

File No. 181013

Committee Item No. 10

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: November 7, 2018

Board of Supervisors Meeting:

Date: _____

Cmte Board

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| <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

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|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Annual Report - June 30, 2017</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CPA Report - June 30, 2017</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>OEWD Memo - October 5, 2018</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Referral FYI - October 22, 2018</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Prepared by: John Carroll

Date: November 2, 2018

Prepared by: _____

Date: _____

1 [Lower Polk Community Benefit District - Annual Report - FY2016-2017]
2

3 **Resolution receiving and approving an annual report for the Lower Polk Community**
4 **Benefit District for FY2016-2017, submitted as required by the Property and Business**
5 **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 3, 2014, 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 Business and Tax Regulations Code, the Board of
12 Supervisors adopted Resolution No. 177-14, expressing the City's intention to establish the
13 Lower Polk Community Benefit District (the "Lower Polk CBD"); and

14 WHEREAS, On July 29, 2014, the Board of Supervisors adopted Resolution
15 No. 314-14 establishing the Lower Polk CBD ("Resolution to Establish") for a period of 15
16 years, commencing FY2014-2015; and

17 WHEREAS, On July 28, 2015, the Board of Supervisors adopted Resolution
18 No. 297-15, authorizing an agreement with the owners' association for the
19 administration/management of the Lower Polk CBD, and a management agreement (the
20 "Management Contract") with the owners' association, the Lower Polk Community Benefit
21 District, was executed accordingly; and

22 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board
23 of Supervisors in File No. 150735; and

24 WHEREAS, On October 24, 2017, the Board of Supervisors approved the Lower Polk
25 CBD's annual report for FY2015-2016 in Resolution No. 392-17; and

1 WHEREAS, The Lower Polk CBD has submitted for the Board's receipt and approval
2 the Lower Polk annual report for FY2016-2017 as required by Section 36650 of the Act and
3 Section 3.4 of the Management Contract; and

4 WHEREAS, The Annual Report is on file with the Clerk of the Board of Supervisors in
5 File No. 181013, and is incorporated herein by reference as though fully set forth; and

6 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
7 memorandum report from the Office of Economic and Workforce Development, dated
8 October 5, 2018, and documentation from the Lower Polk CBD for the FY2016-2017 Annual
9 Report is on file with the Clerk of the Board of Supervisors in File No. 181013; now, therefore,
10 be it

11 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
12 report for the Lower Polk Community Benefit District for FY2016-2017.



**Annual Report
FY 2016 -2017**

Legal Authorization

The Lower Polk CBD has been providing cleaning, maintenance, and hospitality services to a roughly 22 block area along the Polk Street corridor (Van Ness to Larkin) from California to O’Farrell since January 1, 2016. LPCBD is formed pursuant to the Property and Business Improvement District Act of 1994 within the California Streets and Highway Code (Sections 36600 et seq.) (“1994” Act”) as augmented by the Business Improvement District Procedure, Article 15 of the San Francisco Business and Tax Regulations Code.

Program Areas

Cleaning and Maintenance

LPCBD employs full time staff and contractors to provide a variety of cleaning and maintenance services. LPCBD employs 6 full time cleaning ambassadors and a rotation of ambassador interns through the Human Services Agency’s ITIP Program.

In addition, contractors bringing a collective 50 years of experience to the Lower Polk include; Streetplus LLC, and Curb Appeal Inc. for pressure washing. These companies are contracted by LPCBD management to provide the following services:

LPCBD Cleaning and Maintenance Services	
Removal of litter, debris and cigarette butts on sidewalks from the building line to 18” into the street gutter	Daily
Damp wiping and straightening of public fixtures (such as trash can lids and news racks)	Daily
Power Washing of sidewalks and alleys (spot cleaning of most heavily trafficked areas/spills/stains)	Regular as needed
Removal of graffiti on private property with property owner consent	Within 48 hours of notification
Removal of graffiti from public infrastructure	Daily
Removal of isolated weeds (larger concentrations of weeds removed by cutting)	As needed
Special Projects. Defined as painting of public infrastructure, cleaning of tree wells, or other similar projects	As needed



Work with San Francisco Police and service organizations to identify strategies to help individuals in need	Daily
---	-------

In FY 2016/2017, LPCBD ambassadors removed over 184 tons of trash from the Lower Polk streets. Cleaning crews also removed approximately 1,287 instances of graffiti and pressure washed 306 block faces in the district. Further LPCBD staff conducted daily pan and broom litter patrol and clean up services, abated weeds 52 times, gave directions 63 times, and worked to remove 71 encampments and aggressive panhandlers.

Pan and broom cleaning by the numbers:

Block faces = 67,840

Trash bags collected = 6694 / 368,170 lbs.

