

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: April 10, 2019

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Peskin on April 2, 2019:

File No. 190365

Resolution receiving and approving an annual report for the Greater Union Square Business Improvement District for FY2017-2018, 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
Chris Corgas, Office of Economic and Workforce Development

1 [Greater Union Square Business Improvement District - Annual Report for FY2017-2018]

2
3 **Resolution receiving and approving an annual report for the Greater Union Square**
4 **Business Improvement District for FY2017-2018, submitted as required by the Property**
5 **and Business Improvement District Law of 1994 (California Streets and Highways**
6 **Code, Sections 36600, et seq.), Section 36650, and the District's management**
7 **agreement with the City, Section 3.4.**

8
9 WHEREAS, On June 2, 2009, 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. 208-09, expressing the City's intention to re-
13 establish and expand the then existing Union Square Business Improvement District, to be
14 known as the Greater Union Square Business Improvement District ("Greater Union Square
15 BID"); and

16 WHEREAS, On July 28, 2009, the Board of Supervisors adopted Resolution
17 No. 320-09 establishing the Greater Union Square BID ("Resolution to Establish") for a period
18 of 10 years, commencing FY2009-2010; and

19 WHEREAS, On January 26, 2010, the Board of Supervisors adopted Resolution
20 No. 19-10, authorizing an agreement with the owners' association for the
21 administration/management of the Greater Union Square BID, and a management agreement
22 (the "Management Contract") with the owners' association, Greater Union Square Business
23 Improvement District, Inc., was executed accordingly; and

24 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board
25 of Supervisors in File No. 091437; and

1 WHEREAS, On April 10, 2018, the Board of Supervisors approved the Greater Union
2 Square BID's annual reports for FY2016-2017 in Resolution No. 096-18; and

3 WHEREAS, The Greater Union Square BID has submitted for the Board's receipt and
4 approval the Greater Union Square BID's annual report for FY2017-2018 as required by
5 Section 36650 of the Act and Section 3.4 of the Management Contract; and

6 WHEREAS, The annual report for FY2017-2018 is on file with the Clerk of the Board of
7 Supervisors in File No. 190365, and are incorporated herein by reference as though fully set
8 forth; and

9 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
10 memorandum report from the City's Office of Economic and Workforce Development, dated
11 March 22, 2019, and documentation from the Greater Union Square BID for the annual report
12 for FY2017-2018 is on file with the Clerk of the Board of Supervisors in File No. 190365;
13 now, therefore, be it

14 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
15 report for the Greater Union Square Business Improvement District for FY2017-2018.

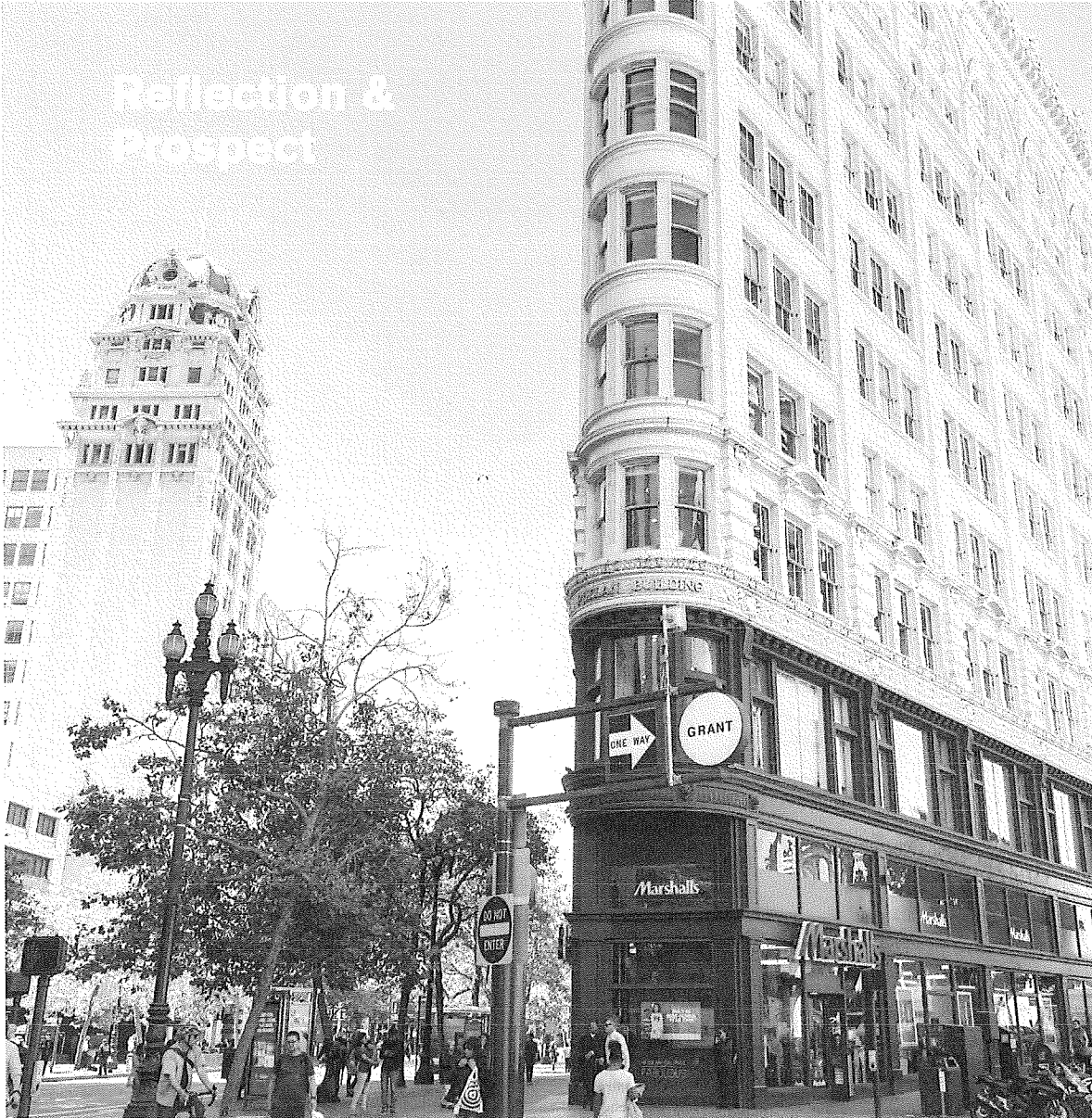


UNION SQUARE

UNION SQUARE
BUSINESS IMPROVEMENT
DISTRICT

2017–2018
ANNUAL REPORT

Reflection & Prospect



From the Board of Directors

On behalf of the Union Square Business Improvement District ("USBID"), our Board of Directors and staff, we present this Annual Report for our ninth year to all Union Square property owners, businesses, community stakeholders, and the City & County of San Francisco. The following highlights major accomplishments, fiscal health of the organization, progress on Renewal 2019, and a look ahead of what is to come.

As the international portal to San Francisco and the Bay Area, Union Square remains an iconic district for luxury shopping, eateries, outstanding hotels, and entertainment. The many art galleries, performance venues, and retailers that line the streets of the district create a hospitable ecosystem for those who work, play, and live in San Francisco and beyond. The legacy of our community is reliant on responsible property owners who continue to invest millions of dollars by creating experiential retail and hospitality models that will drive additional visitors to Union Square. The Museum of Ice Cream, the Color Factory, and Kylie Jenner pop-up have been successful examples.

As the overall landscape of retail changes with the upcoming generations, Union Square remains resilient and has welcomed new venues like August Hall & Fifth Arrow that will be a catalyst for innovative use of spaces. Several of our world-renowned hotels completed major renovations with millions invested to include the Westin St. Francis, King George Hotel, and Hilton San Francisco Union Square.

Having a welcoming district that is clean and safe remains the top pillar of the organization. As we launched our major community outreach campaign to embark on renewing the USBID, we asked members in the form of a comprehensive survey the vision for Union Square in the next decade. Investment in the

community needs to continue to ensure our streets are cleaner and safer than ever before. The Union Square area's backstreets, alleys, and plazas must be activated as mini destinations to enhance the overall public realm experience. Our covered security camera program must continue to serve our property owners, businesses, SF Police Department and the DA's Office as a mechanism of zero tolerance on crime.

