

File No. 170993

Committee Item No. 1

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: October 18, 2017

Board of Supervisors Meeting:

Date: \_\_\_\_\_

#### Cmte Board

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

#### OTHER

- |                                     |                          |   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>OEWD Letter - July 17, 2017</u>              |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CBD Annual Report - FY2015-2016</u>          |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CBD Financial Statements - June 30, 2016</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Referral FYI - September 18, 2017</u>        |
| <input type="checkbox"/>            | <input type="checkbox"/> | _____   |

Prepared by: John Carroll

Date: October 13, 2017

Prepared by: \_\_\_\_\_

Date: \_\_\_\_\_

1 [Lower Polk Community Benefit District - Annual Report for FY2015-2016]

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**Resolution receiving and approving an annual report for the Lower Polk Community Benefit District for FY2015-2016, 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.**

WHEREAS, On June 3, 2014, pursuant to the Property and Business Improvement District Law of 1994 (the “Act”), California Streets and Highways Code, Sections 36600 *et seq.*, as augmented by Article 15 of the San Francisco Business and Tax Regulations Code, the Board of Supervisors adopted Resolution No. 177-14, expressing the City’s intention to establish the Lower Polk Community Benefit District (the “Lower Polk CBD”); and

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

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

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

1           WHEREAS, On February 23, 2016, the Board of Supervisors approved the Lower Polk  
2 CBD's annual report for FY2014-2015 in Resolution No. 67-16; and

3           WHEREAS, The Lower Polk CBD has submitted for the Board's receipt and approval  
4 the Lower Polk annual report for FY2015-2016 as required by Section 36650 of the Act and  
5 Section 3.4 of the Management Contract; and

6           WHEREAS, The Annual Report is on file with the Clerk of the Board of Supervisors in  
7 File No. 170993, and is incorporated herein by reference as though fully set forth; and

8           WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and  
9 memorandum report from the City's Office of Economic and Workforce Development, dated  
10 July 17, 2017, and documentation from the Lower Polk CBD for the FY2015-2016 Annual  
11 Report is on file with the Clerk of the Board of Supervisors in File No. 170993; now, therefore,  
12 be it

13           RESOLVED, That the Board of Supervisors hereby receives and approves the annual  
14 report for the Lower Polk Community Benefit District for FY2015-2016.

**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: July 17, 2017

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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, 2015 and June 30, 2016.

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 2015-2016
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.
- February 23, 2016: the Board approved the FY 2014-2015 Annual Report (Resolution # 067-16).

**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](http://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 2015-2016**

##### **District Identity**

- **New Logo and branding established and displayed on all vehicles and equipment**
- Branded ambassador and homeless outreach staff uniforms
- Produced and sponsored special marketing events such as; Wine Walks, Art Walks,
- Staffed booth at Pride Parade distributing district information
- Produced print brochure and shopping guide

##### **Street Operations, Beautification and Order (SOBO)**

- Maintenance and hospitality ambassador program established
- 300 instances of graffiti removed
- Approximately 28,500 pounds of trash removed from LPCBD public rights of way
- 705 instances of steam cleaning throughout LPCBD
- Holiday decorations installed on Polk Street
- Plant and tree installations on Polk Street
- Decorative lights installed for aesthetic and security enhancements
- 24 hour portable bathroom program established
- Sponsored daytime staffing of JC Decaux restroom near Macauley Park
- Homeless outreach program established
- Cedar Alley activation event sponsor
- 10 Dog waste stations installed in LPCBD
- Public Ashtrays/cigarette disposal stations
- Sponsored Porta-Pots for special events; SantaCon, St. Patrick's Day
- Donated \$50,000 to DPW for Fern Alley beautification

##### **Administration, Organization and Corporate Operations**

- Hired a full time executive director, Christian Martin, who began work late November 2015.
- Hired office manager, 2 social service outreach workers, 7 cleaning ambassadors through maintenance contractor Streetplus Inc.
- Established administrative procedures and protocols for employees and contractors
- Hired Massoni CPA to manage financial accounting
- Secured long term office/storage space for cleaning and maintenance operations
- Human Services Agency's ITIP Program participant