Pressure Washing- block faces= 306

Weed abatement = 52

Directions = 63

Encampments/panhandling responses= 71

Graffiti/stickers abated = 1,287

Homeless Outreach

LPCBD outreach services are designed to support and promote the economic vitality of our community. To ensure our outreach staff has the best training and is coordinated with San Francisco City government, we have retained a consultant who is a former member of the SFHOT (Homeless Outreach) Team, and has several years of experience doing outreach in the Polk Street neighborhood. Our consultant's objective is to train our ambassadors and interns with the best practices that improve the overall safety and security of the neighborhood, while improving the quality of life for homeless individuals. We do this by referring those in need to other community-based service providers whenever possible.

LPCBD has regular training for ambassadors and outreach staff in trauma informed care, safety management and risk training (SMART), CPR, and first aid techniques. Outreach ambassadors are further given strategic engagement practices that facilitate relationship building through barriers such as mental health challenges, and drug and alcohol addiction.

The LPCBD Ambassadors regularly engage in social services activities including:

- Conducting daily outreach sessions to homeless within our boundaries
- Responding to calls by merchants requesting support
- Making referrals to other services such as Lava Mae for Showers, Glide, ST. Anthony's, and St Martin De Pores for meals
- Call the Hot Team for support
- Call 911 for support
- Provide access to clean and monitored restroom services 24 hours per day



Outreach Tent at Macaulay Park:

LPCBD has provided an outreach tent that we staff Monday through Friday. The tent is stocked with fresh drinking water and outreach materials for people needing services and support. The tent is strategically placed to activate and provide monitoring for Sgt. Macaulay children's park and the JC Decaux restroom on Larkin Street near the intersection of Myrtle Street.

Providing these outreach services has provided a calming force, and stabilized this corner of the Tenderloin neighborhood dramatically during business hours. LPCBD Outreach Ambassadors are a visible presence in the community, providing an enhanced atmosphere of public safety and social cohesion. LPCBD intervenes when there are concerns expressed by the business community and provides de-escalation services to people experiencing emotional disturbances whenever necessary. The CBD also provides an important security presence that observes and reports security concerns before they become out of control, defusing potentially dangerous situations in the district. We also make strategic interventions (when safe and appropriate) to serve as a buffer between law enforcement, the homeless, and the businesses and residents of the Lower Polk neighborhood.

Our objective through these services is to remove the barriers to the sustained vitality of our business community, and to improve the quality of life for residents and visitors to our district. To help accomplish our organizational objectives.

Administration

On the administrative front, LPCBD secured and began renovating a long-term office space at 1170 Sutter Street. The vacant Haji's Hardware store was selected as the future home of the CBD due to its sufficient size, location, and functionality for maintenance operations. The renovation began in FY16/17 and will be completed in January of 2018. The renovations of our new office space was made possible by utilizing CPMC mitigation funds received in the previous fiscal year.

The LPCBD also made significant progress raising new funds beyond the general assessment in 2016/17. These funds will make our programs financially sustainable in subsequent fiscal years. Specifically, LPCBD applied and received grant funding for the following; Lower Polk/Tenderloin Art Walk, Hemlock Mural Project, restroom services, and an innovative tenant landlord clinic to help prevent homelessness.

LPCBD procured the following professional services on an as needed basis; legal services, arts program consulting, website development and technical support, homeless outreach consulting, accounting, and grant writing assistance.

In addition to the Executive Director, full time employees include our Office Manager, Project Manager, and a Program Manager who supervises our cleaning and outreach personnel.



The LPCBD Board of Directors are; Vahram Massehian, Bhavana Manchanda, Michael Petricca, Al Casciato, Chris Schulman, and Lindsey Fisher. Recruitment of additional board members is currently taking place.

Marketing, beautification, streetscape improvements

Streetscape Improvements:

Working with SFDPW, SFMTA, Supervisor Peskin, Pacific Eagle Inc., Lower Polk Neighbors, and Interstice Architects, LPCBD is contributing to the neighborhood vision for beautifying and transforming neglected alleyways between Van Ness and Larkin. These plans are moving forward with Fern Alley and Austin Alley redesigns projects which the LPCBD has contributed \$100,000. These projects will make dramatic improvements to create a safer pedestrian experience, and a greener, cleaner, more complete street.

Beautification:

Murals funded in part by a grant by OEWD

Wine Barrel Planter boxes in Austin, Hemlock, Cedar, and Alice B. Toklas Alleys

Graffiti Removal

Marketing and Events:

