Change Record Detail With Description

Department of Labor and Workforce Development

Scenario: FY2013 Supplemental (10508)
Component: Leasing (AR 28160) (2742)
RDU: Administrative Services (109)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	PPT	NP
FY2013 Supplemental												
Department-wide Unavoidable Lease Cost Increases	Suppl	942.9	0.0	0.0	942.9	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		942.9										

Provide unrestricted general funds (UGF) to help support unavoidable department-wide lease cost increases and related move expenses. The majority of the department has been historically housed in the Eagle Street facility in Anchorage and the 8th Street facility in Juneau. Both of the leases came up for renewal in the past year and the prices for the renegotiated leases are significantly higher.

The department entered into a new lease for the Eagle Street facility in Anchorage on April 1, 2012. Under the old lease, the cost per year was $933,888. Under the new lease agreement, the cost for FY2013 is anticipated to be $1,027,276.80, an increase of $93,388.80.

The 8th Street lease in Juneau expired June 30, 2012 and a bid for proposals resulted in two new lease agreements; one to continue leasing space at the 8th Street facility and one that will house the Unemployment Insurance (UI) Call Center at the Mendenhall Mall. The expired lease cost a total of $1,950,019.68 per year and the two new lease agreements are anticipated to cost a total of $2,499,511.28 in FY2013, an increase of $549,491.60.

In addition to increased lease expenses, the department will incur one-time move related expenses in FY2013. These expenses will include, among other things, moving the UI Call Center from its current location at the 8th Street facility to its new location at the Mendenhall Mall and moving staff back into the 8th Street facility once the lessor completes a number of renovations. The move related expenses are much more significant than originally anticipated. To date (1/8/2013), the department has incurred $189,742.77 in move related expenses, and the department currently projects incurring another $500,000. The department is absorbing these expenses where it can and is only requesting funding for $300,000. The exact amount needed to cover these expenses will be refined as clarification on what the department is required to pay for is received and further expenses incurred.

The department currently has $3,335,500 UGF to help support lease expenses. This funding has not increased since FY2008. In FY2008, the UGF in the department's Lease allocation represented 60 percent of the $5,539,991.75 total lease expense. In FY2013, the department anticipates a total lease expense of $7,541,092.28, a 36 percent increase from FY2008. Without a supplemental the lease UGF would represent 44 percent of the total expense. With the supplemental the lease UGF ($4,144,700.00) would represent 55 percent of the total expense.

The two most sizable leases for the department came up for renewal very close to the same time frame and the cost increases are more than the department can absorb without significantly impacting service delivery. The department cannot manage its programs without facilities to house them in, and the department will not be able to fulfill its financial obligations without this additional funding. The increased lease expenses are ongoing. This request is included in the FY2014 Governor's budget.

	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	PFT	PPT	NP
Component Totals	**942.9**	**0.0**	**0.0**	**942.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0**	**0**	**0**