

File No. 180245

Committee Item No. 4

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: April 4, 2018

Board of Supervisors Meeting:

Date: _____

Cmte Board

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

OTHER

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

Prepared by: John Carroll

Date: March 30, 2018

Prepared by: _____

Date: _____

1 [Greater Union Square Business Improvement District - Annual Report - FY2016-2017]

2
3 **Resolution receiving and approving an annual report for the Greater Union Square**
4 **Business Improvement District for FY2016-2017, 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 March 14, 2017, the Board of Supervisors approved the Greater Union
2 Square BID's annual reports for FY2015-2016 in Resolution No. 078-17; 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 FY2016-2017 as required by
5 Section 36650 of the Act and Section 3.4 of the Management Contract; and

6 WHEREAS, The annual report for FY2016-2017 is on file with the Clerk of the Board of
7 Supervisors in File No. 180245, 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 February 13, 2018, and documentation from the Greater Union Square BID for the annual
12 report for FY2016-2017 is on file with the Clerk of the Board of Supervisors in File
13 No. 180245; 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 FY2016-2017.
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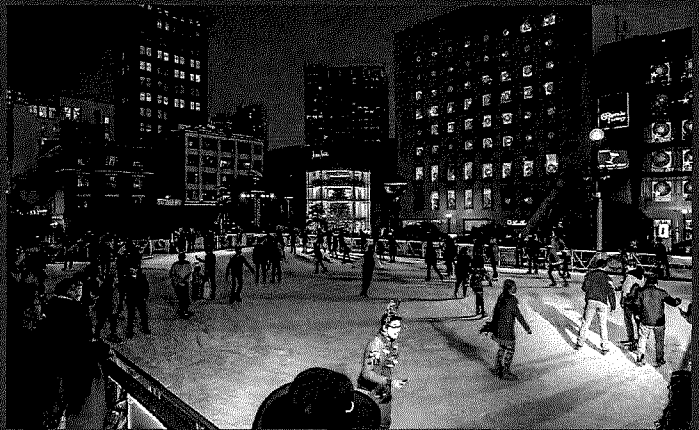


UNION SQUARE

UNION SQUARE
BUSINESS IMPROVEMENT
DISTRICT

2016-2017

ANNUAL REPORT



WELCOME

On behalf of the Union Square Business Improvement District (USBID), our Board of Directors and staff, we present this Annual Report for our eighth year to all Union Square stakeholders and the City & County of San Francisco. The attached report highlights our major accomplishments and financial performance. We welcome your feedback, encourage you to join a committee, or stop by our office to meet us in person.

Union Square continues to serve as San Francisco's #1 visitor destination. With a rich history, and as the West Coast's largest collection of hotels, luxury retailers and iconic department stores, our district is the backbone of San Francisco's retail and tourism economy. Tens of thousands of employees work here every day, managers take pride in their storefronts, and property owners' legacy depends on the continued success of this important district.

The USBID provides leadership and critical services for this area. We champion on behalf of our members and serve the community with high quality, impactful services. Our members are our top priority. We are committed to making Union Square the best place to live, work and visit.

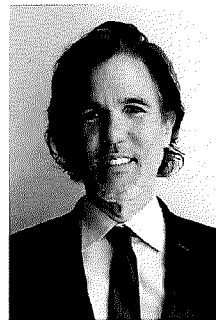
As the first Business Improvement District in San Francisco, we are a model for other districts and hold ourselves to the highest standards. We have forged lasting partnerships, working collaboratively with our

“Union Square continues to serve as San Francisco’s #1 visitor destination.”

friends in government, the private sector and nonprofits to get things done. We could not do our job without the continued commitment of our members and partners.

Union Square has never been stronger. We are proud of where we are as a district today and see tremendous opportunity in the future. We are up to new challenges because we are confident in the hard work we have done these past eight years to lay a solid foundation for a prosperous future, together.

Looking ahead we will embark on a renewal process that will not only enable our organization to continue the tremendous work our members have come to rely on, but enhance our service levels to innovate and deliver even more value for Union Square and San Francisco.



Stephen Brett

Stephen Brett
Board President



Karin Flood

Karin Flood
Executive Director

SUPPORTING A PROSPEROUS SQUARE

As frontline stewards of this 27-block district, the Union Square Business Improvement District (USBID) is proud of the value we bring to our members in providing essential quality of life services. Always striving to innovate and go further, we complement these essential services with new ideas from around the world and our own best practices. We create exciting partnerships, like the Downtown Streets Team, that serve our community with efficiency and compassion. We implement technological advances, like installing state of the art technology security cameras, to keep pace with modern challenges. We partner with the City and local nonprofits to see that public realm improvements in the district, such as the 100+ planter boxes installed at Hallidie Plaza, are maintained to the highest standards.

“Community Housing Partnership [is] partnering everyday through our workforce training programs, our public policy work, with like-minded businesses and organizations like Union Square BID to make better policy choices, to make better decisions and to really drive home the fact that everyone in San Francisco deserves a home.”
— Gail Gilman, Executive Director, Community Housing Partnership



DOWNTOWN STREETS TEAM

Anchoring our Union Square Cares initiative for a cleaner and safer community, we’ve expanded our partnership with the Downtown Streets Team, an innovative workforce nonprofit providing dignity through employment and a path out of homelessness. Daily sweeps, trash removal and needle collections have generated 6,000 lbs. of debris.



6,000 LBS.
OF DEBRIS
REMOVED



15 OUT OF
36 TEAM
MEMBERS RECEIVED
FULL-TIME EMPLOYMENT



9 TEAM MEMBERS
WERE PLACED
IN PERMANENT
HOUSING



BIGBELLY PROGRAM

The USBID boosted cleanliness in Union Square by launching the successful "Bigbelly" program, adding 25 solar-powered "smart" waste units across the District. With additional optimization of waste management, the USBID, with help from our partners, will ensure a sparkling district for all.



