Bay Area Headquarters Authority

A Component Unit of Metropolitan Transportation Commission

Financial Statements
As of and for the Year Ended June 30, 2021

Bay Area Headquarters Authority
A Component Unit of Metropolitan Transportation Commission
Table of Contents
For the Year Ended June 30, 2021

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Members of the Committee
Bay Area Headquarters Authority
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Bay Area Headquarters Authority (BAHA), a component unit of the Metropolitan Transportation Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise BAHA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 the entity'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 BAHA, as of June 30, 2021, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BAHA's financial statements for the year ended June 30, 2020, from which such partial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Crowe LLP

Crowe LLP

San Francisco, California
October 27, 2021

Management's Discussion and Analysis

This financial report is designed to provide a general overview of the Bay Area Headquarters Authority's (BAHA) financial statements, a discretely presented component unit of the Metropolitan Transportation Commission (MTC). This Management's Discussion and Analysis presents an overview of the financial activities of BAHA for the year ended June 30, 2021. The discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow.

MTC and the Bay Area Toll Authority (BATA) executed a Joint Exercise of Powers Agreement on September 28, 2011 to establish BAHA. BAHA is authorized to take all actions necessary to plan, acquire, develop, operate, and maintain BAHA's office space and facilities. However, BAHA may not issue bonds or other forms of indebtedness. On October 14, 2011, BAHA acquired the property located on 375 Beale Street, San Francisco, California (the "Building") for the purpose of establishing a Bay Area regional headquarters for MTC, Bay Area Air Quality Management District (BAAQMD), and the Association of Bay Area Governments (ABAG). The Building was named Bay Area Metro Center (BAMC).

In May 2016, MTC, BAAQMD, and ABAG moved into the Building. In June 2017, BAHA, BAAQMD, and ABAG formed a nonprofit mutual benefit organization, 375 Beale Condominium Corporation ("375 Beale Condo") to manage the condominium interest at BAMC. The three agencies also established a Declaration of Covenants, Conditions and Restrictions, which governs the policy and operating guidance for 375 Beale Condo.

There are six members on the governing board of BAHA. BAHA's board consists of four MTC Commissioners and two BATA Commissioners: the MTC Commission's chair and vice chair, BATA Oversight Committee's chair and vice chair as well as the MTC Administration Committee's chair and vice chair. Neither MTC nor BATA is responsible for any liabilities or obligations of BAHA.

A. Financial Highlights

During FY 2021, all tenants made their scheduled lease payments, and BAHA did not receive any requests for delay or deferral in monthly lease payments during COVID-19 pandemic period. BAHA reached $9.8 million in rent revenue, an increase of 4%, and $10.6 million in total operating revenue at the end of the fiscal year.

B. Overview of the BAHA Financial Statements

BAHA's financial statements include *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, and *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, liabilities, deferred out/inflows of resources, 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.

Statement of Net Position, *Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows* are presented on pages 7 – 10 of this report.

C. Financial Analysis

Statement of Net Position

The following table is a summary of BAHA's statement of net position as of June 30 for the last two fiscal years:

	2021	2020
Cash	$ 31,199,430	$ 28,801,065
Receivables	336,811	241,983
Other assets	171,165	196,402
Capital assets	200,704,679	206,216,434
Total assets	232,412,085	235,455,884
Deferred outflows	145,118	289,319
Other liabilities	2,327,604	2,688,594
Long term liabilities	202,012	342,171
Total liabilities	2,529,616	3,030,765
Deferred inflows	39,869	78,045
Net position		
Net investment in capital assets	200,580,939	205,976,193
Restricted for capital projects	4,679,943	6,708,664
Unrestricted	24,726,836	19,951,536
Total net position	$ 229,987,718	$ 232,636,393

Cash increased by $2,398 thousand in fiscal year 2021. The increase in fiscal year 2021 is the results of an increase of operating revenues and decreases of operating and nonoperating expenses. The receivables increased by $95 thousand compared to fiscal year 2020, as there is an outstanding invoice billed for building services at the end of fiscal year 2021. Other assets decreased by $25 thousand in fiscal year 2021. The decrease is primarily as a result of lower prepaid subscription items in fiscal year 2021. Capital assets decreased by $5,512 thousand in fiscal year 2021, mainly due to the depreciation.

Other liabilities decreased by $361 thousand in fiscal year 2021 mainly from the decrease in unearned revenue and retention liability. Long-term liabilities decreased by $140 thousand in fiscal year 2021. The decrease in fiscal year 2021 is mainly due to a decrease in net pension liability.

