

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

Friday, February 2, 2024

The Budget and Finance Committee of the Board of Trustees of the War Memorial of San Francisco met in-person at 10:30 a.m. on Friday, February 2, 2024, in the Trustees' Board Room, War Memorial Opera House, Chair Wright presiding.

ROLL CALL

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

Committee Members Absent: Trustee Kopp

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

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 the second meeting will be held at February 8th Regular meeting of the Board of Trustees where the full board will vote on the approval of the budget. She noted the present meeting is for the Budget and Finance Committee to provide recommendations to the full Board regarding the budget.

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 reminded the Board that traditionally the Department increases venue, office space, and parking 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. Assistant Managing Director Levin noted that this is historically how the Department has increased rates and the rate increases are typical for other similar venues. Chair Wright emphasized the need to market these spaces, because cost reductions in the budget will not be enough, in order to increase revenue. Trustee Fisher questioned the strategy of increasing rental rates only every two years, with the rate of inflation as it currently stands. Director Sofis noted that for outside events, in addition to the base rental, the Department also charges for labor costs, which is a cost-recovery model. She stated that in discussions with staff the biggest opportunity is to find more ways to rent the spaces that we have and noted that reducing the base rate on The Green Room is already seeing positive results with regard to rentals.

Andrew Dubowski from the San Francisco Symphony addressed the Committee and reiterated that having regular, predictable, modest rent increases is greatly appreciated by the Symphony and all the resident companies as it allows them to plan ahead for each year.

Following discussion, and on motion of Vice President Wilsey, seconded by Trustee Muduroglu, 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 2024-25 and 2025-26.

War Memorial Proposed Departmental Budget for Fiscal Years 2024-25 and 2025-26:

Chair Wright noted that post-pandemic has challenged organizations that maintain facilities and emphasized the critical need for the arts in the revitalization of the economy. She then invited Managing Director Kate Sofis to review staff's proposed Departmental Budget. Director Sofis began by noting the City's current economic reset, and how the tax revenues have impacted the General Fund. She stated that as a charitable trust Department, the responsibility is to protect the buildings and the veterans and arts organizations housed within them.

Director Sofis turned to the proposed budget cuts directed by the Mayor's Budget Office. She noted that the current budget indicates areas that the Department would cut if required, which is submitted to the Budget Office in a few weeks. She stated that then the Mayor's Budget Office then reviews budgets across all City departments, before making final approvals, balancing all Departmental requests. She stated that once that is complete, the budget then goes before the Board of Supervisors where the Department advocates for its position. She noted that as a special fund department, the War Memorial balances its budget with a combination of earned revenue and General Fund support to cover expenses, and the more the Department can focus on revenue, the less dependent it is on that variable support from the City. She reviewed the budget presentation for the Committee and noted that while the total number of performances is rebounding, it is still below pre-pandemic numbers. There was a discussion about the opportunities surrounding The Green Room, Herbst Theatre, and Wilsey Center, and how to market and price these spaces more effectively, as the licensees for these venues are typically more price-sensitive. Trustee Fisher suggested having a dashboard for each monthly meeting to be able to track the increase in rentals for the spaces.

Director Sofis then turned to recurring revenue, reminding the Trustees that all City Departments were asked to make mid-year budget cuts of 10% of their budgets, which was the \$510K cut for the War Memorial Departmental budget, giving up one full-time position (FTE), which will carry over to the next fiscal year. She noted, however, that there are challenging decisions to be made for the upcoming cuts to the next fiscal year budget, which will be approximately \$660K. She also stated that the Department is not being asked to halt major capital projects at this point in time. She emphasized that the City has indicated that they will be looking across all City properties to determine the funding for any new major capital projects, and projects that relate to safety and accessibility are likely to be prioritized. She noted that these priorities are demonstrated by the Department's proposed capital projects for the upcoming fiscal year which include modernization of the elevators in the Opera House. She noted that if those modernization projects are funded, it will have an impact on the amount of money that the Department currently needs to service and maintain these elevators. Trustee Fisher inquired about the Opera House digital video display proposal. Director Sofis responded that the Department does not anticipate the City will be funding any theatrical or sound system equipment proposals but were advised to submit all requests to Capital Planning, rather than only submit the highest priority items.

Director Sofis then explained the mid-year budget cuts that were already taken in October 2023 included the elimination of one full-time employee position, the reduction of services of other City departments, non-personnel services, and old project closeouts. Director Sofis noted there for the upcoming budget proposal, they would continue to keep that one position eliminated and non-personnel services is where the majority of current and future cuts would have to come from, which includes waste management, elevator repairs, infrastructure upgrades and ongoing maintenance of the buildings. She also noted that the Mayor's directive is to not reduce interdepartmental costs, which is a majority of the budget for custodial services from Real Estate and building maintenance with the Department of Public Works. She noted that the Department would be required to utilize reserve funds in order to manage the budget shortfall. Director Sofis also summarized for the Committee the options related to submission of the budget: to submit the budget with the \$600K in proposed cuts; to not submit the budget at all; or to submit the budget with a letter from the full Board of Trustees outlining the detrimental effects that deferred maintenance and capital projects will have on the War Memorial campus and its partners. Trustee Lui agreed that part of the responsibility as Trustees is to maintain the integrity of the buildings for patrons, performers, and the public. Trustee Muduroglu emphasized demonstrating to the Mayor's Budget Office that the Department is putting forth its best efforts to comply with the directive to make cuts, rather than simply not submitting a budget. President Horn emphasized the fiduciary responsibility as Trustees of a charitable trust department, that the City keep and maintain the buildings, and the current proposed budget cuts would not allow

for the City to meet that obligation. Director Sofis also stressed the vital role the War Memorial plays in the economic recovery of the City.

Following discussion, and on motion of Vice President Wilsey, 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 for submission staff's proposed War Memorial Departmental budget for Fiscal Years 2024-25 and 2025-26 and include a letter to the Mayor's Budget Office from the Board of Trustees regarding the impact of the proposed cuts.

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 11:30 a.m.

A handwritten signature in black ink, appearing to read 'F Cicero', with a long horizontal line extending to the right.

Francesca Cicero
Board Secretary