**PILOTED
5 UNITS IN
AUGUST 2016**

**INSTALLED 25 UNITS BY
SEPTEMBER 2017**

PEDESTRIAN COUNTERS

We utilize sophisticated pedestrian counters to track and measure footfall for the millions of visitors who frequent the district every year. The counters assist the district by measuring its overall economic performance and pedestrian activity.

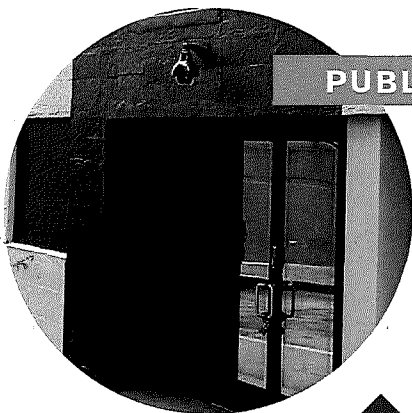


**10 REAL-TIME
PEDESTRIAN
COUNTERS
LAUNCHED IN
JANUARY 2017**

**5 MILLION
VISITORS
CAME TO UNION
SQUARE IN THE
MONTH OF AUGUST**



**39 MILLION
VISITORS CAME
TO UNION SQUARE
SINCE JANUARY 2017**



PUBLIC SAFETY & SECURITY CAMERA PROJECT

Our priority is to keep Union Square safe. We're proud of our collaboration with businesses and law enforcement. Thanks to another generous grant of \$1.25 million from a donor advised fund of the Silicon Valley Community Foundation (SVCF), we were able to continue maintaining the operation of our 350 surveillance cameras. This network enhances safety throughout our district resulting in 1,056 video requests (513 by the SFPD), and over 200 arrests.



**350
CAMERAS**

**513 SFPD VIDEO
REQUESTS THAT HAVE
RESULTED IN
OVER 200
ARRESTS TO
DATE**



**\$1.25 M
FROM A DONOR
ADVISED FUND
OF THE SILICON VALLEY
COMMUNITY FOUNDATION**



"HOLIDAY SAFE SHOPPER" PROGRAM

In addition to year-round safety services, we ensure a fun and memorable holiday experience for shoppers. The "Holiday Safe Shopper" program, funded by a donor advised fund of the SVCF, convenes and coordinates with SFPD and local businesses for optimum coverage in the district. During the 2016 holiday season, SFPD provided 10,000 patrol hours creating a visible safety presence and resulted in 8 felony arrests and 45 misdemeanors.



10,000 HOURS OF POLICE PATROLLING THROUGHOUT UNION SQUARE

8 FELONY ARRESTS



AND **45** MISDEMEANOR ARRESTS.



WINTER WALK SF

Drawing holiday-goers from around the world, Union Square's "Winter Walk SF" is a showcase for San Francisco's holiday season. In 2016, we designed and hosted our 3rd Annual event attended by 750,000 visitors. On this wonderland promenade, we activated Stockton Street with unique food, drinks, and family-friendly activities.



3RD WINTER WALK SF



750,000 LOCALS AND VISITORS IN ATTENDANCE



98% OF ATTENDEES WOULD LIKE TO SEE WINTER WALK BECOME A PERMANENT EVENT



"The Police Department works with the Union Square Business Improvement District. We are partners together on crime prevention, on public safety, on making sure that the businesses in Union Square remain safe." — David Lazar, Commander, San Francisco Police Department



PROVIDING ESSENTIAL SERVICES

As a champion for Union Square, our cleaning, safety and hospitality ambassadors work tirelessly to ensure a clean and safe environment for everyone who lives, works and plays in the district. Working with the City, we help shape a vibrant public realm for Union Square. We convene stakeholders, and we advocate for our community at City Hall. Securing outside resources, we augment assessments to achieve enhanced service levels. As vital service providers, we make it our daily responsibility to tackle any challenge in real-time with focus and passion.



CLEAN

We ensure a high level of cleanliness for Union Square and strive for continued operational improvements which is core to our mission.



SAFE

With rapid response times and innovative coverage, our ambassadors and officers make our district a safer place for visitors, workers and residents.



PUBLIC REALM

Working collaboratively with our government partners and district stakeholders, we are shaping the long-term vibrancy of our area with thoughtful public realm investments.



MARKETING

We provide connectivity that creates a seamless experience for visitors and locals alike, activating public spaces with popular events that draw crowds and reinforce Union Square's brand as an international destination.



ADVOCACY

As your champion, we take pride in representing our members to stay ahead of everyday challenges while building winning coalitions that achieve success.

"The Union Square BID is an incredibly strong partner with the Hotel Council of San Francisco. Together, we advocate for City policies that protect a safe and clean Union Square district for our businesses, employees and visitors."