Statement of Revenues, Expenses, and Changes in Net Position

The following table is a summary of BAHA's statement of revenues, expenses, and changes in net position for the last two fiscal years ended June 30:

	2021	2020
Operating revenue		
Rental income	$ 9,807,109	$ 9,477,725
Other operating revenues	783,640	795,819
Total operating revenue	10,590,749	10,273,544
Operating expenses		
Salaries and benefits	486,653	541,570
Professional fees and property management	557,012	513,179
Repairs / maintenance and supplies	1,072,918	961,824
Security and cleaning service	1,356,310	1,293,780
Depreciation	6,581,133	6,770,116
Possessory tax	620,936	684,905
Other expenses	1,483,154	1,629,906
Total operating expenses	12,158,116	12,395,280
Operating loss	(1,567,367)	(2,121,736)
Nonoperating revenues / (expenses)		
Interest and miscellaneous income / (expenses)	(1,081,308)	(1,568,723)
Total nonoperating revenues / (expenses)	(1,081,308)	(1,568,723)
Capital contributions / Transfers in	-	2,719,283
Changes in net position	(2,648,675)	(971,176)
Net position - beginning	232,636,393	233,607,569
Net position - ending	$ 229,987,718	$ 232,636,393

BAHA's total operating revenues increased by $317 thousand in fiscal year 2021 mainly due to scheduled rent increases.

Total operating expenses decreased by $237 thousand in fiscal year 2021. The decrease in fiscal year 2021 is primarily a result of decreases in depreciation and other expenses, offset by an increase in repair and maintenance. The building is going through a series of upgrades and improvements taking advantage of the low occupancy period.

BAHA's nonoperating expenses decreased by $487 thousand in fiscal year 2021 as BAHA had lower interest income, incurred a loss on replacement of capital assets and returned less contribution to BATA this year.

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 11, provide additional information that is essential to a full understanding of the data provided in this management discussion and analysis and the financial statements.

E. Economic Factors

The Bay Area economy ended a nine-year expansion during FY 2020 with sudden "crash" at the end of FY 2020 but quickly recovered during FY 2021. In fact, the "crash" was the steepest drop in GDP since the Great Depression. The recovery was just as rapid with GDP surpassing the January 2020 level by December 2020. The change in economic conditions had significant impact on BAHA's operations, including:

- Sales tax revenue was projected to fall 14% from the FY 2019 total, falling for the second consecutive year, after nine straight fiscal years of growth. Instead, the increase in internet sales combined with a federal court decision that removed the federal prohibition on the assessment of state sales tax, produced revenue of over $14 million, almost exactly the level of FY 2020 and only $600 thousand below FY 2019. BAHA projects strong sales tax revenue growth for FY 2022 with the combination of the reopening economy and state sales tax assessments on internet sales.

- Unemployment in the Bay Area dipped below 3% in June 2019 and increased to over 9.6% by June 2020. Unemployment remains stubbornly high in California at 7.7%, and well above the national trend of 5.2%.

- Office occupancy is uncertain given the level of remote workers in the Bay Area, so the impact of the current economic slowdown may not be known until workers return to the office.

- Signs of an improving economy include strength in housing prices and construction, however the short recession did nothing to improve the critically low supply of affordable housing in the San Francisco Bay Area.

Requests for information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, Bay Area Headquarters Authority, 375 Beale Street, Suite 800, San Francisco, CA 94105.

Bay Area Headquarters Authority
A Component Unit of Metropolitan Transportation Commission
Statement of Net Position
June 30, 2021
(With comparative information for the prior year)

