

MEMO

To: Supervisor Scott Weiner, District 8

CC: San Francisco Board of Supervisors

From: Crezia Tano, OEWD Senior Project Manager

RE: Castro Upper Market Community Benefit District

Date: January 23, 2015

This is a memo summarizing the performance of the Castro Upper Market Community Benefit District (CUMCBD) and an analysis of their financial statements (based on their audit) for the period between July 1, 2009, and June 30, 2013.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. 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 Reports
 - a. FY 2009-2010
 - b. FY 2010-2011
 - c. FY 2011-2012
 - d. FY 2012-2013
2. CPA Financial Review Reports
 - a. FY 2009-2010
 - b. FY 2010-2011
 - c. FY 2011-2012
 - d. FY 2012-2013
3. Draft resolution from the Office of Economic and Workforce Development



Background

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).
- January 4, 2011: the Board of Supervisors approved CUMCBD's Annual Reports for Fiscal Years 2006-2007, 2007-2008, and 2008-2009 (Resolution # 16-11).

Basic Info about 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, 2009 – December 31, 2021
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, 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 such as enhanced trash emptying in the public rights of way, 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 week. The CUMCBD 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 also sponsors events such as Halloween, Castro Street Fair, Pink Saturday, Bear Weekend, Folsom Street Fair. The CUMCBD Management Plan allocates 16% of their funds to this service area.

Administration and Corporate Operations

CUMCBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for Castro Upper Market 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 CUMCBD Management Plan calls for 12% of the budget to be spent on administration and corporate operations.

In FY 2012-13 the CUMCBD board had nine (9) 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 three committees and meeting times are detailed below:

- **Executive Committee** – as needed.
- **Finance Committee** – as needed.
- **Land Use Committee** – Last 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 2009-2010

Public Rights of Way and Sidewalk Operations (PROWSO)

- Implemented the Community Guide Program on a pilot basis for six months. The pilot called for a guide to be deployed half time throughout the district.

District Identity and Street Improvements (DISI)

- Implemented the Community Challenge Grant for the beautification of Harvey Milk Plaza.
- Awarded funding from OEWD to make capital improvements to the 17th St. Plaza.
- Gave \$1,000 to the Merchants of Upper Market Castro for winter holiday decorations.
- Implemented volunteer Castro Ambassador Program. Volunteer Castro Ambassadors provided residents and visitors with street maps, a Castro guide, and current information on events and attractions in the neighborhood.

Administration and Corporate Operations

- Partnered with Duboce/Church Rail Improvement Project stakeholders to design new streetscape and pavement designs, new and improved transit platforms, and new pedestrian lighting.
- Assisted bar owners in forming “Castro After Dark”, a loose organization of the night time economy in the district.

FY 2010-2011

Public Rights of Way and Sidewalk Operations (PROWSO)

- CBD entered into a contract with S.F. Patrol Special Police to patrol the Jane Warner Plaza (aka 17th St. Plaza), Harvey Milk Plaza, and the public restroom.
- In collaboration, with the night time businesses CUMCBD extended the hours of the Patrol Special Police to ensure that Patrol Special will be in the neighborhood as people leave the bars.

District Identity and Street Improvements (DISI)

- CBD Board approved sculpture as proposed by SF Arts Commission for art at the northeast corner of Market and Church Street.

Administration and Corporate Operations

- Raised a total of \$21,362 outside dollars, in-kind services and volunteer services. The following businesses and organizations donated to CUMCBD:
 - Café Flore
 - Coldwell Banker
 - Poesia
 - Sausage Factory
 - Peet's Coffee
 - Orphan Andy's

FY 2011-2012

Public Rights of Way and Sidewalk Operations (PROWSO)

- Developed an evaluation tool for cleaning services.

District Identity and Street Improvements (DISI)

- Contracted with construction company and landscaper to build and plant three new concrete planters at Jane Warner Plaza.
- Branded live performances with new logo and other collateral.
- Volunteers continued to make significant contributions to maintain Jane Warner Plaza: gardening, cleaning, and furniture maintenance. Core volunteers included Orphan Andy's, The Café, and nearby residents.

