

Bay Area Headquarters Authority (BAHA)

June 22, 2022

Agenda Item 3a - 22-0904

BAHA Resolution No. 33 – FY 2022-23 Operating and Capital Budgets

Background:

A request for Authority approval of the Bay Area Headquarters Authority (BAHA) Resolution No. 33, authorizing the BAHA Operating and Capital Budgets for FY 2022-23.

Operating Budget

The proposed budget for FY 2022-23 shows an operating surplus of \$2.7 million, before transfers. Overall revenue is expected to be \$18.4 million, up 7.1% from FY 2021-22. Total operating expenses are estimated at \$15.7 million, excluding transfers, up 14.1% from FY 2021-22. The proposed budget for FY 2022-23 is balanced as presented.

The shared services and common area assessments will be separately reviewed and approved by the 375 Beale Condominium Corporation Board.

Operating Revenue

Total FY 2022-23 proposed revenue budget is \$18.4 million, an increase of \$1.2 million, or 7.1%. Recurring revenue sources include (in thousands):

<u>Revenue Source</u>	<u>% Increase</u>	<u>\$ Increase (000)</u>
Scheduled lease increases	2.4%	\$247
Shared services assessment (Fee covers staff, IT services, office supplies and other shared expenses)	38.5%	\$885
Common area assessments (Fees cover security, janitorial, utilities, administration, and repairs & maintenance)	1.9%	\$75

Assessment fees are distributed by formula across all three owners while lease revenue is attributable to BAHA lessees. To this point, BAHA has not suffered any delay in tenants' payments.

Operating Expense

Total operating expense, before transfers, for the proposed FY 2022-23 budget is \$15.7 million, approximately \$1.9 million or 14.1% above FY 2021-22. Major operating expense highlights include (in thousands):

<u>Operating Expense</u>	<u>% Increase</u>	<u>\$ Increase (000)</u>
Salary, benefits, and overhead	29.1%	\$503
Other contractual services	260%	\$325
Other expenses	340%	\$340
Café space project	200%	\$150
Lease Commission	N/A	\$500

Salaries, benefits and overhead are increased due to staff dedicated to shared services operations. Contractual services include increased legal costs, a 1st floor venue manager, emergency management assessment, and expansion of reservation software. Increases in other expenses are primarily driven by shared conference space furniture and equipment replacement to better facilitate a hybrid workspace. The Café project will help modernize and activate the space, and lease commissions are budgeted for leasing agent compensation for finalized lease renewals or new leases.

Transfers

Staff proposes \$2.7 million in transfers, all of which is proposed to be transferred to capital reserves, in recognition of existing capital requirements for the building. This budget proposes no FY 2022-23 transfer to BATA with respect to repayment of its building contribution.

Capital Budget

Staff is requesting a total of \$3.7 million in building improvement projects for FY 2022-23. The projects include (in thousands):

- | | |
|--------------------------------------|---------|
| • IT Improvement Project | \$660 |
| • Agency Space Modification Planning | \$750 |
| • Capital Contingency | \$200 |
| • C&W Building Improvement Projects | \$2,070 |

The \$2.07 million requested by Cushman & Wakefield as part of their building management responsibilities includes work on the air handling units, waterproofing, and replacement/protection of rooftop HVAC components. Additional information on this work is included in BAHA Agenda Item 2c.

Recommendation:

Staff requests approval of BAHA Resolution No. 33 authorizing the FY 2022-23 BAHA Operating and Capital Project Budgets.

Attachment:

BAHA Resolution No. 33, FY 2022-23 Operating and Capital Budgets



Therese W. McMillan

Date: June 22, 2022
W.I.: 9110, 9120, 9130

ABSTRACT

BAHA Resolution No. 33

This resolution approves the FY 2022-23 Bay Area Headquarters Authority (BAHA) Operating and Capital Budgets.

Further discussion of the BAHA Operating and Capital Budgets can be found in the BAHA Summary Sheet dated June 22, 2022.

