

File No. 230841

Committee Item No. 3

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight
Board of Supervisors Meeting:

Date: February 1, 2024
Date: _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU - FY2022-2024 - Clean
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- Grant Information Form
- Grant Budget
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- Contract / DRAFT Mills Act Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER

- OACBD Annual Report – FY2021-2022
- Financial Report 063022
- OEWD Memo 071023
- CON Audit 062923
- _____
- _____
- _____

Prepared by: Monique Crayton
Prepared by: _____
Prepared by: _____

Date: January 26, 2024
Date: _____
Date: _____

1 [Ocean Avenue Community Benefit District - Annual Report - FY2021-2022]

2

3 **Resolution receiving and approving an Annual Report for the Ocean Avenue**
4 **Community Benefit District for Fiscal Year (FY) 2021-2022, submitted as required by the**
5 **Property and Business Improvement District Law of 1994 (California Streets and**
6 **Highways Code, Sections 36600, et seq.), Section 36650, and the District’s management**
7 **agreement with the City, Section 3.4.**

8

9 WHEREAS, On September 28, 2010, pursuant to the Property and Business
10 Improvement District Law of 1994 (the “Act”), California Streets and Highways Code, Sections
11 36600 *et seq.*, as augmented by Article 15 of the San Francisco Business and Tax
12 Regulations Code, the Board of Supervisors adopted Resolution No. 437-10, expressing the
13 City’s intention to establish the Ocean Avenue Community Benefit District (the “Ocean
14 Avenue CBD”); and

15 WHEREAS, On December 14, 2010, the Board of Supervisors adopted Resolution
16 No. 587-10 establishing the Ocean Avenue CBD ("Resolution to Establish") for a period of 15
17 years, commencing FY 2010-2011; and

18 WHEREAS, On May 24, 2011, the Board of Supervisors adopted Resolution
19 No. 221-11, authorizing an agreement with the owners' association for the
20 administration/management of the Ocean Avenue CBD, and a management agreement (the
21 “Management Contract”) with the owners' association, the Ocean Avenue Association, was
22 executed accordingly; and

23 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board
24 of Supervisors in File No. 110438 and

25

1 WHEREAS, On November 29, 2022, the Board of Supervisors approved the Ocean
2 Avenue CBD's annual reports for fiscal year 2020-2021 in Resolution No. 503-22; and

3 WHEREAS, The Ocean Avenue CBD has submitted for the Board's receipt and
4 approval the annual report for fiscal year 2021-2022 as required by Section 36650 of the Act
5 and Section 3.4 of the Management Contract; and

6 WHEREAS, The annual report for fiscal year 2021-2022 is on file with the Clerk of the
7 Board of Supervisors in File No. 230841, and is incorporated herein by reference as though
8 fully set 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 July 10, 2023, and documentation from the Ocean Avenue CBD for the fiscal year 2021-2022
12 annual report are on file with the Clerk of the Board of Supervisors in File No. 230841; now,
13 therefore, be it

14 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
15 report for the Ocean Avenue Community Benefit District for fiscal year 2021-2022.



OCEAN AVENUE COMMUNITY BENEFIT DISTRICT

ANNUAL REPORT Fiscal Year 2021-2022 OCEAN AVENUE ASSOCIATION

1728 Ocean Avenue PMB 154 - San Francisco, CA 94112



Some of Ocean Avenue's New Businesses in FY 21/22

Part I. The Year in Review

A change in management comes with a period of transition to get all the gears in place. So, at the beginning of Fiscal Year 2021-2022 (FY 21/22), the Ocean Avenue Association (OAA) reviewed and updated different contracts, closed old grants, and checked on what was needed for other open grants with the guidance of government agencies.

The next step was making sure Ocean Avenue was clean and graffiti free. Cleanscapes, our main contractor in charge of sweeping, power washing and graffiti cover-up handled critical areas such as overflowing trash cans, areas with dead leaves and/or dirt. Graffiti was approached aggressively by alerting the staff promptly as soon as it was noticed and ensuring removal. This included small tags anywhere, destructive tags on a mural, or buildings covered entirely overnight. These efforts resulted in making Ocean Avenue a lot more welcoming.

We looked at the location of trash cans and noticed many absent for blocks, including blocks with presence of food/drink establishments. After months of work with the Dept. of Public Works (DPW), we were able to add five trash cans at critical locations.

Improving safety: from 2016 and 2018, there were three traffic fatalities on Ocean Avenue in addition to other accidents. Biking on Ocean Avenue or pedestrians crossing Ocean at Granada for example can be dreadful. When City Hall voted to reduce the vehicle speed limit from 25 to 20 MPH, OAA started an awareness campaign before the official street signs were up. Our "Respect New 20 MPH on Ocean Avenue" prints were posted on windows of businesses, and our posters appeared on social media with politicians and law enforcement officers. Volunteers from Lick-Wilmerding High School also enjoyed a day of making lots of noise to make drivers aware of the new speed limit. OAA's message was clear: *while police enforcement has not been around lately, do we really need the presence of patrol & punishment to understand that cars need to slow down on this busy business corridor?*

In terms of marketing, we developed and participated in a series of events to bring neighbors to Ocean Avenue - please see the list in Part 3.d. Our email, social media and direct mail campaigns were used aggressively to bring neighbors to the Avenue and sponsor Ocean Avenue businesses.

During FY 21/22, we witnessed many new businesses moving in (see Part 3.c.) and a reduction of available inventory. Yes, Ocean Avenue is coming back after a cruel pandemic, and is gearing toward a new solid year ready for the next step in growth with the building of 1,100 units at the Balboa Reservoir and other units coming later at the 1601-1633 Ocean Avenue and at the new El Rey Theatre. Then, with the renewal and expansion of our Community Benefit District, Ocean Avenue will increase its strength for additional government funding to be even more proficient.

Ocean Avenue's future is very promising!



Part 2. Budget - Description & Goals

A. Assessment Methodology

The FY 21/22 assessment budget was \$345,014. There are no proposed changes in the boundaries of the benefit district, or in any benefit zones, or classification of property or businesses within the district. The method and basis of levying the assessment to allow each real property or business owner to estimate the amount of the assessment to be levied against his or her property for this fiscal year is presented below. The income amount from grants received for FY 21/22 is \$123,789.

Zone 1	FY 21/22 \$ / Unit	Unit
Commercial, Residential, Public Uses, and Phelan Loop Parcel	\$33.24	Linear Street Foot
Non-Profit Service Organization & Religious Institutional Uses	\$26.56	Linear Street Foot
Commercial Property Use	0.1404	Building Sq. Foot
Commercial Property Use	0.0349	Lot Square Foot
Phelan Loop Corner Landscaped Parcel	1.66	Lot Square Foot
Phelan Parcels Fronting and Accessed off of Unity Plaza	0.0726	Lot Square Foot
Zone 2		
Educational Institutional Property Use and Public Property Use	\$17.58	Linear Street Foot

NOTES: i. The current assessment methodology for commercial property consists of three components:

1. Linear Street Frontage X Rate per Linear Street Foot, plus
2. Lot Square Footage X Rate per Lot Square Foot, plus
3. Building Square Footage X Rate per Building Square Foot.

ii. The rates for FY 21/22 increased by 1.6%.

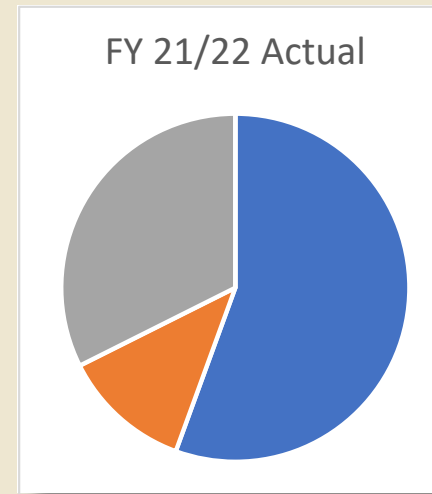
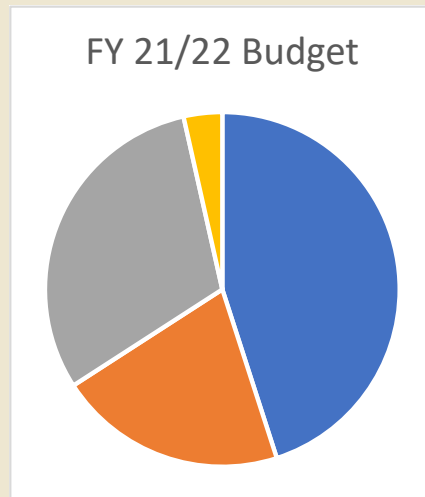
B. Budget Analysis

- o Original Management Plan September 2010 - Budget

Service Category	\$ Amount	Percentage
Cleaning, Maintenance, and Safety Program	\$125,000	51.65%
Marketing, Streetscape Improvements and Beautification Program	\$43,658	18.04%
Management and Operations	\$63,000	26.03%
Contingency and Reserves	\$10,340	4.28%
Total Budget	\$241,998	100%

○ Fiscal Year 21/22 Budget

Budget Description (Management Plan) From Assessment Sources	Goal % of Total Budget	FY 21/22 Budget	FY 2021/22 % of Budget	FY 21/22 Actuals	2021/22 Actual % of total
Cleaning, Maintenance, and Safety Program	52%	\$192,155	45.03%	\$190,882	55.56%
Marketing, Streetscape Improvements, and Beautification Program	18%	\$88,945	20.85%	\$41,380	12.05%
Management and Operations	26%	\$130,560	30.60%	\$111,255	32.39%
Contingency and Reserves	4%	\$15,000	3.52%	-	-
Total Budget	100%	\$426,660	100%	\$343,517	100%



Annual Revenue	% of Total Annual Rev. (Mgmt. Plan)	FY 21/22 Rev. Budget	% of Budget	21/22 Rev. Actual	% of Actual
Assessment Revenue	99%	\$385,581	65.62%	\$350,143	73.58%
Other Revenue (grants, donations, and fees for service contracts and in-kind donations)	1%	\$201,988	34.38%	\$125,717	26.42%
Total 2020/21 Annual Revenue	100%	\$587,569	100%	\$475,860	100%

Other Revenue Non-Assessments	Services Category	FY 21/22 Budget	FY 21/22 Funded
Grant CDBG	Mngnt. & Operations	\$40,000	\$33,333
Historic Preservation Grant 20-21	Mktg. & Beautification	\$4,460	\$4,690
OEWD/RFP212	Mngnt. & Operations	\$150,000	\$80,416
SFAC Ocean Avenue Mural Fund	Mktg. & Beautification	\$3,850	\$3,850
SF Shines Grant 21-22	Mktg. & Beautification	\$1,500	\$1,500
Other misc. revenue	Mktg. & Beautification	\$2,178	\$1,928
Total non-Assessment		\$201,988	\$125,717

o Comparing Totals FY 21/22 Budget

Service Category	Assessment \$	% of Budget from Assessment	Non-Assessment \$	% of Budget from Non-Assessment	Total Amount \$	% of Total Budget
Cleaning, Maintenance & Safety Program	\$192,155	45.03%	-	-	\$192,155	30.57%
Marketing, Streetscape Improvements & Beautification Program	\$88,945	20.85%	\$11,988	5.94%	\$100,933	16.05%
Management & Operations	\$130,560	30.60%	\$190,000	94.06%	\$320,560	50.99%
Contingency & Reserves	\$15,000	3.52%	-	-	\$15,000	2.39%
Total Budget	\$426,660	100%	\$201,988	100%	\$628,648	100%

o Comparing Totals FY 21/22 Actual

Service Category	Assessment \$	% of Budget from Assessment	Non-Assessment \$	% of Budget from Non-Assessment	Total Amount \$	% of Total Budget
Cleaning, Maintenance & Safety Program	\$190,882	55.56%	-	-	\$190,882	40.68%
Marketing, Streetscape Improvements & Beautification Program	\$41,380	12.05%	\$11,968	9.52%	\$53,348	11.37%
Management & Operations	\$111,255	32.39%	\$113,749	90.48%	\$225,004	47.95%
Contingency & Reserves	-	-	-	-	-	-
Total Budget	\$343,517	100%	\$125,717	100%	\$469,234	100%

Here are benchmarks that the Ocean Avenue Association has met:

1. Benchmark 1 - The variance between the budget amounts for each service category is within 10 percentage points from the management plan.
2. Benchmark 2 - OAA met its non-assessment revenue source requirement.
3. Benchmark 3 - The variance between the budget amounts for each service category is within 10 percentage points from the actuals.
4. Benchmark 4 - OAA is indicating the amount of funds carried over from the current fiscal year and designating projects to be spent in the upcoming fiscal year.

Part 3. Fulfilling Our Mission

A. Cleaning, Maintenance and Safety

Cleaning-Graffiti Data:

Trash Collected: 25,000 lbs.

Graffiti cleaned-up: 1,300 occurrences

Blocks power washed: 200

#311 Calls (big items removal): 340

Palm Trees Cleaned: 50

Other Trees Thinning: +/- 40

Feces cleaning: 600

Needles: not enough data.



- CLEANING: A clean Ocean Avenue is essential...
 - We noticed an increase in trash along Ocean Avenue. This could have been due to the return of students to local schools, the removal of some trash cans by the Dept of Public Works and the more frequent appearance of unhoused individuals. Therefore, more time and effort were spent to guide the OAA cleaning crew around the most affected areas.
 - In September 2021, OAA cleaning contract with Cleanscapes was entirely reviewed, updated and signed. While keeping the cost fixed, we obtained additional services, such as an increase in frequency of the steam cleaning of sidewalks from twice annually to quarterly.
 - Neighbors on the west and the east side of Ocean Avenue volunteered to cleaning up their block adjacent to Ocean Avenue. We connected them with the Adopt-A-Street program for the DPW who supplied them with a selection of tools and paint.
- GRAFFITI: Removing graffiti has to be quick...
 - Graffiti vandals have been around for a long time and sadly their actions are costing lots of time for our cleaning crew.
 - As soon as we noticed graffiti, the cleaning crew was dispatched to remove it; e.g., we heard of the old CVS and Target stores covered with graffiti at noon on a Friday and we were able to have it cleaned up for the weekend.
 - Usually, murals are off territory for graffiti destruction. Unfortunately, our murals were also attacked by vandals. We worked with the original artists to restore their masterpieces.