Administration and Corporate Operations

- Fundraised close to \$8,000 for flower baskets.
- Negotiated an agreement for dedicated community meeting space with developer at 376 Castro Street. This community space would be jointly managed by the Castro CBD, Eureka Valley Neighborhood Association and the Duboce Triangle Neighborhood Association.

FY 2012-2013

Public Rights of Way and Sidewalk Operations (PROWSO)

- City approved a budget of \$7 million to widen the sidewalks on Castro Street from 17th to 19th, to add street trees and new lighting make improvements to the Jane Warner Plaza, and make pedestrian safety improvements to the Market and Castro intersection. This funding was a part of an effort led by Castro CBD.

District Identity and Street Improvements (DISI)

- Through the support of Herth Real Estate and larger Castro community, raised \$17,539 to display 20 flower baskets on Castro Street between Market and 19th St.
- Developed proposals on beautifying and/or greening the eastern end of the district to begin working on in 2013-14.

Administration and Corporate Operations

- Raised a total of \$35,741 outside dollars, in-kind services and volunteer services.

CUMCBD Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for CUMCBD:

- **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 CUMCBD 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 2009-2010

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: *CUMCBD did not meet this requirement. See table below. CUMCBD received non-assessment revenue that well exceeded their five percent (5%) requirement. These non-assessment revenues were budgeted to Public Rights of Way and Sidewalk Operations.*

Service Category	Management Plan Budget	% of Budget	FY 2009-2010 Budget	% of Budget	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$260,675	63.0%	\$277,500	50.3%	-12.8%
District Identity and Streetscape Improvements	\$50,500	12.0%	\$83,507	15.1%	+3.1%
Administrative/Corporate Operations	\$65,000	16.0%	\$90,865	16.5%	+0.5%
Contingency Reserve	\$37,325	9.0%	\$100,000	18.1%	+9.1%
TOTAL	\$413,500	100%	\$551,872	100%	

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

ANALYSIS: *CUMCBD met this requirement. Assessment revenue was \$428,325 or 75.2% of actuals and non-assessment revenue was \$141,057 or 24.8% of actuals. See table below.*

Revenue Sources	FY 2009-2010 Actuals	% of Actuals
Special Benefit Assessments	\$428,325	
Total assessment revenue	\$428,325	75.2%
Government Grants	\$114,666	
Contributions/Grants	\$7,600	
In-kind Support	\$16,120	
Interest Earned	\$2,671	
Total non-assessment revenue	\$141,057	24.8%
Total	\$569,382	100%

Non-assessment revenue applied to 5% General Benefit requirement

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

ANALYSIS: *CUMCBD met this requirement. CUMCBD received non-assessment revenue that well exceeded their five percent (5%) requirement. These non-assessment revenues were allocated to Public Rights of Way and Sidewalk Operations and Administrative and Corporate Operations.*

Service Category	FY 2009-2010 Budget	% of Budget	FY 2009-2010 Actuals	% of Actuals	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$277,500	50.3%	\$451,004	79.5%	+29.2%
District Identity and Streetscape Improvements	\$83,507	15.1%	\$85,906	15.1%	0.0%
Administrative/Corporate Operations	\$90,865	16.5%	\$30,382	5.4%	-11.1%
Contingency Reserve	\$100,000	18.1%	-	-	
TOTAL	\$551,872	100%	\$567,292	100%	

BENCHMARK 4: Whether CUMCBD 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: *CUMCBD met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.*

FY 2009-2010 Carryover Disbursement	\$378,188
Designated Projects for FY 2010-2011	
Mandated 6 Month Reserve	\$165,000
Streetscape	\$11,506
PROWSO	\$5,000
Streetscape Improvements (public art, greening throughout district)	\$196,682
Total Designated amount for FY 2010-2011	\$378,188

FY 2010-2011

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: *CUMCBD met this requirement. See table below.*

Service Category	Management Plan Budget	% of Budget	FY 2010-2011 Budget	% of Budget	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$260,675	63.0%	\$285,240	71.4%	+8.4%
District Identity and Streetscape Improvements	\$50,500	12.0%	\$74,000	18.5%	+6.5%
Administrative/Corporate Operations	\$65,000	16.0%	\$34,925	8.7%	-7.3%
Contingency Reserve	\$37,325	9.0%	\$5,335	1.3%	-7.7%
TOTAL	\$413,500	100%	\$399,500	100%	