We know these efforts are not enough and we certainly cannot accomplish our mission alone. We've gone above and beyond this fiscal year by launching the Union Square Foundation, a 501(C)(3) organization to enhance the public realm and provide much needed homeless workforce development opportunities and social programs. As the USBID enters its final year within the current term, staff and Board will continue to advocate for business friendly policies and lay a foundation for another 10 years as a model of private-public partnerships.

We sincerely thank Past-President, Stephen Brett for his dedication and leadership of our Board of Directors for the last three years. The torch has been passed to Wes Tyler, General Manager of the Chancellor Hotel to lead the organization to the Renewal finish line.



Wes Tyler
Board President



Karin Flood
Executive Director



Road Map to Renewal



Former Mayor Willie Lewis Brown, Jr. (Left)



USBID Board President Wes Tyler




District 3 Supervisor Aaron Peskin


2017


2018


2019





 September–October
Launched the renewal campaign with members, community stakeholders, and City Departments.


 March
Member survey distributed to receive feedback on current and potential services.


 April–July
Conducted community presentations to retailers, hoteliers, and proposed expansion area.


 August
Renewal Committee voted on budget and service levels and conducted one-on-one meetings with the largest property owners.


 September
Board of Directors vote on budget and service levels.

 October–November
District boundaries and assessment methodology determined.

 November–December
Draft management plan & engineers report.

 February
Petitions mailed to USBID members for initial round of voting.

 May
45-day mailing period when USBID member receive and vote on their ballots.

 July–December
Resolution voted on by SF Board of Supervisors and signed by Mayor. New assessment rates and service levels implemented.

MAJOR ACCOMPLISHMENTS

Catalyst For Innovation

LAUNCHED UNION SQUARE FOUNDATION



501C3 Status
Awarded in Jan. 2018

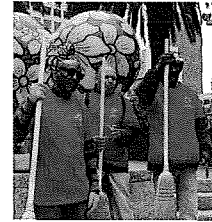


\$408,000
raised in the first
fiscal year



FIVE Funding
Priorities Identified

UNION SQUARE CARES & DOWNTOWN STREETS TEAM



21 MEMBERS
permanently housed



23 MEMBERS
received full-time
employment to date

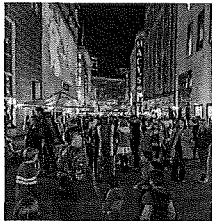


211,575+LBS
of debris collected
since start of DST



5,467
needles removed
since start of DST

WINTER WALK SAN FRANCISCO



1.7M Local &
tourist visitors



5 Weeks of
food, drinks, &
entertainment

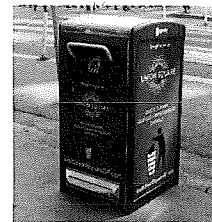


NO. 1
most visited
holiday attraction



FOURTH
Winter Walk held

BIGBELLY & TERRACYCLE PROGRAM



25
Bigbelly's installed



164,000LBS
trash collected

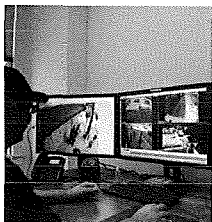


14,000+
collections made



80,000LBS
of cigarette butts
collected

SECURITY CAMERA PROGRAM



\$200K donation
received from
Chris Larsen Fund*



2,000
Requests to date

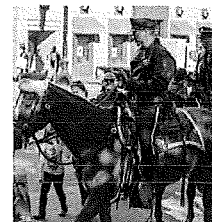


350+
cameras installed



550+
Arrests to date

"HOLIDAY SAFE SHOPPER" PROGRAM



\$1M GRANT
from the Silicon Valley
Community Foundation



22 FELONY
arrests cited

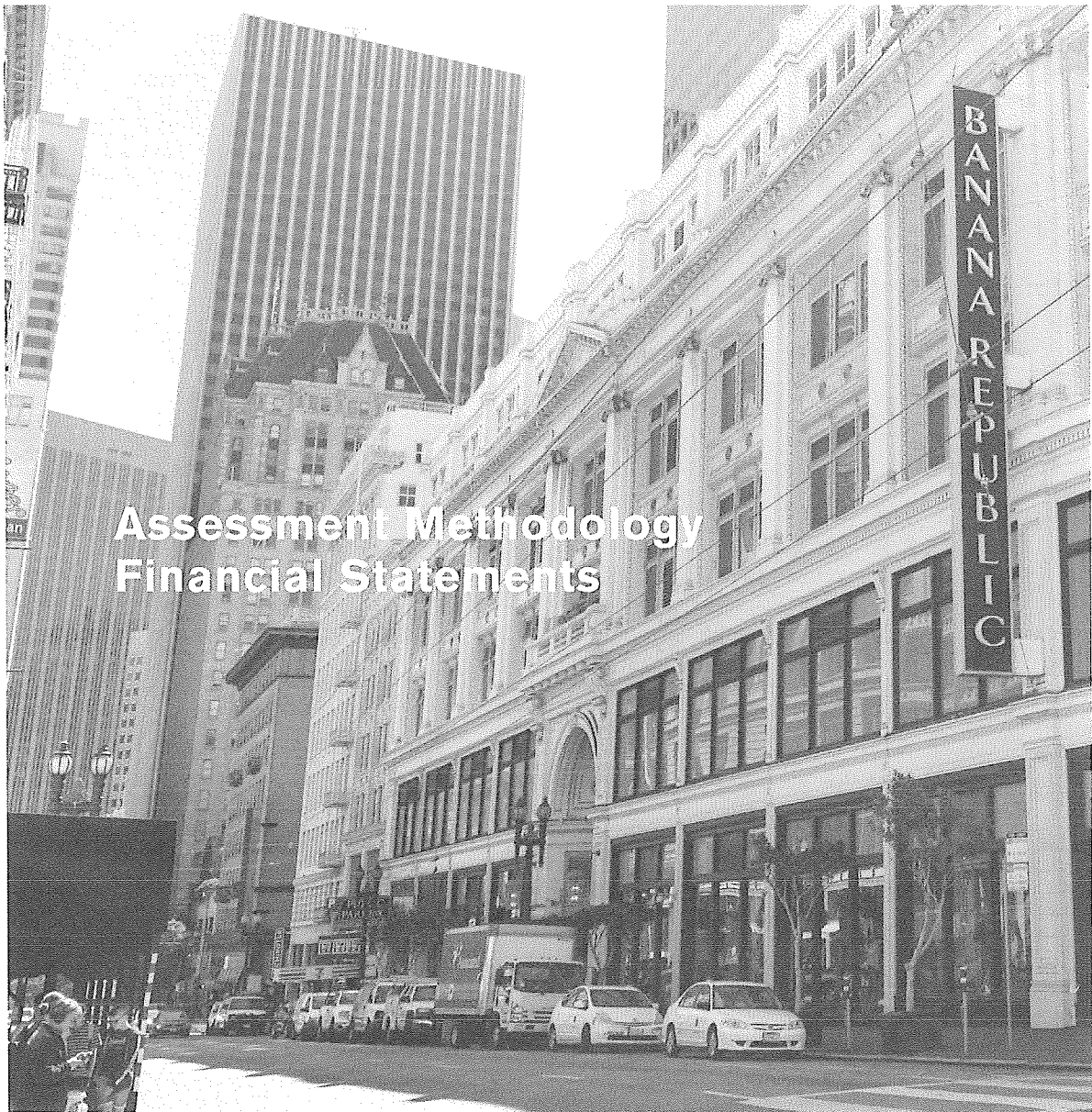


10,000+HRS
of police patrolling
throughout the Union
Square district



12,791
Incidents and
interactions were
addressed

*: An advised fund of the Silicon Valley Community Foundation



Assessment Methodology Financial Statements

Assessment Methodology

HOW PROPERTY ASSESSMENTS ARE CALCULATED

The USBID is a 501(C)4 nonprofit organization and currently the largest of San Francisco's 16 existing property based BID's and CBD's. The Union Square district covers 27 blocks and includes nearly 600 parcels, both publicly and privately owned. Funding for the district is proportionally shared by property owners, who are self-assessed to supplement services provided by the City.

