

Memorandum

Agenda Item 3a

TO: Bay Area Headquarters Authority (BAHA)

DATE: June 21, 2017

FR: Deputy Executive Director, Operations

W.I.: 9130

RE: BAHA Resolution No.19: FY 2017-18 Capital and Operating Budgets

Staff requests approval of BAHA Resolution No. 19 authorizing the Capital and Operating budgets for FY 2017-18.

FY 2017-18 will represent the second year of BAHA Operations. While fully operational we are not yet fully occupied or completely done with construction. The FY 2017-18 budget assumes a full year of rent from existing tenants and a continuing vacancy for the larger retail space on the first floor. Lease income from Cubic Transportation Systems, Inc. (Cubic) and the San Francisco Bay Conservation and Development Commission (BCDC) will be added during FY 2017-18 when move in is complete.

Operating Budget

- The budget forecasts BAHA's operating income of \$13.6 million, operating expenses of \$9.7 million and an operating surplus of \$3.9 million, before depreciation of \$6 million.

Revenue:

- The overall revenue budget will increase by \$3.4 million (Attachment A, page 1).
- The increase in lease income is due to a full year's rent from Twilio, and Degenkolb Engineers.
- Once the BCDC and Cubic leases are finalized, the lease revenue will be amended into the budget.
- Assessment fee – shared services. BAHA, ABAG and the Air District will contribute their proportional share of the shared service costs such as office supplies and shared printers (Attachment A, page 3). The cost increased by \$200,000 from the prior year mainly due to new IT service contracts replacing the original expired warranties.
- Assessment fee – common area. BAHA, ABAG and the Air District will contribute their proportional share of the building common area (Attachment A, page 3). The amount increased by \$625,000 and this mainly attributable to (1) higher security costs, (2) an additional journeyman for maintenance, a 3% increase in the building engineering contract, and (3) an increase in cleaning costs due to higher occupancy.
- Parking services will be provided for agency pool cars, commercial tenants, and limited visitor parking. The budget will not include parking income until the equipment is operational in FY 2018.

Expense:

- The overall expense budget before depreciation increased from \$8.7 million to \$9.7 million (Attachment A, page 1).
- Salaries, benefits, and associated overhead decreased by \$635,000 with the reduction in construction and move in costs.
- As property manager, Cushman & Wakefield of California, Inc. (Cushman & Wakefield) will receive approximately \$6.7 million for all building operations, including administration of HVAC, janitorial, security, landscaping, window washing and parking garage operations. The cost is higher by \$1.4 million due to additional building engineers, an additional day porter, and higher security costs.
- IT services increased by \$317,000 mainly due to new IT service contracts replacing the expired warranties.

Capital Budget

- The total capital budget (Attachment A, page 4), FY 2017-18 changed from \$271 million to \$272 million. The \$1 million increase is from the insurance reimbursement for the power outage that occurred in FY 2015-16.

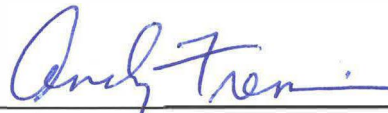
<u>Sources</u>	<u>\$ millions</u>
BATA toll contribution	\$193.3
SPANs debt savings	33.0
Purchase from Air District	34.0
Insurance proceeds	1.3
Purchase from ABAG	1.6
BATA/MTC/SAFE transfers	7.8
TFCA grant and local match	0.4
Reimbursement Air District/PG&E	0.6
Life-to-date project budget	\$272.0
<u>Uses</u>	
Building Purchase	\$93.0
Building Development	172.6
Staff Costs	5.4
Capital Equipment	1.0
Life-to-date uses	\$272.0
Life-to-date expense & Encumbrance	\$268.4
Project Balance	\$3.6

- Project expenditures, including contracts currently encumbered, total \$268.4 million. The remaining balance of \$3.6 million is committed to completing the outstanding open construction items and replacement of a backup generator. One half-staff person is included in the capital budget to monitor tenant improvements, leases and outstanding construction items. (Attachment A, page 4).
- The FY 2017-18 BAHA Commercial Development Fund (Attachment A, page 5) accounts for the tenant improvement allowances, commissions and marketing expenses associated with tenant leases. The total budgeted expense is \$20.5 million; with \$11.1 million expended through March 2017. Most of the remaining budget balance of \$9.4 million is committed to BCDC and Cubic tenant improvements as well as final payments to Twilio and Degenkolb Engineers. We expect BCDC and Cubic to move in during the FY 2017-18 year.

