

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

Wednesday, January 25, 2023

The Budget & Finance Committee of the Board of Trustees of the War Memorial of San Francisco met in-person at 1:00 p.m. on Wednesday, January 25, 2023, in the in the Trustees' Board Room, War Memorial Opera House, Vice President Lui presiding. As authorized by California Government Code Section 54953(e) and Mayor Breed's 45th Supplement to her February 25, 2020 emergency proclamation, some members of the public also attended this meeting remotely.

ROLL CALL

Committee Members Present: Chair Lui, President Horn, Trustee Kopp, and Trustee Muduroglu
(in person)

Committee Members Present: Trustee Fisher
(on video)

Committee Members Absent: Trustee Gatti

Staff Present: Rob Levin, Acting Managing Director/Executive Secretary

War Memorial Proposed Departmental Budget for Fiscal Years 2023-24 and 2024-25: Chair Lui 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 on February 9th with a revised budget, at which time the Committee will vote on the recommendation that goes to the full Board to be passed at the February 9th full Board of Trustees meeting.

Chair Lui then invited Director of Finance & Administration Donna D'Cruz to review staff's proposed Departmental Budget. Director D'Cruz 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 then turned to the staff Racial Equity Statement, 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 D'Cruz noted that this statement was created by the staff Racial Equity Team and was adopted by the Board a year and a half ago.

Director D'Cruz described the projected performance and event activity for the next two fiscal years as being a more conservative for Fiscal Year 2024 and increasing in Fiscal Year 2025. She stated that the projected attendance for Fiscal Year 2024 is 796,000 and 841,000 in Fiscal Year 2025. She noted that since it is only in the middle of Fiscal Year 2023, the actual attendance for the current fiscal year would not be available to be calculated until after June 2023 when the fiscal year ends.

Director D'Cruz reported on the earned revenue calculations which are based on the number of performances and events held in the venues. She observed that it was a challenge for the Department in Fiscal Year 2021 due to the

pandemic. She noted that for the current fiscal year, the Department projected revenue of over 4 million dollars, but based on the actual numbers seven months into the budget, only 48% of that projected total has been earned. She remarked that that may change once the actual numbers are calculated that include the holiday season performances.

Director D’Cruz reported on the staffing for the Department, explaining the Departmental budget is for 70 full-time employees and currently employs 62 full-time employees. She noted that in the last calendar year 19 vacant positions were filled, almost 31% of the current staff. She thanked the HR team for their contribution to achieving this. She acknowledged there are currently 8 vacancies, including the Managing Director position, that she hopes to have filled by the end of the calendar year. She noted that the ability to fill most of these positions does depend on the City’s eligible lists for the civil service examinations. She pointed out that the Department added three positions to the attrition rate in order to bring down costs and balance the budget: 2 security positions and 1 engineering position for Fiscal Year 2024. She also remarked that there are 4 positions budgeted for attrition in Fiscal Year 2025, which is relatively low compared to the attrition rates put in place during the pandemic.

Director D’Cruz explained that the War Memorial is a special fund department and although it does receive General Fund contributions, the War Memorial will maintain a flat General Fund contribution from the City, and is not subject to the budget cuts requested by City Hall of 5% and 8% respectively for the next two fiscal years. She explained that the General Fund Operating Support figures covers salaries and benefits for employees, as well as custodial services and public utilities. She remarked that that number goes up significantly, 9 percent, for Fiscal Year 2024 to reflect salary increases agreed-to by union bargaining last year and to cover increases in custodial services and public utilities. She reported that the Department has requested \$639K dollars for facilities and maintenance of the buildings. She stated that the Opera House has two elevators that have frequently broken down and the Department is requesting capital funding for the Opera House elevator modernization project of approximately \$2,600,000 dollars. She also reminded the Committee that the Department had requested funds for the Opera House mansard roof, having recently received a quote for \$11-12 million dollars total cost. She reported that the Department received \$5 million dollars in last year’s budget for the project and are currently requesting the balance of \$7 million dollars from the Capital Funding Committee in February. President Horn reminded the Committee that when the Mayor’s Chief of Staff came to talk the Board out of the air rights on the buildings, it was under his personal guarantee that money for the roof would be forthcoming, and the Board should not let the Mayor’s office forget that assurance. Vice President Lui reminded the Committee that when they first asked for the capital expenditure funds to cover the project, the entire cost of the project was approximately \$4 million dollars, in 2019 pre-pandemic the cost raised \$9 million dollars, and it currently is estimated for \$12 million, which she implored the Committee that it is important to get the work started. Director D’Cruz also noted that the Department is also asking for a new sound system for the Herbst Theatre, as it is obsolete and needs to be updated, which is a \$550K request. Director D’Cruz noted that for Fiscal Year 2025, the request will remain a flat request of \$639K dollars for facilities and maintenance, unchanged from the prior fiscal year.