— Kevin Carroll, Executive Director, Hotel Council of San Francisco

FINANCIALS + ASSESSMENT METHODOLOGY

ASSESSMENT METHODOLOGY

The USBID is a 501(c)4 nonprofit organization and currently the largest of San Francisco's 14 existing property-based Business Improvement Districts. 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 nonresidential 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 CALCULATION RATE CHART FOR 16-17FY

PROPERTY TYPE	CLEAN & SAFE*	MARKETING/ADVOCACY**
Category 1 less than 2,000 bldg sqft	\$82.81	\$87.99
Category 2 2,000-4,999 bldg sqft	\$82.81	\$175.99
Category 3 5,000-9,999 bldg sqft	\$82.81	\$586.65
Category 4 10,000-29,999 bldg sqft	\$82.81	\$1,173.31
Category 5 30,000-99,999 bldg sqft	\$82.81	\$1,466.64
Category 6 100,000 or more bldg sqft	\$82.81	\$5,866.56
Residential Property & Public Property	\$82.81	\$0.00
Hallidie Plaza Parcels	\$4.16***	\$0.00

*per linear street foot **per assessor's parcel ***per lot square footage

JULY 2016 – JUNE 2017 STATEMENT OF FINANCIAL POSITION

ASSETS		LIABILITIES	
Cash	\$2,508,357	Accounts Payable & Accrued Expenses	\$450,704
Receivables (Net)	\$55,500	Total Liabilities	\$450,704
Other Current Assets	\$105,355		
Furniture & Equipment (Net)	\$609,490	NET ASSETS	
Total Assets	\$3,278,702	Unrestricted	\$1,821,765
		Restricted Temporarily	\$1,006,233
		Total Net Assets	\$2,827,998
		Total Liabilities & Net Assets	\$3,278,702

16-17FY FINANCIAL RESULTS – ASSESSMENT & CORE OPERATIONS

REVENUE	16-17 BUDGET	16-17 ACTUAL	VARIANCE
Special Assessment Revenue	\$3,447,327	\$3,453,377	\$6,050
Other Revenue	\$282,593	\$327,842	\$45,249
Total Funds	\$3,729,920	\$3,781,219	\$51,299
EXPENSES			
Clean & Safe	\$2,450,163	\$2,572,171	\$(122,008)
Streetscape Improvements, Advocacy, Marketing & Events	\$667,052	\$550,466	\$116,586
Management & Administration	\$702,093	\$627,884	\$74,209
Total Assessment Expenses	\$3,819,308	\$3,750,521	\$68,787
Surplus (Deficit) for Assessment Operations 16-17FY	\$(89,388)	\$30,698	\$120,086

16-17FY FINANCIAL TOTAL RESULTS (INCLUDING GRANTS)

REVENUE	16-17 BUDGET	16-17 ACTUAL	VARIANCE
Special Assessment Revenue	\$3,447,327	\$3,453,377	\$6,050
Other Revenue	\$531,325	\$1,837,276	\$1,305,951
Total Funds	\$3,978,652	\$5,290,653	\$1,312,001
EXPENSES			
Clean & Safe	\$2,450,163	\$2,572,171	\$(122,008)
Streetscape Improvements, Advocacy, Marketing & Events	\$667,052	\$550,466	\$116,586
Management & Administration	\$702,093	\$627,884	\$74,209
Total Assessment Expenses	\$3,819,308	\$3,750,521	\$68,787
SVCF Grants (Safe Shopper 2016 & Security Cameras)	\$768,935	\$1,887,041	\$(1,118,106)
Other Grants & Non-Assessment Funds	\$280,000	\$175,718	\$104,282
Total Expenses	\$4,868,243	\$5,813,280	\$945,037
Change Net Assets for 16-17FY	\$(889,591)	\$(522,627)	\$366,964

*Audited financial statements available upon request, ben@unionsquarebid.com

JULY 2017-JUNE 2018 BUDGET

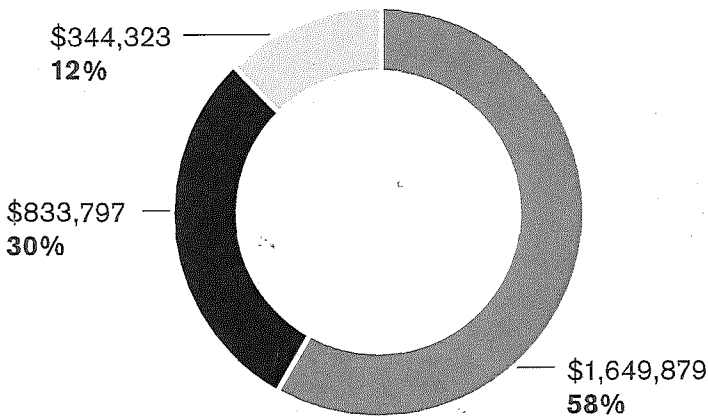
INCOME	AMOUNT	% OF INCOME
Assessment Revenue	\$3,551,533	89%
Fundraising & Other	\$420,933	11%
Total Income	\$3,972,466	100.00%

EXPENSES	ASSESSMENTS	% OF ASSESSMENT EXPENSES	% OF ALL EXPENSES
Clean & Safe	\$2,652,172	67%	53%
Streetscapes, Advocacy, Marketing & Events	\$607,454	15%	12%
Management & Administration	\$699,832	18%	14%
Total Assessment Expenses	\$3,959,458	100%	
SVCF Grant Expenses	\$723,263		14.5%
Other Grants & Funds	\$322,924		6.5%
Total Expenses	\$5,005,645		100%

CARRY OVER FUNDS FROM 16-17FY

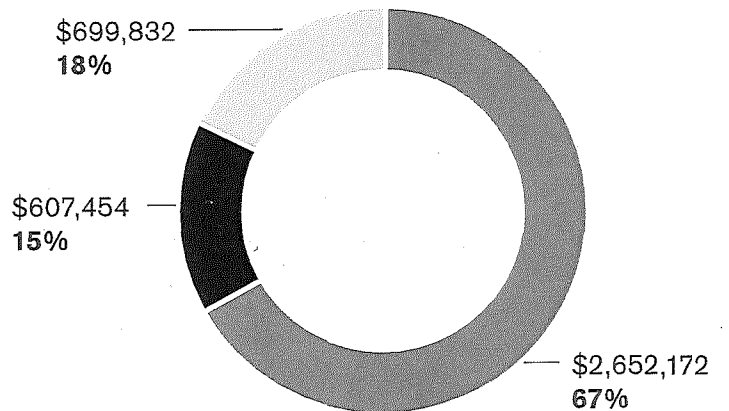
General Fund/Contingency	\$1,649,879
Total Assessment & Service Area Funds	\$1,649,879
SVCF Grants	\$833,797
Other Restricted/Designated Funds	\$344,323
Total Carry Over Funds (From 16-17)	\$2,827,999