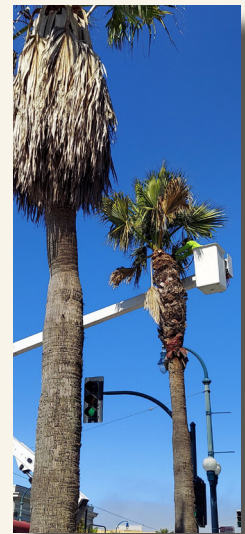


- The vacant building at 1601 Ocean was found on a Friday morning covered entirely by graffiti from left to right. The crew moved immediately to entirely clean the building by the end of the day.
- The CCSF sign on Ocean Avenue was tagged overnight; the graffiti was removed by 8 a.m. on the same day.



- MAINTENANCE: Keeping the plants and trees healthy...

- OAA maintenance crew handles planting new shrubs & trimming overgrown ones, removal of weeds & trash from green areas, repairing watering systems, etc.
- Tree maintenance has been the responsibility of the Dept of Public Works since 2017. The plan to handle all City trees was affected with the COVID-19 pandemic due to the lack of staff. On the Avenue, we could not wait indefinitely:
 - OAA handled the thinning of small trees to better resist rain & wind load.
 - OAA hired Arborists Now to clean up dead palms on palm trees.
 - OAA worked for at least 8 months with DPW to replace the trees lost in storms to be told in mid-June that they no longer will handle it due to new laws in the books. For FY 22/23, OAA is scheduled to replace fallen trees and upgrade the planting areas.



- SAFETY: Improve safety through awareness...

- Since 2016, Ocean Avenue has seen a few casualties in addition to other accidents. Governor Newsom signed the AB43 in October 2021, providing authorization for local authorities to reduce the speed limit by 5 mph by ordinance. Soon after, San Francisco adopted the reduction by 5 MPH along Ocean Avenue.
- OAA promptly started a public campaign to promote the new 20 MPH speed limit by passing window signs to businesses, stickers to kids, and posing at events with posters promoting the new speed limit of 20 MPH. OAA also organized a volunteer day with students from Lick-Wilmerding High School at the corner of Ocean & Granada to make noise bearing signs to ask drivers to respect the new speed limit. In April 2022, official 20 MPH signs went up prominently throughout the Ocean Avenue business area. The new speed limit will help improve safety.
- All intersections on the Ocean Avenue business corridor have a traffic light signal except at Granada. OAA collected about 400 signatures asking our district supervisor to install a STOP sign on Ocean at Granada Avenue.



B. Marketing, Streetscape Improvement and Beautification

- MARKETING: Know our businesses & strategize...
 - Who are the businesses: OAA developed a database of all businesses, and produced the Ocean Avenue Business Directory that can be found at multiple locations on Ocean Avenue, including the Ingleside Public Library, and has been distributed at all events where OAA participated. A digital copy is also at OAACBD.org. A 5,000 Business Directory direct mail campaign in surrounding neighborhoods is scheduled for August 2022. A survey will be conducted to measure the efficiency of this campaign.



- Email Marketing: OAA has increased its email list by 38% during the FY 21/22. Emails with Community Updates are sent out 2 to 3 times monthly for announcements happening on Ocean Avenue or in the neighborhood, and with information important for neighbors or business owners.
- Social Media Marketing: OAA is active on Facebook, Twitter, and Instagram. Posting happened 2 to 3 times weekly. In FY 21/22, we showed a 300% increase in Instagram followers telling us that a young audience is very involved on Ocean Avenue. Social media will definitely be enhanced in FY 22/23.
- Since August 2021, at each monthly Board Meeting, we report all results of social media followers. Online tools showed an average increase of 40% in Email/Facebook/Twitter/Instagram for FY 21/22. This is a way to measure our online growth. FY 22/23 will continue the work started to bring more neighbors to Ocean Avenue.

FY21-22	21-Jul	21-Aug	21-Sep	21-Oct	21-Nov	21-Dec	22-Jan	22-Feb	22-Mar	22-Apr	22-May	22-Jun	Increase
Emails	683	771	795	799	785	872	847	864	879	890	938	944	38%
Facebook	737	764	770	769	766	770	764	766	765	764	762	767	4%
Twitter	169	173	175	179	184	185	186	186	195	195	195	200	18%
Instagram	127	167	231	289	321	350	368	386	457	470	488	500	293%
Totals	1716	1875	1971	2036	2056	2177	2165	2202	2296	2319	2383	2411	40%

• STREETScape IMPROVEMENT and BEAUTIFICATION: Improving the appearances...

- 1601-1633 Ocean Avenue: This block has been an issue for the past 8+ years. In 2019, environmental hazards were detected in the soil and the air within some of the buildings. The OAA was particularly concerned: this location is central on Ocean Avenue and include two Legacy businesses. The property owner TJ Development wishes to sell these properties to Global Premier Development, but the sale cannot proceed until the environmental conditions are remediated. TJ Development has not proceeded with the clean-up resulting in a stand-still. We hope the City Supervisor's office and the California Department of Toxic Substances Control (DTSC) working together will resolve this status soon. Sadly, Chase Bank moved out from 1649 Ocean Avenue due to unsafe environmental conditions.
- Mural on NEMS building (1441 Ocean): Thanks to a grant from Paint the Void, a free temporary artwork was painted by artist Andrea Perreira on the front of this property in January 2022. This mural was the artist's representation of today's pharmacy, as it will soon be one.
- Holiday Decorations: Bows were installed on all palm trees of the district at the end of November 2021 giving a cheerful Holiday welcome to the visitors. To increase the exposure of the decorations and bring additional traffic to the Avenue, OAA developed a Photo Contest using the bow as the focus. The winner won a \$100 Gift Certificate from Whole Foods Market.
- Unity Plaza: OAA worked with the property owner SFMTA to regularly steam clean the plaza. OAA also worked with their team to keep up the landscape around the plaza. SFMTA is now maintaining the plaza and the planting area around in much better shape. Community clean-ups work well, but regular thorough maintenance is needed for this great plaza.
- Palm Trees: DPW is in charge of keeping all trees on San Francisco streets in good order. However, it may take years to have some trees cleaned up. Therefore, the OAA Board approved the clearing of the dead palms on the palm trees along Ocean Avenue.



- Trash Cans: Four trash cans were added at critical locations. A fifth one is scheduled for installation in July and it will be one of the new prototypes of DPW. Trash cans help keep Ocean Avenue clean.
- Shared Spaces: The Shared Spaces program started during the Pandemic is going through changes. Businesses with parklets were invited to a town hall meeting to hear the new City requirements. We should see some changes in FY 22/23.

C. Business Assistance

The OAA staff is dedicated to assisting all businesses and property owners on Ocean Avenue. On their weekly visits, they listen to the needs of each business and search for answers to any problem that arise. They also spend time in welcoming new businesses as soon as a location remodel starts and when their doors first open for business. This FY 21/22 has been particularly busy as many issues came up and the OAA staff needed to navigate through the different City Departments to obtain solutions.



A1 Bakery staff with E.D Pierre Smit

- Vandalism Relief Grant:

Ocean Avenue businesses have endured a series of window breaking and robberies. OAA has diligently encouraged businesses to apply for the Vandalism Relief Grant. An instruction pamphlet was designed in English/Chinese to help affected businesses. Many filed for this grant in FY 21/22 for a total of about \$26,000. After the August 2021 arrest of an individual who was responsible for a string of vandalism targeting Asian owned businesses, the window breaking stopped. Then, starting in April 2022, once again many merchants have been vandalized and new funds from the Vandalism Relief Grant have been requested with the assistance of OAA.



- ADA Requirements:

OAA is working with the Office of Small Business to resolve some ADA issues with retail stores needing to update their entrance and qualify for grants. This work will continue in FY 22/23.

- Rent Relief Pilot Program:

This pilot was developed by OEWD. We worked with one merchant that was qualified for this program and in serious need; we are still waiting for results.

- Quarterly vacancy report:

In March 2022, the vacancy report showed a 25% vacancy. By June 2022, this report showed a reduction to about 12%. Ocean Avenue is a very desirable area for retailers.

- We welcomed the following new businesses that signed leases in FY 21/22:

1019 Ocean Ave.: 1019 Smoke, LLC (opening in FY 22/23)	1616 Ocean Ave.: Fruit Barn
1025 Ocean Ave.: Mack's Dry Cleaners	1649a Ocean Ave.: The Plant Lady
1039 Ocean Ave.: Golden Ocean Quickly	1712 Ocean Ave.: Westwood Produce
1423 Ocean Ave.: AD Unique Bath & Kitchen (FY 22/23)	1727 Ocean Ave.: A1 Bakery
1441 Ocean Ave.: North East Medical Services (NEMS)	1735 Ocean Ave.: Sam House Ginseng (FY 22/23)
1490 Ocean Ave.: Sweet Cupz	1963 Ocean Ave.: The Pawber Shop
1500 Ocean Ave.: Ocean Seafood Market (FY 22/23)	1967 Ocean Ave.: Pilate Studio (opening in FY 22/23)
1507 Ocean Ave.: Ingleside Art Gallery	2040 Ocean Ave.: Muscle Maker Grill

Please welcome these new businesses and say hello to the proprietors! (See front page)

- Workshop, readings, conferences, etc. are part of OAA work of communicating information to the businesses and the community. FY 21/22 presentations were:
 - o "Go Puff" store expansion at 1830 Ocean (old Target), but later canceled.
 - o "Public Life Study" Final Report by Tom Radulovich.
 - o "Brown Act Training" by Deputy City Attorney Manu Pradhan.
 - o "Shared Spaces": New regulations were brought to upgrade parklets.
 - o "Transportation 2050" by Andrea Buff and Michael Rhodes, SFMTA.
 - o "Waymo Cars in our Neighborhood" by Arielle Fleisher & Cassis Schafer.
 - o Presentations by SFPD with Captain Eric Vintero, SFPD Taraval Station, Christina O'Bannon and Drewkai Butler, officers for Ocean Avenue.
 - o "Walk San Francisco" with Aly Geller and Brian Haagsman: shared an overview of planned improvements to safety on and around Ocean Avenue, and how community members can share their voices.
 - o "Improve Business Safety" by SF SAFE (in English and Chinese).

D. Activities & Events to Bring People to Ocean Avenue

FY 21/22 events on, or by Ocean Avenue to promote our business corridor were:

- o "National Night Out": a community-building that promotes police-community partnerships; OAA distributed popcorn at the M. & L. Ward Recreation Center with the Taraval Police Station, and shaved ice at the Ingleside Police Station. (August 2021)
- o "Ocean After Hour": a business owners & neighbors gathering (Jul, Aug & Sept 21); past Executive Director Dan Weaver was presented with a Mayor's Proclamation.
- o "Open The Gate": Ingleside Library Gateway Grand Opening in September 2021.
- o "MuSix September": featured musicians on Ocean Avenue between Miramar and Faxon. Sponsors included Whole Foods Market (4 Gift Certificates), Ocean Paws/The Plant Lady.
- o "Gotta Love Ocean Avenue" Art Show: organized by community member Kate Favetti, OAA sponsored this well attended event in October 2021.
- o "Phil Ting Bike Fair" at Aptos Park in October 2021: Folks signed a petition to improve safety on the Avenue.
- o "Halloween Block Party" on Faxon Avenue (October 2021)
- o "MuSix November": with music group Charged Particles at That's Amore SF. Sponsor: Ocean Cyclery.

- o “Sleigh This Holiday”: an Arts & Craft Fair on Unity Plaza brought neighbors and kids on Dec 2021.
- o “Shop & Dine in the 49”: in collaboration with the SF Chamber of Commerce, folks enjoyed carolers on a cable car, hot cocoa and tote bags with store coupons. (Dec 2021)
- o “Lunar New Year”: a cooperation between CYC and OAA with over 1,000 participants enjoyed entertainments, vendors, food from local restaurants and speeches, on Unity Plaza and in the parking lot of the City College of San Francisco. (February 2022)
- o “Easter Egg Hunt”: organized by OMI-CPP & Ocean Incubators at the M. & L. Ward Recreation Ctr, OAA gave away egg-custard tarts from A1 Bakery (1727 Ocean). (April 2022)
- o “STEM Frenzy”: Sciences, Technology, Engineering and Mathematics for youngsters; OAA’s tables had brain & math challenges for different ages. Parents were asked to sign a petition with ways to improve safety on Ocean Avenue. (April 2022)
- o “Juneteenth 2022”: OAA acts as a “funding agent” for this African American organizations event. (June 2022)
- o “Make Music San Francisco”: San Francisco celebrated the summer solstice with music. Our local event happened at That’s Amore SF, 1901 Ocean Ave. with local musician Francisco Rosales (June 2022)



E. Working With the Community

- o Community Cleanup of Unity Plaza on National Public Lands Day - with community volunteers, Whole Foods Market employees, OAA Board Directors & staff (Sept 2021). 25 bags of weeds and trash were collected.
- o 20 dedicated students from Lick-Wilmerding volunteered to clean-up the walkway known as 699 Ocean Avenue and collected 40 bags of trash and weeds.
- o A group of 15 students from Lick-Wilmerding volunteered to make noise on Ocean & Granada Avenues to make drivers aware of the new 20 MPH speed limit.
- o OAA sponsored the SF Turkey Drive who collects turkeys to feed the poor and homeless coming to St. Anthony’s Dining Room to get fed.
- o US Again Bins: Clothes recycling bins on Miramar at Ocean a few years ago became a dumping site and these bins were removed. In December 2021, it reappeared at the same site. With the assistance of neighbors, business owners, the Westwood Park Association, the Supervisor’s office and OAA, these bins were removed once more in February 2022 to the satisfaction of everyone.

F. Working With City Departments

- o Ingleside Public Library has graciously accommodated the OAA for meetings in their community room, events in their garden, and for the inauguration of the new Gateway.
- o DPW: Thanks to our work with the Dept of Public Works, 4 additional trash cans were added along Ocean Avenue in FY 21/22, and one of the new prototype models is coming in July 22.
- o DPW: We connected 3 teams of neighbors with this Dept. under the Adopt-A-Street program so they can care for their block adjacent to Ocean Avenue.
- o DPW: With the assistance of DPW, a group of about 20 volunteers from Lick-Wilmerding H.S. where supplied tools necessary to clean up the alley known as 699 Ocean Avenue.

- o MTA: Since working with the Municipal Transportation Agency (MTA) on the steam cleaning of Unity Plaza, the plaza is clean and the greenery around it well maintained and welcoming.
- o OEWD: All members of the Office of Economic Dev development (OEWD) are always available with the most updated & useful information and suggestions, and just a phone call away.
- o 311: daily call to 311 for service on the Avenue

Part 4. Growth Through Grants

A. Strategic Plan

From the FY 20/21 Strategic Plan, the following accomplishments were made:

- o Board Member Handbook
- o Personnel Policies and Procedures
- o Financial Policies

More remains to be done in FY 22/23. The Strategic Plan is detailed on the OAA website.

