

State of Alaska FY2009 Governor's Operating Budget

Department of Administration Lease Administration Component Budget Summary

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 space and administer over 550 leases with the private sector and leases in State owned facilities.
- Provide space-planning recommendations and retain architectural and engineering services to analyze lease space issues (i.e., structural load capacities)
- Conduct lease rate and space availability market research studies.
- Consolidate state owned and/or leased space when economies can be realized.
- Review agency remodel requests in leased facilities and obtain lessor's approval.
- Provide space standard recommendations and contract guidance for all State owned office facilities outside the DGS portfolio. The management of maintenance, operations, and deferred maintenance projects for office space, other than the 11 listed in Facilities Administration, is administered by other various state departments (i.e. DMVA, DOT&PF, DNR).

Examples of locations outside the DGS portfolio:

- Nome State Office Building
- Valdez State Office Building
- Kenai State Office Building

End Results	Strategies to Achieve Results
<p>A: Maximized effectiveness and efficiency of State leased space.</p> <p><u>Target #1:</u> 5 % reduction in average cost of leased space. <u>Measure #1:</u> The cost of newly negotiated rental rate per square foot versus market rate per square foot.</p>	<p>A1: Re-negotiate lease terms to obtain reduced costs.</p> <p><u>Target #1:</u> All expiring leases re-negotiated at lower costs. <u>Measure #1:</u> Percent of expiring leases re-negotiated at reduced rates.</p>

FY2009 Resources Allocated to Achieve Results							
<p>FY2009 Component Budget: \$1,117,600</p>	<p>Personnel:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right;">10</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;">Total</td> <td style="text-align: right; border-top: 1px solid black;">11</td> </tr> </table>	Full time	10	Part time	1	Total	11
Full time	10						
Part time	1						
Total	11						

End Result	Strategies to Achieve End Result
<p>A: Maximized effectiveness and efficiency of State leased space.</p> <p><u>Target #1:</u> 5 % reduction in average cost of leased space.</p>	<p>A1: Re-negotiate lease terms to obtain reduced costs.</p> <p><u>Target #1:</u> All expiring leases re-negotiated at lower costs. <u>Measure #1:</u> Percent of expiring leases re-negotiated at</p>

Measure #1: The cost of newly negotiated rental rate per square foot versus market rate per square foot.	reduced rates.
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FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$1,163,400

Personnel:

Full time	10
Part time	1
Total	11

Performance Measure Detail

A: Result - Maximized effectiveness and efficiency of State leased space.

Target #1: 5 % reduction in average cost of leased space.

Measure #1: The cost of newly negotiated rental rate per square foot versus market rate per square foot.

Cost of newly negotiated rental rate per square foot versus market rate per square foot.

Year	Annual
FY 2005	12.46%
FY 2006	25.34%
FY 2007	14.16%

Analysis of results and challenges: 07/01/04-06/30/05: 12.46% average reduction from market rent (based on cost per square foot).

07/01/05-06/30/06: 25.34 average reduction from market rent (based on cost per square foot).

07/01/06-06/30/07: 14.16% average reduction from market rent (based on cost per square foot).

A1: Strategy - Re-negotiate lease terms to obtain reduced costs.

Target #1: All expiring leases re-negotiated at lower costs.

Measure #1: Percent of expiring leases re-negotiated at reduced rates.

% of expiring leases re-negotiated at reduced rates.

Year	Annual
FY 2005	38.46%
FY 2006	73.30%
FY 2007	70.59%

Key Component Challenges

- Enforce revised space standards to ultimately reduce space needs and associated expenditures.
- Obtain replacement space for leases expiring in FY2008 and FY2009.
- 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 and the new Palmer State Office Building.
- Administer and manage design, planning, construction and leasing of private ground floor suites in the new Atwood Garage (Linny Pacillo Parking Garage)
- Continue to provide Leases Training for occupants and agency procurement staff.
- Conduct site investigations of lease and owned space to ensure maximum efficiency and improve space management.

