

Bay Area Headquarters Authority (BAHA)

June 24, 2020

Agenda Item 3c

BAHA Resolution No. 22 – FY 2020-21 Operating and Capital Budgets

Background: Staff requests approval of BAHA Resolution No. 22 authorizing the Operating and Capital budgets for FY 2020-21.

Operating Budget

The proposed budget for FY 2020-21 shows an operating surplus of \$3.9 million before transfer and depreciation. \$1 million will be transferred to BATA, \$1 million to BAHA Capital Program and \$1.9 million to the Operating Reserve.

Operating Revenue

Total FY 2020-21 proposed revenue budget is \$16.6 million, an increase of \$913,000, or 6%. The increase is due to scheduled rent adjustments and a higher assessment for Condo Operations. Recurring revenue sources for BAHA include lease income, parking revenue, and assessment fees.

- Lease revenue will increase based on annual adjustments built into existing leases.
- Shared services assessment fee covers staff costs, IT services, office supplies and other expenses shared among the three condominium unit owners. In the proposed FY 2020-21 budget, the assessment fee will increase by \$62,360, or 3.1%. The proposed increase is the result of increases to service and maintenance costs related to technical services.
- The major components of the common area assessment fees are security, janitorial services, utilities, administration, repair and maintenance. In FY 2020-21, the total assessment for common area expenses will increase by \$292,226, or 8.5%. The proposed increase is mainly due to additional staffing in janitorial and security service made necessary to respond to the Covid-19 environment.

Operating Expense

Total operating expenses, before depreciation, will increase by \$437,497, or 3.6% in FY 2020-21. Major operating expenses include staff costs, repair and maintenance services, utilities, and IT related services.

- Salaries, benefits, and associated overhead will decrease by \$178,250 as some of the staff time is being shifted to different operational entities.
- As property manager, Cushman & Wakefield of California, Inc. will receive approximately \$8.5 million for all building operations and \$318,984 for parking operation. The total is up \$764,257 from FY

2019-20, due mainly to the rising cost of cleaning, security services, and insurance.

Transfers

Staff proposes \$3.9 million in transfers, broken down as follows:

- \$1 million is budgeted to re-pay the BATA contribution to BAHA.
- \$1 million will be transferred to the capital program where \$404,000 will go to the Building Rehab project while the remaining \$596,000 will be kept in the capital reserve for use on future capital projects.
- A transfer of \$1,896,283 to the Operating Reserve to cover future operational and tenant needs.

Capital Budget

Building Development

The total building development budget is proposed to decrease by \$69,000 to account for the fact that the TFCA Grant received for the EV charging stations is coming in below the original budget estimate. Staff also proposes to transfer \$400,000 from the current budget balance to the Building Improvement Fund for improvement projects.

Staff will be closing the Building Development budget in FY 2020-21. The remaining balance will be transferred to the capital reserve for future capital projects.

Commercial Development

There is no change to the overall Commercial Development budget. Staff is proposing a transfer of \$400,000 to fund improvement projects in the Building Improvement Fund.

Building Improvement

The proposed Building Improvement Budget will increase by \$1.2 million in FY 2020-21. The funding consists of transfers in from the Building Development Budget, Commercial Development Budget and Operating surplus. The following building improvements are planned for the FY 2020-21 budget:

- Building infrastructure: replace secondary boilers serving as back-up units to provide heated air to the building;
- Agency infrastructure: replace Uninterrupted Power Supply (UPS) batteries serving the data center and reaching their end of service life;

- Level 1 Public Space modifications: provide webcasting capabilities in the Temazcal multipurpose room; and
- Miscellaneous building improvements, including a Data Center retro-commissioning study, Data Center Emergency Power Off (EPO) system revisions, Automatic Door Operators (ADOs) at 1st floor restrooms, 8th floor terrace davit system repairs, and entrance mat replacement.

Recommendation: Staff requests approval of BAHA Resolution No. 22 authorizing the FY 2020-21 BAHA Operating and Capital Project Budgets.

Attachments: BAHA Resolution No. 22, Operating and Capital Budgets for FY 2020-21



Therese W. McMillan

Date: June 24, 2020
W.I.: 9110, 9120, 9130

ABSTRACT

BAHA Resolution No. 22

This resolution approves the Budget for FY 2020-21 for the Bay Area Headquarters Authority (BAHA).