- Assisted Middle Polk as fiscal sponsor for their CBD feasibility efforts.
- Joined SFMTA Business Advisory Committee for Van Ness BRT Construction

**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 2015-2016**

**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 2015-2016 Budget	% of Budget	Variance Percentage Points
Cleaning, Maintenance, and Safety Program	\$478,675	56.58%	\$478,675	56.58%	0%
Marketing, Streetscape Improvements, and Beautification Program	\$95,700	11.31%	\$95,700	11.31%	0%
Management and Operations	\$240,900	28.47%	\$240,900	28.47%	0%
Contingency/Reserves	\$30,774.54	3.64%	\$30,774.54	3.64%	0%
<b>TOTAL</b>	<b>\$846,049.54</b>	<b>100.0%</b>	<b>\$846,049.54</b>	<b>100.0%</b>	

**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 \$751,211.38 or 58.60% of actuals and non-assessment revenue was \$530,809.67 or 100% of actuals. See table below.*

Revenue Sources	FY 2015-2016 Actuals	% of Actuals
Special Benefit Assessments	\$ 751,211.38	
<b>Total assessment revenue</b>	<b>\$751,211.38</b>	<b>58.60%</b>
Contributions/Sponsorships	\$785.58	.06%
Donations	\$529,650	41.31%
Interest Earned	\$374.09	.03%
In-kind services	\$0	
<b>Total non-assessment revenue</b>	<b>\$530,809.67</b>	<b>41.40%</b>
<b>Total</b>	<b>\$1,282,021.05</b>	<b>100%</b>

**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 2015-2016 Budget	% of Budget	FY 2015-2016 Actuals	% of Budget	Variance Percentage Points
Cleaning, Maintenance, and Safety Program	\$478,675	56.58%	\$400,806.92	57.56%	+9.98%
Marketing, Streetscape Improvements, and Beautification Program	\$95,700	11.31%	\$25,232.88	3.62%	-7.69%
Management and Operations	\$240,900	28.47%	\$239,597.50	34.41%	+5.94%
Contingency/Reserves	\$30,774.54	3.64%	\$30,667.00	4.40%	+7.7%
<b>TOTAL</b>	<b>\$846,049.54</b>	<b>100.0%</b>	<b>\$696,304.30</b>	<b>100%</b>	

**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.*

<b>FY 2015-2016 Carryover Disbursement</b>	<b>\$1,323,671.11</b>
Designated Projects for FY 2015-16	
Cleaning, Maintenance, and Safety Program	\$ 772,955.04
Marketing, Streetscape Improvements, and Beautification Program	\$ 201,282.52
Management and Operations	\$ 328,201.16
Contingency/Reserves	\$ 21,232.39
<b>Total Designated amount for Future Years</b>	<b>\$1,323,671.11</b>

**Findings and Recommendations**

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

LPCBD received the totality of its FY 14-15 and the first installment of its FY 15-16 disbursements within 4 months. This occurred due to untimely delays on post-formation tasks caused by the untimely passing of an original project proponent. This, coupled with a sizable donation from California Pacific Medical Center, led to the large carryforward seen in Benchmark 4. OEWD has worked with LPCBD to identify ways to spenddown the large carryforward. The CBD has developed a spenddown plan which will see the totality of carryforward funding spent forward in a timely manner, assessment carryforward will be spent down in accordance with state statute governing this area.

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 has made all OEWD recommendations from its FY 14-15 annual report.

**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.



Lower Polk CBD  
 FY 15/16 Annual Report

This annual report works in conjunction with the excel sheet sent to OEWD on 10/31/2016.

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.

Christian Martin is the Executive Director of the Lower Polk Community Benefit District (CBD). Prior to joining the Lower Polk CBD, Christian Martin served as the Executive Director of the Trenton Downtown Association in Trenton, NJ, and has experience in the executive and legislative branches of New Jersey State government. Mr. Martin has over 5 years of experience running special services districts providing litter removal and ambassador services.