CARRY OVER FUNDS FROM 16-17FY



- Total Assessment & Service Area Funds
- Other Restricted/Designated Funds
- SVCF Grants

JULY 2017-JUNE 2018 BUDGET



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

POWELL STREET PROMENADE

Received **\$125,000** sponsorship from Audi to maintain and repair the existing parklett.



CAMPTON PLACE IMPROVEMENT PROJECT

Received a **\$40,000** grant from the City of San Francisco to activate Campton Place. Food trucks, tables and chairs, whimsical rabbits, and light-art coming soon!

ANNUAL LUNCHEON

Raised over **\$114,000** to support public realm improvement projects.



LUNCH ON THE LANE

Activated Maiden Lane with food vendors, tables & chairs and live entertainment every Friday from 11am–3pm. Increased pedestrian traffic on Maiden Lane for area merchants.

ANNUAL HOLIDAY FUNDRAISING EVENT

Raised over **\$40,000** for the Union Square Downtown Streets Team.

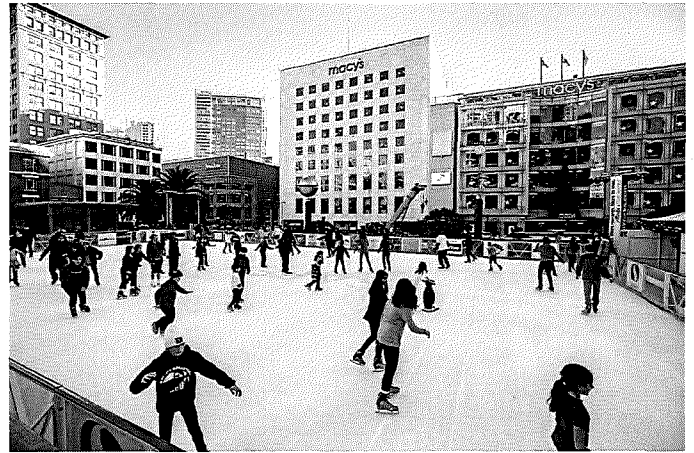
LOOKING FORWARD

The future is bright for Union Square. With property values rising, pedestrian traffic climbing and local business thriving, Union Square is well positioned to seize new opportunities for increased vitality and growth. As a model for public private partnerships, we've met and

exceeded our management goals by consistently delivering effective and efficient services while maximizing our resources to face emerging challenges. The USBID of tomorrow is an engine for shared prosperity by expanding on the critical services that our members



value and innovating to make the most of new opportunities as they arise. Renew and expand your commitment today, and we will plan collaboratively for a dynamic and vibrant Union Square tomorrow.



“As a Building Owner and Property Manager of commercial real estate within the BID, I am extremely grateful for the support and guidance provided by the Union Square BID staff. Over the past 6 years our property has been in the direct path of the Central Subway extension and the BID has been a strong advocate for safety, cleanliness, and open communication with the City during this difficult time.” — *Lori Coleman, Vice President of Management Services, Madison Marquette*



USBID STAFF

EXECUTIVE DIRECTOR
Karin Flood

DEPUTY DIRECTOR
Benjamin Horne

DIRECTOR OF STRATEGIC INITIATIVES
Claude Imbault

SERVICES MANAGER
Randall Scott

MANAGER OF MARKETING & MEMBER PROGRAMS
Tara Jett

PROJECT COORDINATOR
Joshua Chan

**OPERATIONS STAFF PROVIDED
BY BLOCK BY BLOCK**

OPERATIONS DIRECTOR
Chris Boss

OPERATIONS SUPERVISOR
Karl Bijan

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PRESIDENT / PRINCIPAL / BRETT & COMPANY
Stephen Brett

TREASURER / PRINCIPAL / TRINITY PORPERTIES
Jim Sangiacomo

SECRETARY / GENERAL MANAGER / THE
CHANCELLOR HOTEL ON UNION SQUARE
Wes Tyler

ADVISORY COMMITTEE CHAIRS

AUDIT COMMITTEE CHAIR / OWNER / 250 POST
STREET LP
Tad Moore

FINANCE COMMITTEE CHAIR / PRINCIPAL /
TRINITY PROPERTIES
Jim Sangiacomo

MARKETING COMMITTEE CHAIR / DIRECTOR
OF MARKETING / WESTFIELD SAN FRANCISCO
CENTRE
Amanda Fernandez

MARKETING COMMITTEE CHAIR / PRINCIPAL /
CALIFORNIA GIRL JEWELRY
Denise Forbes

PUBLIC AFFAIRS COMMITTEE CHAIR /
GENERAL MANAGER / CHANCELLOR HOTEL
ON UNION SQUARE
Wes Tyler

SERVICES & PUBLIC SAFETY COMMITTEE CHAIR
/ CDOA BOARD OF DIRECTOR / THE CLUB
DONATELLO
Don Thomas

STREETSCAPES & PUBLIC REALM COMMITTEE
CHAIR / PRINCIPAL / RHAA LANDSCAPE
ARCHITECTS
Manuela Anne King

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SAN FRANCISCO CENTER
Leah Heil

