

**MEMO**

To: Supervisor Scott Wiener, District 8  
CC: San Francisco Board of Supervisors  
From: Richard Kurylo, OEWD Project Manager  
RE: Castro/Upper Market Community Benefit District  
Date: November 20, 2015

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This is a memo summarizing the performance of the Castro/Upper Market Community Benefit District (Castro/Upper Market CBD) and an analysis of their financial statements (based on their audit) for the period between July 1, 2013, and June 30, 2014.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. The Castro/Upper Market CBD has complied with the submission of all these requirements. OEWD staff, with assistance from the Controller's Office, 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 Castro/Upper Market's Community Benefit District management contract with the City; and their Management Plan as approved by the Board of Supervisors in 2006.

Also attached to this memo are the following documents:

1. Annual Report
  - a. FY 2013-2014
2. CPA Financial Review Report
  - a. FY 2013-2014
3. Draft resolution from the Office of Economic and Workforce Development

**Background**

The Castro/Upper Market Community Benefit District spans 18 blocks and contains 279 parcels.

- August 2, 2005: the Board of Supervisors approved the establishment of the Castro/Upper Market Community Benefit District (Resolution # 582-05).
- January 10, 2006: the Board approved the contract for the administration and management of the Castro/Upper Market Community Benefit District (Resolution # 14-06).
- March 3, 2015: the Board of Supervisors approved the Castro/Upper Market CBD's Annual Reports for Fiscal Years 2009-2010, 2010-2011, 2011-2012, and 2012-2013 (Resolution # 63-15).



### **Basic Info about the Castro Upper Market CBD**

Year Established	August 2005
Assessment Collection Period	FY 2005-2006 to FY 2019-2020 (July 1, 2005 to June 30, 2020)
Services Start and End Date	January 1, 2006 – December 31, 2020
Initial Estimated Annual Budget	\$413,500
Fiscal Year	July 1 – June 30
Executive Director	Andrea Aiello
Name of Nonprofit Entity	Castro/Upper Market Community Benefit District Corporation

The current CBD website, [www.castrocbd.org](http://www.castrocbd.org), 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 Service Area Goals**

#### **Public Rights of Way and Sidewalk Operations (PROWSO)**

Public Rights of Way and Sidewalk Operations program area may include greening, landscaping and beautification of public spaces, removal of bulky items, graffiti removal within 24 hours, tree and plant maintenance, spot steam cleaning as necessary, and maintenance of public spaces. Cleaning and public realm management services include enhanced trash emptying in public rights of way and regular sidewalk and gutter sweeping within the district boundaries. These services are provided daily by a "Clean Team." This program area augments its pedestrian safety initiatives with a Patrol Special officer who patrols the neighborhood seven nights a week. The Castro/Upper Market CBD Management Plan calls for 63% of the budget to be spent on PROWSO.

#### **District Identity and Street Improvements (DISI)**

The District Identity and Street Improvements service includes marketing, public relations, street enhancements, historical markers and public art, and economic vitality related strategies in the Castro/Upper Market area. This program area may also sponsor events such as Halloween, Castro Street Fair, Pink Saturday, Bear Weekend, and Folsom Street Fair. The Castro/Upper Market CBD Management Plan allocates 12% of their funds to this service area.

#### **Administration and Corporate Operations**

The Castro/Upper Market CBD is staffed by a full-time executive director who serves as the focal point person and advocate for the CBD. The executive director also ensures that the CBD complies with the City contract and management plan as well as works towards organizational development issues including long term goals of the CBD. The executive director is in regular communication with community stakeholders such as the SFPD. The Castro/Upper Market CBD Management Plan calls for 16% of the budget to be spent on administration and corporate operations.