These annual assessments are based on the following variables:

- Linear (sidewalk) frontage
- Building square footage of non-residential properties
- Property usage

Each property owner's assessment is calculated according to the special benefit received from the services provided by the USBID. Accordingly, each property owner is assessed for their proportional special benefit for the following services:

- Cleaning, maintenance and safety services
- Marketing, beautification and streetscape improvements & advocacy (non-residential properties only)

ASSESSMENT RATE CALCULATION CHART 18-19FY

Property Type		*Clean & Safe	**Marketing, Advocacy & Public Realm
Category 1: Less than 2,000 bldg sqft	\$	85.30	\$ 90.63
Category 2: 2,000-4,999 bldg sqft	\$	85.30	\$ 181.27
Category 3: 5,000-9,999 bldg sqft	\$	85.30	\$ 604.25
Category 4: 10,000-29,999 bldg sqft	\$	85.30	\$ 1,208.51
Category 5: 30,000-99,999 bldg sqft	\$	85.30	\$ 1,510.63
Category 6: 100,000 or more bldg sqft	\$	85.30	\$ 6,042.55
Residential & Public	\$	85.30	\$ 0.00
Hallidie Plaza Parcels***	\$	4.29	\$ 0.00

*per linear street foot **per building ***per lot square footage

Financial Statements*

17-18FY ASSESSMENT & CORE OPERATIONS

	Budgeted	Actual	Variance
Revenue			
Special Assessment Revenue	\$ 3,554,176	\$ 3,559,433	\$ 5,257
Other Revenue	\$ 225,002	\$ 269,978	\$ 44,976
Total Funds	\$ 3,879,178	\$ 3,929,411	\$ 50,233
Expenses			
Clean & Safe	\$ 2,647,645	\$ 2,683,937	\$ (36,292)
Streetscape Improvement, Advocacy, Marketing & Events	\$ 652,688	\$ 661,054	\$ 9,366
Management & Administration	\$ 673,910	\$ 622,898	\$ 51,012
Other Projects	\$ 100,933	\$ 111,408	\$ (10,475)
Total Assessment Expenses	\$ 4,075,176	\$ 3,979,297	\$ 95,879
Surplus (Deficit) for Assessment Operations	\$ (195,998)	\$ (49,886)	\$ 146,112

17-18FY TOTAL RESULTS (INCLUDING GRANTS)

	Budgeted	Actual	Variance
Revenue			
Special Assessment Revenue	\$ 3,551,333	\$ 3,559,433	\$ 8,100
Other Revenue	\$ 420,933	\$ 1,481,151	\$ 1,060,218
Total Funds	\$ 3,972,266	\$ 5,040,584	\$ 1,068,318
Expenses			
Clean & Safe	\$ 2,467,645	\$ 2,683,937	\$ (36,292)
Streetscape Improvements, Advocacy, Marketing & Events	\$ 652,688	\$ 661,054	\$ 9,366
Management & Administration	\$ 673,910	\$ 622,898	\$ 51,012
Other	\$ 100,933	\$ 111,408	\$ (10,475)
Total Assessment Expenses	\$ 4,075,176	\$ 3,979,297	\$ 95,879
Grants and Funds			
SVCF Grants (Safe Shopper 2017 & Security Cameras)	\$ 883,900	\$ 1,638,197	\$ (754,297)
Other Grants & Non-Assessment Funds	\$ 235,083	\$ 213,509	\$ 21,574
Total Expenses	\$ 5,194,159	\$ 5,831,003	\$ 636,844
Change Net Assets for 17-18FY	\$ (1,221,693)	\$ (790,419)	\$ 431,274

17-18FY STATEMENT OF FINANCIAL POSITION

Assets	
Cash	\$ 1,882,584
Net Receivables	\$ 271,389
Other Current Assets	\$ 135,480
Net Furniture & Equipment	\$ 233,036
Total Net Assets	\$ 2,462,489
Liabilities	
Accounts Payable & Accrued Expenses	\$ 385,349
Deferred Revenue	\$ 39,060
Total Liabilities	\$ 424,409
Net Assets	
Unrestricted	\$ 1,629,265
Restricted Temporarily	\$ 408,325
Total Net Assets	\$ 2,037,580
Total Liabilities & Net Assets	\$ 2,462,489

* Audited Financial Reports available upon request. Contact Deputy Director Benjamin Horne at Ben@UnionSquareBID.com for more information.

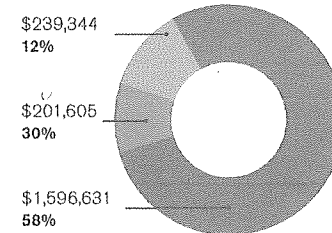
JULY 2018-JUNE 2019 BUDGET

	Amount	Income (%)	
Income			
Assessment Revenue	\$ 3,658,079	84%	
Fundraising & Others	\$ 709,304	16%	
Total Income	\$ 4,367,383	100%	
	Amount	As. Exp. (%) Tot. Exp. (%)	
Expenses			
Clean & Safe	\$ 2,733,945	67%	55%
Streetscape Improvement, Advocacy, Marketing & Events	\$ 600,267	15%	12%
Management & Administration	\$ 722,948	18%	15%
Total Assessment Expenses	\$ 4,057,160	100%	
SVCF Grant Expenses	\$ 469,214		9%
Other Grants & Funds	\$ 426,936		9%
Total Expenses	\$ 4,953,310		100%

CARRY OVER FUNDS FROM 17-18FY

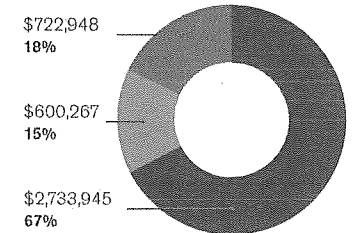
General Fund/Contingency	\$ 1,596,631
Total Assessment & Service Area Funds	\$ 1,596,631
SVCF Grants	\$ 201,605
Other Restricted/Designated Funds	\$ 239,344
Total Carry Over Funds	\$ 2,037,580

USBID Reserves JUNE 30, 2018



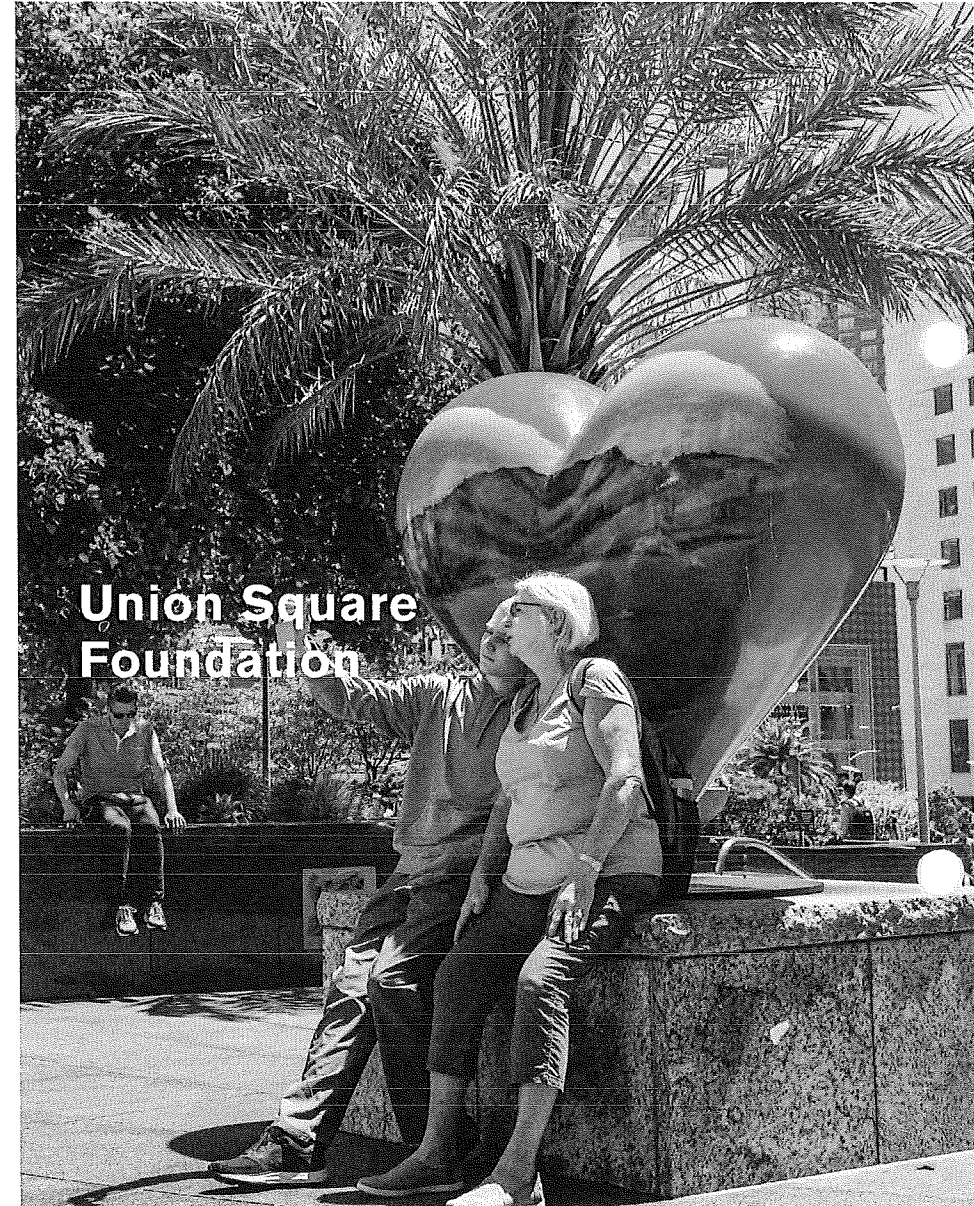
- Assessments & Core Operations
- SVCF Grants
- Other Restricted/Designated Funds