	2021	2020
ASSETS		
Current assets:		
Cash - unrestricted	$ 26,519,487	$ 22,092,401
Accounts receivable	336,811	90,026
Due from 375 Beale Condo	-	151,957
Prepaid expenses	131,407	170,068
Total current assets	26,987,705	22,504,452
Non-current assets:		
Cash - restricted	4,679,943	6,708,664
Net OPEB asset	39,758	26,334
Capital assets, not being depreciated	34,156,444	34,002,258
Capital assets, net of accumulated depreciation	166,548,235	172,214,176
Total non-current assets	205,424,380	212,951,432
TOTAL ASSETS	232,412,085	235,455,884
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension	120,415	217,144
Deferred outflows from OPEB	24,703	72,175
TOTAL DEFERRED OUTFLOWS OF RESOURCES	145,118	289,319
LIABILITIES		
Current liabilities:		
Accounts payable	106,782	443,012
Retention payable	51,536	240,241
Accrued liabilities	986,996	898,616
Unearned revenue	13,704	558,441
Compensated absences liability	40,612	19,613
Tenants' security deposits	52,651	52,651
Due to other government	476,016	476,020
Due to 375 Beale Condo	599,307	-
Total current liabilities	2,327,604	2,688,594
Non-current liabilities:		
Net pension liability	176,707	318,510
Compensated absences liability	25,305	23,661
Total non-current liabilities	202,012	342,171
TOTAL LIABILITIES	2,529,616	3,030,765
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension	18,331	53,783
Deferred inflows from OPEB	21,538	24,262
TOTAL DEFERRED INFLOWS OF RESOURCES	39,869	78,045
NET POSITION		
Net investment in capital assets	200,580,939	205,976,193
Restricted (expendable) for capital projects	4,679,943	6,708,664
Unrestricted	24,726,836	19,951,536
TOTAL NET POSITION	$ 229,987,718	$ 232,636,393

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

Bay Area Headquarters Authority
A Component Unit of Metropolitan Transportation Commission
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021
(With comparative information for the prior year)

	2021	2020
OPERATING REVENUE		
Rental income	$ 9,807,109	$ 9,477,725
Other operating revenues	783,640	795,819
TOTAL OPERATING REVENUE	10,590,749	10,273,544
OPERATING EXPENSES		
Salaries and benefits	486,653	541,570
Professional fees	288,393	243,403
Repairs and maintenance	1,069,305	949,568
Property management service	268,619	269,776
Property management commission	-	42,314
Insurance	221,986	200,297
Security	595,729	560,295
Cleaning service	760,581	733,485
Utilities	408,880	444,786
Computer maintenance and services	328,986	410,030
Supplies and equipment rental	3,613	12,256
Depreciation	6,581,133	6,770,116
Overhead	250,299	203,276
Possessory tax	620,936	684,905
Other	273,003	329,203
TOTAL OPERATING EXPENSES	12,158,116	12,395,280
OPERATING LOSS	(1,567,367)	(2,121,736)
NONOPERATING REVENUES AND EXPENSES		
Interest income	7,727	266,789
Other nonoperating revenues	171,109	132,697
Loss on disposal of capital assets	(271,111)	-
Return of contribution to BATA	(1,000,000)	(2,000,000)
Miscellaneous income	10,967	31,791
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,081,308)	(1,568,723)
LOSS BEFORE CAPITAL CONTRIBUTION / TRANSFERS	(2,648,675)	(3,690,459)
CAPITAL CONTRIBUTION / TRANSFERS		
Capital contribution from MTC/BATA	-	119,000
Capital contribution from BAAQMD	-	82,000
Tenant contribution for tenant improvements	-	2,518,283
TOTAL CAPITAL CONTRIBUTION / TRANSFERS	-	2,719,283
CHANGE IN NET POSITION	(2,648,675)	(971,176)
Net position - Beginning of year	232,636,393	233,607,569
Net position - End of year	$ 229,987,718	$ 232,636,393

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

Bay Area Headquarters Authority
A Component Unit of Metropolitan Transportation Commission
Statement of Cash Flows
For the Year Ended June 30, 2021
(With comparative information for the prior year)

	2021	2020
Cash flows from operating activities		
Cash receipts from tenants	$ 9,909,119	$ 9,960,377
Cash payments to suppliers for goods and services	(5,153,585)	(6,214,971)
Cash payments for employee salaries and benefits	(509,167)	(490,169)
Other cash receipts	823,447	136,544
Other cash payments	-	(803,572)
Net cash provided by operating activities	5,069,814	2,588,209
Cash flows from non-capital financing activities		
Return of contributions to BATA	(1,000,000)	(2,000,000)
Net cash used in non-capital financing activities	(1,000,000)	(2,000,000)
Cash flows from capital and related financing activities		
Tenant contributions for tenant improvements	-	2,518,283
Contribution from MTC/BATA	-	119,000
Contribution from BAAQMD	-	3,082,000
Acquisition of capital assets	(1,679,176)	(3,636,840)
Net cash provided by / (used in) capital and related financing activities	(1,679,176)	2,082,443
Cash flows from investing activities		
Interest received	7,727	266,831
Net cash provided by investing activities	7,727	266,831
Net increase in cash	2,398,365	2,937,483
Cash - Beginning of year	28,801,065	25,863,582
Cash - End of year	$ 31,199,430	$ 28,801,065

