

**Presidio Trust Board of Directors Meeting**  
**May 27, 2003**  
**Minutes**

**Attending:**

Don Fisher (8:38 – 11:30)  
Jennifer Hernandez (8:40 – 12:16)  
Michael Heyman  
Amy Meyer  
Mary Murphy (8:46 – 12:40)  
William K. Reilly (8:46 – 12:49)  
Toby Rosenblatt

Michael Boland (12:10 – 12:30)  
Steve Carp  
Karen Cook  
Hillary Gitelman  
Harry Haigood  
Michael Lamb (12:10 – 12:30)  
Craig Middleton  
Paul Osmundson  
Steven Potts

Meeting called to order by Chairperson Rosenblatt at 8:38 a.m.

**Actions taken:**

- Approval of Minutes of January 21, 2003 and March 26, 2003 meetings (Resolution 03-17).  
Vote: 4-0 (Hernandez, Murphy and Reilly not present for vote).
- Approval of Adoption of Revised Budget for Fiscal Year 2003 (Resolution 03-18). Vote: 7-0.

**Discussion items:**

- Harry Haigood presented his financial analysis of the second quarter of Fiscal Year 2003. He noted that residential revenue is on target but that expenses were higher than anticipated because unexpected renovations of some occupied units were necessary since the scope of required work had been unknown. Mr. Haigood reported that non-residential revenue was slightly below target but should be on target by fiscal year end. Mr. Haigood proposed revisions to the capital expenditure schedule and the redirection of some capital funds. Mr.

Haigood also reviewed the cash flow projection and environmental remediation costs for the year.

- Mr. Haigood reported that an internal audit of the Human Resources Department had been completed. The audit revealed weaknesses in certain systems and monitoring controls, including a concentration of duties, and recommended changes in various procedures. Mr. Middleton said that the Trust had been implementing corrective action based upon the audit findings. Mr. Haigood also reported that a Trust panel comprised of Mr. Rosenblatt, Mr. Haigood's senior financial staff and himself had been interviewing prospective candidates for external auditors to audit the Trust's Fiscal Year 2003 financial statements, and that the panel had narrowed the candidates to two CPA firms. Mr. Haigood anticipated that the final selection would be made within two weeks. Mr. Haigood reported that Ernst & Young, the external auditors performing the audit of the Trust's Fiscal Year 2002 financial statements, opined that all material internal control weaknesses previously noted had been eliminated; the opinion was qualified because of asset valuation questions, an issue common in many base closures and conversions.
  
- Craig Middleton presented the Executive Director's Report. Mr. Middleton reported that:
  - Construction of the Letterman Digital Arts site was approximately one month ahead of schedule.
  - The Request for Qualifications for the use and rehabilitation for the Public Health Service Hospital (PHSH) site was issued. Responses are due June 6, 2003.
  - The Request for Qualifications for design services for the Main Parade Ground was issued. Responses are due June 23, 2003.
  - The Memorial Day commemoration, sponsored by the City of San Francisco and the Trust, was held at National Cemetery over the weekend and was well-attended.
  - A new exhibit opened at the Officers' Club yesterday and is scheduled to run through July 31, 2003 – "The American Flag: Two Centuries of Concord and Conflict." The exhibit includes flags from the Zaricor, Veninga and Hinrichs collections and addresses aspects of the flag's development and interpretation through history.
  - The projected budget for Fiscal Year 2004 reflects reductions in the budgets for every department; the U.S. Park Police is the only category receiving an increase in funding. A staff reduction will be smaller than contemplated because of attrition and because some open positions were never filled. Further, some personnel costs have been shifted to the capital budget for various projects.
  - Mr. Middleton reported that ongoing conversations with the Laborer's International Union of North America had been productive and that the Trust recently entered into interest-based bargaining with the union. Interest-based bargaining is a negotiating process that emphasizes creativity in identifying potential solutions that meet the parties' mutual interests.
  - The Trust was close to an alliance with the Golden Gate National Parks Conservancy for joint philanthropic efforts to benefit the Presidio. The Conservancy is an established entity with an excellent reputation and record. The Trust plans to dedicate a staff member to coordinate philanthropic efforts and to work with the Conservancy.

