

Bay Area Headquarters Authority



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FY 2023-24 Draft BAHA Operating and Capital Budget



Bay Area Headquarters Authority (BAHA) Overview

- **BAHA purchased 375 Beale Street in 2011**
- **In 2016, the three entities below moved into the building, and established a condominium corporation to divide ownership**
 - MTC, BAAQMD, ABAG
- **Revenue to fund the budget is derived from:**
 - Assessments from the three condominium owners
 - Lease income from private tenants
 - Miscellaneous (e.g., parking, investments)
- **Expenses are categorized in three ways:**
 - Common Area (Expenses shared by all tenants: ex: atrium lighting, water, garbage)
 - Shared Services (Benefit the condo owners – ex: Board room technology improvements)
 - Capital (High dollar, long-lasting projects – ex: Wi-Fi upgrades and maintenance, stairwell improvements, roofing)

Setting the Stage – Budget Challenges

- 375 Beale requires ongoing capital maintenance to maintain a safe and functional building, and to make the building desirable to future tenants
- Capital projects are funded by operating surpluses and accumulated reserves
- As the office rental market competition grows, tenant occupancy and rental income in the next few years are likely to decline
- This means that less rental income will be available to use for capital projects
- **Alternatives may include**
 - Delaying projects
 - Scaling back projects
 - Assessing the condo owners
 - Further drawing from reserves
- FY2023-24 Capital Project requests total \$14.1M, compared to a projected operating surplus of \$2.2M
- Staff is working to prioritize capital projects and analyzing the impact of drawing from operating reserves

BAHA Draft FY 2023-24 Operating Budget

Total Revenue - \$19.8 million +8%

- Assessments are increased proportionally with expenses
- Lease revenue from tenants
- Other – Increase projected from investment returns

Expenses - \$17.4 million +11%

- Salary & Benefit – Cost of Living adjustment and staffing levels
- Tech. (Firewall, Cisco, Security, Hybrid telepresence)
- Property Mgt. (Cleaning, administrative, Repairs & Maint., Security, labor/benefits)
- Other (Legal, hybrid space adjustments/furniture,, temporary employees, supplies, etc.). Lease commissions moved to capital budget in FY24

No BATA reimbursement is budgeted for FY2023-24

	FY 2022-23 (thousands)	FY 2023-24 Draft Budget (thousands)	Change
Revenue			
Assessments	\$7,271	\$8,873	22%
Lease	10,643	10,149	(5%)
Other	485	826	70%
Total Revenue	\$18,399	\$19,849	7.9%
Expense			
Salary & Benefit	\$1,485	\$1,653	11.3%
Tech. licenses & maint.	1,692	2,443	44%
Property Management	9,083	10,069	11%
Other	3,480	3,452	(1)%
Total Expense	\$15,740	\$17,617	12%
Operating Surplus/(deficit)	\$2,659	\$2,232	(16%)
Transfers	\$0	\$15,500	N/A

BAHA Draft FY 2023-24 Capital Budget

Total Capital project requests of \$14.1M (in thousands)

• Agency Infrastructure Improvement	\$8,500	} In-House Projects
• IT Improvement Project	\$1,655	
• Agency Space Modification Planning	\$750	
• Contingency	\$50	
• C&W Building Improvement Projects	\$2,407	} Property Management Projects
• Lease Commissions	\$750	