Date: June 22, 2022
W.I.: 9110, 9120, 9130

Re: Bay Area Headquarters Authority FY 2022-23 Operating and Capital Budgets

BAY AREA HEADQUARTERS AUTHORITY
RESOLUTION No. 33

WHEREAS, the Metropolitan Transportation Commission (“MTC”) and the Bay Area Toll Authority (“BATA”) have executed a joint exercise of powers agreement dated September 28, 2011 which creates and establishes the Bay Area Headquarters Authority (“BAHA”); and

WHEREAS, BAHA staff has prepared a budget setting forth the anticipated revenues and expenditures of BAHA for FY 2022-23; now, therefore be it

RESOLVED, that BAHA approves the Operating and Capital Budgets for FY 2022-23, prepared in accordance with generally accepting accounting principles, attached hereto as Attachment A, and incorporated herein as though set forth at length; and, be it further

RESOLVED, that the Executive Director or designee may approve adjustments among line items in the BAHA Budget for FY 2022-23, provided that there shall be no increase in the overall BAHA Budget without prior approval of BAHA; and, be it further

RESOLVED, that the Executive Director or designee shall submit written requests to BAHA for approval of consultants, professional services, and expenditures authorized in the BAHA Budget for FY 2022-23; and be it further

RESOLVED, that the Executive Director and Chief Financial Officer are authorized to carry over and re-budget all funds and contracts properly budgeted in the prior year for which expenditures were budgeted and encumbered and which will take place in FY 2022-23; and, be it further

RESOLVED, that the Executive Director and Chief Financial Officer are authorized to

create an operating reserve equivalent to one-year operating revenue and a capital replacement reserve equivalent to the accumulated depreciation expense and to transfer all excess BAHA funds including annual surplus funds included in the annual budget to fund the reserve. Any withdrawal from the designated reserves, requires specific approval of BAHA; and, be it further

RESOLVED, that the Executive Director and Chief Financial Officer are authorized to transfer all excess annual operating surplus remaining after annual budgeted reserve transfers to BATA; and, be it further

RESOLVED, that the Executive Director and Chief Financial Officer are authorized to utilize generally available cash as an advance for project cash flow purposes provided the advance is repaid from project funds by the close of the fiscal year; and, be it further

RESOLVED, that the BAHA staff shall furnish BAHA with a quarterly financial report to reflect budgeted and actual income, expenditures, obligations for professional and consultant services, and such other information and data as may be requested by BAHA.

BAY AREA HEADQUARTERS AUTHORITY

Alfred Pedroza, Chair

The above resolution was entered into by the Bay Area Headquarters Authority at a regular meeting of the Authority held in San Francisco, California and at other remote locations, on June 22, 2022.

