

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

**Thursday, February 10, 2022**

The Budget and Finance Committee of the Board of Trustees of the War Memorial of San Francisco met remotely at 1:30 p.m. on Thursday, February 10, 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 Gatti

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 the 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 with regard to the proposed rental rates, there have been no additional changes since the initial report made at the Budget and Finance Committee meeting on January 26, 2022. 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 further reported that staff is proposing elimination of all holiday rental fees and the extra-hours charges for use of Zellerbach Rehearsal Hall.

Director Caldon highlighted a new document that was sent out to the Committee members prior to the meeting, which details that the average overall rental increase will be 4.8% for the Ballet, 5.5% for the Opera, and 5.2% for the Symphony. Director Caldon clarified that the reason those numbers are different is that a portion of the increase is derived from the rental rates as applied to the square footage of administrative offices and other spaces dedicated for resident company, an amount which is different per company.

Trustee Kopp inquired as to whether there is negotiation regarding rental rates with the various tenants. Director Caldon responded that the War Memorial does not negotiate rental rates with tenants and licensees, but rather projects rental rate increases to be approximately 3% per year. Staff does not engage in private negotiations with licensees in advance of the Committee meeting so as to ensure that any such conversations take place during Committee meetings and are part of the public process.

Trustee Kopp then asked how the inflation rate is determined, noting that currently the inflation rate is approximately 7%. Director Caldon responded there is an inflation factor provided to departments each year by the Controller's office to use for budgeting purposes. Trustee Kopp inquired as to whether the War Memorial would be bound to the rental rates approved today for the entirety of Fiscal Year 2023-24 if inflation were to rise faster than the inflation factor provided by the Controller's Office during this budget cycle. Director Caldon responded that a vote to approve proposed rental rates today would be binding for Fiscal Year 2023-24 if the department were to adhere to its practice of increasing rental rates only every two years, as has been the historical practice. He stated this historical practice was established so that resident companies and other licensees can more predictably budget for the future. Director Caldon noted that Trustees would be approving a budget again in 2023 and could decide to increase rental rates at that time if the inflation rate were to remain stubbornly high.

Following discussion, and on motion of Trustee Wilsey, seconded by Vice President Lui, the following recommendation was unanimously adopted:

RECOMMENDED, To the Board of Trustees of the War Memorial of San Francisco that it approve staff's proposed War Memorial Departmental rentals rates for Fiscal Years 2022-23 and 2023-24.

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

Chair Myatt stated that in advance of the meeting, Committee members received staff's departmental budget presentation document and a revised 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 noting that much of the budget presentation was the same as the presentation he provided at the Budget and Finance Committee meeting of January 26, 2022, so he would primarily review changes made since that presentation. Director Caldon reviewed the War Memorial's Mission Statement, the staff Racial Equity Statement, and highlighted the fact that these buildings were built for the benefit of the people and are intended to be welcoming to all.

Director Caldon then turned to the Projected Performance and Event Activity chart in the presentation. Mr. Caldon stated that the numbers presented at the meeting on January 26, 2022, were based on averages, and as stated in the previous meeting, staff has since performed a deeper analysis of projected activity. He noted the current projection includes four fewer performances in the Opera House, 24 fewer performances in the Symphony Hall, and 50 fewer events in The Green Room for Fiscal Year 2022-23, and that for Fiscal Year 2023-24 staff is projecting 27 fewer events in The Green Room and no other significant changes to what was presented at the previous meeting. Director Caldon remarked that the projected performance and event activity is what determines earned revenue projections and that the decrease in projected activity resulted in a downward adjustment to earned revenue for the upcoming two years.

Director Caldon then turned to the Revenue Summary, which he noted was substantially the same as the version presented at the January 26 meeting, except for changes to earned revenue projections, which are approximately \$300,000 less for both Fiscal Years 2022-23 and 2023-24. He noted that this was due to the decrease in projected performance activity as previously discussed. Vice President Lui asked about the increase in the amount listed for the War Memorial Fund Balance. Director Caldon explained that as a Special Fund Department, the War Memorial retains unspent funds from its budget, which accrue to the department's Fund Balance. He pointed out that these monies need to remain in that account for a full fiscal year before they can be budgeted for future years. Mr. Caldon stated that the current balance of the fund is approximately \$1.9 million dollars and that this money can be used to balance projected budget deficits. Director Caldon noted that the department had budgeted \$750,000 of it for use in the current year. He pointed out that the previously presented version of this budget relied less on the use of Fund Balance, but due to the \$300,000 decrease in earned revenue projections, use of Fund Balance was increased for Fiscal Year 2022-23.

Director Caldon summarized the projected revenues noting that:

- General Fund Operating Support for Fiscal Years 2022-23 and 2023-24 is anticipated to be \$13.6 million and \$14.1 million respectively;
- 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 million for Fiscal Year 2022-23 and \$4.2 million for Fiscal Year 2023-24;
- Interdepartmental Recovery reflects rent paid by Grants for the Arts and the San Francisco Arts Commission for a total of \$273,987 in both Fiscal Year 2022-23 and Fiscal Year 2023-24; and

- Use of the War Memorial Fund Balance is currently budgeted at \$966,870 for Fiscal Year 2022-23 and \$589,287 for Fiscal Year 2023-24.

Director Caldon then turned to expenditures, where some additional changes were made from the previous presentation. He noted that there were slight decreases in some non-personnel services categories, in particular infrastructure upgrades and improvements and waste management services. In addition, Director Caldon stated there was a slight decrease in the number for salaries and benefits. He previously anticipated that three positions would be kept in attrition for Fiscal Year 2022-23, but that was adjusted to four positions, which will save additional funds in salary and benefits. Further, he reported, the department intends to increase attrition by two positions for Fiscal Year 2023-24, from one to three, which will also help balance the \$300,000 deficit created by the decreased earned revenue projections.

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 \$11.5 million for Fiscal Year 2022-23 and \$11.7 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 \$1.1 million for Fiscal Year 2022-23 and 2023-24;
- Materials and Supplies costs are projected at approximately \$292,000 for Fiscal Year 2022-23 and \$300,000 for Fiscal Year 2023-24; and
- Services of other Departments is budgeted at \$6 million for Fiscal Year 2022-23 and Fiscal Year 2023-24. This category includes numerous services provided by other City departments, most significantly custodial service provided by the Real Estate Department.

Director Caldon then focused on position summaries, which count how many employees are included in the budget. He explained the department is budgeted to have 70 full-time employees and that the department will hold four positions in attrition for Fiscal Year 2022-23 and three positions for Fiscal Year 2023-24. Director Caldon reported that when counted in a manner equivalent to full-time positions, temporary positions will be 4.66 for Fiscal Year 2022-23 and 4.8 for Fiscal Year 2023-24.

Following discussion, and on motion of Trustee Wilsey, seconded by Vice President Lui, the following recommendation was unanimously adopted:

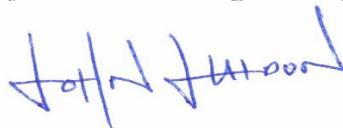
RECOMMENDED,      To the Board of Trustees of the War Memorial of San Francisco that it approve staff's proposed War Memorial Departmental Budget Requests for Fiscal Years 2022-23 and 2023-24.

### **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 1:56 p.m.



John Caldon  
Managing Director