Discussion of this Resolution can be found in the BAHA Summary Sheet dated June 24, 2020.

Date: June 24, 2020
W.I.: 9110, 9120, 9130

Re: Bay Area Headquarters Authority Operating and Capital Budgets for FY 2020-21

BAY AREA HEADQUARTERS AUTHORITY
RESOLUTION No. 22

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 operating and capital budget setting forth the anticipated revenues and expenditures of BAHA for FY 2020-21 according to generally accepted accounting principles; now, therefore, be it

RESOLVED, that BAHA approves the FY 2020-21 operating and capital budgets (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 2020-21, 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 2020-21; 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 2020-21; and, be it further

RESOLVED, that the Executive Director and Chief Financial Officer are authorized to transfer \$1,000,000 to BATA in FY 2020-21 as a re-payment of the capital contribution made to BAHA; and, be it further

RESOLVED, that the Executive Director and Chief Financial Officer are authorized to transfer all excess annual operating surplus to the reserve after the annual transfer to BATA is completed. Withdrawing from the reserve will require prior approval from BAHA; 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 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

Scott Haggerty, 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 24, 2020.

Date: June 24, 2020
W.I.: 9110, 9120, 9130

Attachment A
BAHA Resolution No. 22

FY 2020-21 BAHA Budget

BAHA Building and Commercial Operating Budget FY2020-21

	Actual and Enc as of 12/31/2019	Adopted Budget FY2019-20	Draft Budget FY2020-21	Percent Change	Change in \$ inc (dec)
Revenue:					
Assessment fee - shared services	\$ 1,003,300	\$ 2,006,600	\$ 2,068,960	3.1%	\$ 62,360
Assessment fee - common area	1,727,636	3,455,272	3,747,498	8.5%	292,226
Lease income	4,821,088	9,645,222	10,162,288	5.4%	517,066
Expense reimbursements	122,824	181,000	181,000	0.0%	-
Other income - parking	95,049	202,200	188,720	-6.7%	(13,480)
Other income	20,793	3,819	3,935	3.0%	116
Interest income	130,779	-	-	N/A	-
Utility reimbursements	-	177,333	231,816	30.7%	54,483
Total revenue	7,921,469	15,671,446	16,584,217	5.8%	912,771
Expenses:					
Salaries and Benefits	594,435	1,339,000	1,125,660	-15.9%	(213,340)
Overhead	336,807	711,500	596,590	-16.2%	(114,910)
Temp service	59,469	-	150,000	N/A	150,000
Legal services	-	100,000	100,000	0.0%	-
Other contractual services	53,678	152,520	80,000	-47.5%	(72,520)
IT licenses, maintenance	810,969	1,076,500	1,171,510	8.8%	95,010
Audit/tax prep	126,315	140,000	138,000	-1.4%	(2,000)
Supplies	144,131	196,500	125,000	-36.4%	(71,500)
Parking operation	149,032	330,442	318,984	-3.5%	(11,458)
Catering	21,229	102,500	130,000	26.8%	27,500
Other expenses	119,559	136,000	95,000	-30.1%	(41,000)
Special Event Setups	50,000	50,000	25,000	-50.0%	(25,000)
Insurance	14,068	17,000	20,000	17.6%	3,000
Art related	36,803	75,000	75,000	0.0%	-
Contribution to Ada's	-	32,000	-	-100.0%	(32,000)
Lease commission	-	50,000	20,000	-60.0%	(30,000)
Contractual services - CW	3,816,959	7,741,475	8,517,190	10.0%	775,715
Total expense before depreciation	6,333,454	12,250,437	12,687,934	3.6%	437,497
Surplus (deficit) before transfer and depreciation	1,588,015	3,421,009	3,896,283	13.9%	475,274
Transfer in/(out):					
Transfer to BATA	(2,000,000)	(2,000,000)	(1,000,000)	-50.0%	1,000,000
Transfer to Capital	-	(45,147)	-	-100.0%	45,147
Transfer to Operating Reserve	-	-	(1,896,283)	N/A	(1,896,283)
Transfer to Capital Reserve	-	(1,375,862)	(1,000,000)	-27.3%	375,862
Total transfer	(2,000,000)	(3,421,009)	(3,896,283)	13.9%	(475,274)
Operating surplus (deficit) before depreciation	(411,985)	-	-	N/A	-
Depreciation	3,499,910	6,814,218	7,314,218	100.0%	500,000
Total operating gain (loss)	\$ (3,911,895)	\$ (6,814,218)	\$ (7,314,218)	7.3%	(500,000)