Overall, the budget produces a slight operating balance in only the second year of operation while BAHA retains the funding necessary to complete existing capital projects, tenant improvements and building maintenance.

Recommendation:

Staff recommends approval of the BAHA Capital and Operating Budgets for FY 2017-18, BAHA Resolution No. 19.



Andrew B. Fremier

SH:bm
Attachment

Date: June 28, 2017
W.I.: 9130

ABSTRACT

BAHA Resolution No. 19

This resolution approves the Budget for FY 2017-18 for the Bay Area Headquarters Authority (BAHA).

Discussion of this Resolution can be found in the Executive Director's Memorandum to BAHA dated June 14, 2017.

Date: June 28, 2017

W.I.: 9130

Re: Bay Area Headquarters Authority Capital and Operating Budgets for FY 2017-18

BAY AREA HEADQUARTERS AUTHORITY
RESOLUTION No. 19

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 2017-18 according to generally accepted accounting principles; now, therefore, be it

RESOLVED, that BAHA approves the FY 2017-18 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 2017-18, 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 2017-18; 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 2017-18; 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

Jake Mackenzie, 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 28, 2017.

Date: June 28, 2017

W.I.: 9130

Attachment A

BAHA Resolution No. 19

FY 2017-18 BAHA Budget

BAHA Building and Commercial Operatings Budget FY2017-18

	Adopted Budget FY2016-17	Original Budget FY2017-18	Percent Change	Change in \$ inc (dec)
Revenue:				
Assessment fee - shared services	\$ 1,456,146	\$ 1,655,699	13.7%	\$ 199,553
Assessment fee - common area	3,018,838	3,643,476	20.7%	624,638
Lease income	5,564,578	8,006,770	43.9%	2,442,192
Expense reimbursements	95,607	277,470	190.2%	181,863
Utility reimbursements	57,600	60,000	4.2%	2,400
Total operating income	10,192,769	13,643,415	33.9%	3,450,646
Operating expenses:				
Salaries and Benefits	1,686,365	1,215,096	-27.9%	(471,269)
Overhead	720,530	556,315	-22.8%	(164,215)
Postage meter and Comcast/Direct TV	12,000	12,000	0.0%	-
Supplies	256,000	256,000	0.0%	-
Other expenses	24,044	746,334	3004.0%	722,290
Contractual services	5,249,417	5,912,124	12.6%	662,707
Shuttle services	50,000	-	-100.0%	(50,000)
IT licenses, maintenance	311,000	627,977	101.9%	316,977
Audit/tax prep	60,000	60,000	0.0%	-
Contingency	275,000	275,000	0.0%	-
Insurance	50,000	10,000	-80.0%	(40,000)
Catering	-	5,000	100.0%	5,000
Special Event Setups	-	50,000	100.0%	50,000
Total expense before depreciation	8,694,356	9,725,845	11.9%	1,031,489
Operating surplus before depreciation	1,498,413	3,917,570	161.4%	2,419,157
Depreciation	-	6,060,590	100.0%	6,060,590
Total operating gain (loss)	\$ 1,498,413	\$ (2,143,020)	-243.0%	\$ (3,641,433)

