

**Performance Audit of
Governance and City Support:**

**The Asian Art Museum,
Fine Arts Museums,
War Memorial,
and the
Academy of Sciences**

Prepared for the

**Board of Supervisors
of the City and County of San Francisco**

by the

**San Francisco Budget and Legislative Analyst
June 5, 2012**

Performance Audit of Governance and City Support:

The Asian Art Museum, Fine Arts Museums, War Memorial, and the Academy of Sciences

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**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS**

BUDGET AND LEGISLATIVE ANALYST

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June 5, 2012

Honorable Mark Farrell,
and Members of the Board of Supervisors
City and County of San Francisco
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Dear Supervisor Farrell and Members of the Board of Supervisors:

The Budget and Legislative Analyst is pleased to submit this *Performance Audit of Governance and City Support of the Asian Art Museum, Fine Arts Museums, War Memorial, and the Academy of Sciences*. In response to a motion adopted by the Board of Supervisors on July 12, 2011 (Motion 11-11), the Budget and Legislative Analyst conducted this performance audit, pursuant to the Board of Supervisors powers of inquiry as defined in Charter Section 16.114 and in accordance with U.S. Government Accountability Office (GAO) standards, as detailed in the Introduction to the report.

The scope of the performance audit included (a) the City's oversight, including governance structures and practices, at the Asian Art Museum, the Fine Arts Museums, the War Memorial, and the Academy of Sciences; and (b) an evaluation as to whether management of the General Fund-supported operations of these four institutions was efficient and effective.

To conduct the performance audit, we (a) interviewed executive, management and other staff, and members of the respective board of trustees and commissions of the Fine Arts Museums, the Asian Art Museum, the War Memorial, and the Academy of Sciences, and representatives from other City departments; (b) reviewed legislation, reports, financial statements, and other documents regarding management, oversight, and budgeting at the four audited institutions; and (c) conducted detailed analysis of the Fine Arts Museums, Asian Art Museum, War Memorial, and Academy of Sciences functions funded by the City.

We submitted a draft report, with our findings and recommendations, to Fine Arts Museums, the Asian Art Museum, the War Memorial, and the Academy of Sciences on

Board of Supervisors
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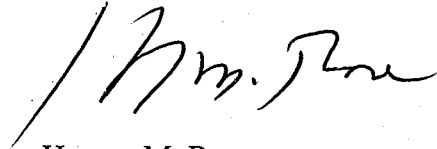
Honorable Mark Farrell
and Members of the Board of Supervisors
Performance Audit of Governance and City Support of the Asian Art Museum,
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April 24, 2012; and conducted exit conferences with representatives of each agency during the week of April 30, 2012. We submitted the final draft report, incorporating comments and information provided in the exit conferences, to the Fine Arts Museums, the Asian Art Museum, the War Memorial, and the Academy of Sciences on May 14, 2012.

Our performance audit contains four findings and 12 recommendations, summarized in the Executive Summary and detailed in the audit report. The departments' written response to the performance audit's 12 recommendations is attached to this report.

We would like to thank the Fine Arts Museums, the Asian Art Museum, the War Memorial, and the Academy of Sciences executive, management and other staff; Asian Art Commission, Fine Arts Museums Board of Trustees and War Memorial Board of Trustees; and representatives from the Public Utilities Commission and the Offices of the Risk Manager, the City Attorney, and the Controller who provided us information for this performance audit.

Respectfully submitted,



Harvey M. Rose
Budget and Legislative Analyst

cc: President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Chu
Supervisor Cohen
Supervisor Elsbernd
Supervisor Kim
Supervisor Mar
Supervisor Olague
Supervisor Weiner
Clerk of the Board

Mayor Ed Lee
Cheryl Adams
Kate Howard
Controller
Chief Administrative Officer, Fine Arts Museums
Director, Asian Art Museum
Director, Academy of Sciences
Managing Director, War Memorial

Executive Summary

The Asian Art Museum, Fine Arts Museums, and War Memorial are charitable trust departments, as defined under the City’s Charter. Along with the Academy of Sciences, a private institution, these four institutions receive direct and indirect City support. Each of these institutions started with a gift to the City from a private individual or group, be it an art collection (Asian Art Museum, Fine Arts Museums), a building (War Memorial), or an aquarium (the Steinhart Aquarium of the Academy of Sciences). In receiving these gifts, the City made certain fiscal and administrative commitments, such as to display artwork or provide meeting space to veterans. Those commitments and ongoing practices helped shape the City’s current relationship with the four institutions.

At the direction of the Board of Supervisors, the Budget and Legislative Analyst conducted a performance audit of the Asian Art Museum, Fine Arts Museum, War Memorial, and the Academy of Sciences. The performance audit included: (a) the City’s oversight, including governance structures and practices, at the Asian Art Museum, the Fine Arts Museums, the War Memorial, and the Academy of Sciences; and (b) an evaluation as to whether management of the General Fund-supported operations of these four institutions was efficient and effective. The performance audit was conducted in accordance with Government Auditing Standards, 2007 Revision, issued by the Comptroller General of the United States, U.S. Government Accountability Office, as detailed in the Introduction to this report.

Governance and Oversight of City Assets

As City departments, the Charter defines the governance structure of the Asian Art Commission, Fine Arts Museums Board of Trustees, and War Memorial Board of Trustees. The Academy of Sciences, which is not a City department, is overseen by a private Board of Trustees. The governance structure of the Academy of Sciences is not addressed in the Charter.

Oversight and Planning

Our performance audit found that oversight was uneven across the Asian Art Commission, Fine Arts Museums Board of Trustees, and War Memorial Board of Trustees. In particular, the Fine Arts Museums Board of Trustees conducts limited fiscal oversight, with that role having been charged to the private Corporation of the Fine Arts Museums (COFAM), which is responsible for operating the museums. Because COFAM meetings are not subject to the City’s open meetings policies, oversight of the Museums’ budget, financial audits, and facilities is not being conducted in a public or transparent manner.

Commission Turnover and Diversity

Term limits, which are required for members of the Asian Art Commission and Fine Arts Museums Board of Trustees, are not strictly enforced. Members of the War Memorial Board of Trustees are not subjected to term limits. Furthermore, the combined Asian Art Commission and the non-profit Asian Art Museum Foundation Board of Trustees Handbook recommends that members of the Asian Art Commission and Asian Art Museum Foundation Board of Trustees

make a contribution of \$25,000 per year to the Asian Art Museum, which may limit membership opportunities on the Asian Art Museum Commission for potential members who cannot afford to contribute the \$25,000. These practices are not consistent with the American Association of Museums'¹ governance standards that recommend periodically including new commission members to encourage new ideas and creating membership opportunities that reflect a diversity of communities served by the museum.

Direct and Indirect City Support

The Charter requires the Board of Supervisors to provide sufficient funds to maintain and operate the War Memorial, Fine Arts Museums, Academy of Sciences' Steinhart Aquarium, and the Asian Art collection. The annual City budget allocates General Fund and Hotel Tax revenues, which are effectively General Fund revenues, to these four institutions, which in FY 2011-12 ranged from \$4 million to the Steinhart Aquarium, to \$11.5 million to the Fine Arts Museums. City funds make up only a portion of the annual operating expenses for the Asian Art Museum, Fine Arts Museums, and Steinhart Aquarium. The balance is funded by the non-profit foundations that support each of these three institutions. The War Memorial is fully funded by the City, which includes General Fund, Hotel Tax, and department revenues.

City Support Is Not Well-Defined

The extent to which the City, rather than the non-profit corporation or foundations, provide funds to support the operations and maintenance of these institutions is not well-defined. As shown in Table 1 below, the City's Annual Appropriation Ordinance, as adopted by the Board of Supervisors, funds only a portion of annual operating expenses for the Fine Arts Museums, Asian Art Museum, and Academy of Sciences Steinhart Aquarium.

Table 1
City Contribution as a Share of Annual Operating Expenses, Fine Arts Museums, Asian Art Museum, and Academy of Sciences Steinhart Aquarium, FY 2010-11

	Fine Arts Museums	Asian Art Museum	Academy of Science/ Steinhart Aquarium
FY 2010-11			
Operating expenses	\$54,932,405	\$18,200,000	\$6,589,457
City contribution	\$11,289,484	\$7,103,030	\$4,142,382
City contribution as a share of total operating expenses	20.6%	39.0%	62.9%

In FY 2010-11, the War Memorial budget of \$11.6 million consisted of \$8.8 million in General Fund and Hotel Tax revenues and \$2.8 million in department revenues, including rent for department facilities.

¹ The American Association of Museums is a nonprofit organization representing museums and museum professionals.

City Provides In-Kind Services On Top of Required Support

In addition to General Fund and Hotel Tax revenues, City departments also provide in-kind services to the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences. City department expenditures for in-kind services are not itemized in the departments' budgets. In FY 2010-11, the City Attorney, the Public Utilities Commission, and the Recreation and Park Department provided services to these four institutions totaling \$2.4 million that were not itemized in these departments' budgets. In addition, the Public Utilities Commission has planned energy efficiency improvements to the Asian Art Museum, Fine Arts Museums, and War Memorial, totaling \$3.9 million in value.

Hotel Tax Contribution Does Not Reflect Business and Tax Regulations Code

The City's Business and Tax Regulations Code requires the City to allocate Hotel Tax revenues to the Asian Art Museum, Fine Arts Museums, and War Memorial. The City's FY 2011-12 Hotel Tax allocations to these three institutions of \$16,500,000 was \$5,200,000, or 24% less than the allocation of \$21,800,000 required by the Business and Tax Regulations Code. The Board of Supervisors has previously approved reduced Hotel Tax allocations to the Asian Art Museum, Fine Arts Museums and War Memorial as specified in the City's Annual Appropriation Ordinance. While the Business and Tax Regulations Code does not require the City to allocate Hotel Tax revenues to the Academy of Sciences Steinhart Aquarium, since FY 2004-05 the Board of Supervisors has allocated Hotel Tax revenues to the Steinhart, which totaled \$1,200,000 in FY 2011-12.

Table 2
Comparison of Business and Tax Regulations Code and
Actual Allocation of Hotel Tax Revenues, FY 2011-12

Institution	Business and Tax Regulations Code	Annual Appropriation Ordinance	Increase/ (Decrease)	Percent
Asian Art Museum	\$2,600,000	\$2,200,000	(\$400,000)	(15%)
Fine Art Museums	6,600,000	5,600,000	(1,000,000)	(15%)
War Memorial	12,600,000	8,700,000	(3,900,000)	(31%)
Subtotal	21,800,000	16,500,000	(5,300,000)	(24%)
Steinhart Aquarium	0	1,200,000	1,200,000	n/a
Total	\$21,800,000	\$17,700,000	(\$4,100,000)	(19%)

Debt Financing Issues

The non-profit foundations for the Academy of Sciences, Asian Art Museum, and Fine Arts Museums issue bonds to finance the construction of new facilities, but are not obligated under either the City Charter or the City's Administrative Code to notify the City of their actions as they relate to the issuance of debt. Construction of the Academy of Sciences and Asian Art Museum has also been partially financed by General Obligation Bonds issued by the City and secured by the City's Property Taxes. The official statements for the non-profit corporations' or

foundations' debt include disclaimers, specifically excluding the City from any responsibility for repayment of the privately-held debt. While the Asian Art Museum and Fine Arts Museum have agreements specifying reporting requirements to the City, the Academy of Sciences has no formal requirement to report its debt obligations to the City.

Benefits to City Residents

As noted above, the Asian Art Museum, Fine Arts Museums, War Memorial, and the Academy of Sciences Steinhart Aquarium were established as a result of gifts to the City that came with a series of obligations for the City. However, the City has not formally required that the Asian Art Museum, Fine Arts Museums, War Memorial, and the Academy of Sciences Steinhart Aquarium provide direct benefits to City residents, such as free admission days, although the City provides General Fund and Hotel Tax support to these four institutions.

Numerous Benefits for City's Residents and Students

The Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences provide numerous direct and indirect benefits to residents of the greater San Francisco Bay Area. Some benefits are earmarked to San Francisco residents specifically. For example, San Francisco school groups receive free admission and other benefits at the Asian Art Museum, Fine Arts Museums, and Academy of Sciences, and the Fine Arts Museums and Academy of Sciences offer certain free days exclusively for the benefit of San Francisco residents. These direct benefits are a policy decision of the respective institutions, however, and are not formally required by the City's Administrative Code.

City Should Consider Future Obligations

The City's ongoing direct and indirect support is a significant portion of these institutions' budgets. Going forward, the City should include an assessment of direct benefits to the City's residents when considering funding to the Asian Art Museum, Fine Arts Museums, Academy of Sciences Steinhart Aquarium and the War Memorial. An annual assessment of benefits available exclusively to San Franciscans could enhance the City's and the public's awareness and understanding of these benefits, independently and as a function of public support.

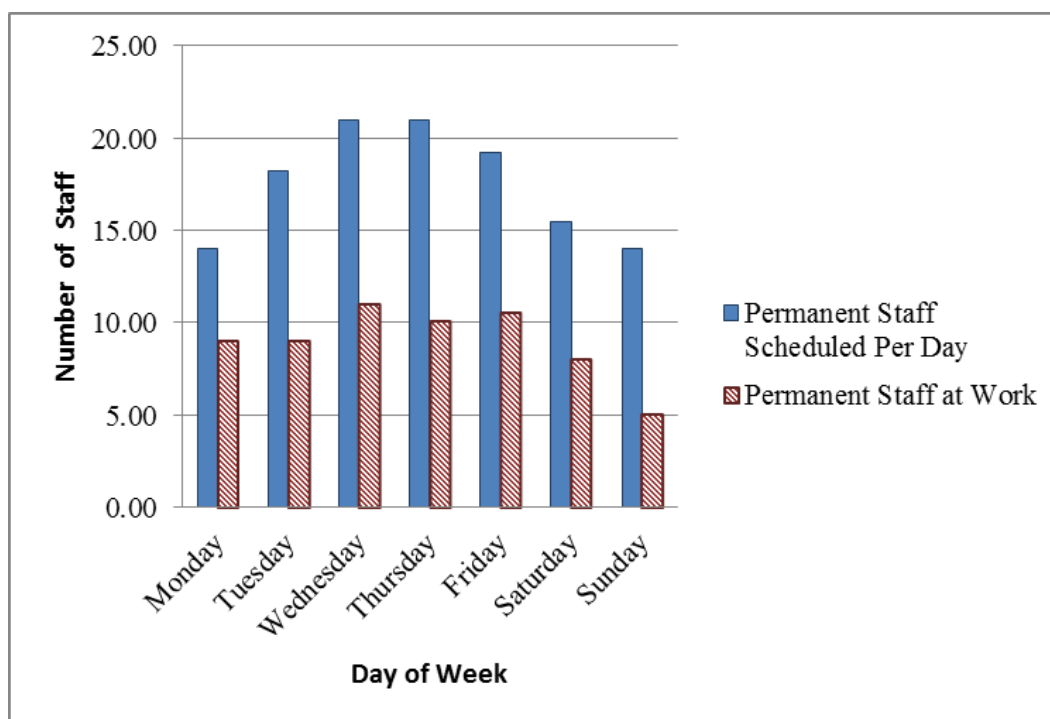
Fine Arts Museums Security Guard Staffing

The Fine Arts Museums consist of the de Young Museum and the Legion of Honor. The Fine Arts Museums' security guards work 35-hour work weeks, with shifts averaging seven hours, five days a week. The Fine Arts Museums hire temporary security guards at the de Young Museum and Legion of Honor to augment permanent security guard staffing. The Fine Arts Museums schedule 41 permanent security guards per day at the de Young Museum and Legion of Honor on average. Approximately 13 of the 41 scheduled permanent security guards, or 32%, are off work due to vacation, sick leave, and other leave on any given day. The Fine Arts Museums replaces these permanent security guards with temporary security guards.

de Young Guard Absenteeism

As shown in Figure 1 below, in September 2011 at the de Young Museum, permanent security guard attendance ranged from 14 scheduled and but only 9 at work on Monday (64% attendance) to 14 scheduled and but only 5 at work on Sunday (36% attendance).

Figure 1
Number of Permanent Security Guards Scheduled
Compared to Number of Permanent Security Guards at Work
at the de Young Museum in September 2011



The Fine Arts Museums schedule temporary security guards to replace the permanent security guards who were not at work. This low attendance rate of permanent security guards results in less efficient staffing because of the limitations on temporary security guard assignments imposed by side letters of agreement and past practices (see below), and because temporary security guards often have shorter periods of employment and may be less knowledgeable of museum facilities and practices than permanent security guards.