Wine Walk

#Lower Polk is Open construction mitigation marketing campaign

Art Walk/SF First Thursday

E-Newsletter

CBD Website Redesign

Macaulay Park Website built



Financial Reporting

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

Service Category/Budget Line	Management Plan Budget	General Benefit Dollars	Management Plan Assessment Budget	% of Budget	2016-2017					
					FY 2016-17 Budget	General Benefit Dollars	FY 2016-17 Assessment Budget	% of Budget	Variance	Source
SA 74 - Lower Polk										
SA 74 - Lower Polk CBD - Cleaning, Maintenance, and Safety Program	\$ 478,675.00	\$ 26,566.46	\$ 452,108.54	54.58%	\$ 830,158.00		\$ 830,158.00	57.76%	1.18%	Quickbooks
SA 74 - Lower Polk CBD - Marketing, Streetscape Improvements, and Beautification	\$ 93,200.00	\$ 5,311.35	\$ 90,388.65	11.31%	\$ 145,414.67		\$ 145,414.67	10.12%	-1.19%	Quickbooks
SA 74 - Lower Polk CBD - Management and Operations	\$ 240,900.00	\$ 13,369.95	\$ 227,530.05	28.47%	\$ 429,561.18		\$ 429,561.18	29.89%	1.41%	Quickbooks
Contingency and Reserve	\$ 30,774.54	\$ -1,707.99	\$ 29,066.55	3.64%	\$ 32,100.00		\$ 32,100.00	2.23%	-1.40%	
0	\$ -	\$ -	\$ -	0.00%	\$ -		\$ -	0.00%	0.00%	
0	\$ -	\$ -	\$ -	0.00%	\$ -		\$ -	0.00%	0.00%	
0	\$ -	\$ -	\$ -	0.00%	\$ -		\$ -	0.00%	0.00%	
TOTAL	\$ 846,049.54	\$ 46,955.75	\$ 799,093.79	100.00%	\$ 1,437,233.85		\$ 1,437,233.85	100.00%		

BENCHMARK 2: General Benefit Requirement

5.55%

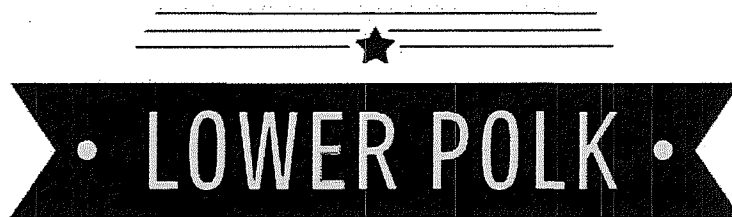
Revenue Sources	FY 2016-2017 Actuals	% of actuals	Source
Assessment Revenue	\$ 803,205.48	79.50%	
Total Assessment (Special Benefit) Revenue	\$ 803,205.48	79.50%	
Contributions and Sponsorships	\$ 63,000.00	6.23%	Profit & Loss Statement
Grants	\$ 139,354.75	13.85%	Profit & Loss Statement
Donations	\$ -	0.00%	
Interest Earned	\$ 673.96	0.07%	Profit & Loss Statement
Earned Revenue	\$ -	0.00%	
Other	\$ 3,589.10	0.36%	Profit & Loss Statement
Total Non-Assessment (General Benefit) Revenue	\$ 207,117.81	20.50%	
Total	\$ 1,010,323.29	100.00%	

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

Service Category/Budget Line	FY 2016-17 Budget	Amount from Assessment	Amount from General Benefit	% of Budget (Assessment)	% Budget (Total Budget)	FY 2016-17							
						Actuals	Amount from Assessment	Amount from General Benefit	% of Actuals (Assessment)	% of Actuals (Total Budget)	Variance (Assessment)	Variance (Total Budget)	Source
SA 74 - Lower Polk CBD - Cleaning, Maintenance, and Safety Program	\$ 830,158.00	\$ 830,158.00	\$ -	57.76%	57.76%	\$ 457,800.00	\$ 457,800.00	\$ -	59.37%	59.37%	1.61%	1.61%	Excel spreadsheet, prepared from P&L
SA 74 - Lower Polk CBD - Marketing, Streetscape Improvements, and Beautification	\$ 145,414.67	\$ 145,414.67	\$ -	10.12%	10.12%	\$ 88,400.00	\$ 88,400.00	\$ -	11.46%	11.46%	1.35%	1.35%	Excel spreadsheet, prepared from P&L
SA 74 - Lower Polk CBD - Management and Operations	\$ 429,561.18	\$ 429,561.18	\$ -	29.89%	29.89%	\$ 224,900.00	\$ 224,900.00	\$ -	29.17%	29.17%	-0.72%	-0.72%	Excel spreadsheet
Contingency and Reserve	\$ 32,100.00	\$ 32,100.00	\$ -	2.23%	2.23%	\$ -	\$ -	\$ -	0.00%	0.00%	-2.23%	-2.23%	Excel spreadsheet
0	\$ -	\$ -	\$ -	0.00%	0.00%	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	
0	\$ -	\$ -	\$ -	0.00%	0.00%	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	
0	\$ -	\$ -	\$ -	0.00%	0.00%	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	
TOTAL	\$ 1,437,233.85	\$ 1,437,233.85	\$ -	100.00%	100.00%	\$ 771,100.00	\$ 771,100.00	\$ -	100.00%	100.00%			