ARTS CONSULTANT
Shirley Howard-Johnson

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DIRECTOR OF BUSINESS DEVELOPMENT /
ANVIL BUILDERS
Richard Leider

PRINCIPAL / 250 POST STREET LP
Tad Moore

GENERAL MANAGER / NEIMAN MARCUS
Alan Morrell

ASSOCIATE DIRECTOR / HOTEL COUNCIL
OF SAN FRANCISCO
Kelly Powers

SR. VICE PRESIDENT & GENERAL MANAGER /
GROSVENOR AMERICAS
Mark Purdy

DIRECTOR OF BUSINESS DEVELOPMENT /
IMPARK
Spencer Sechler

VICE PRESIDENT STORE MANAGER / MACY'S
Jennifer Sweeney

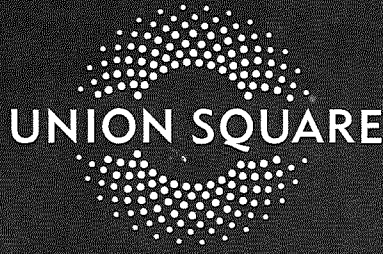
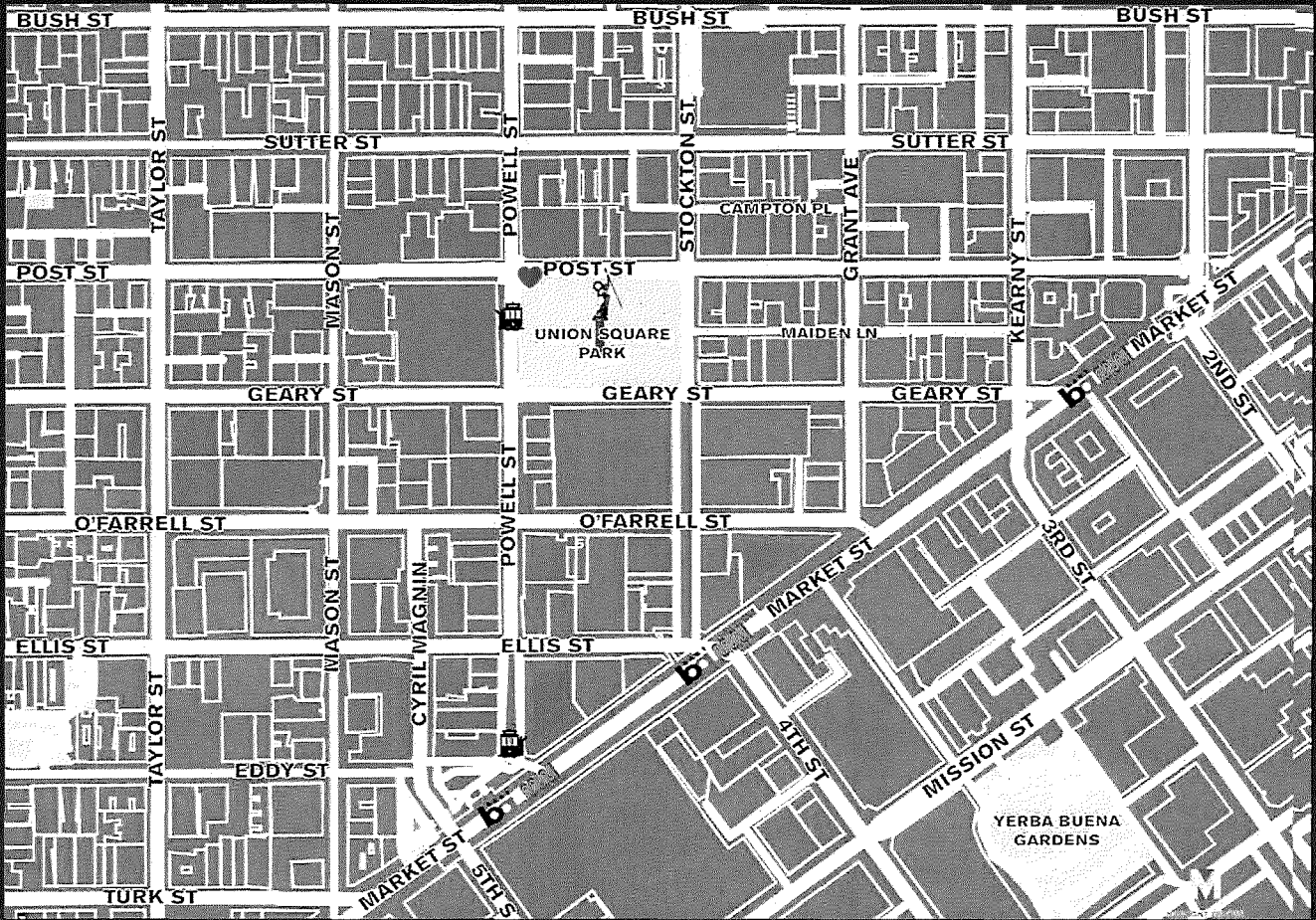
GENERAL MANAGER / RECOLOGY -
GOLDEN GATE
Minna Tao

EXECUTIVE VICE PRESIDENT / COLLIER'S
INTERNATIONAL
Julie Taylor

CDOA BOARD OF DIRECTOR / THE CLUB
DONATELLO
Don Thomas

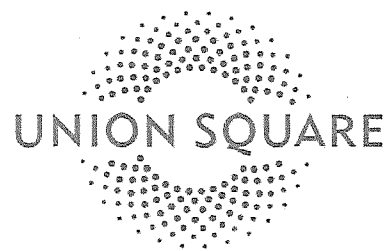
GENERAL MANAGER / WESTIN ST. FRANCIS
Randy Zupanski