Side Letters and Past Practices

However, even if the high absentee rate for permanent security guards is reduced, the Fine Arts Museums have an ongoing need to schedule some temporary security guards to replace permanent security guards who are on vacation or other forms of leave. While scheduling temporary security guards is more cost effective than scheduling overtime to replace absent staff, side letter agreements or past practices between the Fine Arts Museums and the Service Employees International Union, which represents the permanent security guards, restrict

temporary security guards' assignments, requiring the Fine Arts Museums to staff certain shifts with overtime. The Fine Arts Museums should collaborate with the City's Director of Labor Relations to revise these side letters of agreement and past practices to eliminate restrictions on temporary security guard assignments.

The Budget and Legislative Analyst's 12 recommendations are attached.

Recommendation Priority Ranking

Based on the management audit findings, the Budget Analyst has made 12 recommendations which are ranked based on priority for implementation. The definitions of priority are as follows:

Priority 1: Priority 1 recommendations should be implemented immediately.

Priority 2: Priority 2 recommendations should be completed, have achieved significant progress, or have a schedule for completion prior to December 31, 2012.

Priority 3: Priority 3 recommendations are longer term and should be completed, have achieved significant progress, or have a schedule for completion prior to June 30, 2013.

	Recommendation	Priority	Department Response	Implementation Status/ Comments
The Director of the Academy of Sciences should:				
1.1	Submit the Academy's annual financial statement to the Board of Supervisors, in accordance with the Charter Section 16.105.	1		
The President of the Fine Arts Museums Board of Trustees should:				
1.2	Formalize the relationship between the Board of Trustees and the Corporation of the Fine Arts Museums (COFAM) in a memorandum of understanding (MOU) or other formal public document, including the roles and responsibilities delegated to each entity.	2		
1.3	Revise Board of Trustees by-laws to ensure regular oversight of City assets, including the Legion of Honor building, the de Young building, and the City's art collection.	2		
1.4	Update the 2006 five-year plan, systematically review in Board of Trustees Meetings, and implement strategic planning at least every five years.	3		

The President of the War Memorial Board of Trustees should:				
1.5	Request that the War Memorial staff continues to provide an annual efficiency plan or produce a Five-Year Strategic Plan and implement subsequent strategic planning.	2		
The President of the Fine Arts Museums Board of Trustees and the Chair of the Asian Art Commission should:				
1.6	Review and amend their respective by-laws, as necessary, to promote new commission or board of trustees membership and diversity	2		
The Board of Supervisors should:				
2.1	Amend the Business and Tax Regulations Code to codify the Hotel Tax allocation to the Academy of Sciences Steinhart Aquarium.	3		
The Chief Financial Officers of the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences should:				
2.2	Coordinate with the City Attorney and Director of Public Finance on policies for consistent reporting requirements to the City for private debt incurred by each institution.	3		
The Board of Supervisors should:				
3.1	Include an assessment of direct benefits to City residents and students in the consideration of the funding to the institutions provided in the City's Annual Appropriation Ordinance and any supplemental appropriations.	3		

The Fine Arts Museums Board of Trustees and the Asian Art Commission should:				
3.2	Include direct benefits to San Francisco residents and students, such as free admission days and education programs, in its strategic planning process and annual performance assessment.	3		
The Director of the Fine Arts Museums should:				
4.1	Evaluate reasons for security guards' high absenteeism and develop policies to reduce absenteeism. Such policies could include modified assignments to encourage permanent security guard staff who are on leave to return to work.	1		
4.2	Collaborate with the City's Director of Labor Relations to revise side letters of agreement between the City and the Service Employees International Union or past practices that give assignment preference to permanent staff or restrict assignment of temporary security guards.	2		

Introduction

The Board of Supervisors directed the Budget and Legislative Analyst to conduct a performance audit of the Asian Art Museum, Fine Arts Museum, War Memorial, and the Academy of Sciences through a motion (M11-111) approved on July 12, 2011. The scope of the management audit included: (a) the City's oversight, including governance structures and practices, of the Fine Arts Museums, the Asian Art Museum, the War Memorial and Performing Arts Center (War Memorial), and the Academy of Sciences; and (b) efficient management of the General Fund-supported operations of these four institutions and opportunities to redefine the role of the City's General Fund in supporting day-to-day operations.

Methodology

The performance audit was conducted in accordance with Government Auditing Standards, 2007 Revision, issued by the Comptroller General of the United States, U.S. Government Accountability Office. In accordance with these requirements and standard performance audit practices, we performed the following performance audit procedures:

- Conducted survey interviews with executive and management staff at the Fine Arts Museums, the Asian Art Museum, the War Memorial, and the Academy of Sciences; interviewed Commissioners from the governance bodies of the four audited institutions; and interviewed representatives from the Public Utilities Commission and the Offices of the Risk Manager, City Attorney, and Controller.
- Reviewed legislation, reports, financial statements, and other documents regarding management, oversight, and budgeting at the four audited institutions.
- Conducted detailed reviews of (a) founding documents, including original agreements, memoranda of understanding, and side-letters between the four audited institutions and the City and County of San Francisco; (b) planning and management documents, including strategic plans, organization bylaws, and minutes of the institutions' respective governance bodies; (c) professional and academic research on the management of arts and other cultural institutions; and (d) other data pertinent to the audit objectives.
- Interviewed security staff, reviewed staffing procedures and practices, and observed security facilities and practices at the Asian Art Museum and Fine Arts Museums.
- Interviewed staff engineers and inspected building environmental maintenance facilities, including life support systems at the Academy of Sciences and environmental control systems at the Asian Art Museum and Fine Arts Museums.
- Interviewed curatorial staff and reviewed policies and practices for the accessioning and deaccessioning of artwork at the Asian Art Museum and Fine Arts Museums.
- Submitted a draft report, with findings and recommendations, to Fine Arts Museums, the Asian Art Museum, the War Memorial, and the Academy of Sciences on April 24, 2012; and conducted exit conferences with institutional representatives the week of April 30, 2012.
- Submitted the final draft report, incorporating comments and information provided in the exit conferences, to Fine Arts Museums, the Asian Art Museum, the War Memorial, and the Academy of Sciences on May 14, 2012.

The City's Charitable Trust Departments and the Academy of Sciences

The City's Charter establishes the Asian Art Museum, the Fine Arts Museums, the War Memorial and the Arts Commission as the City's arts and culture departments. The Asian Art Museum, Fine Arts Museums, and War Memorial are charitable trust departments, responsible for gifts or donations of art and other cultural resources to the City.

The governing boards of the Asian Art Museum, Fine Arts Museums, and War Memorial are responsible for administering the charitable trusts, gifts, and contracts for which they are responsible. According to the Charter, the charitable trust departments have exclusive charge of the trusts and all other assets under their jurisdiction. They have authority to maintain, operate, manage, repair, or reconstruct existing buildings or construct new buildings, and enter into contracts, subject, insofar as City funds are to be used, to the budgetary and fiscal provisions of the Charter.

A table summarizing the Charter requirements for the Asian Art Museum, Fine Arts Museums, and War Memorial can be found in the Appendix to this report.

Asian Art Museum

The Asian Art Museum was constructed in Golden Gate Park in 1966, to house the Asian art collection donated to the City by Avery Brundage in 1959. Subsequent to the Loma Prieta earthquake in 1989, the current museum opened in the renovated Main Library building in the Civic Center on March 20, 2003.

Asian Art Commission

Under the Charter, the Asian Art Commission is a 27 member commission appointed by the Mayor. The Asian Art Commission is responsible for:

1. Developing and administering the Asian Art Museum;
2. Managing the Asian art collection;
3. Maintaining a charitable foundation for developing the Asian Art Museum;
4. Promoting, establishing, and developing an acquisition fund for Asian art; and
5. Collaborating with other groups and institutions to support the Asian Art Museum.

Asian Art Foundation

The Foundation is a nonprofit corporation that assists the Asian Art Commission through fundraising and other activities. The City owns the museum site and facility, over which the Asian Art Commission has jurisdiction. The Asian Art Commission and the Foundation operate under a Museum Project Facilitation Agreement, last updated in 2011, that permits the Foundation to conduct fundraising activities and provides fundraising revenues to the Foundation.

Fine Arts Museums of San Francisco

The Fine Arts Museums of San Francisco consist of two museums, the Legion of Honor and the de Young.

The California Palace of the Legion of Honor was constructed in 1924 in Lincoln Park as a memorial to soldiers who died during World War I. The museum and its art collection were later granted to the City by Alma de Bretteville Spreckels. The existing structure was significantly renovated in 1995, including a 42 percent increase in square footage. The Legion of Honor's collection includes European decorative art and paintings, ancient art, and the Achenbach collection of works on paper.

The original de Young Museum was constructed in Golden Gate Park in 1894 for the California Midwinter International Exposition. The de Young Museum and Michael H. de Young's arts and artifacts collection were formally transferred to the City's Recreation and Park Commission in 1919. Subsequent to the 1989 Loma Prieta earthquake, a new, privately funded museum was constructed in Golden Gate Park and opened on October 15, 2005. The de Young's collection includes American art, international textile arts and costumes, and art of the ancient Americas, Oceania, and Africa.

Fine Arts Board of Trustees

Under the Charter, the Fine Arts Museums are governed by a Board of Trustees with up to 62 members, who are elected by the members of the Board. The Board of Trustees is responsible for conserving the museums' assets and ensuring public access to the museums. The City owns the museums' sites and facilities, and the Board of Trustees is responsible for maintaining and operating the facilities. The City pays for museum security and maintenance.

The Charter allows the Board of Trustees to enter into agreements with a nonprofit corporation to fundraise and operate the museums. The nonprofit Corporation of the Fine Arts Museums and the Fine Arts Museums Foundation assist the Board of Trustees in fundraising and related activities.

War Memorial

The War Memorial and Performing Arts Center consists of the Louise M. Davies Symphony Hall, War Memorial Opera House, War Memorial Veterans Building, Harold L. Zellerbach Rehearsal Hall, and Memorial Court, which are City-owned facilities. The War Memorial Opera House and Veterans Building were constructed in 1931, opposite City Hall. The War Memorial's facilities are home to the San Francisco Symphony, San Francisco Opera, and San Francisco Ballet. In addition, numerous other companies perform at Symphony Hall and the Opera House. The Veterans Building has multiple uses, including office and meeting space for San Francisco Posts of the American Legion and other veteran organizations, office space used by various City departments, and the Herbst Theatre. The Louise M. Davies Symphony Hall was constructed in 1980 and houses the San Francisco Symphony.

War Memorial Board of Trustees

The War Memorial is a City department. The Charter provides for an 11-member governing Board of Trustees, appointed by the Mayor. The Board of Trustees is responsible for operating and maintaining Symphony, Hall, the Opera House, Veterans Building, and Rehearsal Hall. The Director and Assistant Director are appointed by the Board of Trustees.

Academy of Sciences

Unlike the charitable trust departments, the Academy of Sciences is not considered a City department. The Academy of Sciences is a nonprofit organization, founded in 1853, which includes a natural history museum, planetarium, and aquarium. The City was granted the Steinhart Aquarium in 1923 and is responsible for maintaining and operating the aquarium. The City also owns the Academy of Sciences site in Golden Gate Park and the Academy of Sciences building, which opened on September 27, 2008.

Academy of Sciences Board of Trustees

The Academy of Sciences is governed by the nonprofit organization's Board of Trustees. The City Charter does not provide for a City appointed or authorized Board. The Board of Trustees is responsible for all operations and maintenance of the Academy of Sciences. The City contributes to the operation of the Steinhart Aquarium.

City Support of the Charitable Trust Departments and Academy of Sciences Operations

Under the Charter, the City provides budgetary support to the Asian Art Museum, Fine Arts Museum, War Memorial, and Academy of Sciences. The City pays for the operations and maintenance of the Asian Art Museum, Fine Arts Museums, and War Memorial facilities, and the Academy of Sciences' Steinhart Aquarium. City positions include:

- The Director of the Asian Art Museum, as well as security, facilities engineer, and certain management, conservator, registrar, and other positions at the Asian Art Museum;
- The Director of the Fine Arts Museums; certain Fine Arts Museum curator positions at the Legion of Honor as a condition of bequests from Moore S. and Hazel J. Achenbach; security staff; and stationary engineer positions;
- All War Memorial positions, including management, administrative support, security, and facility maintenance; and
- Stationary engineer positions at the Steinhart Aquarium.

Table 1 shows the City and private shares of Fiscal Year (FY) 2010-11 operating costs for the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences.

Table 1
City and Private Share of Operating Budgets, FY 2010-11

FY 2010-11	Asian Art Museum	Fine Arts Museums	War Memorial	Academy of Sciences
Nonprofit Foundation	\$18,985,000	\$43,955,958	N/A	\$44,823,064
Department Revenues (City share)			\$2,819,000	
General Fund/ Hotel Tax	<u>6,585,000</u>	<u>11,289,484</u>	<u>8,808,000</u>	<u>4,142,382</u>
Subtotal, City Share	\$6,585,000	\$11,289,484	\$11,627,000	\$4,142,382
Total Operating Budget	\$25,570,000	\$55,245,442	\$11,627,000	\$48,965,446
City Share of Total Operating Budget	25.8%	20.4%	100.0%	8.5%

Source: Annual Financial Statements, Year Ending June 30, 2011; FY 2010-11 Annual Appropriation Ordinance

Facility Construction Financing

The City owns the Asian Art Museum, Fine Art Museums, War Memorial, and Academy of Sciences buildings. The Asian Art Museum, the Fine Art Museums' de Young Museum, and Academy of Sciences have new buildings, all of which have been completed within the past nine years. Construction of the Asian Art Museum and Academy of Sciences were financed by a combination of private financing or bonds generated by the respective nonprofit organization or corporation, and by general obligation bonds secured by City property tax revenues.

Table 2
City Debt Issued for Construction of the Asian Art Museum and Academy of Sciences

Type of Debt	Year	Asian Art Museum	Academy of Sciences/ Steinhart Aquarium
General Obligation Bond	1996	\$41,730,000	
General Obligation Bond	2004		\$8,075,000
General Obligation Bond	2005		108,615,000
City Debt Issuance		\$41,730,000	\$116,690,000
Revenue Bonds	2003		\$65,000,000
Revenue Bonds	2005	\$120,400,000*	115,000,000
Revenue Bonds	2008		101,450,000
Nonprofit Foundation Debt Issuance		\$120,400,000	\$281,450,000
Total Debt		\$162,130,000	\$398,140,000
City Debt as a Percent of Total Debt		25.5%	29.3%

* Debt repayment on the 2005 revenue bonds was restructured per a 2011 Settlement Agreement between the City, the Asian Art Foundation, and other interested parties.

Source: Audited Financial Statements

The construction of the new de Young Museum was completed exclusively through private funding, including \$63 million in direct private expenditures and \$143 million in revenue bonds generated by the Corporation of the Fine Arts Museums. The Legion of Honor, which was originally constructed in 1924, was renovated in 1995 with no City debt.

Ongoing Improvements

The 2012-2021 Capital Plan identifies \$3.5 million in proposed funding for Asian Art Museum repair and renovation projects and \$12.9 million in proposed funding for Fine Arts Museums repair and renovation projects from 2012 through 2021.

The City is making major seismic upgrades to the War Memorial Veterans Building, funded by Certificates of Participation (COPs). In July 2011, the Board of Supervisors approved issuance of up to \$170 million in COPs to fund \$132 million in seismic upgrades. Construction of the Veterans Building is expected to commence in 2013 and be completed by July 2015.

Insuring the City's Art and Cultural Assets

The Academy of Sciences carries third-party insurance for its cultural assets, including the living animals that are the property of the City.

The City carries third-party insurance for the art assets of the Asian Art Museum and Fine Arts Museum, which are insured jointly through a master agreement. While the Asian Art Museum and Fine Arts Museums do not have a total valuation of the art assets, the City insures the art assets as a whole for \$300 million per incident. This amount is determined by what the insurance market is willing to cover, and what the City is willing to pay, rather than on the valuation of the art assets. For individual works of art on long-term loan to the Fine Arts Museums, agreements stipulate that the loaning entity hold the right of first pay-out for any insurance claim.¹

The master agreement has tiers of coverage, in which coverage for each tier is provided by different insurers. Currently, Lloyd's of London provides earthquake and other risk coverage up to a value of \$125 million; ACE American provides earthquake and other risk coverage from \$125 million up to \$200 million; and AXA Art USA provides risk coverage, but not earthquake coverage, from \$200 million up to \$300 million. The City has a separate insurance policy with AXA Art USA to provide terrorism coverage up to \$75 million.

Traveling art exhibitions on loan to the museums require separate or supplemental insurance. The National Endowment for the Arts administers the federal Arts and Artifacts Indemnity Program, created by Congress in 1975 to minimize the costs of insuring international exhibitions. In December 2007, Congress expanded eligibility for the indemnity program to domestic exhibitions. The federal indemnity program has recently provided insurance coverage for the Asian Art Museum's "Maharaja: The Splendor of India's Royal Courts" exhibit and the Fine Arts Museums' "Masters of Venice" exhibit.

¹ For individual works of art on long-term loan to the Fine Arts Museums, agreements stipulate that the lending entity holds the right of first pay-out for any insurance claim.