- Reduce average lease cost for expiring leases as provided in AS 36.30.083.
- Continue inventory all State owned facilities office space maintained by other Departments and obtain agency occupancy and square footage for use in maximizing occupancy in state space. Information will be tracked in Lease Management System.
- Audit each lease with the private lessors to enforce the renovation clause.
- Audit leases to confirm the private lessors are conforming with their contractual obligation to provide certificate of insurances.
- The following leases have expirations which require renewal or replacement during or before FY 2009. 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 #	Location	Agency	Current Sq Ft	Current Annual Cost	Current Lease Expiration Date	Replacement / New Lease Expiration with all Renewal Options	Potential Cost of Lease with all Renewal Options (commencing w occupy.)
Replace #1849	Anchorage	DOL	9,000	\$255,360	2/28/09	2/28/18	\$2,673,000
Replace /Extend #2451	Anchorage	DNR & DOR	28,473	\$500,012	1/31/09	1/31/18	\$6,150,168
Extend #2506	Anchorage	HS&S	9,978	\$240,120	1/31/10	6/30/19	\$3,242,850
Extend #2505	Anchorage	HS&S	107,220	\$2,642,207	1/31/10	6/30/19	\$41,808,780
Extend #1201	Anchorage	HS&S	29,472	\$604,765	9/30/08	9/30/10	\$1,209,530
Extend #2078	Anchorage	HS&S	24,076	\$416,544	9/30/09	9/30/18	\$6,500,520

Significant Changes in Results to be Delivered in FY2009

In order to achieve overall lease cost savings a number of strategies will continue in FY 2009. In addition to reducing the number of leased facilities, space standards will be used as a guideline to equitably reduce the amount of leased space needed. Expanded boundaries and revised lease solicitation documents will be used to decrease the lessors requirements and overall lease rate, thus maximizing space efficiency through improved space management.

Continue to utilize State owned space over procuring lease space through the private sector; specifically, with the acquisition (Sept 06) of the new Palmer State Office Building, 81,000 s.f. and the Robert B. Atwood Building.

Major Component Accomplishments in 2007

- Effectively reduced the average cost of leased space by 14.16% from the market rent.
- Renegotiated 70.59% of expired leases at lower rates.
- Continue to utilize State owned space over procuring lease space through the private sector; specifically, with the acquisition (Sept 06) of the Palmer State Office Building, 81,000 sq.ft.
- Continued enforcement of space standards guidelines, reducing the amount of leased space necessary for State agencies.

Statutory and Regulatory Authority

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

Contact Information

Contact: Vern Jones, Chief Procurement Officer
Phone: (907) 465-5684
Fax: (907) 465-2189
E-mail: Vern.Jones@alaska.gov

**Lease Administration
Component Financial Summary**

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	799.3	813.1	858.9
72000 Travel	16.4	19.0	19.0
73000 Services	149.1	270.3	270.3
74000 Commodities	16.5	15.2	15.2
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	981.3	1,117.6	1,163.4
Funding Sources:			
1004 General Fund Receipts	0.0	0.0	45.8
1007 Inter-Agency Receipts	981.3	1,117.6	1,117.6
Funding Totals	981.3	1,117.6	1,163.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	21.2	0.0	0.0
Unrestricted Total		21.2	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	981.3	1,117.6	1,117.6
Restricted Total		981.3	1,117.6	1,117.6
Total Estimated Revenues		1,002.5	1,117.6	1,117.6

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	0.0	0.0	1,117.6	1,117.6
Adjustments which will continue current level of service:				
-Correct Unrealizable Fund Sources for Salary Adjustments: Exempt	0.1	0.0	-0.1	0.0
-Correct Unrealizable Fund Sources for Salary Adjustments: GGU	45.7	0.0	-45.7	0.0
-FY 09 Health Insurance Increases for Exempt Employees	0.0	0.0	0.1	0.1
-FY 09 Bargaining Unit Contract Terms: General Government Unit	0.0	0.0	45.7	45.7
FY2009 Governor	45.8	0.0	1,117.6	1,163.4

**Lease Administration
Personal Services Information**

Authorized Positions		Personal Services Costs		
<u>FY2008</u>				
<u>Management</u>		<u>FY2009</u>		
<u>Plan</u>		<u>Governor</u>		
Full-time	10	10	Annual Salaries	561,819
Part-time	1	1	COLA	44,776
Nonpermanent	0	0	Premium Pay	1,444
			Annual Benefits	292,908
			<i>Less 4.67% Vacancy Factor</i>	(42,047)
			Lump Sum Premium Pay	0
Totals	11	11	Total Personal Services	858,900

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Tech II	0	0	2	0	2
Administrative Assistant	1	0	0	0	1
Analyst/Programmer III	0	0	1	0	1
Contracting Officer III	5	0	0	0	5
State Leasing & Facilities Mgr	1	0	0	0	1
Totals	7	0	4	0	11