



Financial Report for  
Fort Monroe Authority Board of Trustees  
Bay Breeze Community Center  
June 16, 2016

Submitted for consideration by the Finance Committee and Board of Trustees are the Fiscal Year 2017 (FY17) budgets for the Fort Monroe Authority's (FMA) Government Fund (GF) and Enterprise Fund (EF). These budgets cover the fiscal year beginning July 1, 2016 and ending June 30, 2017. The budget format and the majority of the content are consistent with prior year submittals. This document will highlight any notable changes to the proposed budget.

### **Report Format**

Separate budgets are presented for each of the two funds. The budgets are each presented on four pages. The numerical budget information for each fund is organized in three column sections separated by vertical black lines. The first group of columns present the FY16 Budget that was approved by the Board of Trustees at its meeting on December 18, 2015. The next group of columns represent the FMA's projection for revenue and expenses through June 30, 2016. The last group of columns present the proposed budget for FY17. Items of note are shaded in light blue for easier reference and location.

### **Government Fund**

As a reminder, this fund includes the planning and administrative functions of the FMA and also includes operation of the Casemate Museum and the cost for Hampton Police security patrols, as well as the public works contract with Veolia and the electric facility charge, even though the last two items could be and may eventually be reported in the utility fund. For consistency, they are included in the Government Fund as in prior years.

### **Year-end Projection**

On page 4 of the GF budget on line 252, you will note that the FMA started the year with a \$1,935,283 carryover from FY15. On line 253, you will note that, based on the April 30<sup>th</sup> financial statements, the FMA Finance staff believes that the GF will end the year with a surplus of \$1,612,029. This carryover becomes available funding for the FY17 budget and is reflected on line 252 in the FY17 budget. This surplus will be used to fund projects in FY17 that will be described later in this document. It should also be noted in the FY17 budget that no surplus is expected at the end of the year as reflected on line 253.

### Casemate Museum Budget

In prior years, the costs for the Casemate Museum were intermingled with the rest of the GF budget. Personnel costs were not identified separately and the expense budget was reflected in only seven lines (64-70). For planning and reporting purposes, the Casemate Museum budget is now presented in a separate column with the costs presented alongside of the other GF expenses.

### FY17 OEA Grant

The FMA is working with the Office of Economic Adjustment (OEA) to finalize the new OEA grant. Since the grant has not been completed in time for the budget approval, the grant funding presented here is the minimum amount that can be expected from OEA. The grant application will also request funding for consultants and project funding but those funds have not been approved. It should be noted that, absent a change in policy, this is the final year of the staffing and administrative support from OEA. The \$550,551 to be received from OEA in FY17 is not expected to be available to the FMA in FY18. However, project funding may still be available.

### Personnel Services (GF Lines 8-37)

This section presents the full-time and part-time GF positions expected to be employed by the FMA in FY17. There are two new full-time positions in the FY17 budget. Both of these new positions are related to the current and projected future workload and are heavily influenced by the new rules on overtime eligibility set to be effective on December 1, 2016. The Architectural Historian will be responsible for reviewing projects and consulting with the Department of Historic Resources, National Park Service (NPS), and the consulting parties under the Programmatic Agreement. The Casemate Museum is open on Saturday and Sunday every weekend. The new overtime rule creates the need for an additional staff person to manage the schedule to keep the Museum open without resulting in overtime payments to existing staff.

### Proposed Salary Increase (GF Lines 41 and 266)

The state budget includes a provision for a 3% salary increase effective on November 10, 2016 provided certain state revenue targets are achieved for the state fiscal year ending June 30, 2016. The estimated cost of the salary increase and the associated cost of fringe benefits is reflected on line 41. In the event that the salary increases are approved, the FMA will receive a supplemental appropriation from the State General Fund to offset the increase in salary and fringe benefits. The estimated amount of the supplemental appropriation is shown on line 266.

### NPS Task Agreement P15AC01886 (Lines 104 and 262)

A project is listed on line 104 with a budget of \$250,000. This project is tied to the Task Agreement with the NPS signed earlier this fiscal year. There is an offsetting revenue entry on line 262. The Task Agreement has a term of 5 years so some or all of this Task Agreement may be completed in future years. It has a neutral effect on the budget since the Task Agreement reimburses only costs incurred. The scope of work for this Task Agreement will be determined once the new NPS Superintendent arrives.

VDOT Maintenance Projects/Funds (Lines 177-181 and 261)

The revenue received from the City of Hampton as the pass-through of VDOT Maintenance Funds will decrease as a result of the land donated to the NPS on August 25, 2015. The final amount of the decrease will not be known until the Commonwealth Transportation Board meets in June and the final road inventory adjustment is completed. The amount reflected here is the FMA's estimate of the revised funding. The reduction in funding and any reduction in funding from future land transfers will have an impact on the amount of maintenance work that can be completed in future years.

NPS Cooperative Management Agreement (CMA) for Operations and Maintenance (Line 263)

The revenue amount reflected here results from the CMA signed between the FMA and the NPS for public works and security patrols. Under the terms of the agreement the NPS will reimburse the FMA for a calculated portion of the Veolia public works contract and the Hampton Police security patrols.

State General Fund Appropriation (Line 264)

This funding was provided by the FY17-18 biennial budget bill and approved by Governor McAuliffe. The amount reflected here is paid to the FMA in equal monthly installments throughout the fiscal year. For future reference, the FY18 appropriation is \$5,298,372.

