

AGENDA ITEM

JULY 144

**Proposed transfer from
General Fund Balance to
Building Fund for 180 Howard
Street facility improvements;
amend 2009 budget**

DATE:

TO: Members, Board Planning, Program Development and Budget Committee
Members, Board of Governors

FROM: Steve Mazer, Director of Operations

SUBJECT: Authorize transfer from General Fund to Building Fund for improvements to the 180 Howard Street Facility; authorize amendment to 2009 budget to establish project budget; authorize the project as a continuing appropriation.

EXECUTIVE SUMMARY

The State Bar is the owner of its San Francisco headquarters building, 180 Howard Street. The building was constructed in 1978 and is in generally good condition. Like any office building, however, the physical structure and electrical/mechanical systems require maintenance, repairs and upgrades, in order to preserve the asset and ensure that the building functions efficiently and safely.

In May 2009 the Office of Operations prepared a five year plan and estimated budget for deferred maintenance/capital improvements. That plan includes a number of essential repairs and upgrades that should be completed within the next 12-24 months (masonry and window frame repairs; roof replacement; HVAC system overhaul). The cost of these repairs/upgrades is estimated at \$2,230,000. The 180 Howard Street Building Fund has a current balance of approximately \$800,000; an additional \$1,430,000 is required.

Staff seeks authorization to transfer \$1,430,000 from the General Fund to the Building Fund, to provide the \$2,230,000 needed to fund the required maintenance/capital improvements.

BACKGROUND:

180 Howard Street is a 13-story, 225,000 square foot office building, constructed in 1978. The State Bar purchased the building for \$23 million in 1996 and paid off the mortgage in 2006. The building is the Bar's single largest capital asset.

Since purchasing the building thirteen years ago, the State Bar has maintained it in generally good condition through continuous routine maintenance, and occasional major improvements such as a seismic retrofit, completed in 2006. As the building is now 31 years old, additional major improvements to its structure and systems have become necessary. While significant and costly, these required repairs and upgrades are generally standard and predictable, the result of normal aging, weathering, wear and tear, and technical obsolescence.

The Office of Operations engaged Marx/Okubo, an engineering and construction consulting firm, to prepare a Property Condition Assessment of 180 Howard Street. The Property Condition Assessment included a review of the building's site (paving, landscaping, storm drainage, etc); structural elements (foundation, superstructure); exterior (roof, windows, masonry, etc); electrical/mechanical systems (HVAC, plumbing, electrical); elevators; other equipment (security, fire life safety); and disabled access/ADA compliance. Marx Okubo's report included recommendations on the timing of all required corrective actions, and an estimate of the probable costs.

The Property Condition Assessment revealed that the building will require approximately \$4.2 million worth of repairs and upgrades to its structure and systems over the next five years (this includes a 10% contingency). Approximately \$2 million worth can be deferred to 2011-2013. Three projects, however, totaling approximately \$2.2 million, should be completed within the next 12-24 months, as follows:

<u>Cost (\$)</u>	<u>Description</u>
1,400,000	Masonry and window frame repairs/waterproofing. Exterior window gaskets and window frame-to-masonry wall sealant joints are significantly deteriorated due to weather and age. Rain water leaks into the building in several locations.
330,000	Roof replacement. The roof is original to the building; at 31 years old it is at least five years past its expected useful life, and is significantly deteriorated. Further repairs are no longer feasible; replacement is required.
300,000	HVAC system overhaul. The air handling system, a major component of the Heating, Ventilation & Air Conditioning System, is original to the building. It remains in fair condition thanks to ongoing maintenance, but is increasingly prone to problems; a major overhaul is required.
<hr/> 2,030,000	SUBTOTAL
200,000	Contingency
<hr/> 2,230,000	TOTAL

FISCAL AND PERSONNEL IMPACT:

The 180 Howard Street Building Fund has a current cash balance of approximately \$800,000. A transfer from the General Fund to the Building Fund in the amount of \$1,430,000 is required to provide the \$2,230,000 needed to fund the full costs of the masonry and window repairs, the roof replacement, the HVAC overhaul, and allow for a 10% contingency.

After approval of this transfer, the 2009 ending fund balance for the General Fund is estimated at \$5 million.

If approved, the 2009 budget will be amended to establish a project budget in the 180 Howard Street Building Fund. This project will be budgeted as a continuing appropriation to allow the project budget to carry forward until completion of the improvements.

BOARD BOOK IMPACT:

None.

RULE AMENDMENT IMPACT:

None.

PROPOSED BOARD COMMITTEE RECOMMENDATION:

RESOLVED that the Board Planning, Program Development and Budget Committee recommends that the Board of Governors hereby adopts appropriations to the 2009 State Bar budget whereby a capital improvements budget is established in the amount of \$2,230,000 in the 180 Howard Street Building Fund and an amount of \$1,430,000 is transferred from General Fund beginning fund balance, which, when combined with the \$800,000 in available cash in the Building Fund, will provide the funding necessary to complete the facility improvements. This budget appropriation will be carried forward until such projects are complete.

PROPOSED BOARD RECOMMENDATION:

RESOLVED, upon recommendation of the Board Planning, Program Development and Budget Committee that the Board of Governors hereby adopts appropriations to the 2009 State Bar Budget whereby a capital improvements budget is established in the amount of \$2,230,000 in the 180 Howard Street Building Fund and an amount of \$1,430,000 is transferred from the General Fund beginning fund balance, which, when combined with the \$800,000 available cash in the Building Fund, will provide the funding necessary to complete the facility improvements. This budget appropriation will be carried forward until such projects are complete.