BAHA Building and Commercial Operations Budget FY2017-18

	Building and Commercial Operations- CW	Condo and Shared Services	BAHA Operating	Total BAHA Operating
Revenue:				
Assessment fee - shared services	\$ -	\$ 1,655,699	\$ -	\$ 1,655,699
Assessment fee - common area	-	3,643,476	-	3,643,476
Lease income	8,006,770	-	-	8,006,770
Expense reimbursements	156,470	-	121,000	277,470
Utility reimbursements	60,000	-	-	60,000
Total operating income	8,223,240	5,299,175	121,000	13,643,415
Operating expenses:				
Salaries and Benefits	-	576,692	638,404	1,215,096
Overhead	-	264,030	292,284	556,315
Postage meter and Comcast/Direct TV	-	12,000	-	12,000
Supplies	-	256,000	-	256,000
Other expenses	746,334	-	-	746,334
Contractual services	2,043,648	3,643,476	225,000	5,912,124
IT licenses, maintenance	-	456,977	171,000	627,977
Audit/tax prep	-	-	60,000	60,000
Contingency	-	25,000	250,000	275,000
Insurance	-	10,000	-	10,000
Catering	-	5,000	-	5,000
Special Event Setups	-	50,000	-	50,000
Total expense before depreciation	2,789,982	5,299,175	1,636,688	9,725,845
Operating surplus before depreciation	5,433,258	-	(1,515,688)	3,917,570
Depreciation	1,460,590	-	4,600,000	6,060,590
Total operating gain (loss)	\$ 3,972,668	\$ -	\$ (6,115,688)	\$ (2,143,020)

Distribution of Condo Area Fees**FY 2017-18**

	Common Area	Shared Services	Total
BAAQMD	\$ 1,444,218	\$ 656,294	\$ 2,100,511
ABAG	174,567	150,433	325,000
MTC	2,024,691	848,972	2,873,664
Total	<u>\$ 3,643,476</u>	<u>\$ 1,655,699</u>	<u>\$ 5,299,175</u>

FY 2016-17

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	<u>\$ 3,018,838</u>	<u>\$ 1,456,146</u>	<u>\$ 4,474,984</u>

BAHA Capital Budget FY 2017-18	LTD Budget Thru FY2016-17	Total Budget FY2017-18	Total LTD Budget Thru FY2017-18
Sources			
Insurance proceeds	\$ 311,738	\$ 972,719	\$ 1,284,457
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	1,600,000	-	1,600,000
Purchase from Air District	34,000,000	-	34,000,000
Reimbursement from Air District	500,000	-	500,000
Reimbursement from PG&E	64,154	(9,553)	54,601
TFCA Grant	151,000	-	151,000
Grant Local Match from MTC/BATA	119,000	-	119,000
Grant Local Match from Air District	150,000	-	150,000
SPANs savings	33,000,000	-	33,000,000
Capital Contribution (BATA)	193,310,846	-	193,310,846
Total Transfer In	271,026,818	963,166	271,989,984
Uses			
Purchase Building	\$ 93,000,000	\$ -	\$ 93,000,000
Building Development	137,973,343	803,990	138,777,333
Development Contingency	18,824,538	-	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	5,228,937	159,176	5,388,113
Total Usage	271,026,818	963,166	271,989,984
LTD Actual and Encumbrances as of April 2017			268,432,504
Remining Balance			\$ 3,557,480

BAHA Commercial Development Fund Life To Date FY 2017-18						
Program #	Budget	Tenant Improvements	Commissions	Total	LTD Expense - 4/30/2017	Budget Balance
	Sales Proceeds			\$ 22,139,154		
9135	T.I. Rutherford and Chekene	\$ 1,112,749	\$ 123,181	\$ 1,235,930	\$ 1,235,930	\$ -
9136	Conduent (Xerox)	-	110,975	110,975	110,975	-
9137	T.I. Degenkolb	1,834,670	452,740	2,287,410	1,712,001	575,409
9138	T.I. Twilio	8,338,957	1,836,460	10,175,417	7,665,371	2,510,046
9139	Construction contingency TIs	170,000	-	170,000	-	170,000
9139	Engineering/Architectural	150,000	-	150,000	-	150,000
9140	T.I. Ada's Café	810,000	-	810,000	405,010	404,990
9141	BCDC	5,080,000	-	5,080,000	33,577	5,046,423
9142	Cubic	450,000	44,000	494,000	-	494,000
	Total Tenant Improvements	\$ 17,946,376	\$ 2,567,356	\$ 20,513,732	\$ 11,162,864	\$ 9,350,868
	Marketing			\$ 83,500	\$ 17,065	\$ 66,435
	Building Improvements			\$ 890,000		\$ 890,000
	Net			651,922		