



Request for Revised Budget Approval for
Fort Monroe Authority Board of Trustees Meeting
Bay Breeze Conference Center
December 18, 2014

Presented with this report are the proposed revisions to the Authority's FY15 and FY16 budgets. The changes in the revised budgets are driven by (1) the increase in FY15 funding from OEA, (2) the mandated 5%/7% budget savings strategies, and (3) the increase in funding requirements for the renovations to B83 and B80 based on contractor bids.

- (1) OEA Grant Increase – The amount in the original budget was \$550,151. The final approved FY15 grant amount was \$1,191,592. There are no new projects funded by the grant so the additional funds from OEA create the opportunity for state appropriated money to fund other projects. The change in OEA funding is reflected in the green cells on the government fund budget in the column headed "OEA Grant FINAL" compared to the original grant forecast found in the column headed "OEA Grant PROJECTED".
- (2) Budget Savings Strategies – The Authority was provided targets of \$286,710 in savings for FY15 and \$315,355 in savings for FY16.

The government fund savings for FY15 of \$160,266 are reflected in blue cells under the column heading "FY14-15 5% REDUCTION". The reductions stem from the elimination of one part-time staff position and associated tax/benefit savings, the elimination of the bonus allowance for employees originally proposed in the state budget and associated tax/benefit savings, reductions in contracted services and reductions in general and administrative expenses. The government fund savings for FY16 of \$156,353 are reflected blue cells under the column heading "FY15-16 7% REDUCTION". The reductions are mostly a continuation of the reductions from FY14-15.

The enterprise fund savings for FY15 of \$126,444 are reflected in blue cells under the column heading "5% REDUCTION". The reductions stem from the elimination of the bonus allowance for employees originally proposed in the state budget and associated tax/benefit savings, reductions in general and administrative expenses, reductions in contracted services and reductions in the annual allowance for repairs and maintenance. The enterprise fund savings for FY16 of \$159,002 are reflected blue cells under the column heading "7% REDUCTION". The reductions are mostly a continuation of the reductions from FY14-15 plus the expense reduction from maintaining one part-time position in lieu of converting the position to a full-time position together with the associated tax/benefit savings.

The reductions were reviewed in detail with the Finance Committee at its October meeting and in general at its November meeting. The budget savings strategies were also included in the October Board package.

- (3) The increase in funding requirements for the renovations to B83 – The construction drawings for the renovation of Building 83 as the Authority's new headquarters have

been reviewed and approved by BCOM. The plans were submitted for bids to local general contractors. Once the bids were reviewed, the Authority met with the Architects and Engineers to identify any value engineering opportunities to reduce the cost of construction without effecting the quality of the renovation. These value engineering strategies were presented to the contractor for a revised bid. Based on the revised estimates the Authority believes the renovation (with a contingency for charge orders) will be approximately \$550,000. This is an increase from the amount approved in the original budget of \$250,000. The main reason for the increase was an increase in the mechanical cost to replace the existing HVAC unit in the attic of the building that was deemed to be beyond its useful life. This large single unit is being replaced with two smaller units for efficiency and zone management. This change in cost is reflected in orange on line 220 on page 3 of the Government Fund budget. The additional funds to complete the renovation are proposed to come from a portion of the \$641,441 in funding created as a result of the increase in OEA funding.

The increase in funding requirements for the renovations to B80 – The construction drawings to convert Building 80 from a historic inn into 10 new one- and two-bedroom apartments have been submitted to BCOM for review. The pre-final drawings were submitted to local contractors for pricing. While the final plans have not been approved the preliminary pricing indicates that the renovation of Building 80 (including soft costs and a contingency for charge orders) will be approximately \$600,000. This is an increase from the amount approved in the original budget of \$250,000. The increase results from the decision to change the renovation from creating efficiency units by adding stoves (and the associated electrical upgrades) to upgrading the units to create market rate housing with kitchens as well as laundry equipment in each unit. The cost increase also results from converting the rental office (proposed to be a coffee shop) into a two-bedroom unit. HVAC repairs and mold remediation also contributed to the increase in cost. This change in cost is reflected in line 141 on page 3 of the Enterprise Fund budget. The additional funds to complete the renovation are proposed to come from a portion of the \$641,441 in funding created as a result of the increase in OEA funding.

These budgets were presented to the Finance Committee at its meeting on November 13th. Unfortunately a quorum was not present at the meeting so the Committee could not take action on the budget revision but was favorable to supporting the revision. The Authority staff requests the Board approve the revisions to the budget as presented.