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

Bay Area Headquarters Authority
A Component Unit of Metropolitan Transportation Commission
Statement of Cash Flows
For the Year Ended June 30, 2021
(With comparative information for the prior year)

Reconciliation of operating loss to net cash provided by operating activities

	2021	2020
Operating loss	$ (1,567,367)	$ (2,121,736)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	6,581,133	6,770,116
Other revenues	72,183	136,544
Net effect of changes in:		
Accounts receivable	(136,893)	166,646
Prepaid expenses	38,661	205,880
Net OPEB asset	(13,424)	(26,334)
Accounts payable	(186,247)	(39,586)
Accrued liabilities	88,380	(1,293,884)
Unearned revenue	(544,737)	(28,735)
Tenants' security deposits	-	(451,077)
Due from other governments	(4)	4
Deferred outflows from pension	96,729	(114,344)
Deferred outflows from OPEB	47,472	57,203
Net pension liability	(141,803)	248,851
Net OPEB liability	-	(119,233)
Compensated absences liability	22,643	(11,185)
Deferred inflows from pension	(35,452)	(11,611)
Deferred inflows from OPEB	(2,724)	24,262
Due from /(to) 375 Beale Condo	751,264	(803,572)
Net cash provided by operating activities	$ 5,069,814	$ 2,588,209

Significant Noncash Investing, Capital, and Financing Activities

	2021	2020
Acquisition of capital assets under accounts payable and accrued liabilities	$ 72,205	$ 222,189

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

1. Reporting Entity and Operations

The Bay Area Headquarters Authority (BAHA) was established on September 28, 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 powers common to Metropolitan Transportation Commission (MTC) and the Bay Area Toll Authority (BATA) where two or more public agencies may enter into an agreement to establish an agency to exercise any power common to the contracting parties. 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, corporation and any governmental entity. However, BAHA may not issue bonds or other forms of indebtedness. There are six members on the governing board of BAHA. BAHA's board consists of four MTC Commissioners and two BATA Commissioners: the MTC Commission chair and vice chair, BATA Oversight Committee's chair and vice chair as well as the MTC Administration Committee's chair and vice chair.

MTC was established under Government Code Section 66500 et seq. of the laws of the State of California (the State) in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes 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.

BAHA is a discretely presented component unit in the MTC financial statements because it does not qualify for blending under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. As such, it is presented as a discretely presented component unit in the government-wide financial statements of MTC. Neither MTC nor BATA have any obligations for BAHA's liabilities or other obligations.

These standalone financial statements are for the benefit of the users of BAHA's financial statements who need more disclosure of information and to see the financial information segregated for this entity.

BAHA's Operations

On October 14, 2011, BAHA acquired the office facility at 375 Beale Street, San Francisco, California, now named Bay Area Metro Center (BAMC). The acquisition cost of BAMC was $92,168,317. BATA contributed a cumulative amount of $284,998,523 to be used for renovations and purchase of a Certificate of Participation (COP). MTC and MTC Service Authority for Freeway &

Expressways (SAFE) contributed \$11,672,704 and \$50,000 to BAHA, respectively. Bay Area Air Quality Management District (BAAQMD) contributed \$150,000 for electric vehicle charging stations in BAMC parking garage and \$3,000,000 for the improvements of the first-floor large retail space. BAHA has returned \$36,600,000 to BATA cumulatively through FY 2021.

BAHA is responsible for the management, operation, and maintenance of BAMC, including sales (of condominium interests in BAMC) and leasing activity. See Note 4 for further information in relation to leasing activities and management of BAMC.

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.

2. Summary of Significant Accounting Policies

Basis of Presentation, Measurement Focus and Financial Statement Presentation

The financial statements for BAHA 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. BAHA also follows standards of Governmental Accounting Standards Board (GASB) for its financial reporting.

New Accounting Pronouncements

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, 2019. BAHA adopted this standard for fiscal year ended June 30, 2021. The adoption of the standard has no impact on BAHA's financial statements.

GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the effect of this statement on BAHA'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 enhances 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, 2020. Management is currently evaluating the effect of this statement on BAHA's financial statements.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance on how to improve reporting of Majority Equity Interests. This statement improves the consistency and comparability of reporting a government's majority equity interest in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. BAHA adopted this standard for fiscal year ended June 30, 2021. The adoption of the standard has no impact on BAHA's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, provides single method of reporting conduit debt obligations. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Management is currently evaluating the effect of this statement on BAHA's financial statements.

