

MINUTES
WAR MEMORIAL BOARD OF TRUSTEES
BUDGET AND FINANCE COMMITTEE MEETING

Thursday, February 19, 2015

The Budget and Finance Committee of the Board of Trustees of the War Memorial of San Francisco met at 1:00 p.m. on Thursday, February 19, 2015, in the Trustees' Board Room, War Memorial Opera House, Committee Chair Lui, presiding.

ROLL CALL

Present: Chair Lui, Trustee Davis, Trustee Moscone, Trustee Myatt, President Bashford, *Ex officio*, Vice President Horn, *Ex officio*

Absent: Trustee Bechtle

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

Budget and Finance Committee:

Proposed Rental Rates for Fiscal Year 2015-16:

Trustee Lui, Chair of the Budget and Finance Committee, stated that in advance of today's meeting, Committee members received staff's proposed rental rates for Fiscal Year 2015-16. Staff is proposing rental rate increases in four categories: Herbst Theatre rent, Green Room rent, Veterans Building occupancy fees and parking fees. Chair Lui requested Beth Murray to outline staff's rental rate proposals.

Ms. Murray outlined the following rental rate proposals:

- Opera House/Davies Symphony Hall/Zellerbach Rehearsal Hall: Rental rates for Opera House, Davies Symphony Hall and Zellerbach Rehearsal Hall were increased last year (for FY 2014-15), so staff is not recommending rate increases for those facilities in FY 2015-16.
- Herbst Theatre/Green Room Rent: Staff is proposing significant increases over rates that have been in place since FY 2011-12. Reasons for this significant increase are:
 - During last 25 years, there have been several stretches of 5-6 years when there were no increases, with minimal bi-annual increases during the last 10 years;
 - Herbst Theatre and Green Room rents have historically been well below rates of comparable size/type venues. Staff's proposed rates will still keep rates below those of comparable local venues;
 - The renovated Herbst Theatre will provide licensees with much more real estate, including new and larger dressing rooms, multi-purpose room and performer's lounge;
 - Staff's proposal is to leave new Herbst Theatre and Green Room rates in place for three years and resume bi-annual increases in FY 2018-19 on the same increase schedule as our other facilities.
- Veterans Building Occupancy Fees/Office Rent: Based on 2008 evaluation of actual per square foot cost of Veterans Building operation, we have escalated that per square foot cost to \$14.98 for FY 2015-16. This rate will apply to year-around office space occupied by the San Francisco Opera, San Francisco Arts Commission and Grants for the Arts.
- Parking Fees: Proposed increase from \$76/month to \$78/month pursuant to the policy of the parking fee

equaling the cost of monthly MUNI fast pass plus \$10.

- **New Veterans Building 4th Floor Event Spaces:** As there are still a number of uncertainties concerning staffing and equipment for the new Veterans Building 4th floor event spaces being built by the San Francisco Opera, staff is not at this time proposing rental rates for these new event spaces. Staff will return to the Committee and Board in late 2015 with rental rate recommendations for these spaces.

Following discussion, and on motion of Vice President Horn, 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 rates for FY 2015-16 as submitted.

War Memorial Department Budget for Fiscal Years 2015-2016 and 2016-17:

Chair Lui stated that in advance of today's meeting, Committee members received several items including:

- A one-page high-level summary of staff's proposed budgets for Fiscal Years 2015-16 and 2016-17;
- Detailed summary of staff's Estimated Earned Revenues;
- Detailed summary of staff's Expenditure Budget Proposal.

Chair Lui reported that as Trustees are aware, the City is now adopting a two-year budget each year. The budget for the second year will again be re-evaluated and updated next year. Chair Lui requested that Beth Murray review staff's proposed Departmental Budget.

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

Revenue

- **General Fund Support:** FY 2015-16 will be the War Memorial's 3rd year as a General Fund supported department as opposed to receiving an annual allocation of the Hotel Room Tax. For 2015-16, the War Memorial is requesting General Fund support for four expenditure categories:
 - Operating Budget support of \$9.77 million, which together with earned revenue and fund balance, funds the proposed Operating Budget.
 - Debt Service support of \$8.05 million, corresponding to the Debt Service expenditure for the Veterans Building Seismic Upgrade & Improvements Project.
 - Facilities Maintenance/Capital Improvement support of \$5,407,000 for proposed Facilities Maintenance and Capital Improvement project expenditures.
 - Technology Projects support of \$352,540 for two proposed technology projects.
- **Earned Revenue:** Earned revenue from facility and equipment rental fees and concession commissions totaling \$2.524 million.
- **Interdepartmental Recovery:** Interdepartmental recovery totaling \$164,874 for FY 2015-16, representing office rent paid to War Memorial from other City departments – Arts Commission and Grants for the Arts – effective with their anticipated occupancy date of 10/1/15.
- **Fund Balance:** Although War Memorial no longer receives non-General Fund support, the War memorial is still a "Special Fund" rather than "General Fund" department. 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. Staff's proposed budget for FY 2015-16 includes use of \$459,390 from the War Memorial special fund balance.

Expenditures

- **Operating Budget:** FY 2015-16 total operating budget of \$12,919,253, an increase of \$1,694,279 or 15% over the FY 2014-15 operating budget. Major changes from FY 2014-15 are:

- Salaries and Fringe Benefits: Restoration of 3.2 permanent positions eliminated July 1, 2013 for the duration of the Veterans Building project; re-filling 4 permanent positions held vacant during the Veterans Building project; and 3 new permanent positions to augment staffing due to new Veterans Building operations.
- Building Maintenance Services: Scavenger Service increase reflects City's new contract with Recology providing a 5.95% increase effective 7/1/15 as well as restoration of Veterans Building scavenger service effective 8/1/15. Building Maintenance Service increases reflect restoration of Veterans Building elevator, HVAC and fire alarm maintenance services effective 8/1/15.
- Materials and Supplies: Materials and Supplies increase for restoration of Veterans Building operations.
- Equipment: One equipment item – vertical storage carpet carousel for the Veterans Building basement for storage of carpet overages from the Opera House, Davies Symphony Hall and Veterans Building.
- Services of Other Departments: Increase in subobject 081FM reflects restoration of custodial services by Real Estate Division for Veterans Building operations.
- Debt Service: Debt Service expense of \$8.05 million. Debt service expense is fully offset by specific General Fund allocation.
- Facilities Maintenance/Capital Improvements: Annual Facilities Maintenance of \$501,000 and request for four capital projects including Opera House lower lounge lighting upgrade (\$100,000), replacement of Veterans Building Green Room drapes (\$56,000), Opera House Roof Replacement (\$4,500,000), and Veterans Building post-renovation projects (\$250,000).
- Technology Projects: Two technology projects related to the Veterans Building totaling \$352,543.

Following discussion and public comment, and on motion of Trustee Myatt, seconded by Trustee Davis, 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 Request for Fiscal Years 2015-16 and 2016-17.

ADJOURNMENT

There being no further business, Chair Lui adjourned the meeting at 2:05 p.m.

Jennifer E. Norris
Executive Secretary