- Mr. Middleton thanked the Board for their time in working with representatives of the National Academy of Public Administration (NAPA); the report NAPA rendered focused largely on the Trust's capital constraints.
  - The Trust is tracking down Presidio military artifacts that have been disbursed around the country over the decades.
  - The lease of 610 Mason Street to The Sports Basement, Inc. was executed.
  - The Trust received the 2003 Award for Outstanding Planning Document from the California Association of Environmental Professionals for its Presidio Trust Management Plan.
- Executive Session: 10:22-10:40.
  - The Board discussed the agenda for the public Board meeting scheduled for June 17, 2003 at the Officers' Club.
  - Hilary Gitelman briefed the Board on the status of the Fort Scott site. The Board previously assumed that the rehabilitation and reuse of the site would be deferred for many years. Most recently, based upon interest from potential tenants, the Board directed staff to investigate the possible use of the area as an education center, as identified in the Presidio Trust Management Plan. Ms. Gitelman reported that the Trust had undertaken some analysis and had retained a consultant, the Sedway Group, to perform a financial analysis of three alternative strategies – (i) a conference center user with supporting lodging, services and office space; (ii) a single educational user with lodging or student housing; and (iii) multiple educational users with no lodging or housing. Analysis, which should be completed within the next four weeks, preliminarily suggested that financial feasibility would be a close call since the renovation cost under each alternative was high.

Mr. Middleton reported that as part of the ongoing analysis, Trust staff contacted approximately 20 universities and visited numerous conference center facilities. Many potential users indicated that flexibility in the design of a facility was a principal concern, and universities expressed a concern about co-locating with competitors or with institutions they consider less prestigious.

The Board discussed the issues raised by Ms. Gitelman's and Mr. Middleton's reports. Ms. Gitelman recommended that the Trust review and evaluate the information analyzed in the Sedway Group's study when it is finalized, that additional research be undertaken to determine how a developer could structure a feasible project, and that in the meantime staff continue to view the central site area as a single project and avoid leasing pieces of the campus to small users for longer than three to five years. The Board directed Ms. Gitelman and staff to implement her recommendations, and also requested that the financial analysis include a 100% residential option.

- Paul Osmundson summarized the leasing history of 605 Mason Street and then reviewed two proposals received to lease the space; one proposal was for storage facility use and the other was for retail use. A Request for Proposals was issued in September 2002. The acceptable

deal parameters were modified to expand the allowable uses and maximum term. After discussing the two pending proposals, the Board directed Mr. Osmundson to reject both.

- Mr. Osmundson presented the May 2003 leasing report, summarizing non-residential activities for the month.
- Mr. Osmundson gave a report of the non-binding mediation of the dispute with the YMCA. The Trust has concluded that an increase to and modification of the allocation between the rent and the GIA is warranted, particularly since the YMCA is one of the few tenants not paying a service district charge. The service district charge is a sum intended to cover costs for services traditionally provided by a municipality such as infrastructure maintenance and repair and police, fire and other emergency services.
- Michael Boland described the historical changes in the Lombard Street entry corridor over the years. Mr. Boland outlined three components in a staff plan to redesign the entry sequence – (i) clarifying that the Lombard Street/Presidio Boulevard roadway is the main entrance to this part of the Presidio and distinguishing the secondary nature of Letterman Drive; (ii) enhancing the visual character of the entry experience through landscaping and palm trees, lighting, and signage; and (iii) developing the first segment of the Presidio Promenade, a new multi-use trail stretching from the Lombard entry to the Golden Gate Bridge to improve pedestrian access to the heart of the Presidio. Ms. Gitelman noted that the Trust had approximately \$400,000 in funding from a special transportation appropriation to initiate this project.

Meeting adjourned by Chairperson Rosenblatt at 12:49 p.m.