

File No. 180247

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: April 4, 2018

Board of Supervisors Meeting:

Date: _____

Cmte Board

- | | | |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER

- | | | |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CBD Annual Report - FY2016-2017</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CBD Financial Statements - June 30, 2017</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>OEWD Letter - February 13, 2018</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Department Referral - March 20, 2018</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Prepared by: John Carroll

Date: March 30, 2018

Prepared by: _____

Date: _____

1 [Castro/Upper Market Community Benefit District - Annual Report - FY2016-2017]

2
3 **Resolution receiving and approving an annual report for the Castro/Upper Market**
4 **Community Benefit District for FY2016-2017, submitted as required by the Property and**
5 **Business Improvement District Law of 1994 (California Streets and Highways Code,**
6 **Sections 36600, et seq.), Section 36650, and the District's management agreement with**
7 **the City, Section 3.4.**

8
9 WHEREAS, On June 7, 2005, pursuant to the Property and Business Improvement
10 District Law of 1994 (the "Act"), California Streets and Highways Code Sections 36600 et
11 seq., as augmented by Article 15 of the San Francisco Business and Tax Regulations Code,
12 the Board of Supervisors adopted Resolution No. 421-05, expressing the City's intention to
13 establish the Castro/Upper Market Community Benefit District (the "Castro/Upper Market
14 CBD"); and

15 WHEREAS, On August 2, 2005, the Board of Supervisors adopted Resolution
16 No. 582-05 establishing the Castro/Upper Market CBD ("Resolution to Establish") for a period
17 of 15 years, commencing FY2005-2006; and

18 WHEREAS, On January 10, 2006, the Board of Supervisors adopted Resolution
19 No. 14-06, authorizing an agreement with the owners' association for the administration and
20 management of the Castro/Upper Market CBD, and a management agreement (the
21 "Management Contract") with the owners' association, the Castro/Upper Market Community
22 Benefit District, was executed accordingly; and

23 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board
24 of Supervisors in File No. 051968; and

1 WHEREAS, On March 14, 2017, the Board of Supervisors approved the Castro/Upper
2 Market CBD's annual reports for FY2015-2016 in Resolution No. 079-17; and

3 WHEREAS, The Castro/Upper Market CBD has submitted for the Board's receipt and
4 approval the Castro/Upper Market annual reports for FY2016-2017 as required by
5 Section 36650 of the Act and Section 3.4 of the Management Contract; and

6 WHEREAS, The Annual Report is on file with the Clerk of the Board of Supervisors in
7 File No. 180247, and are incorporated herein by reference as though fully set forth; and

8 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
9 memorandum report from the City's Office of Economic and Workforce Development, dated
10 February 13, 2018, and documentation from the Castro/Upper Market CBD for the Annual
11 Report is on file with the Clerk of the Board of Supervisors in File No. 180247; now, therefore,
12 be it

13 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
14 report for the Castro/Upper Market Community Benefit District for FY2016-2017.



**Castro/Upper Market
Community Benefit District**
ANNUAL REPORT 2016 - 2017

The Castro/Upper Market Community Benefit District Works for You!

Dear Friends and Neighbors,

I'm honored to take on the role of president for the Castro/Upper Market Community Benefit District. The Castro Community Benefit District staff, contractors and volunteers work hard to improve the Castro/Upper Market and we are making progress. I can't imagine a day without the Castro CBD clean team. The clean team works tirelessly 365 days a year.

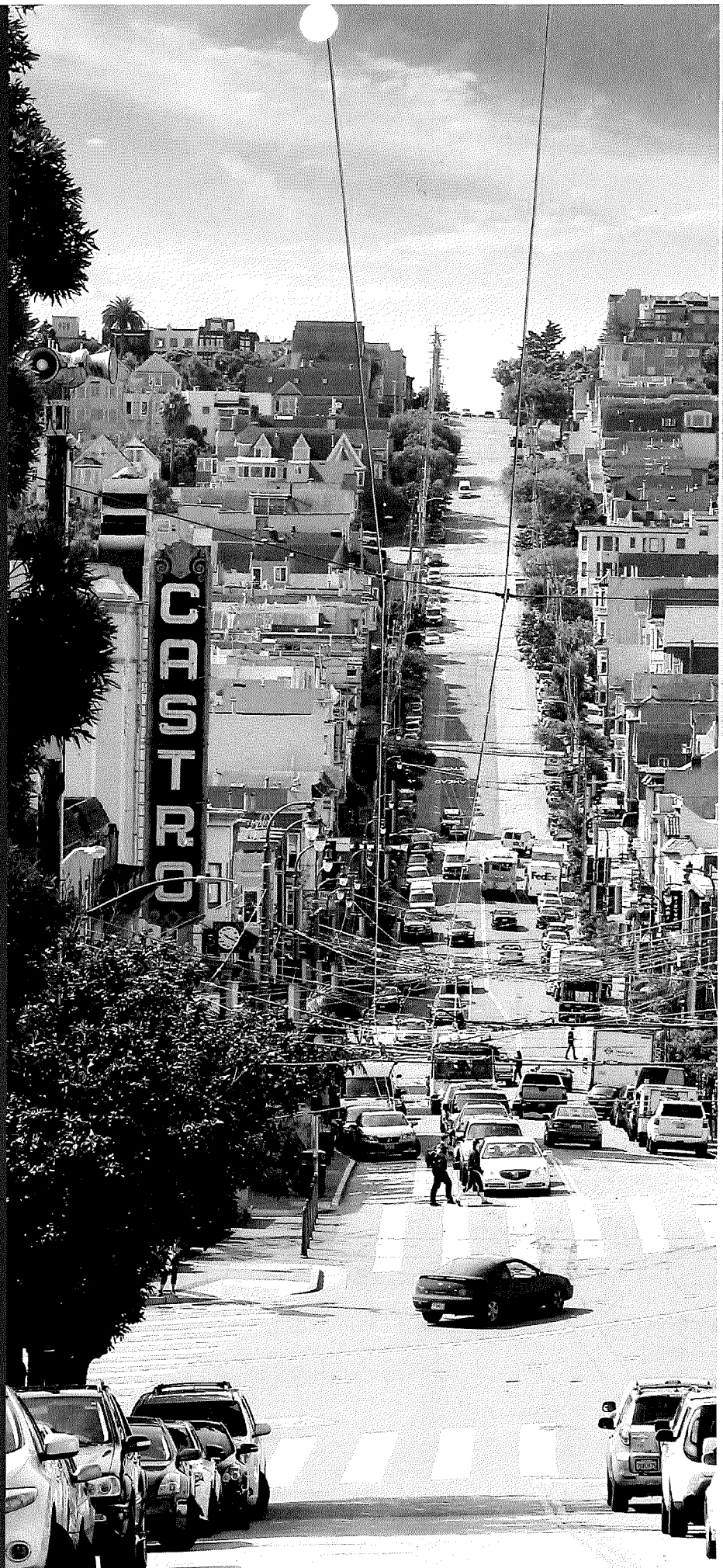
This year your clean team picked up 46.5 tons of trash off the sidewalks and collected 1,388 dirty syringes.

In addition to cleaning, your CBD pays for increased security patrols, and a variety of economic vitality strategies. But perhaps the most valuable services provided are the most intangible... neighborhood advocacy and problem solving. Everyday the CBD advocates for the interests of the district and works with merchants, city agencies and residents to solve problems and improve our daily lives!

If you want to get involved with this amazing organization, let us know! Email info@castrocbd.org or call 415-500-1181.

Chase Chambers
President

The mission of the Castro/Upper Market Community Benefit District is to provide services that improve the quality of life in the neighborhood, emphasizing clean, safe, beautiful streets. It also promotes the area's economic vitality, fosters the Castro's unique district identity, and honors its diverse history.



Clean

7,760 POUNDS
OF TRASH

PER MONTH



CASTRO CBD Wins 2017 NEN Award!

