



BAY AREA HEADQUARTERS AUTHORITY

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Memorandum

Agenda Item 4c

TO: Bay Area Headquarters Authority

DATE: September 20, 2018

FR: Executive Director

W. I. 9110, 9120, 9130

RE: **BAHA Financial Statements for June 30, 2018 (Unaudited)**

Attached are the BAHA Operating and Capital Financial Statements for the fiscal year ending on June 30, 2018. The June 2018 financials are preliminary, unaudited and subject to change upon completion of the annual audit process.

Combined Operations: BAHA is the operating authority and provides oversight for the entire Bay Area Metro Center (BAMC) enterprise, including the operation of the 375 Beale Condominium Corporation (375 Beale Inc.). As of the end of the fiscal year, the combined operating financials (Attachment A Page 1) show a surplus of \$3.7 million before depreciation and the FY 2017-18 assessment credit to the owners. Overall, BAHA had a good operating year.

BAHA Building Operations: BAHA Building Operations represents the BAHA commercial building operations. These operations reported a \$2.9 million surplus before depreciation (Attachment A Page 2). Total revenue of \$8.8 million is 6% or \$337,221 over the approved budget. The higher revenue was due to additional rent, higher parking revenue and interest earnings. Total operating expense was in line with the approved budget at \$5.9 million, with \$51,652 unspent. Cushman & Wakefield of California, Inc. (CW), the property manager, did not overspend the budget, rather the formula distributing expenses between commercial operations and 375 Beale Inc. expenses was changed. Detail of CW spending can be found in Attachment A Page 4.

375 Beale Inc.: The board of directors of 375 Beale Inc., composed of representatives of the condominium owners, oversee the condominium operations. As of June 30, 2018, the condominium operations show a surplus of \$284,246 before the assessment credit for the fiscal year. The FY 2017-18 surplus will be return to the condominium owners during FY 2018-19 based on the assessment calculation formula. (Attachment A Page 3)

During the year, an assessment credit of \$901,388 was calculated for FY 2016-17. The Bay Area Air Quality Management District collected its portion of the credit, \$425,369. MTC management decided to leave its credit of \$476,016 in 375 Beale Inc. as a reserve. BAHA has restricted the \$476,016 credit for MTC as an operating reserve. ABAG did not qualify for a credit because its FY 2016-17 assessment came in below its expense for that year.

Property Manager: CW is hired by BAHA as the property manager for the BAMC. CW is responsible for ensuring the building is in operating condition throughout the fiscal year by managing utilities services, building security, janitorial service, and building maintenance. Total operating expense incurred by CW in FY 2017-18 was \$7.5 million, 95% of the approved budget. CW expenses were split between BAHA Building Operations and 375 Beale Inc. Detail can be found in Attachment A Page 4.

BAHA Capital: The capital budget is 99% expended. The project budget has \$792,777 remaining after expenditures and encumbrances (Attachment A Page 5).

Commercial Development: Tenant improvements are now 99% complete. The project budget has \$38,040 remaining after expenditures and encumbrances (Attachment A Page 6).



Steve Heminger

SH:bm

BAHA Building and 375 Beale Inc. Operations
BAHA Operating Budget by Group
As of June 30, 2018 (Unaudited)

	FY2017-18 Budget	Actual YTD	Budget Bal Over/(Under)	% of Budget
Revenue:				
Assessment fee - shared services	\$ 1,655,699	\$ 1,655,699	\$ -	100%
Assessment fee - common area	3,643,476	3,643,476	-	100%
Lease income	8,006,770	8,329,303	322,533	104%
Expense reimbursements	277,470	261,153	(16,317)	94%
Other income - parking/antenna	60,000	91,005	31,005	152%
Interst Income	-	147,350	147,350	100%
Total Operating Revenue	13,643,415	14,127,986	484,571	104%
Expense:				
Staff Cost (In-House)				
Salaries and Benefits	1,028,574	986,498	(42,076)	96%
Overhead	470,836	452,861	(17,975)	96%
Total Staff Cost	1,499,410	1,439,359	(60,051)	96%
Cushman & Wakefield Op Exp				
375 Beale Inc Op Exp	3,643,476	2,992,007	(651,469)	82%
Building Op Exp	4,289,981	4,525,784	235,803	105%
Total Cushman & Wakefield Op Exp	7,933,457	7,517,791	(415,666)	95%
In-House Op Exp				
375 Beale Inc Op Exp	1,086,977	620,859	(466,118)	57%
Building Op Exp	770,084	480,723	(289,361)	62%
Total In-House Op Exp	1,857,061	1,101,582	(755,479)	59%
Total Operating Exp	11,289,928	10,058,732	(1,231,196)	89%
Prior Year Assessment Credit:				
PY Assessment Fee - Shared Services	-	(189,414)	(189,414)	N/A
PY Assessment Fee - Common Area	-	(235,955)	(235,955)	N/A
Total Credit	-	(425,369)	(425,369)	N/A
Transfer In/(Out)	(2,417,000)	10,454	2,427,454	0%
Operating Surplus (Deficit) before Depreciation & Assessment credit	(63,513)	3,654,339	1,715,767	-5754%
Depreciation	6,060,590	6,433,075	372,485	106%
Total Operating Surplus (Deficit)	<u>\$ (6,124,103)</u>	<u>\$ (2,778,736)</u>		