Date: June 22, 2022
W.I.: 9110, 9120, 9130

Attachment A
BAHA Resolution No. 33

FY 2022-23 BAHA Operating and Capital Budgets

Bay Area Headquarters Authority (BAHA) FY 2022-23 Operating and Capital Budget

	Actuals as of 02/28/2022	Adopted FY 2021-22	Draft FY 2022-23	Change in % Increase/(Decrease)	Change in \$ Increase/(Decrease)
Revenue:					
Assessment fee - shared services	\$ 1,722,289	\$ 2,296,385	\$ 3,181,049	38.5%	\$ 884,664
Assessment fee - common area	3,011,240	4,014,986	4,090,429	1.9%	75,443
Lease income	6,940,212	10,395,831	10,643,074	2.4%	247,243
Expense reimbursements	102,137	185,640	190,400	2.6%	4,760
Other income - parking	83,327	109,995	109,995	0.0%	-
Utility reimbursements	88,546	172,829	172,829	0.0%	-
Other income	30,657	4,082	11,621	184.7%	7,539
Total revenue	11,978,408	17,179,748	18,399,397	7.1%	1,219,649
Expenses:					
Salaries and Benefits	727,551	1,149,324	1,485,099	29.2%	335,775
Overhead	378,262	575,354	742,550	29.1%	167,196
Temp service	34,535	175,000	150,000	-14.3%	(25,000)
Legal services	-	50,000	50,000	0.0%	-
Other contractual services	350	125,000	450,000	260.0%	325,000
IT licenses, maintenance	676,184	1,730,940	1,692,300	-2.2%	(38,640)
Audit/tax prep	89,271	141,000	134,500	-4.6%	(6,500)
Supplies	25,506	125,000	147,000	17.6%	22,000
Parking operation	195,757	331,833	350,682	5.7%	18,849
Catering	-	90,000	130,000	44.4%	40,000
Other expenses	12,281	100,000	440,000	340.0%	340,000
Special Event Setups	-	25,000	30,000	20.0%	5,000
Insurance	30,007	20,000	65,000	225.0%	45,000
Art related	-	75,000	75,000	0.0%	-
Café Space Project	-	50,000	150,000	200.0%	100,000
Lease commission	-	-	500,000	-100.0%	500,000
Utility	-	6,600	-	-100.0%	(6,600)
Cleaning Service	2,085	3,300	15,000	354.5%	11,700
Security	-	48,400	50,000	3.3%	1,600
Contractual services - CW	6,088,027	8,977,374	9,083,191	1.2%	105,817
Total expense	8,259,815	13,799,125	15,740,322	14.1%	1,941,197
Surplus/(deficit) before transfer	3,718,592	3,380,623	2,659,075	-21.3%	(721,548)
Transfer in/(out):					
Transfer in from Reserve	-	-	-	0.0%	-
Transfer to BATA	(1,080,623)	(1,080,623)	-	-100.0%	1,080,623
Transfer to Operating Reserve	-	(1,200,000)	-	-100.0%	1,200,000
Transfer to Capital	-	(1,100,000)	(2,659,075)	141.7%	(1,559,075)
Total transfer	(1,080,623)	(3,380,623)	(2,659,075)	-21.3%	721,548
Operating surplus/(deficit)	\$ 2,637,969	\$ -	\$ -	\$ -	\$ -

Bay Area Headquarters (BAHA) FY 2022-23 Operating and Capital Budget

	Building and Commercial Operations- CW	Condo and Shared Services	BAHA Operating	Adopted FY 2021-22	Draft FY 2022-23	Actuals as of 02/28/2022
Revenue:						
Assessment fee - shared services	\$ -	\$ 3,181,049	\$ -	\$ 2,296,385	\$ 3,181,049	\$ 1,722,289
Assessment fee - common area	-	4,090,429	-	4,014,986	4,090,429	3,011,240
Lease income	10,643,074	-	-	10,395,831	10,643,074	6,940,212
Expense reimbursements	-	-	190,400	185,640	190,400	102,137
Parking	109,995	-	-	109,995	109,995	83,327
Utility reimbursements	172,829	-	-	172,829	172,829	88,546
Other revenue	11,621	-	-	4,082	11,621	30,657
Total revenue	10,937,519	7,271,478	190,400	17,179,748	18,399,397	11,978,408
Expenses:						
Salaries and Benefits	-	1,019,366	465,733	1,149,324	1,485,099	727,551
Overhead	-	509,683	232,867	575,354	742,550	378,262
Temp Service	-	75,000	75,000	175,000	150,000	34,535
Legal services	-	-	50,000	50,000	50,000	-
Other contractual services	-	-	450,000	125,000	450,000	350
IT licenses, maintenance	-	994,500	697,800	1,730,940	1,692,300	676,184
Audit/tax prep	-	60,500	74,000	141,000	134,500	89,271
Supplies	-	97,000	50,000	125,000	147,000	25,506
Parking operation	320,682	-	30,000	331,833	350,682	195,757
Catering	-	105,000	25,000	90,000	130,000	-
Other expenses	-	290,000	150,000	100,000	440,000	12,281
Special Event Setups	-	30,000	-	25,000	30,000	-
Insurance	-	-	65,000	20,000	65,000	30,007
Art Related	-	-	75,000	75,000	75,000	-
Café Space Project	-	-	150,000	50,000	150,000	-
Lease commission	-	-	500,000	-	500,000	-
Utility	-	-	-	6,600	-	-
Cleaning Service	-	-	15,000	3,300	15,000	2,085
Security	-	-	50,000	48,400	50,000	-
Contractual services - CW	4,992,762	4,090,429	-	8,977,374	9,083,191	5,140,609
Total expense w/o depreciation	5,313,444	7,271,478	3,155,400	13,799,125	15,740,322	7,312,397
Surplus/(deficit) before transfer and depreciation	5,624,075	-	(2,965,000)	3,380,623	2,659,075	4,666,010
Transfer in/(out):						
Transfer to BATA	-	-	(2,659,075)	(1,080,623)	(2,659,075)	(1,080,623)
Transfer to Temazcal Op	-	-	-	-	-	-
Transfer to Operation Reserve	-	-	-	(1,200,000)	-	-
Transfer to Capital Reserve	-	-	-	(1,100,000)	-	-
Total transfer	-	-	(2,659,075)	(3,380,623)	(2,659,075)	(1,080,623)
Operating surplus/(deficit) before depreciation	5,624,075	-	(5,624,075)	-	-	3,585,387
Depreciation	1,421,127	-	-	(7,221,127)	1,421,127	947,418
Total operating surplus/(deficit)	\$ 4,202,948	\$ -	\$ (5,624,075)	\$ (7,221,127)	\$ (1,421,127)	\$ 2,637,969

