

# City of Alexandria, Virginia

## MEMORANDUM

DATE: APRIL 15, 2011

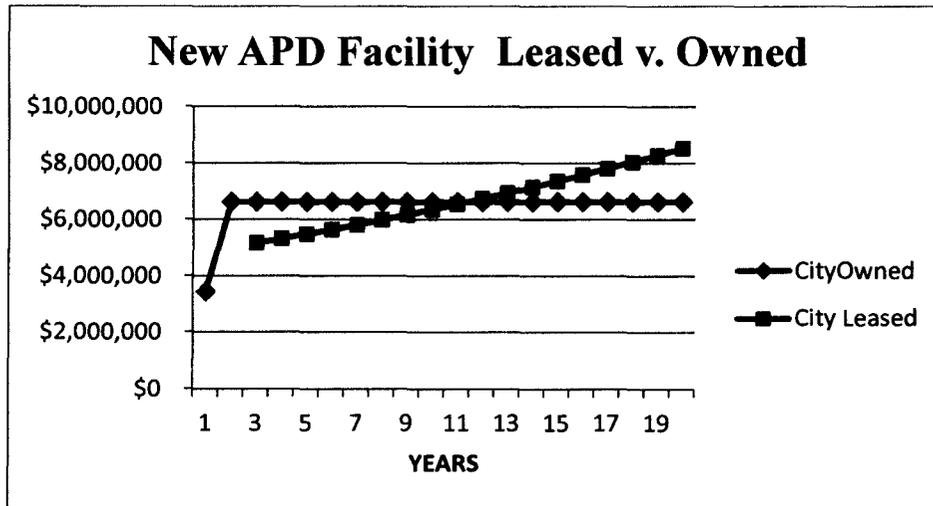
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #69 : NEW ALEXANDRIA POLICE FACILITY BUILDING AND OPERATING COSTS COMPARED TO PROJECTED LEASE COSTS

The purpose of the memorandum is to respond to City Council's inquiry regarding the projected savings to be realized from building a new Alexandria Police Facility (New APD Facility) versus maintaining the Police Department in leased space. Council's concern related to the added operating costs associated with constructing and maintaining a new APD Facility and how those costs compare with the costs and lease cost savings they were presented with during deliberations regarding the decision to build a New APD Facility.

The chart below represents the September 30, 2008, Jones Lang LaSalle consultant report conclusions on the lease versus own analysis:



The report concluded that the City would reach a breakeven point at year twelve if it owned the facility. At the end of twenty years the City will have avoided \$60 million in lease costs excluding the residual value<sup>i</sup> of the building and land. If the residual value is included, the net present value<sup>ii</sup> becomes \$104.4 million. Operating costs were projected by Jones Lang LaSalle to be \$1.9 million for both owned and leased scenarios and were excluded from the above

analysis as they were fully offsetting. The FY 2012 operating costs budgeted for the APD building are \$1.3 million for the part-year operations. In FY 2013, it is estimated that the costs will be \$1.7 million for a full fiscal year.

Unlike leasing a building, as a building owner, in this case the City, bears all of the cost of maintaining a property. This includes dealing with managing warrantees, during the warrantee periods and also everyday maintenance issues that include monitoring HVAC systems to control heating and cooling, lighting systems, as well as overseeing warrantee work as needed to insure proper repair and maintenance of the systems is provided by vendors. The proposed budget adequately provides for maintenance support and building system operations.

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<sup>i</sup> The amount a company expects to be able to sell a fixed asset for at the end of its useful life.

<sup>ii</sup> The present value of an investment's future net cash flows minus the initial investment.