BAHA Building Operations
As of June 30, 2018 (Unaudited)

	FY2017-18 Budget	Actual YTD	Budget Bal Over/(Under)	% of Budget
Revenue				
Lease Income	\$ 8,006,770	\$ 8,329,303	\$ 322,533	104%
Expense Reimbursements	277,470	261,153	(16,317)	94%
Other Income - Parking/Antenna	60,000	91,005	31,005	152%
Interest Income	-	141,263	141,263	100%
Total Revenue	8,344,240	8,822,724	337,221	106%
In-House Op Exp				
Salaries and Benefits	638,404	644,736	6,332	101%
Overhead	292,284	287,858	(4,426)	98%
Contractual services	160,532	16,773	(143,759)	10%
IT Licenses, Maintenance	171,000	204,496	33,496	120%
Audit/Accounting/Other	103,552	74,501	(29,051)	72%
Office Supplies	5,000	2,318	(2,682)	46%
Building Operation	20,000	17,608	(2,392)	88%
Parking	8,000	6,820	(1,180)	85%
Other Exp	191,000	95,642	(95,358)	50%
Insurance	16,000	15,404	(596)	96%
Art Related	75,000	27,173	(47,827)	36%
Contribution to Ada's	20,000	19,988	(12)	100%
Total In-House Op Exp	1,700,772	1,413,317	(287,455)	83%
Cushman & Wakefield Op Exp (Property Management)				
Contractual services	403,309	431,317	28,008	107%
Audit/Accounting/Other	22,085	25,361	3,276	115%
Building Operation	794,452	877,664	83,212	110%
Security	390,908	459,087	68,179	117%
Parking	93,723	125,277	31,554	134%
Insurance	137,110	164,150	27,040	120%
Utility - Ele	240,531	351,506	110,975	146%
Utility - Gas	66,944	33,314	(33,630)	50%
Utility - Water	43,500	68,467	24,967	157%
Janitorial Service	563,439	618,436	54,997	110%
Landscape	33,980	24,667	(9,313)	73%
Possessory Tax	1,500,000	1,346,538	(153,462)	90%
Total Cushman & Wakefield Op Exp	4,289,981	4,525,784	235,803	105%
Total Operating Exp	5,990,753	5,939,101	(51,652)	99%
Transfer In/(Out)	(2,417,000)	10,454	2,427,454	0%
Operating Surplus before Depreciation	(63,513)	2,894,077	2,957,590	-4557%
Depreciation	6,060,590	6,433,075	372,485	106%
Total Operating Surplus (Deficit)	\$ (6,124,103)	\$ (3,538,998)		

