

JACK BROADBENT
Executive Officer/APCO,
Bay Area Air Quality
Management District

STEVE HEMINGER
Executive Director,
Metropolitan
Transportation
Commission

ANDREW B. FREMIER
Deputy Executive Director,
Operations
Metropolitan
Transportation
Commission

BRAD PAUL
Deputy Executive Director,
Local Government Services
Metropolitan
Transportation
Commission

**BOARD OF DIRECTORS OF
375 BEALE CONDOMINIUM CORPORATION**

November 26, 2018

Bay Area Metro Center

375 Beale Street, Redwood Conference Room #5150

11:30 a.m. – 1:00 p.m.

Action

1. Roll Call / Confirm Quorum

Four directors are named in the Articles of Incorporation. The presence of three will constitute a quorum.

2. Minutes of the June 11, 2018 meeting.*

The Board will be asked to approve the minutes of the June 11, 2018 375 Beale Street Condominium Corporation Board meetings.

Approval

3. Chief Financial Officer's Reports

Information

- a) 375 Beale Street Condo Audit Report for Fiscal Year 2017-18
- b) 375 Beale Street Condo Financials for FY 2018-19 First Quarter

The Board will receive the FY 2017-18 audit report for the 375 Beale Street Condo and a financials report for FY 2018-19 First Quarter ending September 30, 2018.

4. Building Operations and Projects Report

Information

The Board will receive a report on current building operations, leasing changes, and improvement projects.

5. Bay Area Metro Center Purchase and Sale Agreement

Information

The Board will receive an update on the Bay Area Metro Center Purchase and Sale Agreement for the sale of a portion of Unit 2 to the Bay Area Air Quality Management District.

6. Update on Conflict of Interest Code

Information

The Board will receive a report that the Conflict of Interest Code was approved by the FPPC and became effective on October 7, 2018.

7. Public Comment / Other Business

375 Beale Condominium Corporation

November 26, 2018

Page 2 of 2

8. Adjournment / Next Meeting

The next meeting of the Board of Directors of 375 Beale Condominium Corporation will be on a date, time, and location to be duly noticed.

* Staff report included in the packet

** Handout available at meeting

Public Comment: The public is encouraged to comment on agenda items at board meetings by completing a request-to-speak card (available from staff) and passing it to the board secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

Meeting Conduct: If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the board may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

Record of Meeting: Board meetings are recorded. Copies of recordings are available at nominal charge, or recordings may be listened to at our offices by appointment. Audiocasts are maintained on MTC's Web site for public review for at least one year.

Accessibility and Title VI: MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

可及性和法令第六章: MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者，請致電 415.778.6757 或 415.778.6769 TDD / TTY。我們要求您在三個工作日前告知，以滿足您的要求。

Acceso y el Título VI: La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Corporation. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

**Minutes of Meeting of Directors of
375 Beale Condominium Corporation on
June 11, 2018**

1. Quorum

Chair Heminger confirmed a quorum, namely Steve Heminger (appointed by the owner of Unit 1), Jeff McKay (alternate to Jack Broadbent appointed by the owner of Unit 3), Andrew Fremier (appointed by the owner of Unit 2), and Brad Paul (appointed by the owner of Unit 4). Jack Broadbent (appointed by the owner of Unit 3) arrived as Agenda Item #3 was being discussed.

2. Minutes of the May 10, 2018 Meeting

Upon the motion by member Fremier and the second by member Paul, the minutes of the May 10, 2018 meeting were unanimously approved by the following vote:

Aye: 4 - Heminger, Fremier, McKay and Paul

3. Budgets and Assessments

Brian Mayhew, CFO, presented annual financial budgets and annual budgets for common expense assessments for the FY 2018-19 fiscal year for approval. Upon the motion by member Paul and second by member Broadbent, the annual financial budgets and annual budgets for common expense assessments for the FY 2018-19 fiscal year were unanimously approved by the following vote:

Aye: 4 - Heminger, Broadbent, Fremier, and Paul

4. Bay Area Metro Center Purchase and Sale Agreement

Stephen Wolf provided a summary on the Bay Area Headquarters Authority's sale of a portion of Unit 2 to the Bay Area Air Quality Management District, to be incorporated into Unit 3. Upon the motion by member Broadbent and a second by member Paul, the Board unanimously approved the sale of approximately 11,400 rsf but not more than 13,000 rsf, of BAHA's Unit 2 on Level 8 to Air District, to be incorporated into Unit 3, at a price of \$385/rsf, and authorized the Chair to execute amended CC&Rs to reflect the amended condominium map and revised ownership percentages, by the following vote:

Aye: 4 - Heminger, Broadbent, Fremier, and Paul

5. Conflict of Interest Code

Courtney Ruby provided the Board an update on the Notice of Intention to adopt the Conflict of Interest Code of the 375 Beale Condominium Corporation with a 45 day comment period. Upon the motion by member Broadbent and a second by member Fremier, the Board unanimously approved the Notice of Intention to Adopt the Conflict of Interest Code of the 375 Beale Condominium Corporation with a 45 day comment period by the following vote:

Aye: 4 - Heminger, Broadbent, Fremier, and Paul

6. Privacy Policy

Courtney Ruby presented staff's recommendation that the Board adopt the MTC Privacy Policy (EDMM No. 323) as the Privacy Policy for the 375 Beale Condominium Corporation. Upon the motion by member Fremier and a second by member Broadbent, the Board unanimously adopted the MTC Privacy Policy (EDMM No. 323), as may be amended, as the 375 Beale Condominium Corporation Privacy Policy by the following vote:

Aye: 4 - Heminger, Broadbent, Fremier, and Paul

7. Public Comment / Other Business

Chair Heminger commented on a security issue that occurred in the Bay Area Metro Center recently. As a result and after discussion, the Board requested that staff develop a security incident policy to incorporate and apply best practices as incidents arise. Air District Staff will present a suggested policy at the next Board meeting for review and approval.

There was no other business or public comment.

8. Adjournment

Chair Heminger adjourned the meeting at 3:17 p.m.