BENCHMARK 4: Whether 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

FY 2016-2017 Carryover Disbursement	Source	Spenddown Timeline
General Benefit Project		
General Benefit Project 1	\$ 19,436.00	P&L Report
General Benefit Project 2	\$ -	
General Benefit Project 3	\$ -	
General Benefit Project 4	\$ -	
General Project Total	\$ 19,436.00	
Special Assessment Project		
SA 74 - Lower Polk CBD - Cleaning, Maintenance, and Safety Program	\$ -	Excel spreadsheet, created from P&L report
SA 74 - Lower Polk CBD - Marketing, Streetscape Improvements, and Beautification	\$ 176,300.00	Excel spreadsheet, created from F&A report
SA 74 - Lower Polk CBD - Management and Operations	\$ 65,200.00	Excel spreadsheet, created from P&L report
Contingency and Reserve	\$ 94,313.00	Excel spreadsheet, created from P&L report
0	\$ -	
0	\$ -	
0	\$ -	
Special Project Total	\$ 336,613.00	
Total Designated Amount for FY 2016-17	\$ 356,049.00	



**COMMUNITY BENEFIT
DISTRICT**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

LOWER POLK COMMUNITY BENEFIT DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lower Polk Community Benefit District

Report on the Financial Statements

We have audited the accompanying financial statements of Lower Polk Community Benefit District ("LPCBD") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, 2017 financial statements referred to above present fairly, in all material respects, the financial position of Lower Polk Community Benefit District as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Lower Polk Community Benefit District's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

San Francisco, California
August 2, 2018

LOWER POLK COMMUNITY BENEFIT DISTRICT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 1,250,296	\$ 1,410,966
Assessments and other receivables	21,079	10,527
Promises to give	--	500,000
Prepaid expenses	18,566	40,840
Restricted cash	3,604	--
Capital assets, net	<u>119,727</u>	<u>19,981</u>
Total Assets	<u>\$ 1,413,272</u>	<u>\$ 1,982,314</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 97,451	\$ 87,562
Accrued expenses	<u>12,644</u>	<u>6,963</u>
Total Liabilities	<u>110,095</u>	<u>94,525</u>
Net Assets		
Unrestricted	1,282,122	1,387,789
Temporarily restricted	<u>21,055</u>	<u>500,000</u>
Total Net Assets	<u>1,303,177</u>	<u>1,887,789</u>
Total Liabilities and Net Assets	<u>\$ 1,413,272</u>	<u>\$ 1,982,314</u>

The accompanying notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BENEFIT DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenue, Gains, and Other Support				
Assessment revenue	\$ 803,205	\$ --	\$ 803,205	\$ 1,554,608
Contributions	--	62,000	62,000	1,029,650
Other income	145,081	--	145,081	--
Interest	674	--	674	413
Net assets released from restrictions	<u>540,945</u>	<u>(540,945)</u>	<u>--</u>	<u>--</u>
Total Revenue, Gains, and Other Support	<u>1,489,905</u>	<u>(478,945)</u>	<u>1,010,960</u>	<u>2,584,671</u>
Expenses				
Program services	1,284,120	--	1,284,120	514,592
Supporting services				
Management and administrative	295,946	--	295,946	191,076
Fundraising	<u>15,506</u>	<u>--</u>	<u>15,506</u>	<u>--</u>
Total Expenses	<u>1,595,572</u>	<u>--</u>	<u>1,595,572</u>	<u>705,668</u>
 Change in net assets	 (105,667)	 (478,945)	 (584,612)	 1,879,003
 Net Assets - Beginning	 <u>1,387,789</u>	 <u>500,000</u>	 <u>1,887,789</u>	 <u>8,786</u>
 Net Assets - Ending	 <u>\$ 1,282,122</u>	 <u>\$ 21,055</u>	 <u>\$ 1,303,177</u>	 <u>\$ 1,887,789</u>

The accompanying notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BENEFIT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	Program Services			Supporting Services		2017 Total	2016 Total
	Cleaning and Maintenance and Safety	Marketing, Streetscape and Beautification	Total	Management and Administration	Fundraising		
Street maintenance and operations	\$ 809,890	\$ 40,810	\$ 850,700	\$ --	\$ --	\$ 850,700	431,641
Events and marketing	--	90,996	90,996	--	--	90,996	11,069
Salaries and wages	218,275	44,849	263,124	40,038	15,506	318,668	130,903
Employee benefits	18,048	4,593	22,641	3,708	--	26,349	21,220
Payroll fees	7,808	1,987	9,795	1,605	--	11,400	3,545
Payroll taxes	19,842	3,797	23,639	4,704	--	28,343	10,614
Rent and other occupancy expenses	--	--	--	87,781	--	87,781	39,765
Legal, accounting and other professional fees	820	17,585	18,405	89,644	--	108,049	5,845
Meeting, conference and travel	1,461	1,794	3,255	12,766	--	16,021	9,265
Depreciation and amortization	--	--	--	5,261	--	5,261	2,489
Bank fees	--	--	--	1,417	--	1,417	258
Office supplies and expenses	811	194	1,005	23,526	--	24,531	24,159
Equipment, maintenance and repairs	560	--	560	8,740	--	9,300	1,560
Telephone and internet service	--	--	--	14,331	--	14,331	10,196
Diversion of assets	--	--	--	2,425	--	2,425	3,139
Total	\$ 1,077,515	\$ 206,605	\$ 1,284,120	\$ 295,946	\$ 15,506	\$ 1,595,572	\$ 705,668

