

**BAY AREA HEADQUARTERS AUTHORITY**

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***Memorandum*****Agenda Item 4b**

TO: Bay Area Headquarters Authority (BAHA)

DATE: June 15, 2016

FR: Executive Director

RE: BAHA Resolution No. 17, FY 2016-17 Operating and Capital Budgets

Staff requests Authority approval of BAHA Resolution No. 17, the BAHA FY 2016-17 BAHA Operating and Capital Budgets.

The FY 2016-17 budget assumes full occupancy for commercial tenants in the Beale Street building during FY 2016-17, except for 4,500 square feet for the larger retail space on the first floor. BCDC will also occupy the building in FY 2016-17 given the relocation was approved by the Governor and included in the State budget. The project is pending lease negotiations with the Department of General and final approval by this Authority.

**Operating Budget**

- The budget forecasts BAHA's operating income of \$10.2 million, operating expenses of \$8.7 million and an operating surplus of \$1.5 million.

**Building and Commercial Operations:**

- The lease income includes a continuation of rent from Xerox State & Local Solutions, Inc. with new lessees in FY 2016-17 - Rutherford + Chekene (payment begins September 2016), Twilio (November 2016), and Degenkolb Engineers (February 2017).
- As property manager, Cushman & Wakefield will receive approximately \$5.3 million for all building operations, including administration, janitorial, security, landscaping, window washing and parking garage operations.
- The BAHA operating column includes other operational costs associated with the building operations that are not reimbursed by the Shared Services Operations (SSO) overseen by the three condominium agencies – MTC, ABAG, and the Air District.
- BAHA's building, SSO, and commercial operations have a salary and overhead cost of \$1.7 million for approximately 10 positions.
- The budget includes funding to install paid parking equipment with a revenue estimate of \$57,600 from parking operations.

Shared Services Operations:

- The SSO budget includes estimated costs of \$1.5 million for business operations that will be shared by the three agencies.
- The SSO services include a shared receptionist, meeting room coordinator, conference room setups, building assistant, shuttle service pilot, and shared information technology services.
- The assessment fee of \$3.0 million is for the building services related to the common area.
- Building common area costs include security, repair and maintenance, janitorial and cleaning.

Agency Contribution:

- MTC, ABAG and the Air District will contribute their proportional share of the building common area and shared services costs as detailed in Attachment A, page 2. MTC's share is 52%, ABAG is 7%, and the Air District's share is 41%. The ABAG share is capped at \$314,000 and is adjusted annually for inflation.
- These proposed amounts, including salary and overhead costs of \$802,000 and four positions, have been formally approved by each agency.

Capital Budget

- The total capital budget (Attachment A, page 3), including adjustments for FY 2016-17 changed from 257.8 million to \$258.8 million. The capital budget, increased by \$500,000 for retrofit of a backup generator to be reimbursed by the Air District and \$500,000 for 12V feed and removal of PG&E transformers, and is summarized as follows:

<u>Sources</u>	<u>\$ millions</u>
BATA toll contribution	\$185.5
SPANs debt savings	33.0
Purchase from Air District	30.0
Insurance proceeds	0.3
Air District and PG&E reimbursement	1.0
Tenant improvements from ABAG	1.2
BATA/MTC/SAFE transfers	7.8
Life-to-date project budget	\$258.8
<u>Uses</u>	
Building Purchase	\$93.0
Building Development	159.6
Staff Costs	5.2
Capital Equipment	1.0
Life-to-date uses	\$258.8
Life-to-date expense	\$242.4
Project Balance	\$16.4

- Project expenditures, including contracts currently encumbered, total \$242.4 million. The remaining balance of \$16.4 million is committed to completing construction and preparing the building for occupancy. As noted in item 4a, we also expect that there may be some construction claims once McCarthy finishes work, which is several months past the approved schedule. We will keep BAHA informed of the claims process as it unfolds. There is one staff person in the capital budget to monitor the tenant improvements and leases and outstanding construction items. Further information is included in Attachment A, page 3.
- The FY 2016-17 BAHA Commercial Development Fund (Attachment A, page 4) accounts for the tenant improvement allowances and building improvements. The total budgeted expense is \$12.4 million. Funds are advanced by BAHA and recovered on an annual basis from the lease revenue. The work will be completed in FY 2016-17 prior to the tenants moving in. The building improvements of \$0.9 million are included in the capital budget.
  - The \$2.5 million for commissions to be paid from the capital projects fund.
  - Approximately \$11.7 million of the costs are related to tenant improvements.
  - Contingency, engineering and design total \$675,000.
  - \$890,000 building improvements include key card access and new readers, HVAC, parking, awnings, and light screen/filters.
  - Broker commissions were actually paid as part of the project development.

**Recommendation:**

Staff recommends that this Authority approve BAHA Resolution No. 17, the BAHA FY 2016-17 Capital and Operating Budgets.



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Steve Heminger

SH:ES  
Attachment

Date: June 22, 2016  
W.I.: 9130

ABSTRACT

BAHA Resolution No. 17

This resolution approves the Budget for FY 2016-17 for the Bay Area Headquarters Authority (BAHA).

Discussion of this Resolution can be found in the Executive Director's Memorandum to BAHA dated June 15, 2016.