375 BEALE
CONDOMINIUM CORPORATION
Memorandum

Bay Area Metro Center, Suite 800
375 Beale Street, San Francisco, CA 94105
TEL 415.778.6700
EMAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Date: November 19, 2018

AGENDA ITEM 3a

Subject: 375 Beale Street Condo Audit Report for Fiscal Year 2017-18

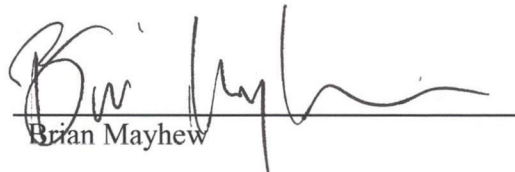
Attached is the 375 Beale Condo Corporation audit report for fiscal year 2017-18.

Overall, the Condo Corporation had a smooth fiscal year with total operating surplus of \$1.2 million which will be distributed to the three condo owners in FY 2018-19. Total assessment revenue collected for the year is \$5.3 million and expense is \$4.1 million. The surplus is due to savings in consultant services in shared services operations and a change in the expense distribution percentage in the common area operations.

The building operations are managed by BAHA and Cushman & Wakefield of California, Inc. (C&W). The breakdown of the expenses between the shared services operations managed by BAHA and the common area maintenance expenses managed by C&W can be found on page 15 of the audit report.

A schedule of the assessment fees and the distribution of the surplus is included on page 14 of the audit report. Based on the schedule, the Bay Area Air Quality Management District will receive a credit of \$485,274 for the assessment fee it paid in FY 2017-18, while MTC will receive \$738,929. ABAG does not qualify for a credit because its FY 2017-18 assessment, capped at \$325,000 for the year, came in below its allocated expenses for the year.

If you have any questions about this report, please contact Brian Mayhew at 415-778-6730.


Brian Mayhew

375 Beale Condominium Corporation

Financial Statements

As of and for the Year Ended June 30, 2018

375 Beale Condominium Corporation

Table of Contents

As of and for the Year Ended June 30, 2018

	Page
Report of Independent Auditors	1 - 2
Management's Discussion and Analysis	3 - 4
Basic Financial Statements:	
Statement of Financial Position	5
Statement of Revenues, Expenses, and Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 – 12
Other Supplementary Information	13 – 15



Report of Independent Auditors

To the Board of Directors of the 375 Beale Condominium Corporation:

We have audited the accompanying financial statements of the 375 Beale Condominium Corporation ("375 Beale Condo"), which consist of the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to 375 Beale Condo's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 375 Beale Condo's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 375 Beale Condominium Corporation as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis ("MD&A") on pages 3 through 4 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting



for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise 375 Beale Condo's basic financial statements. The other supplementary schedules appearing on pages 13 through 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, these supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

San Francisco, California
October 26, 2018

375 Beale Condominium Corporation

Financial Statements as of and for the Year Ended June 30, 2018

Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

This financial report is designed to provide a general overview of the 375 Beale Condominium Corporation's (375 Beale Condo) financial statements. 375 Beale Condo is a non-profit organization formed to manage the three condominium unit owners' common interest development in 375 Beale Street, San Francisco, California (the Property). This Management's Discussion and Analysis presents an overview of the financial activities of 375 Beale Condo for the year ended June 30, 2018. The discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow.

Bay Area Headquarters Authority (BAHA) acquired the Property in October 2011 for the purpose of establishing a Bay Area regional agency headquarters for Metropolitan Transportation Commission (MTC), Bay Area Air Quality Management District (BAAQMD), and Association of Bay Area Governments (ABAG). BAHA renovated the Property and named it Bay Area Metro Center (BAMC). In May 2016, MTC, BAAQMD and ABAG moved into BAMC and occupied level six to level eight and partial level five of the 8-level BAMC building. Rentable space on level one to level five has been rented out to commercial tenants.

In December 2016, BAHA signed the Declaration of Covenants, Conditions and Restrictions for 375 Beale Street, San Francisco (the CC&Rs) which defined the ownership of BAMC among the three owners: BAHA, BAAQMD and ABAG, the rights and responsibilities of the unit owners, and the management and operating guidance of the condominium. On June 22, 2017, 375 Beale Condominium Corporation was incorporated under the Non-profit Mutual Benefit Corporation Law (California Corporations Code section 7110 *et seq.*) to provide for the management of the association of the three agency owners in BAMC. Cushman & Wakefield of California, Inc. (C&W) was contracted to provide the day-to-day property management services on behalf of the three condominium unit owners. BAHA, in its individual capacity, is solely responsible for the management and operation of the commercial space in BAMC.

Financial Statements

375 Beale Condo's financial statements include: (1) *Statement of Net Position*, (2) *Statement of Revenues, Expenses, and Changes in Net Position*, and (3) *Statement of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The *Statement of Net Position* reports assets and liabilities and the difference as net position. The *Statement of Revenues, Expenses, and Changes in Net Position* consists of operating revenues and expenses and nonoperating revenues and expenses. The *Statement of Cash Flows* is presented using the direct method.

The *Statement of Net Position*, *Statement of Revenues, Expenses, and Changes in Net Position*, and *Statement of Cash Flows* are presented on pages 5 through 7 of this report.

375 Beale Condominium Corporation
Financial Statements as of and for the Year Ended June 30, 2018
Management's Discussion and Analysis (unaudited)

A. Overview of the 375 Beale Condo's Financial Statements

Statement of Net Position – Total assets were \$1,307,855 for 375 Beale Condo with cash in the amount of \$288,408 available for its operations. Accounts receivable of \$236,955 was mainly a result of net receivable from the agencies for assessment fees. Due from BAHA consists of \$347,910 from the BAMC property management operations for fiscal year 2018 and \$425,369 of excess assessment fees BAHA collected in fiscal year 2017. Total liabilities of \$1,307,855 were a result of fiscal year 2018 assessment fee refunds of \$1,224,203 due to BAHA and BAAQMD and \$83,603 owed to suppliers for the professional and technical services rendered.

Statement of Revenues, Expenses, and Changes in Net Position – 375 Beale Condo collected assessment fees of \$4,074,972 for the fiscal year 2018. The common area expenses totaled \$2,992,007 and the shared services expenses totaled \$1,089,052.