In FY 2013-2014 the Castro/Upper Market CBD board had ten (10) directors, represented by residents, property owners, community organizations, and non-property owning merchants. The full board meets on the second Thursday of each month. The five committees and meeting times are detailed below:

- **Executive Committee** – as needed.
- **Finance Committee** – as needed.
- **Land Use Committee** – Fourth Monday of the month. Encourages land use that aligns with the Upper Market Guidelines; compliments the existing diverse and historic character of the district; adds to the economic vitality through new community-serving uses and increases public safety for residents and visitors.
- **District Identity & Streetscape Committee** – 1st Monday of the month.
- **Services Committee** – as needed.

### Summary of Accomplishments, Challenges, and Delivery of Service Areas

#### **FY 2013-2014**

##### **Public Rights of Way and Sidewalk Operations (PROWSO)**

- Litter and Trash Removal : 250 trash bags per month
- Graffiti Removal by Street:
  - Castro - 124
  - Market – 316
  - Church – 83
  - Duboce – 24
- Developed a close working relationship with both Recology and DPW to collectively work diligently to keep the public realm in the Castro clean.

##### **District Identity and Street Improvements (DISI)**

- Served as the lead agency in a collaborative effort with the neighborhood associations (Castro/Eureka Valley Neighborhood Association; Duboce Triangle Neighborhood Association), the Castro Merchants and the Market St. developers to implement the Upper Market Retail Strategy Project.
- Held twenty (20) *Live!* in the Castro performances which averaged 100-150 attendees.
- Paid for the installation of three streetscape enhancement elements (total cost of \$121,860) in collaboration with the City's Castro Street Sidewalk Widening project. These three elements were:
  - 4 Rainbow Crosswalks at Castro & 18<sup>th</sup> streets
  - 48 LED lights. The CBD changes the program on these lights based on the holiday and season.
  - 20 Castro History Walk Markers: identifying historical events of the Eureka Valley.

##### **Administration and Corporate Operations**

- Leveraged outside dollars, in-kind services and volunteer services to implement its programs and projects. The following businesses and organizations donated to the Castro/Upper Market CBD:
  - Sutton Law Firm
  - HBO
  - SF Travel Partnership
  - The Café

- Coldwell Banker
- Prado Group, Inc.
- Brian Spiers Development
- The Apothecarium
- Forest City Development
- Strada Development Group
- Angus McCarthy
- Eureka Valley Neighborhood Association
- Duboce Triangle Neighborhood Association
- Castro Merchants

### **Castro/Upper Market CBD Annual Budget Analysis**

**OEWD's staff reviewed the following budget related benchmarks for the Castro/Upper Market CBD:**

- **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 "Castro/Upper Market Community Benefit District", Section 3.9 – Budget*).
- **BENCHMARK 2:** Whether five percent (5%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the "Castro/Upper Market 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 "Castro/Upper Market Community Benefit District", Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether the Castro/Upper Market CBD is indicating the amount of any surplus or deficit revenues to be carried forward into the next fiscal year and designating the projects to be funded by any surplus revenues (*CA Streets & Highways Code, Section 36650(B)(5)*).

**FY 2013-2014**

**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:** *The Castro/Upper Market CBD met this requirement. The variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan. See table below.*

Service Category	Management Plan Budget	% of Budget	FY 2013-2014 Budget	% of Budget	Variance Percentage Points
Public Rights of Way and Sidewalk Operations plus Public Safety Services	\$260,675	63%	\$289,170	65%	+2%
District Identity and Streetscape Improvements	\$50,500	12%	\$83,165	19%	+7%
Administrative/Corporate Operations	\$65,000	16%	\$36,665	8%	-8%
Contingency/Reserve	\$37,325	9%	\$36,645	8%	-1%
<b>TOTAL</b>	<b>\$413,500</b>	<b>100%</b>	<b>\$445,645</b>	<b>100%</b>	

**BENCHMARK 2:** Whether five percent (5%) of actuals came from sources other than assessment revenue.

**ANALYSIS:** *The Castro/Upper Market CBD met this requirement. Assessment revenue was \$437,441 or 75.9% of actuals and non-assessment revenue was \$139,026 or 24.1% of actuals. See table below.*