1. Governance and Oversight of City Assets

- **As City departments, the Charter defines the governance structure of the Asian Art Commission, Fine Arts Museums Board of Trustees, and War Memorial Board of Trustees. Additionally, the Asian Art Museum has a private nonprofit foundation, responsible for fundraising, and the Fine Arts Museums has (1) the private Corporation of the Fine Arts Museums (COFAM), which is responsible for operating the museums, and (2) the Fine Art Museums Foundation, which is responsible for fundraising. The Academy of Sciences, which is overseen by a private Board of Trustees, is not a City department and the governing structure is not addressed in the Charter.**
- **The Charter defines the terms of membership for the Asian Art Commission, Fine Arts Museums Board of Trustees, and War Memorial Board of Trustees. Under the Charter, Asian Art Museum and Fine Arts Museums commission or board of trustee members are excluded from the Charter-requirement that members must be residents of San Francisco, except that a majority of the members of the Fine Arts Museums Board of Trustees must be residents of San Francisco. Members of the Asian Art Commission and Fine Arts Museums Board of Trustees serve three-year terms. Members of the War Memorial Board of Trustees serve four-year terms.**
- **The Fine Arts Museums Board of Trustees does not have a finance committee, and the COFAM finance committee does not formally present to the Board of Trustees. Furthermore, although COFAM oversees and provides most of the funding for the Fine Arts Museums' operations, COFAM is also not documented as having presented to the Fine Arts Museums Board of Trustees in 2009, 2010, and 2011. Although the Fine Arts Museums Board of Trustees meetings are public, COFAM meetings are not. Therefore, oversight of the Museums' budget, financial audits, and facilities is not being conducted in a public or transparent manner.**
- **By-laws impose membership term limits on the Asian Art Commission and Fine Arts Museums Board of Trustees. However, term limits are not strictly enforced on the Asian Art Commission or the Fine Arts Museums Board of Trustees, and per the City Charter, War Memorial Trustees are not subjected to term limits. A lack of term limits, in code or in practice, can diminish Commission limit a diversity of opinion on boards or limit membership opportunities. A suggested annual contribution amount of \$25,000 per year, as identified in the combined Asian Art Commission and Board of Trustees Handbook, may further diminish a diversity of opinion and limit membership opportunities on the Asian Art Museum Commission.**

- **Governing boards have a responsibility for ensuring that the organization has a long-term strategic plan and overseeing the management’s implementation of that plan. All four institutions developed planning documents, and both the Asian Art Commission and the Fine Arts Museums Board of Trustees developed five-year plans. However, the Fine Arts Museums Board of Trustees does not systematically review the Museums’ achievement against its five-year plan. Furthermore, although goal setting is often seen as a role of advisory boards, the Fine Arts Museums Board of Trustees has historically tasked its staff Executive Directors with this role.**

Governing Boards of the Charitable Trust Departments and Academy of Sciences

The Charter defines the governance structure of the Asian Art Museum, Fine Arts Museums, and War Memorial. The Asian Art Museum, the Fine Arts Museums, and the War Memorial are City departments, governed by a commission (Asian Art Museum) or a board of trustees (Fine Arts Museums and War Memorial). The Asian Art Museum also has a nonprofit foundation, responsible for museum operations and fundraising. The Fine Arts Museums have a nonprofit public benefits corporation (Corporation of the Fine Arts Museums, or COFAM), responsible for operating the museums, and a Foundation, responsible for fundraising.

The Academy of Sciences is not a City department and the governing structure is not addressed in the Charter.

Asian Art Commission

Under the Charter, the Asian Art Commission has 27 members appointed by the Mayor. Commission members may serve two consecutive three-year terms, and up to three terms in total. The Charter defines the Asian Art Commission’s responsibilities, which includes maintaining a charitable foundation.

The Asian Art Museum Foundation is primarily responsible for fundraising to maintain and enhance the art collection and overseeing endowment funds and investments. The Charter does not define the formal relationship between the Asian Art Commission and Asian Art Museum Foundation, but according to Asian Art Museum documents, Asian Art Commission members work with the Foundation, including sitting on Foundation committees.

The Asian Art Commission is required to maintain four committees: budget and finance, ethics, executive, and nominating. The budget and finance committee establishes guidelines for reviewing and reporting on the City budget and consolidated museum budget. The budget and finance committees of the Asian Art Commission and the Asian Art Museum Foundation meet at least once each year to review the Foundation’s investment policies and financial audits. The Asian Art Museum Foundation also has an audit committee, responsible for selecting the financial auditor and reviewing the audited financial statements.

The Asian Art Museum Foundation hired a management consultant with expertise in museum operations in July 2011 to conduct a review of the museum's operations, charitable gift development, and governance.

Fine Arts Museums Board of Trustees

Under the Charter, the Fine Arts Museums Board of Trustees oversees the Legion of Honor and the De Young Museum. The Charter provides for 62 Board of Trustee members, who are elected by the Board of Trustees without further approval by the Mayor or the Board of Supervisors. Currently, the Board of Trustees consists of 49 members (47 elected members and 2 ex officio members). Under the Fine Arts Museums Board of Trustees by-laws, the Mayor and the President of the Recreation and Park Commission are ex-officio members.

The private nonprofit, COFAM, operates most of the Fine Arts Museums' activities, except for security and maintenance, which are City responsibilities. The Fine Arts Museums Foundation manages the endowment and art acquisition funds.

Membership on the Fine Arts Museums, COFAM and Fine Arts Museums Foundation Board of Trustees is interrelated. COFAM may have up to 75 elected trustees, of whom 62 are members of the Fine Arts Museums Board of Trustees and 10 are members of the Fine Arts Museums Foundation Board of Trustees.

Committee Structure, Meetings, and Fiscal Oversight Concerns

Oversight of the Museums' budgets, financial audits, and facilities does not occur within the public Board of Trustees meetings, but rather is generally relegated to private COFAM meetings:

- While there is a COFAM finance committee, there is no corresponding Board of Trustees finance committee. The Board of Trustees' acquisitions committee reported to the Board of Trustees at least four times in 2009, 2010, and 2011, and the nominating committee reported to the Board of Trustees twice, on average, in 2009, 2010, and 2011. Although the Museum Director reported COFAM's expenditures at Board of Trustees meetings, COFAM's finance committee never reported to the Board of Trustees in 2009, 2010, or 2011, as evidenced by Board of Trustees meeting minutes.
- A review of the Board of Trustees' minutes reveals that discussions of the City budget are calendared, but the museums' financial statements are not discussed. The Board of Trustees approved a resolution to submit the FY 2012-13 City budget request at the January 24, 2012 meeting. However, agendas from Board of Trustee meetings in 2009, 2010, 2011, and 2012 (to-date) do not include discussions of the Fine Arts Museums' financial statements.
- Although COFAM oversees and provides most of the funding for the Fine Arts Museums' operations, COFAM is not documented as having presented to the Board of Trustees in 2009, 2010, and 2011, as evidenced by Board of Trustees meeting minutes.
- Although there is significant overlap in the memberships of the Board of Trustees and COFAM, discussions and actions on budgets, financial audits, and facilities that take place in COFAM meetings are not subject to the same public access and oversight of Fine Arts Museum Board of Trustees meetings.

According to the Fine Arts Museums Board of Trustees by-laws, revised in 2009, the President of the Board of Trustees may appoint committees as deemed necessary or appropriate. However, the by-laws do not require an audit or finance committee to oversee the museums' finances. Further, the by-laws do not define the relationship of the Board of Trustees' executive and other committees to the COFAM's committees and the Fine Arts Museums Foundation Board of Trustees. In order to ensure sufficient fiscal oversight, the Board of Trustees should have a fiscal committee to provide oversight of the Museums' budgets, financial audits, and facilities; discussions of such topics should also take place in Board of Trustees meetings; and formal relationships should be defined between the Board of Trustees and COFAM, in the form of a public memorandum of understanding or other document that addresses the sharing of fiscal information.

War Memorial Board of Trustees

Under the Charter, the War Memorial Board of Trustees consists of 11 members appointed by the Mayor for terms of four years. The Board of Trustees has four standing committees, including a budget and finance committee. The budget and finance committee recommends the annual budget to the Board of Trustees, which approved the War Memorial's proposed two-year budget for FY 2012-13 and FY 2013-14 at its February 16, 2012 meeting. The War Memorial is an enterprise fund but does not have a separate audited financial statement from the City's Comprehensive Annual Financial Report, prepared each year by the City's independent financial auditor.

Fellows of the Academy and the Board of Trustees

The Academy of Sciences' governing structure consists of the Fellows of the Academy and the Board of Trustees. The Fellows of the Academy consists of approximately 300 members, representing the original "academy of scientists," who meet annually to ratify the election of the Board of Trustees, vote on corporate matters, and advise the Board of Trustees on policy.

The Board of Trustees consists of 50 members, who govern the Academy of Sciences. Board members consist of scientists, financial experts, representatives of the philanthropic community, and community members. Trustees serve three-year terms.

The work of the Board is conducted in the committees, which meet three to five times a year. These committees include audit, building and grounds, campaign cabinet, cultural diversity, development, education and exhibits, executive, finance, investment, marketing, communications, and science council and trustees. The Chair of the Board and the Executive Director are ex officio members of the committees.

The City's Access to the Academy of Sciences' Financial Information

Under the Charter, the Academy of Sciences must submit to the Mayor and the Board of Supervisors an annual financial statement of its activities in connection with the operation and maintenance of the Academy facilities in Golden Gate Park, including the Steinhart Aquarium. The financial statement includes the Academy of Sciences' financial activities as well as the City's contribution to the operation of the Steinhart Aquarium and status of the City's buildings.

The Academy of Sciences posts their annual financial statement on their website and submits a copy to the Public Library but does not formally submit their financial statement to the Board of Supervisors. In order to comply with the Charter, the Academy of Sciences should annually submit their financial statement to the Board of Supervisors.

Governing Board Membership

The Charter defines the terms of membership for City commission or board of trustee members for the Asian Art Museum, Fine Arts Museum, and War Memorial. Under the Charter, Asian Art Museum and Fine Arts Museums commission or board of trustee members are excluded from the Charter-requirement that members must be residents of San Francisco, except that a majority of the members of the Fine Arts Museums Board of Trustees must be residents of San Francisco. Members of the Asian Art Commission and Fine Arts Museums Board of Trustees serve for three-year terms. The Charter provides for members of the War Memorial Board of Trustees to serve for four-year terms.

Membership Requirements in the Governing Boards' By-laws

The Asian Art Commission and Fine Arts Museums Board of Trustees are required by the Charter to adopt by-laws providing for the conduct of their affairs, including appointing an executive committee. The Asian Art Commission and Fine Arts Museums Board of Trustees have reviewed and updated their by-laws in the past three years. The War Memorial Board of Trustees rules and regulations were most recently updated in 1984.

- Under the Asian Art Commission by-laws, members may serve up to two consecutive three-year terms. Exceptional circumstances permit renewal for a third term.
- Under the Fine Arts Museums Board of Trustees by-laws, members may serve up to three consecutive three-year terms. Former Board of Trustee members may serve an unlimited number of terms after the three consecutive three-year terms after a one-year break in service, if the trustee has demonstrated extraordinary service. The President of the Board of Trustees is allowed to serve for unlimited consecutive terms.
- The War Memorial Board of Trustees' rules and regulations do not impose term limits on members; to do so would require a Charter amendment.

Membership Best Practices

According to the American Association of Museums'¹, "Accreditation Commission's Expectations Regarding Governance," the Accreditation Commission expects museums' governing boards to:

- Periodically include new members and new ideas;
- Reflect the diversity of the communities served by the museum;

¹ The American Association of Museums is a nonprofit organization representing museums and museum professionals.

- Provide opportunities for external input so that the governing board is accountable to these communities; and
- Ensure that members of the governing board are evaluated on their performance, and that non-performing members are replaced with new members.

The Accreditation Commission considers term limits for governing board members to be one method to meet these expectations.

Diversity and Turnover Concerns for Governing Boards

The Asian Art Commission, Fine Arts Museums Board of Trustees, and War Memorial Board of Trustees do not consistently ensure diversity or opportunities for new members.

No Term Limits for Board Members, In Rule or Practice

The three Charitable Trust Departments' governing boards either do not have term limits for board members or do not strictly enforce those term limits.

- The War Memorial Board of Trustees does not limit members' terms, nor can it do so under the City Charter, and it has experienced infrequent member turnover. Some trustees have served for decades and have served in leadership positions multiple times.
- Under the Fine Arts Museums Board of Trustees by-laws, members may serve unlimited terms after three consecutive three-year terms and a one-year break. The Board of Trustees amended the by-laws in 2009 to allow these unlimited terms for trustees who have demonstrated "extraordinary service." The current Board of Trustees President has served as president for 14 years.
- The Asian Art Commission members are elected for a three-year term. Members may be elected for a continuous second three-year term and under special circumstances elected for a third consecutive three-year term. The current Asian Art Commission Chair has served on the Commission for more than a decade.

While each board may present strong arguments for maintaining the status quo in board membership and leadership, the practice of limiting turnover in board membership and leadership may also limit a diversity of opinion on boards or limit membership opportunities.

Asian Art Commission Donation Requirements

The Asian Art Commission's policies may limit diversity by requiring significant financial contributions from its members. The Asian Art Commission's governance guidelines state that "Commissioners and Trustees will make personal financial commitments that are seen to be at or near the top of the individual's capacity to give. Leadership giving is seen as the President's Council level of giving (\$25,000) within the Avery Brundage Circle Giving Program." The Asian Art Museum maintains that this giving recommendation is only for the Asian Art Museum Board of Trustees; however, the Chair of the Asian Art Commission currently grooms future Commissioners from members of the Board of Trustees. Therefore, in letter or in effect, membership in the Asian Art Commission may be limited to those with significant financial means, thereby limiting the economic diversity of the Asian Art Commission.

Strategic Planning Processes

Developing strategic plans and reviewing agency performance against strategic plans and other long-range goals are important roles for governing boards. Governing boards have a responsibility for ensuring that the organization has a long-term strategic plan and overseeing the implementation of such a strategic plan by management.

The Government Finance Officers Association's (GFOA) recommends that all governmental agencies use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and organizational goals. The GFOA recommends that the strategic plan process contain a number of key elements, including:

- A small number of broad goals;
- Strategies to achieve those broad goals;
- Action plans describing how strategies will be implemented;
- Measureable objectives; and
- Performance measures.

The GFOA also recommends that the governing body approve the plan, the organization should implement the plan, and the governing body should monitor progress and evaluate the extent the extent that the strategic plan goals have been achieved. Finally, the organization should periodically reassess the strategic plan.

The American Association of Museums recommends that museums:

- Think and act strategically
- Engage in ongoing and reflective institutional planning that is current, comprehensive, timely, and formal (i.e., documented)
- Establish and use measures of success to evaluate and adjust activities

Additionally, the museums' institutional plan should include a multi-year plan and operational plan, a combination of both or the functional equivalent. Furthermore, it is recommended that the establishing of an organization's sense of purpose is generated by that institution's oversight board, with staff input.

The Asian Art Museum's Strategic Plan

In 2007 the Asian Art Museum Foundation's Board of Trustees approved the Asian Art Museum's strategic goals, which include:

- Achieving financial stability;
- Increasing the museum's audience, impact and reach; and
- Improving organizational effectiveness and impact.

In order to implement the strategic goals, the Asian Art Museum Foundation Board of Trustees approved a five-year Strategic Plan for 2010 through 2014, which:

- Defined the specific outcomes to be achieved;
- Identified the strategies to achieve the outcomes; and
- Planned specific initiatives to address the strategies.

The strategic planning initiatives for the five-year period from 2010 through 2014 address (1) plans for exhibitions; (2) enhancement of the art collection; (3) strengthening the Museum's brand; (4) developing the web site; (5) providing new programs for target audiences; (6) increasing staff development; and (7) creating a technology plan. The Asian Art Museum developed the strategic implementation plan in December 2010 and updated the strategic implementation plan in August 2011.

Fine Arts Museums' Five-Year Plan

In 2006, the Fine Arts Museums produced a five-year plan under its recently hired director. The five-year plan defines the Fine Arts Museums' mission, vision, and goals. The goals include:

- Strengthening individually and collectively the Board of Trustees;
- Strengthening individually and collectively the museums' professional City and COFAM staff;
- Stabilizing the operations of the new de Young as well as the Legion of Honor to sustain and elevate the quality, safety, and maintenance of the buildings for the short and long term;
- Distinguishing the museums' permanent collections by their quality, impact, and appeal;
- Distinguishing the museums' special exhibition program by its quality, impact, and audience appeal;
- Maintaining, building, and diversifying audiences;
- Maintaining, upgrading, and expanding the donor base of the museums; and
- Stabilizing the museums financially, both in terms of income and expense and position for exceptional growth.

