improved space management.

Agencies will receive a one-time base transfer of Lease component General Funds to be used to pay FY2005 and beyond lease obligations. The department will collect funding from occupying agencies to pay leases obligations on their behalf.

This one time transfer will take place as a budget amendment.

## Major Component Accomplishments in 2003

- Obtained replacement space for leases expiring in FY 2003 and FY 2004.
- Continued multi year task of designing, planning, constructing and relocating departments from private lease space to the Robert B. Atwood Building.
- Continue to refine and create tracking mechanisms to improve responsiveness and timeliness for all space needs.
- Developed and administered lease procurement and lease occupant training classes for customer State agencies.
- Revised and expanded the Lease Boundary SOP to maximize quantity of lease solicitation offeres.
- Identify and efficiently use State owned space versus replacing a private lease.

## Statutory and Regulatory Authority

AS 36.30.080 State Procurement Code  
AS 44.21.020 (1), (5) Duties of the Department

### Contact Information

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**Lease Administration  
Component Financial Summary**

*All dollars shown in thousands*

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	739.6	713.0	768.4
72000 Travel	14.8	5.0	19.0
73000 Contractual	73.5	1.6	79.9
74000 Supplies	22.7	4.2	15.2
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>850.6</b>	<b>723.8</b>	<b>882.5</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	371.8	343.4	343.4
1007 Inter-Agency Receipts	478.8	380.4	539.1
<b>Funding Totals</b>	<b>850.6</b>	<b>723.8</b>	<b>882.5</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
<b>Unrestricted Revenues</b>				
None.		0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Interagency Receipts	51015	478.8	380.4	539.1
<b>Restricted Total</b>		<b>478.8</b>	<b>380.4</b>	<b>539.1</b>
<b>Total Estimated Revenues</b>		<b>478.8</b>	<b>380.4</b>	<b>539.1</b>

**Summary of Component Budget Changes  
From FY2004 Authorized to FY2005 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2004 Authorized</b>	<b>343.4</b>	<b>0.0</b>	<b>380.4</b>	<b>723.8</b>
<b>Adjustments which will continue current level of service:</b>				
-Changes to Retirement and Other Personal Services Rates	0.0	0.0	16.3	16.3
<b>Proposed budget increases:</b>				
-Administrative Support Services	0.0	0.0	142.4	142.4
<b>FY2005 Governor</b>	<b>343.4</b>	<b>0.0</b>	<b>539.1</b>	<b>882.5</b>

**Lease Administration  
Personal Services Information**

<b>Authorized Positions</b>		<b>Personal Services Costs</b>		
	<b>FY2004 Authorized</b>	<b>FY2005 Governor</b>		
Full-time	9	9	Annual Salaries	549,550
Part-time	1	1	Premium Pay	0
Nonpermanent	0	1	Annual Benefits	226,646
			<i>Less 1.00% Vacancy Factor</i>	<i>(7,762)</i>
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>10</b>	<b>11</b>	<b>Total Personal Services</b>	<b>768,434</b>

**Position Classification Summary**

<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
Accountant III	0	0	1	0	1
Accounting Tech II	0	0	2	0	2
Administrative Assistant	1	0	0	0	1
Contracting Officer III	6	0	0	0	6
State Leasing & Facilities Mgr	1	0	0	0	1
<b>Totals</b>	<b>8</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>11</b>