

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

Wednesday, January 24, 2024

The Budget and Finance Committee of the Board of Trustees of the War Memorial of San Francisco met in-person at 2:00 p.m. on Wednesday, January 24, 2024, in the Trustees' Board Room, War Memorial Opera House, Chair Wright presiding.

ROLL CALL

Committee Members Present: Chair Wright, President Horn, Trustee Kopp, Trustee Lui, and Trustee Muduroglu

Committee Members Absent: Trustee Fisher

Staff Present: Kate Sofis, Managing Director; Rob Levin, Assistant Managing Director; Francesca Cicero, Board Secretary

War Memorial Proposed Departmental Budget for Fiscal Years 2024-25 and 2025-26: Chair Wright stated that in advance of the 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. She reminded the Committee that City ordinance requires the Board to hold two public meetings regarding the budget, no fewer than 15-days apart, and thus the Committee would not vote on the proposed budget at the meeting and was an opportunity for Trustees and the public to ask questions and provide feedback. She stated that staff will return to the next Budget and Finance Committee meeting with a revised budget, at which time the Committee will vote on the recommendation that goes to the full Board for approval at the February 8 Regular Board of Trustees meeting.

Chair Wright then invited Managing Director Kate Sofis to review staff's proposed Departmental Budget. Director Sofis 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." She thanked staff for their collaboration on the budget, including Director of Finance and Administration, Donna D'Cruz, and accountant Dave Salem.

Director Sofis began her discussion with earned revenue, through rental of spaces and working with resident companies and outside licensees on performances and events. She described the projected performance and event activity, beginning with Fiscal Year 2018-2019 as a point of comparison as the last full fiscal year before the pandemic. She stated that since then, looking at total performances and total attendance figures, there is a slow and steady improvement over time. She noted that the more the Department is smart about the rates set for rentals, as well as getting some marketing and social media support, the more they will continue to drive attendance to the buildings. She also noted that the Department is not back to pre-pandemic numbers, nor are the resident companies, who make up the majority of the performances in Davies Symphony Hall and the Opera House. Director Sofis noted that she also sees growth opportunities with outside licensees as well as looking for opportunities to help drive audiences to the resident companies' performances. Trustee Lui noted that the greatest potential for growth would be in The Green Room, the Herbst Theatre, and the Wilsey Center.

Director Sofis then provided information on the earned revenue numbers. She noted that for Fiscal Year 2022-2023, the Department is on track to be on par with the earned revenue numbers from Fiscal Year 2018-2019, pre-pandemic. She pointed out, in response to Trustee Kopp, that the revenue numbers are not keeping up with the

cost of expenditures, such as buying materials and labor costs. Director Sofis then turned to recurring revenue and distinguished it from earned revenue as revenue (rent, concessions, etc.) from performances and events in the building. She noted that total funding of the Department includes both earned revenue and revenue coming from other City Departments, including Veterans Building rent and General Fund support. She noted that all City Departments are being asked to cut budgets but cannot cut or change revenue or expenses that come in from other Departments. She explained that specifically that means that the San Francisco Art Commission and Grants for the Arts will receive the same modest cost-of-living increase to their rent of approximately 6%. Director Sofis noted that the General Fund is where the mandatory budget cuts must come from. She noted that the \$510,000 number reflects the mandatory budget cuts that have already been cut from the budget this year. She explained that the \$660,000 number reflects the amount that the Mayor's Budget Office has told the Department that it must cut for FY 2024-25. She noted that the discussion today is if the Department has to cut that amount, where will those cuts come from and what are the implications of those cuts on the Department. She also noted that in addition to the \$660,000 cuts, Departments have been instructed to have an additional amount of contingency cuts if the City's economic forecast does not improve. Trustee Wright questioned whether that would involve staff cuts. Managing Director Sofis responded that the Mayor has stated at this time she does not want to see Departments laying off staff due to these budget cuts. She noted that in terms of staffing, the only budget savings that the Department could realize is to continue to put the positions that are not yet filled into attrition. She also noted that because the Department is so small, there are not many vacancies to offer up. Trustee Kopp asked about the line item "Savings from Prior Years." Director Sofis responded that every year the Department makes projections on certain expenditures that the Department will need. She further explained that at times, projects can be delayed or otherwise not be completed, and there are monies remaining that were previously earmarked for certain projects that carry over. She noted that typically that amount is approximately \$600K, but due to the budget cuts proposed, those monies will now be used to cover some of those cuts and zeroing out any potential savings year-to-year.