The five-year plan identified specific action items to implement each of the goals. The Fine Arts Museums Board of Trustees has completed specific actions to implement at least some of the goals. For example, in 2009 the Board of Trustees adopted new by-laws that set criteria and demographics for board nomination, participation, and terms of service to support the goal of "strengthening individually and collectively the Board of Trustees."

Since implementing the plan, the Fine Arts Museums Board of Trustees has not systematically reviewed the five-year plan's goals or the implementation of the specific action items, as evidenced by meeting minutes. The Board of Trustees' by-laws do not address strategic planning, and the Board of Trustees has not initiated a new strategic planning process.

War Memorial Goals and Performance Measures

According to the mission statement, the War Memorial is responsible for the construction, administration, management, maintenance, and operation of the War Memorial buildings and grounds, including the Symphony Hall, Opera House, and Veteran's Building. The goals of the War Memorial are:

- Maximizing use of the War Memorial and Performing Arts Center facilities to provide a wide range of performing arts presentations, cultural events and other programs;
- Providing first class venues, facilities, and services;
- Immaculately presenting a cultural landmark and architectural masterpiece; and
- Increasing and diversifying visitors to the Performing Arts Center and exceeding their expectations.

In prior years, War Memorial staff developed an annual efficiency plan and performance measures, including long-term strategic planning and customer service. Each of these sections included goals, longer term objectives, and specific objectives to be achieved in the current fiscal year. According to the Director of the War Memorial, the department provided the Controller with performance measure data annually. The efficiency plan contains the War Memorial's performance measures. The FY 2011-12 efficiency plan identified two goals:

- Provide maximum number of performances and events; and
- Provide continued successful utilization of the facilities.

The performance measures supporting these goals contain numerical targets and actual results. The War Memorial staff report the actual performance measures to the Board of Trustees during approval of the proposed budget. However, under changes in the Controller's instructions for the preparation of the FY 2012-13 and FY 2013-14 budgets, the department is no longer required to submit an annual efficiency plan. The Board of Trustees should request that the War Memorial staff continues to provide an annual efficiency plan and or produce a Five-Year Strategic Plan and implement subsequent strategic planning.

Academy of Sciences' Strategic Plan

The Academy of Sciences Board of Trustees recently completed a strategic plan under the direction of an ad hoc Strategic Planning Committee, which was an update of the prior strategic plan. The strategic planning process developed a vision statement, mission statement, strategic plan, and financial plan, which includes the City's and the Academy's assets. The Board of Trustees annually updates priorities for the Academy, including the ongoing maintenance of City-owned assets, as part of the annual budget process.

Conclusion

The Asian Art Commission, Fine Arts Museums Board of Trustees, and War Memorial Board of Trustees do not consistently ensure diversity or opportunities for new board members. While the by-laws for Fine Arts Museums Board of Trustees and Asian Art Commission set term limits for

existing members, these by-laws allow for members to serve beyond the term limits. Commission members or trustees often serve beyond the term limits set by the by-laws. The War Memorial Board of Trustees are unable to set term limits without a Charter amendment. These practices limit opportunities to bring in new or young members. The Asian Art Museum's contribution expectations for its Board of Trustees may limit the economic diversity of the Asian Art Commission.

The Fine Arts Museums Board of Trustees does not have sufficient practices for overseeing the City's assets. The Fine Arts Museums Board of Trustees meets infrequently, has no committees other than the required executive committee, and does not calendar discussions of the museums' finances. Nor has the Fine Arts Museums Board of Trustees systematically engaged in strategic planning for the museums.

Recommendations

The Director of the Academy of Sciences should:

- 1.1 Submit the Academy's annual financial statement to the Board of Supervisors, in accordance with the Charter requirement.

The President of the Fine Arts Museums Board of Trustees should:

- 1.2 Formalize the relationship between the Board of Trustees and the Corporation of the Fine Arts Museums (COFAM) in a memorandum of understanding (MOU) or other formal public document, including the roles and responsibilities delegated to each entity.
- 1.3 Revise Board of Trustees by-laws to ensure regular oversight of City assets, including the Legion of Honor building, the de Young building, and the City's art.
- 1.4 Update the 2006 five-year plan, systematically review in Board of Trustees Meetings, and implement strategic planning at least every five years.

The President of the War Memorial Board of Trustees should:

- 1.5 Request that the War Memorial staff continues to provide an annual efficiency plan or produce a Five-Year Strategic Plan and implement subsequent strategic planning.

The Presidents of the Fine Arts Museums Board of Trustees and the Chair of the Asian Art Commission should:

- 1.6 Review and amend their respective by-laws, as necessary, to promote new commission or board of trustees membership and diversity.

Costs and Benefits

These recommendations should be implemented within the usual actions and resources of the Fine Arts Museums Board of Trustees, Asian Art Commission and War Memorial Board of Trustees. Implementation of these recommendations is intended to strengthen the respective commission and board of trustees governing structures.

2. City Support of the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences

- The Charter requires the Board of Supervisors to provide sufficient funds to maintain and operate the War Memorial, Fine Arts Museums, Academy of Sciences' Steinhart Aquarium, and the Asian Art collection. The annual City budget allocates General Fund and Hotel Tax revenues to these four institutions, which in FY 2011-12 ranged from \$4 million to the Steinhart Aquarium, to \$11.5 million to the Fine Arts Museums. City funds make up only a portion of the annual operating expenses for the Asian Art Museum, Fine Arts Museums, and Steinhart Aquarium. The balance is funded by the non-profit foundations that support each of these institutions. The extent to which the City, rather than the non-profit corporation or foundations, provide funds to support the operations and maintenance of these institutions is not well-defined.**
- City departments provide in-kind services to the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences that are not itemized in the departments' budgets. In FY 2010-11, the City Attorney, Public Utilities Commission, and Recreation and Park Department provided services to these four institutions totaling \$2.4 million, that were not delineated in these departments' budgets. In addition, the Public Utilities Commission has planned energy efficiency improvements to the Asian Art Museum, Fine Arts Museums, and War Memorial, totaling \$3.9 million in value.**
- The Business and Tax Regulations Code requires the City to allocate Hotel Tax revenues to the Asian Art Museum, Fine Arts Museums, and War Memorial. The City's FY 2011-12 Hotel Tax allocations to these three institutions of \$16,500,000 was \$5,300,000, or 24% less than the required allocation of \$21,800,000. Under the City's five-year financial plan, adopted by the Board of Supervisors, this reduced Hotel Tax allocation is part of a larger strategy to restore the City's fiscal stability by adjusting revenue allocations. While the Business and Tax Regulations Code does not require the City to allocate Hotel Tax revenues to the Academy of Sciences Steinhart Aquarium, since FY 2004-05 the City has allocated these revenues to the Steinhart, which totaled \$1,200,000 in FY 2011-12.**
- The non-profit foundations for the Academy of Sciences, Asian Art Museum, and Fine Arts Museums issue bonds to finance the construction of new facilities, but are not obligated under the City Charter or the Administrative Code to notify the City of their actions as they relate to the issuance of debt. Construction of these facilities has also been partially financed by general obligation bonds, secured by the City's property taxes and counted against the City's debt limit. The official statements for the non-profit corporation or foundations debt included disclaimers, specifically excluding the City from any responsibility for repayment of the privately-held debt. While the Asian Art Museum and Fine Arts Museum have agreements specifying reporting requirements, the Academy of Sciences has no formal requirement to report its debt obligations to the City.**

The City's Revenue and Service Contributions

The Charter requires the Board of Supervisors to provide sufficient funds to maintain and operate the War Memorial, Fine Arts Museums, Academy of Sciences' Steinhart Aquarium, and the Asian Art collection. Under the Charter, the City is also obligated to provide funds to the other Academy of Sciences' buildings which are "deemed proper." The annual City budget allocates General Fund and Hotel Tax revenues to these four institutions, as shown in Table 2.1 below.

Table 2.1
Academy of Sciences, Asian Art Museum, Fine Arts Museums, and War Memorial
General Fund and Hotel Tax Revenues
FY 2009-10 through FY 2011-12

	FY 2009-10	FY 2010-11	FY 2011-12	Increase/ (Decrease)	Percent
Academy of Sciences/ Steinhart Aquarium					
General Fund	\$3,080,225	\$3,030,220	\$2,815,059	(\$265,166)	(8.6%)
Hotel Tax	<u>1,208,000</u>	<u>1,208,000</u>	<u>1,208,000</u>	<u>0</u>	0.0%
Academy of Sciences/ Steinhart Aquarium	\$4,288,225	\$4,238,220	\$4,023,059	(\$265,166)	(6.2%)
Asian Art Museum					
General Fund	\$4,341,126	\$4,874,030	\$4,986,179	\$645,053	14.9%
Hotel Tax	<u>2,229,000</u>	<u>2,229,000</u>	<u>2,229,000</u>	<u>0</u>	0.0%
Asian Art Museum	\$6,570,126	\$7,103,030	\$7,215,179	\$645,053	9.8%
Fine Arts Museums					
General Fund	\$5,221,785	\$5,432,477	\$5,917,318	\$695,533	13.3%
Hotel Tax	<u>5,620,000</u>	<u>5,620,000</u>	<u>5,620,000</u>	<u>0</u>	0.0%
Fine Arts Museums	\$10,841,785	\$11,052,477	\$11,537,318	\$695,533	6.4%
War Memorial					
General Fund	\$0	\$0	\$0	\$0	n/a
Hotel Tax	<u>9,101,200</u>	<u>8,808,200</u>	<u>8,676,261</u>	<u>(424,939)</u>	(4.7%)
War Memorial	\$9,101,200	\$8,808,200	\$8,676,261	(\$424,939)	(4.7%)

Source: Annual Appropriation Ordinance

The extent to which the City, rather than the non-profit corporation or foundations, provide funds to support the operations and maintenance of these institutions is not well-defined. As shown in Table 2.2 below, the City's annual appropriation funds only a portion of annual operating expenses for the Fine Arts Museums, Asian Art Museum, and Academy of Sciences Steinhart Aquarium.

Table 2.2
City Contribution as a Share of Annual Operating Expenses
Fine Arts Museums, Asian Art Museum, and Academy of Sciences Steinhart Aquarium
FY 2010-11

FY 2010-11	Fine Arts Museums	Asian Art Museum	Academy of Science/ Steinhart Aquarium
Operating expenses	\$54,932,405	\$18,200,000	\$6,589,457
City contribution	\$11,289,484	\$7,103,030	\$4,142,382
City contribution as a share of total operating expenses	20.6%	39.0%	62.9%

The City’s contribution to the Fine Arts Museums as a share of total operating expenses decreased from 22.5% in FY 2009-10 to 20.6% in FY 2010-11, even though the City’s total contribution increased. The City’s contribution to the Asian Art Museum as a share of total operating expenses increased from 28.0% in FY 2009-10 to 39.0% in FY 2010-11 due to a decrease in the Asian Art Museum’s operating budget.

Hotel Tax Revenues

The Business and Tax Regulations Code provides for the allocation of Hotel Tax revenues in order of priority, with Convention Facilities, Convention and Visitors Bureau, and affordable housing designated as the highest priority. The next order of priority for allocation of Hotel Tax revenues are the War Memorial, Candlestick Park, advertising for cultural events, the Cultural Equity Endowment Fund, and the Asian Art Museum and Fine Arts Museums. The actual allocation of Hotel Tax revenues to these institutions is less than provided in the Business and Tax Regulations Code, as shown in Table 2.3. The Business and Tax Regulations Code does not allocate Hotel Tax revenues to the Academy of Sciences Steinhart Aquarium, although the City does provide the Steinhart Aquarium with Hotel Tax revenues, as shown in Table 2.3.

The Board of Supervisors approved capping the growth in the Hotel Tax revenue allocation to the Fine Arts Museums, Asian Art Museum, War Memorial, and Steinhart Aquarium in FY 2010-11 in order to maximize revenues available to the General Fund and reduce the General Fund budgetary deficit. According to the City’s Five Year Financial Plan for FY 2011-12 through 2015-16 (The Five-Year Financial Plan), this is part of a larger strategy to restore the City’s fiscal stability by adjusting revenue allocations. As shown in Table 2.1 above, the Fine Arts Museums, Asian Art Museum, and Steinhart Aquarium allocation was flat, and the War Memorial allocation decreased from FY 2009-10 to FY 2011-12.

As shown in Table 2.3 below, the Asian Art Museum and Fine Arts Museums receive 15% less, and the War Memorial receives 31% less Hotel Tax revenues, than provided in the Business and Tax Regulations Code. Only the Steinhart Aquarium receives more Hotel Tax revenues than provided in the Business and Tax Regulations Code.

**Table 2.3
Comparison of Business and Tax Regulations Code
And Actual Allocation of Hotel Tax Revenues
FY 2011-12**

	Business and Tax Regulations Code	Annual Appropriation Ordinance	Increase/ (Decrease)	Percent
Asian Art Museum	\$2,600,000	\$2,200,000	(\$400,000)	(15%)
Fine Art Museums	6,600,000	5,600,000	(1,000,000)	(15%)
War Memorial	12,600,000	8,700,000	(3,900,000)	(31%)
Subtotal	21,800,000	16,500,000	(5,300,000)	(24%)
Steinhart Aquarium	0	1,200,000	1,200,000	n/a
Total	\$21,800,000	\$17,700,000	(\$4,100,000)	(19%)

Source: FY 2011-12 Revenue Letter

The Five-Year Financial Plan proposes to continue freezing these hotel tax allocations until FY 2014-15, whereby the allocations will begin growing again to cover the cost of inflation.

City Departments' Services

The City also provides services to the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences that are not itemized in the budget. Costs incurred and services provided by the City Attorney's Office, Recreation and Park Department, and Public Utilities Commission are not necessarily included as cost items in annual budgets.

- The City Attorney's Office provides attorney and related services to General Fund departments, including the Asian Art Museum and Fine Arts Museums, but does not charge these departments for the costs of services. The City Attorney's Office tracks the hours of attorney services provided to the Asian Art Museum and Fine Arts Museums, which have an estimated annual cost of \$142,912.
- The Recreation and Park Department, as required by the Charter, provides grounds and landscaping services to the Fine Arts Museums, at an estimated annual cost of \$68,648.¹
- The Public Utilities Commission (PUC) provides electricity to the Fine Arts Museums, Asian Art Museum, War Memorial, and Academy of Sciences at a subsidized rate, as it does to other City departments. The PUC charges \$0.0375 per kilowatt hour (kWh) compared to the cost to PUC of \$0.09 per kWh, resulting in a savings of \$0.0525 per kWh to each of the four entities. The annual value of the electricity subsidies is \$2,059,555.

¹ The Fine Arts Museums uses private funds to provide for additional grounds and landscaping services in addition to those provided by the Recreation and Park Department.

Table 2.4
Value of City Services to the Academy of Sciences, Asian Art Museum,
Fine Arts Museums and War Memorial
FY 2010-11

	City Attorney	Electricity Subsidies	Recreation and Park	Total
Asian Art Museum	\$34,104	\$344,230	\$0	\$378,334
Fine Arts Museums	108,808	694,968	68,648	872,424
War Memorial	0	338,828	0	338,828
Academy of Sciences/ Steinhart Aquarium	0	681,529	0	681,529
Total	\$142,912	\$2,059,555	\$68,648	\$2,271,115

Source: City departments

Energy Programs Provided by the Public Utilities Commission

The Fine Arts Museums, Asian Art Museum, and War Memorial participate in the PUC’s General Fund Energy Efficiency Program. This program was established to help General Fund Departments identify and implement cost effective energy efficiency opportunities to reduce energy and greenhouse gas emissions, and is funded entirely from PUC’s Water Enterprise net revenues. The General Fund Efficiency Program offers a package of services to assist in implementing energy efficiency retrofits, including energy audits (mechanical and lighting), design, construction, construction management services, and measurement and verification services to monitor the results of the retrofits and ensure energy savings are achieved.

The PUC has conducted energy efficiency audits of the Asian Art Museum, Fine Arts Museums, and War Memorial. The estimated costs to the PUC for the audits, and facility improvements and monitoring, once the improvements have been implemented, are shown in Table 2.5 below. Once the energy efficiency improvements are implemented at the Fine Arts Museums, and War Memorial, the PUC expects both the departments and the PUC to achieve cost savings from the more efficient use of energy. Energy efficiency improvements based on the audit conducted by the PUC are not currently scheduled at the Asian Art Museum. However, the PUC has indicated that it would be revisiting implementing those improvements at the Asian Art Museum in the near future.