UNION SQUARE
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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)**

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

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Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Union Square Business Improvement District's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

San Francisco, California
September 29, 2017

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	2017	2016
Assets		
Cash and cash equivalents	\$ 1,258,988	\$ 566,574
Promises to give	--	11,098
Assessments and accounts receivable, net	55,500	32,424
Prepaid expenses and deposits	105,355	70,432
Certificates of deposit	1,249,369	2,225,658
Furniture and equipment, net	609,490	857,807
Total Assets	<u>\$ 3,278,702</u>	<u>\$ 3,763,993</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 430,049	\$ 299,703
Grants payable	--	87,500
Accrued benefits	20,068	10,247
Deferred revenue	587	15,918
Total Liabilities	<u>450,704</u>	<u>413,368</u>
Net Assets		
Unrestricted	1,821,765	1,773,636
Temporarily restricted	1,006,233	1,576,989
Total Net Assets	<u>2,827,998</u>	<u>3,350,625</u>
Total Liabilities and Net Assets	<u>\$ 3,278,702</u>	<u>\$ 3,763,993</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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	Unrestricted	Temporarily Restricted	2017	2016
Revenue and Other Support				
Assessment revenue	\$ 3,453,377	\$ --	\$ 3,453,377	\$ 3,410,053
Contributions	1,328,755	314,033	1,642,788	3,253,757
Special event	114,642	--	114,642	101,250
Other revenue	71,971	--	71,971	12,500
Interest income	7,875	--	7,875	2,389
Net assets released from restrictions	<u>884,789</u>	<u>(884,789)</u>	<u>--</u>	<u>--</u>
Total Revenue and Other Support	<u>5,861,409</u>	<u>(570,756)</u>	<u>5,290,653</u>	<u>6,779,949</u>
Expenses				
Program	5,150,790	--	5,150,790	6,595,794
Management and administrative	627,892	--	627,892	674,481
Fundraising	<u>34,598</u>	<u>--</u>	<u>34,598</u>	<u>35,638</u>
Total Expenses	<u>5,813,280</u>	<u>--</u>	<u>5,813,280</u>	<u>7,305,913</u>
Change in Net Assets	<u>48,129</u>	<u>(570,756)</u>	<u>(522,627)</u>	<u>(525,964)</u>
Net Assets - Beginning	<u>1,773,636</u>	<u>1,576,989</u>	<u>3,350,625</u>	<u>3,876,589</u>
Net Assets - Ending	<u>\$ 1,821,765</u>	<u>\$ 1,006,233</u>	<u>\$ 2,827,998</u>	<u>\$ 3,350,625</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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	Program	Management and Administrative	Fundraising	2017	2016
Holiday Safe Shopper and SFPD programs	\$ 944,794	\$ --	\$ --	\$ 944,794	\$ 2,471,157
Ambassadors and dispatch	871,296	--	--	871,296	852,967
Salaries, wages, benefits and payroll taxes	527,478	321,555	--	849,033	582,985
Maintenance and cleaning	698,547	--	--	698,547	653,848
Depreciation	403,598	9,105	--	412,703	261,015
10B police officers	300,371	--	--	300,371	316,522
Supervision (clean and safe services)	224,238	--	--	224,238	216,851
Public realm improvement projects	220,259	--	--	220,259	177,138
In-kind services	203,940	7,500	--	211,440	126,820
Security Camera Program operating expenses	198,578	--	--	198,578	146,331
Security Camera Program sub-grants	175,000	--	--	175,000	525,000
Accounting, legal and support	13,328	139,198	--	152,526	361,127
Rent and utilities	57,380	79,244	--	136,624	135,053
Downtown Streets Team Program	128,192	--	--	128,192	--
Special events and activation	50,821	--	34,061	84,882	99,315
Insurance, permits and fees	16,764	30,988	--	47,752	44,717
Public affairs, advocacy and Union Square Cares	42,928	--	--	42,928	45,961
Meetings, travel, conferences and office expenses	506	40,302	537	41,345	40,694
Clean and Safe operating expenses and projects	37,576	--	--	37,576	112,122
Marketing and promotion	35,196	--	--	35,196	136,290
Total	\$ 5,150,790	\$ 627,892	\$ 34,598	\$ 5,813,280	\$ 7,305,913

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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)**

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ (522,627)	\$ (525,964)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in allowance for uncollectible assessments	--	(18,910)
Depreciation	412,703	261,015
Loss on disposal of equipment	9,348	--
Changes in operating assets and liabilities:		
Promises to give	11,098	52,073
Assessments and accounts receivable	(23,076)	291,751
Prepaid expenses and deposits	(34,923)	(37,921)
Accounts payable and accrued expenses	130,346	(76,168)
Grants payable	(87,500)	87,500
Accrued benefits	9,821	5,460
Deferred revenue	(15,331)	15,918
Net Cash Provided By (Used In) Operating Activities	(110,141)	54,754
Cash Flows From Investing Activities		
Proceeds on sale/maturity of certificates of deposit	4,727,185	1,074,149
Purchase of certificates of deposit	(3,750,896)	(2,225,658)
Purchase of furniture and equipment	(173,734)	(845,314)
Net Cash Provided By (Used In) Investing Activities	802,555	(1,996,823)
Net Increase (Decrease) In Cash and Cash Equivalents	692,414	(1,942,069)
Cash and Cash Equivalents - Beginning	566,574	2,508,643
Cash and Cash Equivalents - Ending	\$ 1,258,988	\$ 566,574

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, 2017

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, 2017

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, 2017

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, 2017, 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.

