

Presidio Trust Board of Directors Meeting
July 29, 2004
Minutes

Attending:

Lydia Beebe
Don Fisher (8:37–11:30)
David Grubb
Mary Murphy (8:44–12:35)
Toby Rosenblatt
Joseph Yew, Jr. (8:37–11:30)

Via Teleconference:

William Wilson, III (8:37–11:30)

Steve Carp
Karen Cook
Craig Cooper (12:08–12:35)
Lori Eason
Adam Engelskirchen (8:37–11:02)
Hillary Gitelman
Fran Gross
Tia Lombardi
Mollie Matull
Craig Middleton
Steven Potts

Meeting called to order by Chairperson Rosenblatt at 8:37 a.m.

Actions taken:

- Approval of Minutes of May 18, 2004 (Resolution 04-17). Motion: Grubb. Second: Fisher. Vote: 6-0 (Murphy not present for vote).
- Approval of Real Estate Committee Charter (Resolution 04-18). Motion: Beebe. Second: Grubb. Vote: 6-0 (Murphy not present for vote).
- Approval of Formation of Projects Committee and Adoption of Projects Committee Charter (Resolution 04-19). Motion: Beebe. Second: Grubb. Vote: 6-0 (Murphy not present for vote).
- Approval of Finance and Audit Committee Charter (Resolution 04-20). Motion: Beebe. Second: Grubb. Vote: 6-0 (Murphy not present for vote).

- Approval of Formation of Board Committees (Resolution 04-21). Motion: Fisher. Second: Beebe. Vote: 6-0 (Murphy not present for vote).
- Approval of Senior Management Required Occupancy Policy (Resolution 04-22). Motion: Beebe. Second: Grubb. Vote: 4-0 (Fisher, Wilson and Yew not present for vote).

Discussion items:

- Craig Middleton reported that:
 - Last week Congress approved the Department of Defense appropriations bill which includes \$2M for Main Post restoration.
 - Pending earmarks in Transportation bills include \$1M for trails and overlooks and \$100M for the Doyle Drive reconfiguration and rehabilitation.
 - The Exclusive Negotiating Agreement for the Public Health Service Hospital (PHSH) was sent to Forest City Development for execution. The draft Environmental Impact Statement (EIS) for the PHS rehabilitation project will be ready to be made available to the public on August 20, 2004. The Board anticipated holding a public meeting to receive comments on the EIS.
 - Staff is working on a strategy for October announcements and events in connection with the Main Post.
 - Board requests from previous Board meetings have been addressed. Mr. Middleton distributed a list of Board requests since the November 18, 2003 meeting and summarized the status of each. Mr. Middleton highlighted the following: six seasonal workers have been hired to improve landscape maintenance and the Trust is advertising for a Associate Director for Landscape Maintenance, a new position that will oversee all landscape maintenance in areas for which the Trust has administrative jurisdiction; traffic calming measures have been installed, including new signage, striping and a speed table, in the Julius Kahn playground area along West Pacific Avenue, and other options are being considered in additional areas of the park; and the Golden Gate Bridge District has been asked to remove the pile of dirt at Fort Scott.
 - The possibility of housing Smithsonian Institution exhibitions at the Presidio was explored several years ago and the conclusion was that funding was not available, particularly since the Smithsonian will not share costs. The Trust is in discussions with the anthropological museum in Mexico City and the Fine Arts Museums of San Francisco to bring an exhibition of Maya textiles to the Presidio. In collaboration with the Arion Press, an exhibition titled “Birds of the Pacific Slope” is currently at the Officers’ Club. Don Fisher suggested that the Trust might be able to secure donated funds to house a military history museum with artifacts from the Smithsonian. Mr. Fisher also suggested that the Trust consider a spy museum similar to the museum in Washington, DC since it is both popular and well done.
- Mr. Middleton reviewed the five-year Strategic and Financial Plan due to be submitted to the Office of Management and Budget by September 13, 2004. The Trust’s strategic objectives include preserving and enhancing the Presidio’s rich historical, cultural and natural resources; generating revenue and developing philanthropy to support the preservation,

enhancement and operation of the park; operating and maintaining the facilities and infrastructure in an efficient and sustainable manner in support of park uses; and encouraging public use, understanding and enjoyment of the park.