GASB Statement No. 92, *Omnibus 2020*, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. The initial requirements of this Statement are effective as follows: (a) The requirements in paragraphs 4, 5, 11, and 13 are effective upon issuance. (b) The requirements in paragraphs 6 and 7 are effective for fiscal years beginning after June 15, 2021. (c) The requirements in paragraphs 8, 9, and 12 are effective for reporting periods beginning after June 15, 2021. (d) The requirements in paragraph 10 are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Management is currently evaluating the effect of this statement on BAHA's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Management is currently evaluating the effect of paragraphs 11b, 13, and 14. The adoption of the remaining paragraphs has no impact on BAHA's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the effect of this statement on BAHA's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement are effective for fiscal years beginning after June 15,

2022. Management is currently evaluating the effect of this statement on BAHA's financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). The requirements of this statement are effective as follow: (a) The requirement in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. (b) The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. (c) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. BAHA adopted paragraphs 4 and 5 of this statement in fiscal year 2020. The adoption of paragraphs 4 and 5 did not have any material impact on BAHA's financial statements. Management is evaluating the effect of the remaining paragraphs of this statement on BAHA's financial statements.

Cash

BAHA considers all balances in demand deposit accounts to be cash. The composition of cash at June 30, 2021 is as follows:

Unrestricted cash		
Cash at banks	$	26,519,487
Total unrestricted cash	$	26,519,487
Restricted cash		
Cash at banks	$	4,678,425
Money market mutual funds		1,518
Total restricted cash	$	4,679,943

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, BAHA may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to the limit of $250,000. Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent with the securities having a fair value of 110% to 150% of BAHA's cash on deposit.

Restricted Cash

Restricted cash is the cash restricted for use on capital projects. BAHA's source of the restricted cash was contributions from BATA, which is restricted for capital purposes.

Capital Assets

Capital assets, consisting of land, building and improvements, office furniture and equipment, as well as intangible assets, are reported at historical cost. Capital assets are defined by BAHA as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years. BAHA's intangible assets consist of purchased or licensed commercially available computer software.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Land is not depreciated. The other assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Building and improvements	7-45
Furniture and equipment	3-25
Intangible assets	5-10

BAHA completed the BAMC renovation in fiscal year 2016. Depreciation of BAMC and the assets therein commenced upon BAMC being available for occupation in May 2016.

Deferred Outflows / Inflows from Pensions and Other Post-Employment Benefits (OPEB)

Deferred outflows of resources and deferred inflows of resources are recognized for:

- Changes in the total pension and OPEB liabilities arising from differences between expected and actual experience with regard to economic or demographic factors.*

- The effects of changes of assumptions about future economic or demographic factors or of other inputs.*

- Difference between projected and actual investment earnings on defined benefit pension and OPEB plan investments.**

*The balances on these accounts are recognized in pension and OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period.

**This amount is recognized in pension and OPEB expense using a systematic and rational method over a closed five-year period.

Net Pension and OPEB Liabilities / Assets

The liabilities employers have for the employee benefits provided through defined benefit pension and OPEB plans. BAHA net pension and OPEB liabilities / assets are derived from BAHA's proportional share of MTC's payroll costs for the relevant measurement year.

Rental Income

Rental income from lease transactions with scheduled rent increases is measured based on the terms of lease contracts. Rental income from lease transactions with rent abatements as an inducement to enter into the lease agreement is measured on a straight-line basis over the lease term.

Operating and Nonoperating Revenues and Expenses

Operating revenues are revenues recorded from BAMC principal operations. Operating expenses are those related to the facility service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to the facility service activities.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position consists of three sections: Net investment in capital assets, as well as restricted and unrestricted assets, if applicable. Net position is reported as restricted when constraints are imposed by creditors, grantors, contributors, laws or regulations or other governments or enabling legislation. Unrestricted net position is the net amount of the residual value that is not included in the restricted categories of net position. It is BAHA's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Prior Year Comparative Information

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BAHA's prior year financial statements, from which this selected financial data was derived.

