

MINUTES
WAR MEMORIAL BOARD OF TRUSTEES
REGULAR BOARD MEETING

Thursday, August 8, 2019

The Board of Trustees of the War Memorial of San Francisco met in a regular session at 2:00 p.m. on Thursday, August 8, 2019, in the Trustees' Board Room, War Memorial Opera House, President Bechtle presiding.

ROLL CALL

Present: President Bechtle, Vice President Horn, Trustee Gatti, Trustee Levin, Trustee Lui, Trustee Pelosi and Trustee Shultz

Absent: Trustee Davis, Trustee Moscone, Trustee Myatt and Trustee Wilsey

Staff Present: John Caldon, Managing Director and Jennifer Norris, Assistant Managing Director

APPROVAL OF MINUTES

President Bechtle called for approval of the minutes of the July 11, 2019 special meeting of the Board. On motion of Trustee Shultz and seconded by Trustee Lui, the minutes were unanimously approved.

PRESIDENT'S REPORT

Merola Opera Premiere in the Herbst Theatre: President Bechtle stated that the Merola Opera Program presented its first commissioned work, the world premiere of a new full-length opera, *If I Were You*, by distinguished American composer Jake Heggie and noted librettist Gene Scheer. President Bechtle said that producing a fully staged opera in the Herbst Theatre is a unique undertaking, and this production was a great success. On behalf of the Board, President Bechtle extended congratulations to the Merola Opera Program.

MANAGING DIRECTOR'S REPORT

Rental Requests: Mr. Caldon stated that rental requests mailed to Trustees are routine and requested their approval. On motion of Trustee Shultz and seconded by Vice President Horn the following resolution was unanimously adopted:

RESOLUTION NO. 19-27

RESOLVED, By the Board of Trustees of the War Memorial of San Francisco that the August 8, 2019 rental requests are hereby approved.

Additional Rental Requests: Mr. Caldon stated that additional rental requests submitted to the Trustees today are routine and requested their approval. On motion of Trustee Shultz and seconded by Trustee Lui, the following resolution was unanimously adopted:

RESOLUTION NO. 19-28

RESOLVED, By the Board of Trustees of the War Memorial of San Francisco that the August 8, 2019 additional rental requests are hereby approved.

Director's Report:

Anti-corruption and Accountability Ordinance Memo: Mr. Caldon stated that the Anti-corruption and Accountability Ordinance enacted in 2018 made several amendments to the Campaign and Governmental Code, which took effect in January 2019. Trustees received a memorandum from the Ethics Commission for the City and County of San Francisco summarizing those amendments and providing information regarding tools and resources intended to help comply with filing requirements. The sections of the memorandum that pertain to the War Memorial board regard procedures and notification for recusals and behested payments.

Mr. Caldon reported that the City's conflict-of-interest laws prohibit a member of a City board from participating in making, or seeking to influence, a decision in which the member of a board has a financial interest. If a member of a board must recuse himself or herself because of a potential conflict-of-interest, the recusal must be publicly disclosed at the board meeting, and the member must e-file form SFEC-3209b with the Ethics Commission.

Mr. Caldon stated that a behested payment is a payment made at the request of a government official, including a member of a City board, to a third-party for legislative, governmental, or charitable purposes, rather than for personal or campaign purposes, by a person who is a party or participant in certain proceedings before that board. The memorandum outlines several scenarios in which a member of a board must report a behested payment by e-filing form SFEC-3610b with the Ethics Commission.

Mr. Caldon encouraged all War Memorial Trustees to thoroughly read the memorandum to understand the procedures and notification requirements for recusals and behested payments. Mr. Caldon invited the Trustees to contact him if they have questions regarding anything described in the memorandum.

SECRETARY'S REPORT

Revenue, Appropriations and Housekeeping Expenditures Reports for July 2019: Ms. Norris stated that Revenue, Appropriations and Housekeeping Expenditures reports for July 2019 had been distributed to Trustees, and she requested approval of the July 2019 housekeeping expenditures as submitted. On motion of Trustee Shultz, seconded by Trustee Lui, the following resolution was unanimously adopted:

RESOLUTION NO. 19-29

RESOLVED, By the Board of Trustees of the War Memorial of San Francisco that Purchase Order Nos. PO328094 through PO340153 are hereby approved.

REGULAR ITEMS

Symphony request to install plaque in Davies Symphony Hall to honor Elizabeth Murray: President Bechtle introduced a request from the San Francisco Symphony for consideration and approval to install a plaque recognizing recently retired War Memorial Managing Director Elizabeth Murray in Davies Symphony Hall below the west facing large window at the Franklin end of the First Tier Lobby.

Andrew Dubowski from the Symphony reviewed the request for the Trustees. On motion of Trustee Pelosi, seconded by Vice President Horn, the following resolution was unanimously adopted:

RESOLUTION NO. 19-30

RESOLVED, By the Board of Trustees of the War Memorial of San Francisco that it hereby approves the San Francisco Symphony's request to install a plaque to honor recently retired Managing Director Elizabeth Murray in Davies Symphony Hall below the west facing large window at the Franklin end of the First Tier Lobby.