Revenue Sources	FY 2013-2014 Actuals	% of Actuals
Special Benefit Assessments	\$437,441	
<b>Total assessment revenue</b>	<b>\$437,441</b>	<b>75.9%</b>
Contributions	\$120,170	
Fiscal Agent Revenue	\$1,963	
In-Kind Rent and Facility Use	\$6,000	
In-Kind Services	<b>\$10,300</b>	
Interest Earned	<b>\$593</b>	
<b>Total non-assessment revenue</b>	<b>\$139,026</b>	<b>24.1%</b>
Total	<b>\$576,467*</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:** *The Castro/Upper Market CBD did not meet this requirement. The Castro/Upper Market CBD used FY 2012-13 carryover assessment revenue for streetscape improvements that were budgeted to DISI.*

<b>Service Category</b>	<b>FY 2013-2014 Budget</b>	<b>% of Budget</b>	<b>FY 2013-2014 Actuals**</b>	<b>% of Actuals</b>	<b>Variance Percentage Points</b>
Public Rights of Way and Sidewalk Operations plus Public Safety Services	\$289,170	64.9%	\$272,171	45.5%	-19.4%
District Identity and Streetscape Improvements	\$83,165	18.7%	\$240,586	40.2%	+21.5%
Administrative/Corporate Operations	\$36,665	8.2%	\$85,082	14.2%	+6.0%
Contingency/Reserve	\$36,645	8.2%	-		
<b>TOTAL</b>	<b>\$445,645</b>	<b>100.0%</b>	<b>\$597,839*</b>	<b>100.0%</b>	

\*In fiscal year 2013-14, expenses (\$597,839) exceeded revenue (\$576,467) by \$21,372. Please see the memorandum from the Castro/Upper Market CBD dated November 6, 2015, for clarification.

\*\*Per the Castro/Upper Market CBD's financial statements for the year ended June 30, 2014, functional expenses were categorized into 13 different service categories. The assignment of the functional expenses line items into the four main service categories was outlined in a memorandum from the CBD dated November 6, 2015.

**BENCHMARK 4:** Whether the Castro/Upper Market CBD is indicating the amount of any surplus or deficit revenues to be carried forward into the next fiscal year and designating the projects to be funded by any surplus revenues

**ANALYSIS:** *The Castro/Upper Market CBD 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 2013-2014 Carryover Disbursement</b>	<b>\$454,704</b>
Unrestricted net assets	
Designated by the board for	
Public Rights of way and sidewalk operations	\$26,827
District identity and Streetscape Improvements	\$4,955
Retail Strategy	\$15,000
Reserves***	\$253,814
Undesignated	
Unrestricted net assets	\$63,895
Total unrestricted net assets	<b>\$364,491</b>
Temporarily restricted net assets	
Restricted for	
OEWD – retail project	\$35,000
OEWD – merchant support	\$5,213
Business and neighborhood donations – retail project	\$32,000
OEWD – LED light improvement	\$15,000
JWP	\$3,000
Total Temporarily restricted net assets	<b>\$90,213</b>
<b>Total Designated Amount</b>	<b>\$454,704</b>

\*\*\*Reserves are carryforward funds that will be spent on Public Rights of Way and Sidewalk Operations, District Identity and Streetscape Improvements and Administrative/Corporate Operations in upcoming fiscal year(s). Note that CBDs typically should have a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget, which is the goal of the Castro/Upper Market CBD. Please see the memorandum from the Castro/Upper Market CBD dated November 6, 2015, for clarification.

### **Findings and Recommendations**

For the fiscal year in review, the Castro/Upper Market CBD has generally met all of the benchmarks as defined on page 5 of this memo. With respect to 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) and Benchmark 3 (whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percentage points), the Castro/Upper Market CBD did not meet these requirements.

