



PROPOSED 2021 BUDGET

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MEMORANDUM

To: CRA Board

From: Hema Kailasam and CRA Staff

Date: December 16, 2020

Re: Proposed Budget 2021

BUDGET NARRATIVE

The 2021 CRA budget projects revenue of \$2,209,075. The M1 Broad project is expected to generate \$1,500,000 in revenue. The first amortization payment of the Zero Interest Covid-19 Loan Program is expected in September 2021. There is an estimate of default in the income projection for Covid-19 loans. Revenues from Food Trucks are expected to be zero because of the pandemic restrictions. To offset this loss of revenues there is an agreement from the City to provide maintenance while the dog park is in place. Finally, a 2% return from the investment account is assumed to generate \$500,000 in income.

For this discussion, the rental income and expenses from Bishop Allen is reported in a consolidated format. A separate pro-forma budget for this project is included in the proposed budget report. It is expected that Bishop Allen will have an operating loss of \$250,000, due to the loss of income for 9 months of 2021 while continuing to pay the carrying costs (mortgage).

On the expense side, the largest expenditure is the renovation of Bishop Allen. The estimated cost of construction is \$9,000,000. After applying the \$300,000 grant from the Cambridge Historical Society, the renovation cost is expected to be \$8,700,000. In total, with the construction and operating loss (projected net income), Bishop Allen total expenditures are projected to be \$8,950,000.

While a majority of the renovations will be capitalized and result in a greater value of the fixed asset, the offset will be a reduction in cash to pay for the construction costs. The balance sheet will reflect this change in the asset mix and decreasing liquidity. The auditor will provide guidance as to how much of the soft costs are allowed to be capitalized.

There was a large increase for the pension contribution (employees and retirees). It has increased by 70% from (\$92k to \$156k) due to two factors, an increase in staffing and the losses of the investment fund due to market conditions.

A notable change in the presentation of the budget is the movement of \$173, 522 in expenses to the administrative and office expenses related to retirees' expenses, namely pension contributions, medical coverage, and OPEB. This will allow a more accurate allocation of current payroll costs and fringe benefits to projects and initiatives. Based on information provided, the split of this payment is 20% in current payroll and retirees 80%. Thus, the budget amounts for personnel and office reflect this change versus the previous year's budget.

The proposed budget includes a 1.5 % COLA increase in salary for all employees except the Executive Director. This is in accordance with the increase received by City of Cambridge employees. Office costs also include the replacement of up to three laptop computers that have been in service for 4+ years. The budget also includes a \$7,500 allowance for office reconfiguration.

The budget includes an upgrade of the payroll system. This will eliminate manual timesheets for employees and the data entry for payroll processing. A multi-year initiative to archive in digital format will begin next year as well.

Redevelopment Investments in 2021 includes \$500,000 to the Forward Fund. The FF will have \$300,000 for capital/infrastructure grants and \$200,000 for COVID recovery and support. The Foundry budget of \$1,075,764 consists of a \$1mm payment to the City, and operator support. The KSTEP funding is for the completion of the bus shelter project.

In conclusion for 2021, the operations of the CRA in 2021, excluding all redevelopment investments but the Forward Fund, result in a deficit of \$693,134. In 2021, the fourth payment of \$431,818 from the Ames St Project will reduce the deficit to \$261,316.

For the consolidated forecast, including all redevelopment projects, are revenues of \$2,375,878 and total expenses \$13,476,661. The funding of the budget is outlined in the sources and uses table that will be posted.

The following pages summarize 2021 projects and initiatives in greater detail. This material was contributed by the CRA Staff.

PROJECTS

Projects

· **Bishop Allen Renovation**

The Bishop Allen construction phase will happen entirely during 2021, requiring the full expenditure of the construction budget as well as the remaining soft costs, including OPM, architecture, and move management fees, as well as items such as furniture for common spaces for the new building and a ribbon cutting ceremony.

· **Forward Fund 2021**

New initiative \$300,000 for “technology infrastructure” upgrade and \$200,000 for COVID related relief/recovery.

