



## Request for City Council Committee Action from the Department of Finance

Date: October 6, 2008  
To: Ways & Means/Budget Committee  
Referral to: None

**Subject:** Centralized Leases

**Recommendation:** Review and forward to the Facilities, Space and Asset Management Committee (FSAM) for discussion and final decision of the technical change of collection and disbursement of rent charges for City Hall space for implementation in the 2009 Adopted Budget

**Previous Directives:** The Mayor's 2009 budget recommendations included the following Direction to the departments of Finance and Public Works:

*The Mayor recommends that the Finance and Public Works Departments propose and implement a City-wide rate for rent that will encompass all funding sources and would include all City Hall tenants.*

*The proposal will include various options as compared to the current system of rent charges:*

- 1. Average cost per square foot*
- 2. Average cost per square foot with additional space charges*
- 3. Fully-burdened costs*

*The proposal will also include various methods of billing including:*

- 1. Increasing Property Services budget accordingly, as well as increasing budgets of tenant departments*
- 2. Having Property Services bill monthly/quarterly/annually for rent charges*

*The Finance and Public Works Departments will report back to Ways & Means/Budget Committee by October 6, 2008.*

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Approved by: Patrick Born, CFO and Steven Bosacker, City Coordinator  
Presenters in Committee: Michelle Harder, Finance Department

### Reviews

- Permanent Review Committee (PRC): Approval  Date \_\_\_\_\_
- Civil Rights Approval Approval  Date \_\_\_\_\_
- Policy Review Group (PRG): Approval  Date \_\_\_\_\_

## **Financial Impact**

- No financial impact
- Action requires an appropriation increase to the \_\_\_\_ Capital Budget or \_\_\_\_ Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

## **Community Impact**

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other

## **Supporting Information**

### Background

The City-wide rate for rent would be a technical change aimed at guiding the strategic planning for space needs as well as more accurately reflecting costs of space to departments.

### Proposed change

Currently, the City provides the Municipal Building Commission its share (0.3010%) of property taxes when collected twice per year. The direct property tax covers the cost of rent in City Hall used by General Fund departments. The MBC bills non-General Fund departments directly for rented space.

Finance and Public Works are proposing a technical change in which rent collection for both General Fund and non-General Fund departments would pass through Public Works Property Services Fund. Property Services would collect rent charges from all City departments residing in City Hall and transfer the amount of rent collected to MBC on a quarterly basis.

This change will not affect the amount of rent collected by MBC and would provide the Commission with a steady stream of revenues throughout the year. The change will also not affect any City Hall department's budget since the property tax levy that currently goes directly to MBC will appear as a rent line item in the budget of each General Fund department currently residing in City Hall. The line item will have the dedicated use of paying costs associated with renting space in City Hall.

This change is causing rent charges to be more visible in departments' budgets thereby eliminating the "sticker shock" when a department moves from the seemingly free City Hall space to another location. It allows departments to more effectively manage resources and strategically assess space needs.

There are three options to consider with corresponding policy considerations:

1. Fully burdened costs
2. Average cost per square foot
3. Average cost per square foot with additional space charges

With fully burdened costs, the true cost of the space will be reflected in each departmental budget. There will be clear winners and losers when a department either wants or needs to move to a new location. There may be a push from all departments to move to the least expensive space.

With an average cost per square foot (options 2 & 3), all space rented by the City would cost the same amount per square foot, meaning there would be no winners or losers. However, with older buildings, there are increasing maintenance costs thereby suggesting that an average cost will not be reflective of the true costs of the space.

The current charges for the 2009 budget can be seen on Schedule 13 in the Mayor's Recommended budget book.