The accompanying notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BENEFIT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ (584,612)	\$ 1,879,003
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,261	2,489
(Increase) decrease in assets		
Assessments receivable	(10,552)	(10,527)
Promises to give	500,000	(500,000)
Prepaid expenses	22,274	(40,840)
Increase (decrease) in liabilities:		
Accounts payable	9,889	87,562
Accrued expenses	5,681	6,963
Net Cash (Used in) Provided by Operating Activities	(52,059)	1,424,650
Cash Flows From Investing Activities		
Purchase of capital assets	(105,007)	(22,470)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(157,066)	1,402,180
Cash, Cash Equivalents and Restricted Cash - Beginning	1,410,966	8,786
Cash, Cash Equivalents and Restricted Cash - Ending	<u>\$ 1,253,900</u>	<u>\$ 1,410,966</u>
Balance Sheet Presentation		
Cash and cash equivalents	\$ 1,250,296	\$ 1,410,966
Restricted cash	3,604	--
	<u>\$ 1,253,900</u>	<u>\$ 1,410,966</u>

The accompany notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

Lower Polk Community Benefit District (the "LPCBD") is a nonprofit §501(c)(3) community-based organization. LPCBD was formed in 2014 and began operations in 2016. The property owners of the business district formed the LPCBD to improve the quality of life in the area by making the area cleaner, safer, and well maintained. The LPCBD has a contract with the City and County of San Francisco (the "City") for a term of 15 years, expiring on June 30, 2029. LPCBD is generally 22 whole or partial blocks from approximately the south side of California Street to the east side of Van Ness Avenue and from the north side of Myrtle Street to the west side of Larkin Street.

LPCBD exists to implement programs to create a neighborhood that is safer, cleaner, and a better place to conduct business and live. These programs and services are funded by district property owners in the Lower Polk neighborhood.

LPCBD's mission statement is as follows:

Lower Polk Community Benefit District will advance the quality of life for residents, workers, and visitors, by fostering a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of the area's economic base.

Programs and services provided by the LPCBD include:

- **Cleaning and Maintenance** – Includes regular sidewalk sweeping, alley cleaning, refuse removal, regularly scheduled steam cleanings, pressure washing, graffiti removal, tree pruning and watering, tree well weeding with crushed granite replenishment.
- **Safety Ambassadors** – The program works with residents, merchants and youth on a variety of safety programs and strategies. Safety Ambassadors on Foot Patrol provide a reassuring presence, whom continually engage members of the public, interact with merchants to share safety related information, and report any observed illegal behaviors to the police.
- **Marketing, Streetscape and Beautification Program** – This program is designed to augment existing City services to ensure new marketing initiatives designed to promote both the stability and growth within the area.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

LPCBD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that LPCBD report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of LPCBD are classified and reported as described below:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support LPCBD's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

As of June 30, 2017 and the year then ended, LPCBD did not have any net assets meeting the definition of permanently restricted.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

LPCBD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ASSESSMENTS AND OTHER RECEIVABLES

Assessments and other receivables represent amounts due from the City for obligations of local property owners collected on LPCBD's behalf and other amounts due to LPCBD for City hiring programs. Unpaid receivables do not accrue interest.

LPCBD uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on an evaluation of the outstanding receivables. As of June 30, 2017, management believes all assessments will be collected, and therefore, an allowance for uncollectible assessments was not required.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

LPCBD uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on past experience, the reputation of the donor, and management's analysis of promises to give. As of June 30, 2017, management believes all promises to give will be collected, and therefore an allowance for uncollectible promises to give was not required.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

LPCBD capitalizes acquisitions of capital assets with a cost or value in excess of \$1,000 and an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Depreciation on furniture and equipment is calculated using the straight-line method based upon estimated useful lives ranging from 5 to 7 years. Website development costs are amortized using the straight-line method over 3 years. The website is not internally developed. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation and amortization of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

ACCRUED VACATION

Full-time employees may accrue up to 16.67 hours per month depending on the number of years employed. Part-time employees accrue vacation on a prorated basis. Employees can accrue a maximum of 300 hours of vacation.

REVENUE RECOGNITION

Assessment Revenue

LPCBD receives its support primarily from a special assessment levied by the City on properties located within the business district in accordance with City Ordinance. The assessment is recorded by LPCBD when earned. The City remits the assessments to LPCBD as the assessments are collected from the property owners. Interest is not charged on late assessments; however, late penalties are charged in accordance with the City's policy.

Contributions

LPCBD recognizes all contributions when they are received or unconditionally promised. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of donor-imposed restriction.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Contributions (continued)

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

For the year ended June 30, 2017, LPCBD received temporarily restricted cash contributions of \$62,000.

