

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

Monday, January 27, 2025

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 Monday, January 27, 2025, in the Trustees' Board Room, War Memorial Opera House, Chair Muduroglu presiding.

ROLL CALL

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

Committee Members Absent: Trustee Makras and Trustee Newstat

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

War Memorial Proposed Departmental Budget for Fiscal Years 2025-26 and 2026-27: Chair Muduroglu stated that in advance of the meeting, Committee members received staff's departmental budget presentation document 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 13, 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 13, 2025, Regular Board of Trustees meeting.

Chair Muduroglu invited Managing Director Kate Sofis to review staff's proposed Departmental Budget. Director Sofis thanked staff for their collaboration on the budget, including Director of Finance and Administration, Donna D'Cruz, and accountant Dave Salem. She noted that even while responding to the current fiscal citywide budget crisis, the War Memorial intends to respond in a way that continues to uplift the resident companies and performing arts organizations that present in the buildings. She explained the City is anticipating a citywide budget shortfall of approximately one billion dollars by the end of fiscal year 2027. She stated that the Mayor's office is focused on continuing to incentivize people to return to office, and reimagining downtown to reinvigorate the tourism industry, which has decreased since the pandemic. Director Sofis stated that the City is hoping to reduce its general fund contribution by 10% overall, and all City Departments, regardless of their status are being asked to make significant budget cuts. Vice President Horn noted that as a charitable trust, the City has obligations to keep and maintain the buildings beyond being a special fund department, and Trustees have an obligation to the Trust. Director Sofis noted that the current budget being presented would restore monies that were cut from the two funds that maintain the buildings.

Director Sofis explained that the Department has been asked to reduce its salaries and benefits by \$413,673. She noted that the Department has already made efforts towards efficiency including having a dedicated human resources director through partnering with the Department of Human Resources and hiring open security positions to mitigate the use of overtime pay by existing departmental officers. Trustee Kopp asked about the union position. Director Sofis responded that the unions are in support of the department hiring open positions. She noted that because these positions relate to public safety, they have been prioritized by the Mayor's office, despite the hiring freeze.

Director Sofis also discussed ideas to protect and improve earned income, the strategic use of major capital funding, optimizing custodial expenditures, and looking for new ways to transfer functions to operating partners, such as the Department of Technology or as-needed stage electricians working solely through the Foundation.

Director Sofis noted that the proposed budget cuts include approximately one million dollars (a 15% cut) to general fund support from the City. She also explained that not only is the War Memorial one of the only City departments that earn revenue, as a special trust department, it is also able to carry forward unused funds from previous projects. She also explained that the potential for earned revenue increases would be from the renting the venues, as the offices in the buildings are completely occupied. She clarified that the American Legion War Memorial Commission was responsible for the renting of the space on the second floor, with a request to the Trustees, rather than the Department being responsible for the rent of any empty space within the veterans' footprint.

Assistant Managing Director Rob Levin presented the areas where the Department is looking to increase earned revenue. He noted that the Booking Team brainstormed ideas to increase booking in the venues and pointed out that one of the main hindrances is the lack of availability in the spaces due to the resident companies' schedules. He explained that one idea is to work with the resident companies to identify and schedule dates farther in advance to be able to accommodate other licensees. Director Levin stated that the second idea was to help locate co-presenting partners for the resident companies, as evidenced by a recent example of a famous artist who approached the War Memorial looking to rent Davies Symphony Hall, Director Levin was able to negotiate a co-presentation by the SF Symphony and the artist, which benefits the artist, the Symphony, the War Memorial, the neighborhood, and the City, because the three-day presentation is likely to sell out all three nights. They are also looking at the expansion of the Green Room availability for weddings by identifying time periods in the calendar where the Herbst Theatre may be dark and therefore noise bleed would not be an issue. Director Sofis then briefly pointed out that while major capital funding is outside of this budget planning, it is a large resource to keep in mind as budget planning is commencing. The Department has received \$8.3 million dollars total for the 2023-24 Opera House Elevator 7 Modernization project and mansard roof replacement, as well as \$1.5 million in 2024-25 for Elevator 6 Modernization. She noted that elevator maintenance and repair is a huge line-item on the budget, and getting these elevators replaced is hugely important to the safety and functioning of the buildings, as well as being able to save in repair costs. She explained that having already received these funds, the Department is trying to accelerate the project timelines. She also hopes to raise funds to offset rental costs for smaller licensees to be able to present in the venues, rather than offering a deeply discounted rate to all nonprofit organizations.

Director Sofis also detailed approaches to reduce General Fund support by one million dollars, including the Department looking at ways to optimize custodial services. These critical services are presently supplied by the Real Estate division and are the single largest cost outside of Departmental personnel costs. Custodial is currently proposed to cost War Memorial \$4.8M in FY2026, and while critical to the patron experience, the Department is examining shift schedules and overtime costs, controlling procurement, and transfer of the function from Real Estate to the Department. She said the Department is also looking to negotiate with the resident companies to help pay for the contracted patron screening system, and reimbursement of part-time as-needed security staff to operate the machinery, which should result in \$600K in cost reimbursement for fiscal year 2025-26. She also noted that as a Special Trust department, War Memorial is currently carrying approximately \$1.38 million dollars and has proposed the use of \$617,584 in fiscal year 2025-26 to help offset the cost to restore the Material and Supplies and Non-Personnel Service budgets (including funds for the cooling tower replacement and elevator maintenance that were cut last year). Chair Muduroglu thanked the finance staff for their hard work on the budget and the booking team for thinking outside the box about ways to increase revenue.

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 Muduroglu closed public comment.

ADJOURNMENT

There being no further business to come before the Board, Chair Muduroglu adjourned the meeting at 3:09 p.m.

A handwritten signature in black ink, appearing to be 'fG' with a horizontal line extending to the right.

Francesca Cicero
Board Secretary