LPCBD employs full time staff and contractors to provide a variety of cleaning and maintenance services. Local and national contractors bringing a collective 50 years of experience to the Lower Polk include; Streetplus LLC, City Resource Inc., J&J Works PW, and Curb Appeal Company. These businesses 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
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In FY 15/16, LPCBD ambassadors removed over 17 tons of trash from the Lower Polk streets. Cleaning crews also removed approximately 260 instances of graffiti and steam cleaned each block face in the district.

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 our 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 by referring them to other community-based service providers whenever possible. LPCBD outreach services are designed to support and promote the economic vitality of our community.

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.

LPCBD employs 6 full time cleaning ambassadors and trains interns through the Human Services Agency’s ITIP Program. Three of the ITIP interns have been hired as full-time ambassadors with LPCBD.

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

Providing these services has provided a calming force, and stabilized the neighborhood dramatically during business hours. LPCBD 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 provide 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, obviating potentially dangerous situations in the district. We

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COMMUNITY BENEFIT  
DISTRICT

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 LPCBD has 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.

The LPCBD sponsored and/or worked in some capacity on the following community events:

- SF Pride Parade
- First Annual Polk Street Summer Wine Walk
- St. Patrick's Day on Polk Street,
- Super Bowl (restroom services, security monitoring, 10B Police)
- Santa Con (restroom services, security monitoring)
- Halloween party for homeless neighbors
- Cedar Alley Block Party
- Thanksgiving turkey and pumpkin pie giveaway for needy families of the Tenderloin
- Sponsored "Santa in Macaulay Park" toy drive for needy kids of the Tenderloin
- Monthly Lower Polk/TL Art Walk sponsor

Public Space Improvements:

- Fern Alley 50k donation
- Ongoing planter maintenance
- 10 Dog waste units installed
- Decorative lights installed and maintained (Polk and Cedar)
- Public planning and policy work
- Cigarette disposal stations distributed

Grant requests submitted for support for the following:

- Art programming and activation
- Alley infrastructure improvements
- Restroom access services for the homeless

LPCBD Planning and Policy Commitments:

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- SFMTA committee
- SF Recreation and Parks MacAulay Park planning process
- Next Door Shelter Coordination
- Construction impact mitigation
- LPN Alley Vision Support
- Middle Polk CBD Fiscal Sponsorship

Donations:

- To SFDPW for Fern Alley improvements
- Temporary restroom services for special events
- Food and clothing for those in need

LPCBD provided over 300 volunteer hours to the neighborhood and received significant donations of food and clothing which were distributed to those in need.

Homeless Outreach/Community Service:

- General welfare check ups
- Emergency health care assistance
- Hygiene kits distributed
- Drop in services (discontinued)
- Medical referrals and emergency first aid
- Shelter referrals
- Other social service provider referrals
- periodic snacks and food distribution to establish trust and good will

Business Services:

- Advocacy
- Small Business MTA Committee Van Ness Construction
- Homeless intervention support
- Encampment removal efforts

Organizational Development:

- Staff hired
- Insurances procured
- Office and storage space secured and furnished

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- Strategic partnerships with city departments and agencies developed
- Board Retreat and monthly meetings conducted in accordance with all public meeting regulations

Cleaning Services:

- Litter Patrol
- Sharps/needle disposal
- Feces, needles and other bio hazard disposal
- Regular pressure washing and steam cleaning
- Gum and grime removal
- Graffiti removal and abatement
- Planter maintenance

Cleaning Equipment Purchased:

- 2 Pickup trucks
- 2 pressure washing units
- 1 Billy Goat High power street vacuum
- 2 shred and vacuum blowers

Regular Supplies used:

- dust pans and brooms
- pickers
- trash cans and liners
- paint and painting supplies
- cleaning supplies
- uniforms

Contracted Maintenance Services:

- Pressure Washing/Deep Cleaning
- Graffiti removal
- Port a Pot services

Community Partnerships:

- La Voz Latina
- Redding Elementary School
- California Pacific Medical Center



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- Academy of Art University
- Pacific Eagle Inc.
- Lower Polk Neighbors
- Working Solutions
- SEACSC
- Friends of the Urban Forest

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

SA 74 - Lower Polk				FY 2015-16						
Service Category/Budget Line	Management Plan Budget	General Benefit Dollars	Management Plan Assessment Budget	% of Budget	FY 2015-16 Budget	General Benefit Dollars	FY 2015-16 Assessment Budget	% of Budget	Variance	Source
SA 74 - Lower Polk CBD - Cleaning, Maintenance, and Safety	\$ 478,675.00	\$ 26,596.46	\$ 452,108.54	56.58%	\$ 478,675.00	\$ 478,675.00	\$ 478,675.00	56.58%	0.00%	Cleaning, Maintenance and Safety
SA 74 - Lower Polk CBD - Marketing, Streetscape	\$ 95,700.00	\$ 5,311.35	\$ 90,388.65	11.31%	\$ 95,700.00	\$ 95,700.00	\$ 95,700.00	11.31%	0.00%	Marketing, Streetscape Improvements and Beautification
SA 74 - Lower Polk CBD - Management and Operations	\$ 240,900.00	\$ 13,369.95	\$ 227,530.05	28.47%	\$ 240,900.00	\$ 240,900.00	\$ 240,900.00	28.47%	0.00%	Management and Operations
Contingency and Reserve	\$ 30,774.54	\$ 1,707.99	\$ 29,066.55	3.64%	\$ 30,774.54	\$ 30,774.54	\$ 30,774.54	3.64%	0.00%	Contingency and Reserves
0	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	0.00%	0.00%	
0	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	0.00%	0.00%	
0	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	0.00%	0.00%	
<b>TOTAL</b>	<b>\$ 846,049.54</b>	<b>\$ 46,955.75</b>	<b>\$ 799,093.79</b>	<b>100.00%</b>	<b>\$ 846,049.54</b>	<b>\$ -</b>	<b>\$ 846,049.54</b>	<b>100.00%</b>		

BENCHMARK 2: General Benefit Requirement

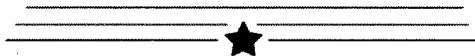
Revenue Source	FY 2015-2016 Actuals	% of actuals	Source
Assessment Revenue	\$ 751,211.38		
Total Assessment (Special Benefit) Revenue	\$ 751,211.38	58.60%	
Contributions and Sponsorships	\$ 783.58	0.06%	Various
Grants	\$ -	0.00%	CPMC Hospital
Donations	\$ 529,650.00	41.31%	CPMC Hospital & other donations
Interest Earned	\$ 394.03	0.03%	Wells Fargo - Savings
Earned Revenue	\$ -	0.00%	
Other	\$ -	0.00%	
Total Non-Assessment (General Benefit) Revenue	\$ 530,809.67	41.40%	
<b>Total</b>	<b>\$ 1,282,021.05</b>	<b>100.00%</b>	

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

SA 74 - Lower Polk				FY 2015-16									
Service Category/Budget Line	FY 2015-16 Budget	Amount from Assessment	Amount from General Benefit	% of Budget (Assessment)	% Budget (Total Budget)	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	\$ 478,675.00	\$ 478,675.00	\$ -	56.58%	56.58%	\$ 400,806.92	\$ 400,806.92	\$ -	57.56%	57.56%	0.98%	0.98%	
SA 74 - Lower Polk CBD - Marketing, Streetscape Improvements	\$ 95,700.00	\$ 95,700.00	\$ -	11.31%	11.31%	\$ 25,232.88	\$ 25,232.88	\$ -	3.62%	3.62%	-7.69%	-7.69%	
SA 74 - Lower Polk CBD - Management and Operations	\$ 240,900.00	\$ 240,900.00	\$ -	28.47%	28.47%	\$ 239,597.50	\$ 239,597.50	\$ -	34.41%	34.41%	5.94%	5.94%	
Contingency and Reserve	\$ 30,774.54	\$ 30,774.54	\$ -	3.64%	3.64%	\$ 30,667.00	\$ 30,667.00	\$ -	4.40%	4.40%	0.77%	0.77%	
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%	
<b>TOTAL</b>	<b>\$ 846,049.54</b>	<b>\$ 846,049.54</b>	<b>\$ -</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$ 696,304.30</b>	<b>\$ 696,304.30</b>	<b>\$ -</b>	<b>100.00%</b>	<b>100.00%</b>			