Budgeted Expenses (Assessments) 18-19FY



- Clean & Safe
- Management & Administration
- Streetscape Improvements, Advocacy, Marketing & Events

Pillars of the USBID



The USBID & The Foundation



Formed in July 2017



Last renewed in 2009



Public Realm and Streetscapes projects and improvements by funding priorities on the right.



Union Square Cares: Homeless workforce development & social services



Cleaning and Maintenance



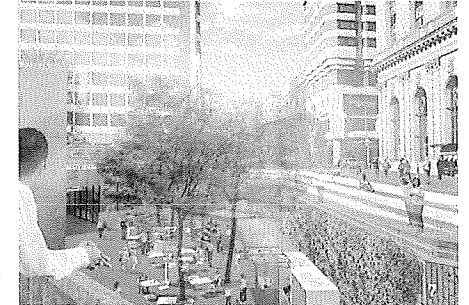
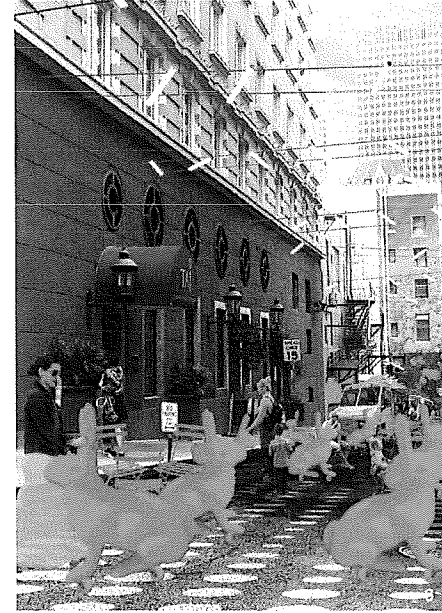
Safety and Security



Advocacy

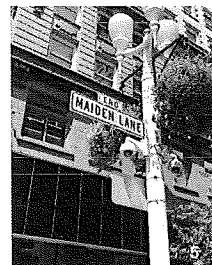


Destination Marketing



Foundation Projects and Priorities (From p.16)

1. Powell Street Promenade Improvements
2. Backstreet & Alley Activations
3. Union Square Cares Program
4. Public Art Programs
5. Maiden Lane Beautification
6. Campton Place Improvements
7. Hattie Plaza Improvements



MISSION OF THE FOUNDATION

The Union Square Foundation recognizes Union Square's importance as the heart of the retail, hospitality and entertainment districts of San Francisco. The Union Square Foundation is dedicated to enhancing the unique qualities of Union Square and its surrounding public realm. We provide critical support to both creating and maintaining a clean, safe, and beautiful environment that serves to enrich its public spaces for the enjoyment of San Francisco's residents and visitors.

BOARD OFFICERS OF THE FOUNDATION

Tad Moore, Board President
Principal, 250 Post Street, LP

Darcy Brown, Treasurer
Executive Director, SF Beautiful

Shirley Howard-Johnson, Secretary
Arts Consultant

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Founder & President
Mosaic Financial Partners

Rick Laubscher
President, Market Street Railway

J. Timothy Falvey
SVP, Hanford-Freund Company

Ken Mancuso
SVP, Leasing, San Francisco Centre
Unibail-Rodamco-Westfield

Moe Jamil
Community Member & Advocate

Kelly Powers
Associate Director, Hotel Council SF

Man J. Kim
President, Lori's Diner International

Ron Yen
Principal, BuildGroup

Manuela Anne King
President, RHAA Landscape Architects



USBID Board of Directors & Staff

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GM, Chancellor Hotel on Union Square

Julie Taylor, Treasurer
Executive VP, Colliers International

Mark Purdy, Secretary
SVP & GM, Grosvenor Americas

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Audit Committee
President, The Keil Companies

Corinna Luebbe
Public Affairs Committee
GM, Taj Campton Place

Julie Taylor
Finance Committee
Executive VP, Colliers International

Don Thomas
Services & Public Safety Committee
VP, Board of Directors, Club Donatello

Phillip Coston
Marketing Committee
Sr. Store Manager, Brooks Brothers

Manuela King
Streetscapes & Public Realm Committee
President, RHAA Landscape Architects

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Salon Manager, Harry Winston

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GM, Hilton Union Square SF

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SVP, Hanford-Freud & Company

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Principal, 250 Post Street LP

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President, Flood Corporation

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Associate Director, Hotel Council SF

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GM, Weslin St. Francis Hotel

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VP, Board of Directors, Club Donatello