The Castro/Upper Market CBD anticipated grant funding in FY 2013-2014 and allocated these additional funds to the Public Rights of Way and Sidewalk Operations and District Identity and Streetscape Improvements program areas.

The Castro/Upper Market CBD exceeded their General Benefit requirement of five percent (5%) by raising their non-assessment revenue to \$139,026 or 24.1%. The CBD was successful in acquiring grant dollars for streetscape and physical improvement projects. This increase in funding explains the high variances between the budget to actuals for PROWSO and DISI as these additional monies were allocated to these program areas. In conclusion, while OEWD is charged with noting any variances above 10 percentage points, the office must note that these variances are appropriate as the additional funds allocated to these program areas were generated from non-assessment dollars. Currently the Castro/Upper Market CBD only has one full time staff person. Given the significant amount of carryover funds, there is an opportunity to hire additional staff to support the program.

Moving forward, OEWD will work with the Castro/Upper Market CBD to develop a framework that identifies assessment fund allocation and non-assessment expenditures.

### **Conclusion**

The Castro/Upper Market CBD has performed well in implementing their service plan. The Castro/Upper Market CBD has continued to successfully market and produce events such as *Live!* in the Castro. The Castro/Upper Market CBD has increased their opportunities in partnering with community stakeholders and numerous municipal agencies for the implementation of the Castro Cares Project. The Castro/Upper Market CBD has an active board of directors and committee members; and OEWD believes the Castro/Upper Market CBD will continue to successfully carryout their mission and service plans.





## MEMORANDUM

TO: Richard Kurylo, Project Manager, OEWD

FROM: Andrea Aiello, Executive Director, Castro/Upper Market CBD *MA*

DATE: November 6, 2015

RE: CBD Annual Report to the Board of Supervisors for FY 2013-14

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Please note the following clarifications regarding the CBD annual report to the Board of Supervisors for fiscal year 2013-14.

### Benchmarks 2 and 3

In fiscal year 2013-14, expenses (\$597,839) exceeded revenue (\$576,467) by \$21,372 per the financial statements for the year ended June 30, 2014. This was partially the result of the Castro/Upper Market CBD using fiscal year 2012-13 carryover assessment revenue for streetscape improvements that were budgeted for District Identity and Streetscape Improvements.

### Benchmark 3

Functional expenses per the financial statements for the year ended June 30, 2014, were as follows:

<b>FY 2013-14 Functional Expenses</b>	<b>Total</b>
Sidewalk cleaning	\$ 233,191
Security and public safety	\$ 11,180
Streetscape improvements	\$ 131,455
Marketing and Castro Ambassadors	\$ 34,764
Events and promotions	\$ 24,681
Payroll	\$ 94,437
Payroll taxes and workers' compensation	\$ 8,657
Legal and professional	\$ 27,143
Operation expenses	\$ 14,535
Travel and meetings	\$ 1,496
In-kind rent	\$ 6,000
In-kind marketing	\$ 1,600
In-kind legal and professional	\$ 8,700
<b>Total Functional Expenses</b>	<b>\$ 597,839</b>

The functional expenses roll up into the four main budget categories as follows:

<b>FY 2013-14 Functional Expenses</b>	<b>Total</b>
Public Rights of Way and Sidewalk Operations	\$ 272,171
District Identity and Streetscape Improvements	\$ 240,586
Administrative/Corporate Operations	\$ 85,082
Contingency Reserve	\$ 0
<b>Total Functional Expenses</b>	<b>\$ 597,839</b>

Benchmark 4

Per the financial statements for the year ended June 30, 2014, unrestricted net assets include \$253,814 identified for "Reserves." Reserves are carryforward funds that will be spent on Public Rights of Way and Sidewalk Operations, District Identity and Streetscape Improvements and Administrative/Corporate Operations in upcoming fiscal year(s). Note that CBDs typically should have a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget, which is the goal of the Castro/Upper Market CBD.

Please let me know if you have any questions or need further clarification.

Thank you.