

**MINUTES**  
**WAR MEMORIAL BOARD OF TRUSTEES**  
**BUDGET AND FINANCE COMMITTEE / SPECIAL MEETING**

**Wednesday, January 26, 2022**

The Budget and Finance Committee of the Board of Trustees of the War Memorial of San Francisco met remotely at 2:00 p.m. on Wednesday, January 26, 2022, Chair Myatt presiding.

**ROLL CALL**

Committee Members Present: Chair Myatt, Trustee Kopp, Trustee Wilsey  
President Horn, *Ex officio*, Vice President Lui, *Ex officio*

Non-Committee Members Present: Trustee Pelosi, Trustee Wright

Staff Present: John Caldon, Managing Director

**War Memorial Proposed Rental Rates for Fiscal Years 2022-23 and 2023-24:**

Chair Myatt stated that in advance of today's meeting, Committee members received staff's proposed rental rates for Fiscal Years 2022-23 and 2023-24. Chair Myatt noted that War Memorial staff is proposing a 6% average increase for office and tenant space rentals and a 4.2% average increase for performance and event venue rentals. Chair Myatt stated that staff has also proposed to eliminate some rental rate categories. Chair Myatt asked John Caldon, Managing Director, to review staff's proposed rental rates.

Director Caldon reported that the War Memorial's practice is to adjust rental rates every other year based on actual and projected increases in operating costs. Mr. Caldon noted that the last time rental rates increased was for Fiscal Years 2020-2021 and 2021-22. He stated that based on that practice, staff is recommending proposed rental rates for FY2022-23 and FY2023-24. Director Caldon noted that staff is proposing a 6% increase for office and tenant space rentals in the War Memorial Opera House, Davies Symphony Hall, and the Veterans Building, and a 4.2% average increase for performance and event venues. Director Caldon noted that the last rental rate increase for performance and event venues was a 5.2% average increase but that this year staff is proposing a slightly lower increase as nonprofit licensees have been hurt financially during the pandemic.

Director Caldon further reported that staff is proposing the elimination of two rental rate categories, which include holiday rent for all venues and extra-hours charges for uses of Zellerbach Rehearsal Hall. He stated that the reason for proposing to eliminate these categories is that they are confusing to licensees and can appear to be punitive when charged. Director Caldon also noted that the War Memorial generates minimal revenue from these rates as on average holiday rent is charged twice per year and Zellerbach Rehearsal Hall extra-hours charges approximately 10 times per year. Director Caldon stated that elimination of these rates will not have an impact on earned revenue.

During discussion, Trustee Kopp asked to what the "Veterans Service Organization Occupancy Fee" referred, noting that for Fiscal Year 2014-2015 the category was listed as "not applicable" but starting in Fiscal Year 2016-17 a fee of \$15.42 was assessed. Director Caldon noted that this is the rental rate per square foot per year, which is a consistent rate for all office and tenant space in the Veterans Building. Judge Kopp stated that it was his understanding that Veterans Service Organizations paid no rent in the Veterans Building. Director Caldon clarified that as a Trust beneficiary, the San Francisco Posts of the American Legion pay no rent in the building, but that "Veterans Service Organizations" are a different category of organizations, which have been granted use of space in the building by the American Legion War Memorial Commission and the War Memorial Board of Trustees, but which are not San Francisco Posts of the American Legion and therefore not entitled to Trust rights. Mr. Caldon confirmed that San Francisco Posts of the American Legion do not pay rent for use of space in the Veterans Building.

Vice President Lui inquired as to whether the 4.2% increase for performance spaces applied only to nonprofits. Director Caldon stated the 4.2% increase was the average rate increase for all performance and events spaces in War Memorial facilities and that the proposed rental rates outlined in the document noted the precise percentage increase for each rental category. He noted that staff's objective is to maintain competitive rates while ensuring that rates cover inflationary costs. Vice President Lui remarked "it is a great deal" to be able to host an event in a space like The Green Room with only a small increase.