Russell D. Keil, Jr.
President, The Keil Companies

STAFF OF THE USBID



Karin Flood
Executive Director



Benjamin Horne
Deputy Director



Robbie Silver
Director of
Marketing & Events



Randall Scott
Director of Services



Joshua C.W. Chan
Project Coordinator

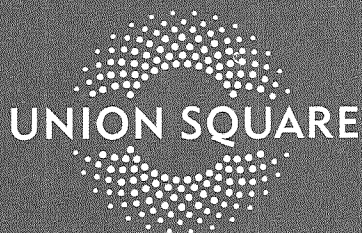
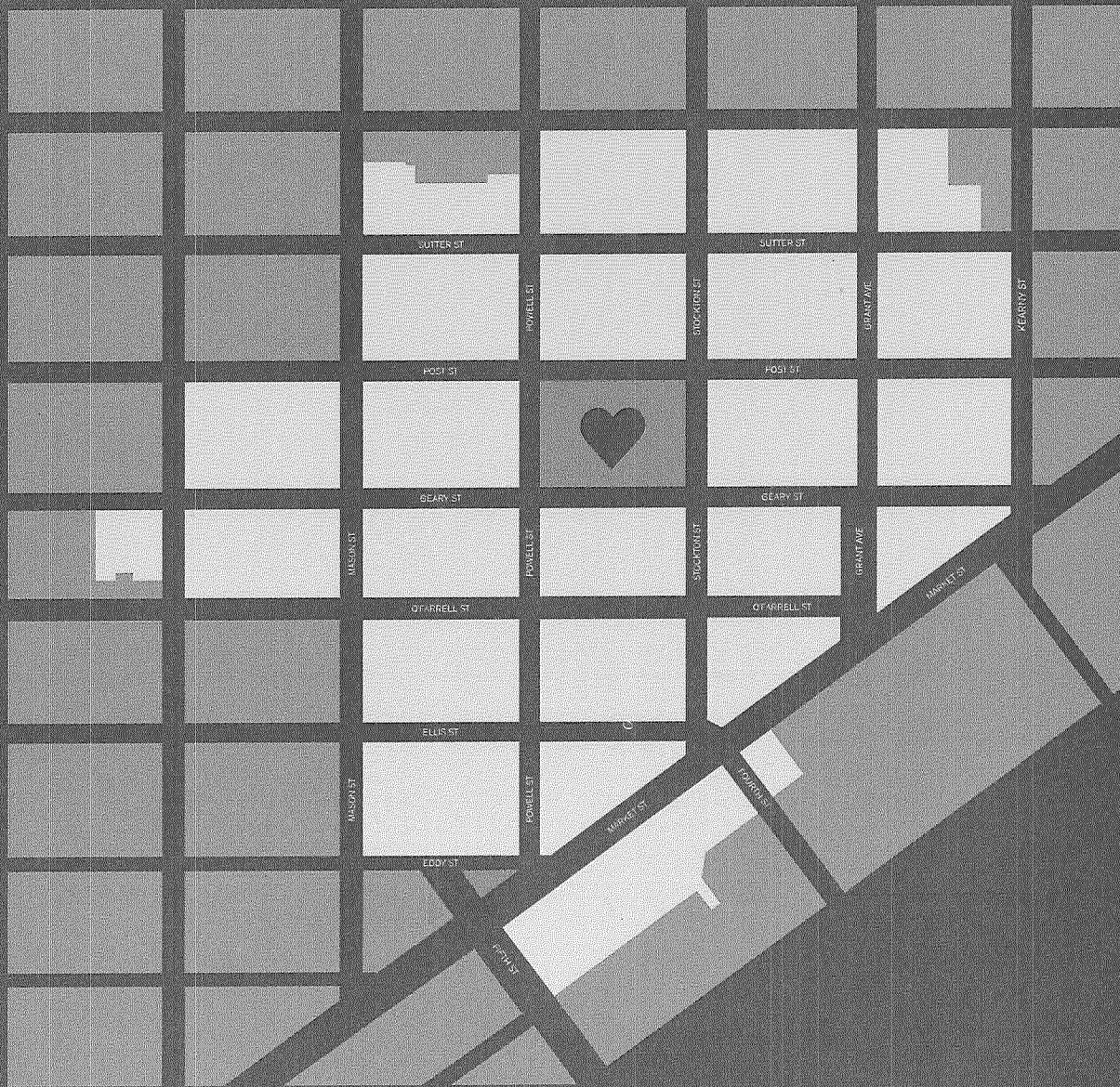


Brianna Caspersen
Project Coordinator

CLEAN & SAFE SERVICES PROVIDED BY BLOCK BY BLOCK

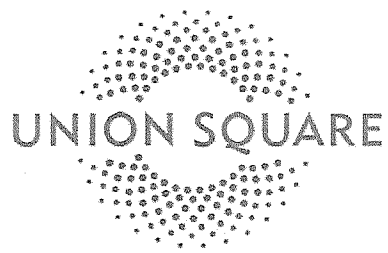
Chris Boss
Operations Director

Karl Bijan
Operations Supervisor



UNION SQUARE
BUSINESS IMPROVEMENT
DISTRICT

info@unionsquarebid.com • (415) 781-7880 • www.visitunionsquaresf.com



UNION SQUARE
BUSINESS IMPROVEMENT
DISTRICT

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)**

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Union Square Business Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of Union Square Business Improvement District (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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, the financial statements referred to above present fairly, in all material respects, the financial position of Union Square Business Improvement District as of June 30, 2018, 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 the Union Square Business Improvement District's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

San Francisco, California
September 20, 2018

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 1,072,337	\$ 1,258,988
Assessments receivable, net	97,576	15,414
Other receivables	174,354	40,086
Prepaid expenses and deposits	135,480	105,355
Investments	749,708	1,249,369
Furniture and equipment, net	<u>233,036</u>	<u>609,490</u>
Total Assets	<u>\$ 2,462,491</u>	<u>\$ 3,278,702</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 361,271	\$ 430,049
Accrued benefits	24,579	20,068
Deferred revenue	<u>39,060</u>	<u>587</u>
Total Liabilities	<u>424,910</u>	<u>450,704</u>
Net Assets		
Unrestricted	1,629,256	1,821,765
Temporarily restricted	<u>408,325</u>	<u>1,006,233</u>
Total Net Assets	<u>2,037,581</u>	<u>2,827,998</u>
Total Liabilities and Net Assets	<u>\$ 2,462,491</u>	<u>\$ 3,278,702</u>

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)**

	Unrestricted	Temporarily Restricted	2018	2017
Revenue and Other Support				
Assessment revenue	\$ 3,559,432	\$ --	\$ 3,559,432	\$ 3,453,377
Contributions	1,221,973	49,183	1,271,156	1,642,788
Sponsorships	122,284	--	122,284	70,422
Other revenue	76,756	--	76,756	1,549
Interest income	10,958	--	10,958	7,875
Special event	--	--	--	114,642
Net assets released from restrictions	647,091	(647,091)	--	--
Total Revenue and Other Support	<u>5,638,494</u>	<u>(597,908)</u>	<u>5,040,586</u>	<u>5,290,653</u>
Expenses				
Program	5,171,106	--	5,171,106	5,150,790
Management and administrative	588,502	--	588,502	627,892
Fundraising	71,395	--	71,395	34,598
Total Expenses	<u>5,831,003</u>	<u>--</u>	<u>5,831,003</u>	<u>5,813,280</u>
Change in Net Assets	<u>(192,509)</u>	<u>(597,908)</u>	<u>(790,417)</u>	<u>(522,627)</u>
Net Assets - Beginning	<u>1,821,765</u>	<u>1,006,233</u>	<u>2,827,998</u>	<u>3,350,625</u>
Net Assets - Ending	<u>\$ 1,629,256</u>	<u>\$ 408,325</u>	<u>\$ 2,037,581</u>	<u>\$ 2,827,998</u>

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Program	Management and Administrative	Fundraising	2018	2017
Holiday Safe Shopper and SFPD programs	\$ 943,245	\$ --	\$ --	\$ 943,245	\$ 944,794
Salaries, wages, benefits and payroll taxes	557,001	304,022	20,882	881,905	849,033
Maintenance and cleaning	826,182	--	--	826,182	698,547
Ambassadors and dispatch	803,402	--	--	803,402	871,296
Depreciation	392,608	7,619	214	400,441	412,703
10B police officers	327,038	--	--	327,038	300,371
Supervision (clean and safe services)	220,795	--	--	220,795	224,238
In-kind services	193,440	8,000	--	201,440	211,440
Security Camera Program operating expenses	164,977	--	--	164,977	198,578
Public realm improvement projects	156,936	--	--	156,936	220,259
Accounting, legal and support	25,370	127,304	639	153,313	152,526
Downtown Streets Team Program	134,941	--	--	134,941	128,192
Rent and utilities	59,837	73,012	1,798	134,647	136,624
Public affairs, advocacy and Union Square Cares	122,250	--	10,300	132,550	42,928
Clean and Safe operating expenses and projects	90,667	--	--	90,667	37,576
Events and activation	44,489	--	37,000	81,489	84,882
Marketing and promotion	65,801	--	--	65,801	35,196
Insurance, permits and fees	33,395	31,988	67	65,450	47,752
Meetings, travel, conferences and office expenses	8,732	36,557	495	45,784	41,345
Security Camera Program sub-grants	--	--	--	--	175,000
Total	\$ 5,171,106	\$ 588,502	\$ 71,395	\$ 5,831,003	\$ 5,813,280

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ (790,417)	\$ (522,627)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	400,441	412,703
Loss on disposal of equipment	--	9,348
Changes in operating assets and liabilities:		
Promises to give	--	11,098
Assessments receivable	(82,162)	(9,862)
Other receivables	(134,268)	(13,214)
Prepaid expenses and deposits	(30,125)	(34,923)
Accounts payable and accrued expenses	(68,778)	130,346
Grants payable	--	(87,500)
Accrued benefits	4,511	9,821
Deferred revenue	38,473	(15,331)
Net Cash Used In Operating Activities	(662,325)	(110,141)
Cash Flows From Investing Activities		
Proceeds on sale and maturity of certificates of deposit	3,749,661	4,727,185
Purchase of certificates of deposit	(3,250,000)	(3,750,896)
Purchase of furniture and equipment	(23,987)	(173,734)
Net Cash Provided By Investing Activities	475,674	802,555
Net Increase (Decrease) In Cash and Cash Equivalents	(186,651)	692,414
Cash and Cash Equivalents - Beginning	1,258,988	566,574
Cash and Cash Equivalents - Ending	\$ 1,072,337	\$ 1,258,988

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

The Union Square Business Improvement District (the “USBID”) was formed in 1999 by property owners and merchants to improve the image and economic vitality of the Union Square area by providing cleaning and maintenance and public safety programs to a 10 block area (the “District”). The USBID aims to provide services that assure a positive experience of Union Square so that Union Square will maintain its ranking as one of the top destinations in the world, that the District will be equally enjoyed by residents and workers, and that this experience will enhance the District’s economic base and be reflected in positive property values for the USBID’s members.