B. Renewal & Expansion of the OAA

The work of OAA consists of keeping Ocean Avenue clean and graffiti-free, with a beautification program, a planting areas maintenance program, and a business marketing program in place. The OAA started in 2010 with an initial term of 15 years. Renewal for another 15-year term is slated for 2025. The OAA already started the process of renewal and intends to expand the geographic footprint of the OAA. The expansion will be from the Balboa BART station on San Jose Avenue to 19th Avenue. (See map on page-16)

The process for the renewal of OAA started with the signing of the contract with the consulting firm NBS in July 2021. The Renewal & Expansion working group met with new stakeholders including a Lakeside Village group, Mayor's Office of Housing and Community Development, Municipal Transportation Authority, Parks & Rec, and BART. Performed in FY 21/22 were:

Step 1: a survey was sent to present stakeholders and first results were received;

Step 2: the coverage area of the new CBD was defined;

Step 3: the level of services and frequency was determined for each area;

Step 4: the new budget to fulfill these services was calculated;

Step 5: based on the necessary budget, the methodology of the assessment cost for each property owner based on the type of property was defined.

In the next fiscal year, the cost of assessment per property will be communicated to each property owner. OAA will need the districts 7 & 11 Supervisors' approval to proceed or update. There will be a series of community engagements. Finally, it will go to the property owners for a vote targeted for Spring 2023 with the start of the new term set for 2024.

C. Board Training

For the Renewal & Expansion Grant, new funding was added for a training program to strengthen the OAA Board and management of OAA. Training is set for FY 22/23.

D. Closing Older Grants

After a lengthy pandemic, the following older grants needed to be completed, then closed.

- o Public Live Study & Activation by Livable City
- o Historic Preservation Grant (Architecture + History)
- o Ingleside Library Gateway - See under Ingleside Community Fund (See Page 14)

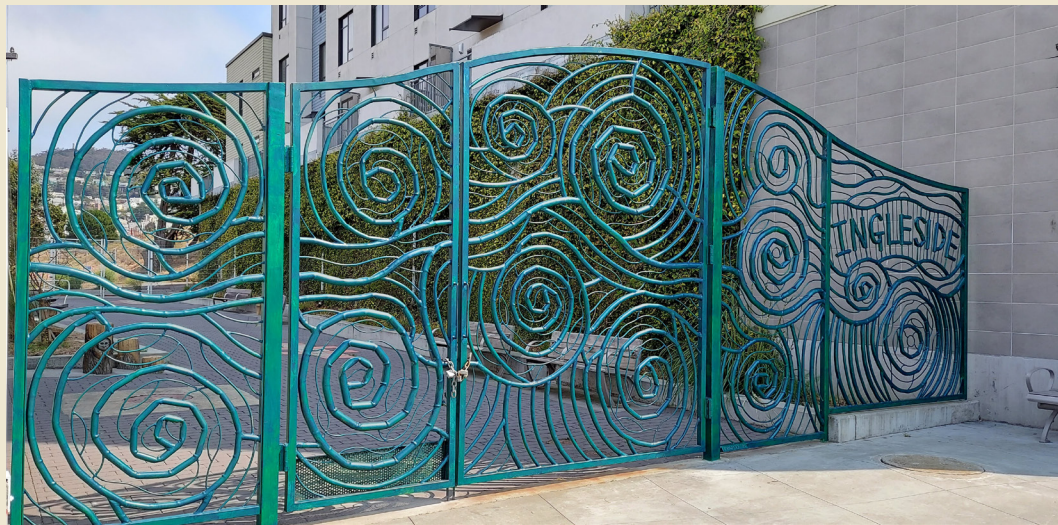
- o Ocean Avenue Mural Fund by the San Francisco Art Commission
- o SF Shines Grant FY 20/21
- o CDBG Small Business Grant FY 20/21

Part 5. Surveillance Technology

The Ocean Avenue Association does not have any surveillance technology in place at this time.

Part 6. Ingleside Community Fund (ICF)

- Ingleside Public Library Gateway: started over 4 years ago, this project was developed by past E.D. Daniel Weaver, and managed by Neil Ballard. This impressive new Gate was designed and built by artist Eric Powell, and was inaugurated in Sept 2021. It is now the prominent art piece on Ocean Ave. (1298 Ocean Ave.)
- ICF was formed with a 501(c)(3) tax-exempt status to be able to fund the Ingleside Library Gateway. The grant is now completed. Meanwhile OAA also became a 501(c)(3).
- The merging of ICF with OAA was approved by both Boards of Directors and by the Secretary of State of California in June 2022, ending the existence of ICF.



Part 7. Board of Directors & Staff Updates

The Board of Directors elected in July 2021 changed during the year for multiple reasons.

The Bylaws of the organization were updated and approved in March 2022 (available on OAA website).

The Board of Directors now stands at 13 members. We welcomed Vivian Liang (NEMS), Larry Dorsey (KMAC), Raymond Hou (Ingleside Community Center), Linda Shore & Joycelin Craig (ASP).

At the end of FY 21/22, the same Officers and Directors were re-elected for FY 22/23.

The OAA Officers:

Shirley Lima, Chair
 Vivian Liang, Vice-Chair
 Henry Kevane, Treasurer
 Howard Chung, Secretary

The OAA Directors:

Walee Gon	Raymond Hou	Linda Shore/Joycelin Craig
Dan Casias	Maurice Rivers	Tacha Santana
Larry Dorsey	Alberto Vasquez	Christy Godinez-Jackson

Started during the COVID-19 pandemic, all Board meetings will continue to be via Zoom till further notice.

Staff Updates: Jordan Mar resigned in May 2022. Rosendo Betancourt will become OAA Small Business & Marketing Manager in July 2022 (RosendoB@oaacbd.org). Executive Director Pierre Smit resigned as of August 27, 2022. A new E.D. will be hired soon.

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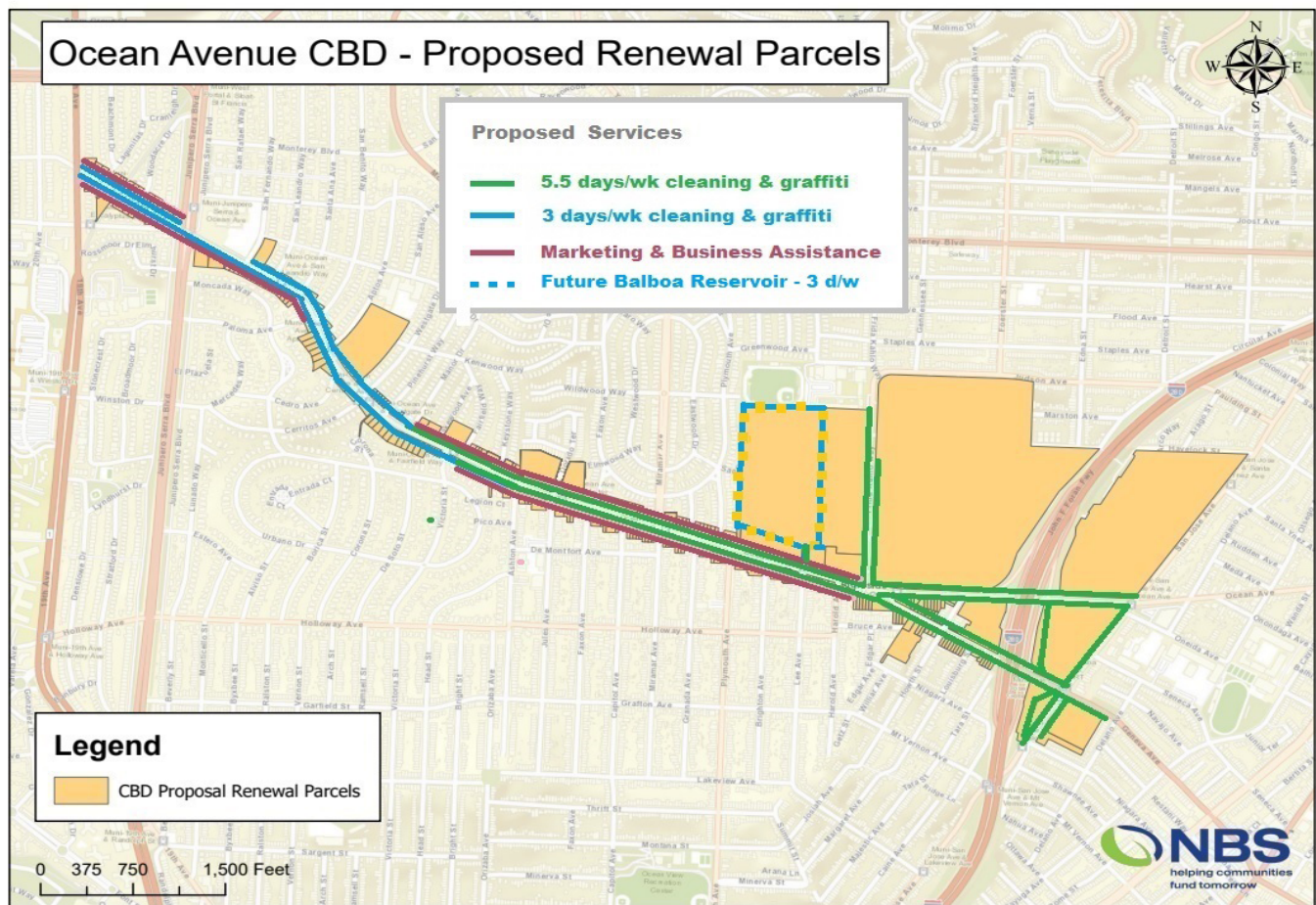
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The Ocean Avenue Community Benefits District consists of a 12-block retail business corridor in the southern part of San Francisco.

Ocean Avenue is the center of a quiet residential area easily accessible by BART, MUNI, 280 Freeway, Junipero Serra or 19th Avenue. It is an alley to educational institutions such as San Francisco City College, San Francisco State University, many High Schools, Middle Schools and Elementary Schools.

Ocean Avenue is located steps away from many very different neighborhoods, and it is a place of unity for businesses serving folks of all backgrounds.



Ocean Avenue Association - 1728 Ocean Avenue PMB 154 - San Francisco CA 94112 OceanAvenueAssociation.org
info.oacbd@gmail.org - 650-273-6223

OCEAN AVENUE ASSOCIATION

FINANCIAL STATEMENTS

June 30, 2022

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2021)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

OCEAN AVENUE ASSOCIATION

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Ocean Avenue Association
San Francisco, California

We have reviewed the accompanying financial statements of Ocean Avenue Association (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The accompanying summarized comparative information as of and for the year ended June 30, 2021 is derived from financials that were previously reviewed by us and we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated January 26, 2022. We have not performed procedures in connection with that review engagement since that date.


Oakland, California
May 12, 2023

OCEAN AVENUE ASSOCIATION

Statement of Financial Position
June 30, 2022
(With Comparative Totals as of June 30, 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Assets		
Cash	\$ 217,091	\$ 202,939
Assessments receivable	29,905	30,254
Grants receivable	27,467	7,567
Total Assets	<u>\$ 274,463</u>	<u>\$ 240,760</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 22,782	\$ 2,863
Total Liabilities	<u>22,782</u>	<u>2,863</u>
Net assets without donor restrictions	<u>251,681</u>	<u>237,897</u>
Total Liabilities and Net Assets	<u>\$ 274,463</u>	<u>\$ 240,760</u>

See Independent Accountants' Review Report
and Notes to the Financial Statements

OCEAN AVENUE ASSOCIATION

Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Support and Revenue		
Assessment revenue	\$ 369,343	\$ 339,581
Government grants and contracts	170,092	132,178
Late fees and other income	2,146	2,523
Total Support and Revenue	<u>541,581</u>	<u>474,282</u>
Expenses		
Program	411,104	319,774
Management and general	87,133	80,275
Fundraising	29,560	20,025
Total Expenses	<u>527,797</u>	<u>420,074</u>
Change in net assets	13,784	54,208
Net Assets without donor restrictions, beginning of year	<u>237,897</u>	<u>183,689</u>
Net Assets without donor restrictions, end of year	<u>\$ 251,681</u>	<u>\$ 237,897</u>

See Independent Accountants' Review Report
and Notes to the Financial Statements

OCEAN AVENUE ASSOCIATION

Statement of Cash Flows For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 13,784	\$ 54,208
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Change in assets and liabilities:		
Assessments receivable	349	(17,156)
Grants receivable	(19,900)	32,709
Accounts payable and accrued expenses	19,919	(42,441)
Deferred revenue	-	(23,228)
Net cash provided (used) by operating activities	<u>14,152</u>	<u>4,092</u>
Net change in cash	14,152	4,092
Cash, beginning of year	<u>202,939</u>	<u>198,847</u>
Cash, end of year	<u><u>\$ 217,091</u></u>	<u><u>\$ 202,939</u></u>

See Independent Accountants' Review Report
and Notes to the Financial Statements

OCEAN AVENUE ASSOCIATION

Statement of Functional Expenses For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

	Program	Management and General	Fundraising	Total	
				2022	2021
Salaries	\$ 92,836	\$ 26,110	\$ 26,111	\$ 145,057	\$ 97,604
Retirement contributions	2,328	655	655	3,638	2,928
Employee benefits	1,920	540	540	3,000	-
Payroll taxes	6,769	1,904	1,904	10,577	7,788
Total Personnel	103,853	29,209	29,210	162,272	108,320
Fees for service					
Cleaning & sanitation	133,912	-	-	133,912	113,481
Watering, landscaping, maintenance	24,055	-	-	24,055	16,268
Project expenses	137,793	-	-	137,793	86,426
Professional and other services	2,525	38,230	-	40,755	74,831
Advertising and promotion	4,722	-	-	4,722	105
Supplies and office expenses	4,244	3,841	350	8,435	8,421
Travel and meals	-	-	-	-	243
Conferences and meetings	-	1,208	-	1,208	112
Insurance	-	6,651	-	6,651	5,782
Service fees, permits and other	-	7,994	-	7,994	6,085
Total Expenses	\$ 411,104	\$ 87,133	\$ 29,560	\$ 527,797	\$ 420,074

See Independent Accountants' Review Report
and Notes to the Financial Statements

OCEAN AVENUE ASSOCIATION

Notes to the Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

NOTE 1: NATURE OF ACTIVITIES

The Ocean Avenue Association (the Organization or OAA) is a California nonprofit Public Benefit Corporation, which was established in December of 2010. Services began in July 2011 along the Ocean Avenue corridor in the Ocean-Merced-Ingleside (OMI) neighborhood. OAA's mission is to revitalize the Ocean Avenue corridor from Interstate 280 to Manor Drive through sanitation, safety programs, marketing, promotion and advocacy for property and business owners.