Judge Kopp asked whether these proposed changes had been discussed with tenants in the War Memorial. Director Caldon stated that there had not been direct conversations with tenants. He noted that staff invites tenants to Budget and Finance Committee meetings so they can share concerns and ask questions. He further noted that staff does not have direct conversations with individual tenants regarding rates prior to Board meetings so that all discussion remains part of the public process.

During public comment, Andrew Dubowski, Senior Director of Operations for the San Francisco Symphony, expressed appreciation that rates are being held low and that rates have historically been raised modestly and regularly, which helps the Symphony with its long-term budgeting. Mr. Dubowski expressed his appreciation to the Budget and Finance Committee on behalf of the Symphony.

### **War Memorial Proposed Departmental Budget for Fiscal Years 2022-23 and 2023-24:**

Chair Myatt stated that in advance of today's meeting, Committee members received staff's departmental budget presentation document and a detailed summary of staff's proposed revenues and expenditures for the next two fiscal years. Chair Myatt asked Director Caldon to review staff's proposed departmental Budget.

Director Caldon began by reviewing the War Memorial's Mission Statement: "The San Francisco War Memorial and Performing Arts Center manages, maintains and operates safe, accessible, world-class venues to promote cultural, educational, and entertainment opportunities in a cost-effective manner for enjoyment by the public, while best serving the purposes and beneficiaries of the War Memorial Trust." He noted that this has been the mission for 90 years and that the War Memorial continues to serve that mission.

Director Caldon then turned to the staff Racial Equity Statement, which the Racial Equity team created, and which reflects the department's commitment to equity: "The San Francisco War Memorial and Performing Arts Center serves as a unique public gathering space to be used and enjoyed by all. The War Memorial is proud to employ a culturally and racially diverse staff. Cultural sensitivity and respect for others are core values of the department. We are committed to creating programs and policies to support each staff member in achieving their fullest potential." Director Caldon noted that this statement was created by the staff Racial Equity Team and is a reminder that while the department's work is often framed in terms of the buildings, it is performed by people for the benefit of people. Director Caldon stated that since the buildings opened as monuments to the war workers of World War I, they have been a place where the celebration of life would continue to honor that sacrifice for generations to come, and that it is this celebration life by people in the buildings that stands as a token of gratitude to those who made our freedoms possible.

Director Caldon then turned to discuss projected performance and event activity. He began by stating that staff anticipates this coming fall should see a return to pre-COVID levels of activity, though attendance may be somewhat depressed. He stated that in the Herbst Theatre there is an active pace of bookings, but that attendance has been lower than pre-COVID. Mr. Caldon noted that projected activity levels for the last two years during COVID have been projections based on historical data, whereas prior to COVID projections were based on a more detailed analysis by staff of actual bookings and potential bookings based on date availability. He stated that staff is working on a projection based on actual bookings but that due to the changed landscape of performance and events activity it is taking longer to complete this year. Director Caldon reported that for the February 10 meeting staff will present revised activity-level projections based on this deeper analysis.

Vice President Lui asked whether licensees are charged rent per-performance or by season. Director Caldon answered that the charge is per performance or rehearsal. Vice President Lui then asked what the policy is if an event needs to be cancelled due to COVID. Mr. Caldon responded that in the Herbst Theatre cancellations have been allowed and the War Memorial was retained a cancellation fee to cover the administrative cost it takes for staff to process the cancellation. He also noted that all refunds have been approved at regular meetings.

Vice President Lui then inquired about whether there were conditions for cancellation. Director Caldon noted that terms are all outlined in the Short-Term License Agreements executed by licensees and that at the outset of the pandemic this Board empowered him by vote establish policies regarding rental refunds, with the stipulation that staff bring each request for a refund to the Board for approval, which has been done consistently.

Director Caldon then reported on projected earned revenues, stating that earned revenue is closely tied to the number of performances and events for which rent is charged. He noted that office space tends to remain constant as tenants relinquishing office space is rare. Director Caldon stated there was a large decrease in earned revenue starting March 2020 due to COVID closures and that it was in Fiscal Year 2021-22 that revenue started to rebound. He reported that staff projects in Fiscal Year 2022-23 the War Memorial will return to Fiscal Year 2018-19 booking levels.