375 Beale Inc. Operations
As of June 30, 2018 (Unaudited)

	FY2017-18 Budget	Actual YTD	Budget Bal Over/(Under)	% of Budget
Revenue				
Assessment Fee - Shared Services	\$ 1,655,699	\$ 1,655,699	\$ -	100%
Assessment Fee - Common Area	3,643,476	3,643,476	-	100%
Interest Income	-	6,087	6,087	100%
Total Revenue	5,299,175	5,305,262	6,087	100%
In-House Op Exp				
Salaries and Benefits	390,170	341,762	(48,408)	88%
Overhead	178,552	165,003	(13,549)	92%
IT Licenses, Maintenance	663,977	351,956	(312,021)	53%
Audit/Accounting/Other	25,000	23,869	(1,131)	95%
Office Supplies	120,000	60,899	(59,101)	51%
Communication	65,000	61,846	(3,154)	95%
Coffee/Tea Service	96,000	71,485	(24,515)	74%
Building Operation	3,000	2,759	(241)	92%
Other Exp	101,000	45,145	(55,855)	45%
Insurance	10,000	320	(9,680)	3%
Janitorial Service	3,000	2,580	(420)	86%
Total In-House Op Exp	1,655,699	1,127,624	(528,075)	68%
Cushman & Wakefield Op Exp (Property Management)				
Contractual services	643,253	536,575	(106,678)	83%
Audit/Accounting/Other	23,226	18,792	(4,434)	81%
Building Operation	835,479	650,349	(185,130)	78%
Security	413,375	340,543	(72,832)	82%
Parking	98,564	92,831	(5,733)	94%
Insurance	144,190	121,635	(22,555)	84%
Utility - Ele	524,359	522,086	(2,273)	100%
Utility - Gas	70,405	24,685	(45,720)	35%
Utility - Water	45,750	50,735	4,985	111%
Janitorial Service	797,957	612,895	(185,062)	77%
Landscape	46,918	20,881	(26,037)	45%
Total Cushman & Wakefield Op Exp	3,643,476	2,992,007	(651,469)	82%
Total Operating Exp	5,299,175	4,119,631	(1,179,544)	78%
Surplus (Deficit) before Assessment Credit	-	1,185,631	1,185,631	100%
Prior Year Assessment Credit:				
FY17 Shared Services Assessment - AD	-	(189,414)	(189,414)	N/A
FY17 Common Area Assessment - AD	-	(235,955)	(235,955)	N/A
Total credit	-	(425,369)	(425,369)	N/A
Reserve for MTC FY17 Assessment Credit	-	(476,016)	\$ (476,016)	100.0%
Total Operating Surplus (Deficit)	\$ -	\$ 284,246	*	

* Pending for Assessment Credit

Cushman & Wakefield Operations (Property Management)
As of June 30, 2018 (Unaudited)

	FY2017-18 Budget	Actual YTD	Budget Bal Over/(Under)	% of Budget
Op Exp - Split among 375 Beale Inc. and BAHA Building Operations				
Contractual services	790,525	750,921	(39,604)	95%
Audit/Accounting/Other	45,311	44,153	(1,158)	97%
Building Operation	1,629,931	1,528,013	(101,918)	94%
Security	802,003	799,270	(2,733)	100%
Parking	192,287	218,108	25,821	113%
Insurance	281,300	285,785	4,485	102%
Utility - Ele	493,477	611,971	118,494	124%
Utility - Gas	137,349	57,999	(79,350)	42%
Utility - Water	89,250	119,202	29,952	134%
Janitorial Service	1,155,976	1,076,697	(79,279)	93%
Landscape	69,714	42,947	(26,767)	62%
Total Op Exp	5,687,123*	5,535,066**	(152,057)	97%
Op Exp - 375 Beale Inc.				
Contractual services	238,041	216,971	(21,070)	91%
Security	2,280	360	(1,920)	16%
Utility - Ele	271,413	261,621	(9,792)	96%
Janitorial Service	205,420	154,634	(50,786)	75%
Landscape	11,184	2,601	(8,583)	23%
Total Op Exp - 375 Beale Inc.	728,338	636,187	(92,151)	87%
Op Exp - BAHA Operation				
Contractual services	17,996	-	(17,996)	0%
Possessory Tax	1,500,000	1,346,538	(153,462)	90%
Total Op Exp - BAHA Building Operations	1,517,996	1,346,538	(171,458)	89%
Total Operating Exp	\$ 7,933,457	\$ 7,517,791	(415,666)	95%
Depreciation - BAHA Building Operations	1,460,590	1,514,218	53,628	104%
Total Expense	\$ 2,978,586	\$ 2,860,756	\$ (117,830)	96%

* 51.26% of total CW budgeted expenses are budgeted to 375 Beale Inc. The remaining 48.74% are budgeted to BAHA Building Operations.

** 42.56% of total CW actual expenses are charged to 375 Beale Inc. The remaining 57.44% are paid by BAHA Building Operations.