Recent Event

During FY 2020, a novel strain of coronavirus spread around the world and was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California declared a statewide shelter-in-place order which included strict limitations on entrance to the 375 Beale office site. The restrictions remained in place for all of FY 2021 which resulted in significantly lower occupancy and lower operating cost. Operating revenue, particularly rental revenue was not impacted. The extent to which the coronavirus may impact business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

3. Capital Assets

A summary of capital assets for the period ended June 30, 2021 is as follows:

	Beginning Balance July 1, 2020	Increases	Decreases	Ending Balance June 30, 2021
Capital assets, not being depreciated:				
Land	$ 33,933,809	$ -	$ -	$ 33,933,809
Construction in progress	68,449	757,747	(603,561)	222,635
Total capital assets, not being depreciated	34,002,258	757,747	(603,561)	34,156,444
Capital assets, being depreciated:				
Building and improvements	177,990,803	702,317	(300,000)	178,393,120
Furniture and equipment	5,618,523	483,986	-	6,102,509
Tenant improvements	12,881,271		-	12,881,271
Intangible assets	1,654,749	-	-	1,654,749
Total capital assets being depreciated	198,145,346	1,186,303	(300,000)	199,031,649
Less accumulated depreciation for:				
Building and improvements	15,782,315	3,976,743	(28,889)	19,730,169
Furniture and equipment	2,605,502	771,922	-	3,377,424
Tenant improvements	6,195,917	1,525,156	-	7,721,073
Intangible assets	1,347,436	307,312	-	1,654,748
Total accumulated depreciation	25,931,170	6,581,133	(28,889)	32,483,414
Total capital assets, being depreciated, net	172,214,176	(5,394,830)	(271,111)	166,548,235
BAHA capital assets, net	$ 206,216,434	$ (4,637,083)	$ (874,672)	$ 200,704,679

4. Leases

Operating Leases

BAHA contracted Cushman & Wakefield of California, Inc. (C&W) as its sole agent and granted to C&W the exclusive right to lease rentable space on levels one to five of BAMC to commercial and retail tenants.

In March 2015, BAHA signed its first lease agreement with Rutherford + Chekene (R+C). The lease term is seven years and three months with the commencement date on June 1, 2016 and expiration date on August 31, 2023. The first three months after the commencement date is the rent abatement period.

In October 2015, BAHA signed a lease agreement with BATA. This lease agreement authorized BATA to sublease an area at BAMC to Conduent Inc. (Conduent) who operates the FasTrak® Customer Service Center for BATA. The lease term is 44 months with the commencement date on May 1, 2016 and expiration date on December 31, 2019. In April 2019, BAHA and BATA amended the agreement by extending the lease term to November 30, 2022.

In November 2015, BAHA signed a lease agreement with Degenkolb Engineers (Degenkolb). The lease term is 120 months with the commencement date on February 1, 2017.

In January 2016, BAHA signed a lease agreement with Twilio, Inc. (Twilio). The lease term is 96 months with the commencement date in mid-October 2016.

In November 2017, BAHA signed a lease agreement with Cubic Transportation Systems, Inc. (Cubic). Cubic moved into BAMC in mid-April of 2018, and the first month was its rent abatement period. The lease term will end on December 31, 2022.

In April 2019, BAHA signed a lease agreement with the State of California, Bay Conservation and Development Commission (BCDC) to lease office space in BAMC. BCDC moved into BAMC in mid-August 2019, and the lease term will end on August 31, 2027.

The cost of the property on lease and held for leasing is $90,096,177, the carrying value is $73,533,217, and the accumulated depreciation amount is $16,562,960 as of June 30, 2021 and reported as building and improvements.

Minimum future rental payments of the operating leases are as follows:

Year Ending June 30	Total
2022	$ 10,047,974
2023	9,309,442
2024	8,148,565
2025	4,390,830
2026	2,585,483
After June 2026	2,355,914
Total	$ 36,838,208

5. Employees' Retirement Plan

MTC, the primary government, provides a defined benefit pension plan, the Miscellaneous Employee Pension Plan (the Plan). The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. An agent multiple-employer plan is one in which the assets of multiple employers are pooled for investment purposes, but separate accounts are maintained for each individual employer. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance.

BAHA reports its participation in the Plan under the cost-sharing plan requirements of GASB Statement No. 68. MTC allocated BAHA's pension related balances based on BAHA's proportional share of payroll costs. The percentage of the allocation for fiscal year 2021 is 0.61%, which was based on the fiscal year 2020 measurement year.

In fiscal year 2021, BAHA has a credit in pension expense of $376, net pension liability of $176,707, deferred outflows of resources of $120,415, and deferred inflows of resources of $18,331.