Director Sofis then touched on a separate amount of funding, that the Department is not being asked to cut currently, for major capital funding projects. Director D'Cruz noted that the Department in FY2023-24 had requested funds for two projects in the Opera House: one elevator modernization (\$1.3m) and the mansard roof replacement (\$7m), for a total of \$8.3 million for Fiscal Year 2023-24. She noted that these funds are through Certificates of Participation, and therefore these funds can only be requested when the Department is ready to expend those funds. She stated that the mansard roof project is currently in progress with the Department of Public Works and the Opera House elevator project that has been funded is also underway. Director D'Cruz noted that the Department will be requesting modernization for three elevators in the Opera House, ADA upgrades for Davies and the Opera House, in addition to a digital video system for the Opera House for FY 2024-25. Director D'Cruz pointed out that the Department spent almost half a million dollars on elevator repairs last year, which remains a safety issue.

President Horn emphasized that the War Memorial is not like other City departments, as the buildings were built with private funds, and as a condition of giving the buildings to the City, the City committed in the trust and the Charter, that they would keep and maintain these buildings, especially for ADA upgrades. He explained that other City departments do not have the same legal obligations as the War Memorial does under the trust – which is why the Board is comprised of trustees and not commissioners. Trustee Wright suggested providing the Mayor's Budget Office with this institutional knowledge with an accompanying letter to the departmental budget submission. President Horn suggested engaging the City Attorney to assist with the letter, as the City Attorney has given many opinions over the years on this issue.

Director Sofis then explained the mid-year budget cuts that were already taken in October 2023, as well as the proposed cuts for Fiscal Year 2024-25. She explained that the mid-year budget cuts included the elimination of one full-time employee position, going from 70 full-time employees to 69, the reduction of services of other City departments, non-personnel services, and old project closeouts. Director Sofis noted that non-personnel services is where the majority of current and future cuts would be coming from, which includes waste management, elevator repairs, infrastructure upgrades and ongoing maintenance of the buildings.

War Memorial Proposed Rental Rates for Fiscal Years 2024-25 and 2025-26:

Chair Wright invited Managing Director Sofis to discuss the rental rate increases for the next two fiscal years. She noted that traditionally the Department increases the rental rates every two years, usually between 4-6 percent based on the category. She noted that with the current budget cycle, the Department proposes an average 5% increase in rental of performance space and 6% average increase for office space rentals. She also pointed out that with regards to the modest increases in parking rates, the City only allows parking fees to be set at \$10 dollars above the base-rate MUNI pass. She also emphasized that the Board recently approved changes to The Green Room rental rates for weddings, which has already seen an increase in bookings. Trustee Wright asked about marketing support. Director Sofis stated that the Department sees adding marketing capacity to drive revenue, through things like social media, as an opportunity. Assistant Managing Director Rob Levin noted that prior to the pandemic, the Department never needed marketing support because the venues were always full, but the world has changed since that time. Andrew Dubowski from the Symphony addressed the Committee and reiterated that having regular, predictable rent increases is greatly appreciated by the Symphony and all the resident companies as it allows them to plan ahead for each year.

PUBLIC COMMENT

Public comment is an opportunity for members of the public to directly address the Committee on items within the subject matter jurisdiction of the Budget and Finance Committee, but not on the agenda.

There being no public comment, Chair Wright closed public comment.

ADJOURNMENT

There being no further business to come before the Board, Chair Wright adjourned the meeting at 1:45 p.m.



Francesca Cicero
Board Secretary