B. Notes to the Financial Statements

The notes to the financial statements, beginning on page 8, provide additional information that is essential to a full understanding of the data provided in this management discussion and analysis as well as the financial statements.

C. Economic Factors

The Bay Area economy continues to grow from previous years. The region's unemployment rate remains low, and sales taxes have increased from the prior years. The growing economy did not impact 375 Beale Condo's financials for the fiscal year 2018.

Requests for information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 375 Beale Condominium Corporation, 375 Beale Street, Suite 800, San Francisco, CA 94105.

375 Beale Condominium Corporation
Statement of Net Position
June 30, 2018

	2018
Assets	
Current assets	
Cash	\$ 288,408
Accounts receivable	236,955
Due from BAHA	773,279
Due from other governments	1,606
Prepaid expenses	7,607
	<hr/>
Total current assets	1,307,855
	<hr/>
Total assets	1,307,855
	<hr/>
Liabilities	
Current liabilities	
Accounts payable	53,034
Accrued liabilities	30,569
Due to BAHA	738,929
Due to BAAQMD	485,274
Unearned revenue	49
	<hr/>
Total current liabilities	1,307,855
	<hr/>
Total liabilities	1,307,855
	<hr/>
Net Position	\$ -
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

375 Beale Condominium Corporation
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	2018
Operating Revenues	
Assessment fees	\$ 5,299,175
Refund of excess assessment fees	<u>(1,224,203)</u>
Net assessment fees	<u>4,074,972</u>
Total operating revenues	<u>4,074,972</u>
Operating Expenses	
Common arrea	2,992,007
Shared services	<u>1,089,052</u>
Total operating expenses	<u>4,081,059</u>
Operating loss	<u>(6,087)</u>
Nonoperating Revenues	
Interest income	5,196
Miscellaneous revenues	<u>891</u>
Total nonoperating revenues	<u>6,087</u>
Change in Net Position	<u>-</u>
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

375 Beale Condominium Corporation
Statement of Cash Flows
For the Year Ended June 30, 2018

	2018
Cash flows from operating activities	
Cash receipts from condominium unit owners	\$ 4,289,881
Cash payments to suppliers and employees for services	<u>(4,006,669)</u>
Net cash provided by operating activities	<u>283,212</u>
Cash flows from investing activities	
Interest and dividends on investments	<u>5,196</u>
Net cash provided by investing activities	<u>5,196</u>
Net increase in cash	288,408
Balances - Beginning of year	<u>-</u>
Balances - End of year	<u><u>\$ 288,408</u></u>

**Reconciliation of operating income to net cash
provided by operating activities**

	2018
Operating loss	\$ (6,087)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Net effect of changes in:	
Accounts receivable	(236,955)
Due from BAHA - commercial	(773,279)
Due from other governments	(1,606)
Prepaid expenses	(7,607)
Accounts payable and accrued expenses	83,603
Due to BAHA	738,929
Due to BAAQMD	485,274
Unearned revenue	49
Other nonoperating revenue	<u>891</u>
Net cash provided by operating activities	<u><u>\$ 283,212</u></u>

The accompanying notes are an integral part of these financial statements.

375 Beale Condominium Corporation
Notes to the Financial Statements
As of and for the Year Ended June 30, 2018

1. Organization

The 375 Beale Condominium Corporation (“375 Beale Condo”) was incorporated on June 22, 2017 in the state of California under the Non-profit Mutual Benefit Corporation Law (California Corporations Code section 7110 *et seq.*). 375 Beale Condo is an association of the three condominium unit owners: Bay Area Headquarters Authority (BAHA), Bay Area Air Quality Management District (BAAQMD), and Association of Bay Area Governments (ABAG), in the property known as 375 Beale Street, San Francisco, California (the Property). The Property has been subdivided into four condominium units: two units are owned by BAHA, one unit is owned by BAAQMD, and one unit is owned by ABAG. 375 Beale Condo is formed to manage the common interest development in the Property under the Commercial and Industrial Common Interest Development Act and within the meaning of Section 501 (c)(4) of the Internal Revenue Code. 375 Beale Condo’s governing board consists of four directors appointed by the owners of each unit.

BAHA was established in September 2011 pursuant to the California Joint Exercise of Powers Act, consisting of Sections 6500 through 6599.2 of the California Government Code to provide for the joint exercise of powers common to Metropolitan Transportation Commission (MTC) and the Bay Area Toll Authority (BATA). BAHA is authorized to plan, acquire and develop BAHA’s office space and facilities; to employ agents and employees; to acquire, construct, provide for maintenance and operation of, or maintain and operate, any buildings, works or improvements; to acquire, hold or dispose of property wherever located, including the lease or rental of property; and to receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entities.

MTC was established under Government Code Section 66500 *et seq.* of the laws of the State of California in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area. The nine counties are the City and County of San Francisco and the Counties of Alameda; Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

BATA was established pursuant to Chapter 4.3 of Division 17 of the California Streets and Highways Code Section 30950 *et seq.* with the power under California Streets and Highways Code section 30951 to apply for, accept, receive, and disburse grants, loans, and other assistance from any agency of the United States or of the State and to plan projects within its jurisdiction under California Streets and Highways Code Section 30950.3.

BAAQMD was created by the California Legislature in 1955 as the first regional agency to deal with air pollution in California. BAAQMD is authorized to regulate stationary sources of air pollution and agricultural burning and enact certain transportation and mobile source measures. BAAQMD’s jurisdiction includes the City and County of San Francisco and the Counties of Alameda; Contra Costa, Marin, Napa, San Mateo, Santa Clara, south-western Solano County, and southern Sonoma County.

ABAG was established in 1961 by an agreement among its members – counties and cities of the San Francisco Bay Area pursuant to the Joint Exercise of Powers Act, California

375 Beale Condominium Corporation
Notes to the Financial Statements
As of and for the Year Ended June 30, 2018

Government Code Section 6500 *et seq.* As the regional council of governments, ABAG serves as a permanent forum to discuss and study matters of interest and concerns, develop policies and action plans, as well as provide services that members need. On July 1, 2017 ABAG's staff and functions were consolidated to MTC under a Contract for Services agreement signed on May 30, 2017.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements for 375 Beale Condo have been prepared in accordance with accounting principles generally accepted in the United States of America using the economic resources measurement focus and the accrual basis of accounting. 375 Beale Condo follows standards of Governmental Accounting Standard Board (GASB) for financial statements presentation.