For additional information on employees' retirement plan, see MTC's Annual Comprehensive Financial Report Note 7.

6. Other Post Employment Benefits (OPEB)

MTC, the primary government, provides post-employment medical coverage to all eligible retired employees and their eligible dependents. MTC established Section 115 irrevocable benefit trust fund for its other post-employment benefit (OPEB) plan with the Public Agency Retirement Services (PARS). The trust is a public agency agent multiple-employer post-retirement health benefit trust which provide public agencies of administration in the funding of each agency's respective other post-employment benefit obligation.

MTC contracts its health benefit program with the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for both active and retired employees.

MTC's defined benefit OPEB plan provides medical coverage to all eligible retired employees and their eligible dependents. MTC maintains the same medical plans for its retirees as for its active employees. Once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer. The costs of the medical benefit are shared between the employer (95%) and retiree (5%) with a cap.

Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 with 5 years of service with CalPERS agency. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 26.

Detailed information about the OPEB plan fiduciary net position is available in the separately issued PARS financial report. Copies of the PARS report may be obtained by writing to PARS, 4350 Von Karman Avenue, Newport Beach, CA 92660, or from PARs' website at www.pars.org.

BAHA reports its participation in the OPEB plan under the cost-sharing plan requirements of GASB Statement No. 75. MTC allocated the OPEB related balances to BAHA based on BAHA's proportional share of payroll cost. The percentage of the allocation for fiscal year 2021 is 0.61%, which was based on the fiscal year 2020 measurement year.

In fiscal year 2021, BAHA has OPEB expense of $42,687, net OPEB asset of $39,758, and deferred outflows of resources of $24,703, and deferred inflows of resources of $21,538.

For additional information on employees' OPEB plan, see MTC's Annual Comprehensive Financial Report Note 8.

7. Compensated Absences

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers–Milias–Brown Act. A liability exists for accumulated vacation and sick leave. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 240 hours for sick leave.

MTC allocated the compensated absences liability related balance to BAHA based on BAHA's proportional share of payroll costs for the relevant year. The percentage of the allocation for fiscal year 2021 is 0.71%. BAHA has current compensated absences liability of $40,612, and noncurrent liability of $25,305 as of June 30, 2021. For additional information on compensated absences, refer to MTC's Annual Comprehensive Financial Report Note 9.

8. Commitment and Contingencies

BAHA entered into contracts with multiple external parties to perform the building and tenant improvements construction and working space furnishings. As of June 30, 2021, there are approximately $1,245,420 in future capital expenditure commitments.

9. Related Party Transactions

On June 22, 2017, 375 Beale Condominium Corporation ("375 Beale Condo") was incorporated in the State of California. The 375 Beale Condo started to exercise its custodial responsibility on behalf of the three owner occupants, BAHA, BAAQMD, and ABAG on July 1, 2017. The 375 Beale Condo assessed and billed both facility common and agency common assessment fees to meet all required expenditures of the common area and joint used space. Cushman and Wakefield of California, Inc. (C&W) was contracted to provide day-to-day property management services on behalf of the three condominium unit owners.

For the fiscal year 2021, BAHA assessed $3,747,498 from the three condominium owners for the common area operations and refunded $545,958 to condominium owners. As of June 30, 2021, BAHA has $599,307 payables to 375 Beale Condo.

BAHA returned contribution of $1,000,000 to BATA in fiscal year 2021.

Required Supplementary Information

Bay Area Headquarters Authority
A Component Unit of Metropolitan Transportation Commission
Schedule of Proportionate Share of Net Pension Liability (unaudited)
For the Measurement Periods Ended June 30
Last Ten Years *

Measurement Period	Miscellaneous Plan Tier I & II 2020	Miscellaneous Plan Tier I & II 2019	Miscellaneous Plan Tier I & II 2018	Miscellaneous Plan Tier I & II 2017	Miscellaneous Plan Tier I & II 2016
Proportion of the collective net pension liability/asset	0.61%	0.91%	0.24%	1.04%	1.20%
Proportionate share of the collective net pension liability/(asset)	$ 176,707	$ 318,510	$ 69,659	$ 381,354	$ 415,579
Covered payroll	$ 221,319	$ 317,485	$ 722,667	$ 967,268	$ 568,340
Proportionate share of the collective net pension liability/(asset) as a percentage of its covered payroll	79.84%	100.32%	9.64%	39.43%	73.12%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	89.00%	80.75%	82.04%	76.85%	75.59%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: None during the years 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes.