Date: June 22, 2016  
W.I.: 9130

Re: Bay Area Headquarters Authority Capital and Operating Budgets for FY 2016-17

BAY AREA HEADQUARTERS AUTHORITY  
RESOLUTION No. 17

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, the BAHA staff has prepared a proposed capital and operating budget setting forth the anticipated revenues and expenditures of BAHA for FY 2016-17 according to generally accepted accounting principles; now, therefore, be it

RESOLVED, that BAHA approves the FY 2016-17 capital and operating budget (the “BAHA Budget”) as set forth in Attachment A to this Resolution; and, be it further

RESOLVED, that the Executive Director or designee may approve adjustments among line items in the BAHA Budget for FY 2016-17, 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 2016-17; and be it further

RESOLVED, that the Executive Director and Treasurer and Auditor 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 2016-17; and, be it further

RESOLVED, that the BAHA staff shall furnish BAHA with at minimum, at least quarterly, a 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

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Dave Cortese, 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,  
on June 22, 2016.

Date: June 22, 2016  
W.I.: 9130

Attachment A  
BAHA Resolution No. 17

FY 2016-17 BAHA Budget

## Attachment A

## BAHA Resolution No. 17

Page 1 of 4

**BAHA Building and Commercial Operations Budget FY 2016-17**

	Building and Commercial Operations- CW	Condo and Shared Services	BAHA Operating	Total BAHA operating
Revenue:				
Assessment fee - shared services	\$ -	\$ 1,456,146	\$ -	\$ 1,456,146
Assessment fee - common area	-	3,018,838	-	3,018,838
Lease income	5,564,578	-	-	5,564,578
Expense reimbursements	95,607	-	-	95,607
Other income - parking	57,600	-	-	57,600
Total operating income	5,717,785	4,474,984	-	10,192,769
Operating expenses:				
Salaries and Benefits	-	562,048	1,124,317	1,686,365
Overhead	-	240,098	480,432	720,530
Postage meter and Comcast/Direct TV	-	12,000	-	12,000
Supplies	-	256,000	-	256,000
Other expenses	24,044	-	-	24,044
Contractual services	2,230,579	3,018,838	-	5,249,417
Shuttle services	-	50,000	-	50,000
IT licenses, maintenance	-	261,000	50,000	311,000
Audit/tax prep	-	-	60,000	60,000
Contingency	-	25,000	250,000	275,000
Insurance	-	50,000	-	50,000
Total expenses	2,254,623	4,474,984	1,964,749	8,694,356
Total operating gain (loss)	\$ 3,463,162	\$ -	\$ (1,964,749)	\$ 1,498,413



## Attachment A

BAHA Resolution No. 17

Page 2 of 4

**Distribution of Condo Area Fees**

	Common Area	Shared Services	Total
BAAQMD	\$ 1,237,723	\$ 604,220	\$ 1,841,943
ABAG	203,909	110,091	314,000
MTC	1,577,206	741,835	2,319,041
Total	\$ 3,018,838	\$ 1,456,146	\$ 4,474,984

## Attachment A

BAHA Resolution No. 17

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**BAHA Capital Budget FY 2016-17**

	<b>LTD Budget Thru FY2015-16</b>	<b>Total Budget FY2016-17</b>	<b>LTD Budget Thru FY2016-17</b>
<b>Sources</b>			
Insurance proceeds	\$ 311,738	\$ -	\$ 311,738
Transfer in from MTC	801,160	-	801,160
Transfer in from SAFE	112,910	-	112,910
Transfer in from BATA	6,906,010	-	6,906,010
Purchase from ABAG	1,250,000	-	1,250,000
Purchase from Air District	30,000,000	-	30,000,000
Reimbursement from Air District	-	500,000	500,000
Reimbursement from PG&E	-	500,000	500,000
SPANs savings	33,000,000	-	33,000,000
Capital Contribution (BATA)	185,450,000	-	185,450,000
<b>Total Transfer In</b>	<b>257,831,818</b>	<b>1,000,000</b>	<b>258,831,818</b>
<b>Uses</b>			
Purchase Building	93,000,000	-	93,000,000
Building Development	125,778,343	-	125,778,343
Development Contingency	19,050,000	(225,462)	18,824,538
Furniture, Fixtures, Equipment	15,000,000	-	15,000,000
Backup Generator and 12V Feed	-	1,000,000	1,000,000
Staff Costs	5,003,475	225,462	5,228,937
<b>Total Usage</b>	<b>\$ 257,831,818</b>	<b>\$ 1,000,000</b>	<b>\$ 258,831,818</b>
<b>LTD Actual &amp; Encumbrances as of March 2016</b>	<b>221,602,355</b>		<b>242,415,696</b>
<b>Remaining Balance</b>	<b>\$ 36,229,463</b>		<b>\$ 16,416,122</b>

Attachment A  
BAHA Resolution No. 17  
Page 4 of 4

**BAHA Commercial Development Fund Life To Date FY 2016-17**

Budget	Tenant Improvements	Commissions	Total	LTD Expense	Budget Balance
1 T.I. Rutherford and Chekene	\$ 1,200,000	\$ 144,240	\$ 1,344,240	\$ -	\$ 1,344,240
2 Xerox	-	55,488	55,488	55,488	-
3 T.I. Degenkolb	1,832,515	452,740	2,285,255	226,370	2,058,885
4 T.I. Twilio	8,329,775	1,836,460	10,166,235	918,230	9,248,005
5 Construction contingency TIs	525,000	-	525,000	-	525,000
6 T.I. Ada's Café	355,000	-	355,000	-	355,000
7 Engineering/Architectural	150,000	-	150,000	-	150,000
Total Tenant Improvements	\$ 12,392,290	\$ 2,488,928	\$ 14,881,218	\$ 1,200,088	\$ 13,681,130

**Building**

	Improvements	Total	LTD Expense	Budget Balance
Building Improvements	890,000	-	890,000	-
Total	\$ 13,282,290	\$ 2,488,928	\$ 15,771,218	\$ 1,200,088

**BAHA Commercial Development Fund Life To Date FY 2016-17**

Marketing	\$ 83,500	\$ 5,915	\$ 77,585
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