

CITY COUNCIL REPORT  
PUBLIC

DATE: January 12, 2018

TO: Mayor and City Council Members

FROM: Barbara Goodrich, Deputy City Manager

CC: Josh Copley, City Manager; Shane Dille, Deputy City Manager;  
Mark Landsiedel, Leadership Team

SUBJECT: Lease Revenues

**Introduction:**

City staff received a request to provide a chart on the results of the recent City staff audit on lease revenues.

**Background:**

The City of Flagstaff added a Contract Specialist position in Fiscal Year (FY) 2017 with a primary responsibility to research all outstanding City leases, Intergovernmental Agreements, Development Agreements, and other contractual obligations to assure both the City and the other party (parties) to the agreement are meeting stated requirements in a timely manner. One of the first tasks this position undertook was a review of City leases to assure all were current and that stated increases had been captured in the City billing system.

**Conclusion**

As shown on the attached worksheet, the City did not bill \$107,973 in lease revenue to various entities over a 10 year period due to not applying rate increases as stated in the original terms. The City made the decision to not back bill these entities, but rather to calculate what the current lease payment is based on including all the interim increases as if they would have been applied. The new rates in effect as of July 1, 2017 which will result in an increase in FY 2018 revenues of \$27,622. The City has cataloged this information in a database so that renewals, increases, and other deliverables are documented and can be easily tracked.

**This report is provided as information only.**

## City of Flagstaff - Lease Variance Summary Report

1/12/2018

Total Lost Revenue			
Lessee	FY07-FY17 (Lease Life Audit)	FY16-FY17 (2 Year Audit)	FY17 (1 Year Audit)
Theatrikos Inc.	33,101.85	10,866.94	5,688.09
Southside Community	7,690.07	2,028.61	1,048.88
FedEx (Flag Air Park)	44,480.39	17,381.35	9,409.13
Beaver Street Brewing	9,155.27	4,545.82	2,473.63
American (US Airways)	9,836.98	4,702.97	2,517.13
Air Café	2,661.06	2,161.85	1,668.44
NACET Incubator	1,047.07	1,047.07	772.40
<b>Totals</b>	<b>\$ 107,972.69</b>	<b>\$ 42,734.61</b>	<b>\$ 23,577.70</b>

Potential Revenue Increase (FY18)		
Lessee	Variance Letter Correction Billing (July-Sept)	Forecasted FY18 Revenue Increase (July-June)
Theatrikos Inc.	\$ 1,398.25	\$ 6,568.46
Southside Community	385.89	1,248.66
FedEx (Flag Air Park)	11,196.00	11,196.00
Beaver Street Brewing	892.11	2,883.11
American (US Airways)	1,012.76	3,147.52
Air Café	116.51	1,456.38
NACET Incubator	379.14	1,121.42
<b>Totals</b>	<b>\$ 15,380.66</b>	<b>\$ 27,621.55</b>

Recovery Options			
Recovery Components	Option 1: Catch-up all CPIs Only	Option 2: Recover FY17 lost revenue only and catch-up all CPIs.	Option 3: Recover FY16- FY17 lost revenue and catch-up all CPIs.
Going Forward (FY18)	\$ 27,621.55	\$ 27,621.55	\$ 27,621.55
One Year Back (FY17)		\$ 23,577.70	\$ 23,577.70
Two Years Back (FY16)			\$ 19,156.92
<b>Total Financial Benefit to the City</b>	<b>\$ 27,621.55</b>	<b>\$ 51,199.24</b>	<b>\$ 70,356.16</b>

Pursue this Option?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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