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 2015-2016 Carryover Disbursement	Source	Spenddown Timeline
<b>General Benefit Project</b>		
Cleaning, Maintenance and Safety Program	\$ 209,561.51	1 to 3 years
Marketing, Streetscape Improvements and Beautification Program	\$ 58,369.00	1 to 3 years
Management and Operations	\$ 148,826.71	1 to 3 years
Contingency and Reserves	\$ 21,262.39	1 to 3 years
0	\$ -	
0	\$ -	
0	\$ -	
<b>General Project Total</b>	<b>\$ 538,019.61</b>	
<b>Special Assessment Project</b>		
SA 74 - Lower Polk CBD - Cleaning, Maintenance, and Safety	\$ 470,393.93	Financial records 1 to 3 years
SA 74 - Lower Polk CBD - Marketing, Streetscape Improvements	\$ 102,429.52	Financial records 1 to 3 years
SA 74 - Lower Polk CBD - Management and Operations	\$ 179,574.43	Financial records 1 to 3 years
Contingency and Reserve	\$ -	
0	\$ -	
0	\$ -	
0	\$ -	
<b>Special Project Total</b>	<b>\$ 752,397.88</b>	
<b>Total Designated Amount for FY 2016-17</b>	<b>\$ 1,290,417.49</b>	



**• LOWER POLK •**

**COMMUNITY BENEFIT  
DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**AND**

**FROM PERIOD JULY 29, 2014 (INCEPTION)  
TO JUNE 30, 2015**

# LOWER POLK COMMUNITY BENEFIT DISTRICT

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Lower Polk Community Benefit District**

We have audited the accompanying financial statements of *Lower Polk Community Benefit District* (LPCBD), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended June 30, 2016 and the period July 29, 2014 (inception) to June 30, 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.



MARCUMGROUP  
MEMBER

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Lower Polk Community Benefit District* as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year ended June 30, 2016 and the period July 29, 2014 (inception) to June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

*Marcum LLP*

San Francisco, California  
July 10, 2017

# LOWER POLK COMMUNITY BUSINESS DISTRICT

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,410,966	\$ 8,786
Assessments receivable	10,527	--
Promises to give	500,000	--
Prepaid expenses	40,840	--
Capital assets, net	<u>19,981</u>	<u>--</u>
<b>Total Assets</b>	<u>\$ 1,982,314</u>	<u>\$ 8,786</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 87,562	\$ --
Accrued expenses	<u>6,963</u>	<u>--</u>
<b>Total Liabilities</b>	<u>94,525</u>	<u>--</u>
<b>Net Assets</b>		
Unrestricted	1,387,789	8,786
Temporarily restricted	<u>500,000</u>	<u>--</u>
<b>Total Net Assets</b>	<u>1,887,789</u>	<u>8,786</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,982,314</u>	<u>\$ 8,786</u>

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

**LOWER POLK COMMUNITY BENEFIT DISTRICT**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD FROM JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015**