New Accounting Standards

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this statement are effective for reporting periods beginning after December 15, 2016. This standard did not have any impact on 375 Beale Condo's financial statements

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses requirements regarding the retirement of certain tangible assets for all state and local governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. This Standard is not expected to have any impact on 375 Beale Condo's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. This Standard is not expected to have any impact on 375 Beale Condo's financial statements.

GASB Statement No. 85, *Omnibus 2017*, addresses various practice issues including related blending component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The requirements of this statement were effective for reporting periods beginning after June 15, 2017. This standard did not have any impact on 375 Beale Condo's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The requirements of this statement were effective for reporting periods beginning after June 15, 2017. This standard did not have any impact on 375 Beale Condo's financial statements.

375 Beale Condominium Corporation

Notes to the Financial Statements

As of and for the Year Ended June 30, 2018

GASB Statement No. 87, *Leases*, better meets the information needs of financial statement users by improving accounting and financial reporting, enhancing the comparability of financial statements between governments, and also enhancing the relevance, reliability, and consistency of information about the leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. This Standard is not expected to have any impact on 375 Beale Condo's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, provides additional essential information related to the debt disclosure in notes to financial statements. This statement clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This Standard is not expected to have any impact on 375 Beale Condo's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. This Standard is not expected to have any impact on 375 Beale Condo's financial statements.

Cash

375 Beale Condo considers all balances held on deposit at banks to be cash.

Assessment Fees

Assessment fees represent charges levied and collected from the condominium unit owners for the purpose of meeting the operations and maintenance obligations incurred by 375 Beale Condo. 375 Beale Condo collects two types of assessment fees: common area assessment fee and shared services assessment fees. Assessment fees are predetermined yearly by the budget approved by the board. Any year-end surplus from the condominium operations will be credited to the three condominium unit owners and paid the following fiscal year.

Allocation of Common Area Expenses

The CC&Rs summarize the operating, maintenance, and management expenses incurred by 375 Beale Condo in the common area of the Property into two categories: facility common expenses and agency common expenses. Facility common expenses are the expenses that are incurred for the benefit of both the agency space and the commercial space; whereas agency common expenses are the expenses that are incurred solely for the benefit of the three agency owners, excluding BAHA's commercial space. Common area expenses are allocated to the three agency owners based on the percentage ownership interest set forth in the CC&Rs.

375 Beale Condominium Corporation
Notes to the Financial Statements
As of and for the Year Ended June 30, 2018

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Account Receivable

As of June 30, 2018, 375 Beale Condo accounts receivable consists of \$138,733 shared services assessment fee due from one condominium unit owner and \$98,222 common area operating billings to the three owners.

4. Due from BAHA / Due to BAHA and BAAQMD

BAHA is the facility operator responsible for daily operations of 375 Beale Condo. As of June 30, 2018, Due from BAHA consists of the following:

Due from common area operations for fiscal year 2018	\$ 347,910
Assessment fees collected by BAHA in fiscal year 2017, refunded by 375 Beale Condo	<u>425,369</u>
Total Due from BAHA	<u>\$ 773,279</u>

Surplus from 375 Beale Condo operations at the year-end will be refunded to the condominium unit owners. For fiscal year 2018, the excess assessment fees to be refunded to BAHA and BAAQMD are \$738,929 and \$485,274 respectively.

5. Allocation of Assessment Fees / Common Area Expenses

Assessment fees and Common area expenses are allocated based on the percentage of each agency owner's rentable square footage (RSF) to the total RSF of the three agency owners excluding the BAHA commercial portion. As of June 30, 2018, the agency owners' RSF and the percentage to the total are as the following:

	BAHA	BAAQMD	ABAG	Total
Total Agency Space RSF	99,817	77,163	17,687	194,667
% of Total	51.28%	39.64%	9.08%	100.00%

375 Beale Condominium Corporation
Notes to the Financial Statements
As of and for the Year Ended June 30, 2018

6. Subsequent Events

In May 2018, BAHA and BAAQMD have reached terms of a deal that would have BAHA sell approximately 11,400 rentable square feet (RSF) to BAAQMD at a purchase price of about \$5 million. Execution of the Purchase and Sale Agreement (PSA) is subject to the BAHA Board's and 375 Beale Condo Board's approval of the PSA. With the purchase, there will be a new space allocation and distribution expenses.

Other Supplementary Information

375 Beale Condominium Corporation
Assessment Fees Allocation
For the Year Ended June 30, 2018

For the fiscal year ended June 30, 2018, total assessment fees collected by 375 Beale Condo are as follows:

	BAHA	BAAQMD	ABAG	375 Beale Condo Total
Assessment fees	\$ 2,873,663	\$ 2,100,512	\$ 325,000	\$ 5,299,175
Refund of excess assessment fees	(738,929)	(485,274)	-	(1,224,203)
Total assessment fees	2,134,734	1,615,238	325,000	4,074,972

375 Beale Condominium Corporation
Operating Expenses Allocation
For the Year Ended June 30, 2018

For the fiscal year 2018, the total common area expenses for the condominium unit owners are as follows:

	BAHA	BAAQMD	ABAG	375 Beale Condo Total
Cleaning service	\$ 314,303	\$ 242,940	\$ 55,651	\$ 612,894
Repairs and maintenance	333,511	257,786	59,052	650,349
Utilities	306,412	236,840	54,254	597,506
Security	174,637	134,986	30,921	340,544
Property management service	101,206	78,226	17,920	197,352
Professional fees	42,745	33,039	7,568	83,352
Computer maintenance and services	111,267	86,004	19,701	216,972
Parking service	47,605	36,796	8,429	92,830
Taxes / licenses / permits	9,637	7,449	1,706	18,792
Insurance	62,376	48,214	11,044	121,634
Other expenses	30,658	23,696	5,428	59,782
Total common area expenses	\$ 1,534,357	\$ 1,185,976	\$ 271,674	\$ 2,992,007