The Castro/Upper Market Community Benefit District won the 2017 Neighborhood Empowerment Network award for the Best Community Benefit District. We were honored to have State Senator Scott Wiener present the award to Andrea Aiello, Executive Director, Castro CBD.





Economic Vitality Strategies

Castro Ambassadors

Since 2011, it has been a lot easier for tourists to find their way around the Castro. That is when the Castro Community Benefit District launched the Castro Ambassadors program, organizing volunteers to help visitors feel welcome in the community. "I love showing visitors our beautiful city," says long time volunteer Larry Holmes. "It's really warming for me to see people interested in our neighborhood, and I want them to have a good time."

"We can tell them our favorite restaurant or help them avoid the hills," says Mr. Holmes. "It's a wonderful way to get out there, help someone, and contribute to our community. Sometimes we even get to enjoy a little sunshine."

In 2017 the Castro Ambassadors welcomed 4,578 visitors from across the globe including Japan, Australia, India and of course France!

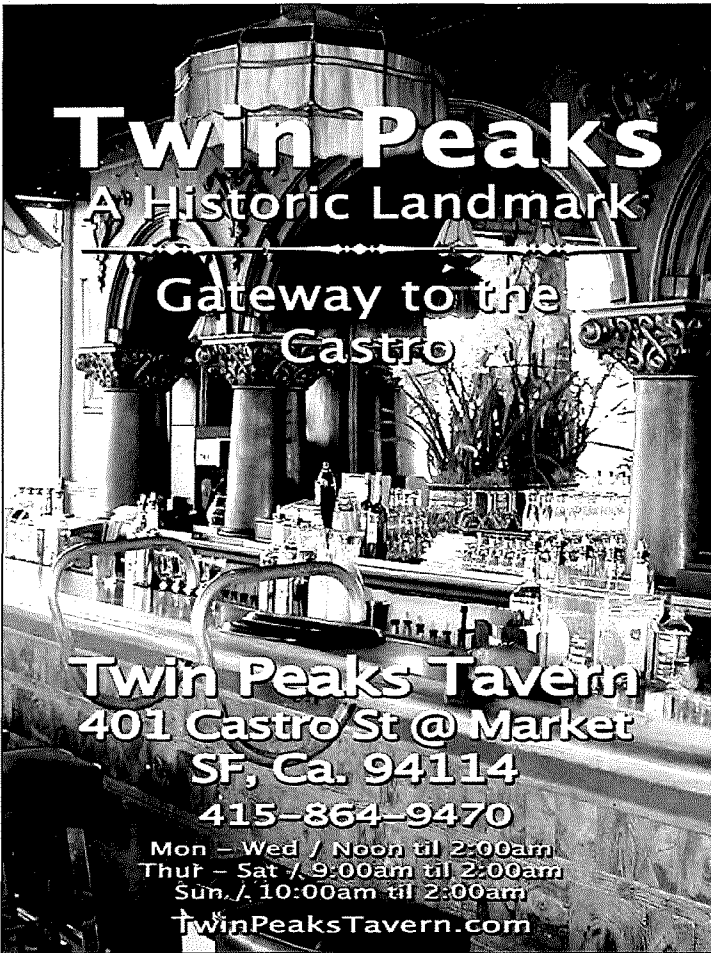
Retail Strategy Initiative



Broker tour promotes the Castro/Upper Market

"This is exactly the kind of activity the Castro needs to revitalize their retail scene," said Pamela Mendelsohn, Cushman & Wakefield. "Broker tours should be happening regularly."





Twin Peaks
A Historic Landmark

Gateway to the
Castro

Twin Peaks Tavern
401 Castro St @ Market
SF, Ca. 94114
415-864-9470

Mon - Wed / Noon til 2:00am
Thu - Sat / 9:00am til 2:00am
Sun. / 10:00am til 2:00am
TwinPeaksTavern.com

*Thank
you for
keeping
The
Castro
clean!*

LOOKOUT
LOOKOUTSF.COM
MARKET & 16th - SF

Volunteer Highlight

John Goldsmith, Pink Triangle Park Volunteer

John Goldsmith first noticed The Pink Triangle Park because he loves roses. A certified master gardener, Goldsmith offered his services to the park, and last December he received the keys. Since then, he says, "Pink Triangle Park has been a miracle that I could not have imagined."

Goldsmith established the 'Gardeners Guild' to organize volunteer gardeners. "I wanted to create a group that would guard the park from the elements that make it a difficult space." Goldsmith hosts work parties the first and third Saturday of every month, attends countless meetings and still manages to check in on the park every day.

The Pink Triangle Park,
"A miracle that I could not
have imagined."

John Goldsmith



Castro Cares: Compassion and Enforcement

Brittney Beck, general manager at Beck's motor lodge, has noticed the change since Castro Cares launched in April, 2015. "The Castro is a small community," she explains. "Everyone wants the neighborhood to feel clean and safe. Castro Cares helps."

Castro Cares is a unique, community effort that builds on the city's baseline services.

The program supports homeless outreach teams to connect people living on the streets and at risk with the city's social service system. At the same time, Castro Cares supports increased law enforcement with Patrol Special Police foot patrols.

"We all care deeply about the people that live on the streets," explains Chase Chambers, general manager of The Apothecarium. "We want to make sure they have access to the services available. At the same time we love this crazy, colorful neighborhood. We want to make sure it remains a great place to live."

Castro Cares is funded through a grant from the Office of Economic & Workforce Development and donations. To donate go to <http://www.castrocares.org/donations/>.



"Everyone wants the neighborhood to feel clean and safe. Castro Cares helps."

Brittney Beck



Volunteer Highlight

Harry Breaux, Volunteer Castro Ambassador

Harry Breaux sees sharing his personal knowledge of the gay rights movement as a contribution to the welfare of the neighborhood, a neighborhood that is sacred to him.

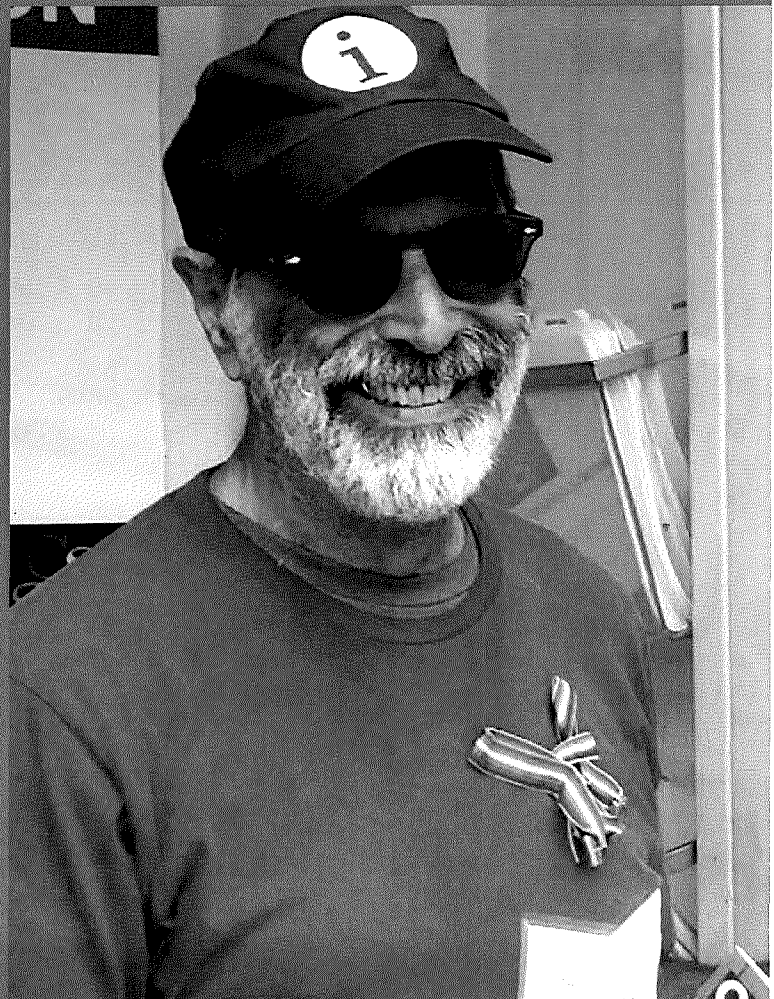
One of his most memorable moments as a Castro Ambassador was with an English woman and her two adolescent children. "I gave them directions to the Seward street slides," Breaux explains. "She came back later and


told me their story. Her husband, the children's father, had talked about visiting the Castro and enjoying the slides. He was a wonderful father, she told me, but he died of AIDS. He was gay. It meant so much for the kids to go to this place where their father had been."