	2016			2015	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Total
<b>Revenue, Gains, and Other Support</b>					
Assessment revenue	\$ 1,554,608	\$ -	\$ 1,554,608	\$ --	\$ --
Contributions	529,650	500,000	1,029,650	10,039	10,039
Interest and other income	413	--	413	--	--
<b>Total Revenue, Gains, and Other Support</b>	<u>2,084,671</u>	<u>500,000</u>	<u>2,584,671</u>	<u>10,039</u>	<u>10,039</u>
<b>Expenses</b>					
Program services	514,592	--	514,592	--	--
Supporting services					
Management and administrative	191,076	--	191,076	1,253	1,253
<b>Total Expenses</b>	<u>705,668</u>	<u>--</u>	<u>705,668</u>	<u>1,253</u>	<u>1,253</u>
Change in net assets	1,379,003	500,000	1,879,003	8,786	8,786
<b>Net Assets - Beginning</b>	<u>8,786</u>	<u>--</u>	<u>8,786</u>	<u>--</u>	<u>--</u>
<b>Net Assets - Ending</b>	<u>\$ 1,387,789</u>	<u>\$ 500,000</u>	<u>\$ 1,887,789</u>	<u>\$ 8,786</u>	<u>\$ 8,786</u>

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

**LOWER POLK COMMUNITY BUSINESS DISTRICT**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services				Supporting Services		
	Cleaning and Maintenance	Safety Ambassadors	Marketing, Streetscape and Beautification	Total	Management and Administration	Fundraising	Total
Management personnel expenses	\$ 28,987	\$ 28,987	\$ 3,051	\$ 61,025	\$ 139,666	\$ --	\$ 200,691
Contract services	--	18,890	--	18,890	--	--	18,890
Waste removal	13,874	--	--	13,874	--	--	13,874
Street cleaning	319,309	--	--	319,309	--	--	319,309
Street steam cleaning	42,450	--	--	42,450	--	--	42,450
Tree pruning and watering	4,260	--	--	4,260	--	--	4,260
Supplies	41,718	--	--	41,718	--	--	41,718
Uniforms	1,997	--	--	1,997	--	--	1,997
Advertising and event services	--	--	11,069	11,069	--	--	11,069
Meeting travel and transportation	--	--	--	--	7,161	--	7,161
Insurance	--	--	--	--	2,977	--	2,977
Bank Fees	--	--	--	--	258	--	258
Legal fees	--	--	--	--	5,845	--	5,845
Rent	--	--	--	--	35,169	--	35,169
<b>Total</b>	<u>\$ 452,595</u>	<u>\$ 47,877</u>	<u>\$ 14,120</u>	<u>\$ 514,592</u>	<u>\$ 191,076</u>	<u>\$ --</u>	<u>\$ 705,668</u>

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

**LOWER POLK COMMUNITY BUSINESS DISTRICT**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE PERIOD FROM JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015**

	Program Services				Supporting Services		
	Cleaning and Maintenance	Safety Ambassadors	Marketing, Streetscape and Beautification	Total	Management and Administration	Fundraising	Total
Insurance	\$ --	\$ --	\$ --	\$ --	\$ 1,063	\$ --	\$ 1,063
Bank fees	--	--	--	--	190	--	190
<b>Total</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,253</u>	<u>\$ --</u>	<u>\$ 1,253</u>

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

# LOWER POLK COMMUNITY BUSINESS DISTRICT

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD FROM JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

	2016	2015
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,879,003	\$ 8,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,489	--
(Increase) decrease in assets		
Assessments receivable	(10,527)	--
Promises to give	(500,000)	
Prepaid expenses	(40,840)	
Increase (decrease) in liabilities:		
Accounts payable	87,562	
Accrued expenses	6,963	--
<b>Net Cash Provided by Operating Activities</b>	<u>1,424,650</u>	<u>8,786</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of capital assets	<u>(22,470)</u>	<u>--</u>
<b>Net Cash Used in Investing Activities</b>	<u>(22,470)</u>	<u>--</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,402,180	8,786
<b>Cash and Cash Equivalents - Beginning</b>	<u>8,786</u>	<u>--</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 1,410,966</u>	<u>\$ 8,786</u>

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

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *PURPOSE AND ORGANIZATION*

The Lower Polk Community Benefit District) is an Internal Revenue Code (IRC) §501(c)(3) community-based organization (further referred to as “LPCBD”). The 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. The 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.