For the fiscal year 2018, the total shared services expenses for the condominium unit owners are as follows:

	BAHA	BAAQMD	ABAG	375 Beale Condo Total
Salaries and benefits	\$ 175,348	\$ 134,282	\$ 31,048	\$ 340,678
Communication charges	33,251	25,463	5,888	64,602
Professional fees	12,285	9,409	2,175	23,869
Computer maintenance and services	160,672	123,043	28,450	312,165
Supplies and equipment rental	46,877	35,899	8,301	91,077
Overhead	86,453	66,206	15,307	167,966
Other expenses	45,652	34,960	8,083	88,695
Total shared services expenses	\$ 560,538	\$ 429,262	\$ 99,252	\$ 1,089,052

375 BEALE

CONDOMINIUM CORPORATION

Memorandum

Bay Area Metro Center, Suite 800
375 Beale Street, San Francisco, CA 94105
TEL 415.778.6700
EMAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Date: November 19, 2018

AGENDA ITEM 3b

Subject: 375 Beale Street Condo Financials for FY 2018-19 First Quarter


Attached are the 375 Beale Condo Corporation financial statements for the first quarter ended September 30, 2018.

As of the end of the first quarter, the Corporation recorded total revenue of \$1.4 million and expense of \$1 million. Revenue is in-line with the budget as quarterly assessments are collected from each owner at the beginning of the quarter. Total expense is slightly below the budget at 18% with 25% of the fiscal year expired. Total encumbrance at the end of September is \$557,395.

The shared services operations are comprised of services provided by BAHA on behalf of the three condo owners. Shared services include a receptionist, meeting room coordinator, shared technology, and conference and meeting room setups. The shared services expenses are detailed on page 2 of Attachment A. Total expense of \$253,644 is 12% of the expense budget for the shared services operations. This is normal at the beginning of the year as contract amounts are encumbered but not yet spent.

The common area maintenance operations are contracted to Cushman & Wakefield. These operating expenses include cleaning, repairs and maintenance, utilities, ground landscaping, security, parking, and administrative expenses. The common area expenses are shown on page 2 of Attachment A, along with the assessment fee of \$853,682 collected in the first quarter. All the expenses are in-line with the budget except the utilities. Electricity is over budget by 4% in the first quarter due to the increased rate from PG&E. Overall, total expense of \$748,513 is in-line with budget at 22%.

If you have any questions about this report, please contact Brian Mayhew at 415-778-6730.



Brian Mayhew

375 Beale Inc. Operations
Consolidated Income Statement
As of September 30, 2018

	FY2018-19 Budget	Actual YTD	Budget Bal Over/(Under)	% of Budget	Year Expired	Enc	YTD Total (YTD + Enc)
Revenue							
Assessment Fee - Shared Services	\$ 2,044,713	\$ 511,178	\$ (1,533,535)	25%	25%	\$ -	\$ 511,178
Assessment Fee - Common Area	3,414,726	853,682	(2,561,044)	25%	25%	-	853,682
Interest Income	-	2,707	2,707	N/A	25%	-	2,707
Total Revenue	5,459,439	1,367,567	(4,091,872)	25%	25%	-	1,367,567
Expense							
Salaries and Benefits	590,016	85,674	(504,342)	15%	25%	-	85,674
Overhead	294,697	45,210	(249,487)	15%	25%	-	45,210
Contractual services	578,249	128,781	(449,468)	22%	25%	-	128,781
IT Licenses, Maintenance	802,000	56,906	(745,094)	7%	25%	451,643	508,549
Audit/Accounting/Other	40,000	26,646	(13,354)	67%	25%	11,785	38,431
Office Supplies	121,000	15,836	(105,164)	13%	25%	69,340	85,176
Coffee/Tea Service	96,000	22,438	(73,562)	23%	25%	2,562	25,000
Building Operation	839,624	162,877	(676,747)	19%	25%	-	162,877
Security	390,985	84,555	(306,430)	22%	25%	-	84,555
Other Exp	120,491	5,726	(114,765)	5%	25%	22,065	27,791
Insurance	130,458	32,810	(97,648)	25%	25%	-	32,810
Utility - Ele	539,956	158,972	(380,984)	29%	25%	-	158,972
Utility - Gas	36,165	3,297	(32,868)	9%	25%	-	3,297
Utility - Water	45,833	3,405	(42,428)	7%	25%	-	3,405
Janitorial Service	797,662	162,950	(634,712)	20%	25%	-	162,950
Landscape	36,303	6,074	(30,229)	17%	25%	-	6,074
Total Expense	5,459,439	1,002,157	(4,457,282)	18%	25%	557,395	1,559,552
Surplus (Deficit)	-	365,410	365,410	N/A	25%		

