

MINUTES
WAR MEMORIAL BOARD OF TRUSTEES
BUDGET AND FINANCE COMMITTEE MEETING

Thursday, February 18, 2016

The Budget and Finance Committee of the Board of Trustees of the War Memorial of San Francisco met at 2:00 p.m. on Thursday, February 18, 2016, in the Trustees' Board Room, War Memorial Opera House, Acting Chair Bechtle presiding.

ROLL CALL

Committee Members Present: Acting Chair Bechtle, Trustee Davis, Trustee Moscone, Trustee Myatt, Vice President Horn, *Ex officio*

Committee Members Absent: Trustee Lui

Staff Present: Elizabeth Murray, Managing Director, Jennifer Norris, Assistant Managing Director

REGULAR ITEMS

Proposed Rental Rates for Fiscal Year 2016-17:

Trustee Bechtle stated that in advance of today's meeting, Committee members received staff's proposed rental rates for Fiscal Year 2016-17. Staff is proposing rental rate increases in five categories: Opera House, Davies Symphony Hall, Zellerbach Rehearsal Hall, Veterans Building occupancy fees and parking fees. Trustee Bechtle stated that staff is also proposing rental rates for the new Veterans Building 4th floor rental venues. Trustee Bechtle requested Beth Murray outline staff's rental rate proposals.

Ms. Murray stated that staff is proposing new or increased rental rates for FY 2016-17 in all categories except for the Herbst Theatre and Green Room. Ms. Murray said following the 2-year closure of the Veterans Building, staff adopted significant rental rate increases for Herbst Theatre and Green Room effective October 1, 2015. Therefore, staff is not proposing additional increases for the coming fiscal year.

Ms. Murray outlined the following rental rate proposals:

- Opera House/Davies Symphony Hall/Zellerbach Rehearsal Hall: Rental rates were last increased effective July 1, 2014. Staff is proposing a rental rate increase effective July 1, 2016. This is not an across the board increase for every single rental category, but when taken as a whole, the average rent increase to licensees will be approximately 4.5%.
- New 4th Floor Event Spaces: Proposed rental rates for new event spaces on the 4th floor of the Veterans Building – the Atrium Theater and Education Studio – are equivalent to those of our similar-sized, similar-function venues. These rates do not apply to the San Francisco Opera. Per our lease agreement with the Opera, the Opera pays the same per square foot rate as they pay for Veterans Building office space. The Opera's 2016 use period of the 4th floor event spaces continues through mid-June 2016, so the first non-Opera use could potentially be in late June 2016.
- Veterans Building Occupancy Fees/Office Rent: Staff is proposing a 2.9% increase in Veterans Building occupancy fees paid by the San Francisco Opera, Arts Commission and Grants for the Arts. This per square foot rate is based on the 2008 evaluation of actual per square foot cost of Veterans Building operation escalated to FY 2016-17. Staff will conduct a new evaluation of actual operating costs after a full-year operation of the renovated Veterans Building.
- Parking Fees: Proposed increase from \$78/month to \$80/month pursuant to the policy of the parking fee equaling the cost of a monthly MUNI fast pass plus \$10.

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 rental rate increases for FY 2016-17 as submitted.

War Memorial Departmental Budget for Fiscal Years 2016-17 and 2017-18:

Trustee Bechtle stated that in advance of today's meeting, Committee members received items including:

- A one-page high-level summary of staff's proposed budgets for Fiscal Years 2016-17 and 2017-18;
- Detailed summary of staff's Estimated Earned Revenues;
- Detailed summary of staff's Expenditure Budget Proposal.

Trustee Bechtle, stated that various City departments, including the War Memorial, are now required to submit a two-year fixed budget. For the past several years, the War Memorial has submitted a two-year budget proposal, but the budget for the second year would again be re-evaluated and updated the following year. Trustee Bechtle reported that going forward, the War Memorial will adopt a budget every two years, and the second year budget may only be re-opened for adjustment under certain circumstances. Trustee Bechtle asked Beth Murray to review staff's proposed Departmental Budget.

