



MEMORANDUM

TO: Board of Directors **DATE:** January 13, 2010

FROM: Celia McAdam, Executive Director

SUBJECT: NEVADA STATION OPERATING BUDGET FOR 2010 and 2011

ACTION REQUESTED

Approve Nevada Station Building budget for 2010 and 2011 as shown in Attachment 2 and certify that this budget includes required bond payments.

BACKGROUND

In December 2003, PCTPA completed the purchase of the Nevada Station office building at 299 Nevada Street in Auburn to house the Agency's operations. In doing so, the Agency has also become a landlord, charged with the responsibility of operating and maintaining the building and resolving tenant issues.

Because of certain powers needed to obtain bond financing that are not specifically held by PCTPA, the South Placer Regional Transportation Authority (SPRTA) agreed to be the conduit for the financing of the purchase of the Nevada Station. Under this arrangement, SPRTA is listed as the official owner of the building and fully leases it to PCTPA. PCTPA, in turn, handles all management, operations, maintenance, rental collection, and bond payments. Once the bonds have been fully repaid, SPRTA will sell the building to PCTPA for \$10.

Budget for the operations of the Nevada Station property is on a calendar year basis, adopted biannually.

For the Board's reference, the budget to actual figures for 2008 and 2009 are shown in Attachment 1. Actual revenues received in 2008 were slightly higher than expected while expenses remained low, resulting in a net balance at the end of the year of \$17,265. In 2009, actual revenues were less than budgeted due to vacancies, but expenditures were also lower than anticipated and transfers to improvement reserves were suspended. While the resulting net operating cash flow for 2009 was negative, we retain a cash balance at the end of the 2009 calendar year of \$58,900.

DISCUSSION

Staff has developed a budget for the Nevada Station operations for calendar years 2010 and 2011, which is shown in Attachment 2. Economic conditions have made vacancies a continuing challenge as reflected in our revenue projections, and the building currently has 4 vacancies. As such, staff recommends suspending expenditures for reserves for painting and paving until revenues increase. Staff has used conservative assumptions about the leasing of space, expecting tiering of new leases through September at adjusted market rates.

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Under these updated conditions, staff expects to need approximately \$33,000 of reserves to balance cash flow for 2010. Accordingly, we expect an eventual upturn and a more positive cash flow in 2011, allowing us to return approximately \$26,000 to reserves by the end of 2011.

Staff is working diligently to address the current vacancy situation, including selection of a new leasing agent to energize tenant recruitment, reviewing leasing rates at similar buildings, and encouraging tenant retention. Staff has also conferred with Boardmember Nesbitt to tap his knowledge of real estate in the Auburn to assist in this effort.

Wells Fargo Bank, which services the bonds, requires that the Agency certify that bond payments are included in the building's operating budget. These are included accordingly, and staff recommends the Board's certification and approval of the Nevada Station Operating Budget.