The OAA is committed to making the Ocean Avenue corridor a vibrant and safe place by providing programs and services that improve the quality of life for those who live and work in the community. Entrepreneurs, merchants and neighborhood stakeholders benefit from the CBD in numerous ways.

The OAA provides supplemental sanitation services 6 days a week, inclusive of sidewalk sweeping, reporting incidents to 311, graffiti removal from private and public property and power washing of sidewalks and transit boarding islands.

The OAA also promotes the district through publications, programs, and advertising by supporting a range of community events, from holiday decorations to summer events.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature. There were no restrictions of either nature as of June 30, 2022.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the

OCEAN AVENUE ASSOCIATION

Notes to the Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounting for Assessment Revenue

The Organization recognizes assessment revenue when assessed. Assessment revenue is secured through property tax assessments managed by the City and County of San Francisco. Collection of assessment revenue depends on the City and County of San Francisco, which may assess fines, penalties and interest on delinquent assessments. The Organization recognizes revenue related to fines or penalties when payment is received, and such fines or penalties are known.

Assessments Receivable

Assessments receivable primarily consists of tax assessments owed by property owners. Such assessments are subject to City and County of San Francisco enforcement procedures and are secured by property located in the City and County of San Francisco. The Organization considers all assessments to be fully collectible at June 30, 2022, though the timing of collection is not under the Organization's control and may be delayed.

Grants Receivable

Grants receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants. The Organization considers all accounts receivable to be fully collectible at June 30, 2022. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

OCEAN AVENUE ASSOCIATION

Notes to the Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and Revenue and Taxation Code (R&TC) Section 23701f.

The Organization has evaluated its current tax positions as of June 30, 2022 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended June 30, 2022.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair value of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on June 30, 2022.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. The

OCEAN AVENUE ASSOCIATION

Notes to the Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

Organization had no property and equipment that met this capitalization policy at June 30, 2022.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on an estimate of staff time allocation calculated on an individual level for each employee.

Office expenses and supplies and other expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred.

Certain employees have transited to consultants, and they are paid for both salaries and fee for services. The Organization classified such contractor expenses with salaries for consistency with existing classification for such staff time.

Prior Year Summarized 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Recent Accounting Pronouncements

In September 2020, the FASB issued *ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update was designed to increase the transparency of contribution nonfinancial assets through enhancements to presentation and disclosure. The update requires that in-kind contributions be presented as a separate line on the statement of activities, disaggregate in-kind contributions by category, describe whether contributed nonfinancial assets were monetized or utilized, disclose policies for monetization rather than utilization (if any), donor-imposed restrictions related to in-kind contributions and describe the valuation techniques used to arrive at a fair value measure of value of donated items. The Organization's adoption of this update did not have a material impact on the Organizations financial statements.

OCEAN AVENUE ASSOCIATION

**Notes to the Financial Statements
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)**

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of May 12, 2023, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: CONCENTRATIONS

Assessment Revenue

Special benefit assessments are received under a contract with the City and County of San Francisco and represent approximately 69% of the Organization's total revenue. Under the terms of the contract, the City and County can suspend distributions and ultimately terminate the contract if the Organization fails to provide adequate services to the district or fails to perform other responsibilities. The contract expires on June 30, 2025 and could be terminated at an earlier date if the related community benefit district is disestablished.

Geographic

A majority of the Organization's revenue comes from a group of property owners located in one geographic area. Natural disasters, economic or other local impacts on this area may affect the timing of assessment payments by such property owners.

Concentration of Credit Risk

The Organization receives assessment payment revenue in lump sums periodically during the year and at times, the Organization may have had deposits in excess of federally insured limits.

NOTE 4: CONTINGENCIES AND UNCERTAINTIES

Government Funding

The Organization receives government funding, which includes numerous terms and conditions both directly and by reference and is subject to subsequent audit which may result in disallowed costs or other required adjustments. The Organization believes it has complied with the terms of all such awards.

Coronavirus

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations and workforce.

OCEAN AVENUE ASSOCIATION

Notes to the Financial Statements
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

NOTE 5: RETIREMENT PLAN

The Organization sponsors a Simple IRA retirement plan for employees. The Organization contributes 3% of gross salary for each eligible employee. The Organization contributed \$3,638 and \$2,928 to the plan during the years ended June 30, 2022 and 2021, respectively.

NOTE 6: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 are:

Cash and cash equivalents	\$ 217,091
Assessments receivable	29,905
Grants receivable	<u>27,467</u>
Total	<u>\$ 274,463</u>

As part of the Organization's liquidity management plan, the Organization monitors cash to confirm it is sufficient for immediate requirements.

NOTE 7: RELATED PARTY ACTIVITIES

A member of the Organization's board served as a member of management of a partner nonprofit Oceanview Merced Ingleside Cultural Participation Project (OMICPP). Total disbursements for the period ending June 30, 2022 were \$25,000 to OMICPP.

NOTE 8: INGLESIDE COMMUNITY FUND

Ingleside Community Fund completed its activities during the year ended June 30, 2022, and following a letter of no objection from the California Registry of Charitable Trusts, was merged into Ocean Avenue Association prior to June 30, 2022. Activity of the Ingleside Community Fund (the Fund), reported as part of these financials, consisted of approximately \$38,603 in revenue and \$45,063 in expenses during the year ended June 30, 2022. No balances were held in former Fund accounts as of June 30, 2022.

MEMORANDUM

TO: Supervisor Myrna Melgar, District 7 Supervisor

CC: San Francisco Board of Supervisors

FROM: Chris Corgas; Deputy Director, Community Economic Development, OEWD
Mimi Tam Hiraki; Project Specialist, OEWD

DATE: July 10, 2023

SUBJECT: Ocean Avenue Community Benefit District; FY 2021-2022 Annual Report

This is a memo summarizing the accomplishments of the Ocean Avenue Community Benefit District (“Ocean Avenue CBD” or “CBD”) and an analysis of its financial statements (based on their audit) for the period between July 1, 2021 and June 30, 2022.

Each year, the CBD is required to submit a mid-year report, an annual report and a CPA financial review or audit. Ocean Avenue 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 Ocean Avenue CBD management contract with the City; and their Management Plan approved by the Board of Supervisors in 2010.

Also attached to this memo are the following documents:

1. Annual Report
 - a. FY 2021-2022
2. CPA Financial Review Report
 - a. FY 2021-2022
3. Ocean Avenue Audit (completed June 2023)
4. Draft resolution from the Office of Economic and Workforce Development



Background

The Ocean Avenue CBD includes both privately- and publicly-owned properties. The district covers 12 blocks and includes approximately 151 parcels.

- December 14, 2010: the Board of Supervisors approved the resolution that established the Ocean Avenue Community Benefit District for 15 years (Resolution # 587-10).
- May 24, 2011: the Board of Supervisors approved the contract for the administration and management of the Ocean Avenue Community Benefit District (Resolution #221-11).
- April 19, 2016: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2014-2015 (Resolution # 141-16).
- March 21, 2017: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2015-2016 (Resolution # 097-17).
- September 25, 2018: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2016-2017 (Resolution # 314-18).
- September 17, 2019: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2017-2018 (Resolution # 401-19).
- September 29, 2020: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2018-2019 (Resolution #435-20).
- January 25, 2022: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2019-2020 (Resolution # 20-22).
- November 29, 2022: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2021-2022 (Resolution # 503-22).

Basic Information about the Ocean Avenue Community Benefit District:

Year Established	December 2010
Assessment Collection Period	FY 2010-2011 to FY 2024-2025 (July 1, 2010 to June 30, 2025)
Services Start and End Date	July 1, 2011 – December 31, 2025
Initial Estimated Annual Budget	\$239,578.00
FY 2021-22 Assessment Submission	\$345,014.02
Fiscal Year	July 1 – June 30
Executive Director	Pierre Smit (through August 27, 2022) Christian Martin (since October 2022)
Name of Nonprofit Owners' Entity	Ocean Avenue Association (“OAA”)

The current CBD website www.oceanavenueassociation.org includes 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 Program Areas

Cleaning, Maintenance, and Safety



The Ocean Avenue Management Plan calls for approximately 52% of the budget to be spent on Cleaning, Safety, and Maintenance. OAA contracts with CleanScapes to provide cleaning and maintenance. Two workers are employed who clean and maintain the public realm six days a week. These services include sweeping and steam cleaning sidewalks and Muni boarding islands; removing graffiti within 24 hours; topping off city trash cans; spot pressure washing; reporting and monitoring of illegal dumping of small and large items in the public right-of-way; wiping down furniture; removing weeds from tree wells; removing posted notices on city poles and other street furniture; and painting city poles.

Marketing, Streetscape Improvements, and Beautification

Approximately 18% of the annual budget is allocated for public space development and streetscape improvements. This program area includes but is not limited to promoting the district through a website that includes information about their purpose and accomplishments, sponsoring special events such as holiday events and monthly concerts, and developing marketing activities that support efforts to recruit and retain businesses.

Management & Operations

The Ocean Avenue CBD is staffed by a full-time Executive Director who (1) performs the day-to-day management of the organization, (2) serves at the focal point person for the district, (3) advocates for city funds and services and (4) ensures that the organization is compliant with their Management Plan and City contract. The CBD Management Plan calls for approximately 26% of the budget to be spent on management and operations.

The Ocean Avenue CBD board has ten (10) members represented by residents, property owners, community organizations, non-profit arts organizations, government and educational institutions and businesses. The Board shall include no less than five and no more than eleven members, and be composed of at least 50% of property owners, or property owners' designated representatives, who are paying the CBD assessment. In addition to the property owners, at least 20 percent of the Board shall be representatives of non-property-owning businesses within the CBD boundaries. The Board also includes representatives from neighborhood organizations. Currently, the board structure complies with Article 15 of the San Francisco Business and Tax Regulations Code. The full board meets monthly.

Summary of Accomplishments, Challenges, and Delivery of Services

FY 2021-2022

Cleaning, Maintenance, and Safety

- Added four trash cans
- Collected 25,000 pounds of trash
- Cleaned up 1,300 graffiti occurrences
- Power washed 200 blocks
- Responded to 340 311 Calls
- Cleaned 50 palm trees
- Cleaned 600 instances of feces



Marketing, Streetscape Improvements, and Beautification

- With a grant from Paint the Void, a temporary artwork was painted on 1441 Ocean
- Installed holiday bows on all palm trees and developed a Photo Contest to promote the bows
- Started public campaign to promote new 20 MPH speed limit
- Organized a volunteer day with Lick-Wilmerding High School students to promote new speed limit
- Developed a database of all businesses
- Produced the Ocean Avenue Business Directory and distributed to 5,000 recipients in surrounding neighborhoods for August 2022
- Increased its email list by 38% and regularly sent monthly announcements on community updates
- Posting regularly on Facebook, Twitter and Instagram; saw a 300% increase in Instagram followers
- Distributed information on the vandalism Relief Grant in English and Chinese and assist businesses with applications
- Worked with the Office of Small Business to resolve some ADA issues with retail stores
- Helped one merchant apply to the Rent Relief Pilot Program
- Saw vacancy reduction rate halved
- Participated in the following events National Night Out in August 2021, Ocean After Hour, Open the Gate in September 2021, MuSix September, Phil Ting Bike Fair in October 2021, Halloween Block Party on Faxon Avenue in October 2021, MuSix November, Sleigh This Holiday in December 2021, Shop & Dine in the 49 in December 2021, Easter Egg Hunt at the M. & L. Ward Recreation Center in April 2022 and STEM Frenzy in April 2022 and make Music San Francisco in June 2022
- Sponsored Gotta Love Ocean Avenue Art show in October 2021
- Hosted Lunar New Year event with CYC bringing over 1,000 participants to Unity Plaza and the City College of San Francisco parking lot in February 2022
- Fiscal agent for Juneteenth 2022 event in the district
- Sponsored SF Turkey Drive for the district

Management & Operations

- Drafted Board Member Handbook, Personnel Policies and Procedures, and Financial Policies
- Started to prepare for the renewal and expansion of the CBD by distributing a survey, defining coverage area of new CBD, level of services and frequency for each area, new budget, and the methodology of the assessment cost
- Absorbed Ingleside Community Fund in June 2022
- Hired new Small Business and Marketing Manager in July 2022
- Executive Director, Pierre Smit, resigned as of August 27, 2022

Ocean Avenue CBD Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for the Ocean Avenue 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 "Ocean Avenue Community Benefit 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 “Ocean Avenue Community Benefit District”, Section A - 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 “Ocean Avenue Community Benefit District”, Section 3.9 – Budget.*)
- **BENCHMARK 4:** Whether the Ocean Avenue 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 2021-2022 Budget Analysis

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 Ocean Avenue CBD met this requirement. See table below.*

Service Category	Management Plan Budget		FY 2021-2022 Budget		Variance	
	Assessment (%)	Total (%)	Assessment (%)	Total (%)	Assessment	Total
Cleaning, Maintenance and Safety Program	\$123,750.00 (51.65%)	\$125,000.00 (51.65%)	\$192,155.00 (45.03%)	\$192,155.00 (30.57%)	-6.62%	-21.09%
Marketing, Streetscape Improvements, and Beautification Program	\$43,221.42 (18.04%)	\$43,658.00 (18.04%)	\$88,945.00 (20.85%)	\$100,933.00 (16.06%)	+2.81%	-1.99%
Management and Operations	\$62,370.00 (26.03%)	\$63,000.00 (26.03%)	\$130,560.00 (30.60%)	\$320,560.00 (50.99%)	+4.57%	+24.96%
Contingency and Reserve	\$10,236.60 (4.27%)	\$10,340.00 (4.27%)	\$15,000.00 (3.52%)	\$15,000.00 (2.39%)	-0.76%	-1.89%
TOTAL	\$239,578.02	\$241,998.00	\$426,660.00	\$628,648.00		

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

ANALYSIS: *The Ocean Avenue CBD met this requirement. Assessment revenue was \$202,950.00 or 68% of actuals and non-assessment revenue was \$94,996.00 or 32.88% of actuals. See table below.*



Revenue Sources	FY2022 Actuals	% of Actuals
Total Assessment (Special Benefit) Revenue	\$385,581.00	65.62%
Grants	\$199,810.00	
Other misc. revenue	\$2,178.00	
Total Non-Assessment (General Benefit) Revenue	\$201,988.00	34.38%
Grand Total Revenue	\$587,569.00	100%

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

ANALYSIS: *The Ocean Avenue CBD did not meet this requirement. See Table below.*

Service Category	FY 2021-2022 Budget		FY 2021-2022 Actuals		Variance	
	Assessment (%)	Total (%)	Assessment (%)	Total (%)	Assessment	Total
Cleaning, Maintenance and Safety Program	\$192,155.00 (45.03%)	\$192,155.00 (30.57%)	\$190,882.00 (55.56%)	\$190,882.00 (40.68%)	+10.53%	+10.11%
Marketing, Streetscape Improvements, and Beautification Program	\$88,945.00 (20.85%)	\$100,933.00 (16.06%)	\$41,380.00 (12.05%)	\$53,348.00 (11.37%)	-8.80%	-4.69%
Management and Operations	\$130,560.00 (30.60%)	\$320,560.00 (50.99%)	\$111,255.00 (32.39%)	\$225,004.00 (47.95%)	+1.79%	-3.04%
Contingency and Reserve	\$15,000.00 (3.52%)	\$15,000.00 (2.39%)	\$0.00 (0.00%)	\$0.00 (0.00%)	-3.52%	-2.39%
TOTAL	\$426,660.00	\$628,648.00	\$343,517.00	\$469,234.00		

BENCHMARK 4: Whether the Ocean Avenue 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 Ocean Avenue CBD did not meet this requirement. Per California Streets and Highways code 36650 (b) (5) CBDs are required to indicate the amount of surplus or deficit revenues to be carried*



over from the previous fiscal year into the next. The Ocean Avenue CBD did not include this information in their annual report delivered to the Office of Economic and Workforce Development, but did provide it in supplemental documentation provided to OEWD. In the supplemental information, they did not indicate how this would be broken down by service category for expenditures in future years.

