

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

Thursday, February 12, 2026

The Budget and Finance Committee of the Board of Trustees of the War Memorial of San Francisco met in-person at 1:00 p.m. on Thursday, February 12, 2026, in the 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, Trustee Makras, Trustee Newstat, and Trustee Wright

Committee Members Absent: None

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

Chair Muduroglu 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 vote on recommendations to the full Board regarding the proposed budget. She stated that the second of two meetings would be the Regular Meeting on February 12, at which time the Board will vote on the recommendations from the Committee.

Proposal to Review Rental Rates Annually. Managing Director Kate Sofis explained that moving the process of a biannual review of rental rates to an annual review would provide a more even and predictable revenue cycle for the Department and add more flexibility for the Department to respond to changing conditions, like salary increases and actual costs of materials, electricity, and other building costs. She noted that this would still involve reviewing rental rates two years out, only this budget cycle would include approval of the first year increase and a forecast of the increase for the second year.

Following discussion on motion of President Wilsey, seconded by Trustee Newstat, the following recommendation was unanimously adopted:

RECOMMENDED, to the Board of Trustees of the War Memorial of San Francisco that rental rates be reviewed and updated by the Board annually, rather than biannually.

War Memorial Proposed Rental Rates for Fiscal Years 2026-27 and 2027-28: Managing Director Sofis explained that the current proposal is to increase rental rates by six percent, since there was no increase last year. She noted that the two-year increase of six percent averages to an increase of three percent per year, which is about one percent (or more) behind the Consumer Price Index. She noted that this year, as the Department transitions to an annual review, they anticipate a six percent increase and approximately a two percent increase the following year. Director Sofis noted that she anticipates moving rental rates to an annual increase of three to four percent, depending on economic conditions.

Following discussion on motion of President Wilsey, seconded by Vice 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 the Department's proposed rental rates for Fiscal Year 2026-27.

War Memorial Proposed Departmental Budget for Fiscal Years 2026-27 and 2027-28: Director Sofis explained that the budget proposal from the last Budget and Finance Committee meeting was the Department's baseline budget, which did not have significant cuts at that time. Since the board packet went out, the Mayor's Office has asked for a \$750,000 cut to the Department's budget. She then discussed some options to cover the proposed budget cuts, including instructions from the Mayor's Office, as to what they would like the Department to consider. She noted that the core functions of the Department: booking, finance, public safety, are all currently fully-staffed. Any savings from these functions would involve layoffs, as there are no vacant positions to carry over. She also noted that the Department's Non-personnel Service budget was only \$1.2 million, which includes things like elevator repair and maintenance, to give an idea of how much a \$750K cut would be in comparison to other parts of the Department's normal budget.

Director Sofis noted that custodial, currently provided by the Real Estate Department, is budgeted to cost \$5 million dollars for the next Fiscal Year. Director Sofis noted that last year the Department proposed decreasing that cost by approximately twenty percent, or one million dollars, by transferring the custodial function back to the War Memorial. She explained that in that proposal she anticipated it would be easier to maintain control of costs and reduce the administrative burden having the function in-house. She noted that while the Department would still like to propose this as a potential solution, the Mayor's Office is currently not interested in entertaining that solution. Vice President Horn questioned as to why the Mayor's Office would not approve of this solution and Director Sofis responded that the Mayor's Office is more interested in having the Department look at outsourcing this function and is focused on reducing the City's structural salary obligations across the City. She noted that the Mayor's Office explained to all Department Heads at a meeting earlier that day, that Departments with discretionary programs (such as grant-making programs) should look at their community programs for cuts and for Departments that have a large salary cost, to look at alternative staffing models.

Director Sofis explained that she was bringing two potential options to the Board for their direction, the first option is to outsource the custodial function. She noted that the other two charitable trust Departments currently outsource their custodial function. Director Sofis also spoke to other large performing arts centers in the area, which do outsource their custodial function, with several reputable firms that specifically support performing arts centers, which include companies like Flagship, that are unionized. She noted that these companies can deploy more workers during show nights and less when needed, and have cost-accounting and scheduling technology, which has been a challenge for the City's Real Estate team, who cannot provide actual cost or track materials. She explained that while the cost savings could be even more with a non-union company, the community response would not be worth the expense. She also hoped that it might be possible for some of the long-term City employees to be hired by the selected company in that case. She noted that if this was the decision, the Department would embark on a public RFP process. She noted that the cost-savings in outsourcing would be similar to that of a transfer-of-function, of approximately \$750K to \$1 million dollars.

Director Sofis explained the other option would be to reduce the frequency of cleaning in the buildings, across the venues, which seemed contrary to the Department's expansion of more shows and having more people on the campus. She noted that the Mayor's Budget Office also asked the Department to consider outsourcing the public safety function as well. She explained that staff is strongly opposed to this option, highlighting the public safety functions that occurred over the week with the San Francisco Teacher's Union which was holding its strike negotiations in the Veterans Building. She told the Mayor's Office that the Department has already been working with a hybrid-model, which has City full-time security staff, supplemented with Treeline security staff, who work the perimeter and patron screening during performances. She asked the Board for their feedback on all these potential options. Vice President Horn told Director Sofis he was very impressed by the way this was laid out and outsourcing custodial makes sense, but also there could be conflict with the resident companies if the Department were to consider a non-union company, and the other Committee members noted their agreement. Director Sofis noted that the Department could include a letter to submit with the budget to advocate the preference of the Department is the transfer of function to the Department. Vice President Horn stated that given what was stated about the efficiencies, the Board may not prefer that option. Trustee Wright asked whether there were custodians who may be close to retirement and questioned how to influence a partner corporation to hire as many of the employees who may be affected by this as possible, including hiring a local firm rather than a

national one. Director Sofis noted that this could be included in the RFP selection process and would look to the Board for oversight and authority to make the final decision. She also noted that it would be an all-or-nothing proposition and would outsource the entirety of the custodial function. This would mean that rather than \$5 million dollars in inter-departmental budget for Real Estate, the Department would instead receive \$4 million dollars in non-personnel services. Director Sofis also reminded the Board that technically the custodians are on the City Administrator's books, so while the Department could indicate a preference for a company who would hire the affected City employees, but in the end the City Administrator has control of whether they choose to redeploy those individuals elsewhere in the Real Estate Division or eliminate the positions. Director Sofis noted that it would be up to the Mayor's Office to decide whether or not they want to ultimately recommend outsourcing, but that the Committee agrees to recommend to the full Board that to achieve the Mayor's budget cuts the Department will propose outsourcing the custodial function, when the budget is submitted to the Mayor on February 23. Director Sofis also noted that the Department is responding to directives from the Mayor's Office, which does not mean that the Mayor's Office in the end will decide this is the option they move forward with.

Following discussion on motion of President Wilsey, seconded by Trustee Newstat, the following recommendation was unanimously adopted:

RECOMMENDED, to the Board of Trustees of the War Memorial of San Francisco, that it approve for submission the Department's two-year budget for Fiscal Years 2026-27 and 2027-28, including putting forth the proposal to outsource custodial costs to cover the \$750K in budget 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 Muduroglu closed public comment.

ADJOURNMENT

There being no further business to come before the Board, Chair Muduroglu adjourned the meeting at 1:53 p.m.

/s/ Francesca Cicero
Board Secretary