The 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.

The LPCBD’s mission statement is as follows:

The 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 a variety of safety efforts.
- **Safety Ambassadors** – The program will work with residents, merchants and youth on a variety of safety programs and strategies. One of which includes Safety Ambassadors on Foot Patrol to 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 as well as to ensure new marketing initiatives designed to promote both the stability and growth within the area.

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

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

#### *BASIS OF ACCOUNTING*

The 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, 2016 and 2015 and the year ended June 30, 2016, and the initial period from July 29, 2014 to June 30, 2015, 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.

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

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### 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 RECEIVABLE*

Assessments receivable represents contribution obligations of local property owners due to LPCBD. 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, 2016 and 2015, management believes all assessments will be collected, and therefore an allowance for uncollectible assessments was not needed.

#### *PROMISES TO GIVE*

Unconditional promises to give are recognized as revenues or gains 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 experience and reputation of donor and management's analysis of promises to give. As of June 30, 2016 and 2015, management believes all promises to give will be collected, and therefore an allowance for uncollectible promises to give was not needed.

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

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

#### *CAPITAL ASSETS*

LPCBD's capitalizes acquisitions of furniture and equipment, and intangibles with 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 at 5 years. Website development costs are amortized using the straight-line method over 15 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 200 hours of vacation paid time off.

#### *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 restriction.

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 statements 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 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, 2016 and initial period from July 29, 2014 to June 30, 2015, LPCBD recognized contributed goods and services in the amount of \$6,000 and \$--, respectively.

#### *ADVERTISING*

The costs of advertising are charged to expense as incurred. Advertising expense for the year ended June 30, 2016 and the initial period from July 29, 2014 to June 30, 2015 was \$3,609 and \$--, respectively.

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

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

#### *INCOME TAXES*

LPCBD is a qualified organization exempt from federal income taxes under §501(c)(3) of the IRC. See Note 9 regarding the status of California's tax exemption.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2016 and 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. LPCBD is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

#### *CONCENTRATIONS OF RISK*

##### *Financial Instruments*

Financial instruments which potentially subject 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 Concentration*

During the year ended June 30, 2016, LPCBD received 60% and 39% of its total income from the City in the form of assessments and from a donor in the form of one large contribution, respectively.

#### *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 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.

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

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

#### *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 initial period from July 29, 2014 to June 30, 2015, the City waived this requirement as LPCBD was not operational until the year ended June 30, 2016.

During the year ended June 30, 2016, LPCBD submitted their mid-year and annual report on their activities to the City. The fundraising requirement for program services was met at that time.

#### *RECENT ACCOUNTING PRONOUNCEMENTS*

The Financial Accounting Standards Board (FASB) issued new guidance, Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), and its international counterpart, IFRS 15, to provide sweeping new, globally applicable converged guidance 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, which is applicable for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. ASU 2016-02 will be effective for nonpublic companies for fiscal years beginning after December 15, 2019, including interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. Management is evaluating the impact of this new guidance.

In August 18, 2016, 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

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

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

#### *RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)*

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 NFPs to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.
- Requires NFPs 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.

NFPs 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 an NFP 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.

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 an NFP 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 an NFP'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.

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

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

#### *RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)*

- 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.

### NOTE 2 - PROMISES TO GIVE

The LPCBD's unconditional promises to give at June 30, 2016, consist of the following:

	Due in Less Than 1 Year	Due in 1 to 5 Years	Total
<b>Temporarily Restricted</b>			
Inherent time restriction	\$ 500,000	\$ --	\$ 500,000
Allowance for doubtful promises	--	--	--
<b>Total</b>	<u>\$ 500,000</u>	<u>\$ --</u>	<u>\$ 500,000</u>

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

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### NOTE 3 - CAPITAL ASSETS

Capital assets at June 30, 2016, consist of the following:

Furniture and Equipment	\$	16,010
Website		<u>6,460</u>
Total furniture and equipment		22,470
Less: accumulated depreciation and amortization		<u>(2,489)</u>
<b>Total</b>	<b>\$</b>	<b><u>19,981</u></b>

During the year ended June 30, 2016, depreciation and amortization expense was \$2,489.