Table 2.5
PUC’s Costs for Energy Efficiency Audits, Facility Improvements, and Monitoring

	Estimated Costs
Asian Art Museum	\$562,125
deYoung Museum	442,132
Legion of Honor	559,080
Fine Arts Museums Subtotal	\$1,001,212
War Memorial Veterans Building	798,390
Davies Symphony Hall	1,608,194
War Memorial Subtotal	\$2,406,584
Total Energy Efficiency Program	\$3,969,921

Source: City departments

Risk Management

The City does not obtain third-party property insurance for the City's buildings supported by the General Fund, including the Asian Art Museum, the Fine Arts Museums, and the Veterans Building and Opera House. Rather, the City's General Fund is liable for any damage to these buildings. The City's Risk Manager has determined that General Fund coverage of potential damage to City buildings is cost-effective compared to the purchase of insurance.

Bonded Indebtedness

The non-profit corporation or foundations for Asian Art Museum, Fine Arts Museums, and the Academy of Sciences, issue bonds to finance the construction of new facilities, but are not obligated under the City's Administrative Code or Charter to notify the City of their actions as they relate to the issuance of debt. Construction of the Asian Art Museum and Academy of Sciences were also partially financed by general obligation bonds, secured by the City's property taxes and counted against the City's debt limit.

When the non-profit corporations or foundations for these institutions issued revenue bonds, the official statements for the bond issuances included disclaimers, specifically excluding the City from any responsibility for repayment of the privately-held debt.

The Asian Art Museum and the Fine Arts Museums have additional agreements with the City that define the non-profit foundation's obligations to the City.

Asian Art Museum Bonded Indebtedness

The Asian Art Commission (for the City) entered into a museum project facilitation agreement with the Asian Art Museum Foundation in 2000 that stipulated that:

- The City is not liable for payment of debt service on the Asian Art Museum's revenue bonds;
- The Asian Art Museum Foundation will provide the Asian Art Commission (with copies to the City) with copies of all prospecti and other offering materials related to the issuance of the revenue bonds;
- The Asian Art Museum Foundation will not refinance the bonds or issue additional bonds without approval by the Asian Art Commission; and
- The Asian Art Museum Foundation is obligated to notify the Asian Art Commission (with copies to the City) within two days of all default notices, or any action taken by the Asian Art Foundation that may jeopardize its legal status as a 501(c)(3).

Subsequently, in 2011, in order to restructure \$120.4 million of outstanding California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds, Series 2005, issued by the Asian Art Museum Foundation, the Foundation entered into a settlement agreement with the City; JPMorgan Chase Bank, National Association; MBIA Insurance Corporation; National Public Finance Guarantee Corporation; and the Bank of New York Mellon Trust

Company, N.A. Under this Settlement Agreement, if the Foundation meets all its obligations to JPMorgan under the Settlement Agreement, there would be no fiscal impact to the City. However, if the Foundation should default on its loan repayments, the Controller would be required, under the Settlement Agreement and Assurance Agreement, to request appropriation authorization from the Board of Supervisors to reimburse JPMorgan from the General Fund in the amount left outstanding. In January 2011, based on the current estimated value of the Foundation's unrestricted assets, the maximum risk to the General Fund was approximately \$19.9 million.

In addition, as part of the debt restructuring, the Foundation, and the Asian Art Commission entered into an Amended and Restated Project Museum Facilitation Agreement on February 11, 2011, under which the Foundation is required to notify the Asian Art Commission, with copies to the Controller and the City Attorney, (a) of all documents related to the debt restructuring, including annual or other disclosure statements; (b) in the event that (1) the Foundation takes any action that would jeopardize its non-profit legal or tax exempt status, (2) events occur that could lead to the Foundation filing for bankruptcy or insolvency, or (3) sanctions or penalties are imposed by any government entity on the Foundation or its operations; or (c) copies of default or other notices from the Bank or successor entities related to the debt restructuring.

Fine Arts Museums Bonded Indebtedness

Under the ground lease between the City and the Fine Arts Museums Foundation, dated June 1, 2002, the City consented to the issuance of the Fine Arts Museum Foundations' revenue bonds with the caveat that the City did not approve the bonds or bond documents and offered no opinion related to the issuance of the bonds or bond documents. In addition, the ground lease specifically stipulates that:

- The City bears no responsibility for paying the debt or any portion of debt service or other obligations of the bonds;
- The Fine Arts Museums Foundation will provide the City with copies of all prospecti and other offering materials related to the issuance of the revenue bonds and any other annual or other disclosure statements relating to the bonds;
- The Fine Arts Museums Foundation will notify the City within two days of all default notices or any other agreement for credit enhancement or liquidity for the bonds, and any action taken by the Fine Arts Museums Foundation that may jeopardize its legal status as a 501(c)(3) or any notices that the Fine Arts Museums might receive threatening revocation of its 501(c)(3) status or imposition of any intermediate sanctions.

Academy of Sciences Bonded Indebtedness

The Academy of Sciences has no written obligation to the City as it relates to the revenue bonds. While the Academy of Sciences has voluntarily provided prospecti and offering materials to the Office of Public Finance, the Academy of Sciences has no legal obligation to do so.

Conclusion

The City's obligation to financially support the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences is not well-defined. The Charter does not specify the levels of the City's obligation. The City's financial contribution to these four institutions, as a percentage of their total operating budget, varies among the four institutions, and in the case of the Fine Arts Museums, has declined as a percentage of the operating budget. City departments provide services to these four institutions, most of which are not required by the Charter, but these services are not delineated in the City's annual budget.

The City gives less Hotel Tax revenues to the Asian Art Museum, Fine Arts Museums, and War Memorial than required by the City's Business and Tax Regulations Code, as specified in the City's five-year financial plan. However, although the Business and Tax Regulations Code does not require a Hotel Tax allocation to the Academy of Sciences Steinhart Aquarium, the City has provided an allocation since FY 2004-05.

The non-profit corporation or foundations for the Academy of Sciences, Asian Art Museum, and Fine Arts Museums issue revenue bonds to finance the construction of new facilities, but are not obligated under the City Charter or Administrative Code to notify the City of their actions as they relate to the issuance of debt. Construction of these facilities have also been partially financed by general obligation bonds, secured by the City's property taxes and counted against the City's debt limit.

Recommendations

The Board of Supervisors should:

- 2.1 Amend the Business and Tax Regulations Code to include the Hotel Tax allocation to the Academy of Sciences Steinhart Aquarium.

The Chief Financial Officers of the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences should:

- 2.2 Coordinate with the City Attorney and Director of Public Finance on policies for consistent reporting requirements to the City for private debt incurred by the institution.

Costs and Benefits

Implementation of these recommendations would increase the level of information available to the Board of Supervisors and other City officials on the City's financial contribution to the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences.

3. Benefits to City Residents

- **By virtue of their financial support, San Francisco residents are customers of the Asian Art Museum, the Fine Arts Museums, the War Memorial, and the Academy of Sciences, regardless of whether they ever enter any of the institutions. As customers San Franciscans are entitled to the expectation of benefits from their support.**
- **The Asian Art Museum, Fine Arts Museums, War Memorial, and the Steinhart Aquarium at the Academy of Sciences all began as gifts to the City that came with a series of obligations for the City. As institutions grew around those gifts, the City did not secure direct benefits for the City's residents.**
- **Despite any requirements to provide exclusive benefits to residents, the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences provide numerous direct and indirect benefits to all those who live in the greater San Francisco Bay Area. Some benefits are earmarked to San Franciscans specifically. For example, San Francisco school groups receive free admission and other benefits at the Asian Art Museum, Fine Arts Museums, and Academy of Sciences, and the Fine Arts Museums and Academy of Sciences offer certain free days exclusively for the benefit of San Francisco residents. These direct benefits are a policy decision of the respective institutions, however, and not a codified requirement.**
- **The City's ongoing direct and indirect support is a significant portion of these institutions' budgets. Going forward, the City should consider whether a consistent set of obligations to the public, including specific benefits available exclusively to San Francisco residents and students, ought to be tied to this ongoing support.**
- **An annual assessment of benefits available exclusively to San Francisco residents and students could enhance the City's and the public's awareness and understanding of these benefits, independently and as a function of public support.**

Art Institutions Significantly Contribute to the Local Economy

A 2007 study conducted by Americans for the Arts estimated that San Francisco's nonprofit arts and culture organizations, including, but not limited to the subject auditees, contribute more than \$1 billion to San Francisco's economy. Nearly \$600 million of these expenditures are estimated to come from arts and culture audiences. Table 3.1 below summarizes the economic impact.

Table 3.1
Summary of Economic Impact of Nonprofit Arts and Culture Organizations
and their Audiences in San Francisco

Economic Impact	Amount
Total Organization Expenditures	\$459,701,497
Total Audience Expenditures	\$572,950,773
Full-Time Equivalent (FTE) Jobs Supported	27,837
Household Income Paid to Residents	\$547,999,000
Revenue Generated to <u>Local</u> Government	\$41,493,000
Revenue Generated to <u>State</u> Government	\$51,610,000

Note: The Arts and Cultural Organizations cited in this study include, but are not limited to, those institutions that are the subject of this audit.

Source: Americans for the Arts

The Asian Art Museum, Fine Arts Museums, and Academy of Sciences receive annual contributions from the City’s General Fund, and in exchange, provide some direct benefits to San Francisco residents. The Asian Art Museum, Fine Arts Museums, Academy of Sciences, and War Memorial also receive annual allocations from the City’s Hotel Tax.

Expectations Direct Benefits for the Public’s Fiscal Support

San Francisco and its residents are customers of the Asian Art Museum, the Fine Arts Museums, the War Memorial, and the Academy of Sciences, investing in these institutions and expecting a benefit from such an investment.

The idea of taxpayer as customer has precedent. In his book *Making Museums Matter*, author Stephen Weil proposes that the customers for museums,¹ include fiscal supporters, regardless of whether they ever enter the institution. Under such a consideration, and by virtue of the City’s support of these institutions, all San Francisco taxpayers can be considered the customers of these four cultural institutions. Similarly, Michael O’Hare of the University of California, Berkeley, Goldman School of Public Policy writes, “Every organization with authority over valuable resources is liable to account for its behavior to some group of overseers, though the accountability relationships vary.” O’Hare notes that while public agencies are accountable to voters, non-profit organizations are accountable to a wider array of entities, including the public, governing boards, and the professional standards assigned to the industry of that non-profit.

¹ For the purposes of this audit, we broaden the definition of “museum” to include a cultural institution such as the War Memorial.

Exclusive Benefits for San Francisco Residents

The Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences provide numerous direct and indirect benefits to all those who live in the greater San Francisco Bay Area. Some benefits, however, are earmarked to San Franciscans specifically.

The commencement of the City's involvement with the War Memorial, Fine Arts Museums, the Asian Art Museum, and the Steinhart Aquarium at the Academy of Sciences all began with a gift to the City that came with a series of obligations for the City. As the City institutions grew around those City assets, the City made few reciprocal requirements of the institutions.

Asian Art Museum

The Asian Art Museum's mission is "to lead a diverse global audience in discovering the unique material, aesthetic, and intellectual achievements of Asian art and culture." The relationship that this mission creates between the museum and the public can be read a few different ways, under this mission, but it is fair to assume that the Asian considers San Francisco part of its "diverse global audience." The Asian offers the following benefits exclusive to students of the San Francisco Unified School District (SFUSD) and the City and County of San Francisco government:

- **SFUSD.** The Asian offers free admission and special tours to school groups from the San Francisco Unified School District. In addition, SFUSD teachers are offered free training and resources, and on SFUSD Family Days, SFUSD teachers, students, and their families are offered free admission.
- **City Hall Employees.** San Francisco City Hall employees are offered free entry on designated days as well as 20% off annual memberships.
- **SFO Museum.** The Asian Art Museum has loaned exhibitions from its permanent collection to the SFO Museum for display at the San Francisco International Airport's accredited museum. The Asian charges a lower administrative fee to the SFO Museum than it does to museums outside of the City.

In addition, entry to the Asian is free on the first Sunday of the month, and members of the U.S. armed forces and their families receive free admission year round. These benefits are not exclusive to San Francisco residents, and are made possible by private contributions. According to the Chief Financial Officer, the Asian would like to offer more free days or reduced admission charges to residents, but because of the Asian's reliance on gate revenue, the Museum would first need to identify a funding source to allow expanding subsidized or free days to San Francisco residents.

Fine Arts Museums

The Fine Arts Museums mission is fairly explicit with its regard for its service to the public, "The Fine Arts Museums continue to serve as one of the premiere public institutions in the western United States, existing to provide its community and region with high quality exhibitions, programs, education and outreach, and to care for San Francisco's esteemed art

collection.” The Fine Arts Museums offers the following benefits directly to students and residents of San Francisco:

- **District Days.** The Fine Arts Museums work with members of the Board of Supervisors to provide free days for San Francisco residents, organized according to Supervisorial districts.
- **School Mondays and Free Student Entry.** The Museums welcome school groups to the de Young and Legion of Honor, free of charge, on Mondays when the museums are otherwise closed to the public. San Francisco K-12 students are always admitted into the Museums’ permanent collection without charge.
- **Special Exhibit Tickets.** The Museums provided tickets to its visiting King Tut exhibit to numerous student groups.
- **Other Special Learning Programs.** The Museums Education Department hires SFUSD students to serve as ambassadors to school youths and community groups. The Museums also hold an annual Young at Art Festival in collaboration with SFUSD.

The Fine Arts Museum’s Access program works with Greater Bay Area organizations to ensure meaningful museum visits for individuals with disabilities. In addition, entry to the museum is free on the first Tuesday of the month, the de Young Museum’s observation tower and select gardens and galleries are always free during regular museum hours; and portions of the museum are free on Friday nights; however, those benefits are not exclusive to San Francisco residents.

War Memorial

The War Memorial’s mission “is to manage and operate the War Memorial and Performing Arts Center buildings and grounds.” Although the War Memorial does not itself provide programming, it is able to offer some benefits to San Francisco students, nonprofits, veterans, and public agencies:

- **Reduced rental fees for schools.** The Herbst Theater in the War Memorial hosts numerous high school graduations each year, and school groups pay a significantly reduced rate to rent the Herbst Theater. Although this benefit is not restricted to San Francisco schools, there is a de facto exclusivity in that schools outside the City have not previously rented the Herbst. San Francisco colleges also hold graduation ceremonies at Davies Symphony hall at a reduced cost.
- **Reduced rental fees for nonprofits.** Nonprofit organizations pay a reduced rate to rent either the Herbst Theater or Davies Symphony Hall.
- **Meeting and office space.** As part of its mandate, the War Memorial provides meeting and office space for the San Francisco Posts of the American Legion, as well as other veteran organizations. Furthermore, the War Memorial has historically provided affordable office space to local organizations, free or reduced rent to City departments, and free meeting space for City departments.

Academy of Sciences

Science and natural history museums, in general, have historically been more oriented toward public education than art museums and other cultural institutions. The Academy of Sciences' mission of explaining the natural world is in line with that general trend. Perhaps it is not a surprise, therefore, that the Academy of Sciences provides the most robust array of exclusive benefits to residents and students of San Francisco:

- **School groups.** San Francisco school groups are admitted for free and the Academy of Sciences can provide busing to school groups. The Academy of Sciences reaches approximately 80 percent of San Francisco's fourth and fifth grades, and has established a goal of reaching 100 percent of these classrooms.
- **After-school and out-of-school programming.** The Academy of Sciences has formal relationships with San Francisco's Roosevelt and James Denman Middle Schools, providing after school programming. In addition, it has collaborated with the City's Recreation and Parks Department on weekend programming for school-age youth.
- **Teacher training.** With a focus on elementary school teachers, the Academy provides training, teaching materials, and other resources to local science teachers.
- **Free days for residents.** The Academy offers free weekends to San Francisco residents twice per year. The free weekends are organized by zip code.

Variation in Benefits Available Exclusively to San Franciscans

San Francisco residents, through the taxpayer-funded General Fund, provide significant direct support to the four cultural institutions that are the subject of this management audit.² The level of that support, and the many in-kind benefits provided to these institutions, are detailed in the previous section. However, the nature of the direct benefits realized by San Franciscans for their investment varies across the institutions.

Entry fees are an important part of the budgets of the Asian Art Museum, Fine Arts Museums, and California Academy of Sciences. Local resident benefits, in the forms of free entry or reduced fees, can only be made responsibly by institutions with the financial stability to forego such revenue. However, it is not uncommon for locally supported cultural institutions to offer ongoing discounts to local residents. Not one of the three entry-fee institutions offers a reduced admission fee for San Francisco residents. By contrast, the San Francisco Zoo, Conservatory of Flowers, and Japanese Tea Garden all offer a nominal discount to San Francisco residents.

Although San Franciscans may not be offered regular reduced admission, the three institutions collecting entry fees do provide free entry days, and two – the Fine Arts Museums and Academy – offer that benefit exclusively to San Franciscans based on Supervisorial district and zip code,

² Although the City has not historically provided General Fund support to the War Memorial, it will be funding earthquake retrofit work at the War Memorial in the form of General Fund debt payments against the City's Certificates of Participation that are being used to fund the rehabilitation work.

respectively. Furthermore, all three institutions provide San Francisco student groups with free admission, allowing tens of thousands of local students to visit these museums each year.