Mr. Middleton said that revenue will be used to operate the Presidio; maintain, improve and upgrade historic and non-historic buildings, infrastructure, landscape and natural resources; repay Treasury borrowing; and fund capital reserves. He explained that the strategic plan, in a long-term financial context, included base revenue assumptions prepared by the Real Estate Department matched with assumptions in the Presidio Trust Management Plan (PTMP). Mr. Middleton highlighted additional assumptions in the plan, including types of leasing activity, housing, and availability of philanthropic funds. He then discussed near-term leasing activities and key milestones through 2009.

The Board discussed the assumptions and priorities inherent in long-term planning. Mary Murphy said that the numbers used were too optimistic. She said that the time value of money must be analyzed to determine whether it makes more sense for the Trust to invest the capital itself and receive a higher rent or for a tenant to make improvements with the Trust receiving a lower rent. Lydia Beebe said that actual numbers needed to be incorporated into the projections based upon the current developed space. She said that through 2006 the figures are based upon actual, current numbers and deals in the pipeline, but thereafter the plan is based only upon assumptions using current figures. Toby Rosenblatt said that the Board needed to agree on the process of reviewing the projections and testing them and needed to decide what assumptions to use in the plan.

Mr. Middleton presented a projected financial snapshot for various periods over the next several years. He also outlined key milestones for 2020. Mr. Fisher said that maintenance costs needed to be broken out separately in the snapshots. Ms. Murphy said that the residential numbers needed to be addressed on a per unit basis rather than on a per square foot basis. Mr. Fisher said that assumptions should be included, building by building.

Hillary Gitelman outlined construction and demolition issues in connection with the strategic plan, including legal constraints and planning goals. Ms. Gitelman reviewed the language in the Trust Act and the PTMP addressing the limits on total building area, new construction and demolition, and explained the implications of these limits using the Main Post planning area as an example.

Mr. Middleton suggested next steps, including finalizing the five-year plan prior to September 13. Mr. Middleton also suggested analyzing the effects on the “base case” of three alternatives, utilizing different assumptions. Mr. Rosenblatt discussed the procedure for the Board to provide feedback to staff. David Grubb requested that a list of assumptions and a schedule of the most recent non-residential leases with attending assumptions be included in the next distribution of the projections to the Board. Bill Wilson asked that the projected operations expense in 2013 be included. Mr. Grubb asked that the service district charge be included in the rent figures. Fran Gross will coordinate Board comments about the projections. Ms. Gross will distribute a revised document based upon the Board’s comments received at today’s meeting, leaving space by the assumptions so that the directors can revise

the assumptions and posit hypothetical cases that should be tested. Ms. Gross will consult with the Sedway Group, a Trust consultant, and respond to the director suggesting a particular assumption. Ms. Gross will then distribute another, revised package to the Board by August 12, 2004 and the Board will respond to Ms. Gross with additional comments, if any, by August 19, 2004.

- Lori Eason presented the third quarter financial report, concluding that the Trust is on track. She noted that non-residential receipts appear to be under budget, principally due to a lease that will commence in the fourth quarter, and that the Operations Department's expenses are over budget because utility costs have risen dramatically and because all personnel benefits are obligated at the beginning of the fiscal year. In response to questions from Mr. Grubb and Mr. Fisher, Ms. Eason said that all residential units will be individually metered for utilities by the end of the year. Ms. Eason said that the capital projects are basically on schedule. Funds for the water reclamation plant and the rehabilitation of 86/87 Graham Street will be obligated in the fourth quarter. Mr. Grubb requested that the quarterly budget report include a column reflecting project "cost at completion."
- Mr. Middleton discussed the Fiscal Year 2005 budget and format. Mr. Middleton explained that next year's budget will reflect organizational changes and will be a project-centered document that will track the Trust's strategic goals. Ms. Eason said that the Trust is moving to full cost accounting, which will make tracking expenses to activities easier and more transparent. Everything will be tracked to a project or overhead. Mr. Fisher requested that assumptions about utility costs for residential units be included.
- Craig Cooper summarized the financial status of the environmental remediation program. Mr. Cooper said that the Trust's relationship with the regulators is good. Ms. Beebe asked what directed the remediation schedule. Mr. Cooper said that the National Park Service (NPS) and the Trust negotiated a target schedule early in the establishment of the remediation program. That schedule is affected by many factors, including interactions with the regulatory agencies, the NPS and the public. Ms. Murphy expressed alarm about the costs paid to the NPS for its involvement in the remediation program and said that the Trust should discuss cost reductions with the NPS.
- Executive Session: 11:02 – 12:08.

Outstanding items:

- None.

Meeting adjourned by Chairperson Rosenblatt at 12:35 p.m.