Breaux is thrilled to be a volunteer. "It makes the Castro a more warm, friendly, and inviting place."

Being a volunteer
"...makes the Castro a
more warm, friendly,
and inviting place."

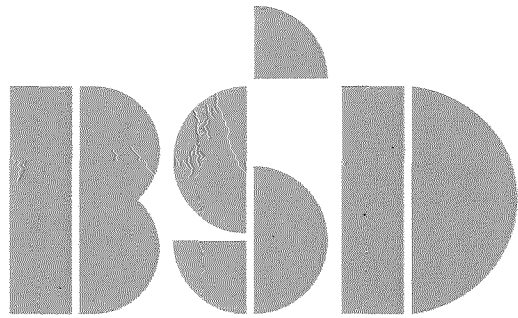
Harry Breaux





BEAUX

We Love
The
Castro CBD!



Brian
Spiers
Development

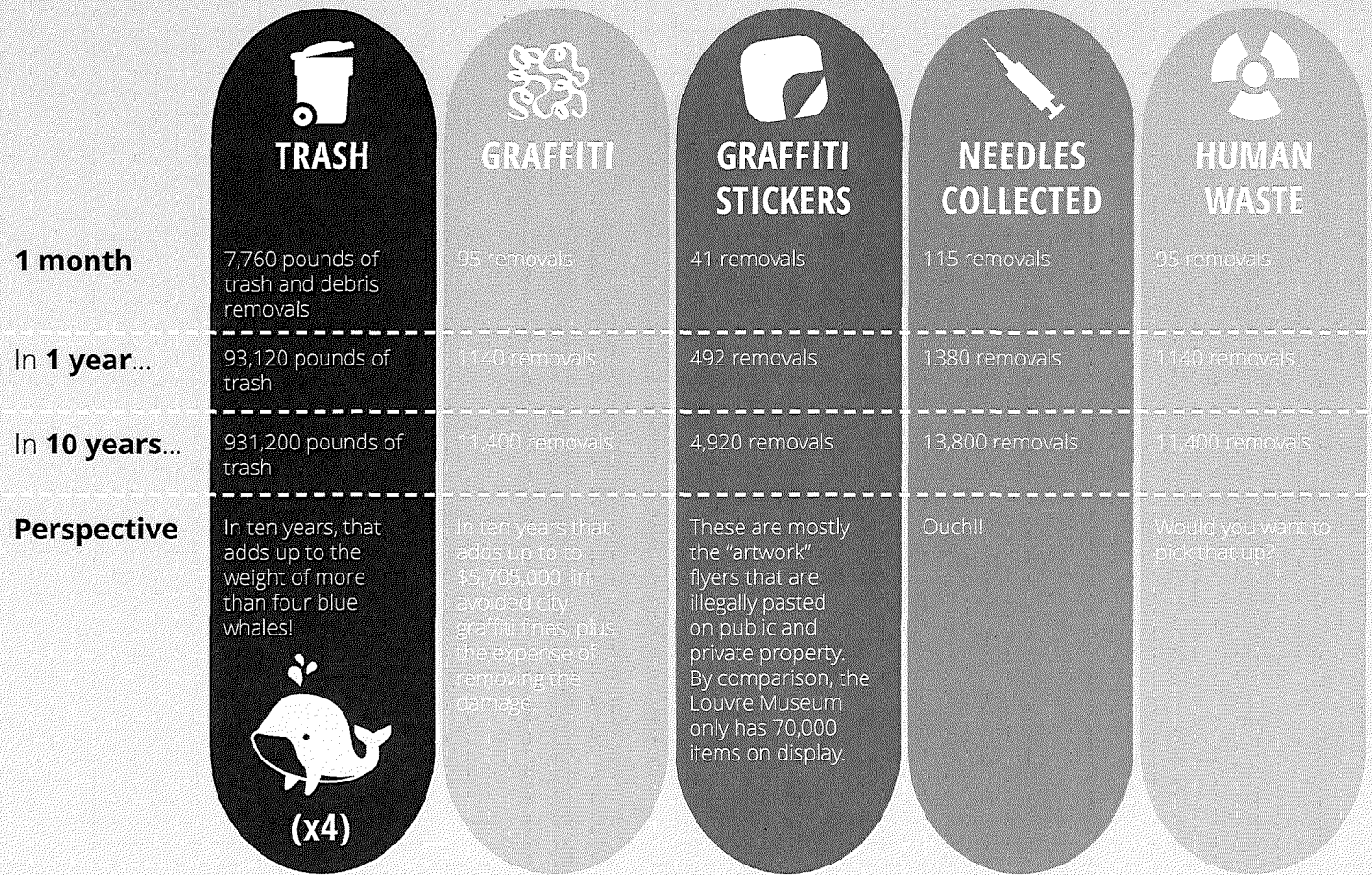
Castro CBD Makes Us Shine!

* *
*
BECKS

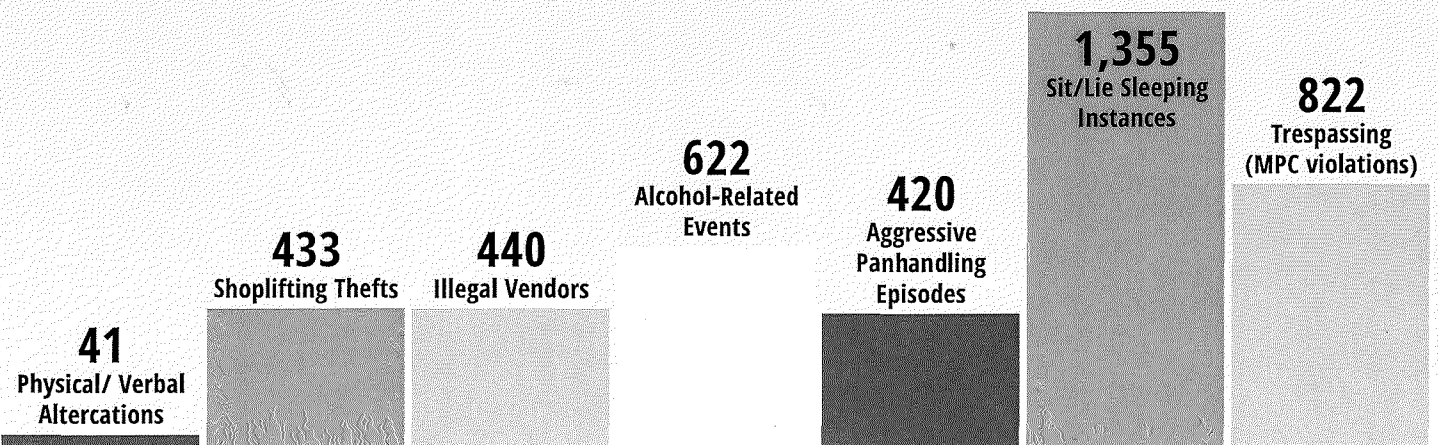
MOTOR LODGE

Cleaning Up - By the Numbers

We live in one of San Francisco's most popular areas, and keeping things tidy is a challenge.