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

ANALYSIS: *CUMCBD did not meet this requirement. Assessment revenue was \$404,381 or 96.7% of actuals and non-assessment revenue was \$13,758 or 3.3% of actuals. See table below.*

Revenue Sources	FY 2010-2011 Actuals	% of Actuals
Special Benefit Assessments	\$404,381	
Total assessment revenue	\$404,381	96.7%
Government Grants		
Contributions/Grants	\$9,119	
In-kind Support	\$3,500	
Interest Earned	\$1,139	
Total non-assessment revenue	\$13,758	3.3%
Total	\$418,139	100%

Non-assessment revenue applied to 5% General Benefit requirement

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

ANALYSIS: *CUMCBD met this requirement. See table below.*

Service Category	FY 2010-2011 Budget	% of Budget	FY 2010-2011 Actuals	% of Actuals	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$285,240	71.4%	\$295,346	76.3%	+4.9%
District Identity and Streetscape Improvements	\$74,000	18.5%	\$56,256	14.5%	-4.0%
Administrative/Corporate Operations	\$34,925	8.7%	\$35,240	9.1%	+0.4%
Contingency Reserve	\$5,335	1.3%	-	-	
TOTAL	\$399,500	100%	\$386,842	100%	

BENCHMARK 4: Whether CUMCBD 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: *CUMCBD met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.*

FY 2010-2011 Carryover Disbursement	\$409,484
Designated Projects for FY 2010-2011	
Mandated 6 Month Reserve	\$165,000
Streetscape Improvements (public art, greening throughout district)	\$244,484
Total Designated amount for FY 2010-2011	\$409,404

FY 2011-2012

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: *CUMCBD met this requirement. See table below.*

Service Category	Management Plan Budget	% of Budget	FY 2011-2012 Budget	% of Budget	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$260,675	63.0%	\$281,820	70.6%	+7.5%
District Identity and Streetscape Improvements	\$50,500	12.0%	\$66,470	16.6%	+4.6%
Administrative/Corporate Operations	\$65,000	16.0%	\$31,160	7.8%	-8.2%
Contingency Reserve	\$37,325	9.0%	\$19,780	5.0%	-4.0%
TOTAL	\$413,500	100%	\$399,230	100%	

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

ANALYSIS: *CUMCBD met this requirement. Assessment revenue was \$407,542 or 94.2% of actuals and non-assessment revenue was \$25,245 or 5.8% of actuals. See table below.*

Revenue Sources	FY 2011-2012 Actuals	% of Actuals
Special Benefit Assessments	\$407,542	
Total assessment revenue	\$407,542	94.2%
Government Grants		
Contributions/Grants	\$20,959	
In-kind Support	\$3,500	
Interest Earned	\$786	
Total non-assessment revenue	\$25,245	5.8%
Total	\$432,787	100%

Non-assessment revenue applied to 5% General Benefit requirement

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

ANALYSIS: CUMCBD met this requirement. See table below.

Service Category	FY 2011-2012 Budget	% of Budget	FY 2011-2012 Actuals	% of Actuals	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$281,820	70.6%	\$301,734	74.3%	+3.8%
District Identity and Street Improvements	\$66,470	16.6%	\$57,473	14.2%	-2.5%
Administrative Expenses	\$31,160	7.8%	\$46,665	11.5%	+3.7%
Contingency Reserve	\$19,780	5.0%	-	-	
TOTAL	\$399,230	100%	\$405,872	100%	

BENCHMARK 4: Whether CUMCBD 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: CUMCBD met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.

FY 2011-12 Carryover Disbursement	\$439,795
Designated Projects for 2012-13	
Mandated 6 Month Reserve	\$165,000
CBD Renewal Costs	\$70,000
DISI*	\$174,485
Cleaning & Security	\$30,310
Total Designated Amount for 2012-13	\$439,795

*Annual Report has specified the designated projects under the DISI carryforward allocation as : "Streetscape Improve, other, flower, baskets"; "Public Art"; and "JWP Upgrade: Planters, gateway, other".