BAHA Building and Commercial Operations Budget FY2020-21

	Building and Commercial Operations- CW	Condo and Shared Services	BAHA Operating	Draft Budget FY2020-21	Adopted Budget FY2019-20
Revenue:					
Assessment fee - shared services	\$ -	\$ 2,068,960	\$ -	\$ 2,068,960	\$ 2,006,600
Assessment fee - common area	-	3,747,498	-	3,747,498	3,455,272
Lease income	10,162,288	-	-	10,162,288	9,645,222
Expense reimbursements	-	-	181,000	181,000	181,000
Parking	188,720	-	-	188,720	202,200
Utility reimbursements	231,816	-	-	231,816	177,333
Other revenue	3,935	-	-	3,935	3,819
Total revenue	10,586,759	5,816,458	181,000	16,584,217	15,671,446
Expenses:					
Salaries and Benefits	-	639,510	486,150	1,125,660	1,339,000
Overhead	-	338,940	257,650	596,590	711,500
Temp Service	-	-	150,000	150,000	-
Legal services	-	-	100,000	100,000	100,000
Other contractual services	-	-	80,000	80,000	152,520
IT licenses, maintenance	-	710,510	461,000	1,171,510	1,076,500
Audit/tax prep	-	63,000	75,000	138,000	140,000
Supplies	-	97,000	28,000	125,000	196,500
Parking operation	318,984	-	-	318,984	330,442
Catering	-	110,000	20,000	130,000	102,500
Other expenses	-	85,000	10,000	95,000	136,000
Special Event Setups	-	25,000	-	25,000	50,000
Insurance	-	-	20,000	20,000	17,000
Art Related	-	-	75,000	75,000	75,000
Contribution to Ada's	-	-	-	-	32,000
Lease commission	-	-	20,000	20,000	50,000
Contractual services - CW	4,769,692	3,747,498	-	8,517,190	7,741,475
Total expense w/o depreciation	5,088,676	5,816,458	1,782,800	12,687,934	12,250,437
Surplus (deficit) before transfer and depreciation	5,498,083	-	(1,601,800)	3,896,283	3,421,009
Transfer in/(out):					
Transfer to BATA	-	-	(1,000,000)	(1,000,000)	(2,000,000)
Transfer to Temazcal Op	-	-	-	-	-
Transfer to Capital	-	-	-	-	(45,147)
Transfer to Operation Reserve	-	-	(1,896,283)	(1,896,283)	-
Transfer to Capital Reserve	-	-	(1,000,000)	(1,000,000)	(1,375,862)
Total transfer	-	-	(3,896,283)	(3,896,283)	(3,421,009)
Operating surplus (deficit) before depreciation	5,498,083	-	(5,498,083)	-	-
Depreciation	1,514,218	-	5,800,000	7,314,218	6,814,218
Total operating gain (loss)	\$ 3,983,865	\$ -	\$ (11,298,083)	\$ (7,314,218)	\$ (6,814,218)

Distribution of Condo Area Fees**FY 2020-21**

	Common Area	Shared Services	Total
BAQQMD	\$ 1,700,614	\$ 938,894	\$ 2,639,508
ABAG	171,966	187,034	359,000 *
MTC	1,874,918	943,032	2,817,950
Total	<u>\$ 3,747,498</u>	<u>\$ 2,068,960</u>	<u>\$ 5,816,458</u>

FY 2019-20

	Common Area	Shared Services	Total
BAAQMD	\$ 1,568,002	\$ 910,595	\$ 2,478,597
ABAG	168,603	181,397	350,000
MTC	1,718,667	914,608	2,633,275
Total	<u>\$ 3,455,272</u>	<u>\$ 2,006,600</u>	<u>\$ 5,461,872</u>

