

MEMO

To: Supervisor Aaron Peskin, District 3
CC: San Francisco Board of Supervisors
From: Chris Corgas, Project Manager
RE: Lower Polk Community Benefit District
Date: January 20, 2016

This is a memo summarizing the performance of the Lower Polk Community Benefit District (LPCBD) and an analysis of their annual report for the period between July 1, 2014, and June 30, 2015. As LPCBD did not receive assessment dollars with their first fiscal year of operation, no financial statement has been included

In the first year of operation, the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. Lower Polk CBD has not complied with the submission of mid-year report and the CPA Financial Review. OEWD staff reviewed LPCBD's annual report 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 Lower Polk Community Benefit District management contract with the City; and their Management Plan as approved by the Board of Supervisors in 2014.

Also attached to this memo are the following documents:

1. Annual Report
 - a. FY 2014-2015
2. Draft resolution from the Office of Economic and Workforce Development

Background



The Lower Polk Community Benefit District includes 307 property-based parcels.

- July 29, 2014: the Board of Supervisors approved the resolution that established the property-based district called the Lower Polk Community Benefit District for 8 years (Resolution # 314-15).
- November 26, 2014: Organization formed and incorporated
- January 14, 2015: First meeting of the Board of Directors
- July 28, 2015: the Board approved the contract for the administration and management of the Lower Polk Community Benefit District (Resolution # 297-15).
- August 17, 2015: CBD received first assessment payment.
- November 16, 2015: Executive Director first day with CBD.

Basic Info about Lower Polk CBD

Year Established	July 2014
Assessment Collection Period	FY 2014-15 to FY 2028-29 (July 1, 2014 to June 30, 2029)
Services Start and End Date	January 1, 2014 – December 31, 2029
Initial Estimated Annual Budget	\$799,093
Fiscal Year	July 1 – June 30
Executive Director	Christian Martin
Name of Nonprofit Owners' Association	Lower Polk Community Benefit District

The current CBD website, www.lowerpolkcbd.com, includes all the pertinent information about the organization and their programs, meeting agendas, and their Management Plan.

Summary of Service Area Goals

Cleaning, Maintenance, and Safety

Cleaning, Maintenance, and Safety program area includes regular sidewalk sweeping, alley cleaning, refuse removal, regularly scheduled steam cleaning, pressure washing, graffiti removal, tree maintenance, and weeding. LPCBD Management Plan calls for 57% of the budget to be spent in this service area.

Marketing, Streetscape Improvement, and Beautification

Street Operations, Beautification and Order service area includes street maintenance and beautification. This service area calls for increased district marketing in order to create neighborhood identity and contribute to the economic vitality of the area.. Additionally, this service area will support the district with events meant to draw visitors to the Lower Polk neighborhood throughout the year. The LPCBD Management Plan calls for 11% of the budget to be spent on this service area.

Management and Operations

The LPCBD Management Plan calls for 28% of the budget to be spent on management and operations. LPCBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for Lower Polk CBD. LPCBD board has eleven (11) board members that represent the diverse property owners and businesses in the district. Notice of meetings of the CBD's Board of Directors and CBD Advisory Committees will be posted to the website calendar and at the SF Main Library. All Board of Directors meetings are open to the public, and public comment is welcome. LPCBD will be forming advisory committees in FY 15-16.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2014-2015

District Identity

- No work was done in this area

Street Operations, Beautification and Order (SOBO)

- No work was done in this area

Administration, Organization and Corporate Operations

- Organization formed through public process and incorporated in 2015 and received 501C3 status.
- Completed the Management Contract process with the City in July, 2015 allowing the City to disperse collected assessment funds to the organization.
- Hired a full-time executive director.

LPCBD Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for LPCBD:

- **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 "Lower Polk Community Benefit District", Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the "Lower Polk 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 "Lower Polk Community Benefit District", Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether LPCBD 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 2014-2015

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: LPCBD met this requirement. *The CBD’s initial budget was consistent with that in the LPCBD Management Plan. See tables below.*

Service Category	Management Plan Budget	% of Budget	FY 2014-2015 Budget	% of Budget	Variance Percentage Points
Cleaning, Maintenance, and Safety Program	\$478,675	57%	\$478,675	57%	0%
Marketing, Streetscape Improvements, and Beautification Program	\$95,700	11%	\$95,700	11%	0%
Management and Operations	\$240,900	28%	\$240,900	28%	0%
Contingency/Reserves	\$30,774.54	4%	\$30,774.54	4%	0%
TOTAL	\$846,049.54	100.0%	\$846,049.54	100.0%	