S.F. Patrol Special Police Interactions



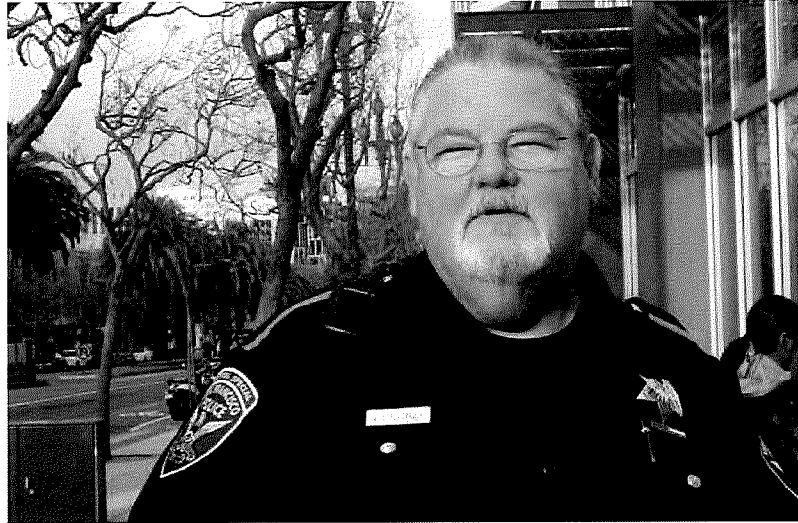
Safe

CBD Coordinates with Local Police Station

The Castro CBD works closely with Supervisor Sheehy and Mission Station to ensure we have our share of beat patrols and foot officers. On a recent morning, Supervisor Sheehy coordinated top brass to walk the Castro and talk with residents and merchants about their concerns and possible solutions.

The Castro CBD will continue to work hard to ensure we have our share of resources from Mission Station. The Castro CBD also funds SF Patrol Special Police Officers to patrol the neighborhood. Patrol Special Police are an important piece of the community policing puzzle in the Castro & Upper Market.

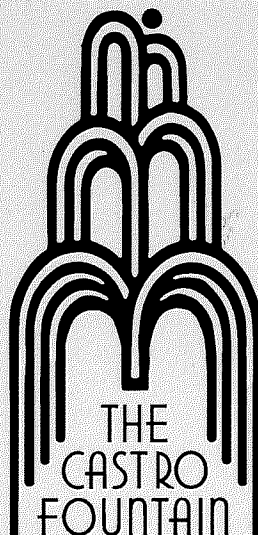




The Castro/Upper Market CBD mourns the loss of San Francisco Patrol Special Officer John Fitzinger.

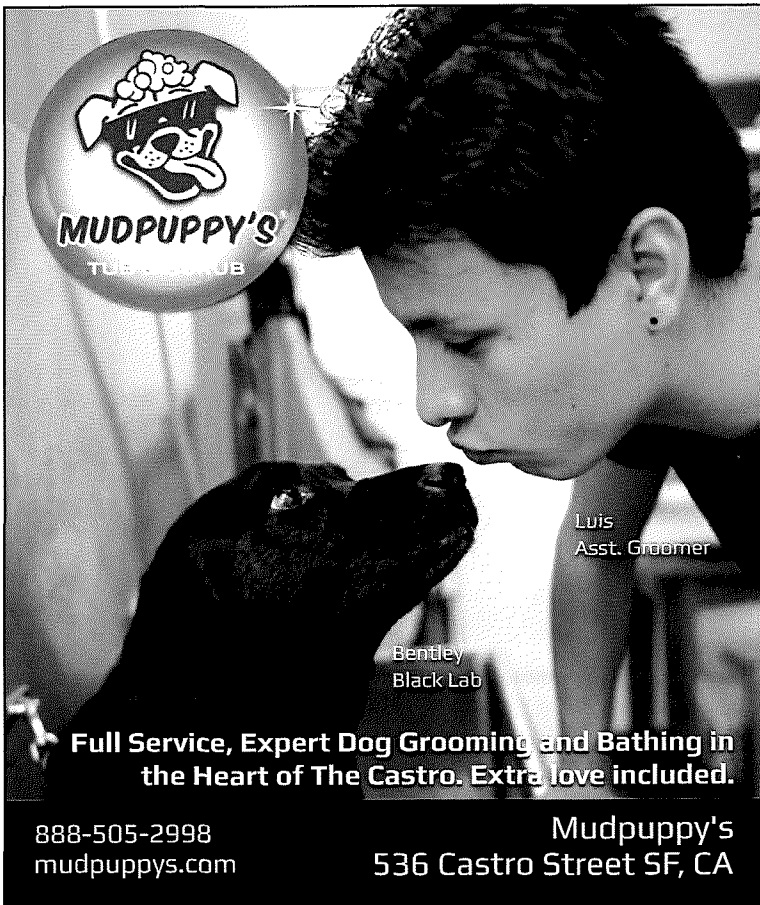
Officer John was a fixture in the Castro/Upper Market. He devoted his life to this neighborhood, merchants and residents alike. John was always concerned, always willing to help and caring for all. A firm hand when necessary and a caring heart when called for. We will all miss John very much. Our hearts go out to his family.

Beth
Hoffman
Alternative
Mortgage
Sources



***CBD
Clean
Team***

Dispatch #
415-471-7536



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THE DOG CLUB

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Asst. Groomer

Bentley
Black Lab

Full Service, Expert Dog Grooming and Bathing in
the Heart of The Castro. Extra love included.

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Hat's
off to
Castro
CBD

Castro
CBD's
Hard
Work
Makes
Us Look
Good!



PRADO
GROUP

Beautification & Activation Strategies

The Seed

Funded through a grant from the Office of Economic and Workforce Development, The Seed is a new public art installation in the Jane Warner Plaza featuring six 13-foot tall abstract flowers, representing seeds or wishes for equality blowing in the wind.

The inspiration for this art work draws from the many wishes many people had, to be able to freely love and to be able to be themselves. "The Castro District and its symbolism represents the collection of all these wishes into a manifestation for human rights."

- Aphidoidea

"The CBD board was drawn to the idea of light art in the Jane Warner Plaza as a way to bring positive energy and activity to the Plaza in the evening. Created by the artist group, Aphidoidea, the Seed stands as a beacon of equality and hope at the intersection of Castro and Market streets", explained Andrea Aiello, Castro CBD executive director.

Live! in the Castro

Live! In The Castro is one of the more popular day-time weekend events free to the public in the Castro. Every weekend between May – October you can find live entertainment in the Jane Warner Plaza thanks to the Castro/Upper Market Community Benefit District and a grant from the Office of Economic & Workforce Development. Neighbors, visitors and passersby enjoy music, dance, art, flagging and other entertainment. This season the CBD has hosted 56 unique performances.



Financials

Statement of Activities
(Year Ended June 30, 2017)

SUPPORT AND REVENUE	
Assessment revenue	\$499,476
Non-assessment revenue, grants, donations, inKind	\$344,233
Interest revenue	\$99
TOTAL SUPPORT AND REVENUE	\$841,808

EXPENSES	
Program services	\$706,669
General and administrative	\$69,181
TOTAL EXPENSES	\$775,850

NET ASSETS	
Unrestricted net assets*	\$57,254
Temporarily restricted**	\$684,701
TOTAL NET ASSETS	\$741,955

*Contingency & reserves

**Funds to carry through to Dec 2017 and grants

TOTAL CARRY OVER FROM 6/30/16	
Assessments***	\$334,307
Grants/Donations	\$341,850
TOTAL	\$676,157

*** Assessment dollars received immediately prior to fiscal year end 6/30/2016

Orphan Andy's
24 Hour Restaurant



Best Breakfast &
Best Late-Night Restaurant

Celebrating our
40th year!



Serving Breakfast, Lunch and Dinner!

3991-A 17th Street • Market & Castro • 415-864-9795

Castro CBD - Keep
Up The Good Work!