Ms. Murray review staff's proposed Departmental Budget, as follows:

Revenue

- General Fund Support: FY 2016-17 will be the War Memorial's 4th year as a General Fund supported department as opposed to receiving an annual allocation of the Hotel Room Tax. For FYs 2016-17 and 2017-18, War Memorial is requesting General Fund support for four expenditure categories:
 - Operating Budget support which together with earned revenue and War Memorial fund balance, funds the proposed Operating Budget.
 - Debt Service support for the Veterans Building Certificates of Participation debt service payments.
 - Annual Facilities Maintenance support; and.
 - Support for proposed Capital Improvement projects.
- Earned Revenue: Earned revenue from facility and equipment rental fees and concession commissions totaling \$3.06 million in FY 2016-17 and \$3.15 million in FY 2017-18.
- Interdepartmental Recovery: Interdepartmental recovery totaling \$229,000 in each of FYs 2016-17 and 2017-18, representing Veterans Building office rent from the Arts Commission and Grants for the Arts.
- Fund Balance: As a special fund department, all funds remaining at the end of a fiscal year accrue to the War Memorial special fund rather than returning to the General Fund. The Mayor's Office expects the War Memorial to annually utilize fund balance to offset the amount of General Fund support. Staff's proposed budget for FY 2016-17 includes using the entire balance of \$931,479 from the War Memorial fund balance.

Expenditures

- Operating Budget: Total operating budget of \$15,053,870 in FY 2016-17, a 5.3% increase over the FY 2015-16 operating budget. Major changes from FY 2015-16 are:
 - Salaries and Fringe Benefits: In addition to cost of living increases, staff is proposing to add 4 positions effective October 1, 2016. These are:
 1. IT Operations Support Administrator: This new position will assume full responsibility for all departmental technical and operational support and system administration activities, including coordination of new/complex Veterans Building management, security and lighting systems,

and overseeing installations and upgrades of a variety of WiFi, AV and other systems throughout all War Memorial buildings. The department has previously relied on one employee who has mid-level IT knowledge and vendor support. With this new position, we will be able to have more professional and current technological operations.

2. 3 – Building & Grounds Patrol Officers: Three new security officer positions – increasing total security officers from 23 to 26 – required to fill standard 24.8 weekly security shifts, and to establish new performance security shifts, providing enhanced visible security measures to patrons and visitors. This follows recent security incidents at public assembly events, and subsequent discussions with licensees, patrons and the International Association of Venue Managers.
- Modest increases in Non-Personal Services and Materials & Supplies.
 - Equipment: Staff is proposing purchase of new Herbst Theatre rental equipment in each of the next two years:
 1. Sound Monitor Loudspeakers: Expenditure of \$35,500 in FY 2016-17 to purchase 6 sound monitors to be rented at \$50 each per use, projected to generate \$10,000 in new annual revenue for 10+ years.
 2. HD Projector: Expenditure of \$56,500 in FY 2017-18 to purchase one HD projector to replace existing LCD projector purchased in 2002. The LCD projector was rented an average 55 times per year at \$250, generating over \$190,000 in revenue over 14 years. The new HD projector will be rented at \$350/use and is projected to generate \$17,500 in annual revenue for 15 years.
 - Services of Other Departments: Major increases include: 1) War Memorial's payment to Real Estate Division for Veterans Building custodial services which will increase by \$250,000 in FY 2016-17; and 2) an increase of \$67,000 for light, heat and power based on projection provided by PUC.
 - Debt Service: Debt Service expense of \$7.8 million. As previously noted debt service expense is fully offset by specific General Fund allocation.
 - Annual Facilities Maintenance: Annual Facilities Maintenance of \$454,650 in FY 2016-17 and \$477,383 in FY 2017-18 for annual maintenance projects.
 - Capital Improvement Projects: Staff has identified 6 capital improvement projects for FY 2016-17 and 9 projects for FY 2017-18. All proposed projects have been submitted to the City's Capital Planning Committee. The Committee will review all departmental capital requests in early March and provide funding recommendations to the Mayor and Board of Supervisors.

Following discussion, and on motion of Trustee Moscone, seconded by Trustee Myatt, 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 2016-17 and 2017-18.

ADJOURNMENT

There being no further business, Trustee Bechtle, acting Chair adjourned the meeting at 3:00 p.m.

Jennifer E. Norris
Executive Secretary