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 2021-2022 Carryover Disbursement	
Cleaning, Maintenance and Safety	
Marketing, Streetscape Improvements and Beautification	
Management and Operations	
Contingency and Reserves	
Total Designated Amount for Future Years	

Findings and Recommendations

OEWD would like to acknowledge that current leadership of the organization came in after this reporting period. They have made substantial progress in FY 22-23 in moving the organization forward. This progress, while ongoing, will be extensively detailed in the FY 22-23 annual report.

The Ocean Avenue CBD met 2 of the 4 benchmarks as defined on pages 4 and 5 of this memo. For the year in review, the Ocean Avenue CBD exceeded its general benefit requirement of one percent (1%) by raising approximately 33% in general benefit dollars and the CBD kept its variances in line for Benchmark 1 and 3. Although the organization did meet its benchmark variances and exceeded general benefit fundraising, a discussion should be had to ensure that some general benefit funding, at least 1%, is allocated to the Cleaning, Maintenance, and Safety program area. This could be from grant/donation dollars or in-kind donations such as volunteer time.

The Ocean Avenue CBD did not meet Benchmark 3 as they overspent in the Cleaning, Maintenance, and Public Safety category by 0.53%. OEWD’s opinion is that this likely did not impact special assessments due to the small nature of the overture and that all parcels receive these services. If the CBD spent more on Marketing, Streetscape Improvements, and Beautification service area, like it planned to, this benchmark likely would have been met. OEWD believes this could have been prevented by having multiple plans or soliciting committee/board feedback before making a proposal. OEWD, based on the amount unspent, will monitor Ocean Avenue CBD to ensure they make significant efforts to spend this down throughout FY 22-23.



The Ocean Avenue CBD did not meet Benchmark 4 indicate the amount of surplus or deficits revenues to be carried forward because it did not include this information in the annual report. Over the years many CBDs have failed to provide this information because it is provided in their financial statements or supplemental documentation provided to OEWD, but state law specifies it must be included in the annual report. OEWD created a reporting template in 2015 for CBDs to address this issue, but the Ocean Avenue CBD did not use it. OEWD has revised the template for FY 20-21 reporting and, in a summary memo, required all CBDs to include all chart fields from that template in the annual report to property owners. If the Ocean Avenue CBD does this for future annual reports they will comply with the law. This is the second year in a row that the Ocean Avenue CBD did not meet this requirement, which is expressly outlined in state law.

In FY 2020-2021, OEWD presented through this annual reporting process the results of Ocean Avenue Strategic Plan (the Plan). The Plan, which was funded by OEWD as part of the organization's renewal, was designed to provide the organization a roadmap to fix systemic and structural issues before going out for renewal. OEWD monitored the Ocean Avenue CBD throughout FY 20-21 to ensure the organization was making progress in achieving these objectives. OEWD is not designed to provide technical assistance to the degree and nature that is the organization required and worked within current frameworks to the best of its ability. At the end of the day, OEWD does not have the direct ability to force action on specific recommendations made in the Plan. It is the responsibility of the executive director and the organization's Board of Director's to make such changes. Should the organization not make progress, to OEWD's liking, then OEWD planned to work with the Office of the Controller for an audit of the organization. This is the first step in the management agreement outlined process to either suspend the organization's special assessment funding distribution or work to transfer the management agreement to another owner's association.

In order to track the success of the organization, OEWD used the Plan's recommendation section as a guide. The Ocean Avenue CBD chose to move forward without professional consultants well versed in non-profit management for FY 21-22 while following through on the Plan's recommendations. The recommendations from the Plan are:

- Organizational Recommendations
 - Internal
 - Each Board member has a responsibility to provide leadership. The participation of each Board member in driving the vision for the District and providing guidance and oversight of operations of the OAA is critical. It is not acceptable as a Board member to just attend meetings and listen. Asking questions and expecting answers is part of the fiduciary responsibility of each Board member.
 - Create a Board Handbook/Document that clearly defines the Board's role, its legal responsibilities and the role and expectations of each individual board member. The document should include expectations of Board member participation and attendance. A draft of this document may be prepared by staff or consultants, but the Board must be heavily invested in and approve the final document. The document does not need to be lengthy and complex, but should be clear and concise.



- The Board Handbook/Document must be a part of each new Board member's orientation along with the Financial Policy Document.
- In April/May of each year develop an annual work plan for the coming fiscal year. The plan should have a defined set of programs with operational expectations and goals. This plan is an integral part of the annual budget development process. A draft of this document may be prepared by staff, but the Board must be heavily invested in and approve the final document.
- At each Board meeting the Executive Director should be required to give an update on progress executing the work plan. It is the Board's responsibility to provide resources to and guidance on the work plan. It is also the Board's responsibility to hold staff accountable for achieving the work plan.
- As identified in the findings, board survey and interviews, the current staff structure is not sufficient or effective in executing projects and programs. Following on the Board discussions at their November 2020 and January 2021 Board meetings it is recommended that the Board establish an ad-hoc committee to oversee the Executive Director transition. An ad-hoc committee is not subject to the Brown Act requirements.
- The ad-hoc Executive Director Transition Committee should be charged with creating a detailed transition plan and timeline and reporting back to the Board within 30 days. The transition plan should contain, at a minimum, the following elements:
 - Executive Director job description
 - Minimum requirements of education, experience
 - Wage and benefit package
 - Recruitment plan. (where, how will we recruit, budget for recruitment)
 - Timeline of process
 - Selection criteria and process
- As part of the Executive Director transition the Board must define:
 - Current Executive Director role during transition period, options are:
 - Maintain current level of responsibility and income.
 - Reduced, part-time, level of responsibility and income.
 - Consult to the OAA with specific defined responsibilities and payment.
 - Who will be responsible for the transition process:
- Agenda setting: The normal process for setting the Board agenda in a CBD organization starts with the Executive Director/staff creating a draft agenda. The draft agenda is reviewed by the Chair of the Board to provide input and approval. No changes can be made to the agenda without the approval of both the Chair and the Executive Director.
- Currently there are two standing committees, the Street Life Committee and the Small Business Committee. It is recommended that the Board analyze the purpose, need and goal of each committee. Part of the analysis is understanding staff resource allocation to support the committee. This strategic plan is recommending two temporary ad-hoc committees. The District Renewal Steering Committee and



the Executive Director Transition Committee. Our experience with CBDs has shown us that a small number of standing committees is much more efficient. We would not recommend creating a third standing committee for the OAA and maybe eliminating one of the current committees. We do believe in forming Task Forces, ad-hoc committees, with a limited life and narrow focus around specific issues.

- External
 - At the Board retreat the board was asked “As you think about the Vision for Ocean Ave what three words stand out?” The word that was most often mentioned was Destination. Community, Progress and Art were also mentioned by many Board members. As part of this discussion Urban Place provided the following “Draft Framework” as a way for the Board to develop unity and focus on vision and purpose. Also this tool can be used to demonstrate OAA vision, purpose and programs to the community.
 - The issue of providing strong leadership in the community is not changed by words, but by actions. As the OAA works through the Executive Director transition and implements the recommendations in this plan the perception and reality of the OAA’s leadership will strengthen. The OAA will be able to play a more proactive role in the changes that are coming to the community
 - It is strongly recommended that OAA develop a consistent communication strategy that targets the property owners, business owners and community. It is the Board’s responsibility to provide resources to and guidance on the communication strategy. It is also the Board’s responsibility to hold staff accountable for implementing the strategy.
- Operational Recommendations
 - The Board create either one full time new interim position or two-part time new interim positions. The new interim position/positions would be responsible for Communication/Marketing and Business Development/Support. This position/s could also provide support in the areas of administration, renewal process and Executive Director transition. The new Executive Director will make the decision whether this position/s remain interim or become permanent.
 - The Board create a job description/scope of work for each position/s that includes outcome expectations
 - The Board create a wage and benefit package for each position/s. The new position/s should be funded by a combination of CDBG grant funding and Carry Over reserves.
 - The Board include in the 2021/2022 budget funding for an office. Having a place that business owners, property owners and the community can interface with OAA staff will be very valuable in the renewal process. An office is also valuable in developing the communication/marketing program and business support program.
 - The clean and beautification programs received a rating of 7.4 out of 10. Although there are good reasons to rebid the cleaning program, we recommend not rebidding the clean program until after a successful renewal. In the next 6 months to a year you will be transitioning to a new Executive Director, renewing the CBD, implementing strategic plan recommendations and expanding the Communication/Marketing and Small Business Support programs. We don’t recommend adding another major project to that list.



- Financial Recommendations
 - The Board adopt an organization financial policy. Elements of the policy at a minimum shall be:
 - A detailed fiscal year budget must be approved and adopted prior to the start of the fiscal year.
 - At each board meeting the board members will receive a current financial report. Current is defined as of the close of the previous month. The report will have three parts:
 - Operating report showing actual to budget for the previous month and year to date.
 - Balance sheet showing all assets and liabilities including grants receivable.
 - Cash flow forecast, updated on a monthly basis, for the fiscal year.
 - Check signing policy to define who can sign checks. Checks over a set limit should require two signatures.
 - Contract policy defining who approves contracts. It is recommended that the board must approve all contracts above a set limit. Allow the Executive Director to approve small administration contracts. As part of the approval process the Board shall define who may execute contracts.
 - Define Board and staff's responsibility in annual financial review and State and Federal tax filings.
 - Procedure for bank statements and account reconciliation
 - Grant policy, defining:
 - Internal grant submission approval.
 - Internal grant award and contract approval process
 - Grant accounting and administration
 - Credit card, travel and expense policy
 - Purchasing policy
 - Payroll policy

The Ocean Avenue CBD established a process to hire a new executive director in spring 2021. It is unclear to OEWD how widespread the advertisement was for this position. The organization hired Pierre Smit as the new executive director, he began in summer 2021. Mr. Smit had management experience in the private sector, but not in the non-profit sector and he did not have experience working with or under a non-profit board. Mr. Smit met with OEWD early to understand the relationship between the organization and the City, his responsibilities, the Plan, and what he was expected to accomplish.

Mr. Smit resigned from the position shortly after the end of this reporting period. OEWD would like to acknowledge that progress was made in meeting recommendations. In particular, the organization's annual report document was of a much higher quality and contained much more information than the one produced for the previous reporting period. Additionally, the Ocean Avenue CBD board adopted many of the Plan's recommendations throughout the course of this reporting period. With that said, progress was too slow for OEWD's satisfaction. This is likely due to board members actually working on the policies as opposed to sitting in a policy role and having staff make changes/edits to present to them.



Due to slow progress made on many of the recommendations, as well concerns about service implementation OEWD did plan to utilize budget to have the Office of the Controller audit the organization in FY 22-23. Supervisor Melgar also requested an audit of the organization at the end of this reporting period. The audit was paid for by OEWD and conducted by the Office of the Controller and/or their contractors. The audit was completed in early summer 2023 and is attached to this annual report file. The audit covered a five-year period ending June 30, 2022.

The audit's key findings are consistent with the 2021 strategic plan findings and OEWD observations and are:

- 1) OAA Board of Directors Does not Effectively Govern the Organization or District
- 2) OAA Does Not Fully Comply With Some Key Provisions of Its Management Agreement With the City
- 3) OAAA Implemented Many of the Strategic Plan Recommendations
- 4) OAA Does Not Always Properly Administer Grant Agreementsⁱ

The audit report provides 19 recommendations to improve the OAA's control environment and ensure its obligations and responsibilities are fulfilled. These are:

- 1) Set a "tone at the top" that promotes the importance of strong controls and demonstrates accountability to all organizational policies and procedures.
- 2) Formally establish a clear vision and common understanding of its members' duties and responsibilities and how they differ from those of OAA's executive director and staff. Board members' duties and responsibilities should focus on OAA's vision, mission, and strategic planning goals and policies, while the executive director's duties and responsibilities should focus on day-to-day activities needed to fulfill the board's vision. Ensure the board evaluates the executive director's performance in writing at least annually.
- 3) Require that a comprehensive, easy-to-locate set of internal policies and procedures be created and implemented for all operational areas and activities. The guidance should establish and communicate standard expectations focused on efficiency, effectiveness, consistency, strong controls, and compliance.
- 4) Ensure the policies and procedures that are created have the agreement and support of OAA's board, management, and staff, and that monitoring processes are implemented to ensure compliance.
- 5) Work with the executive director to establish measurable goals and metrics for the Cleaning, Maintenance, and Safety program and Marketing, Streetscape, and Beautification program.
- 6) Require the executive director to summarize in writing and distribute to the board all applicable provisions of the California Corporations Code, Section 5233, and the California Government Code, Section 54950 et seq. Board members should then familiarize themselves with these provisions.
- 7) Develop, document, and implement policies and procedures related to conflicts of interest for the board and OAA staff. The guidance should describe in detail situations that could



be a conflict of interest, OAA's monitoring processes for conflicts of interest, and OAA's annual reporting of interests to ensure compliance with all applicable provisions of the California Corporations Code, Section 5233, and the California Government Code, Section 54950 et seq. The conflict-of-interest guidance should be incorporated in the board's Handbook and OAA's personnel policies and procedures, as applicable.