Director D’Cruz also reported that because the War Memorial is a special fund department, the Department is allowed to retain funds that were not utilized at the end of each fiscal year in an account called the Fund Balance. She stated that the monies are required to sit in this account for a full year before they are available to fill any budget deficits. She noted that the Department used \$966K dollars in Fiscal Year 2023 to cover budget deficits and projected using \$357K in Fiscal Year 2024 and \$446K in Fiscal Year 2025. Director D’Cruz also explained that carry-forwards are mechanisms to complete purchasing: purchase orders are opened for projects and maintenance, and if the work is not completed by the end of the fiscal year, the Department is allowed to carry forward any of the balance monies that are still encumbered to the next fiscal year. She noted that the carry forward for the current fiscal year is \$1.4 million dollars.

Director D’Cruz reported on expenditures of the Department, including salaries/benefits, which will have a \$200K increase in Fiscal Year 2024 and an increase of \$1 million in Fiscal Year 2025. She turned to the next item for non-personnel services, which is for maintenance and construction that are needed outside of the

Department, for example air flow consultants during the beginning of the COVID pandemic. She stated that the “services of other departments” is the bulk of the expenditures, which goes to Real Estate for custodial services and Public Utilities Commission for utilities, which have risen astronomically in the past two years. Director D’Cruz noted she is actively negotiating with the Mayor’s Budget Office to have them review the IDS (Interdepartmental Services) figures during the Mayor’s budget phase. She also noted that ongoing maintenance of the elevators in the buildings require budgeting for unforeseen issues that arise, for example the Department has already spent \$260K out of the \$278K budgeted for elevator maintenance. Trustee Kopp asked about services for waste management and asserted there was a new contract signed by a competitor of Recology. Director D’Cruz noted that if that were the case it would be a City-wide contract, and the Department’s contribution would be just an apportionment of that amount. She summarized that the total amount being requested for capital expenditure from Capital Planning for FY24 is \$9.6 million, of which \$7 million is the remainder of the cost for the Opera House Mansard roof and \$2.6 million is for modernization of the Opera House elevators. Director D’Cruz thanked Dave Salem for his assistance with putting together the budget.

Acting Managing Director Levin discussed the rental rates increases. He noted that traditionally the Department increases the rental rates every two years, usually between 4-6 percent based on the category. He stated that staff does research on what is competitive for similar venues to determine the percentage increase. He noted that there were no discrepancies with competitiveness uncovered, and the Department settled on a 5 percent across the board increase for most rental categories. He also pointed out that in the last budget cycle some rental rates were eliminated, and they were simply kept on the current rental rate as a point of historical comparison for the Board. Trustee Kopp asked about the cost to veterans service organizations who are not beneficiaries of the Trust, to rent space in the Veterans Building. Director D’Cruz noted that the amount is per square foot of space that the organizations rent, per year. Trustee Muduroglu asked whether the resident companies were aware of these rates and Director Levin said that the fact that an increase was coming and approximately how much would not be surprising to them. Andrew Dubowski from the Symphony addressed the Committee and reiterated that having regular, predictable rent increases is greatly appreciated by the Symphony and that it allows them to plan ahead for each year. Director Levin thanked the Finance team for their hard work putting together the budget.

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 Lui closed public comment.

ADJOURNMENT

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



Rob Levin
Executive Secretary