The USBID renewed its contract with the City and County of San Francisco (the “City”) for a ten year term on July 1, 2009. Effective with the renewal, the USBID expanded the District from the original ten blocks to twenty-seven whole or partial blocks, representing nearly 600 parcel owners in the District. The USBID also expanded services and added marketing, advocacy, beautification and capital improvement programs.

The USBID’s mission statement is as follows:

The Union Square BID serves members and creates a high quality visitor experience by managing and activating public spaces, attracting new investment and advocating for the District’s future success.

Major programs and services provided by the USBID are:

Clean and Safe:

- Safety and Hospitality Ambassadors – Ambassadors walk throughout the USBID to greet and assist the public with information and directions, and guide those in need of social services to appropriate resources. Ambassadors are on duty 5:30am to 11:00pm daily.
- 10B Police Officers – 10B Police Officers are on patrol in the District 10 hours daily to respond to members’ needs and manage other quality of life issues in the District.
- Cleaning and Graffiti Removal – Maintenance staff are on duty daily from 5:30am to 8:30pm to clean litter from sidewalks and to remove graffiti. Each sidewalk in the District is steam cleaned every 2 weeks.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

PURPOSE AND ORGANIZATION (CONTINUED)

Silicon Valley Community Foundation:

- As a result of contributions from donor advised funds of the Silicon Valley Community Foundation, the USBID has been able to provide additional San Francisco Police Department (SFPD) patrols through the 10B program and expand the security camera project.

Other:

- Public Realm Improvements, Marketing, and Events – Promoting the Union Square area and its interests through events, digital and traditional marketing programs and public relations, public realm improvements, décor and other programs to beautify the area.
- Public Affairs Advocacy – Advocating public policy and services to ensure the economic vitality of the District.
- Union Square Cares – A program to provide homeless services and outreach and member education to help alleviate homelessness in Union Square.

BASIS OF ACCOUNTING

The USBID 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 the USBID 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 the USBID 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 the USBID’s operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

CLASSIFICATION OF NET ASSETS (CONTINUED)

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, 2018, the USBID did not have any net assets meeting the definition of permanently restricted.

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

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

ASSESSMENTS RECEIVABLE

Assessments receivable represent obligations of local property owners due to the USBID. Unpaid receivables do not accrue interest.

The USBID 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 historical experience and an evaluation of the outstanding receivables at the end of the year. As of June 30, 2018, the allowance for uncollectible assessments was approximately \$6,000.

INVESTMENTS

The USBID's investments in fixed income securities are carried at fair value.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

FURNITURE AND EQUIPMENT

The USBID capitalizes acquisitions of furniture and equipment with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 7 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation 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.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisal, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. No impairment losses were incurred during the year ended June 30, 2018.

ACCRUED VACATION

Full-time employees may accrue up to 13 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 150% of their annual vacation accrual.

REVENUE RECOGNITION

Assessment Revenue

The USBID receives its support primarily from a special assessment levied by the City on properties located within the USBID in accordance with City Ordinance. The assessment is recorded by the USBID when assessed by the City. The City remits the assessment to the USBID 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.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

REVENUE RECOGNITION (CONTINUED)

Contributions

The USBID recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. 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 restriction. Contributions with donor-imposed restrictions that are complied with within the year of receipt are reported as unrestricted support.

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.

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, the USBID reports expirations of donor restrictions over the estimated useful lives of the donated assets. The USBID reclassifies temporarily restricted net assets to unrestricted net assets at that time. There were no donations of material and equipment for the year ended June 30, 2018.

The USBID 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, 2018, the USBID recognized contributed services in the amount of \$201,440.

INCOME TAXES

The USBID is a qualified organization exempt from federal and state income taxes under §501(c)(4) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code, respectively.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

INCOME TAXES (CONTINUED)

The USBID recognizes a threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an organization is entitled to economic benefits resulting from tax positions taken in income tax returns. For tax-exempt entities, favorable tax status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The USBID's evaluation on June 30, 2018, revealed no tax positions that would have a material impact on the financial statements.

The USBID's tax returns are subject to examination by federal and state taxing authorities. However, management is unaware of any pending examinations nor are there any in progress.

CONCENTRATIONS OF RISK

Financial Instruments

Financial instruments which potentially subject the USBID to concentrations of credit risk consist principally of cash and cash equivalents. The USBID maintains its cash in various bank deposit accounts. The USBID has a policy requiring all funds be fully insured. Management believes that the USBID is not exposed to any significant credit risk related to concentrations.

Assessments Receivable

As of June 30, 2018, 94% of assessments receivable were due from one entity. The balance due was paid in full in July 2018.

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 estimates made by management.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset 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 the USBID's financial statements as of June 30, 2017, and for the year then ended, from which the summarized information was derived.

NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("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.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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, 2017. Management is evaluating the impact of this new guidance.

RECLASSIFICATIONS

Certain amounts in the summarized comparative totals for 2017 have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 - FAIR VALUE MEASUREMENTS

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 USBID's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. The levels of the fair value hierarchy are as follows:

Level 1

Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the USBID's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the valuation methodology during the year ended June 30, 2018.

Investments

The fair value of fixed income securities is estimated using recently executed transactions or market price quotations (where observable).

The following table provides information about the USBID's financial assets measured at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ --	\$ 749,708	\$ --	\$ 749,708

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, 2018, consist of the following:

Security camera equipment	\$ 1,348,862
Furniture and miscellaneous equipment	<u>78,948</u>
	1,427,810
Less: accumulated depreciation	<u>(1,194,774)</u>
Total	<u>\$ 233,036</u>

NOTE 4 - LINE OF CREDIT

The USBID renewed a revolving line of credit with Wells Fargo Bank on March 12, 2018, which expires on April 5, 2019, for a maximum borrowing amount of \$500,000. Interest is payable at the greater of the prime rate plus 1.25% (6.25% at June 30, 2018) or the floor rate of 5.00%. The line of credit is secured by the USBID's receivables and equipment. The USBID did not borrow from the line of credit during the year ended June 30, 2018.

NOTE 5 - UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2018, consist of the following:

Board designated for Advocacy	\$ 32,624
Net investment in furniture and miscellaneous equipment	7,117
Undesignated	<u>1,589,515</u>
Total	<u>\$ 1,629,256</u>

The USBID does not receive the first assessment payment for its fiscal year until January, thus it is incumbent on the USBID to maintain approximately eight months of operating capital at the end of each fiscal year to support operations until the first payment is received in the next fiscal year. This policy will also provide for the USBID to dissolve the entity in a timely manner should its contract with the City to provide services not be renewed in July 2019 (Note 10).

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018, consist of the following:

Net investment in security camera equipment	\$	225,919
Security cameras		105,646
All others		<u>76,760</u>
Total	\$	<u>408,325</u>

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses which satisfied the restricted purposes during the year ended June 30, 2018, as follows:

Police patrols and security cameras	\$	240,732
Depreciation on security cameras		391,460
Other		<u>14,899</u>
Total	\$	<u>647,091</u>

NOTE 8 - COMMITMENTS

The USBID leases equipment under an agreement with a term from November 20, 2015 through February 20, 2019, requiring monthly payments of \$360. In September 2017, the USBID entered into a non-cancelable lease agreement for additional equipment requiring monthly payments of \$4,295 through August 31, 2019.

The USBID also leases its office, operations office, conference room, and storage on a month-to-month basis.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - COMMITMENTS (CONTINUED)

The following is a schedule of minimum lease commitments:

For the Years Ending June 30,	Amount
2019	\$ 54,780
2020	<u>8,590</u>
Total	<u>\$ 63,370</u>

Rent expense for the year ended June 30, 2018, was \$127,809.