The City's ongoing direct and indirect support is a significant portion of these institutions' budgets. The War Memorial, the art collections of the Asian Art Museum and the Fine Arts Museums, and the Steinhart Aquarium were all provided to the City under a set of obligations for the City. However, when the City entrusted its assets to the caretaking departments and institutions, the City's only requirement was that of caring and preservation. Going forward, the City should consider whether a consistent set of obligations to the public, including specific benefits available exclusively to San Francisco residents and students, ought to be tied to this ongoing support.

Conclusion

San Francisco's taxpayer-supported cultural institutions provide innumerable benefits to those living, working, and attending school in the region. Some benefits are exclusively available to those who live or attend school in San Francisco. However, the direct benefits to San Franciscans vary considerably from institution to institution.

Recommendations

In order to ensure a reasonable return on the City's ongoing investment and entrustment of City assets, the Board of Supervisors should:

3.1 Include a discussion or assessment of direct benefits to City residents and students in the consideration of the City's Annual Appropriation Ordinance and any supplemental appropriation requests.

In order to ensure a fair return on the City's ongoing investment and entrustment of City assets, the public commissions overseeing a Fine Arts Museums and the Asian Art Museum should:

3.2 Include direct benefits to San Francisco residents and students in its strategic planning process and annual performance assessment.

Costs and Benefits

Implementation of these recommendations would increase the level of information available to the Board of Supervisors, the Asian Art Commission, and the Fine Arts Museums Board of Trustees.

4. Fine Arts Museums Security Guard Staffing

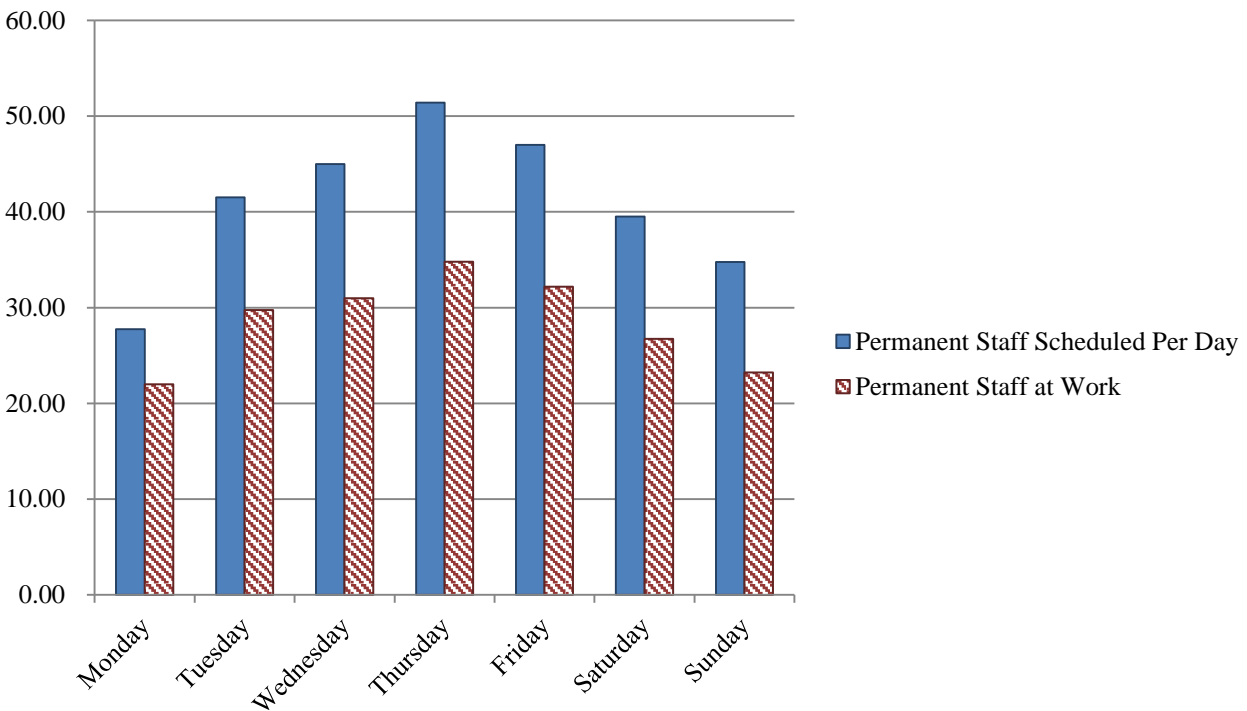
- **The Fine Arts Museums' security guards work 35-hour work weeks, with shifts averaging seven hours, five days a week. The Fine Arts Museums hire temporary security guards at the de Young Museum and Legion of Honor to augment permanent security guard staffing. Based on the Budget and Legislative Analyst's review of September 2011 time records, 20% to 33% of permanent security guards were absent on any given day due to vacations, sick days, and other leave. Most of the permanent security guards' absent days were due to sick leave and other forms of leave, such as disability or Family Medical Leave Act (FMLA).**
- **The Fine Arts Museums use temporary security guards to back fill absent positions. Temporary security guards made up 30% to 40% of security guard staffing on most days in September 2011, but side letter agreements or past practices between the Fine Arts Museums and the Service Employees International Union, which represents the permanent security guards, restrict the temporary security guards' assignments. According to the side letter agreements and past practices, the Fine Arts Museums cannot post temporary security guards at the museums' doors, or schedule temporary security guards to work on evening or night shifts. The Fine Arts Museums must call in permanent security guards on overtime to back fill for absent positions on these shifts.**
- **At the de Young Museum, 35% to 50% of permanent security guard staff were absent on any given day in September 2011 due to vacations, sick leave, and other leave. Permanent positions are backfilled by temporary security guards. Temporary staff made up 30% to 50% of security guard staff on weekdays, and 65% to 75% of security guard staff at the de Young Museum on the weekends in September 2011.**
- **The Fine Arts Museums' low attendance rate of permanent security guards, requiring use of temporary security guard staffing, results in less efficient staffing because of the limitations on temporary security guard assignments imposed by the side letters of agreement or past practices. Also, temporary security guards, who often have shorter tenure with the museums, may be less knowledgeable of museum facilities and practices than permanent security guards.**
- **The Fine Arts Museums should evaluate reasons for the absent days and develop policies to reduce absenteeism. Such policies could include modified assignments to encourage permanent security guard staff who are on leave to return to work. Modified assignments could include part-time hours or part-day schedules, or short term clerical or other tasks that accommodate physical limitations.**
- **In order to increase staffing efficiency, and reduce potential overtime, the Fine Arts Museums should collaborate with the City's Director of Labor Relations to revise side letters of agreement or past practices that give assignment preference to permanent staff or restrict assignment of temporary security guards.**

Security Guard Schedules

The Fine Arts Museums' security guards are City employees. They currently work 35-hour work weeks, with shifts averaging seven hours, five days a week. The Fine Arts Museums hire temporary security guards at the de Young Museum and Legion of Honor to augment permanent security guard staffing.

Twenty percent to 33 percent of permanent security guards were absent on any given day in September 2011 due to vacations, sick days, and other leave, as shown in Figure 4.1 below.¹

Figure 4.1
Comparison of Total Permanent Security Staff Scheduled and at Work by Day of Week
de Young Museum and Legion of Honor
September 2011



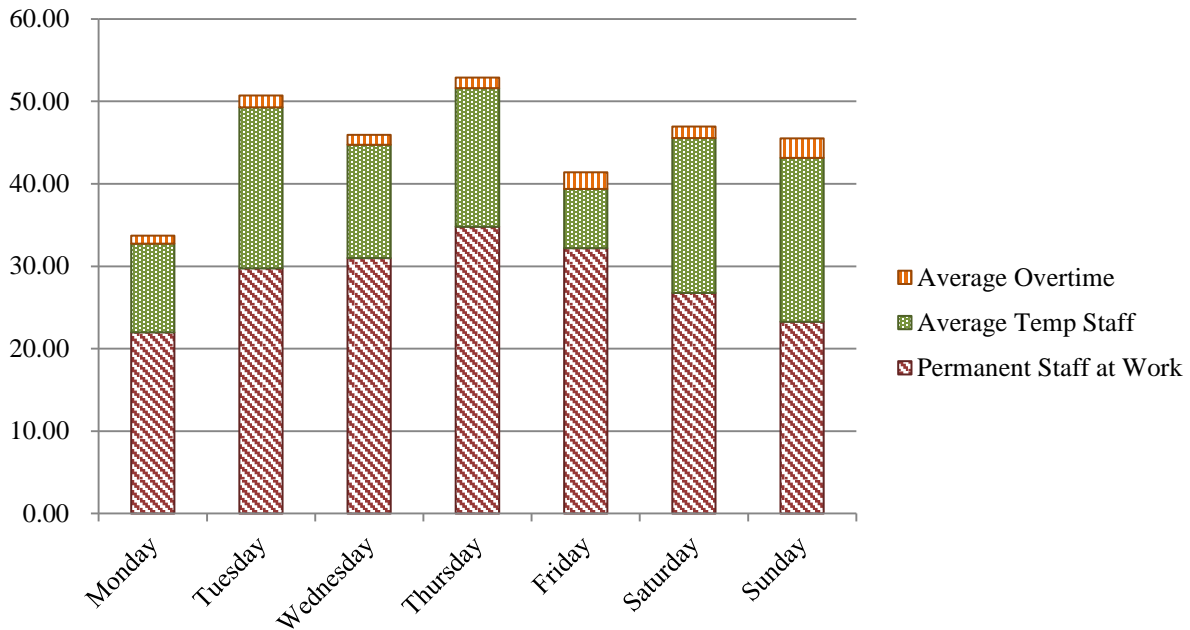
Source: Fine Arts Museums Staff Schedules

The Fine Arts Museums use temporary security guards to back fill absent positions. Temporary security guards made up 30% to 40% of security guard staffing on most days in September 2011, but side letter agreements or past practices between the Fine Arts Museums and the Service Employees International Union, which represents the permanent security guards, restrict the temporary security guards' assignments. According to the side letter agreements and past practices, the Fine Arts Museums cannot post temporary security guards at the museums' doors or schedule temporary security guards to work on evening or night shifts. The Fine Arts

¹ Fine Arts Museums schedules are maintained in hard copy, and changes to the schedule are handwritten by the security guards. We evaluated one-month of schedules for September 2011.

Museums must call in permanent security guards on overtime to back fill for absent positions on these shifts. Figure 4.2 below shows actual permanent, temporary, and overtime security guard staffing by day of the week in September 2011.

Figure 4.2
Actual Permanent, Temporary, and Overtime Security Guard Staffing by Day of Week
de Young Museum and Legion of Honor
September 2011



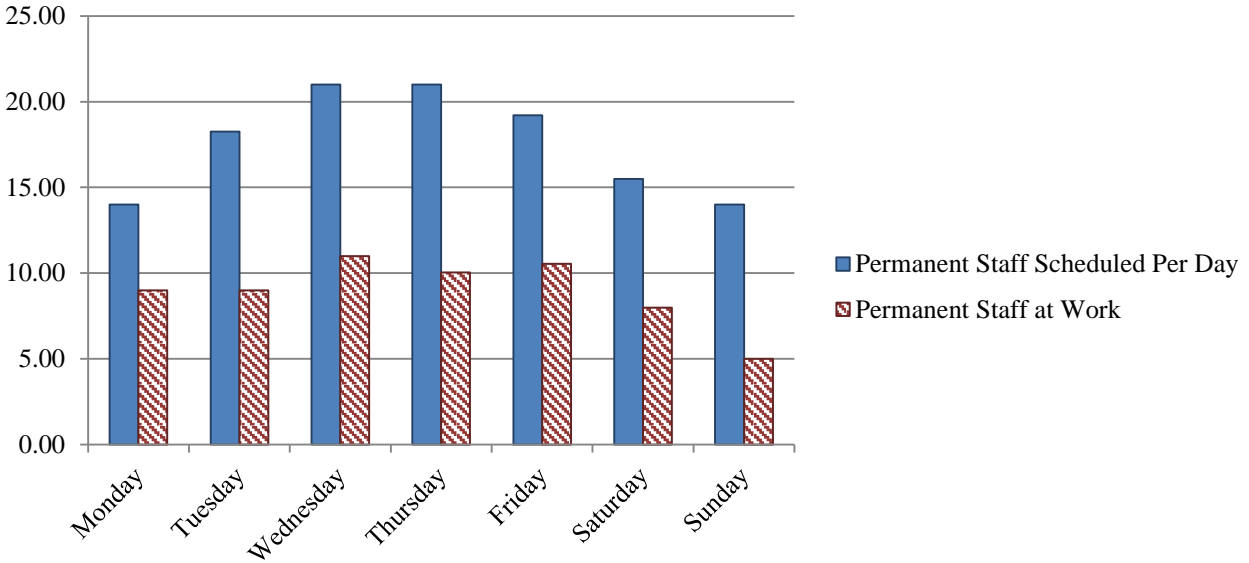
Source: Fine Arts Museums Staff Schedules

Security guard schedules do not correspond fully with museum hours. The Fine Arts Museums scheduling of temporary and permanent staff has resulted in staffing at higher levels on slower days and staffing at lower levels on busy days. For example, Friday which is the busiest day of the week with the longest hours, had lower staffing than any day of the week but Monday, when both museums are closed.

De Young Museum Security Guard Schedules

At the de Young Museum, in September 2011, 35% to 50% of permanent security guard staff were absent on any given day due to vacations, sick leave, and other leave, as shown in Figure 4.3 below.

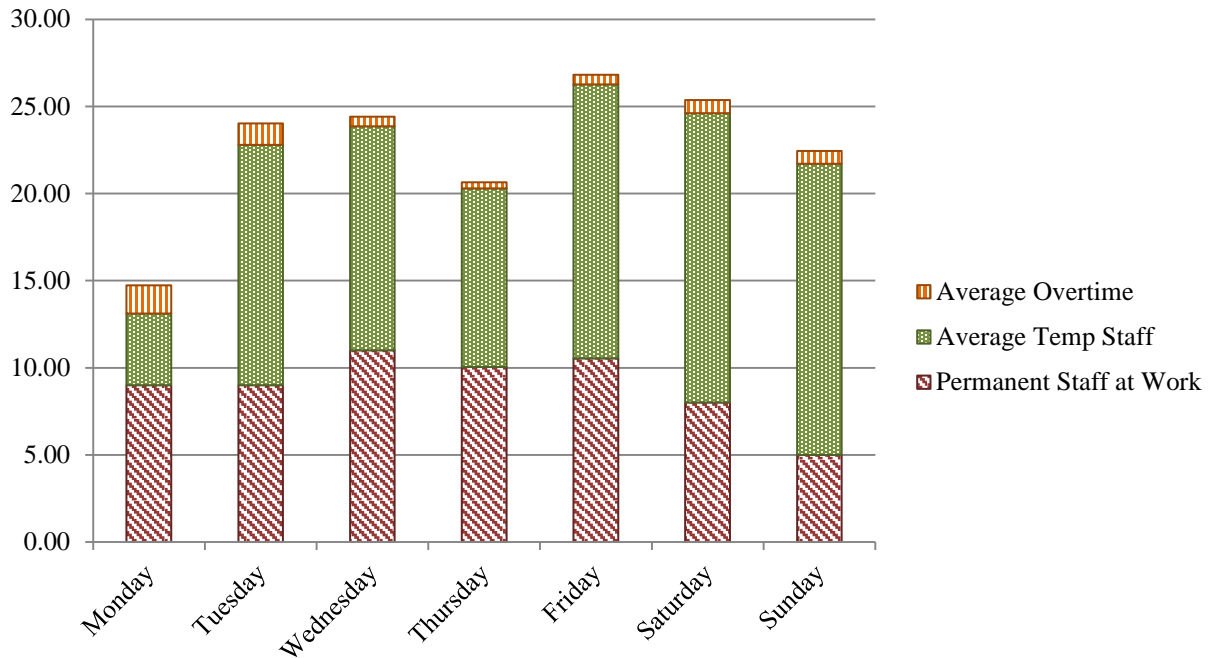
Figure 4.3
Comparison of Total Permanent Security Staff Scheduled and at Work by Day of Week
De Young Museum
September 2011



Source: Fine Arts Museums Staff Schedules

The de Young Museum schedules temporary security guards to replace permanent security guards who are absent. In September 2011, temporary staff made up 30% to 50% of security guard staff on weekdays, and 65% to 75% of security guard staff at the de Young Museum on the weekends, as shown in Figure 4.4 below.

Figure 4.4
Actual Permanent, Temporary, and Overtime Security Guard Staffing by Day of Week
de Young Museum
September 2011



Source: Fine Arts Museums Staff Schedules

The Fine Arts Museums' low attendance rate of permanent security guards, requiring use of temporary security guard staffing, results in less efficient staffing because of the limitations on temporary security guard assignments imposed by the side letters of agreement or past practices. Also, temporary security guards who have a short tenure or are infrequently assigned to work are less knowledgeable of museum facilities and practices than permanent security guards.