Director Caldon then focused on position summaries, which count how many employees are included in the budget. He stated that at the time the COVID pandemic started, the War Memorial had many position vacancies and was employing a number of full-time employees in the low 50s range despite being budgeted for 70 full-time employees. He reported that in Fiscal Year 2021-22, the War Memorial budgeted for salary spending to hire a number of staff members equal to 63.5 full-time employees. He stated that for Fiscal Year 2022-23, staff anticipates increasing the number of filled full-time employee positions to 67 and in Fiscal Year 2023-24 to increase the number of filled full-time employee positions to 69. Mr Caldon noted that the department plans to employ a number of as-needed employees working a number of hours equal to approximately 5.54 full-time employees in both Fiscal Years 2022-23 and 2023-24.

Director Caldon next summarized projected revenues noting that:

- General Fund Operating Support for Fiscal Years 2022-23 and 2023-24 is anticipated to be \$13.6 million;
- General Fund Facilities Maintenance and Capital Improvement Projects Support is projected at \$9.3 million dollars for Fiscal Year 2022-23 and \$6.6 million dollars for Fiscal Year 2023-24 based on requests made to the Capital Planning Committee, which, if approved, will include funding for general facilities maintenance, modernization of an elevator in Davies Symphony Hall, replacement of the War Memorial Opera House mansard roof, and upgrading the obsolete Herbst Theatre sound system;
- Earned revenue for performance and event rentals, as well as concessions revenue, is projected at \$4.3 million for Fiscal Year 2022-23 and \$4.5 million for Fiscal Year 2023-24;
- Interdepartmental Recovery reflects rent paid by City departments Grants for the Arts and the San Francisco Arts Commission for a total of \$273,987 for both Fiscal Years 2022-23 and 2023-24; and
- Use of the War Memorial Fund Balance is currently budgeted at \$810,506 for Fiscal Year 2022-23 and \$770,000 for Fiscal Year 2023-24.
- Director Caldon reminded Trustees that as he had stated earlier in the meeting, for the February 10 Committee meeting staff will present revised activity level projections based on a deeper analysis of projected uses, which will likely cause the earned revenue projections to be revised.

Director Caldon reported on expenditures stating that:

- Salaries and Benefits will increase over the current year as staff continues to fill vacant positions. Expenditure levels are currently projected at \$11.6 million for Fiscal Year 2022-23 and \$11.9 million for Fiscal Year 2023-24;
- Non-personnel Services costs, which include services performed by third parties such as waste management, elevator repair, and consultation, are projected at \$1.2 million for Fiscal Year 2022-23 and 2023-24;
- Materials and Supplies costs are projected at approximately \$290,000 for Fiscal Years 2022-23 and 2023-24; and

- Services of other Departments is budgeted at \$6 million for Fiscal Year 2022-23 and \$6.2 million for Fiscal Year 2023-24. This category includes numerous services furnished by other City departments, most notably custodial service through the Real Estate Department.

Trustee Kopp asked about the reference to “premium pay” with regards to salaries and when such pay occurs. Director Caldon stated that premium pay is paid to trade workers such as stagehands, engineers, and security guards, who work certain shift hours, typically during overnight shifts. Premium pay is paid at a rate of 8.5% or 10% of an employee’s hourly pay rate, depending on which hours of the day are worked.

Trustee Pelosi thanked Director Caldon for the excellent presentation.

Following discussion, Chair Myatt stated that staff’s proposed departmental budget and rental rates for Fiscal Years 2022-23 and 2023-24 would be carried over to the Budget and Finance Committee meeting on February 10, 2022, for consideration and adoption of recommendations.

### **PUBLIC COMMENT**

Chair Myatt called for public comment on items within the jurisdiction of the Budget and Finance Committee of the Board of Trustees, but not on the agenda. There being no public comment, Chair Myatt closed public comment.

### **ADJOURNMENT**

There being no further business, Chair Myatt adjourned the meeting at 2:50 p.m.



John Caldon  
Managing Director