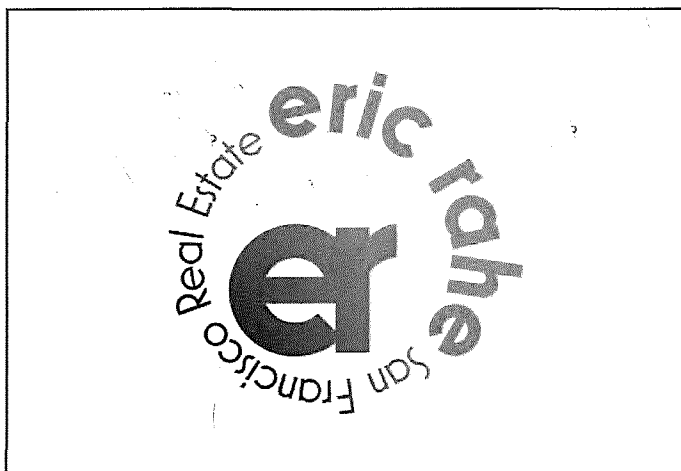


Assessments

The Castro/Upper Market CBD is funded through an annual assessment on the property in the district. Castro/Upper Market CBD assessments are based on the following factors:

Linear frontage, Lot/Parcel size, Building square footage, Building use. Each assessed property is listed on the Castro CBD website at: http://castrocbd.org/wp-content/uploads/FY2016-17Assesments_PostWebsiteV2.pdf.

This information is provided to the Castro/Upper Market CBD from the S. F. Assessor's office. It is the responsibility of property owners to ensure the information provided to the CBD is correct. To correct information, property owners must contact the S.F. Assessor's Office at 415-554-5596 or at <http://www.sfassessor.org/>. The Castro/Upper Market Community Benefit District's Management Plan can be found on the CBD's website at: <http://castrocbd.org/cbd-management-plan/>.



The City Country Group, Vanguard Properties
PAT PATRICELLI | RICHARD LESTER | JOHN GENOVESE



Thanks for the good work, Castro CBD!



Recology™

WASTE ZERO

Castro/Upper Market CBD Board of Directors meetings are open to the public. Starting in December, 2017, meetings will be held bi-monthly at 6:00 p.m., at 501 Castro St., 2nd floor (above the Bank of America). For information on all Castro/Upper Market CBD meetings, see the CBD website at: <http://castrocdb.org/upcoming-meetings/>.

Castro/Upper Market CBD runs from Diamond and 19th streets on its most western side, along Castro to Market street then on Market, from Castro to Octavia.

Who We Are

Board of Directors

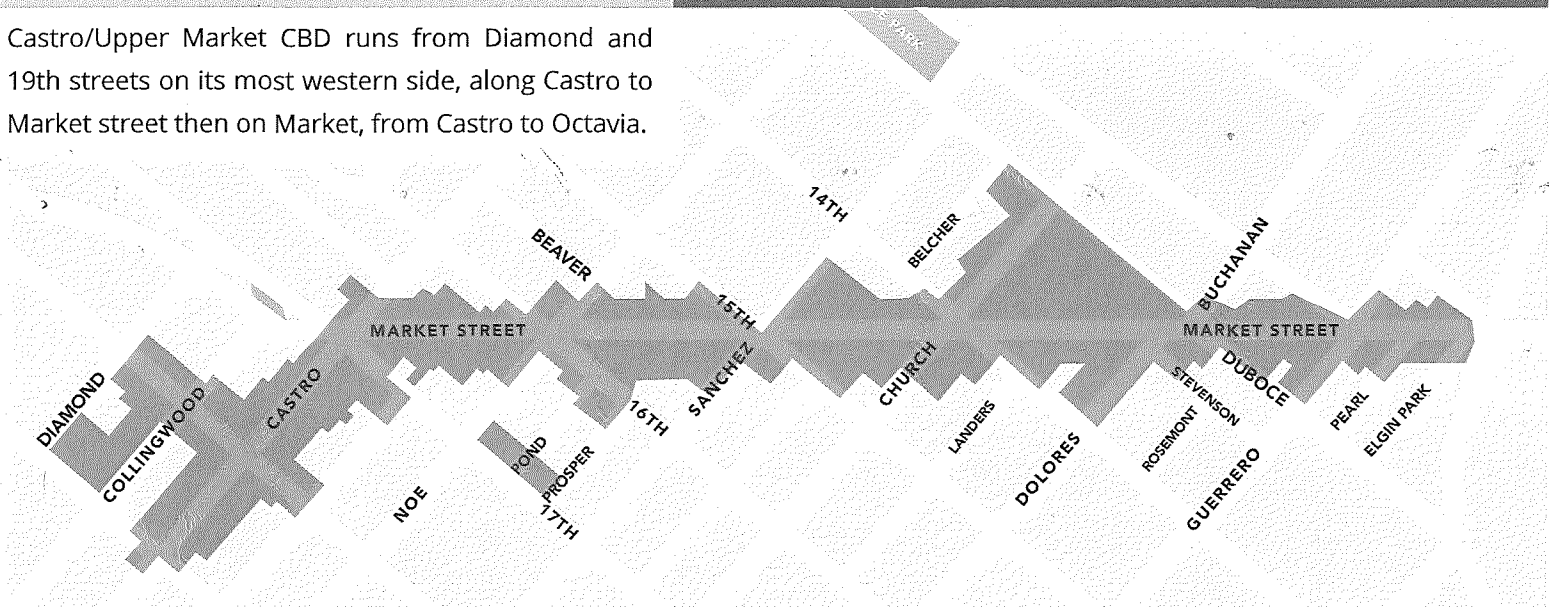
Chase Chambers, President, Services Committee Chair
Alan Lau, Vice President
Alex Harken, Treasurer, Finance Committee Chair
Pauline Scholten, Secretary
Jamal Cool, Board Member
Brian Gougherty, Board Member, DISI Committee Chair
Hubert Ban, Board Member
Scott James, Board Member
Peter Laska, Board Member
Jim Laufenberg, Board Member, Land Use Committee Chair
Pat Sahagun, Board Member