NOTE 9 - RELATED PARTY TRANSACTIONS

The USBID has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors may participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each Board member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the USBID does business with an entity in which a Board member has a material financial interest.

When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the USBID. When a conflict of interest does exist, all affected parties (Board members or staff) must refrain from the decision-making process and abstain from the voting process.

A member of the USBID's Board of Directors is also associated with a company that contributed services to the USBID in the amount of approximately \$145,000 during the year ended June 30, 2018.

Union Square Foundation

The Union Square Foundation ("USF"), a separate entity exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code, is an affiliate organization of the USBID. The USF was formed to raise funds and devote resources to public realm improvement programs and homeless programs to benefit the area and greater community. The USBID's and USF's exempt purposes are closely aligned. Four members of the USBID's Board of Directors are also Board members of the USF.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - RELATED PARTY TRANSACTIONS (CONTINUED)

Union Square Foundation (Continued)

During the year ended June 30, 2018, the USBID and USF entered into a service agreement for a term of one year in which USF pays for administration and management of programmatic services conducted by the USBID, including the security camera program. During the year ended June 30, 2018, the USBID provided services of approximately \$77,000 to USF. At June 30, 2018, approximately \$62,000 is due from USF and is included in other receivables in the statement of financial position.

NOTE 10 - RISKS AND UNCERTAINTIES

The USBID is currently undergoing a renewal campaign as the term of the current contract with the City ends on June 30, 2019. In order for the contract to be renewed, a formal resolution must be voted on by the San Francisco Board of Supervisors in July 2019. Results of the renewal campaign indicate the majority of property owners and businesses are highly supportive of the USBID's renewal for a proposed term of 10 years. As such, management expects that the contract with the City will be renewed and the USBID will continue operations. Should the contract not be renewed, the USBID would cease operations; management believes the USBID has the resources needed to meet its future obligations as it dissolves the entity (Note 5).

NOTE 11 - SUBSEQUENT EVENTS

The USBID has evaluated all subsequent events through September 20, 2018, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

MEMO

To: Supervisor Aaron Peskin, District 3

CC: San Francisco Board of Supervisors;
Chris Corgas, OEWD Senior Program Manager

From: Helen Mar, OEWD Project Manager

RE: Greater Union Square Business Improvement District

Date: 3/22/2019

This is a memo summarizing the performance of the Greater Union Square Business Improvement District (USBID) and an analysis of its financial statements (based on their audits) for the period between July 1, 2017 and June 30, 2018. For the record, the Greater Union Square Business Improvement is known as the Union Square Business Improvement District and will be referred to as such throughout this document. Initially the word "Greater" was used to distinguish from the original and smaller BID that was initially formed.

Each year the USBID is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. The Union Square BID 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 USBID management contract with the City; and their Management Plan approved by the Board of Supervisors in 2009.

Also attached to this memo are the following documents:

1. Annual Report
 - a. FY 2017-2018
2. CPA Financial Audit Report
 - a. FY 2017-2018
3. Draft resolution from the Office of Economic and Workforce Development



Background

The USBID includes both privately and publicly owned properties. The district covers 27 blocks and includes approximately 597 parcels.

- July 28, 2009: the Board of Supervisors approved the resolution to renew and expand the Union Square Business Improvement District to cover 27 blocks for 10 years. Resolution # 320-09).
- January 26, 2010: the Board approved the contract for the administration and management of the Greater Union Square Business Improvement District (Resolution # 19-10).
- February 23, 2016: the Board of Supervisors approved the FY 2014 - 2015 annual report and audit report (Resolution # 068-16).
- March 14, 2017: Board of Supervisors approved the FY 2015 – 2016 annual report and audit report (Resolution # 078-17)
- April 10, 2018: Board of Supervisors approved the FY 2016 – 2017 annual report and audit report (Resolution # 096-18)

USBID Summary and Highlights

Year Renewed	July 2009
Assessment Collection Period	FY 2009-10 to FY 2018-19 (July 1, 2009 to June 30, 2019)
Services Start and End Date	January 1, 2010 – December 31, 2019
Initial Estimated Annual Budget	\$3,040,061
Fiscal Year	July 1 – June 30
Executive Director	Karin Flood
Name of Nonprofit Owners' Entity	Union Square Business Improvement District

The current USBID website <http://www.visitunionsquaresf.com/about-us>, 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 USBID Program Areas

Cleaning and Safety

USBID Cleaning and Safety services include teams of Cleaning, Safety and Hospitality Ambassadors, including SFPD "10B" officers and Downtown Street Team members. The *Union Square BID Management Plan* calls for 65% of the operating budget dedicated to this service area.

Cleaning Ambassadors and Downtown Streets Team

- Approximately 15 full-time Cleaning Ambassadors provide regular specialized sidewalk cleaning and maintenance services (**5:30am – 9:30 pm/7 days a week**), such as sidewalk and gutter sweeping, sidewalk pressure washing every two weeks, removing needles and biomedical waste, discarding illegally dumped cardboard, and removing graffiti and stickers.

- 8 Union Square Downtown Streets Team members supplement Cleaning Ambassadors by providing specialized alley sweeping services, in addition to regular sidewalk and gutter sweeping (**7am – 11am and 1-5pm Mon-Fri**) for select routes in Union Square.

Safety Ambassadors and SFPD “10B” Officers

- Approximately eight (8) full-time Safety Ambassadors (**6am-11pm/7 days a week**) in red shirts emblazoned with the word “Safety” help to address and advise on quality of life issues in the district. They are the “eyes and ears” of Union Square to visitors and workers. Their primary responsibilities are to address street issues, such as aggressive panhandling and sit/lie violations, and to engage district visitors and workers with a friendly smile.
- SFPD “10B” officers hired by the USBID provide 10 hours a day (**8am – 6pm/7 days a week**) to supplement security to SFPD beat officers assigned to the district. The “10B” officers primarily come from the Tenderloin and Central SFPD stations.

Hospitality Ambassadors

- Approximately two (2) full-time Hospitality Ambassador services the district (**7:30am – 4pm, Wednesday through Sunday**). Their duties include providing Union Square visitors with a positive image of the district by offering the public information on local events and attractions, assisting with directions, handing out the USBID Map & Guide highlighting Union Square businesses, and providing visitor and member assistance as needed.

Member Services Dispatch

- Approximately three (3) full-time operators service the USBID’s Members Dispatch Center (**7:00am - 9pm/7 days a week**) to receive incident data and deploy cleaning, safety, and hospitality services to make the district a safer and more welcoming place for our visitors, workers, and residents.

Marketing and Communications, Public Realm Improvements, and Advocacy

These USBID services work to develop and promote Union Square as a world-class district to visitors, workers, and residents through multiple programs and initiatives, such as the USBID website (visitionsquaresf.com), social media platforms (i.e. Facebook and Twitter), monthly and weekly newsletters, a Visitor Map & Guide, media and public affairs services, public policy advocacy, public realm improvements, and annual events such as Winter Walk SF and holiday décor. The Union Square BID Management Plan calls for 10% of the budget to be spent on Marketing, Public Realm Improvements, and Advocacy.

- **Marketing & Communications** – The USBID manages a professional member and consumer marketing programs centered on digital marketing, public space programming, and member events. In addition, the USBID publishes and distributes 60,000 Union Square Visitor Maps and Guides to reinforce the district’s brand through sponsorship and advertising. Member events

are a large part of the USBID's marketing programs, attracting between 20 – 200 attendees per event. The USBID's Marketing Committee, comprised of Board members and marketing professionals, meets bi-monthly and provides feedback to the USBID on its marketing programs and best practices. The USBID also hosts "Coffee & Connections", a bi-monthly networking event for Union Square area businesses.

- **Public Realm Improvements** – The USBID's Public Realm and Streetscapes Committee meets monthly and includes design professionals, property managers, and public sector stakeholders to advise and assist with implementing projects detailed in the USBID's Public Realm Action Plan. In addition, the committee address emerging transportation and land use issue impacting the district. This past year, the Committee worked with SFMTA to convene Union Square community meetings on permanent, pedestrian-oriented design improvements for lower Powell Street called the Powell Street Improvement Project.
- **Advocacy** – The USBID's Public Affairs & Advocacy Committee addresses State and local policy issues that impact the district and its members. For example, in 2017-2018, the Committee advocated on behalf of USBID members to mitigate the impacts of the Central Subway construction project, additional SFPD presence, additional homeless outreach services, retail flexibility within the C-3-R legislation, and other relevant local legislation.