375 Beale Inc. Operations
Income Statement by Divisions
As of September 30, 2018

	FY2018-19 Budget	Actual YTD	Budget Bal Over/(Under)	% of Budget	Year Expired	Enc	YTD Total (YTD + Enc)
Shared Service Operation Breakdown							
Revenue							
Assessment Fee - Shared Services							
BAAQMD	\$ 810,524	\$ 202,631	\$ (607,893)	25%	25%	\$ -	\$ 202,631
ABAG	185,865	46,466	(139,399)	25%	25%	-	46,466
MTC	1,048,324	262,081	(786,243)	25%	25%	-	262,081
Interest Income	-	2,707	2,707	N/A	25%	-	2,707
Total Revenue	2,044,713	513,885	(1,530,828)	25%	25%	-	513,885
Shared Services Op Exp (In-House)							
Salaries and Benefits	590,016	85,674	(504,342)	15%	25%		85,674
Overhead	294,697	45,210	(249,487)	15%	25%		45,210
IT Licenses, Maintenance	802,000	56,906	(745,094)	7%	25%	451,643	508,549
Audit/Accounting/Other	40,000	26,646	(13,354)	67%	25%	11,785	38,431
Office Supplies	121,000	15,836	(105,164)	13%	25%	69,340	85,176
Coffee/Tea Service	96,000	22,438	(73,562)	23%	25%	2,562	25,000
Other Exp	101,000	934	(100,066)	1%	25%	22,065	22,999
Total Shared Services Op Exp	2,044,713	253,644	(1,791,069)	12%	25%	557,395	811,039
Total Shared Services Op Surplus (Deficit)	\$ -	\$ 260,241	\$ 260,241	N/A	25.0%		
Common Area Operation Breakdown							
Revenue							
Assessment Fee - Common Area							
BAAQMD	\$ 1,353,598	\$ 338,400	\$ (1,015,198)	25%	25%	\$ -	\$ 338,400
ABAG	149,497	37,374	(112,123)	25%	25%	-	37,374
MTC	1,911,631	477,908	(1,433,723)	25%	25%	-	477,908
Total Revenue	3,414,726	853,682	(2,561,044)	25%	25%	-	853,682
Common Area Op Exp (C&W)							
Contractual services	578,249	128,781	(449,468)	22%	25%	-	128,781
Building Operation	839,624	162,877	(676,747)	19%	25%	-	162,877
Security	390,985	84,555	(306,430)	22%	25%	-	84,555
Other Exp	19,491	4,792	(14,699)	25%	25%	-	4,792
Insurance	130,458	32,810	(97,648)	25%	25%	-	32,810
Utility - Ele	539,956	158,972	(380,984)	29%	25%	-	158,972
Utility - Gas	36,165	3,297	(32,868)	9%	25%	-	3,297
Utility - Water	45,833	3,405	(42,428)	7%	25%	-	3,405
Janitorial Service	797,662	162,950	(634,712)	20%	25%	-	162,950
Landscape	36,303	6,074	(30,229)	17%	25%	-	6,074
Total Common Area Op Exp	3,414,726	748,513	(2,666,213)	22%	25%	-	748,513
Total Common Area Op Surplus (Deficit)	\$ -	\$ 105,169	\$ 105,169	N/A	25.0%		
Total Surplus (Deficit)	\$ -	\$ 365,410	\$ 365,410	N/A	25.0%		

Date: November 19, 2018

AGENDA ITEM 4

Subject: Building Operations and Projects Report

Background

BAHA is pleased to serve as the Facility Operator for the property located at 375 Beale Street. The CC&Rs dated December 22, 2016 give the Facility Operator all powers, duties, and responsibilities for the day-to-day operation, management, and maintenance of the Common Area and the Jointly Used Space (as defined in the CCRs). This includes implementing adopted rules; preparing and implementing the approved budgets; maintaining the accounting records; contracting service providers; and collecting and depositing authorized assessments.

Cushman & Wakefield (CW)

CW assists BAHA with property management services, including building management, tenant services, building engineering, security, parking, and janitorial. Under the current contract CW is responsible for a full range of services including, but not limited to:

- Developing a plan for the management and operations of the facility (including parking).
- Providing for the operation and maintenance of building equipment and systems.
- Maintaining an on-site business office and being available 24 hours, 7 days a week for owner and tenant issues.
- Developing and maintaining the annual operating and capital budgets.
- Completing financial accounting including the collection and reporting of all revenues received.

Building Activities

In this report, we advise you of scheduled activities and shared services utilization since the December 6, 2017 Board meeting:

- Building Management System (BMS): Staff is preparing in the next month for the migration of the BMS to new servers that will provide the additional capacity needed to accommodate new equipment added during tenant buildouts.
- Building power feed: Staff is conferring with Pacific Gas & Electric (PG&E) on final requirements that will allow PG&E to replace the main power feed from 34kV to 12kV and remove its transformers from the building. The cutover will require a building power shutdown, which staff now expect to occur in the 1st quarter of 2019. The shutdown will provide an opportunity for ABM to complete preventative maintenance of electrical systems.

Shared Services

Please find attached the utilization reports for 2018 on the following shared services:

- Workspeed is the system for entering and tracking building visitors, parking and other service requests (Attachment A).
- Meeting Room Manager or MRM, is the system utilized by BAAQMD & MTC for reserving rooms for agency meetings at 375 Beale (Attachment B).
- Fleet reservation system is utilized by BAAQMD & MTC for reserving automobiles for agency use (Attachment C).

Security Update

Below are notable 2018 security incidents:

- A disgruntled FasTrak customer made threats over the phone on May 22, 2018. A police report was filed and all agencies were immediately notified. Additional security officers were posted to ensure the safety of our employees and tenants.
- A Conduent employee was assaulted by an ex-employee on May 24, 2018. A police report was filed and the ex-employee was banned from the building.

These incidents were effectively managed by CW in consultation with BAHA and BAAQMD to reduce risk to our employees and tenants.

Security guide for employees and tenants

Cushman & Wakefield is producing several security guides establishing protocols for workplace emergencies and evacuations; these guides will be distributed in the following months.

Projects

Twilio Lease

Twilio entered into a one-year lease for 15,500 rentable square feet (rsf) of space on Level 5 that had been built out for the Bay Conservation and Development Commission (BCDC). The lease commenced October 1, 2018 and will terminate on June 30, 2019. The space is being leased as-is and fully furnished. BAHA expects to reengage with the California Department of Finance and Department of General Services to negotiate a lease with BCDC in FY 2019-20.

Electric Vehicle (EV) Charging Stations

BAHA has completed the installation of 1 single-port and 6 dual-port chargers in the Level 2 parking lot. Electrical infrastructure is in place for a DC fast-charge; the manufacturer, Charge Point, is rolling out a new model that it expects will be available in December 2019.

1st Floor Retail Space Update

BAHA's architect, TEF Architecture and Interior Design, completed construction documents for the first-floor retail space in October 2018, which have been submitted for permit approval. The space is being designed as a flexible space with a warming kitchen and service equipment that would allow for the service of beverages and pre-cooked food.