· **MNFH** – Develop site plan/design, JV agreement, community outreach

In 2021, funds will support architectural design work, real estate development and financing consulting, and community outreach for prior to and during the zoning process. We will also see some legal expenses as we finalize the deal structure and enter into a predevelopment agreement with MFNH .

· **MXD Commercial/Housing/Transportation**

The CRA has contracted with Sasaki Associates and HDR Engineering for \$265,160 (\$9,500 of this allocated to be paid for by KSTEP - see below) to establish 10% concept designs of Broadway from Ames to Galaxy Park, Third Street from Binney to Galaxy Park and Main Street from Galileo Galilei Way to Galaxy Park. This is a collaborative project with a City of Cambridge working group of members from DPW, CDD and TPT. The CRA is also working with VHB to finalize the 2020 KSURP Annual Transportation Report and will begin the 2021 Annual Transportation Report in the fall of next year.

- **KS OS** - Maintenance for 2021 approx. \$35k.

Galaxy park concept and design work \$45k. The CRA is working with Mikyoung Kim Associates for approximately \$135,000 to create schematic designs of Ames Place Open Space (APOS). These designs will work off the concept designs established in 2020.

The CRA is collaborating with CDD on Privately Owned Open Space signage. The CRA expects to enter into a contract with Visual Dialogue for \$9,999 to assist with the creation of a visual identity for POPS signage.

- **Foundry** – May 2021 \$1mm disbursement to City of Cambridge and operator support

The CRA will make a payment for the Foundry construction project, which is scheduled to continue throughout 2021 and be completed in spring 2022. Additionally, the CRA will use the funds set aside for Foundry start up to continue supporting the executive director search consultants and to support payroll for the Foundry Consortium's Executive Director, who is expected to start by June 2021. The Foundry may need some legal support in early 2021 as agreements with the City are updated.

INITIATIVES

- **KSTEP** Bus shelter project

The KSTEP Working Group has approved \$60,600 to purchase and install a new bus shelter at 500 Main Street. The shelter will serve the EZRide shuttle and the MIT Tech shuttle. Installation is expected to begin in the spring of 2021.

Bus Priority Project - As part of the CRA's Broadway, Main and Third Street streetscape redesign, bus priority measures are being considered. \$9,500 has been allocated for this initiative and is included in Sasaki/HDR's contract. Bus priority recommendations will be synthesized in a technical analysis and presented to the KSTEP working group committee.

Alewife connectivity

In 2021 staff will be conducting outreach with Rindge neighborhood residents and collaborators to understand open space connection priorities, working off of the Rindge Technical Report Gamble Associates completed in 2020. In the budget there is \$12,500 for outreach, and \$25,000 for design work to once connection priorities are understood through outreach.