Status Report on Transferrable Development Rights associated with the War Memorial Complex: President Bechtle delivered a summary update on the status of the War Memorial's Transferrable Development Rights (TDR). She recapped that TDR are unused development potential from preservation properties that can be transferred to development of new properties in San Francisco. The Planning Code provides that eligible historic buildings may apply to the Planning Department to certify their unused potential of TDR units, and then may sell such TDR units to another eligible development property. The revenue generated from the sale of TDR must be used to rehabilitate the historic building from which the TDR is generated.

President Bechtle stated that as certified by the Planning Department, the total amount of TDR attributable to the War Memorial Complex is approximately 1.1 million units, and the estimated net value of that TDR is \$25-26 million. Of that, approximately 506,000 TDR is attributable to the War Memorial Opera House, and approximately 594,000 TDR is attributable to the War Memorial Veterans Building. Pursuant to a Board of Supervisors' resolution passed in 2014, which authorized the sale of War Memorial TDR, approximately 500,000 units have been sold with net proceeds of \$11.1 million. The Mayor's Office has used those funds to offset debt service related to the Veterans Building Seismic Upgrade Project. This use of TDR proceeds is consistent with the Trustees' support of the 2014 Board of Supervisors resolution.

President Bechtle reported that in order to comply with the 2014 Board of Supervisors resolution, upon reaching sales of 550,000 TDR units, the Director of Property must return to the Board of Supervisors with enabling legislation to reauthorize additional TDR sales. Enabling legislation was introduced to the Board of Supervisors on July 30, 2019 by the Mayor. Staff met with the Mayor's Chief of Staff and the Mayor's Budget Director to discuss the use of proceeds that will be generated from future TDR sales. The Mayor's Office advised staff it is their intent to use all TDR revenue from future sales of War Memorial TDR to offset the general fund annual payment of Veterans Building debt service.

President Bechtle stated that staff advised the Mayor's Office this use of additional War Memorial TDR proceeds would be inconsistent with the Trustees' support of the 2014 Board of Supervisors resolution, and that it has been the position of the Trustees that the TDR attributable to the Opera House be used for its preservation and rehabilitation needs, primarily replacement of the Opera House mansard roof. President Bechtle further stated that it is this Board's concern that the Opera House needs do not rise to the threshold of urgency considered by the Capital Planning Committee in choosing projects to be funded each year, and that continued deferral of preservation projects will result in further deterioration of the Opera House.

President Bechtle said that Mayor Breed's Chief of Staff Sean Elsbernd was present to advise the Board regarding the Mayor's perspective on this important issue, and invited Mr. Elsbernd to speak.

Mr. Elsbernd stated that President Bechtle's summary of the history of War Memorial TDR was correct. He further stated that Mayor Breed intends to use TDR revenue to continue offsetting debt payments being made from the general fund toward the Veterans Building Certificates of Participation (COP) debt. Mr. Elsbernd stated that COP, the debt mechanism used to fund the Veterans Building project, are more of a burden on the general fund than general obligation bonds. He reported that for budgeting purposes it was more advantageous for the City to fund the Opera House roof replacement from capital funds, and to use TDR revenue to continue offsetting general fund debt payments pertaining to the Veterans Building.

Mr. Elsbernd further stated that the Capital Planning Committee recognizes the urgency of War Memorial Opera House capital needs. He informed the Trustees that Mayor Breed has stated that the War Memorial's capital needs for the Opera House roof shall be funded. He offered as evidence of this commitment that in last year's capital budget the War Memorial's request for \$4.5 million for the Opera House roof had been included. He stated that he has learned that the Opera House roof replacement cost is now estimated at \$9 million, and guaranteed that if the War Memorial submits a request to the capital budget for those funds, the funding will be approved.

Trustee Lui expressed concern that due to construction related cost escalations in San Francisco, the Opera House roof replacement cost might ultimately be more than \$9 million, and requested that Mr. Elsbernd on behalf of the Mayor's Office commit to funding the roof replacement project inclusive of any future cost escalation. Mr. Elsbernd restated Mayor Breed's commitment to replacing the Opera House roof, and

requested that War Memorial staff coordinate with the Department of Public Works to ensure that the current estimated cost for replacing the Opera House roof is accurate. He urged War Memorial staff to collaborate with the Department of Public Works to develop a phased timeline to manage and fund the work, which the War Memorial would then submit to the Capital Planning Committee. He reiterated that Mayor Breed is very committed to replacing the Opera House roof.

GOOD AND WELFARE

Vice President Horn stated that Elizabeth Murray's retirement party in the War Memorial Opera House Lobby was amazing. Trustee Shultz added that it was because Beth Murray was so beloved that the Opera, Ballet and Symphony were willing and able to perform such a special program.

GENERAL PUBLIC COMMENT

President Bechtle called for any general public comment. There being none, President Bechtle closed public comment.

ADJOURNMENT

There being no further business to come before the Board, President Bechtle adjourned the meeting at 2:40 p.m.

Jennifer Norris
Executive Secretary/Assistant Managing Director