Distribution of Condo Area Fees

FY 2022-23

	Common Area	Shared Services	Total
BAAQMD	\$ 1,856,236	\$ 1,443,560	\$ 3,299,796
ABAG	98,432	287,567	385,999 *
BATA/MTC	2,135,761	1,449,922	3,585,683
Total	\$ 4,090,429	\$ 3,181,049	\$ 7,271,478

FY 2021-22

	Common Area	Shared Services	Total
BAAQMD	\$ 1,822,001	\$ 1,042,100	\$ 2,864,101
ABAG	159,207	207,593	366,800
BATA/MTC	2,033,778	1,046,692	3,080,470
Total	\$ 4,014,986	\$ 2,296,385	\$ 6,311,371

Diff

BAAQMD	\$ 34,235	\$ 401,460	\$ 435,695
ABAG	(60,775)	79,974	19,199
BATA/MTC	101,983	403,230	505,213
Total	\$ 75,443	\$ 884,664	\$ 960,107

* Max ABAG assessment fee for FY 2022-23 is \$385,999 based on CC&R Section 2.01(h)(6). Per MTC Commission approval on December 15, 2021, ABAG shared services are paid by MTC and ABAG will pay all Common Area assessments.

	RSF	
MTC/BATA	96,257	45.58%
BAAQMD	95,834	45.38%
ABAG	19,091	9.04%
375 Condo Sq. Ft	211,182 **	42.67%
Total CC&R Sq. Ft.	494,956	57.33%

** Agency Space RSF from CC&R Exhibit B and 15,600 RSF for 1st floor

Building Development Budget FY 2022-23	LTD Budget Thru FY 2021-22	LTD Actual As of 12/31/2021	Remaining Budget As of 12/31/2021	Additions FY 2022-23	Total LTD Budget Thru FY 2022-23
Sources					
Insurance proceeds	\$ 1,817,087	\$ 1,817,087	\$ -	\$ -	\$ 1,817,087
Transfer in from MTC	801,160	801,160	-	-	801,160
Transfer in from SAFE	112,910	112,910	-	-	112,910
Transfer in from BATA	6,906,010	6,906,010	-	-	6,906,010
Purchase from ABAG	1,600,000	5,815,497	4,215,497	-	1,600,000
Purchase from Air District	34,000,000	34,141,265	141,265	-	34,000,000
Reimbursement from PG&E	54,601	54,601	-	-	54,601
TFCA Grant	82,000	17,128	(64,872)	-	82,000
Grant Local Match from MTC/BATA	119,000	119,000	-	-	119,000
Grant Local Match from Air District	150,000	150,000	-	-	150,000
SPANs savings	33,000,000	33,000,000	-	-	33,000,000
Capital Contribution (BATA)	285,356,009	285,356,009	-	-	285,356,009
Interest Revenue	-	307,511	307,511	-	-
Reimbursement for Capital Expenditure	-	1,156,132	1,156,132	-	-
Miscellaneous	-	68,483	68,483	-	-
Transfer in from BAHA Operation	290,781	245,634	(45,147)	-	290,781
Total Transfer In	364,289,558	370,068,427	5,778,869	-	364,289,558
Uses					
Purchase Building	93,000,000	93,000,000	-	-	186,000,000
Building Development	154,207,882	153,722,765	485,117	-	308,415,764
Insurance	573,017	573,017	-	-	1,146,034
Development Contingency	-	-	-	-	-
Furniture, Fixtures, Equipment	15,000,000	15,000,000	-	-	30,000,000
12V Feed	307,606	307,606	-	-	615,212
EV Charging Station	351,000	340,324	10,676	-	702,000
Staff Costs	8,404,890	8,302,929	101,961	-	16,809,780
Transfer Out	400,000	-	400,000	-	800,000
Total Usage	\$ 272,244,395	\$ 271,246,641	\$ 997,754	\$ -	\$ 544,488,790
Excess Revenue Transferred to Comm Dev Fund	92,045,163	97,824,032	(5,778,869)		
Net Surplus/(Deficit)	-	997,754	997,754		