**Enterprise Fund**

As a reminder, this fund includes the business activities of the FMA. In prior years, the budget was reflected in three sub-funds: residential rental activities, commercial rental activities, and the utility fund. With the Special Events department taking over responsibility for the Post Theater and the Commanding General's Residence, a new budget has been added for the Special Events rental activities and is reflected in the third of five columns in the FY17 budget.

Year-end Projection

On page 5 of the EF budget on line 191, you will note that that, based on the April 30<sup>th</sup> financial statements, the FMA Finance staff believes that Residential rental activity will generate net income of \$734,182, Commercial rental activity will reflect a net operating loss of \$2,881,099, Special Event rentals will generate net income \$1,787 and the Utility sub-fund will report an operating loss of \$193,540. The combined year-end projection for business activities will be a net operating loss of \$2,339,670. This deficit is funded by transfers from the Government Fund.

Personnel Services (EF Lines 7-14)

This section presents the full-time and part-time EF positions expected to be employed by the FMA in FY17. There are two new part-time positions in the FY17 budget. Both of these new positions are related to the current and projected future workload and are heavily influenced by the new rules on overtime eligibility set to be effective on December 1, 2016. The two new part-time positions support the increasing number of special event activities at Fort Monroe, principally the rental events at the Commanding General's House. These positions will be filled as the level of rental activities increase and the annual impact may be less than reflected here.

Proposed Salary Increase (EF Line 16)

The state budget includes a provision for a 3% salary increase effective on November 10, 2016 provided certain state revenue targets are achieved for the state fiscal year ending June 30, 2016. The estimated cost of the salary increase and the associated cost of fringe benefits is reflected on line 16. In the event that the salary increases are approved the Authority will receive a supplemental appropriation from the State General Fund to offset the increase in salary and fringe benefits. The estimated amount of the supplemental appropriation is shown on the GF line 266.

Leasing Commissions (EF Line 31)

The FMA has seen a recent increase in commercial lease prospects. The agreement with Old Point Comfort Real Estate Services (OPCRES) entitles them to a leasing commission for new tenants. The amount reflected here anticipates the consummation of new leases for the state agency for buildings 96 and 265, the operator for the Day Care Center in building 245, the Hampton Police lease on the Navy Range Building, the new landscaping contractor in building 218, another state agency in building 81, and a multi-building lease to the Hampton Police Division. Some of these leases are close to execution. Other leases may not be consummated. The amount of lease commission is directly tied to the completion of these leases and should be no more than the amount reflected here. This cost increase is offset by the increase in commercial rental income on line 181.

Repairs to the Post Theater (EF Line 138)

The Special Events department is seeing more requests to rent the Theater. The proposed budget includes a small amount of money to address existing issues with the interior paint and audio system at the Theater.

Capital HVAC Upgrades to Building 19 (EF Line 149)

Building 19 is a single family home located prominently next to the entrance to the Casement Museum and Postern Gate. The building suffered from an inadequately designed and installed hot/cold water HVAC system. The uninsulated cold water piping lead to condensation forming on the pipes and dripping onto wood floors and the plaster ceilings below. The building suffered significant damage to historic plaster. The FMA has engaged architectural and engineering services to design a new forced air HVAC system. The project cost reflected here is an estimate of the cost to install the new HVAC system and to repair the existing damage. The project will be submitted to contractors for bidding and must be reviewed by DHR and submitted to the NPS and Army for comment for construction can be commenced. This project was expected to be completed in FY16 but the plan development and review delayed the project.

Central Core Bathrooms in Building 100 (EF Line 150)

Building 100 is a 3-story former barracks building that was converted by the Army into office space. The building has a central elevator and lobby. The bathrooms are not ADA-accessible and are located in the individual suites. In order to make the building more leasable as a multi-tenant building and to provide ADA-accessible facilities, the plans have been completed and reviewed by BCOM to construct new ADA-accessible unisex bathrooms in the lobby of each floor. The in-suite bathrooms will be removed to create more leasable space in each suite. The plans have been revised to remove some lobby upgrades which is reflected in the reduced pricing compared to the amount in the FY16 budget. This is another project that has been delayed during the design and plan review phase. Consultation with DHR and submittal to NPS and Army will be required before the project can commence.

Accessibility Alterations to Building 119 (EF Line 151)

The transfer of the Commanding General's Residence from a single-family residential unit to a special events facility will require the installation of an ADA-accessible lift and a reconfiguration of one first-floor bathroom. The project must be reviewed by BCOM and DHR before construction can begin. The amount reflected here is an estimate based on a similar lift installation at Building 83.

Oozlefinch Code Compliance Costs (EF Line 152)

The lease of the warehouse portion of Building 12 has resulted in a change of use from storage (S-2) to light factory (F-2). This change of use resulted in the requirement for the FMA, as landlord, to upgrade the property to meet code compliance. The plans have been developed and approved by BCOM. The work commenced on May 11<sup>th</sup> and is expected to be completed within 120 days.

Building 80 Exterior Painting and Fire Escape Repairs (EF Line 153)

During the construction project to convert Building 80 into ten apartment units, several conditions were noted that required repairs to exterior metal features on the Ingalls Road side. The condition of the existing fire stairs was also noted to be in need of remedial repairs. This project will address the existing conditions including the painting of the exterior features of the building once the repairs are complete.