- 8) Research and implement best practices of city committees of similar size and/or scope and what state law requires to help ensure the board fully complies with the Ralph M. Brown Act. This research could include listening to a recorded meeting of the San Francisco Public Utilities Commission Revenue Bond Oversight Committee (audio archive at granicus.com) to learn how that body conducts its meetings, reading the agenda of the same meeting, and becoming familiar with the requirements of California Government Code sections 54952-54953.3. The board should then agree upon the best practices and implement them in its procedures.
- 9) Consider establishing term limits for its members, including whether to allow former members to rejoin the board after a sabbatical. Term limits may cause new perspectives to be brought to the board, enhance the board's creativity and dynamism, and make it more aware of and able to follow best practices in developing solutions to any challenges that may arise.
- 10) Ensure annual reports and midyear reports include all required components and require that documentation be maintained to support and justify all amounts represented in the reports.
- 11) Ensure annual reports reflect information explaining whether actual expenses funded by property assessment revenue were within 10 percent of budgeted amounts and whether actual expenses exceeded the total amount budgeted.
- 12) Continue with efforts to implement a timekeeping process that tracks employee time by activities performed so that their efforts can be appropriately allocated among budget categories.
- 13) Ensure annual reports include information regarding the ending cumulative operating reserve balance.
- 14) Ensure annual reports explain the amount of revenue surplus (or deficit) for the prior fiscal year separated by property assessment and non-property assessment revenues. OAA should designate how the surplus revenues will be used, such as funding operating reserves or funding specific activities identified in its management plan and ensure such designations are reflected on the upcoming annual budget.
- 15) Implement a system, such as an electronic documentation management system, to maintain supporting documentation for all expenditures. Documentation should include contracts, invoices, payroll records, and receipts.
- 16) . Add the following to its newly developed financial policies: a) additional guidance for grant activities; b) a requirement that balance sheet information and cashflow forecasts be in the monthly reports the board receives, and include budget and actual operating statement variances, along with beginning and ending fund balances and reserves.



- 17) Ensure financial policy requirements are consistent with existing practices. For example, the check signers required by the policy must be consistent with the authorized signers on OAA's bank accounts.
- 18) Only pay grant expenses after obtaining sufficient support for services provided and only seek grant reimbursements when able to justify expenses.
- 19) Implement effective grant management policies and procedures, including those that will result in strong records management practices. The policies and procedures should require that pre-award documents, agreement documents, financial documents, project documents, and general documents are obtained and retained.ⁱⁱ

OEWD has worked extensively over the years with this organization to help it address many of the issues highlighted in the audit. This includes organizing training from the City Attorney, providing technical assistance to previous executive directors and the board, explaining their responsibilities, and how to accomplish them, to both the board and previous executive directors, and providing funding to identify and address shortfalls. Should the organization not show significant progress in by January 2024 on many of these factors, OEWD will consult with the City Attorney on all options the city may utilize with this organization, including the potential suspension of assessment distributions.

Although not in this reporting period, OEWD would like to acknowledge significant strides have been in FY 22-23. In particular, hiring an experience executive director in Christian Martin has helped stabilize the organization and significantly improve its service delivery, organizational effectiveness, and financial stability. OEWD looks forward to monitoring the progress Mr. Martin and his team make in FY 22-23 and beyond. Should the organization not continue to improve significantly, as it has, OEWD will explore all options to ensure the organization follows through on improving itself.

Ocean Avenue CBD does not have surveillance technology and did comply with OEWD's memorandum regarding it. OEWD received numerous complaints regarding Brown Act violations in FY 21-22 by the organization, but not receive any complaints regarding violations of the California Public Records Act. OEWD provided complainants with the remedies set forth in the Brown Act. OEWD received numerous complaints regarding the core service delivery of the CBD toward the end of the fiscal year which it passed on to the organization. OEWD will monitor the organization for improvements in all areas throughout FY 22-23 and make further recommendations based on progress or stagnation in the next annual report.

Conclusion

The Ocean Avenue CBD did not meet 2 of the 4 benchmarks it is required to meet. The organization made significant attempts to follow through on the Plan recommendations, but many of these were accomplished at a slow pace. The CBD should increase efforts to market itself, its services, and to interact with the merchant community. Finally, the entire organization needs to take the recommendations and corrective actions seriously.

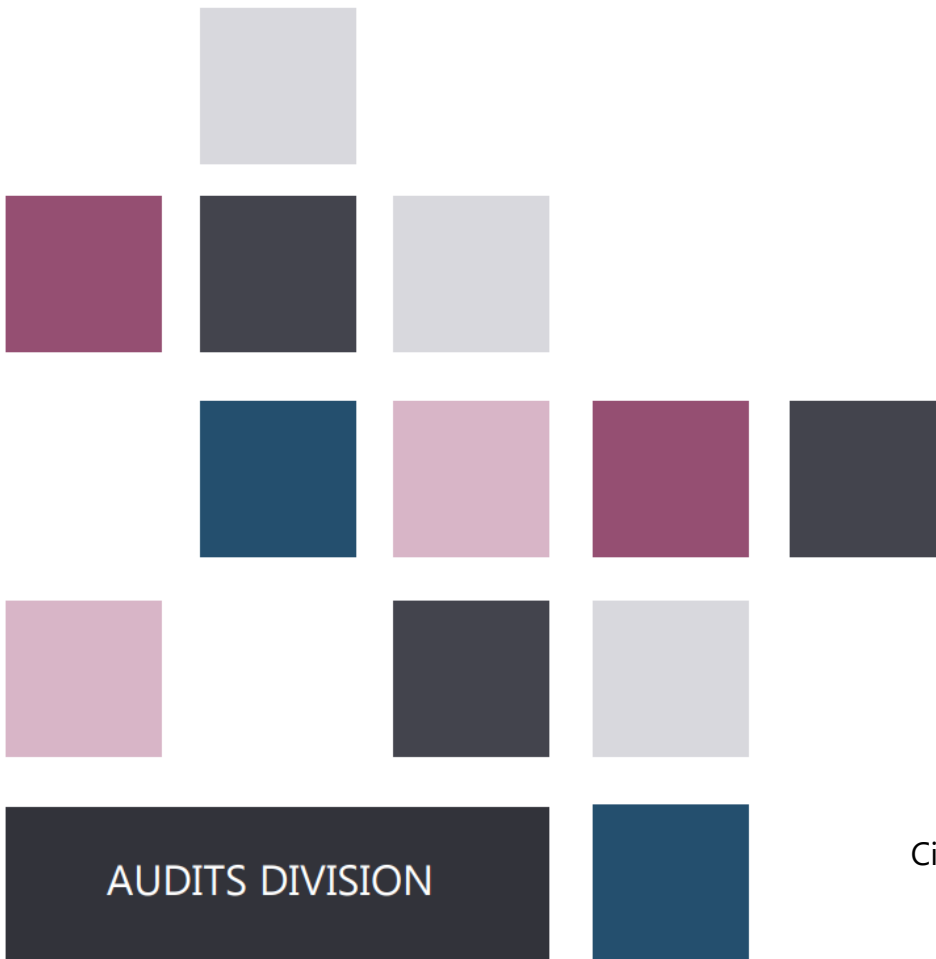
ⁱ Office of the Controller audit, "*Ocean Ave Association Generally Complies With Some Provisions of the Management Agreement but the Board of Directors Does Not Effectively Govern the Organization or Community Benefit District*", dated June 30, 2023

ⁱⁱ Ibid

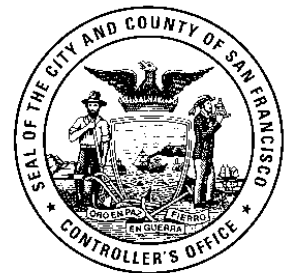


Ocean Avenue Association Generally Complies With Some Provisions of the Management Agreement but the Board of Directors Does Not Effectively Govern the Organization or Community Benefit District

Office of the Economic and Workforce Development



AUDITS DIVISION



June 29, 2023

City & County of San Francisco
Office of the Controller
City Services Auditor

About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

Team:

Helen Vo, *Audit Manager*

Mark de la Rosa

Director of Audits

Office of the Controller

City and County of San Francisco

(415) 554-7574

Consultant:

Sjoberg Evashenk Consulting, Inc.

For media inquiries, please contact
con.media@sfgov.org.



sf.gov/controller



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LinkedIn Office of the Controller

Audit Authority

CSA conducted this audit under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

June 29, 2023

Ms. Sarah Dennis Phillips
Executive Director
Office of Economic and Workforce Development
1 Dr. Carlton B. Goodlett Place, Room 488
San Francisco, CA 94102

Dear Ms. Phillips:

The Office of the Controller (Controller), City Services Auditor (CSA), Audits Division, presents its report on the audit of the management agreement between the Ocean Avenue Association (OAA) and the City and County of San Francisco (City). OAA administers and manages the Ocean Avenue Community Benefit District (CBD), which levies special tax assessments on property owners within the district boundaries to fund neighborhood improvements and ongoing maintenance of the public realm. The Office of Economic and Workforce Development (OEWD) manages the agreement. The audit, which was conducted by Sjoberg Evashenk Consulting (SEC), had as its objectives to determine whether OAA complies with terms of the agreement, manages the district effectively and efficiently, and administers city-funded grants appropriately.

The audit found that OAA's Board of Directors does not effectively govern the organization or the CBD. Although OAA complies with key provisions of its management agreement, it does not fully comply with other provisions related to annual and midyear reports, budget allocations, eligible expenditures, and accounting records. Also, OAA has implemented many of the strategic plan's recommendations but is still implementing a few recommendations. Further, OAA does not always properly administer grant agreements and has not implemented grant management policies.

The report makes 19 recommendations for OEWD to ensure that OAA improves its control environment, ensures its obligations and responsibilities are fulfilled, complies with management agreement provisions, implements strategic plan recommendations, and improves its grant management and administration.

The responses of OEWD and OAA are attached to this report. CSA will work with the department to follow up every six months on the status of the open recommendations made in this report.

CSA and SEC appreciate the assistance and cooperation of all staff involved in this audit. For questions about the report, please contact me at mark.p.delarosa@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

A handwritten signature in black ink, appearing to read "Mark de la Rosa".

Mark de la Rosa
Director of Audits

cc: Board of Supervisors
Budget Analyst
Civil Grand Jury
Citizens Audit Review Board
City Attorney
Mayor
Public Library

City and County of San Francisco
Office of the Controller, City Services Auditor

Audit of the Ocean Avenue Association Management Agreement

May 2023

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Sjoberg Evashenk Consulting, Inc., was engaged by the Office of the Controller’s City Services Auditor to audit the management agreement between the City and County of San Francisco (City) and the Ocean Avenue Association (OAA), including determining whether OAA complies with terms of the agreement, manages the Ocean Avenue Community Benefit District (CBD) effectively and efficiently, and administers City-funded grants appropriately.

KEY FINDINGS

OAA Board of Directors Does Not Effectively Govern the Organization or District

OAA lacks adequate controls over critical operational functions. For example, some members of its Board of Directors (board) do not always exhibit a tone that promotes the importance of strong controls; the organizational structure is ineffective with unclear roles and responsibilities; policies and procedures to guide basic organizational processes have not been established; and goals, metrics, and methods to evaluate program performance have not been implemented. The lack of an adequate control environment is particularly important as OAA is considering renewing and expanding the CBD, which will significantly increase the size and scope of OAA’s responsibilities. Also, OAA board meetings have not fully complied with statutory requirements, conflict-of-interest obligations have not been fully addressed, and stakeholders have expressed concerns about the lack of board member term limits.

OAA Does Not Fully Comply With Some Key Provisions of Its Management Agreement With the City

OAA complies with key provisions of its management agreement, including those regarding administering district services, maintaining its corporate and nonprofit status in good standing, and ensuring at least 1 percent of revenues are derived from sources other than property assessments. However, OAA does not fully comply with other provisions related to preparing annual and midyear reports, ensuring budget allocations align with requirements, demonstrating assessment funds are used only for eligible expenditures, and maintaining sufficient accounting records.

OAA Implemented Many of the Strategic Plan’s Recommendations

The board’s strategic plan covers organization, operational, and financial topics and includes recommendations related to board responsibilities, personnel development, district renewal efforts, financial policies, and annual work plans. The board implemented many of the plan’s recommendations, including adopting a board member handbook. Although the board also adopted a financial policy, the policy does not require that the monthly financial reports shared with board members include balance sheet information and cashflow forecasts. The board is still in the process of implementing a few recommendations, including adopting an annual work plan with expectations, goals, and scheduled updates; the first work plan is slated for fiscal year 2023-24.

OAA Does Not Always Properly Administer Grant Agreements

OAA did not always properly administer its grant agreements and failed to implement grant management policies, creating an environment in which key grant documents cannot be located and grant activities cannot be adequately supported. OAA also paid some consultants without sufficient support for services and could not justify some expenses associated with staff efforts.

The board has recently begun addressing many of the issues discussed in this report, including by hiring an experienced executive director to facilitate new strategic planning activities, take over all day-to-day management activities, and implement program improvements. The board also engaged a training consultant to improve the functioning of the board. The consultant intends to help board members better understand their legal and financial responsibilities and help them differentiate between the duties and responsibilities of board members and those of the executive director.

RECOMMENDATIONS

The report offers 19 recommendations to the Office of Economic and Workforce Development and the Ocean Avenue Association Board of Directors to improve OAA’s control environment and ensure its obligations and responsibilities are fulfilled.

Introduction and Background

The California Streets and Highways Code, Section 36600, permits local property owners in a specified geographical area to create a community benefit district (CBD), which has the power to levy special tax assessments on property owners within the district boundaries to fund neighborhood improvements and ongoing maintenance of the public realm (graffiti removal, tree pruning, sidewalk gardens, etc.). A CBD can only be formed by majority vote of all property owners within the district boundaries and, in San Francisco, is subject to approval by the San Francisco Board of Supervisors. Once a CBD is formed, the City and County of San Francisco (City) must establish a management agreement with the CBD's management corporation and collect the annual assessment that will fund the CBD. Each year, property owners who pay 50 percent or more of the assessments levied for the CBD may request that the Board of Supervisors disestablish the CBD. In California, CBDs are also referred to as Business Improvement Districts.

Ocean Avenue CBD's Formation

The Ocean Avenue Revitalization Collaborative, composed of local merchants, property owners, and residents, worked to form a CBD along San Francisco's Ocean Avenue. On December 14, 2010, the Board of Supervisors approved the formation of the Ocean Avenue Community Benefit District (OACBD). On May 24, 2011, the Board of Supervisors approved a management agreement between the City and the Ocean Avenue Association (OAA), a nonprofit corporation formed to manage OACBD, for the administration and management of the OACBD, which is set to sunset on June 30, 2025, unless renewed. The Office of Economic and Workforce Development (OEWD) manages the agreement with OAA on behalf of the City.

