

Bay Area Headquarters Authority (BAHA)

January 27, 2020

Agenda Item 3a - 20-1705

Bay Area Headquarters Authority (BAHA) Financial Statements for Fiscal Year 20-21 First Quarter Ending September 30, 2020

Background: Attached are the BAHA Operating and Capital Financial Statements for the Fiscal Year 2020-21 first quarter ending on September 30, 2020.

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 first quarter, BAHA had a net operating deficit of nearly \$200,000 with a cash-flow surplus of nearly \$1.2 million, before transfer out and depreciation. Overall revenue is approximately \$4.1 million or 25% of the approved budget with 25% of the operating year gone. So far, primary revenue of rents and assessments are exactly on the projected budget schedule despite the pandemic and economy.

BAHA Building Operations: BAHA Building Operations represent the commercial side of BAMC building operations. Overall building operations produced a cash-flow surplus of \$747,000, before transfer out and depreciation. The primary revenue source is lease payments and at \$2.5 million, lease payments are in line with the approved budget.

Total operating expense was nearly \$1.9 million or 27% of the approved budget. Possessory interest tax expense under property management costs have been recorded for the entire year rather than amortized by month. Otherwise expenses are generally inline or below the approved budget projection for the first quarter.

At present revenue and expense levels we can estimate BAHA will end the year with a positive cash-flow, before transfers and depreciation. However, it is still early in the operating year and we should have a better analysis as we get closer to midyear when FY 2020 year-end entries are complete and contract expenditures are more developed.

375 Beale Inc.: The board of directors of 375 Beale Inc., composed of representatives of the three condominium owners, oversees the condominium operations. As of September 30, 2020, the condominium operations show a surplus of \$409,000. Revenue is mainly assessments that are transferred on a quarterly basis to offset operating expenses. With

expenses trending slightly below budget we can currently project a year-end surplus for FY 2021. Any surplus revenue at the end of the fiscal year will be returned to the condominium owners based on the assessment allocation formula.

Property Manager: Cushman & Wakefield of California, Inc. (CW) is the property manager for the BAMC. CW is responsible for building operations including managing utility services, building security, janitorial service, and building maintenance.

Total expenses incurred by CW at the end of the first quarter were \$2.4 million or 27% of the approved budget. Except for the possessory interest tax recorded at the beginning of the year and utility costs which were impacted by the wildfires, all other expenses are at or below budget. CW expenses are split between BAHA Building Operations and 375 Beale Inc.


BAHA Building Development: The capital budget is 96% expended. The project budget has \$1.2 million remaining after expenditures and encumbrances. The work of building development is basically finished so this fund will be closed out at year end.

Commercial Development: Tenant improvements are 96% complete with three open projects remaining. The entire development project has \$1.2 million budget remaining which is largely reserved for the first floor Retail Space project.

Building Improvement: Total life-to-date budget for this capital fund is \$4.5 million. Total spent and encumbered was \$3.3 million as of the end of September, leaving \$1.3 million for future improvements.

Recommendation: None. This item provided as information only.

Attachments: Attachment A – BAHA First Quarter Financial Statements for period ending September 30, 2020


Therese W. McMillan