BENCHMARK 2: Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue

ANALYSIS: LPCBD met this requirement. *Assessment revenue was \$0 or 0% of actuals and non-assessment revenue was \$10,039.47 or 100% of actuals. See table below.*

Revenue Sources	FY 2014-2015 Actuals	% of Actuals
Special Benefit Assessments	\$ 0	
Total assessment revenue	\$0	0%
Contributions	\$10,039.47	
In-kind rent and facility use	\$00	
In-kind services	\$0	
Total non-assessment revenue	\$10,039.47	100%
Total	\$10,039.47	100%

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

ANALYSIS: *LPCBD did not meet this requirement. LPCBD failed across three out of four service areas in this benchmark. This is due to LPCBD not completing the Management Contract process until early FY 15-16. Without an executed Management Contract, the City cannot transfer assessment funds to the District. As a result, the CBD had no income across all service areas. The only reason all four service areas are not out of compliance with this benchmark is because Contingency/Reserves falls under the 10% threshold.*

Service Category	FY 2014-2015 Budget	% of Budget	FY 2014-2015 Actuals	% of Budget	Variance Percentage Points
Cleaning, Maintenance, and Safety Program	\$478,675	57%	\$0	0%	-57%
Marketing, Streetscape Improvements, and Beautification Program	\$95,700	11%	\$0	0%	-11%
Management and Operations	\$240,900	28%	\$10,039.47	100%	+71.53%
Contingency/Reserves	\$30,774.54	4%	\$0	0%	-4%
TOTAL	\$846,049.54	100.0%	\$0	0%	

BENCHMARK 4: Whether LPCBD 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: *LPCBD 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 2014-15 Carryover Disbursement	\$766,683.26
Designated Projects for FY 2015-16	
Cleaning, Maintenance, and Safety Program	\$ 437,009.46
Marketing, Streetscape Improvements, and Beautification Program	\$ 84,335.16
Management and Operations	\$ 214,671.31

Contingency/Reserves	\$ 30,667.33
Total Designated amount for FY 2014-15	\$766,683.26

Findings and Recommendations

LPCBD has generally met all of the benchmarks as defined on page 3 of this memo, with the exception of benchmark three.

While the percentage points exceed the allowable variance, further research shows that this variance is related to the CBD not receiving assessment revenue with FY 14-15. LPCBD did not receive their FY 14-15 assessment until FY 15-16 due to delays in providing Management Contract deliverables to OEWD for review. The contingency/reserve category was not out of compliance because the 4% allocation was under the 10% barometer. Once all deliverables were received and reviewed by OEWD, LPCBD was allowed to move forward with the Management Contract process. As a result, no assessment money was dispersed to or spent by the CBD in FY 14-15. The Management Contract was executed in August 2015 (FY 15-16) and OEWD will work with LPCBD to ensure that spending is in compliance with the District Management Plan.

LPCBD has been instructed spend down their FY 14-15 in an appropriate amount of time. The CBD will be doing this in accordance with state law and according to Management Plan percentage allocations.

In the course of OEWD review it was determined that the CBD has not posted announcements of board meetings at the main library. LPCBD has posted announcements on its website in compliance with the Brown Act. Moving forward LPCBD will also post announcements at the main library to be fully in compliance with Brown Act and Management Contract requirements.

LPCBD has responded well to OEWD requests and have made necessary corrections and alterations as requested.

Moving forward OEWD will work with Lower Polk CBD to ensure that Benchmark 3 will be in compliance and that all meeting announcement requirements are met.

Conclusion

The Lower Polk CBD was formed through an open, community-based process. They developed governance policies and procedures, hired an executive director, and expect to start services in January, 2016. Due to unforeseen circumstances, including the passing of Shell Thomas and delays in completing the management contract, the service start date was postponed until January 2016. Lower Polk CBD has been responsive to community stakeholders concerns regarding the delay of services.

OEWD has worked with the CBD to ensure they received their FY 14-15 assessment revenue and will deliver on their Management Plan in FY 15-16. Lower Polk CBD has successfully developed their general

benefit sources and has kept budgets in line with the Management Plan. Lower Polk CBD has an active board of directors and an experienced executive director. OEWD believes that Lower Polk CBD will successfully carryout its mission and service plans in FY 15-16.