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, LPCBD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. LPCBD reclassifies temporarily restricted net assets to unrestricted net assets at that time.

LPCBD records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the year ended June 30, 2017, LPCBD did not recognize any contributed goods and services.

Other Income

Represents income from City programs and fiscal fees. This revenue is recognized when earned in accordance with program guidelines.

ADVERTISING

The costs of advertising are charged to expense as incurred. Advertising expense for the year ended June 30, 2017 was \$1,490.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING (CONTINUED)

INCOME TAXES

LPCBD is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code, respectively.

Management evaluated LPCBD's tax positions and concluded that LPCBD maintained its tax exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in these financial statements. During the year ended June 30, 2017, the Internal Revenue Service ("IRS") incorrectly placed LPCBD on the auto-revocation list in error which denied its tax exempt status. The IRS acknowledged the error in a letter dated February 14, 2018, and restored its tax exempt status.

The 2013 through 2016 tax years remain subject to examination by the IRS. In addition, the 2012 through 2016 tax years remain subject to examination by the California Franchise Tax Board. LPCBD is subject to routine audits by taxing jurisdictions; however, there are no audits pending or in progress.

CONCENTRATIONS OF RISK

Financial Instruments

Financial instruments which potentially subject LPCBD to concentrations of credit risk consist principally of cash and cash equivalents. LPCBD maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. LPCBD has not experienced any losses in such accounts. Management believes that LPCBD is not exposed to any significant credit risk related to concentrations.

Revenue

During the year ended June 30, 2017, LPCBD received 93% of its total income from the City in the form of assessments and revenue from other programs.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time by each program or activity.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board (“FASB”) issued new guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, concerning recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. The FASB also issued ASU 2015-14, which deferred the effective date of ASU 2014-09. The guidance is applicable for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

The FASB issued ASU 2016-02 *Leases (Topic 842)*. Entities that hold equipment and real estate leases, in particular those with operating leases, will be most affected by the new guidance. The amendments in ASU 2016-02 are expected to impact the statement of financial position by adding lease-related assets and liabilities. This may affect the compliance with contractual agreements and loan covenants. Current U.S. GAAP requires only capital (finance) leases to be recognized in the statement of financial position and amounts related to operating leases largely are reflected in the statement of activities and changes in net assets as rent expense and in disclosure to the financial statements.

For operating leases, a lessee is required to do the following:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.
- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis.
- Classify all cash payments within operating activities in the statement of cash flows.

In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply.

An entity that elects to apply practical expedients will use the effective date of the new leases standard as the date of initial application and will not have to adjust their comparative period financial statements for the effects of the new leases standard, or make the new required lease disclosures for periods before the effective date. The new transition method changes when an entity initially applies the transition requirements of ASC 842; however, it does not change how those requirements are applied.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS (CONTINUED)

Entities that elect this transition option will include the disclosures that were required under ASC 840 for each comparative period presented in the financial statements prepared post-adoption, as well as the prior year annual balance sheet disclosures (e.g. operating and/or capital lease maturity tables). The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019. Early application is permitted. Management is evaluating the impact of this new guidance.

Management is evaluating the impact of this new guidance.

The FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, representing the completion of the first phase of a two-phase project to amend not-for-profit (NFP) financial reporting requirements as set out in FASB ASC 958, *Not-for-Profit Entities*.

This standard eliminates:

- The distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions).
- Removes the current requirement to present or disclose the indirect method (reconciliation) when using the direct method of reporting cash flows.
- Requires NFP entities to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.
- Requires NFP entities to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

NFP entities will reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption. This amendment eliminates the current option that, in the absence of explicit donor stipulations, had allowed a NFP entity to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed) rather than when placed in service.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS (CONTINUED)

ASU 2016-14 also requires enhanced disclosures about:

- Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- Qualitative information that communicates how a NFP entity manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position.
- Quantitative information and additional qualitative information in the notes as necessary, that communicates the availability of a NFP entity's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date.
- Amounts of expenses by both their natural classification and their functional classification and the methods used to allocate costs among program and support functions.
- Underwater endowment funds.

NFP entities are required to adopt this standard for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

On November 17, 2016, the FASB issued ASU 2016-18, *Restricted Cash*. The amendments require that the statement of cash flows explain the change during the period of total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

The amendment is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted and management retrospectively adopted effective July 1, 2015.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with LPCBD's financial statements as of June 30, 2016, and for the year then ended from which the summarized information was derived.

FUNDRAISING REQUIREMENTS

The City's contract requires LPBCD to annually raise not less than 5.55% of its annual budget from sources other than the City's assessments. For the year ended June 30, 2017, LPCBD satisfied this requirement.

NOTE 2 - RESTRICTED CASH

Restricted cash represents amounts restricted for use according to a grant received to determine the level of support for the Middle Polk neighborhood. Subsequent to year end, on September 16, 2017, the Board authorized LPCBD to enter into a fiscal sponsorship agreement with Middle Polk Community Benefit District's Steering Committee.