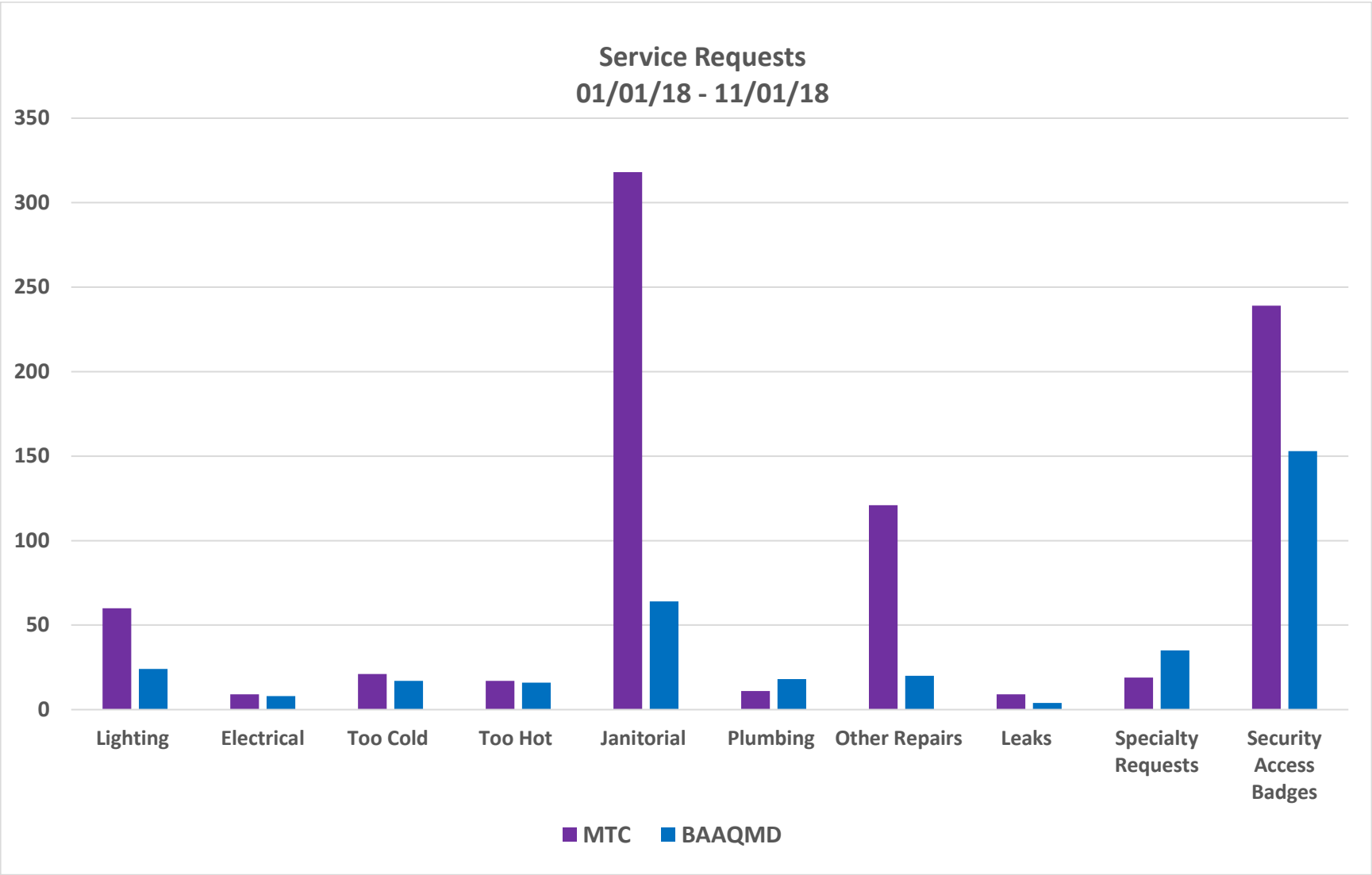
Staff is working on a funding plan for the project. BAHA's contractor, Swinerton Builders, Inc., has started early work, including removal of lead paint.



Courtney Ruby

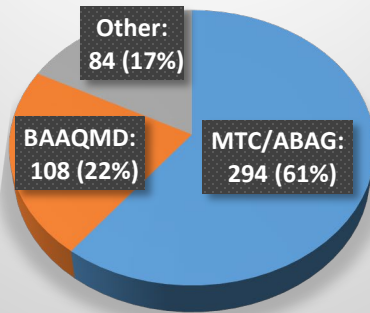
Attachments

Attachment A

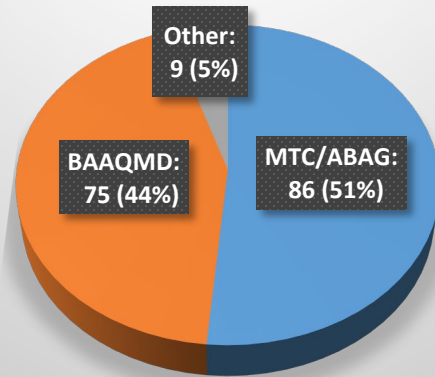


BAMC Shared Room Use 1/1/18 – 10/31/18

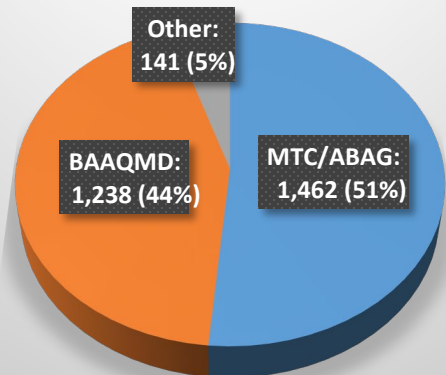
CR 107 Ohlone/CR 109 Yerba Buena Total Reservations: 486



Board Room Total Reservations: 170



Agency Floor Large & XL Rooms Total Reservations: 2,841



**Other category includes 3rd parties, Cushman & Wakefield, and room maintenance.*

375 BEALE
CONDOMINIUM CORPORATION
Memorandum

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375 Beale Street, San Francisco, CA 94105
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Date: November 19, 2018

AGENDA ITEM 5

Subject: Bay Area Metro Center Purchase and Sale Agreement

BAHA and the Air District entered into a Purchase and Sale Agreement on October 19, 2018 whereby BAHA sold 11,578 rentable square feet (rsf) of space on Level 8, as depicted in Attachment A, to the Air District for a purchase price of \$385/rsf. Escrow closed on November 2, 2018 and the transfer is complete.