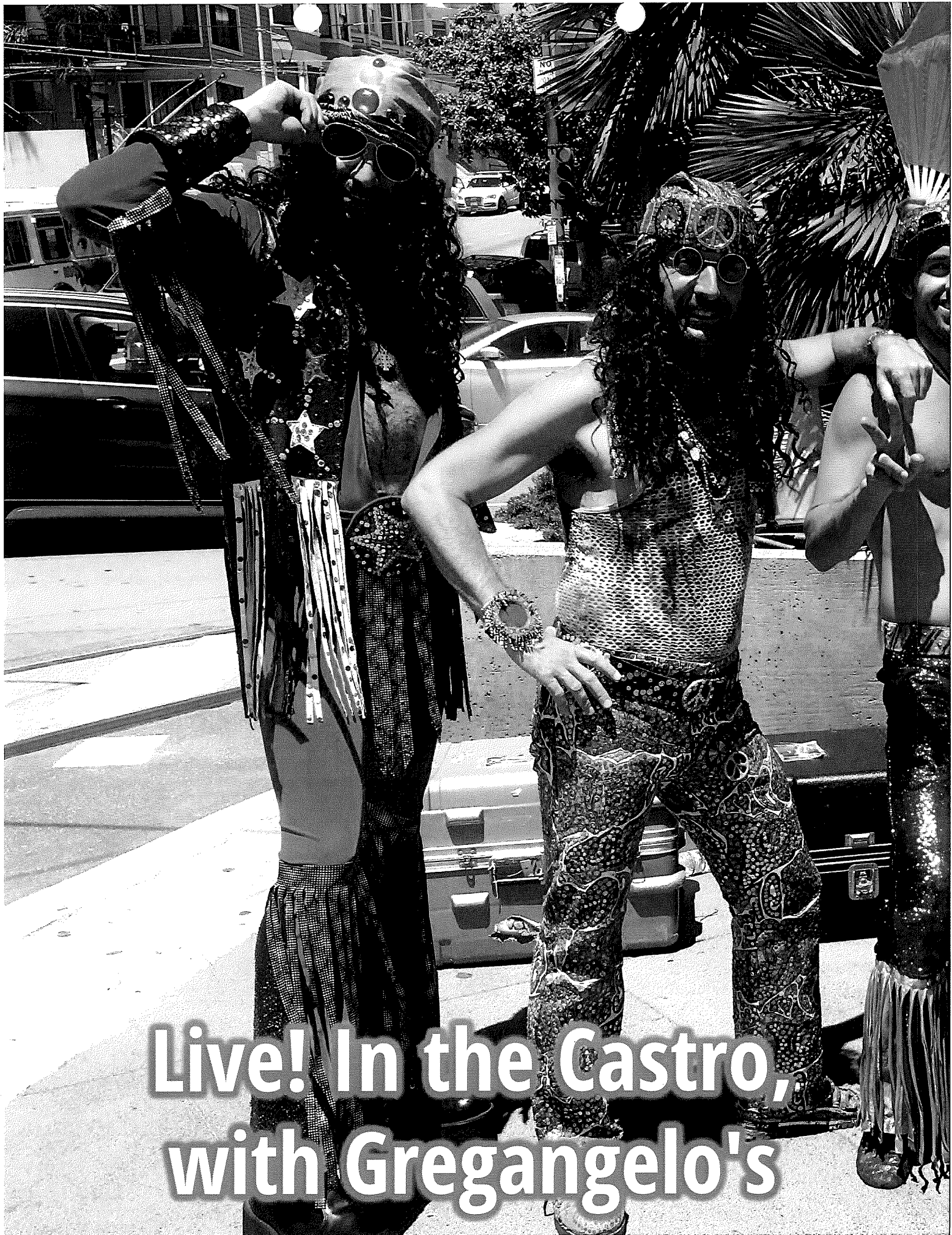
Staff

Andrea Aiello, Executive Director
Kristin Wojkowski, Executive Assistant/Program Coordinator
Anh Han, Accountant

Castro Cares Leadership Team

Castro Community On Patrol
Castro Merchants
Castro/Upper Market Community Benefit District
Duboce Triangle Neighborhood Association
Eureka Valley Neighborhood Association
Hartford Street Neighbors
Most Holy Redeemer Catholic Church
St. Francis Lutheran Church
Wednesday Suppers, Most Holy Redeemer Catholic Church





**Live! In the Castro,
with Gregangelo's**



**Featuring Donna Sachet
-Velocity Circus**

Stay in Touch with the CBD!

WE WANT TO COMMUNICATE WITH YOU!

To join our email list, go to:

[http://castrocbd.org/
contact/](http://castrocbd.org/contact/)

Graffiti Removal!

The Castro CBD removes graffiti for free in the district. If you would like the CBD to remove graffiti from your property in the Castro, please go to

<http://castrocbd.org/graffiti-removal/> to sign up, or call the **Castro CBD at 415-500-1181.**

**Castro/Upper Market CBD
Dispatch #: 415-471-7536**

Call with urgent cleaning concerns/graffiti removal.

Ca
STR

CASTRO / UPPER MARKET
COMMUNITY BENEFIT DISTRICT

Castro/Upper Market Community Benefit District

584 Castro St. Box #336, S.F., CA 94114
ph: 415-500-1181
fax: 415-522-0395

facebook.com/castrocbd
@vstinthecastro
email: info@castrocbd.org



**CASTRO/UPPER MARKET COMMUNITY
BENEFIT DISTRICT, INC.**

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2017



accountancy corporation

CASTRO/UPPER MARKET COMMUNITY
BENEFIT DISTRICT, INC.

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JUNE 30, 2017

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Independent Accountant's Review Report

Board of Directors
Castro/Upper Market Community Benefit District, Inc.

We have reviewed the accompanying financial statements of Castro/Upper Market Community Benefit District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

RINA accountancy corporation

Certified Public Accountants

San Francisco, California
October 12, 2017

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2017

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 398,074
Accounts receivable	386,671
Property and equipment, at cost (net of accumulated depreciation of \$2,925)	1,393
Prepaid expenses	4,031
Security deposits	3,892

TOTAL ASSETS \$ 794,061

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 35,359
Accrued expenses and other payable	16,747

TOTAL LIABILITIES (All Current) 52,106

NET ASSETS:

Unrestricted net assets	48,291
Temporarily restricted net assets	693,664

TOTAL NET ASSETS 741,955

TOTAL LIABILITIES AND NET ASSETS \$ 794,061

See accompanying independent accountants' review report and notes to financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Assessment revenue	\$ 44,953	\$ 454,523	\$ 499,476
Government grants	0	300,594	300,594
Contributions	0	31,912	31,912
Affiliate member dues	0	8,963	8,963
In-kind donation	764	0	764
Interest income	99	0	99
Net assets released from restrictions	444,018	(444,018)	0
TOTAL SUPPORT AND REVENUES	<u>489,834</u>	<u>351,974</u>	<u>841,808</u>
EXPENSES:			
Program services	706,669	0	706,669
General and administrative	69,181	0	69,181
TOTAL EXPENSES	<u>775,850</u>	<u>0</u>	<u>775,850</u>
CHANGE IN NET ASSETS	(286,016)	351,974	65,958
NET ASSETS, beginning of year	<u>334,307</u>	<u>341,690</u>	<u>675,997</u>
NET ASSETS, end of year	<u>\$ 48,291</u>	<u>\$ 693,664</u>	<u>\$ 741,955</u>

See accompanying independent accountants' review report and notes to financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services		General and	Total
	District Identity & Streetscape Improvement	Public Right of Way	Administrative	
Sidewalk cleaning	\$ 0	\$ 296,853	\$ 0	\$ 296,853
Salaries and wages	62,740	71,070	28,632	162,442
Security and public safety	0	79,182	0	79,182
Castro Care services	42,025	34,977	0	77,002
Streetscape improvements	29,731	0	0	29,731
Operation expenses	8,640	10,841	9,179	28,660
Professional services	14,045	0	11,521	25,566
Accounting fees	2,065	5,814	10,100	17,979
Rent expense	3,944	7,173	2,945	14,062
Payroll taxes and workers' compensation	4,330	3,918	5,443	13,691
Marketing and advertising	8,126	3,639	953	12,718
Events and promotions	10,616	0	0	10,616
Castro Ambassadors	5,084	0	0	5,084
Depreciation	133	696	275	1,104
In-kind supplies	161	603	0	764
Travel and meetings	198	65	133	396
TOTAL FUNCTIONAL EXPENSES	\$ 191,838	\$ 514,831	\$ 69,181	\$ 775,850

See accompanying independent accountants' review report and notes to financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 65,958
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	<u>1,104</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	 <u>67,062</u>
 CHANGES IN OPERATING ASSETS AND LIABILITIES:	
Accounts receivable	10,818
Prepaid expenses	(4,031)
Accounts payable	34,567
Accrued expenses and other payable	<u>8,291</u>
 NET CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES	 <u>49,645</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>116,707</u>
 NET INCREASE IN CASH	 116,707
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>281,367</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u>\$ 398,074</u>

See accompanying independent accountants' review report and notes to financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2017

Note 1. NATURE OF ACTIVITIES:

Organization:

The Castro/Upper Market Community Benefit District, Inc. ("Organization") was incorporated in California on December 7, 2005 as a non-profit public benefit corporation. Its mission is to provide services that improve the quality of life in the neighborhood emphasizing clean, safe, beautiful streets.

It also promotes the area's economic vitality, fosters the Castro's unique district identity, and honors its diverse history. All property owners whose parcels of land fall within the Organization's geographic area fund the Organization through a special assessment fee, as established after a majority of property owners vote and legislation adopted by the Board of Supervisors on August 2, 2005 and signed on August 8, 2005 by the Mayor of the City and County of San Francisco (the City).

Upon formation of the district in 2005, its members (property owners) were assessed an annual special tax assessment levied by the City under the Property and Business Improvement District Law of 1994. The term of the district will expire (unless renewed) on December 31, 2020. Under a contract with the City and a Management Plan, the Organization receives these special tax assessments and, in exchange, provides certain services to the members of the District. The services include, but are not limited to, supplemental regular cleaning of the sidewalks and curb gutters (sweeping/steam cleaning), graffiti removal, security, marketing, greening and landscaping services, public space management, sponsorship of special events and other district promotional activities, and management and corporate operations.