NOTE 3 - CAPITAL ASSETS

Capital assets at June 30, 2017, consist of the following:

Furniture and Equipment	\$	15,900
Website		13,366
Construction-in-progress		<u>98,211</u>
Total furniture and equipment		127,477
Less: accumulated depreciation and amortization		<u>(7,750)</u>
Total	\$	<u>119,727</u>

During the year ended June 30, 2017, depreciation and amortization expense was \$5,261.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 - UNRESTRICTED NET ASSETS

Unrestricted net assets as of June 30, 2017 consist of the following:

Capital assets, net	\$ 119,727
Undesignated	<u>1,162,395</u>
Total	<u>\$ 1,282,122</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017, may be expended for:

Hemlock Mural Project	\$ 14,055
Alley Cat Bench Project	<u>7,000</u>
Total	<u>\$ 21,055</u>

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2017, net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donor as follows:

Inherent Time Restriction	\$ 500,000
Hemlock Mural Project	35,945
Alley Cat Bench Project	<u>5,000</u>
Total	<u>\$ 540,945</u>

NOTE 7 - RETIREMENT PLAN

Effective January 1, 2016, LPCBD established a defined contribution retirement plan (the "Plan") for employees over 18 years of age. All employees employed on April 27, 2016, are considered eligible. The Plan allows eligible employees to make voluntary contributions by salary reduction up to 92% of compensation but not to exceed the limit allowed by the IRC.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Any eligible employee who does not make a voluntary contribution election will be automatically enrolled in the Plan with a salary reduction of 3% for the first year, with 1% increases annually up to 6% of compensation. LPCBD will match employee's contributions 100% up to 1% of compensation and 50% from 2% up to 6% of compensation. LPCBD may also make discretionary profit sharing contributions.

During the year ended June 30, 2017, LPCBD made \$6,600 in matching contributions, included in management personnel expenses on the statement of functional expenses.

NOTE 8 - COMMITMENTS

LPCBD entered into a service agreement with a vendor to perform program services starting May 16, 2016 until May 15, 2019, with the option to extend the term for an additional year. LPCBD is billed monthly for services performed according to stipulated billing rates and service charges. The annual cost of services is not to exceed \$478,479, \$485,656, and \$492,941, in year one, two, and three of this contract, respectively. See Note 10 for subsequent events regarding this contract.

LPCBD entered into two office leases in San Francisco, California. One commencing on September 1, 2015 to August 31, 2017, with monthly payments of \$3,517. Another commencing on November 1, 2016 to October 31, 2021, with monthly payments at \$4,200 and escalating to \$8,439 during the fifth year.

The following is a schedule of minimum lease commitments:

For the Years Ending	Office Lease
June 30,	
2018	\$ 78,584
2019	94,086
2020	96,900
2021	99,798
2022	33,756
Total	\$ 403,124

During the year ended June 30, 2017, LPCBD paid rent in the amount of \$75,241.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 - RELATED PARTY TRANSACTION

The Board President of LPCBD is married to the office manager of LPCBD. During the year ended June 30, 2017, the office manager received compensation of approximately \$55,000.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to June 30, 2017, LPCBD filed for California tax exemption under §23701d of the California Revenue and Taxation Code. A favorable determination letter was received as of June 6, 2018.

As of April 30, 2018, LPCBD terminated its service agreement with the vendor as described in Note 8. This vendor was unable to fulfill the obligations of the agreement. As a result, no termination fees were incurred.

LPCBD has evaluated all subsequent events through August 2, 2018, the date the financial statements were available to be issued and except for the matters noted above, has not identified any matters requiring adjustment to, or disclosure, in the accompanying financial statements.

MEMO

To: Supervisor Aaron Peskin, District 3
CC: San Francisco Board of Supervisors
From: Chris Corgas, Senior Program Manager
RE: Lower Polk Community Benefit District
Date: October 5, 2018

This is a memo summarizing the performance of the Lower Polk Community Benefit District (LPCBD) 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. Lower Polk CBD has complied with the submission of all these requirements. OEWD staff 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 Civic Center's Community Benefit District management contract with the City; and their Management Plan as approved by the Board of Supervisors in 2008.

Also attached to this memo are the following documents:

1. LPCBD Annual Report
 - a. FY 2016-2017
2. LPCBD Financial Statements
3. 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.
- October 24, 2017: the Board approved the FY 2015-2016 Annual Report (Resolution # 392-17).