* Only five years' data is available.

Bay Area Headquarters Authority
A Component Unit of Metropolitan Transportation Commission
Schedule of Pension Contributions (unaudited)
For the Fiscal Years Ended June 30
Last Ten Years *

	Miscellaneous Plan Tier I & II		Miscellaneous Plan Tier I & II		Miscellaneous Plan Tier I & II	Miscellaneous Plan Tier I & II	Miscellaneous Plan Tier I & II
Fiscal Year	**2021**		**2020**		**2019**	**2018**	**2017**
Actuarially determined contribution	$ 36,948		$ 63,607		$ 14,432	$ 56,750	$ 62,266
Contributions in relation to the actuarially determined contributions	(63,598)		(143,453)		(14,432)	(56,750)	(62,266)
Contribution deficiency (excess)	$ (26,650)	(1)	$ (79,846)	(1)	$ -	$ -	$ -
Covered payroll (2)	$ 207,952		$ 221,319		$ 317,485	$ 722,667	$ 967,268
Actual contributions as a percentage of covered payroll	30.58%		57.52%		4.55%	7.85%	6.44%

(1) Includes one year's payroll growth using 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-19 and 3.00 percent payroll growth assumption for fiscal years ended June 30, 2014-17, and 2019-20.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2019-20 were derived from the June 30, 2017 funding valuation report.

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method / Period	For details, see June 30, 2017 Funding Valuation Report.
Asset Valuation Method	Fair Value of Assets. For details, see June 30, 2017 Funding Valuation Report.
Inflation	2.625 percent
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875 percent
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study or the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
	Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

* Only five years' data is available.

Bay Area Headquarters Authority
A Component Unit of Metropolitan Transportation Commission
Schedule of Proportionate Share of Net OPEB Liability / Asset (unaudited)
For the Measurement Periods Ended June 30
Last Ten Years *

Measurement Period	Miscellaneous Plan Tier I & II 2020	Miscellaneous Plan Tier I & II 2019	Miscellaneous Plan Tier I & II 2018	Miscellaneous Plan Tier I & II 2017
Proportion of the collective net OPEB liability/(Asset)	0.61%	0.91%	1.59%	2.53%
Proportionate share of the collective net OPEB liability/(Asset)	$ (39,758)	$ (26,334)	$ 119,233	$ 181,305
Covered-employee payroll	$ 221,319	$ 317,485	$ 722,667	$ 967,268
Proportionate share of the collective net OPEB liability/(Asset) as a percentage of its covered-employee payroll	-17.95%	-8.29%	16.50%	18.74%
Plan's fiduciary net position as a percentage of the Plan's total OPEB liability	114.10%	106.80%	80.98%	80.19%

Notes to Schedule:

Benefit Changes: None.

Changes of Assumptions: In 2019, the demographic assumptions were updated to CalPERS 1997-2015 Experience Study. There were no changes in the discount rate. However, the inflation rate increases from 2.50 percent to 2.75 percent.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Bay Area Headquarters Authority
A Component Unit of Metropolitan Transportation Commission
Schedule of OPEB Contributions (unaudited)
For the Fiscal Years Ended June 30
Last Ten Years *

	Miscellaneous Plan Tier I & II	Miscellaneous Plan Tier I & II	Miscellaneous Plan Tier I & II	Miscellaneous Plan Tier I & II
Fiscal Year	**2021**	**2020**	**2019**	**2018**
Actuarially determined contribution	$ 16,422	$ 27,224	$ 52,449	$ 79,919
Contributions in relation to the actuarially determined contributions	(9,935)	(43,342)	(179,767)	(79,919)
Contribution deficiency (excess)	$ 6,487	$ (16,118) (1)	$ (127,318) (1)	$ -
Covered-employee payroll for OPEB	$ 207,952	$ 221,319	$ 317,485	$ 722,667
Actual contributions as a percentage of covered-employee payroll	4.78%	19.58%	56.62%	11.06%

(1) Additional payment above the Actuarially Determined Contribution to paydown the Unfunded OPEB Liability.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, 2019, two years prior to the end of fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of pay
Amortization period	19 years fixed period for 2020/21
Asset valuation method	Investment gains and losses spread over a period of five years
Inflation	2.75 percent
Healthcare cost trend rates	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076
	Medicare - 6.30% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Investment rate of return	4.50 percent
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2019

* Future years' information will be displayed up to 10 years as information becomes available.