OACBD's Management Plan

When a CBD is being formed, the California Streets and Highways Code, Section 36621, requires that a management plan be developed to describe the district's functions and activities and must include key information, such as:

- A map in sufficient detail to locate each assessed property and description of the boundaries.
- Improvements, services, and activities to be funded.
- Total annual amount to be expended.
- Proposed source(s) of financing.
- Time and manner of collecting assessments and number of years assessments will be levied.
- Rules and regulations applicable to the district.
- Listing of the properties to be assessed.

OACBD's Boundaries and Activities

The OACBD's boundaries include properties that front Ocean Avenue from Manor Drive on the west running along Ocean Avenue to Interstate 280. There are 148 properties, which are separated into two separate benefit zones:

- Zone 1: 145 properties of a variety of different land use types such as commercial, nonprofit, religious, public, and residential.
- Zone 2: 3 properties, including a portion of San Francisco City College's Ocean Avenue campus, Lick-Wilmerding High School, and a city-owned landscaped property.

The improvements, services, and activities provided in the management plan include a Cleaning, Maintenance, and Safety program along Ocean Avenue; a Marketing, Streetscape Improvements, and Beautification program to promote the Ocean Avenue commercial district; and various administrative and management activities that support program efforts. To fund these activities, OAA adopts an annual budget that estimates annual revenues and expenditures. Past budgeted amounts are shown in Exhibit 1.

Exhibit 1. OAA Annual Revenue and Expenditure Budget Amounts

	2018-19	2019-20	2020-21	2021-22
OAA Revenue	\$530,649	\$492,970	\$568,650	\$587,569
OAA Expenses	\$592,017	\$554,258	\$575,013	\$624,357

OAA's Organization

OAA's Board of Directors (board) has 13 members who represent the district's residents, property owners, community organizations, nonprofit arts organizations, government and educational institutions, and businesses. Property owners paying the CBD assessment must be at least 50 percent of the board and non-property-owning businesses must be at least 20 percent. The board also includes representatives from neighborhood organizations.

OAA contracts with a part-time executive director and employs a full-time deputy director and a full-time small business and marketing manager.

OAA formed the Ingleside Community Fund (ICF) in 2018 as its 501(c)(3) charity arm because OAA at the time was a 501(c)(4) nonprofit corporation. In 2019, the IRS determined that OAA was exempt from federal income tax under Internal Revenue Code Section 501(c)(3) allowing donors to deduct contributions made to OAA. As such, OAA and ICF merged on April 25, 2022 with OAA as the surviving corporation and ICF as the disappearing and defunct corporation.

OACBD's Renewal and Expansion

OAA is exploring renewing and expanding the CBD before it sunsets on June 30, 2025. Renewing a CBD requires a majority vote of all property owners within the district boundaries and involves the same steps as initially establishing a CBD. OAA has begun the process, including hiring a consultant to prepare the new management plan and engineer's report. OAA is seeking to expand the CBD to include adjacent areas in the district. If the expansion is approved, it is anticipated to more than double OACBD's annual budget.

Scope and Methodology

In September 2022, Sjoberg Evashenk Consulting, working on behalf of the San Francisco City Services Auditor (CSA), commenced an audit of the management agreement between the City and County of San Francisco (City) and the Ocean Avenue Association (OAA). Specifically, Sjoberg Evashenk Consulting set out to accomplish the following audit objectives:

- Determine whether OAA managed the organizational structure of the Ocean Avenue Community Benefit District (CBD) effectively and efficiently.
 - Implemented the strategic plan in a timely manner.
 - Ensured the board effectively governs and complies with applicable laws and regulations.
- Determine whether OAA complied with the terms of the management agreement.
- Determine whether OAA administered grant(s) funded by the City in accordance with applicable laws, regulations, and terms of the grant agreement(s).

The audit period was July 1, 2018, through June 30, 2022.

To meet the audit's objectives, we performed number of tasks, including the following:

- Held multiple interviews with current and former board members and OAA staff, bookkeeper, and board consultants as well as OEWD management and staff.
- Identified criteria from applicable California laws, including Streets and Highways Code, Government Code, and Corporations Code and assessed OAA's compliance.
- Identified key contract requirements, including submitting annual and mid-year reports, using assessment funding only on eligible expenditures reflected in the approved budget, conducting annual outreach/informational meetings, preparing assessment data for tax statements/bills, and submitting required financial statements. For each key contract requirement, conduct various testing to ensure compliance, including expenditure testing.
- Identified the universe of grant agreements funded by the City and active during the audit period and identified key provisions, including scope of work, allowable vs. unallowable costs and activities, and reporting requirements. Compared grant activities and expenditures against contract requirements and OAA financial policies and procedures to determine if OAA complied with the terms of the grant agreements.
- Determined OAA's status implementing each strategic plan recommendation.

Audit work was performed from September 2022 through March 2023. A draft of this report was provided to the board chair and executive director for review and discussion and an exit meeting was held on March 31, 2023. The responses and feedback provided by OAA representatives were considered and incorporated where appropriate in the final report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Finding 1. OAA Board of Directors Does Not Effectively Govern the Organization or District

Although OAA has been in existence for more than fifteen years to manage the district, it lacks adequate controls over critical operational functions one would expect of a mature organization. For example:

- Board members do not always exhibit a tone that promotes the importance of strong controls.
- OAA's organizational structure is ineffective, with unclear roles and responsibilities.
- Policies and procedures to guide basic organizational processes were not established until recently.
- Goals, metrics, and methods to evaluate program performance have not been implemented.

Also, as a nonprofit corporation formed to manage a community benefit district established pursuant to the California Streets and Highways Code, Section 36621, which imputes the authority to levy taxes and expend public resources, OAA must comply with certain provisions of California law related to public meetings. However, we found that OAA board meetings have not fully complied with requirements related to board proceedings or responsibilities related to conflict-of-interest obligations. Also, stakeholders expressed concerns about the lack of board member term limits.

The issues discussed in this finding are particularly important given that OAA is considering renewing and expanding the CBD, which, if successful, will significantly increase the size and scope of the organization's responsibilities and activities. Several of these problems were also identified in OAA's January 2021 Strategic Plan, a report intended to provide recommendations on alternative approaches to increase OAA's organizational effectiveness.

The board has recently begun addressing the issues by hiring an experienced executive director to facilitate new strategic planning activities, take over all day-to-day management activities, and implement program improvements. The board also recently hired a training consultant. Training topics will include improving board members' understanding of legal and financial responsibilities and differentiating the duties and responsibilities of the board and the executive director.

Board Members Do Not Always Foster a Strong Control Environment

Through our many meetings with past and present board members, we found that OAA did not foster an organizational culture or environment that emphasizes adherence to sound policies, procedures, rules, protocols, or best practices. While the board chair and new executive director articulated a clear understanding of the importance of a strong control environment, at least one board member expressed views that having policies and procedures and maintaining documentation is relatively unimportant or unnecessary, particularly because of the organization's small size.

An organization's "control environment" refers to the attitudes and actions of the organization regarding the significance of control, which provides discipline and structure for achieving core objectives. The control environment is the foundation for ensuring the effectiveness of all other components of internal control in

the organization. Although OAA is a small, California nonprofit public benefit corporation, an environment of strong controls is particularly important because most of OAA's funding comes from local tax assessments and internal control weaknesses could result in the loss or inefficient use of public monies.

OAA's Organizational Structure Is Ineffective, With Unclear Roles and Responsibilities

The organizational structure established by the board does not delineate the roles of the board or distinguish them from those of management and staff. Consequently, board members, management, and staff do not have a common understanding of what is expected of each. This is evidenced by the fact that board members often perform day-to-day management activities, such as managing budgets and grant agreements, preparing financial reports and tax returns, and approving all contracts and expenditures.

A widespread perception exists among OAA's internal and external stakeholders that the past two executive directors, although they worked hard for the organization, were inexperienced and/or ineffective, which often caused board members to involve themselves in day-to-day organizational activities. However, it is unclear what activities the past executive directors performed, let alone whether they had any performance issues or shortcomings, because the Board did not formally document or assess the executive directors' performance.

Based on best practices promulgated by the U.S. Government Accountability Office (GAO) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO), a "system of internal control" broadly refers to the policies, procedures, processes, systems, and methods that an organization relies on to ensure that it achieves its mission, goals, and objectives on an ongoing basis.

A key characteristic of an effective system of internal control is the separation between management and governance responsibilities:

- **Management.** Management is responsible for all activities of an organization, including making decisions regarding the acquisition, deployment, and control of human, financial, physical, and intangible resources. Management is also responsible for the design, implementation, and operating effectiveness of the organization's system of internal control. For example, management assigns operational responsibilities, establishes written policies and procedures, and monitors personnel and contractors to ensure that programs and activities are being carried out as intended based on direction from the organization's governing body.

As it relates to OAA, it would be expected that management would lead the day-to-day activities needed to fulfil the board's vision. The duties and responsibilities of management would generally include making operational policies and decisions, keeping the board educated and informed so it can make appropriate decisions, and bringing well-documented recommendations and information to the board.

- **Governance.** An organization's governing body (e.g., board of directors) is responsible for overseeing the strategic direction of the organization and obligations related to the accountability of the organization. This includes overseeing management's design, implementation, and operation of an internal control system. For some organizations, one or a few members of senior management may also be part of the organization's governing body. However, the governance role is distinct from that of management.

Consistent with this role, the OAA board's duties and responsibilities would generally include establishing OAA's vision, mission, and strategic planning goals, as well as choosing the executive director, setting high-level policies, making major decisions, measuring performance and achievements, and serving OAA's stakeholders. The board should concentrate its efforts on matters that may have a negative impact on OAA or that have significant financial stakes.

Because the board has misdirected its efforts, it has not established a strategic vision or set priorities to ensure OAA's program goals are achieved and funding is spent in an organized manner. Unfortunately, this has led to infighting among board members, board meetings that sometimes lack decorum, and a high turnover rate among board members.

According to organizational life cycle theory, during an organization's start-up phase, a governing board is often involved in performing management functions. However, for organizations in the growth phase and mature organizations, the governing board is a policy-setting and oversight body that is separate from the management function.

The board has recently taken steps to improve the effectiveness of its organizational structure. Namely, in September 2022, OAA hired a new executive director who had successfully managed another CBD in San Francisco. The new executive director plans to initiate the board's strategic planning activities, take over day-to-day management activities, and facilitate and control board meetings. Although hiring an experienced executive director is a positive step, challenges remain, and it is important that the board support the executive director in managing the organization and implementing the board's decisions. For example, at a contentious January 2023 board meeting, it was noted that the board's treasurer was hesitant to provide the new executive director with certain budget-related information. And, in November 2022, the board hired a training consultant to train members on the roles, responsibilities, and expectations of a board of directors, including duties and responsibilities of board members and the executive director.

Until Recently, Policies and Procedures to Guide Basic Organizational Processes Had Not Been Established, Causing OAA to Neglect Basic Financial Recordkeeping

During the audit period, OAA did not have policies or internal guiding documents to assist those who carry out the organization's responsibilities or to ensure an effective system of internal controls exists to protect against the risk of inappropriate or inaccurate transactions occurring. A comprehensive set of internal guiding materials is essential to establishing and communicating standard expectations focused on efficiency, effectiveness, strong controls, and compliance, and serving as easy-to-locate resource for guidance.

Leading practices suggest that organizational processes benefit from having guidance materials that serve a specific purpose, including:

- Policies: Guidelines or laws that drive procedures and instructions.
- Procedures: High-level descriptions of the purpose of the activity, required processes, and responsibilities.
- Instructions: Detailed process explanations needed to accomplish a specific job or task.

Without comprehensive policies or current, complete, and well-documented procedures, the board cannot be sure that its expectations are met, processes are employed consistently, program objectives are achieved, or funds are administered appropriately.

The results of our testing of OAA's expenditure activities show the detrimental impact of having no policies or procedures to guide basic processes or to establish expectations and requirements. We reviewed OAA's expenditure activity to verify that funding was used only on eligible expenses and that expenses were reasonable and appropriate and properly approved and supported.¹ In response to our request for the supporting documentation—such as contracts, invoices, payroll records, and receipts—for a sample of 29 expenditures, OAA management was able to provide only partial support for only 4 of the expenditures selected and could not provide any documentation supporting expenditures in 25 (86 percent) of the 29 transactions.

According to management, it could not locate the documentation because it did not have a reliable file management system; instead, expenditure information was stored in various email accounts or in unorganized boxes. Ultimately, OAA could not demonstrate that its funding—generated from property tax assessments and city grants—was used appropriately or that it complied with applicable rules and requirements.

The board has recently taken steps to implement some policies and procedures. In early 2020, OAA was awarded a grant by the City's Office of Economic and Workforce Development (OEWD) to build OAA's capacity and efficiency as it anticipates expanding the CBD, which was expected to significantly increase the size and scope of organization's responsibilities and activities. In April 2021, the grant contract was amended to provide additional funding to develop financial, operational, and organizational policies and procedures. In late 2022, OAA submitted some related policies to OWED for review and approval.

Given its likely expansion, OAA should continue efforts to establish policies, procedures, and instructions that cover operational and administrative activities and topics, such as conflict of interest, budgeting, grants, expenditures, bank reconciliations, procurement, contracting, and record retention. Because policies and procedures are only effective when they are accepted and implemented by the employees as well as supported and enforced by management, it is imperative that a comprehensive set of policies and

¹ As discussed in detail in Finding 3, we selected 29 transactions totaling \$114,439, or 7 percent of total expenses, during the audit period. These transactions covered a wide range of individual expenditure types, including personnel, management, operational, and programmatic expenses.

procedures has the agreement and support of the board, management, and staff, and that monitoring processes are implemented to ensure compliance with the policies and procedures.

Goals, Metrics, and Methods to Evaluate Program Performance Have Not Been Implemented

OAA has not established goals or metrics to measure the performance of the two primary programs through which the OACBD provides community services:

- **Cleaning, Maintenance, and Safety program**—sidewalk sweeping, refuse removal, steam cleaning and pressure washing, graffiti removal, tree pruning and watering, tree well weeding with crushed granite replenishment, and safety efforts. This program is OAA's largest and should consume 52 percent of OAA's budgeted expenditures.
- **Marketing, Streetscape, and Beautification program**—hosting special events and concerts, decorating for holidays, conducting promotional activities, and providing business technical assistance. This program should consume 18 percent of OAA's budgeted expenditures.

Based on our interviews, the widespread perception among internal and external stakeholders is that the cleaning-focused program performs well, but that the efforts associated with the marketing-focused program have been ineffective.

