

State of Alaska FY2007 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 525 leases with the private sector and leases in State owned facilities.
- Provide space-planning recommendations and retain a/e services to analysis 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 request in leased facilities and obtain lessor's approval.
- Maximize space efficiency of owned and leased space through revised space standards.

End Results	Strategies to Achieve Results
A: Maximized effectiveness and efficiency of State leased space. <u>Target #1:</u> 10% reduction in amount of square footage for new leased office space. <u>Measure #1:</u> Percent reduction, compared to prior year, of amount of new office space occupied. <u>Target #2:</u> 5 % reduction in average cost of leased space. <u>Measure #2:</u> The cost of newly negotiated rental rate per square foot versus market rate per square foot.	A1: Revise and implement cost effective State space standards. <u>Target #1:</u> All agencies in compliance with new state space standards. <u>Measure #1:</u> Percent of agencies in compliance for new or replacement leases. A2: Re-negotiate lease terms to obtain reduced costs. <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.

FY2007 Resources Allocated to Achieve Results	
FY2007 Component Budget: \$1,002,500	Personnel: Full time 10 Part time 1 <hr/> Total 11

Performance Measure Detail

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

Target #1: 10% reduction in amount of square footage for new leased office space.

Measure #1: Percent reduction, compared to prior year, of amount of new office space occupied.

% reduction, compared to prior year, of amount of new office space occupied.

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
FY 2003	*	*	*	*	40.0%
FY 2004	*	*	*	*	7.0%
FY 2005	13.0%	5.0%	5.0%	28.0%	0

* Data reported on an annual basis in FY 2003 and FY 2004.

Target #2: 5 % reduction in average cost of leased space.

Measure #2: 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.

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
FY 2005	*	*	11.58%	14.12%

* No leases renegotiated during this period.

Analysis of results and challenges:

07/01/03–06/30/04: Measurement to take place in FY2005.

07/01/04–09/30/04: As of 9/30/04 no leases have been renegotiated.

10/01/04–12/31/04: As of 12/31/04, no leases have been renegotiated.

01/01/05–03/31/05: 11.58% average reduction from market rent (based on cost per square foot).

04/01/05–06/30/05: 14.12% average reduction from market rent (based on cost per square foot).

A1: Strategy - Revise and implement cost effective State space standards.

Target #1: All agencies in compliance with new state space standards.

Measure #1: Percent of agencies in compliance for new or replacement leases.

% of agencies in compliance for new or replacement leases.

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
FY 2005	4.25%	32.8%	-28%	9.91%

Analysis of results and challenges:

07/01/03–06/30/04: New state standards became effective April 1, 2004. Measurement to occur in FY2005.

07/01/04–09/30/04: 4.25%.

10/01/04–12/31/04: 32.80%.

01/01/05–03/31/05: (28.00)% below standards.

04/01/05–06/30/05: 9.91%.

A2: 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.

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
FY 2005	0%	0%	50.0%	20.0%

Analysis of results and challenges:

07/01/03–06/30/04: Measurement to take place in FY2005.

07/01/04–09/30/04: 0%.

10/01/04-12/31/04: 0%.
 01/01/05-03/31/05: 50%.
 04/01/05-06/30/05: 20%.

Key Component Challenges

- Implement revised space standards manual and guidelines ultimately reducing space needs and associated expenditures.
- Obtain replacement space for leases expiring in FY2006 and FY2007.
- 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 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.

The following leases have expirations which require renewal or replacement during or before FY 2007. 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 occup.)
Replace #2426	Big Lake	DPS	2,987	\$19,137	8/31/06	7/1/2026	\$5,016,000
Replace #2249	Juneau	DF&G	20,000	\$87,081	7/1/06	7/1/2026	\$5,905,200
Replace #2249	Juneau	DOA	13,800	\$19,872	7/1/06	7/1/2026	\$3,286,500

Significant Changes in Results to be Delivered in FY2007

In order to achieve overall lease cost savings a number of strategies will continue in FY2007. In addition to reducing the number of leased facilities, newly revised (June 2005) 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.

Agencies received a one-time General Fund transfer for the Lease component to pay lease obligations for FY2005 and beyond. The department will collect Interagency Receipts from occupying agencies to pay the lease obligations on the agencies behalf.

All lease solicitations within the Municipality of Anchorage may be required to follow the proposed new Title 21 ordinance. A vote by the Assembly is scheduled for September 2006.

Major Component Accomplishments in 2005

- Obtained replacement space for expiring leases.
- Acquired leases for new space needs.
- Continued multi year task of designing, planning, constructing and relocating departments from private lease space to the Robert B. Atwood Building.
- Continue to create and refine tracking mechanisms to improve responsiveness and timeliness for all space needs.
- Provided Lease Training classes for occupants and agency procurement staff.
- Identify and efficiently use State owned space versus replacing a private lease.
- Revised lease solicitation specifications by decreasing lessors requirements and overall lease rate.
- Initiated Statewide Inventory of all state owned facilities office space maintained by other Departments to obtain agency occupancy and square footage. Information is to be tracked in the Lease Management System.
- Awarded a central and southeast region architectural and engineering professional service contract for use in lease and state owned facilities.
- Awarded multi statewide broker / appraiser professional service contracts for use in negotiating .083 lease renewals.
- Actively representing the State of Alaska to the Municipality of Anchorage in ongoing meetings and written position papers regarding the proposed revisions to Title 21 ordinance, which could have a devastating impact on lease costs and quantity of offers, terminated private leases in the Atwood Building after significant controversy in their desire to remain in the facility.

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

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	777.9	770.8	815.6
72000 Travel	6.1	19.0	19.0
73000 Services	114.3	151.4	152.7
74000 Commodities	38.8	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	937.1	956.4	1,002.5
Funding Sources:			
1004 General Fund Receipts	0.0	0.9	46.1
1007 Inter-Agency Receipts	937.1	955.5	956.4
Funding Totals	937.1	956.4	1,002.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<u>Unrestricted Revenues</u>				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
<u>Restricted Revenues</u>				
Interagency Receipts	51015	937.1	955.5	956.4
Restricted Total		937.1	955.5	956.4
Total Estimated Revenues		937.1	955.5	956.4

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	0.9	0.0	955.5	956.4
Adjustments which will continue current level of service:				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	14.4	0.0	0.3	14.7
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	1.7	0.0	0.0	1.7
-FY 07 Retirement Systems Cost Increase	26.5	0.0	0.6	27.1
Proposed budget increases:				
-Risk Management Self-Insurance Funding Increase	2.6	0.0	0.0	2.6
FY2007 Governor	46.1	0.0	956.4	1,002.5

Lease Administration Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	10	10	Annual Salaries	528,746
Part-time	1	1	COLA	14,472
Nonpermanent	1	1	Premium Pay	1,070
			Annual Benefits	297,624
			Less 3.13% Vacancy Factor	(26,312)
			Lump Sum Premium Pay	0
Totals	12	12	Total Personal Services	815,600

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
Project Coord	1	0	0	0	1
State Leasing & Facilities Mgr	1	0	0	0	1
Totals	8	0	4	0	12