PROMISES TO GIVE

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

The USBID uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

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, 2017, the allowance for uncollectible assessments was approximately \$6,000.

CERTIFICATES OF DEPOSIT

The USBID's investments in certificates of deposit are carried at fair value.

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 years ended June 30, 2017 and 2016.

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.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

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.

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 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, 2017.

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, 2017, the USBID recognized contributed goods and services in the amount of \$211,440.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

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.

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, 2017, 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 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.

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.

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, 2016 and for the year then ended, from which the summarized information was derived.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

RECLASSIFICATIONS

Certain amounts in the summarized comparative totals for 2016 have been reclassified to conform to the 2017 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

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). 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.

An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 - FAIR VALUE MEASUREMENTS

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 at June 30, 2017.

Certificates of Deposit

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

The following table provides information as of June 30, 2017, about the USBID's financial assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Assets at Fair Value				
Certificates of deposit	\$ --	\$ 1,249,369	\$ --	\$ 1,249,369

NOTE 3 - FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, 2017, consist of the following:

Security camera equipment	\$ 1,331,421
Furniture and miscellaneous equipment	<u>75,112</u>
	1,406,533
Less: accumulated depreciation	<u>(797,043)</u>
Total	<u>\$ 609,490</u>

NOTE 4 - LINE OF CREDIT

The USBID renewed a revolving line of credit with Wells Fargo on January 17, 2017, which expires on February 5, 2018, for a maximum borrowing amount of \$500,000. Interest is payable at the greater of the prime rate plus 1.25% (5.50% at June 30, 2017) 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, 2017.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 - UNRESTRICTED NET ASSETS

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

Board designated:

Streetscape projects	\$	121,698
Advocacy		50,124
Net investment in furniture and miscellaneous equipment		12,262
Undesignated		<u>1,637,681</u>

Total	\$	<u>1,821,765</u>
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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 June 2019.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017, consist of the following:

Net investment in security camera equipment	\$	597,228
Security cameras		354,106
Others		<u>54,899</u>

Total	\$	<u>1,006,233</u>
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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, 2017, as follows:

Police patrols and security cameras	\$	502,238
Depreciation on security cameras		380,595
Other		<u>1,956</u>

Total	\$	<u>884,789</u>
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UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 - GRANTS

On June 16, 2015, the USBID entered into a sub-grant agreement for \$350,000 with the Central Market Community Benefit District (the CMCBD) for the purpose of purchasing, installing, operating, and maintaining security cameras and related equipment in the CMCBD. The term of the agreement was July 1, 2015 through June 30, 2017. The USBID advanced payment to the CMCBD based on evidence of progress on the project.

On November 2, 2015, the USBID entered into a sub-grant agreement for \$350,000 with the North of Market/Tenderloin Community Benefit District (the TLCBD) for the purpose of purchasing, installing, operating, and maintaining security cameras and related equipment in the TLCBD. The term of the agreement was November 2, 2015 through June 30, 2017. The USBID advanced payment to the TLCBD based on evidence of progress on the project.

The conditions associated with these sub-grants were satisfied during the year ended June 30, 2017, and as a result, no amounts are due to the sub-grantees.

NOTE 9 - 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.

The following is a schedule of minimum lease commitments:

For the Years Ending	
June 30,	Amount
2018	\$ 55,860
2019	54,780
Thereafter	<u>8,590</u>
Total	<u><u>\$ 119,230</u></u>

Rent expense for the year ended June 30, 2017, was \$126,254.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - 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 an organization that received a sub-grant during the year ended June 30, 2016, in the amount of \$350,000 from the USBID (Note 8). \$87,500 was paid to the organization during the year ended June 30, 2017.

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 \$132,000 during the year ended June 30, 2017.

NOTE 11 - SUBSEQUENT EVENTS

In July 2017, the Union Square Foundation, a separate entity, was formed to raise funds and devote resources to public realm improvement programs and homeless programs to benefit the area and greater community. As of the date of this report, there have been no transactions between the Union Square Foundation and the USBID. The Union Square Foundation applied for 501(c)(3) status with the Internal Revenue Service in August 2017.

The USBID has evaluated all subsequent events through September 29, 2017, the date the financial statements were available to be issued. Other than the disclosure above, no other events requiring recognition or disclosure in the financial statements were identified.

MEMO

To: Supervisor Aaron Peskin, District 3
CC: San Francisco Board of Supervisors
From: Chris Corgas, OEWD Senior Program Manager
RE: Greater Union Square Business Improvement District
Date: February 13, 2018

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, 2016 and June 30, 2017. 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 2016-2017
2. CPA Financial Audit Report
 - a. FY 2016-2017
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)

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 13 full-time Cleaning Ambassadors provide regular specialized sidewalk cleaning and maintenance services (**5:30am – 9:30am/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.
- Between 3-6 full-time 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 & 1pm – 5pm, Mon.-Fri., and 7am – 11am, Sat.**), for select routes in Union Square.

Safety Ambassadors and SFPD “10B” Officers

- Approximately four (4) 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 Ambassadors service the district (**7:30am – 6pm/7 days a week**). 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 two (2) full-time operators service the USBID’s Members Dispatch Center (**7:00am - 7:30pm/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 (visitunionsquaresf.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 and member programs such as “Meet the Concierge”.

- **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, SF Planning, and SF Public Works to convene Union Square community meetings on permanent, pedestrian-oriented design improvements for lower Powell Street called the Powell Street Improvement Project pilot.
- **Advocacy** – The USBID’s Public Affairs & Advocacy Committee addresses State and local policy issues that impact the district and its members. For example, in 2016-2017, 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, appropriate placement of mobile food facilities, 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 recently completed (September 2016) a three-year strategic plan outlining a new vision and mission statement, goals and objectives by service area, key performance indicators, and work plan.