CM:SL:ss

Attachment 1

**NEVADA STATION - OPERATING BUDGET
2008 & 2009 - BUDGETED TO ACTUAL REPORT**

	2008		2009	
	BUDGET	ACTUAL	BUDGET	ACTUAL
GROSS INCOME - PROJECTED				
249 NEVADA STREET	-	10,097	35,460	12,781
259 NEVADA STREET	43,785	45,055	44,919	44,919
263 NEVADA STREET	24,856	24,855	25,472	19,112
267 NEVADA STREET	-	-	-	10,000
271 NEVADA STREET	9,507	9,508	9,744	8,433
299 NEVADA STREET	121,760	121,271	125,416	124,371
OTHER PREVIOUS TENANTS	115,260	89,771	97,185	36,430
INTEREST INCOME	-	6,067	-	2,012
LESS: 5% VACANCY & CREDIT LOSS	(15,758)	-	(16,910)	-
TOTAL EFFECTIVE INCOME	299,410	306,624	321,286	258,058
OPERATING EXPENSES - PROJECTED				
ACCOUNTANT/ATTORNEY	500	215	500	1,098
CARPET CLEANING	500	-	1,000	621
ELEVATOR MAINT/LICENSE	3,000	2,833	3,000	2,888
FIRE EXTINGUISHERS	100	16	100	-
GARBAGE DISPOSAL	3,400	3,447	3,500	3,480
GUTTER CLEANING	500	-	500	45
HVAC MAINTENANCE	1,600	1,373	1,600	1,515
INSURANCE	4,000	4,838	4,200	4,391
JANITORIAL SERVICE	3,800	3,499	4,000	3,101
LANDSCAPING SERVICE	2,700	2,940	2,725	3,045
LIGHTING	150	-	150	-
LOCKSMITH	200	798	200	499
MANAGEMENT FEE (PCTPA ADMIN)	10,000	10,567	10,000	9,324
MISC REPAIRS & EXPENSES	2,500	643	2,500	422
PAINTING - EXTERIOR	5,000	16,545	5,000	-
PARKING LOT PAVING	700	1,825	700	-
PCWA	1,800	1,933	1,800	1,605
PG&E	2,400	2,290	2,500	2,942
PHONE (ELEVATOR)	200	177	200	202
PLUMBING / ELECTRICAL	1,000	1,626	1,000	1,741
REAL ESTATE TAXES	5,000	4,273	5,000	4,862
RESTROOM SUPPLIES	1,000	983	1,000	859
ROOFING	2,000	-	2,000	-
SECURITY	1,000	570	1,000	994
SEWER FEES	4,000	2,433	4,000	2,583
WINDOW WASHING	1,000	565	1,000	565
TOTAL OPERATING EXPENSES	58,050	64,389	59,175	46,782
NET INCOME	241,360	242,235	262,111	211,276
NON-OPERATING EXPENSES				
DEBT SERVICE (Principal + Interest)	229,115	220,570	226,007	228,735
BOND ADMIN FEE	2,200	4,400	2,200	-
SECURITY DEPOSIT REFUND	-	-	-	2,855
LEASE COMMISSIONS	1,500	-	1,500	2,496
TENANT IMPROVEMENTS	5,000	-	5,000	1,000
BOND COUNSEL	2,000	-	2,000	-
TOTAL NON-OPERATING EXPENSES	239,815	224,970	236,707	235,086
NET OPERATING CASH FLOW	1,545	17,265	25,404	(23,810)

Attachment 2

NEVADA STATION - 2010 & 2011 OPERATING BUDGET

	2010 BUDGET	2011 BUDGET
GROSS INCOME - PROJECTED		
249 NEVADA STREET	14,615	15,053
259 NEVADA STREET	45,204	46,560
263 NEVADA STREET	14,400	14,832
265 NEVADA STREET - PROJECTED	12,157	25,044
267 NEVADA STREET	12,222	12,589
271 NEVADA STREET	8,473	8,727
275 NEVADA STREET - PROJECTED	17,582	36,220
281 NEVADA STREET - PROJECTED	13,147	27,083
287 NEVADA STREET - PROJECTED	8,375	17,253
299 NEVADA STREET	127,486	131,311
INTEREST INCOME	-	-
LESS: 5% VACANCY & CREDIT LOSS	(12,952)	(15,981)
TOTAL EFFECTIVE INCOME	260,710	318,691
OPERATING EXPENSES - PROJECTED		
ACCOUNTANT/ATTORNEY	500	500
CARPET CLEANING	500	500
ELEVATOR MAINT/LICENSE	3,000	3,000
FIRE EXTINGUISHERS	100	100
GARBAGE DISPOSAL	3,500	3,500
GUTTER CLEANING	250	250
HVAC MAINTENANCE	1,600	1,600
INSURANCE	4,500	4,750
JANITORIAL SERVICE	4,000	4,000
LANDSCAPING SERVICE	3,000	3,000
LIGHTING	150	150
LOCKSMITH	500	500
MANAGEMENT FEE (PCTPA ADMIN)	10,000	10,000
MISC REPAIRS & EXPENSES	2,500	2,500
PAINTING - EXTERIOR	-	-
PARKING LOT PAVING	-	-
PCWA	1,800	1,800
PG&E	2,500	2,500
PHONE (ELEVATOR)	200	200
PLUMBING / ELECTRICAL	1,000	1,000
REAL ESTATE TAXES	5,000	5,000
RESTROOM SUPPLIES	1,000	1,000
ROOFING	-	-
SECURITY	1,000	1,000
SEWER FEES	3,000	3,000
WINDOW WASHING	600	600
TOTAL OPERATING EXPENSES	50,200	50,450
NET INCOME	210,510	268,241
NON-OPERATING EXPENSES		
DEBT SERVICE (Principal + Interest)	230,695	231,535
BOND ADMIN FEE	2,200	2,200
SECURITY DEPOSIT REFUND	-	-
LEASE COMMISSIONS	5,000	5,000
TENANT IMPROVEMENTS	5,000	5,000
BOND COUNSEL	500	500
TOTAL NON-OPERATING EXPENSES	243,395	244,235
ADD: TRANSFER FROM RESERVES	33,000	-
NET OPERATING CASH FLOW	115	24,006