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 (9) 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 are 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 16-17.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2016-2017

District Identity

- Provided information to merchants, pedestrians and visitors 63 times
- Lower Polk Wine Walk
- First Thursday Art Walk
- Built Macaulay Park website
- Construction mitigation marketing team
- Planter boxes in Austin, Hemlock, Cedar, and Alice B. Toklas Alleys
- Fern and Austin Alley redesign projects

Street Operations, Beautification and Order (SOBO)

- 1,287 instances of graffiti removed
- Over 368,000 lbs of trash removed from public rights of way
- Pressure washed 306 block faces
- Responded to 71 counts of illegal encampments and aggressive panhandling
- Abated weeds 52 times
- Conducts daily outreach sessions to homeless within District
- Made service referrals to other CBOs, like Lava Mar, Glide, St. Anthony's, and St. Martin de Porres
- Provided access to clean and monitored restroom services 24 hours per day

Administration, Organization and Corporate Operations

- Secured and began renovating a long-term office space at 1170 Sutter Street
- Ensured day-to-day success of programs
- Worked with City officials to address public right of way issues
- Applied for and received grant funding for the Lower Polk/Tenderloin Art Walk, Hemlock Mural



Project, restroom services, and a tenant landlord clinic to help prevent homelessness

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 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: LPCBD met this requirement. See tables below.

Service Category	Management Plan Budget	% of Budget	FY 2016-2017 Budget	% of Budget	Variance Percentage Points
Cleaning, Maintenance, and Safety Program	\$478,675.00	56.58%	\$830,158.00	57.76%	+1.18%
Marketing, Streetscape Improvements, and Beautification Program	\$95,700.00	11.31%	\$145,414.67	10.12%	-1.19%
Management and Operations	\$240,900.00	28.47%	\$429,561.18	29.89%	+1.41%
Contingency/Reserves	\$30,774.54	3.64%	\$32,100.00	2.23%	-1.40%
TOTAL	\$846,049.54	100.0%	\$1,437,233.85	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 \$803,205.48 or 79.50% of actuals and non-assessment revenue was \$207,117.81 or 20.50% of actuals. See table below.

Revenue Sources	FY 2016-2017 Actuals	% of Actuals
Special Benefit Assessments	\$ 803,205.48	
Total assessment revenue	\$ 803,205.48	79.50%
Contributions/Sponsorships	\$62,900.00	6.23%
Grants	\$139,954.75	13.85%
Interest Earned	\$673.96	0.07%
Other	\$3,589.10	0.36%
Total non-assessment revenue	\$207,117.81	20.50%
Total	\$1,010,323.29	100%

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

ANALYSIS: LPCBD met this requirement. See table below.

Service Category	FY 2016-2017 Budget	% of Budget	FY 2016- 2017 Actuals	% of Budget	Variance Percentage Points
Cleaning, Maintenance, and Safety Program	\$830,158.00	57.76%	\$457,800.00	59.37%	+1.61%
Marketing, Streetscape Improvements, and Beautification Program	\$145,414.67	10.12%	\$88,400.00	11.46%	+1.35%
Management and Operations	\$429,561.18	29.89%	\$224,900.00	29.17%	-0.72%
Contingency/Reserves	\$32,100.00	2.23%	\$-	0.00%	-2.23%
TOTAL	\$1,437,233.85	100.0%	\$771,100.00	100%	



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 2016-2017 Carryover Disbursement	\$336,613.00
Special Assessment Project	
Marketing, Streetscape Improvements, and Beautification	\$176,100.00
Management and Operations	\$66,200.00
Contingency and Reserve	\$94,313.00
Total Designated amount for Future Years	\$336,613.00

Findings and Recommendations

LPCBD has met all of the benchmarks as defined on page 4 of this memo.

Christian Martin came on as executive director of the CBD in late 2015. Mr. Martin and the governing board were able to quickly and effectively begin services in January 2016. Additionally, the CBD agreed to assist Middle Polk in the neighborhood’s efforts to form a neighboring CBD by acting as a fiscal sponsor and by providing technical advice.

LPCBD secured and began renovating a long-term office space at 1170 Sutter Street using CPMC mitigation funds received in the previous fiscal year. The CBD also made significant progress in raising new funds beyond their general benefit requirement. LPCBD also secured grant funding to execute the Lower Polk/Tenderloin Art Walk series, Hemlock Mural Project, restroom services and an innovative tenant landlord clinic to help prevent homelessness. The CBD also procured, on an as needed basis, professional services such as arts program consulting, website development and technical support, homeless outreach consulting, accounting, grant writing assistance and legal services.



Conclusion

LPCBD has performed well in implementing its service plan. LPCBD has continued to successfully sponsor and help implement events and programs in the district. LPCBD is a well-run organization with active board and committee members and will continue to successfully carryout its mission as a community benefit district.



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
Joaquin Torres, Director, Office of Economic and Workforce Development

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

DATE: October 22, 2018

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Peskin on October 16, 2018:

File No. 181013

Resolution receiving and approving an annual report for the Lower Polk 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
J'Wel Vaughan, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2010 OCT 19
Time stamp
of 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. Topic 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):

Supervisor Peskin

Subject:

[Lower Polk Community Benefit District – Annual Report for FY 2016-2017]

The text is listed:

Resolution receiving and approving annual report for the Lower Polk Community Benefit District for fiscal year 2016-2017, 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.

Signature of Sponsoring Supervisor:



For Clerk's Use Only