2021 Proposed Budget

	2021 Proposed	Notes	Actual Thru Dec 10th	2020 Budget*
4000 Income				
4200 Operating Revenue	\$1,709,075	M1 Dev Fees	\$366,818	\$744,000
4300 Investment Income	\$500,000	Conservative return of 2%	\$1,714,020	\$806,000
Total 4000 Income	\$2,209,075		\$2,080,838	\$1,550,000
TOTAL INCOME	\$2,209,075		\$2,080,838	\$1,550,000
6000 Operating Expenses				
6110 Personnel	\$862,028	Includes 1.5% COLA except ED	\$740,224	\$918,000
6200 Office	\$357,312	Incl Retiree Contr for Penions and Medical	\$203,687	\$175,000
6300 Property Management	\$58,400	Excludes BA Op Expenses	\$107,734	\$132,000
Total 6000 Operating Expenses	\$1,277,740		\$1,051,644	\$1,225,000
7000 Professional Services				
7001 Construction Management	\$0	In BA construction total	\$121,742	\$125,000
7002 Design - Architects	\$320,000	MNFH/BA Construction/Gamble	\$398,720	\$445,000
7003 Design - Landscape Architects	\$130,500	Ames Place	\$36,023	\$36,000
7004 Design - Engineers	\$50,000	KSOS/Alewife	\$2,065	\$10,000
7005 Legal	\$70,000	All Projects	\$55,440	\$80,000
7006 Real Estate & Finance	\$100,000	MXD/MNFH	\$49,597	\$200,000
7007 Planning and Policy	\$10,000	New Projects	\$5,488	\$3,000
7009 Accounting	\$20,000	Administrative	\$17,350	\$17,000
7010 Marketing / Graphic Design	\$17,500	POPS Signage	\$0	\$10,000
7012 Web Design / GIS	\$3,500	Alewife/Transportation	\$0	\$0
7013 Land and Building Surveys	\$10,000	New Projects	\$0	\$0
7014 Records Management / Archivist	\$10,000	Scope	\$7,231	\$7,000
7017 Transportation Planning	\$265,000	Transportation/Annual Report/KSOS	\$58,938	\$143,000
7018 Investment Services	\$125,000		\$145,725	\$171,000
7019 Workforce / Economic Dev.	\$0		\$15,000	\$15,000
7020 Information Technology Services	\$20,000	Administrative/Scope	\$8,542	\$10,000
Total 7000 Professional Services	\$1,151,500		\$924,861	\$1,272,000
8000 Redevelopment Investments				
8200 Forward Fund	\$300,000	FF 2021 Grants	\$324,064	\$2,000,000
8210 Forward Fund - COVID Related	\$200,000	Targeted COVID Recovery	\$0	\$0
8400 COVID Relief	\$1,075,764	Payment to City/Operator Support	\$2,014,636	\$120,000
8500 KSTEP Fund	\$55,000	Bus Shelter Project	\$3,980	\$120,000
8710 Bishop Allen Operations	\$250,000	Pro-forma 2021	\$0	\$253,000
8720 Bishop Allen Renovations	\$9,000,000	Renovation Budget Estimate	\$223,492	\$0
Total 8000 Redevelopment Investments	\$10,880,764		\$2,566,172	\$2,493,000
TOTAL EXPENSES	\$13,310,004		(\$4,542,677)	(\$4,990,000)
NET INCOME/ (LOSS)	(\$11,100,929)		(\$2,461,839)	(\$3,440,000)

Sources and Uses of Cash

Sources of Cash

A/R (Ames)	\$431,818
CHS Grant	\$300,000
US Bank	\$9,238,347
CT Foundry	\$1,075,364
CT KSTEP	\$55,000
	<u>\$11,100,529</u>

Uses of Cash

CRA Ops	\$720,165
BA Operations	\$250,000
BA Renovation	\$9,000,000
Foundry	\$1,075,364
KSTEP	\$55,000
	<u>\$11,100,529</u>

US Bank Beginning Balance	\$35,039,329	estimate Dec 31
CRA Ops	\$431,818	
BA Ops	-\$250,000	
BA Renovation	<u>-\$8,700,000</u>	
Ending Balance	<u>\$26,521,147</u>	<i>projected</i>

Foundry Beginning Balance	\$7,737,160	estimate Dec 31
Payment to City	<u>-\$1,075,364</u>	
Ending Balance	<u>\$6,661,796</u>	<i>projected</i>

KSTEP Beginning Balance	\$6,633,976	estimate Dec 31
Bus Shetler Project	<u>-\$55,000</u>	
Ending Balance	<u>\$6,578,976</u>	<i>projected</i>



Bishop Allen 2021 Operating Pro-forma

Income	
Rent/Parking/Meeting Room/Reimbursements	\$166,803
Total Income for Operations	\$166,803
TOTAL INCOME	\$166,803
Expenses	
Operating	
Utilities	\$10,248
Maintainance	\$12,075
Property Manager	\$12,600
Landscape/Snow Removal	\$3,000
TOTAL OPERATING EXPENSES	\$37,923
Non Operating Expenses	
Insurance	\$3,999
Legal	\$8,750
Reserve	\$1,605
TOTAL NON OPERATING EXPENSES	\$14,354
Financing	
Mortgage	\$364,380
TOTAL FINANCING	\$364,380
TOTAL EXPENSES	\$416,657
NET INCOME / (LOSS)	(\$249,854)