Most of the permanent security guards' absent days are due to sick leave and other forms of leave. For the month of September 2011, 64% of absent days were due to sick leave and other forms of leave, and 36% were due to vacation or floating holidays. The Fine Arts Museums should evaluate reasons for the absent days and develop policies to reduce absenteeism. Such policies could include modified assignments to encourage permanent security guard staff who are on leave to return to work. Modified assignments could include part-time hours or part-day schedules, or short term clerical or other tasks that accommodate physical limitations.

In order to increase staffing efficiency, and reduce potential overtime, the Fine Arts Museums should collaborate with the City's Director of Labor Relations to revise side letters of agreement or past practices that give assignment preference to permanent staff or restrict assignment of temporary security guards.

Conclusion

The Fine Arts Museums' permanent security guards have high absence rates, especially at the de Young Museum. The Fine Arts Museums use temporary security guards to replace permanent staff, but this results in less efficient staffing due to restrictions on temporary security guards assignments. Temporary security guards who have short tenure or are infrequently assigned to work also have less knowledge of museum facilities and practices.

Recommendations

The Director of the Fine Arts Museums should:

- 4.1 Evaluate reasons for security guards' absent days and develop policies to reduce absenteeism. Such policies could include modified assignments to encourage permanent security guard staff who are on leave to return to work.
- 4.2 Collaborate with the City's Director of Labor Relations to revise side letters of agreement or past practices that give assignment preference to permanent staff or restrict assignment of temporary security guards.

Costs and Benefits

Because the Fine Arts Museums uses temporary security guards rather than overtime to back fill permanent security guards who are absent, the Fine Arts Museums does not incur high salary costs for the replacement staff. However, the Fine Arts Museums does incur costs for paying sick leave, which totaled \$169,011 in FY 2010-11. A reduction in sick leave and other leave use of 25% would save the Fine Arts Museums \$44,628 annually.

Also, the Fine Arts Museums would achieve savings, not yet quantified, through elimination of restrictive past practices and increased flexibility in security guard assignments.

Appendix

Charter of the City Charter for San Francisco Article V: Executive Branch – Arts and Culture

<p>SEC. 5.100. GENERAL.</p>	<p>The arts and culture departments of the City and County shall be the Arts Commission, the Asian Art Museum of San Francisco, the Fine Arts Museums of San Francisco and the War Memorial and Performing Arts Center. These departments shall be a part of the executive branch of City and County government.</p> <p>The terms of office of all trustees and commissioners shall continue as they existed on the effective date of this Charter. All vacancies shall be filled within 90 days.</p> <p>The governing boards of the arts and culture departments may accept and shall comply with the terms and conditions of loans, gifts, devises, bequests or agreements donating works of art or other assets to their department without action of the Board of Supervisors so long as acceptance of the same entails no expense for the City and County beyond ordinary care and maintenance.</p>
<p>SEC. 5.101. CHARITABLE TRUST DEPARTMENTS.</p>	<p>For the purposes of this Article, the Asian Art Museum of San Francisco, The Fine Arts Museums of San Francisco and the War Memorial and Performing Arts Center are referred to as the "charitable trust departments."</p> <p>Nothing in this Article shall be construed to limit or change the powers and responsibilities of the governing boards of the charitable trust departments insofar as they involve administration of the charitable trusts, gifts and contracts for which they are responsible.</p> <p>The charitable trust departments shall have exclusive charge of the trusts and all other assets under their jurisdiction, which may be acquired by loan, purchase, gift, devise, bequest or otherwise, including any land or buildings set aside for their use. They shall have authority to maintain, operate, manage, repair or reconstruct existing buildings and construct new buildings, and to make and enter into contracts relating thereto, subject, insofar as City funds are to be used, to the budgetary and fiscal provisions of this Charter.</p>
<p>SEC. 5.102. CITY MUSEUMS.</p>	<p>When the term "museums" is used in this Article, unless otherwise specified, it refers to both the Asian Art Museum of San Francisco and The Fine Arts Museums of San Francisco.</p> <p>Trustees and commissioners of the museums are exempt from the requirement of Section 4.101(2) of this Charter, except that at least a majority of The Fine Arts Museum Board of Trustees shall be residents of the City and County. Members shall serve for three-year terms, and may be removed by the Mayor only pursuant to Section 15.105. Members shall serve without compensation.</p> <ul style="list-style-type: none"> • The governing boards of the museums shall adopt by-laws providing for the conduct of their affairs, including the appointment of an executive committee which shall have authority to act in such matters as are specified by the governing board. • The governing boards of the museums shall appoint and may remove a director and such other executive and administrative positions as may be necessary. Appointees to such positions need not be residents of the City and County. Notwithstanding any other provision of this Charter, the governing boards may accept and utilize contributions to supplement or pay for the salaries and benefits of these appointees in order to establish competitive compensation, provided that only compensation established pursuant to the salary provisions of this Charter shall be considered for Retirement System purposes. • The governing boards of the museums may insure any loaned exhibit and agree to indemnification and binding arbitration provisions necessary to insuring exhibitions without action of the Board of Supervisors so long as such agreement entails no expense to the City and County beyond ordinary insurance expense. The Recreation and Park Department shall maintain and care for the grounds of the Museums.

<p>SEC. 5.104. ASIAN ART MUSEUM OF SAN FRANCISCO.</p>	<p>The Asian Art Commission shall consist of twenty-seven trustees appointed by the Mayor. In filling vacancies, the Mayor shall solicit nominations from the Commission and shall give due consideration to such nominees in filling such vacancies to the end that the members of the Commission shall be representative of the fields of Asian art and culture by reason of their knowledge, experience, education, training, interest or activity therein.</p> <p>The Commission shall:</p> <ol style="list-style-type: none"> 1. Develop and administer that museum which is known as the "Asian Art Museum of San Francisco," or by such other title as may be chosen by not less than two-thirds of the members of the Commission; 2. Control and manage the City and County's Asian art with the Avery Brundage Collection as its nucleus, consistent with the conditions applicable to the Brundage Collection and other gifts; 3. Maintain a charitable foundation or other legal entity for the purpose of developing the Asian Art Museum; 4. Promote, establish and develop an acquisition fund for Asian art objects; and 5. Collaborate with other groups and institutions to extend and deepen the activities necessary to establish the Asian Art Museum as the outstanding center of Asian art and culture in the western world.
<p>SEC. 5.105. THE FINE ARTS MUSEUMS OF SAN FRANCISCO.</p>	<p>The California Palace of Legion of Honor and the M.H. de Young Memorial Museum shall comprise the Fine Arts Museums of San Francisco, or such other title as may be chosen by not less than two-thirds of the trustees of the Fine Arts Museums. The Fine Arts Museums Board of Trustees shall consist of 62 members to be elected by the members of the Board. On a vote of the majority of members, the number of Trustees may be increased or decreased from time to time as needed, provided that the number of Trustees shall not be more than 62, and provided further that a vote to decrease the number shall not affect the power or tenure of any incumbent. The Board may act by majority of the members present at meetings in which a quorum is in attendance.</p> <ul style="list-style-type: none"> • In selecting members to serve on the Board, the Board of Trustees shall give due consideration to nominees who are broadly representative of the diverse communities of the City and County and knowledgeable in the fields of art and culture, as demonstrated by their experience, training, interest or philanthropic activity. • A quorum of the Board shall consist of one-third of the number of trustees in office at the time. A majority or two-thirds vote of the Board shall mean a majority or two-thirds vote of the number of trustees present at the meeting at which the vote is taken. <p>The Board is responsible for the protection and conservation of the assets of the Fine Arts Museums and for setting the public course the Museums will follow. The Board shall assure that the Museums are open, accessible and vital contributors to the cultural life of the City and County, and that the Museums' programs bring art appreciation and education to all the people of the City and County.</p> <p>The Board may enter into agreements with a not-for-profit or other legal entity to develop or operate the museums and to raise and maintain funds for the museums' support.</p>
<p>SEC. 5.106. WAR MEMORIAL AND PERFORMING ARTS CENTER.</p>	<p>The governing board of the War Memorial and Performing Arts Center shall consist of eleven trustees appointed by the Mayor, pursuant to Section 3.100, for four-year terms. In making appointments the Mayor shall give due consideration to veterans and others who have a special interest in the purposes for which the Center exists. Members may be removed by the Mayor only pursuant to Section 15.105.</p> <p>The governing board shall appoint and may remove a director.</p>

Asian Art Museum, Fine Arts Museums, Academy of Sciences, and War Memorial
Written Responses to the Performance Audit Report and Recommendations and
List of Accomplishments



Asian

May 25, 2012

Ian Hart
Office of the Budget and Legislative Analyst
San Francisco Board of Supervisors

AAM Response to:

Performance Audit of Governance and City Support: The Asian Art Museum, Fine Arts Museums, War Memorial, and the Academy of Sciences

Dear Mr. Hart:

Attached please find the Asian Art Museum's written response to your audit team's draft Performance Audit of Governance and City Support for The Asian Art Museum, Fine Arts Museums, War Memorial, and the Academy of Sciences.

We intend to take appropriate action on the findings as they relate to the Asian. We appreciate your efforts as the audit findings will help the Asian Art Museum improve upon its mission.

We thank you for your staff's time researching and developing this report, and for the opportunity to comment. If you would like to discuss any of the Asian's feedback, please feel free to contact Jay Xu, Director, at 415.581.3750, or Mark McLoughlin, COO/CFO, at 415.581.3730.

Sincerely,

Mark McLoughlin
Chief Operating Officer
On behalf of Jay Xu, Director, who is travelling out of the country.

Recommendation Priority Ranking

Based on the management audit findings, the Budget Analyst has made 17 recommendations which are ranked based on priority for implementation. The definitions of priority are as follows:

Priority 1: Priority 1 recommendations should be implemented immediately.

Priority 2: Priority 2 recommendations should be completed, have achieved significant progress, or have a schedule for completion prior to December 31, 2012.

Priority 3: Priority 3 recommendations are longer term and should be completed, have achieved significant progress, or have a schedule for completion prior to June 30, 2013.

	Recommendation	Priority	Department Response	Implementation Status/ Comments
The Director of the Academy of Sciences should:				
1.1	Submit the Academy's annual financial statement to the Board of Supervisors, in accordance with the Charter requirement.	1		
The President of the Fine Arts Museums Board of Trustees should:				
1.2	Formalize the relationship between the Board of Trustees and the Corporation of the Fine Arts Museums (COFAM) in a memorandum of understanding (MOU) or other formal public document, including the roles and responsibilities delegated to each entity.	2		
1.3	Revise Board of Trustees by-laws to ensure regular oversight of City assets, including the Legion of Honor building, the de Young building, and the City's art.	2		

1.4	Update the 2006 five-year plan, systematically review in Board of Trustees Meetings, and implement strategic planning at least every five years.	3		
The President of the War Memorial Board of Trustees should:				
1.5	Request that the War Memorial staff continues to provide an annual efficiency plan or produce a Five-Year Strategic Plan and implement subsequent strategic planning.	2		
The President of the Fine Arts Museums Board of Trustees and the Chair of the Asian Art Commission should:				
1.6	Review and amend their respective by-laws, as necessary, to promote new commission or board of trustees membership and diversity	2	1.6. The Chairman of the Asian Art Commission will review the Commission's bylaws, and will make appropriate best efforts to ensure representation on the Museum's Commission is appropriately diverse, while still enabling the Museum to meet its governance and financial obligations and requirements.	
The Board of Supervisors should:				
2.1	Amend the Business and Tax Regulations Code to include the Hotel Tax allocation to the Academy of Sciences Steinhart Aquarium.	3		

The Chief Financial Officers of the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences should:				
2.2	Coordinate with the City Attorney and Director of Public Finance on policies for consistent reporting requirements to the City for private debt incurred by the institution.	3	2.2 The Asian already has formal reporting mechanisms related to private debt incurred by the institution as reflected in the Amended and Restated Museum Project Facilitation Agreement by and between the Asian Art Commission of the City and County of San Francisco and the Asian Art museum Foundation dated February 11, 2011.	
The Board of Supervisors should:				
3.1	Consider including a discussion or assessment of direct benefits to City residents and students in the consideration of the City's Annual Appropriation Ordinance and any supplemental appropriation requests.	3		
The Fine Arts Museums Board of Trustees and the Asian Art Commission should:				
3.2	Include direct benefits to San Francisco residents and students in its strategic planning process and annual performance assessment	3	3.2. The Asian Art Museum takes seriously its role in serving the citizens of San Francisco as evidenced by our commitment to teacher training, free admissions and tour offerings to SFUSD teachers, students, and families, and monthly free days to the general public; we will ensure direct benefits to San Francisco residents and students are considered as part of our strategic planning process and annual performance assessment.	

The Director of the Fine Arts Museums should:				
4.1	Evaluate reasons for the absent days and develop policies to reduce absenteeism. Such policies could include modified assignments to encourage permanent security guard staff who are on leave to return to work.	1		
4.2	Collaborate with the City's Director of Labor Relations to revise side letters of agreement or past practices that give assignment preference to permanent staff or restrict assignment of temporary security guards.	2		



**Fine Arts
Museums of
San Francisco
de Young
Legion of Honor**

May 25, 2012

Mr. Harvey M. Rose
Budget and Legislative Analyst
San Francisco Board of Supervisors
1 Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

Re: Performance Audit of Governance and City Support: The Asian Art Museum, Fine Arts Museums, War Memorial and the Academy of Sciences

Dear Mr. Rose,

The Fine Arts Museums of San Francisco were pleased to have worked with the Budget and Legislative Analyst's Office on the Performance Audit of Governance and City Support of the City's arts and culture departments. This process provided an opportunity for the Museums to review our practices and it provided the Board of Supervisors with an opportunity to understand the role that the Museums in the cultural life of San Francisco.

The Museums' response to the Budget and Legislative Analyst's Office recommendations are included in the attached matrix. Of the 12 recommendations in the audit, the Museums agree or partially agree with those which pertain to the Fine Arts Museums. We will explore how best to act on the recommendations and take the appropriate steps to implement them.

We would like to highlight the following facts and accomplishments and clarify that:

- The 1995 renovation of the Legion of Honor and the construction of the new de Young (completed in 2005) did not incur any City debt. They were accomplished with private funds raised by the Corporation of Fine Arts Museums and, for the de Young, \$143 million in revenue bonds were generated by the Corporation of Fine Arts Museums and the Fine Arts Museums Foundation. These bonds are not secured by the City's property taxes and are not counted against the City's debt limit. The Museums gifted both of these buildings to the City.
- Gifts and purchases of most works of art that are acquired by the Museums are gifted to the City from the Fine Arts Museums Foundation.
- That the Corporation of Fine Arts Museums (COFAM) is responsible for operating the Museums and for fundraising; the Fine Arts Museums Foundation is responsible for investment management of endowment funds.
- In fiscal year 2010-2011, 2,261,575 visitors attended the Museums, and there were 121,911 member households.

The Museums particularly appreciate the auditors' observations that "art institutions significantly contribute to the local economy;" the statement that "The extent to which the City, rather than the non-profit corporation or foundations, provide funds to support the operations and maintenance of these institutions is not well-defined...the City's annual appropriation funds only a portion of annual operating expenses for the Fine Arts Museums, Asian Art Museum, and Academy of Sciences Steinhart Aquarium;" and the statement that "The City's FY 2011-12 Hotel Tax allocation to these three institutions...was...24% less than the required allocation."

Thank you for the opportunity to work with your Office on this audit.

Michele Gutierrez
Chief Administrative Officer / Chief Financial Officer

de Young
Golden Gate Park
50 Hagiwara Tea Garden Drive
San Francisco, CA 94118-4502
Tel 415.750.3600
www.famsf.org

Recommendation Priority Ranking

Based on the management audit findings, the Budget Analyst has made 17 recommendations which are ranked based on priority for implementation. The definitions of priority are as follows:

Priority 1: Priority 1 recommendations should be implemented immediately.

Priority 2: Priority 2 recommendations should be completed, have achieved significant progress, or have a schedule for completion prior to December 31, 2012.

Priority 3: Priority 3 recommendations are longer term and should be completed, have achieved significant progress, or have a schedule for completion prior to June 30, 2013.