Note 2. SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP).

Financial statement presentation:

Professional accounting standards require that the Organization report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted net assets:

The portion of net assets that is not restricted by donor imposed stipulations or restrictions.

Temporarily restricted net assets:

The portion of net assets for which use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization.

Permanently restricted net assets:

The portion of net assets held in perpetuity by donor imposed stipulations. Investment income is available for donor stipulated purposes and is included in temporarily restricted net assets. The Organization has no permanently restricted net assets.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2017

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents:

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and Equipment:

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Receivables:

Accounts receivable primarily consists of grants from the City and County of San Francisco that have been awarded but for which funds have not yet been received. The Organization provides an allowance for doubtful accounts that is based on prior year bad debt experience. No allowance was deemed necessary at June 30, 2017. It is the Organization's policy to charge off uncollectible accounts receivables when management determines the receivable will not be collected.

Contribution:

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated services and materials:

Donated services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated property is recognized as contribution in the accompanying financial statements at its estimated fair market value at date of gift.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2017

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income tax status:

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for such taxes in the accompanying combined financial statements.

Use of Accounting Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk:

The Organization maintains its cash and money market account balances at financial institutions located in San Francisco, California. Such balances with any one institution may, at times, be in excess of federally insured amounts. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events:

Management has evaluated subsequent events through October 12, 2017 the date which the financial statements were available for issue.

Note 3. PROPERTY AND EQUIPMENT:

At June 30, 2017, property and equipment consisted of the following:

		Estimated Useful Lives (years)
Computer equipment	\$ 2,527	3
Furniture and fixtures	1,831	7
	<hr/>	
Less: Accumulated depreciation	\$ 4,358	
	(2,965)	
	<hr/>	
Net property and equipment	\$ 1,393	
	<hr/> <hr/>	

For the year ended June 30, 2017, depreciation expense amounted to \$1,104.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2017

Note 4. CONCENTRATION OF SUPPORT AND REVENUE:

The Organization received special benefit assessments under a contract with the City and County of San Francisco, which represents approximately 59% of the Organization's total revenue.

Note 5. NET ASSETS:

Unrestricted net assets comprised the following at June 30, 2017:

Unrestricted net assets \$ 57,254

Temporarily restricted net assets and related activity comprise the following for the year ended June 30, 2017:

	<u>July 1, 2016</u>	<u>Contributions and Income</u>	<u>Released from Restrictions</u>	<u>June 30, 2017</u>
Assessment grants - public right of way	\$ 0	\$ 323,633	\$ 131,837	\$ 191,796
Assessment grants - district identity and streetscape improvements	0	59,937	20,023	39,914
Assessment grants - general and administration	0	79,916	10,861	69,055
Castro Care donations	30,006	29,312	22,798	36,520
JWP donations	434	0	434	0
Man Dance donations	0	1,700	1,700	0
Pink Triangle Park donations	0	900	900	0
OEWD - Castro Care grant	146,278	170,594	134,556	182,316
OEWD - JWP grant	140,517	130,000	103,283	167,234
OEWD - retail strategy	24,455	0	17,626	6,829
Totals	<u>\$ 341,690</u>	<u>\$ 795,992</u>	<u>\$ 444,018</u>	<u>\$ 693,664</u>

Note 6. OPERATING LEASE:

The Organization conducts its operation from a facility that is leased under a three-year non-cancelable operating lease expiring on August 31, 2017, which has been extended for an additional three years until August 31, 2020. Future minimum rental payments due under the lease are as follows:

For the year ending June 30,	
2018	\$ 49,586
2019	51,074
2020	52,606
2021	<u>8,810</u>
Total future minimum lease payments	<u>\$ 162,076</u>

Rental expense was \$14,062 for the year ended June 30, 2017.

A sublessor is obligated to pay the landlord \$5,250 of the future minimum lease payments due June 30, 2018 pursuant to a sublease directly between the sublessor and the landlord.

MEMO

To: Supervisor Jeff Sheehy, District 8
CC: San Francisco Board of Supervisors
From: Chris Corgas, OEWD Senior Program Manager
RE: Castro/Upper Market Community Benefit District
Date: February 13, 2018

This is a memo summarizing the performance of the Castro/Upper Market Community Benefit District (Castro/Upper Market CBD) and an analysis of their financial statements (based on their audit) for the period between July 1, 2016 and June 30, 2017.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. The Castro/Upper Market CBD has complied with the submission of all these requirements. OEWD staff, with assistance from the Controller's Office, reviewed these financial documents to monitor and report on whether they have complied with the rules per the Property and Business Improvement District Law of 1994, California Streets and Highways Code Sections 36600 Et Seq.; San Francisco's Business and Tax Regulations Code Article 15; the Castro/Upper Market's Community Benefit District management contract with the City; and their Management Plan as approved by the Board of Supervisors in 2006.

Also attached to this memo are the following documents:

1. Annual Report
 - a. FY 2016-2017
2. CPA Financial Review Report
 - a. FY 2016-2017
3. Draft resolution from the Office of Economic and Workforce Development



Background

The Castro/Upper Market Community Benefit District spans 18 blocks and contains 279 parcels.

- August 2, 2005: the Board of Supervisors approved the establishment of the Castro/Upper Market Community Benefit District (Resolution # 582-05).
- January 10, 2006: the Board approved the contract for the administration and management of the Castro/Upper Market Community Benefit District (Resolution # 14-06).
- March 14, 2017: the Board of Supervisors approved the Castro/Upper Market CBD's Annual Reports for Fiscal Year 2015-2016 (Resolution # 079-17).

Basic Info about the Castro Upper Market CBD

Year Established	August 2005
Assessment Collection Period	FY 2005-2006 to FY 2019-2020 (July 1, 2005 to June 30, 2020)
Services Start and End Date	January 1, 2006 – December 31, 2020
Initial Estimated Annual Budget	\$413,500
Fiscal Year	July 1 – June 30
Executive Director	Andrea Aiello
Name of Nonprofit Entity	Castro/Upper Market Community Benefit District Corporation

The current CBD website, www.castrocbd.org, includes all the pertinent information about the organization and their programs, a calendar of events, their Management Plan, Mid-Year Report, Annual Report and meeting schedules.

Summary of Service Area Goals

Public Rights of Way and Sidewalk Operations (PROWSO)

Public Rights of Way and Sidewalk Operations program area includes cleaning and public realm management services include regular sidewalk and gutter sweeping within the district boundaries, enhanced trash emptying in public rights of way, graffiti removal within 24-48 hours, spot steam cleaning as necessary, and maintenance of public spaces. These services are provided daily by a "Clean Team. This program area augments its pedestrian safety initiatives with a Patrol Special officer who patrols the neighborhood seven nights a week. PROWSO may also include removal of bulky items, tree and plant maintenance, greening, landscaping and beautification of public spaces, The Castro/Upper Market CBD Management Plan calls for 63% of the budget to be spent on PROWSO.

District Identity and Street Improvements (DISI)

The District Identity and Street Improvements service includes marketing, public relations, street enhancements, historical markers and public art, and economic vitality related strategies in the Castro/Upper Market area. This program area may also sponsor events such as Halloween, Castro Street Fair, Pink Saturday, Bear Weekend, and Folsom Street Fair. The Castro/Upper Market CBD Management Plan allocates 12% of their funds to this service area.

Administration and Corporate Operations

The Castro/Upper Market CBD is staffed by a full-time executive director who serves as the focal point person and advocate for the CBD. The executive director also ensures that the CBD complies with the City contract and management plan as well as works towards organizational development issues including long term goals of the CBD. The executive director is in regular communication with community

stakeholders such as the SFPD, Public Works and Recology. The Castro/Upper Market CBD Management Plan calls for 16% of the budget to be spent on administration and corporate operations.