Diff

BAAQMD	\$ 132,612	\$ 28,299	\$ 160,911
ABAG	3,363	5,637	9,000
MTC	156,251	28,424	184,675
Total	<u>\$ 292,226</u>	<u>\$ 62,360</u>	<u>\$ 354,586</u>

* Max ABAG assessment fee for FY21 is \$359,000 based on CC&R Section

	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 2020-21	LTD Budget Thru FY2019-20	Total Budget FY2020-21	Total LTD Budget Thru FY2020-21
Sources			
Insurance proceeds	\$ 1,817,087	\$ -	\$ 1,817,087
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 PG&E	54,601	-	54,601
TFCA Grant	151,000	(69,000)	82,000
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
Transfer in from BAHA Operation	290,781	-	290,781
Total Transfer In	272,313,395	(69,000)	272,244,395
Uses			
Purchase Building	\$ 93,000,000	\$ -	\$ 93,000,000
Building Development	154,207,882	-	154,207,882
Insurance	573,017	-	573,017
Development Contingency	400,000	(400,000)	-
Furniture, Fixtures, Equipment	15,000,000	-	15,000,000
12V Feed	307,606	-	307,606
EV Charging Station	420,000	(69,000)	351,000
Transfer Out	-	400,000	400,000
Staff Costs	8,404,890	-	8,404,890
Total Usage	272,313,395	(69,000)	272,244,395
LTD Actual and Encumbrances as of March 2020			271,029,214
Remining Balance			\$ 1,215,181

Commercial Development Fund Life To Date thru FY 2020-21

Program #	Budget	LTD Budget Thru FY2019-20	FY 2020-21			Thru FY2020-21	LTD Exp & Enc As Of 3/31/2020
			Tenant Improvements	Commissions	Total		
9143	Transfer In	\$ 24,139,154	\$ -	\$ -	\$ -	\$ 24,139,154	
9140	Cubic Reimbursement for TI	100,000	-	-	-	100,000	
9141	BCDC	2,518,283	-	-	-	2,518,283	
9143	Air District	3,000,000	-	-	-	3,000,000	
		<u>\$ 29,757,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,757,437</u>	
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	10,178,417	-	-	(19)	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	7,014,940	-	-	1,796	7,016,736	7,016,736
9142	Cubic	594,000	-	-	(31,352)	562,648	562,648
9144	Retail Space	5,000,000	-	-	49,886	5,049,886	5,012,971
	Total Tenant Improvements	<u>\$ 27,237,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,311</u>	<u>\$ 27,257,437</u>	<u>\$ 27,220,522</u>
9143	Marketing	<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	
9143	Building Improvements	\$ -			\$ -	\$ -	
	Transfer Out - Building Improvement	\$ 2,100,000	\$ -	\$ -	\$ 400,000	\$ 2,500,000	
	Net	\$ 420,311			\$ (420,311)	\$ -	

Building Improvement Fund Life To Date thru FY 2020-21

Program #	Budget	LTD Budget Thru FY2019-20	FY2020-21	Thru FY2020-21	LTD Exp & Enc As Of 3/31/2020
	Transfer In	\$3,325,000	\$1,204,000	\$4,529,000	
	In-House Improvement Project				
9160	IT Improvement Project	\$1,015,000	-\$31,000	\$984,000	\$375,734
9161	Agency Space Modification	300,000	50,000	350,000	77,387
9162	Agency Infrastructure Improvement	250,000	70,000	320,000	23,518
9163	Level 1 Public Space Modifications	400,000	500,000	900,000	300,000
	Total In-House Project	<u>\$1,965,000</u>	<u>\$589,000</u>	<u>\$2,554,000</u>	<u>\$776,639</u>
	CW Improvement Project				
9180	AHUs1-4 Eyebrow Install	\$860,000	\$0	\$860,000	\$860,000
9181	Building Improvement	500,000	615,000	1,115,000	442,847
	Total CW Project	<u>\$1,360,000</u>	<u>\$615,000</u>	<u>\$1,975,000</u>	<u>\$1,302,847</u>
	Total Building Improvement Budget	\$3,325,000	\$1,204,000	\$4,529,000	\$2,079,486