FY 2012-2013

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: *CUMCBD met this requirement. See table below.*

Service Category	Management Plan Budget	% of Budget	FY 2012-2013 Budget	% of Budget	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$260,675	63.0%	\$285,420	67.8%	+4.8%
District Identity and Street Improvements	\$50,500	12.0%	\$75,470	17.9%	+5.7%
Administrative Expenses	\$65,000	16.0%	\$34,165	8.1%	-7.6%
Contingency Reserve	\$37,325	9.0%	\$25,888	6.2%	-2.9%
TOTAL	\$413,500	100%	\$420,943	100%	

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

ANALYSIS: *CUMCBD met this requirement. Assessment revenue was \$426,004 or 86.9% of actuals and non-assessment revenue was \$64,083 or 13.1% of actuals. See table below.*

Revenue Sources	FY 2012-2013 Actuals	% of Actuals
Special Benefit Assessments	\$426,004	
Total assessment revenue	\$426,004	86.9%
Government Grants		
Contributions/Grants	\$57,352	
In-Kind rent	\$6,000	
Interest Earned	\$731	
Total non-assessment revenue	\$64,083	13.1%
Total	\$490,087	100%

Non-assessment revenue applied to 5% General Benefit requirement

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

ANALYSIS: *CUMCBD did not meet this requirement.. CUMCBD received non-assessment revenue that well exceeded their five percent (5%) requirement. These non-assessment revenues were allocated to Public Rights of Way and Sidewalk Operations.*

Service Category	FY 2012-2013 Budget	% of Budget	FY 2012-2013 Actuals	% of Actuals	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$285,420	67.8%	\$353,584	78.5%	+10.7%
District Identity and Street Improvements	\$75,470	17.9%	\$62,417	13.9%	-4.1%
Administrative Expenses	\$34,165	8.1%	\$34,410	7.6%	-0.5%
Contingency Reserve	\$25,888	6.2%	-	0.0%	
TOTAL	\$420,943	100%	\$450,411	100%	

BENCHMARK 4: Whether CUMCBD 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: *CUMCBD did not meet this requirement. CUMCBD did not indicate carryforward funds and the allocation of these funds in their Annual Report. OEWD requested that CUMCBD provide a letter stating the carryover disbursement along with the designated projects. See attached letter from Castro Upper Market CBD dated January 20, 2015. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.*

FY 2012-13 Carryover Disbursement	\$476,076
Designated Projects for 2013-14	
6 months Cash Flow:	\$200,000
District Identity & Streetscape Improvement	\$149,025
Public Rights of Way and Sidewalk Operations	\$38,237
Administration/Contract Renewal	\$70,000
Contingency/Unrestricted	\$18,814
Total Designated Amount for 2013-14	\$476,076

Findings and Recommendations

Within the review periods of and FY 2009-10, FY 2010-11, FY 2011-12, and FY 2012-13, the Castro Upper Market CBD generally met the expectations and requirements as set by the California Street and Highways Code Section 36650-36651; and the Agreement for the Administration of the “Castro Upper Market Community Benefit District.”

Per their management plan CUMCBD’s non-assessment revenue must be at least five percent (5%) of their total revenue. In FY 2009-2010 and FY 2012-2013 CUMCBD exceeded their General Benefit requirement of five percent (5%) by raising their non-assessment revenue to \$141,057 and \$64,083. These increases in funding explain the high variances between the budget to actuals, in FY 2009-2010, for the PROWSO and Administrative and Corporate Operations, as these additional monies were allocated to these program areas. Accordingly, in FY 2012-2013 the high variance between the budget to actuals for PROWSO is explained by the additional funds available to CUMCBD. In conclusion, while OEWD is charged with noting any variances above or below 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.

In FY 2010-2011 assessment revenue was \$404,381 or 96.7% of actuals and non-assessment revenue was \$13,758 or 3.3% of actuals. We recommend that the CUMCBD continue to work diligently to meet their 5 percent (5%) general benefit requirement.

Conclusion

Castro Upper Market CBD has performed well in implementing their service plan. Castro Upper Market CBD has continued to successfully market and produce events such as *Live! In the Castro*, and Harvey Milk Day. Castro Upper Market CBD has increased their opportunities in partnering with community stakeholders and numerous municipal agencies for the implementation of the Castro Street Design Project. 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.