In FY 2015-2016 the Castro/Upper Market CBD board had ten (10) directors, represented by residents, property owners, community organizations, and non-property owning merchants. The full board meets on the second Thursday of each month. The five standing committees and meeting times are detailed below:

- **Executive Committee** – as needed.
- **Finance Committee** – as needed.
- **Land Use Committee** – Fourth Monday of the month.
- **District Identity & Streetscape Committee** – First Monday of the month.
- **Services Committee** – as needed.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2016-2017

Public Rights of Way and Sidewalk Operations (PROWSO)

- 93,120 pounds of trash removed
- 1,632 instances of graffiti or sticker removal
- 1,380 needles removed
- 1,140 instances of bio-refuse removal
- 152,365 linear feet steam cleaned throughout the need
- Daily sweeping of entire district.
- Quarterly steam cleaning of sidewalks and plazas in district.
- Weeding and greenspace maintenance.
- Cleaning of Harvey Milk Plaza (upstairs/sidewalk level, sidewalk level planter beds).
- Topping off of City trash cans, and collection of street garbage, including animal/human feces, and to a limited extent removing illegal fliers, stickers from bus stops, city signage, and lampposts.
- Continual implementation of Castro Cares

District Identity and Street Improvements (DISI)

- Live! In the Castro activated Jane Warner Plaza with free weekend entertainment between May and October, this past season the CBD organized 56 unique performances.
- The CBD planned and began installation of “The Seed” public art activation in Jane Warner Plaza
- The CBD has been a leader in advocating for pedestrian safety improvements within the district and has been working closely with SFMTA on the implementation of Vision Zero.
- Completed the Castro & Upper Market Retail Strategy Implementation. This was a collaborative project aimed at addressing the increase in vacancies in the district and developing an actionable plan to fill ground floor retail in a manner which encourages the district to thrive.

Administration and Corporate Operations

- Continued to administer Castro Cares, Jane Warner Plaza, and other grants
- Recruited new Board Members.
- Website and social media updates.
- Represent CBD in the media, at City and community functions and in the public.

- Respond to communication from property owners, merchants, and residents regarding issues directly or indirectly related to the services provided by the CBD.
- Maintain a close working relationship with the SFPD's Mission Station, SF Public Works, SFMTA, and Recology.
- Ensured compliance with state and City CBD requirements; as well as Management Agreement with the City.

Castro/Upper Market CBD Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for the Castro/Upper Market CBD:

- **BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan (*Agreement for the Administration of the "Castro/Upper Market Community Benefit District", Section 3.9 – Budget*).
- **BENCHMARK 2:** Whether five percent (5%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B) (6); Agreement for the Administration of the "Castro/Upper Market Community Benefit District", Section 3.4 - Annual Reports*).
- **BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percent (*Agreement for the Administration of the "Castro/Upper Market Community Benefit District", Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether the Castro/Upper Market CBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (*CA Streets & Highways Code, Section 36650(B)(5)*).

FY 2016-2017

BENCHMARK 1: Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan.

ANALYSIS: *The Castro/Upper Market CBD met this requirement. The variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan. See table below. Note: This indicates the amount budgeted in relation to Special Assessment dollars.*

Service Category	Management Plan Budget	% of Budget	FY 2015-2016 Budget	% of Budget	Variance Percentage Points
Public Rights of Way and Sidewalk Operations plus Public Safety Services	\$260,675	63.04%	\$332,947.00	66.58%	+3.54%
District Identity and Streetscape Improvements	\$50,500	12.21%	\$57,351.00	11.47%	-0.74%
Administrative/Corporate Operations	\$65,000	15.72%	\$66,442.00	13.29%	-2.43%

Contingency/Reserve	\$37,325	9%	\$43,304.00	8.66%	-37%
TOTAL	\$413,500	100%	\$500,044.00	100%	

BENCHMARK 2: Whether five percent (5%) of actuals came from sources other than assessment revenue.

ANALYSIS: *The Castro/Upper Market CBD met this requirement.* Assessment revenue was \$508,439 or 60.40% of actuals and non-assessment revenue was \$333,369 or 39.60% of actuals. See table below.

Revenue Sources	FY 2016-2017 Actuals	% of Actuals
Special Benefit Assessments	\$508,439.00	
Total assessment revenue	\$508,439.00	60.40%
Grants	\$300,594.00	35.71%
Donations	\$31,912.00	3.79%
Other	\$764.00	0.09%
Interest Earned	\$99.00	0.01%
Total non-assessment revenue	\$333,369.00	39.60%
Total	\$841,808.00	100%

BENCHMARK 3: Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percentage points.

ANALYSIS: *The Castro/Upper Market CBD met this requirement.* See table below. Note: This indicates the amount of Special Assessment dollars utilized in this category.

Service Category	FY 2016-2017 Budget	% of Budget	FY 2016-2017 Actuals	% of Actuals	Variance Percentage Points
Public Rights of Way and Sidewalk Operations plus Public Safety Services	\$332,947.00	66.58%	\$334,415.00	65.67%	-.91%
District Identity and Streetscape Improvements	\$57,351.00	11.47%	\$60,657.00	11.91%	+.44%
Administrative/Corporate Operations	\$66,442.00	13.29%	\$69,182.00	13.59%	+.30%
Contingency/Reserve	\$43,304.00	8.66%	\$44,953.00	8.83%	+.17%
TOTAL	\$500,044.00	100%	\$509,207.00	100.0%	

BENCHMARK 4: Whether the Castro/Upper Market CBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year.

ANALYSIS: *The Castro/Upper Market CBD met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.*

FY 2016-2017 Carryover Disbursement	
General Benefit Projects	
Jane Warner Plaza Activation	\$167,235
Retail Strategy Grant	\$6,829
Castro Cares	\$182,316
Castro Cares Donations	\$36,520
Total General Benefit Projects	\$392,900
Special Assessment Project	
District Identity and Streetscape Improvements	\$39,913.00
Administrative and Corporate Operations	\$69,055.00
Contingency and Reserve	\$57,254.00
Public Rights of Way Sidewalk Operations	\$182,833
Total Special Assessment Allocation	\$349,055.00
Total Designated Amount	\$741,955.00

Findings and Recommendations

For the fiscal year in review, the Castro/Upper Market CBD has met all of the benchmarks as defined on page 4 of this memo.

Castro/Upper Market CBD’s large carryover can be explained because there is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, CBD’s typically have a fund balance equal to about 6 months of their annual budget in order to fund operation until their next disbursement happens.

Castro CBD implemented OEWD recommendations from the previous fiscal year’s annual report.

The Castro CBD will be up for renewal in FY 2019-2020, OEWD recommends that the CBD governing board and staff begin preparations for the district’s renewal campaign.

Conclusion

The Castro/Upper Market CBD has performed well in implementing their service plan. The Castro/Upper Market CBD has continued to successfully market and produce events such as *Live!* in the Castro. The

Castro/Upper Market CBD has increased their opportunities in partnering with community stakeholders and numerous municipal agencies for the implementation of the Castro Cares Project. The Castro/Upper Market CBD has an active board of directors and committee members; and OEWD believes the Castro/Upper Market CBD will continue to successfully carryout their mission and service plans.

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller
Todd Rufo, Director, Office of Economic and Workforce Development

FROM: John Carroll, Assistant Clerk, Government Audit and Oversight
Committee, Board of Supervisors

DATE: March 20, 2018

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Sheehy on March 13, 2018:

File No. 180247

Resolution receiving and approving an annual report for the Castro/Upper Market Community Benefit District for FY2016-2017, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Office of the Controller
Ken Rich, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development

Print Form

Introduction Form

By a Member of the Board of Supervisors or Mayor

800
 13 PM 12:17
 Time stamp
 or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [redacted] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [redacted] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. [redacted]
- 9. Reactivate File No. [redacted]
- 10. Question(s) submitted for Mayoral Appearance before the BOS on [redacted]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

[redacted] Sheehy

Subject:

[redacted] Castro CBD Annual Report

The text is listed:

[redacted] Attached

Signature of Sponsoring Supervisor:

[redacted] Jeff Sheehy

For Clerk's Use Only