BAHA Capital Fund LTD
As of June 2018 (Unaudited)

		Budget LTD	Actual LTD	Encumbrances	Total LTD	Budget Balance Over/(Under)	% of Budget
Revenue:							
R1	Insurance Proceeds	\$ 1,284,457	\$ 1,817,087	\$ -	\$ 1,817,087	\$ 532,630	141%
R2	Transfer in from MTC	801,160	801,160	-	801,160	-	100%
R3	Transfer in from SAFE	112,910	112,910	-	112,910	-	100%
R4	Transfer in from BATA	6,906,010	6,906,010	-	6,906,010	-	100%
R6	Purchase from ABAG	1,600,000	5,815,497	-	5,815,497	4,215,497	363%
R7	Purchase from Air District	34,000,000	29,707,755	-	29,707,755	(4,292,245)	87%
	Reimbursement from Air District	500,000	-	-	-	(500,000)	0%
R8	Reimbursement from PG&E	54,601	54,601	-	54,601	-	100%
R9	TFCA Grant	151,000	-	-	-	(151,000)	0%
R10	Grant Local Match from MTC	119,000	-	-	-	(119,000)	0%
R11	Grant Local Match from Air District	150,000	-	-	-	(150,000)	0%
R12	SPANs Savings	33,000,000	33,000,000	-	33,000,000	-	100%
R13	Capital Contribution (BATA)	193,310,846	193,610,846	-	193,610,846	300,000	100%
R15	Interest Revenue	-	164,982	-	164,982	164,982	-100%
R16	Reimbursement for Capital Expenditure	-	1,091,258	-	1,091,258	1,091,258	-100%
R17	Miscellaneous	-	27,133	-	27,133	27,133	-100%
Total Revenue		271,989,984	273,109,239	-	273,109,239	1,119,255	
Expenses:							
	Purchase Building	\$ 93,000,000	\$ 93,000,000	\$ -	\$ 93,000,000	\$ -	100%
E1	Building Development	154,054,870	152,901,350	1,104,247	154,005,597	(49,273)	99%
E2	Insurance	573,017	573,017	-	573,017	-	100%
E4	Furniture, Fixtures, Equipment	15,000,000	15,000,000	-	15,000,000	-	100%
	Backup Generator	500,000	-	-	-	(500,000)	0%
E5	12V Feed	307,606	307,606	-	307,606	-	100%
E6	EV Station Project	420,000	17,128	202,512	219,640	(200,360)	4%
E7	Staff Costs	8,134,491	8,091,347	-	8,091,347	(43,144)	99%
Total Expenses		271,989,984	269,890,448	1,306,759	271,197,207	(792,777)	
Transfer to CDF			1,119,255				

BAHA Commercial Development Fund Life To Date As of June 2018 (Unaudited)

Program #	Budget	Tenant Improvements	Commissions	Total	LTD Expense	Enc Amt	Budget Bal Over/(Under)
	Sales Proceeds			\$ 22,139,154			
	Cubic Reimbursement for TI			100,000			
				<u>\$ 22,239,154</u>			
9135	T.I. Rutherford and Chekene	\$ 1,112,749	\$ 123,181	\$ 1,235,930	\$ 1,235,930	\$ -	\$ -
9136	Conduent	-	110,975	110,975	110,975	-	-
9137	T.I. Degenkolb	1,834,670	452,740	2,287,410	2,287,410	-	-
9138	T.I. Twilio	8,338,957	1,836,460	10,175,417	10,175,417	-	-
9139	Engineering/Architectural	350,000	-	350,000	295,387	54,613	-
9140	T.I. Ada's Café	455,000	-	455,000	465,454	-	10,454
9141	BCDC	7,004,940	-	7,004,940	6,944,597	70,343	10,000
9142	Cubic	550,000	44,000	594,000	547,227	13,761	(33,012)
	Total Tenant Improvements	\$ 19,646,316	\$ 2,567,356	\$ 22,213,672	\$ 22,062,397	\$ 138,717	\$ (12,558)
9143	Marketing			\$ -	\$ -	\$ -	\$ -
9143	Building Improvements			\$ -	\$ -	\$ -	\$ -
	Total Budgeted CDF Expenses			\$ 22,213,672	\$ 22,062,397	\$ 138,717	\$ (12,558)
	Net			\$ 25,482			

Completed Project