Summary of Delivery of Services and Accomplishments

FY 2016-2017

Clean and Safe

- Picked up and removed approximately 480,000 lbs. of trash and debris
- Collected and removed 1,780 syringes
- Provided approximately 50,000 directions to visitors, workers, and residents
- Cleaned up 9,273 instances of human biomedical waste
- Addressed approximately 6,000 instances of persons with a serious mental illness
- Approximately 19,172 sit/lie ordinance advisements
- Approximately 16,700 instances of graffiti, tags, and stickers removed
- Security camera program expanded to include over 350 cameras in operation and over 513 uses of the system by SFPD, resulting in over 200 of arrests.
- USBID’s annual “Holiday Safe Shopper” Program provided 10,000 hours of police patrolling during 2017 holiday season

Marketing

- Activated Maiden Lane with food vendors and live entertainment every Friday (11am – 3pm) from April – October resulting in increased pedestrian activity.
- Designed, branded, promoted, activated, and managed its third Winter Walk SF – a temporary, two-block, pedestrian plaza along lower Stockton Street during the holiday season that attracts over 750,000 visitors.

- Launched ten, electronic pedestrian counters to count foot traffic in high-pedestrian corridors in Union Square that showed approximately 25M visitors to Union Square in the first six-months of 2017.

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. .
- Received \$125,000 sponsorship from Audi to upgrade and maintain the Powell Promenade, on one of San Francisco’s oldest and largest parklets.
- Convened Union Square property owners and retailers for a series of four design workshops to develop concept plans for permanent pedestrian improvements to lower Powell Street.
- Received a \$40,000 from the San Francisco Planning Department to activate Campton Place with food trucks, moveable tables and chairs, and artistic lighting.

Advocacy and Government Affairs

- Approximately 15 out of 36 homeless individuals from Union Square’s Downtown Streets Team have transitioned into full-time employment and 9 have been placed into permanent housing
- Advocated for additional beat cops in Union Square area.
- Advocated to bring the Mayor’s Fix-It Team to Union Square and setup community meeting and tour with Fix It Team.
- Participated in the Value of Downtown’s project with the International Downtown Association to report and highlight the economic impact of Union Square.

Management and Operations

- Received \$1,250,000 from a donor-advised fund of the Silicon Valley Communication Foundation for public safety-related initiatives.
- Raised over \$114,000 from the USBID’s Annual Luncheon fundraiser for public realm improvements in the district.
- Raised over \$40,000 from the USBID’s Annual Fundraising event for Union Square’s Downtown Streets Team program.
- Drafted and approved FY 16-17 annual budget, mid-year budget modification, and drafted FY 17-18 annual budget and conducted audit for FY 15-16.

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 2016-2017

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

ANALYSIS: USBID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2016-2017 Budget	% of Budget	Variance Percentage Points
Clean & Safe	\$1,995,400	65%	\$2,450,163	64.15%	-0.85%
Marketing, Advocacy, Beautification and Streetscape Improvements*	\$291,675	10%	\$667,052	17.47%	+7.47%
Management and Operations	\$460,488	15%	\$702,093	18.38%	+3.38%
Contingency & Reserves	\$323,328	10%	\$0	0%	-10%
TOTAL	\$3,070,891	100.0%	\$3,819,308	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 \$3,453,377 or 65.27% of actuals and non-assessment revenue was \$1,837,276 or 34.73% of actuals. See table below.

Revenue Sources	FY 2016-2017 Actuals	% of Actuals
Special Benefit Assessments	\$3,453,377	65.27%
Total assessment revenue	\$3,453,377	65.27%
Contributions and Sponsorships	\$1,642,788	31.05%
Donations	--	--
Grants	--	--
Interest Earned	\$7,875	0.15%
Earned Revenue	\$114,642	2.17%
Other	\$71,971	1.36%
Total non-assessment revenue	\$1,837,276	34.73%
Total	\$5,290,653	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 2016-2017 Budget	% of Budget	FY 2016-2017 Actuals	% of Actuals	Variance Percentage Points
Clean & Safe	\$2,450,163	64.15%	\$2,572,171	68.58%	+4.43%
Marketing, Advocacy, Beautification and Streetscape Improvements*	\$667,052	17.47%	\$550,466	14.68%	-2.79%
Management and Operations	\$702,093	18.38%	\$627,884	16.74%	-1.64
Contingency Reserve	\$0	0%	\$0	0%	0%
TOTAL	\$3,819,308	100.0%	\$3,750,521	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 2016-2017 Carryover Disbursement	\$2,827,999
General Fund/Contingency	\$1,649,879
Silicon Valley Community Foundation Grant	\$833, 797
Other Restricted/Designated Funds	\$3,44,323
Total Carryover amount from FY 2016-2017	\$2,827,999

Findings and Recommendations

USBID has met all benchmarks as defined on pages 5 and 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.

USBID will be up for renewal in FY 2018 – 2019 and the USBID’s Board and staff have continued preparing for the renewal process through formal outreach luncheons and meetings to USBID stakeholders.

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 34% of their operating budget in FY 16-17 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.

BOARD of SUPERVISORS



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MEMORANDUM

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

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

DATE: March 20, 2018

SUBJECT: LEGISLATION INTRODUCED

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

File No. 180245

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


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

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

Print Form

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
 BOARD OF SUPERVISORS
 SAN FRANCISCO
 2018 MAR 13 PM 4:24
 BY  Time stamp
 of meeting date

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

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor 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):

Subject:

The text is listed:

Signature of Sponsoring Supervisor:

For Clerk's Use Only