Courtney Ruby

J:\COMMITTE\375 Beale Condo\2018\11_Nov'2018 Beale Condo

LOT Legend

- LOT 1 -BAHA / COMMERCIAL
- LOT 2 - BAHA / MTC
- LOT 3 - AIR DISTRICT

AREA TYPE

- COMMON AREA
- JOINTLY USED SPACE
- AIR DISTRICT LAB & PARKING EASEMENT
- ABAG PARKING EASEMENT
- MTC PARKING EASEMENT
- AIR/LIGHT EASEMENT

LEVEL 8	
NAME	Area
LOT 1	830 SF
LOT 2	42,818 SF
LOT 3	10,821 SF



LEVEL 08 -LOT MAP

DRAWING TITLE

ISSUED WITH

DRAWING REFERENCE

1" = 30'-0"

DRAWING SCALE

07/13/18

DATE

375 BEALE STREET

PROJECT NAME

10841.000

PROJECT NUMBER

08

DRAWING NUMBER

375 BEALE
CONDOMINIUM CORPORATION
Memorandum

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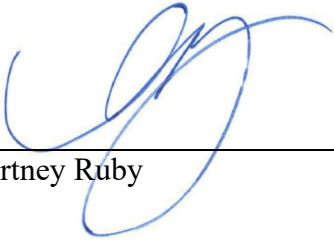
Date: November 19, 2018

AGENDA ITEM 6

Subject: Update on Conflict of Interest Code

The Fair Political Practices Commission approved the 375 Beale Condominium Corporation's Conflict of Interest Code on September 7, 2018, and it became effective on October 7, 2018 (see Attachment D). The Conflict of Interest Code lists 375 Beale Condo Corporation positions who are required by the Political Reform Act to file Statements of Economic Interest and the Code sets forth disclosure categories for these positions. The Statements of Economic Interest to be filed are known as Form 700. Initial Form 700s were required to be filed with the Condo Corporation by November 6, 2018. Ongoing/annual Form 700s will be due April 1 of each year. All Form 700s will be retained by MTC.

The Code also clarifies that the Executive Director/Chair, Chief Financial Officer, and Board of Directors of the 375 Beale Condominium Corporation are subject to the filing requirements of Government Code section 87200, as they manage public investments.



Courtney Ruby

Attachment

J:\COMMITTEE\375 Beale Condo\2018\11_Nov'2018 Beale Condo

CONFLICT OF INTEREST CODE FOR THE
375 BEALE CONDOMINIUM CORPORATION

The Political Reform Act, Government Code Section 81000, *et seq.*, requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Code of Regs. § 18730, which contains the terms of a standard Conflict of Interest Code, which can be incorporated by reference, and which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings. Therefore, the terms of 2 Cal. Code of Regs. § 18730 and any amendments to it duly adopted by the Fair Political Practices Commission, along with the attached Appendices in which officials and employees are designated and disclosure categories are set forth, are hereby incorporated by reference and constitute the Conflict of Interest Code of the **375 Beale Condominium Corporation**.

Designated employees shall file statements of economic interests with the **375 Beale Condominium Corporation**. The Metropolitan Transpiration Commission will retain all statements of economic interests on behalf of **375 Beale Condominium Corporation**, which will make the statements available for public inspection and reproduction (Gov. Code Sec.81008).

CONFLICT OF INTEREST CODE FOR THE
375 BEALE CONDOMINIUM CORPORATION
APPENDIX A

<u>Designated Positions</u>	<u>Disclosure Categories</u>
(1) Secretary	1
(2) Chief Operating Officer	1
(3) Deputy Executive Director, Operations	1
(4) Deputy Executive Director, Local Government Services	1
(5) Director & Equal Employment Opportunity Officer, Administration & Facilities -	1
(6) General Counsel	1
(7) Senior Program Coordinator	1
(8) Special Projects Manager	1
(9) Consultants/New Positions	*

* Consultants/new positions shall be included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the code subject to the following limitation:

The Chair / Executive Director may determine in writing that a particular consultant or new position, although a "designated position," is hired to perform a range of duties that is limited in scope and thus, is not required to comply fully with the disclosure requirements described in this section. Such a determination shall include a description of the consultant's or new position's duties and based upon that description, a statement of the extent of disclosure requirements.

The Chair / Executive Director's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict of interest code. (Government Code Section 81008.)

Note: All positions are filled by employees of Metropolitan Transportation Commission and the Bay Area Air Quality Management District that act in a staff capacity for 375 Beale Corporation.

The following positions are not covered by the code because the positions manage public investments. Individuals holding such positions must file under Government Code Section 87200 and are listed for informational purposes only. Section 87200 requires disclosure of all investments and business positions in business entities, all income, including gifts, loans and travel payments, and real property.

Chair / Executive Director
Chief Financial Officer
Board of Directors

APPENDIX B

Disclosure Categories

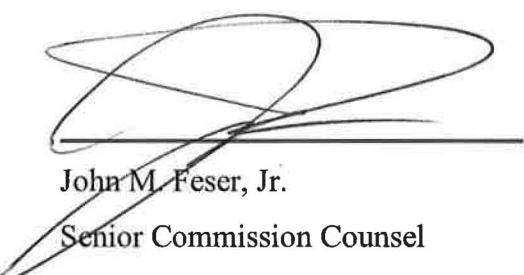
1. Investments and business positions in business entities, and sources of income, including loans, gifts, and travel payments, from sources of the type that provide services, supplies, materials, machinery, or equipment of the type utilized by the **375 Beale Condominium Corporation**.

This is the last page of the conflict of interest code for the **375 Beal Condominium Corporation**.



CERTIFICATION OF FPPC APPROVAL

Pursuant to Government Code Section 87303, the conflict of interest code for the **375 Beal Condominium Corporation** was approved on 9/17 2018. This code will become effective on 10/17/ 2018.



John M. Feser, Jr.

Senior Commission Counsel

Fair Political Practices Commission