

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

Thursday, February 13, 2020

The Budget and Finance Committee of the Board of Trustees of the War Memorial of San Francisco met at 1:40 p.m. on Thursday, February 13, 2020, in the Trustees' Board Room, War Memorial Opera House, Chair Lui presiding.

ROLL CALL

Committee Members Present: Chair Lui, Trustee Moscone, Trustee Myatt, President Horn, *Ex officio*
Committee Members Absent: Vice-chair Wilsey, Trustee Davis
Non-Committee Members Present: Trustee Bechtle, Trustee Levin
Staff Present: John Caldon, Managing Director
Jennifer Norris, Assistant Managing Director

Proposed Rental Rates for Fiscal Years 2020-21 and 2021-22:

Chair Lui stated that in advance of today's meeting, Committee members received staff's proposed rental rates for Fiscal Years 2020-21 and 2021-22. Chair Lui asked that John Caldon, War Memorial Managing Director, outline staff's rental rate proposals.

Mr. Caldon stated that it has been the War Memorial's practice to adjust rental rates every other year based on actual and projected increases in operating costs. Rental rates were last raised in Fiscal Years 2018-19. Based on this practice, today's proposed rental rates are projected to stay in place for both Fiscal Years 2020-21 and 2021-22.

Mr. Caldon reported that staff is proposing a 6% average increase for office space rentals, a 5.2% average increase for performance and event venue rentals, and a more substantial increase in commercial and wedding rental rates for The Green Room, in order to bring those rates more in line with the market. He further stated that there is a long list of different rental rates for each facility, and that the proposed rate increase is not an across the board increase for each individual rate, but rather various increases that add up to approximately 5.2%.

Mr. Caldon noted that in advance of the meeting Committee members received charts showing the impact of the proposed rental rate increase on each of our resident licensees, the Ballet, Opera and Symphony. These overall increases range from 4.9% for the Ballet to 5.6% for the Opera. The differential is based largely on the fact that the SF Ballet has the least amount of office space on the War Memorial premises. He reminded the Committee members that one of the reasons for the resident companies' lower rental rates is to offset their large investment in capital projects within the venues.

In discussing The Green Room rental rate proposal, Mr. Caldon noted that per staff's proposed rental rate increases, nonprofit rates for The Green Room will grow by 4.8%. Proposed commercial and wedding rates will increase more substantially to bring them in line with market rates. Staff is recommending a commercial rate increase from \$2,100 to \$6,000, and an increase for wedding rates from \$2,650 to \$6,500. Mr. Caldon stated that staff conducted a study of rental rates for venues of similar size and style, and noted that market rate studies are very difficult to conduct due to differences in venue sizes, amenities, caterer requirements, and whether labor is included. He further stated that even with these challenges, staff's survey demonstrates that the newly proposed rates are still below market rate.

Mr. Caldon reported that while The Green Room rental rate increase will be approved for Fiscal Year 2020-21, due to the amount of the increase for commercial and wedding licensees, those already in contract with the War Memorial will be extended the courtesy of being charged the originally quoted rate. The new rates will only be applied to licensees with which the War Memorial begins a contractual arrangement after today. He noted that in Fiscal Year 2021-22, the increased rate will help offset Opera House revenue losses caused by the Opera House seating project. In future budget years we will realize a truer increase in our earned revenue.

Following discussion, and on motion of Trustee Myatt, seconded by Trustee Moscone, 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 2020-21 and 2021-2022.

War Memorial Departmental Budgets for Fiscal Years 2020-21 and 2021-22:

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

Mr. Caldon stated that the proposed War Memorial budgets for Fiscal Years 2020-21 and 2021-22 are largely maintenance budgets, continuing all current operations with mandated or projected increases and minor changes.

Mr. Caldon noted that the War Memorial's general fund support for operating expenditures will increase 8.3% in Fiscal Year 2020-21. These increases cover annual cost of living increases, and increases in our "Services of Other Department Costs" for custodial service and utilities.

Mr. Caldon reported that for the War Memorial's Facilities Maintenance and Capital Improvement Project budget, compared to current Fiscal Year 2019-20, revenues will increase by \$5.75mm in 2020-21 and \$3.75mm in 2021-22. That is driven primarily by funding from the Capital Planning Committee for replacement of Davies Hall passenger elevator #3, and funding for replacement of the Opera House mansard roof. Our budget assumes approval of these funds by the Capital Planning Committee.

Mr. Caldon noted that earned revenue from rents and concessions will decrease 2.9% in 2020-21, and then rebound by 8% in 2021-22. He further stated that Fiscal Year 2021-22 revenue projections represent an increase of 5% over the current Fiscal Year 2019-20, but that there will be a revenue decrease of \$105k in 2020-21 due mainly to truncated Ballet and Opera seasons for the Opera House seating project, which will take place during a 14-week period beginning May 16, 2021. He reminded Committee members that increases to The Green Room commercial and weddings rental rates will help offset revenue losses in 2020-21, and allow for future revenue growth starting in 2021-22.

Mr. Caldon stated that War Memorial Fund Balance revenue reflects the use of unappropriated funds accrued from prior year revenue overages and expenditure savings, \$750,000 of which will be used to fund the annual budget in both 2020-2021 and 2021-2022. The 2020-21 Operating budget will increase \$1.27mm, or 7.4%, over the current year budget. Major increases include:

Salaries and Fringe Benefits:	\$637,000
Light, heat, power, sewer and water services:	72,000
Non-personnel Services:	520,000

Mr. Caldon stated that the 2020-2021 proposed operating budget includes one position change. The recent vacancy in War Memorial's 7345 Electrician position, due to a retirement, creates the opportunity for a staffing realignment that will better serve the department's current needs. Converting the 7345 Electrician position to a 7205 Chief Stationary Engineer position will improve the quality and efficiency of executing facilities maintenance and capital improvements by increasing staff capacity in the areas of planning, managing, and supervising projects and staff.

Mr. Caldon reviewed the Performance Activity from actual Fiscal year 2018-19 through projected Fiscal Year 2021-22 and noted that there is reduced Opera House activity in 2020-21 due to the Opera House seating project. He noted that there has also been a trend toward reduced activity in Davies Symphony Hall due to reduced performance levels by the Symphony.

Following discussion, and on motion of Trustee Myatt, seconded by President Horn, 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 2020-21 and 2021-22.

PUBLIC COMMENT

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

ADJOURNMENT

There being no further business, Chair Lui adjourned the meeting at 2:05 p.m.



Jennifer E. Norris
Executive Secretary