Management and Administration

The USBID Board consists of 23 members representing property owners and managers, retailers, hospitality representatives, hotel operators, and several at-large stakeholders. There are seven advisory committees, including an Executive Committee, who meet regularly and take action on time-sensitive matters. The USBID launched its renewal process in the fall of 2017 with a series of public meetings, formation of a Renewal Committee and completed a member renewal survey in May 2018.

Summary of Delivery of Services and Accomplishments

FY 2017-2018

Clean and Safe

- Picked up and removed approximately 603,325 lbs. of trash
- Collected and removed 5,700 syringes
- Painted over and removed 19,458 graffiti incidents
- USBID's annual "Holiday Safe Shopper" Program provided over 9,500 hours of police patrolling during 2018 holiday season

Marketing

- Activated Maiden Lane with food vendors and live entertainment every Monday, Wednesday, and Friday (11am – 2pm) from April – October resulting in increased pedestrian activity and decreased quality of life service calls.

- Designed, branded, promoted, activated, and managed its fourth Winter Walk SF – a temporary, two-block, pedestrian plaza along lower Stockton Street during the holiday season that attracted 1.7million visitors.
- Installed banners throughout the District to further create a sense of place.

Public Realm and Streetscapes

- Partnered with City and local businesses and organizations for Hallidie Plaza improvements, including paying for holiday décor and advocated Public Works to install and maintain 100+ planter boxes along the perimeter wall.
- Provided holiday décor in Union Square area including lighting palm trees in Union Square Park, wreaths on Powell Street, Maiden Lane and Powell Street tree lights.
- Hung flower baskets in Maiden Lane and the Cable Car Turnaround at Hallidie Plaza.
- Received notification of a \$33,000 Community Challenge Grant for a neon light art project for Campton Place.

Advocacy and Government Affairs

- Approximately 8 homeless individuals from Union Square’s Downtown Streets Team have transitioned into full-time employment (1 with USBID) and 9 have been placed into permanent housing
- Lead advocacy efforts for retailers across the city to oppose the fur ban legislation, and conducted a study to show the City that fur sales are a significant revenue generator (\$45 million annually). Although the legislation was ultimately approved by the City, we were able to extend the deadline for retailers to unload merchandise that had already been purchased by 1 year – until January, 2020.
- Participated in the Value of Downtown’s project with the International Downtown Association to report and conducted an economic impact study of the Union Square area.
- Conducted vacancy and tenancy study of the C-3-R district and advocated for additional flexibility in the legislation for 3rd floor and above for conversion to office and other uses.
- Co-convened Business Comes to City Hall Advocacy Day event with the San Francisco Chamber of Commerce bringing USBID members and business stakeholders to meet with elected officials, City department heads and industry leaders to have conversations that address the most pressing challenges facing San Francisco employers, employees, residents, and visitors.

Management and Operations

- Received \$1,000,000 from a donor-advised fund of the Silicon Valley Communication Foundation for public safety-related initiatives.
- Launched the Union Square Foundation (a 501(C) 3 charitable organization) in July 2017. The foundation will focus on raising funds for providing public realm improvements and homeless services. The Foundation raised over \$400,000 in its first fiscal year including \$97,000 from Annual Lunch and \$30,000 from Holiday Fundraiser.
- Launched renewal process with community meeting in fall of 2017 and member survey completed by May 2018 with 63% of assessed properties participating in survey.

- Drafted and approved FY 17-18 annual budget, mid-year budget modification, and drafted FY 18-19 annual budget and conducted audit for FY 16-17.

USBID Annual Budget Analysis

OEWD’s staff reviewed the following budget related benchmarks for USBID:

- **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 “Greater Union Square Business Improvement District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether one percent (1%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “Greater Union Square Business Improvement 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 percentage points (*Agreement for the Administration of the “Greater Union Square Business Improvement District”, Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether USBID 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 2017-2018

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: USBID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2017-2018 Budget	% of Budget	Variance Percentage Points
Clean & Safe	\$1,995,400	65%	\$2,647,645	64.97%	-0.03%
Marketing, Advocacy, Beautification and Streetscape Improvements*	\$291,675	10%	\$652,688	16.02%	+6.02%
Management and Operations	\$460,488	15%	\$673,910	16.54%	+1.54%
Contingency & Reserves	\$323,328	10%	\$100,933	2.48%	-7.52%
TOTAL	\$3,070,891	100.0%	\$4,075,176	100.0%	

BENCHMARK 2: Whether one percent (1%) of USBID’s actuals came from sources other than assessment revenue

ANALYSIS: USBID met this requirement. Assessment revenue was \$3,559,432 or 70.62% of actuals and non-assessment revenue was \$1,481,154 or 29.38% of actuals. See table below.

Revenue Sources	FY 2017-2018 Actuals	% of Actuals
Special Benefit Assessments	\$3,559,432	70.62%
Total assessment revenue	\$3,559,432	70.62%
Contributions	\$1,271,156	25.22%
Sponsorships	\$122,284	2.43%
Interest Earned	\$10,958	0.22%
Other Revenue	\$76,756	1.52%
Total non-assessment revenue	\$1,481,154	29.38%
Total	\$5,040,586	100%

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

ANALYSIS: USBID met this requirement. See table below.

Service Category	FY 2017-2018 Budget	% of Budget	FY 2017-2018 Actuals	% of Actuals	Variance Percentage Points
Clean & Safe	\$2,647,645	64.97%	\$2,683,937	67.45%	+2.48%
Marketing, Advocacy, Beautification and Streetscape Improvements*	\$652,688	16.02%	\$561,054	14.10%	-1.92%
Management and Operations	\$673,910	16.54%	\$622,898	15.65%	-0.89%
Contingency Reserve	\$100,933	2.48%	\$111,408	2.80%	+0.32
TOTAL	\$4,075,176	100.0%	\$3,979,297	100%	

BENCHMARK 4: Whether USBID 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: USBID 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 USBID. As a result, BIDs/CBDs typically have 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 2017-2018 Carryover Disbursement	\$2,037,580
Assessments & Core Operations	\$1,596,631
Silicon Valley Community Foundation Grant	\$201,605
Other Restricted/Designated Funds	\$239,344
Total Carryover amount from FY 2017-2018	\$2,037,580

Findings and Recommendations

USBID has met all benchmarks as defined on page 6 of this memo. USBID has well exceeded its general benefit requirements of one percent (1%). The USBID was successful in acquiring grant dollars for cleaning, safety, and streetscape related projects. USBID worked to increase foot traffic through the activation of Maiden Lane and was able to attract hundreds of thousands of visitors to the district with Winter Walk SF and other events. USBID collaborated with the City and local non-profits to beautify and improve Hallidie Plaza, Maiden Lane, and other public spaces.

USBID is will undergo its renewal process in FY 2018-2019 and is well underway with their renewal campaign. OEWD will continue to work with USBID during their renewal process. USBID needs to complete this process before the final Board of Supervisors meeting in July 2019 in order to ensure assessments make it on the FY 19-20 property tax bill to rate payers. If the district does not renew for any reason the district will sunset at 12:00 AM, January 1, 2020.

Conclusion

The USBID has performed exceptionally well in implementing the services outlined in their management plan. USBID has continued to successfully sponsor and help promote events in Union Square, including Winter Walk SF. The USBID has been particularly successful raising funds, with approximately 30% of their operating budget in FY 17-18 coming from non-assessment sources. USBID has done an outstanding job in partnering with community stakeholders and numerous municipal agencies for the activation and improvement of public spaces. USBID is a well-run organization with an active Board, committee members and will continue to successfully carry out its mission as a business improvement district.

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2019 APR -2 PM 3:07
Time stamp
for 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 [] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Topic submitted for Mayoral Appearance before the BOS on []

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:

[Greater Union Square Business Improvement District – Annual Report for FY 2017-2018]

The text is listed:

Resolution receiving and approving annual report for the Greater Union Square Business Improvement District for fiscal year 2017-2018, 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: 