### NOTE 4 - 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 at April 27, 2016, are considered eligible. The retirement plan will allow eligible employees to make voluntary contributions by salary reduction to the Plan, up to 92% of compensation and not to exceed the limit allowed by the IRC. 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 can also make discretionary profit sharing contributions.

During the year ended June 30, 2016, LPCBD made \$919 in matching contributions, included in management personnel expenses on the statements of functional expenses.

**THE LOWER POLK COMMUNITY BENEFIT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016 AND  
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015**

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**NOTE 5 - UNRESTRICTED NET ASSETS**

Unrestricted net assets as of June 30:

	<u>2016</u>	<u>2015</u>
Capital assets, net	\$ 19,981	\$ --
Undesignated	<u>1,367,808</u>	<u>8,786</u>
<b>Total</b>	<u>\$ 1,387,789</u>	<u>\$ 8,786</u>

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2016, consist of \$500,000 of inherent time restricted promises to give. There are no donor-imposed restrictions on the use of such funds once they are received.

**NOTE 7 - COMMITMENTS**

LPCBD has 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 will be billed monthly for services performed according to stipulated billing rates and service charges. The annual cost of services will not exceed \$478,479, \$485,656, and \$492,941, in year one, two, and three of this contract, respectively.

LPCBD entered into a two year office lease in San Francisco, California commencing on September 1, 2015 to August 31, 2017, with monthly payments of \$3,517.

The following is a schedule of minimum lease commitments:

For the Years Ending June 30,	Office Lease
2017	\$ 42,204
2018	<u>7,034</u>
<b>Total</b>	<u>\$ 49,238</u>

During the year ended June 30, 2016, LPCBD paid rent in the amount of \$35,169.

# THE LOWER POLK COMMUNITY BENEFIT DISTRICT

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### NOTE 8 - RELATED PARTY TRANSACTION

The Board President of LPCBD Board of Directors is married to the office manager of LPCBD. During the year ended June 30, 2016, the office manager received compensation of \$17,954.

### NOTE 9 - SUBSEQUENT EVENTS

LPCBD received a grant dated July 1, 2016, from the City commencing July 1, 2016 to June 30, 2017. The grant is for the maximum amount of \$57,682, to determine the level of support for the formation of a new community benefit district in 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 CBD Steering Committee.

On March 23, 2017, LPCBD agreed to serve as the fiscal agent for the Ocean Phelan Public Sculpture Project.

Subsequent to June 30, 2016, LPCBD filed for California tax exemption under §23701d of the California Revenue and Taxation Code. The application is pending and in management's opinion, a favorable determination letter is expected as LPCBD has operated in accordance with the applicable requirements of §23701d of the California Revenue and Taxation Code.

LPCBD has evaluated all subsequent events through July 10, 2017, 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.

BOARD of SUPERVISORS



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

## MEMORANDUM

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

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

DATE: September 18, 2017

SUBJECT: LEGISLATION INTRODUCED

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The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Peskin on September 12, 2017:

**File No. 170993**

**Resolution receiving and approving annual report for the Lower Polk Community Benefit District for FY2015-2016, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.**

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

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

Print Form

# Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO

2017 SEP 12 PM 3:39

BY \_\_\_\_\_  
Time stamp  
or meeting date *R*

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. Question(s) 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):

Peskin

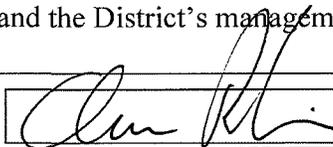
Subject:

[Lower Polk Community Benefit District – Annual Report for FY 2015-2016]

The text is listed:

Resolution receiving and approving annual report for the Lower Polk Community Benefit District for fiscal year 2015-2016, 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