Commercial Development Fund Life To Date thru FY 2022-23

Program #	Budget	LTD Budget Thru FY 2021-22	LTD Actual As of 12/31/2021	Remaining Budget As of 12/31/2021	FY 2022-23			Thru FY 2022-23
					Tenant Improvements	Commissions	Total	
9143	Transfer In	\$ 24,139,154	\$ 97,824,032	\$ 73,684,878	\$ -	\$ -	\$ -	\$ 24,139,154
9140	Cubic Reimbursement for TI	100,000	-	(100,000)	-	-	-	100,000
9141	BCDC	2,518,283	-	(2,518,283)	-	-	-	2,518,283
9143	Air District	3,000,000	-	(3,000,000)	-	-	-	3,000,000
		29,757,437	97,824,032	68,066,595	-	-	-	29,757,437
9135	T.I. Rutherford and Chekene	1,235,930	1,235,930	-	-	-	-	1,235,930
9136	Conduent (Xerox)	110,975	110,975	-	-	-	-	110,975
9137	T.I. Degenkolb	2,287,410	2,287,410	-	-	-	-	2,287,410
9138	T.I. Twilio	10,178,398	10,178,398	-	-	-	-	10,178,398
9139	Engineering/Architectural	350,000	350,000	-	-	-	-	350,000
9140	T.I. Ada's Café	465,454	465,454	-	-	-	-	465,454
9141	BCDC	7,016,736	7,016,736	-	-	-	-	7,016,736
9142	Cubic	562,648	562,648	-	-	-	-	562,648
9144	Temazcal	5,049,886	4,498,500	551,386	-	-	-	5,049,886
	Total Tenant Improvements	27,257,437	26,706,051	551,386	-	-	-	27,257,437
9143	Marketing	2,500,000	71,117,981	68,617,981			-	2,500,000
	Transfer Out - Building Improvement	2,500,000		2,500,000	-	-	-	2,500,000
	Net	\$ -	\$ 71,117,981	\$ 71,117,981	\$ -	\$ -	\$ -	\$ -

Building Improvement Fund Life-To-Date (LTD) thru FY 2022-23

Program #	Budget	LTD Budget Thru FY 2021-22	LTD Actuals as of 12/31/2021	Remaining Budget as of 12/31/2022	Draft FY 2022-23	LTD Budget Thru FY 22-23
	Transfer In	\$ 4,529,000	\$ 4,529,000	\$ 2,366,597	\$ 2,659,075	\$ 7,188,075
	In-House Improvement Project					
9160	IT Improvement Project	984,000	478,653	505,347	660,000	1,644,000
9161	Agency Space Modification	200,000	12,196	187,804	750,000	950,000
9162	Agency Infrastructure Improvement	320,000	231,599	88,402	200,000	520,000
9163	Level 1 Public Space Modifications	1,411,000	105,793	1,305,207		1,411,000
	Total In-House Project	2,915,000	828,241	2,086,759	1,610,000	4,525,000
	CW Improvement Project					
9180	AHUs1-4 Eyebrow Install	860,000	576,339	283,661		860,000
9181	Building Improvement	1,115,000	757,823	357,177	2,070,000	3,185,000
	Total CW Project	1,975,000	1,334,162	640,838	2,070,000	4,045,000
	Total Building Improvement Budget	\$ 4,890,000	\$ 2,162,403	\$ 2,727,597	\$ 3,680,000	\$ 8,570,000
	Net	\$ (361,000)	\$ 2,366,597	\$ 361,000	\$ (1,020,925)	\$ (1,381,925)