	Recommendation	Priority	Department Response	Implementation Status/ Comments
The Director of the Academy of Sciences should:				
1.1	Submit the Academy’s annual financial statement to the Board of Supervisors, in accordance with the Charter requirement.	1		
The President of the Fine Arts Museums Board of Trustees should:				
1.2	Formalize the relationship between the Board of Trustees and the Corporation of the Fine Arts Museums (COFAM) in a memorandum of understanding (MOU) or other formal public document, including the roles and responsibilities delegated to each entity.	2	Partially Agree	The bylaws of the Corporation of Fine Arts Museums, filed with the California Secretary of State, state that “The primary purpose of this Corporation is to support, aid, promote, operate in conjunction with, and supplement the activities of the Fine Arts Museums of San Francisco,” (Article 1. Purpose). Additionally, a Lease and Facilities Agreement, dated June 1, 2002, describes the relationship between the Board of Trustees of the Fine Arts Museums of San Francisco and The Fine Arts Museums Foundation. The Fine Arts Museums understand appreciates this audit recommendation.
1.3	Revise Board of Trustees by-laws to ensure regular oversight of City assets, including the Legion of Honor building, the de Young building, and the City’s art.	2	Partially Agree	The Fine Arts Museums have exclusive charge over the Museums’ assets, including the Legion of Honor building, the de Young building and the art collections, all of which are gifted to the City of San Francisco. The Board of Trustees periodically amends its

				bylaws and will consider this recommendation as part of a bylaws amendment. Further, the Board of Trustees will report on oversight of the City assets at its Annual meeting, held in June of each year.
1.4	Update the 2006 five-year plan, systematically review in Board of Trustees Meetings, and implement strategic planning at least every five years.	3	Agree	The President of the Board of Trustees actively engages in strategic planning for the Museums, in collaboration with the Director of Museums, other Trustees and other key staff. In the Association of Art Museum Directors 2011 document "Professional Practices in Art Museums," the organization's recommended practice of Mission, Policy, and Long Range Plan is "Every museum should have a clearly articulated long-range plan that is approved by the board and reviewed periodically. The long-range plan is an instrument by which an art museum reflects its mission, assesses its current resources, defines its goals, identifies future needs and formulates strategies. The Director is responsible for organizing the planning process and implementing the plan." The Board of Trustees, Director of Museums and staff hewed to the 2006 five-year plan, exceeding goals by most measures. An active search is underway for a Director of Museums to succeed John Buchanan, who died in December 2011. The President and the Board of Trustees look forward to engaging with the new Director as soon as he or she is hired to generate a new strategic plan.
The President of the War Memorial Board of Trustees should:				
1.5	Request that the War Memorial staff continues to provide an annual efficiency plan or produce a Five-Year Strategic Plan and implement subsequent strategic planning.	2		
The President of the Fine Arts Museums Board of Trustees and the Chair of the Asian Art Commission should:				
1.6	Review and amend their respective by-laws, as necessary, to promote new commission or board of trustees membership and diversity	2	Agree	The Fine Arts Museums Board has elected 22 new Trustees since 2008 and will have retired 17 Trustees between 2008 and 2012. As prescribed by its bylaws, the Board has been and remains committed to promoting new membership and diversity in accordance with its responsibility under Charter Section 5.105.

The Board of Supervisors should:				
2.1	Amend the Business and Tax Regulations Code to include the Hotel Tax allocation to the Academy of Sciences Steinhart Aquarium.	3		
The Chief Financial Officers of the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences should:				
2.2	Coordinate with the City Attorney and Director of Public Finance on policies for consistent reporting requirements to the City for private debt incurred by the institution.	3	N/A	The Fine Arts Museums Foundation worked closely with the Office of Public Finance and the City Attorney's Office as advisors on the private bond offerings that financed the construction of the new de Young. In the future, if the Museums incur debt that is secured by the City, we will coordinate with the City Attorney and Director of Public Finance on policies for consistent reporting on that public debt.
The Board of Supervisors should:				
3.1	Consider including a discussion or assessment of direct benefits to City residents and students in the consideration of the City's Annual Appropriation Ordinance and any supplemental appropriation requests.	3	Agree	If the Board of Supervisors acts on this recommendation, The Museums will work to highlight benefits to San Francisco residents and will explore further opportunities to offer benefits to San Francisco residents.

The Fine Arts Museums Board of Trustees and the Asian Art Commission should:				
3.2	Include direct benefits to San Francisco residents and students in its strategic planning process and annual performance assessment	3	Partially Agree	<p>The Fine Arts Museums serve San Francisco residents, residents of the greater Bay area, and visitors from around the world. Over 250,000 people participate in the Museums many free programs, including our popular Friday Nights at the de Young, music at the Legion, and the Artists Studio. Over 2,000 local visual and performing artists are hired to demonstrate and perform at the Museums each year.</p> <p>The Museums offer free admission to K-12 students who attend both public and private schools in San Francisco. The Museum Ambassador program hires teenage SFUSD students to introduce aspects of the Museums' collections to school youths and community groups. The Annual Young at Art Festival is held each May in collaboration with the San Francisco Unified School District, to exhibit and celebrate visual and performing arts by San Francisco Students. Over 50,000 San Francisco students participate in our free docent-led class tours, Poets in the Galleries, AP Art History, and hands on art making each year. San Francisco teachers are provided with free professional development and grade specific curriculum related to state standards.</p> <p>The Museums continually build on their greatest gift to the City, two buildings and an art collection that were built with private funding and gifted to the City. We will work to highlight existing benefits to San Francisco residents and will explore further opportunities to offer benefits to San Francisco residents.</p>
The Director of the Fine Arts Museums should:				
4.1	Evaluate reasons for the absent days and develop policies to reduce absenteeism. Such policies could include modified assignments to encourage permanent security guard staff who	1	Agree	<p>The Museums have implemented a new leave policy. As a result, the number of guards on leave has been reduced from 11 to 5. The Museums are working with the City Attorney's Office to resolve the five remaining cases. The Museums are currently evaluating and improving the entire scheduling and staffing process, including</p>

	are on leave to return to work.			determining reasons for absences and formulating policies to reduce absenteeism.
4.2	Collaborate with the City's Director of Labor Relations to revise side letters of agreement or past practices that give assignment preference to permanent staff or restrict assignment of temporary security guards.	2	Agree	The Museums have actively collaborated with the City's Director of Labor Relations. In recently concluded negotiations with SEIU 1021, side letters of agreement were revised. Improved policies and new shift bids will be implemented on July 1, 2012.



CALIFORNIA
ACADEMY OF
SCIENCES

55 Music Concourse Drive
Golden Gate Park
San Francisco, California 94118
www.calacademy.org

Memorandum

Date: May 29, 2012

To: Harvey Rose
Budget Analyst

From: Alison Brown
Chief of Staff

The California Academy of Sciences is pleased to provide the attached response to the Performance Audit of Governance and City Support to the California Academy of Sciences. Included is the formal response to the three recommendations as well as a summary about the Academy.

Our relationship with the City and County of San Francisco and the San Francisco public is important to our organization. The audit provided us with some good recommendations and ways in which to coordinate more closely with the City. Your team was excellent to work with and provided a strong framework for their review.

Please let us know if you have any further questions or if we can be of assistance in any way.

Recommendation Priority Ranking

Based on the management audit findings, the Budget Analyst has made 17 recommendations which are ranked based on priority for implementation. The definitions of priority are as follows:

Priority 1: Priority 1 recommendations should be implemented immediately.

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Priority 3: Priority 3 recommendations are longer term and should be completed, have achieved significant progress, or have a schedule for completion prior to June 30, 2013.

	Recommendation	Priority	Department Response	Implementation Status/ Comments
The Director of the Academy of Sciences should:				
1.1	Submit the Academy's annual financial statement to the Board of Supervisors, in accordance with the Charter requirement.	1	Agree	Mailed Fiscal Year Ending June 30, 2011 audited financial statements to the Secretary of the Board of Supervisors on May 22, 2012. The Academy will mail the audited statements each year once the audit is complete.
The President of the Fine Arts Museums Board of Trustees should:				
1.2	Formalize the relationship between the Board of Trustees and the Corporation of the Fine Arts Museums (COFAM) in a memorandum of understanding (MOU) or other formal public document, including the roles and responsibilities delegated to each entity.	2		
1.3	Revise Board of Trustees by-laws to ensure regular oversight of City assets, including the Legion of Honor building, the de Young building, and the City's art.	2		

1.4	Update the 2006 five-year plan, systematically review in Board of Trustees Meetings, and implement strategic planning at least every five years.	3		
The President of the War Memorial Board of Trustees should:				
1.5	Request that the War Memorial staff continues to provide an annual efficiency plan or produce a Five-Year Strategic Plan and implement subsequent strategic planning.	2		
The President of the Fine Arts Museums Board of Trustees and the Chair of the Asian Art Commission should:				
1.6	Review and amend their respective by-laws, as necessary, to promote new commission or board of trustees membership and diversity	2		
The Board of Supervisors should:				
2.1	Amend the Business and Tax Regulations Code to include the Hotel Tax allocation to the Academy of Sciences Steinhart Aquarium.	3	Agree	We would support any changes that clarify funding sources for the Academy of Sciences and that help the City and County of San Francisco to meet its obligation to fund the operations of the aquarium per the City Charter and to contribute to the maintenance of the City-owned building. At this time, the City is only funding 2/3 of the aquarium direct costs and is not providing any funding for building maintenance.
The Chief Financial Officers of the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences should:				
2.2	Coordinate with the City Attorney and Director of Public Finance on policies for consistent reporting requirements to the City for private debt incurred by the institution.	3	Agree	The Academy's debt is disclosed on its audited financial statements which will be submitted each year to the Board.
The Board of Supervisors should:				

3.1	Consider including a discussion or assessment of direct benefits to City residents and students in the consideration of the City's Annual Appropriation Ordinance and any supplemental appropriation requests.	3		
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The Fine Arts Museums Board of Trustees and the Asian Art Commission should:				
3.2	Include direct benefits to San Francisco residents and students in its strategic planning process and annual performance assessment	3		
The Director of the Fine Arts Museums should:				
4.1	Evaluate reasons for the absent days and develop policies to reduce absenteeism. Such policies could include modified assignments to encourage permanent security guard staff who are on leave to return to work.	1		
4.2	Collaborate with the City's Director of Labor Relations to revise side letters of agreement or past practices that give assignment preference to permanent staff or restrict assignment of temporary security guards.	2		



About the California Academy of Sciences

The California Academy of Sciences is a world-class educational, scientific and cultural institution based in San Francisco. The Academy's facility in Golden Gate Park is a 400,000 square foot structure that houses an aquarium, a planetarium, a natural history museum and a 4-story rainforest all under one roof. The Academy reaches 1.3 million visitors per year at its facility and over 7 million through the web and mobile devices.

The facility is also home to the Academy's staff of world-class scientists and educators who provide a wide range of student and teacher services and an extensive science library with over 26 million specimens and artifacts. The Academy is focused on two of the most important topics of our time: life and sustainability. Its principal cause is science education for people of all ages and backgrounds.

Our Mission

The mission of the California Academy of Sciences is to explore, explain and protect the natural world.

Education and Research

The Academy is an international center for scientific education and research and is at the forefront of efforts to understand and protect the diversity of Earth's living things. The Academy has a staff of over 50 professional educators and Ph.D.-level scientists, supported by more than 100 research and field associates and 300 fellows. It hosts 11 fields of research, including anthropology, aquatic biology, botany, comparative genomics, entomology, geology, herpetology, ichthyology, invertebrate zoology, mammalogy and ornithology. The Academy's research collections, which are among the world's largest, include more than 26 million specimens—essential tools for comparative studies on the history and future of the natural world.

Science education is a fundamental commitment the Academy has to society. It takes many forms: awe and wonder at the glowing fish, delight at the antics of the penguins, informative exhibits and web presentations, formal programs addressing bioscience and the sustainability of life on Earth, and educational resources for teachers, parents and students. The Academy works with students and teachers at the museum in Golden Gate Park, at schools (during and after), in the community, and on the web. Additionally, we provide teacher professional development, student programming, and immersive internship opportunities for underserved students to learn, teach and do science. In

FY12, we estimate we will reach 46K San Francisco teachers and students on site. We will more than double that reach via the web through online lesson plans and classroom activities.

The Academy is uniquely structured to carry out its mission. Its active scientists ensure that exhibits and education programs are based on the latest and most accurate science. They also make possible the Academy's distinctive style of education through engagement: visitors have the opportunity to engage personally with science professionals, not simply with exhibits and static displays.

Our Values and Ethics

All those involved with the Academy share a commitment to high standards both within the organization and in dealing with others.

The Academy is committed to:

- **Leadership by Example:** By acting as good stewards of Academy resources, and encouraging understanding of and respect for the natural world, the Academy hopes to inspire others to follow suit with their own choices.
- **Connection with Visitors:** Providing an experience that exceeds expectations and ignites a passion for exploration among a broad range of local, national and international visitors; making the Academy's living things, real specimens and working scientists accessible to the public.
- **Education:** Sharing relevant, engaging and accurate information with the public through exhibits, programs, personal connections and user-friendly technology.
- **Scientific Integrity:** In pursuit of fresh discoveries and better understanding of the natural world, uphold core scientific values and adhere to the highest ethical standards.
- **Respect:** In support of a culture of openness and trust, it is essential that Academy employees, donors, volunteers, visitors and business partners treat one another with respect and recognize the importance of diversity.
- **Community:** Contributing to local and scientific communities in the Bay Area and beyond by providing exceptional education, outreach and research programs.
- **Fun:** While exploring, explaining and protecting the natural world is a serious undertaking, the Academy strives to create a fun environment for visitors, volunteers and employees alike.
- **Accessibility:** Access programs such as San Francisco neighborhood free days, quarterly free Sundays and SF Library Check Out SF passes provide the opportunity for residents of all means to visit the Academy.

San Francisco War Memorial and Performing Arts Center

Owned and Operated by the
City and County of San Francisco

War Memorial Veterans Building
Herbst Theatre/Green Room
War Memorial Opera House
Louise M. Davies Symphony Hall
Harold L. Zellerbach Rehearsal Hall

401 Van Ness Avenue, Suite 110
San Francisco, California 94102
Telephone (415) 621-6600
FAX (415) 621-5091

May 15, 2012

TO: Harvey Rose, Budget and Legislative Analyst

FROM: Elizabeth Murray, Managing Director
San Francisco War Memorial and Performing Arts Center

SUBJECT: **Performance Audit of Governance and City Support –
Asian Art Museum, Fine Arts Museums, War Memorial and Academy of Sciences**

This is confirmation that the War Memorial and Performing Arts Center has received and reviewed the draft "Performance Audit of Governance and City Support: The Asian Art Museum, Fine Arts Museums, War Memorial, and the Academy of Sciences." As noted in our responses provided on your Recommendations Matrix, the War Memorial plans to take action on the recommendations in your report.

The War Memorial appreciates your efforts in preparing this report. The report's findings will assist us in carrying out our mission.

cc: Charlotte M. Shultz, President
War Memorial Board of Trustees

WAR MEMORIAL AND PERFORMING ARTS CENTER RESPONSES – 5/15/12

Recommendation Priority Ranking

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1.2	Formalize the relationship between the Board of Trustees and the Corporation of the Fine Arts Museums (COFAM) in a memorandum of understanding (MOU) or other formal public document, including the roles and responsibilities delegated to each entity.	2		
1.3	Revise Board of Trustees by-laws to ensure regular oversight of City assets, including the Legion of Honor building, the de Young building, and the City’s art.	2		
1.4	Update the 2006 five-year plan, systematically	3		

	review in Board of Trustees Meetings, and implement strategic planning at least every five years.			
The President of the War Memorial Board of Trustees should:				
1.5	Request that the War Memorial staff continues to provide an annual efficiency plan or produce a Five-Year Strategic Plan and implement subsequent strategic planning.	2	Agree	War Memorial staff will continue to provide an annual efficiency plan as part of the annual budget process. War Memorial Board of Trustees will consider best timing and process for producing a Five-Year Strategic Plan.
The President of the Fine Arts Museums Board of Trustees and the Chair of the Asian Art Commission should:				
1.6	Review and amend their respective by-laws, as necessary, to promote new commission or board of trustees membership and diversity	2		
The Board of Supervisors should:				
2.1	Amend the Business and Tax Regulations Code to include the Hotel Tax allocation to the Academy of Sciences Steinhart Aquarium.	3		
The Chief Financial Officers of the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences should:				
2.2	Coordinate with the City Attorney and Director of Public Finance on policies for consistent reporting requirements to the City for private debt incurred by the institution.	3	Not currently applicable	War Memorial has not previously had, and does not currently have, ability to incur private debt.
The Board of Supervisors should:				
3.1	Consider including a discussion or assessment of direct benefits to City residents and students in the consideration of the City's Annual Appropriation Ordinance and any supplemental appropriation requests.	3		

The Fine Arts Museums Board of Trustees and the Asian Art Commission should:				
3.2	Include direct benefits to San Francisco residents and students in its strategic planning process and annual performance assessment	3		
The Director of the Fine Arts Museums should:				
4.1	Evaluate reasons for the absent days and develop policies to reduce absenteeism. Such policies could include modified assignments to encourage permanent security guard staff who are on leave to return to work.	1		
4.2	Collaborate with the City's Director of Labor Relations to revise side letters of agreement or past practices that give assignment preference to permanent staff or restrict assignment of temporary security guards.	2		