Although OAA's management plan lists some basic cleaning tasks to be accomplished, OAA had no goals, metrics, or methods to effectively evaluate the performance of either program. While one can see program inputs (e.g., assessment and grant dollars) and outputs (e.g., purchasing cleaning services, funding events, and contacting merchants), this information only indicates that money was spent on activities, but cannot reveal if the intended results, such as corridor cleaning and promotion, were effectively and efficiently achieved.

When only considering program inputs, OAA did not allocate the required portion of its annual budgets to the two programs, as discussed in the contract compliance summary regarding budget allocation requirements. Also, the vendor used to provide the bulk of the cleaning program services submitted some output service indicators to OAA that focus primarily on hours spent and pounds of waste removed. This limited output information alone does not provide insight into the effectiveness of the services provided.

To determine the performance of a program, one must establish criteria and objectives and collect relevant data, and measure these factors to assess outcomes and results, such performance measurement allows the board and management to determine whether program efforts and funds achieve goals and are operating effectively and efficiently.

The board has recently taken steps to improve the services and activities of its two programs. For example, the new executive director created an ambassador program staffed with OAA employees to provide cleaning services rather than outsourcing these efforts to a vendor. OAA believes this approach will allow more control over the cleaning program and make it easier to measure the program's performance. The executive director also plans to work with the board to establish measurable goals and metrics for both

programs. Using an in-house program to provide cleaning services will also promote OAA by increasing its visibility as staff working in the community will wear OAA-branded uniforms.

Board Meetings Do Not Fully Comply With the Brown Act

The board has complied with many aspects of state law regarding its make-up and meetings, such as diligently working to ensure appropriate board member composition, posting meeting notices and agendas in a timely manner, and providing adequate time for public comment. However, our review of the board's committee meeting minutes found that the board appears not to have fully complied with all provisions of the Ralph M. Brown Act (Brown Act) or requirements of the California Corporations Code. Such compliance is required not only under state law,² but also under the provisions of OAA's management agreement with the City and OAA's By-Laws. Because the board did not comply with various requirements, certain actions taken by the board may be considered invalid. Specifically:

- None of the minutes for board meetings held by teleconference since June 2020 reflect evidence of the legally required roll call votes.³
- None of the minutes for board meetings since September 16, 2021, reflect evidence of the legally required vote on declaring a "state of emergency."⁴
- None of the minutes for board meetings held by teleconference after July 1, 2022, reflect evidence of either the legally required consent of all board members or the legally required "state of emergency" declaration to conduct meetings via teleconference.⁵

Because the board did not take the required roll call votes on motions during meetings conducted by teleconference, motions the board passed on or after June 17, 2020, may be invalid. Also, because the board does not appear to have declared a state of emergency (as required by the Government Code) during that time, board motions passed on or after October 18, 2021, may be invalid.

We also found other instances of the board failing to comply with the Brown Act, as follows.

- **Meeting attendees have a right to anonymity.** All board meeting agendas for meetings held on or after January 10, 2022, instructed members of the public to spell their first and last names when making a public comment, but did not state that providing their names is voluntary. Although the board can ask speakers to spell their names (to ensure they are correctly reflected on the minutes), speakers have the right to decline to do so because state law gives public meeting attendees the right to be anonymous.⁶ Thus, the instruction in the board's meeting agendas directing speakers to

² California Streets and Highway Code § 36612 requires owners' associations, such as OAA, to comply with the Ralph M. Brown Act.

³ California Government Code § 54953(b)(2).

⁴ Ibid., § 54953(e)(3), effective September 16, 2021. California's COVID-19 state of emergency ended on February 28, 2023.

⁵ California Corporations Code § 5510, effective July 1, 2022. California's COVID-19 state of emergency ended on February 28, 2023.

⁶ Government Code § 54953.3 states that "A member of the public shall not be required, as a condition to attendance at a meeting of a legislative body of a local agency, to register his or her name, to provide other information, to complete a questionnaire, or otherwise to fulfill any condition precedent to his or her attendance. If an attendance list, register, questionnaire, or other similar document is posted at or near the entrance to the room where the meeting is to be held, or is circulated to the persons present during the meeting, it shall state clearly that the signing, registering, or completion of the document is voluntary, and that all persons may attend the meeting regardless of whether a person signs, registers, or completes the document."

spell their names, without stating that such identification is voluntary, may violate those individuals' right to anonymity. Further, on October 17, 2021, the City Attorney's Office gave a presentation to the board stating that speakers at public meetings have a right to anonymity.⁷

- **Business items may be discussed only during board meetings.** Before the call to order of the April 17, 2019, board meeting, a quorum of board members discussed items of board business. Although the discussion appeared to last less than five minutes, the Brown Act prohibits a quorum of board members from discussing items of business (i.e., anything in OAA's jurisdiction) outside of a board meeting.⁸

According to OAA, in March 2023 the City Attorney's Office provided extensive Brown Act training to the board that covered topics including those associated with all findings in this summary.

OAA Does Not Sufficiently Fulfill Its Conflict-of-Interest Obligations

OAA lacks a policy to sufficiently prescribe what must be done to identify, evaluate, and resolve potential conflicts of interest. According to the board, the corporation's conflict-of-interest policy is in its By-Laws. However, while OAA's By-Laws provide some conflict-of-interest guidance for OAA board members or "interested persons"⁹ covering contracting activities, this information is spread among three sections of the By-Laws, which makes the requirements difficult to find and, possibly, unclear. Further, we found no evidence that the By-Laws had been distributed to all OAA "interested persons."¹⁰ It is reasonable to assume that those not employed by OAA would not seek, obtain, or review its By-Laws, so would not have even a rudimentary knowledge of OAA's conflict-of-interest policy.

Guidance specifically for board members is reflected in a newly developed board member handbook, but the discussion of conflicts of interest there is insufficient, stating only that board members shall avoid conflicts of interest. Similarly, OAA's newly developed personnel policy only warns employees that a conflict of interest is a basis for disciplinary action. Neither defines or explains what actions may constitute a conflict of interest, identifies individuals subject to conflict-of-interest requirements, or specifies the circumstances in which a conflict of interest could arise.

We found no evidence that OAA routinely trains the board on conflicts of interest. This conflicts with OAA's statement on a form it filed with the Internal Revenue Service that OAA monitors and enforces conflicts of interest by "...explaining the policy to board members on a regular basis..."¹¹ Without sufficient written guidance or routine training, we find this assertion to be inadequate, particularly since it does not address how conflicts are monitored or enforced.

⁷ Board meeting of October 18, 2021, https://drive.google.com/file/d/1VSjVbWS3_p87qG7sYVCy4exYjvQ7fXoM/view

⁸ Government Code § 54952.2(b)(1) states that "...[a] majority of the members of a legislative body shall not, outside a meeting authorized by this chapter, use a series of communications of any kind, directly or through intermediaries, to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the legislative body..."

⁹ Any person compensated by the corporation for services rendered within the previous 12 months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a Director as a Director; and (2) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of such person.

¹⁰ The By-Laws define "interested persons" as employees, independent contractors, and their close family members.

¹¹ IRS Form 990, Return of Organization Exempt From Income Tax, year ended June 30, 2021, Information Return Schedule O.

Strong conflict-of-interest policies should be comprehensive, centrally located, and easily accessible. These policies should be sufficiently detailed to ensure nothing is left to interpretation and that OAA's board members, employees, and interested persons understand their obligations and responsibilities. Best practices suggest that a conflict-of-interest policy should also require each board member to file an annual statement of disclosable interest with the board's secretary. If there are no disclosable interests, the statement should indicate this. Conflicts of interest, real or perceived, can erode public trust and damage OAA's reputation, and may lead to financial and legal liabilities.

Concerns Raised About Lack of Board Member Term Limits

OAA's By-Laws permit board members to serve two-year terms with no term limits. We interviewed ten current and former board members, and five expressed concerns about how long some board members have served. Specifically, although most of those interviewed indicated that OAA's board members are dedicated and hard-working, several expressed concern that the engrained perspectives of some of OAA's longest-serving members stifle the ability of new members to bring fresh ideas and approaches to the board for consideration.

Research shows that term limits are common among nonprofit boards. In 2021, BoardSource¹² reported that 54 percent of nonprofit boards of directors have term limits¹³ and provided sound reasons for boards to set such limits.¹⁴ Term limits provide numerous benefits, including:

- Making it easier to diversify a board, which can bring new ideas and new perspectives to the board and its decision-making process.
- Enabling a board to avoid stagnation, fatigue, boredom, and loss of commitment that can set in when board members serve for a long duration.
- Enabling a board to avoid the concentration of power in a subset of board members and the intimidation of new members by this dominant group.
- Raising awareness of and providing opportunities to change and improve a board's group dynamics.
- Providing a respectful and efficient mechanism for passive, ineffective, or troublesome members to leave a board.
- Enlarging a board's circle of committed supporters as members leave the board over time.
- Enabling a board to easily adjust its membership to reflect the changing needs of the organization the board oversees.

Setting term limits is not without risk. For example, it can create challenges such as loss of institutional knowledge. However, given the concerns raised by some current and former OAA board members and given that term limits are becoming increasingly prevalent among elected governance bodies, the OAA

¹² Formerly the National Center for Nonprofit Boards, BoardSource is a nonprofit organization founded in 1988 that specializes in board leadership research, leadership, and support.

¹³ BoardSource, *Leading With Intent*, 2021 Revision, page 74.

¹⁴ BoardSource, *Term Limits*, <https://boardsource.org/resources/term-limits/#:~:text=Term%20limits%20help%20prevent%20board,executive%20from%20an%20ineffective%20chair.>

board should consider term limits for its members, including whether to allow former board members to rejoin the board after a sabbatical. More than 30 percent of the current board members have been on the board since its formation over a decade ago.

Recommendations

To improve its control environment and ensure its obligations and responsibilities are fulfilled, the Office of Economic and Workforce Development should ensure that the Ocean Avenue Association Board of Directors:

1. Set a “tone at the top” that promotes the importance of strong controls and demonstrates accountability to all organizational policies and procedures.
2. Formally establish a clear vision and common understanding of its members’ duties and responsibilities and how they differ from those of OAA’s executive director and staff. Board members’ duties and responsibilities should focus on OAA’s vision, mission, and strategic planning goals and policies, while the executive director’s duties and responsibilities should focus on day-to-day activities needed to fulfill the board’s vision. Ensure the board evaluates the executive director’s performance in writing at least annually.
3. Require that a comprehensive, easy-to-locate set of internal policies and procedures be created and implemented for all operational areas and activities. The guidance should establish and communicate standard expectations focused on efficiency, effectiveness, consistency, strong controls, and compliance.
4. Ensure the policies and procedures that are created have the agreement and support of OAA’s board, management, and staff, and that monitoring processes are implemented to ensure compliance.
5. Work with the executive director to establish measurable goals and metrics for the Cleaning, Maintenance, and Safety program and Marketing, Streetscape, and Beautification program.
6. Require the executive director to summarize in writing and distribute to the board all applicable provisions of the California Corporations Code, Section 5233, and the California Government Code, Section 54950 et seq. Board members should then familiarize themselves with these provisions.
7. Develop, document, and implement policies and procedures related to conflicts of interest for the board and OAA staff. The guidance should describe in detail situations that could be a conflict of interest, OAA’s monitoring processes for conflicts of interest, and OAA’s annual reporting of interests to ensure compliance with all applicable provisions of the California Corporations Code, Section 5233, and the California Government Code, Section 54950 et seq. The conflict-of-interest guidance should be incorporated in the board’s Handbook and OAA’s personnel policies and procedures, as applicable.

8. Research and implement best practices of city committees of similar size and/or scope and what state law requires to help ensure the board fully complies with the Ralph M. Brown Act. This research could include listening to a recorded meeting of the San Francisco Public Utilities Commission Revenue Bond Oversight Committee (*audio archive at granicus.com*) to learn how that body conducts its meetings, reading the agenda of the same meeting, and becoming familiar with the requirements of California Government Code sections 54952-54953.3. The board should then agree upon the best practices and implement them in its procedures.
9. Consider establishing term limits for its members, including whether to allow former members to rejoin the board after a sabbatical. Term limits may cause new perspectives to be brought to the board, enhance the board's creativity and dynamism, and make it more aware of and able to follow best practices in developing solutions to any challenges that may arise.

Finding 2. OAA Does Not Fully Comply With Some Key Provisions of Its Management Agreement With the City

OAA complied with some, but not all, of the key provisions in its management agreement with the City.¹⁵ To its credit, we found that OAA:

- Administered district services and activities outlined in its management plan.
- Maintained its corporate and nonprofit status in good standing.
- Conducted annual meetings.¹⁶
- Ensured at least 1 percent of revenues were derived from sources other than property assessments, such as grants.
- Hired a consulting firm to maintain a database of all parcel assessments.

However, OAA did not fully comply with several key provisions of its management agreement, as reflected in Exhibit 2.

Exhibit 2. Key Management Agreement Provisions With Which OAA Did Not Fully Comply

Key Provision		Agreement Section
Laws and Regulations	Comply with all applicable federal, state, and local laws and regulations, including California's Ralph M. Brown Act.	3.1 and 3.8
Reports	Submit annual and midyear reports prepared in accordance with California Streets and Highways Code and management agreement.	3.4 and 3.5
Budgets	Ensure budget allocation percentages for expenses funded by property assessment revenue are within 10 percent of allocations identified in management plan. Ensure actual expenses are within 10 percent of budgeted amounts and do not exceed total amount budgeted.	3.9
Expenditures	Use assessment funds only for eligible and budgeted expenditures and maintain accounting records on amounts expended, including invoices, payrolls, and other data required, in a readily accessible location and condition.	3.7 and 6.5

As discussed in Finding 1, OAA did not fully comply with all provisions of the Brown Act or California Corporations Code requirements. Also, OAA did not fully comply with management agreement provisions related to reporting, budgets, and expenditures, as described on the following pages.

¹⁵ On May 24, 2011, the Board of Supervisors approved the agreement, which states how the OACBD is to be administered and managed. Unless renewed, the agreement will expire on June 30, 2025.

¹⁶ According to the board chair, meetings were not held in 2020 and 2021 due to the COVID-19 pandemic.

OAA Did Not Fully Meet Annual or Midyear Reporting Requirements

According to state law¹⁷ and its management agreement with the City, OAA must submit annual reports that include specific information. As shown in Exhibit 3, OAA did not comply with some annual reporting requirements, particularly related to providing estimates of surplus and deficits revenue information.

Exhibit 3. OAA's Compliance With Key Annual Report Requirements

Key Annual Report Requirement	Did OAA Comply?			
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Include improvements, maintenance, and activities with costs provided during the year.	✓	X	✓	✓
Describe method and basis for levying assessments.	✓	✓	✓	✓
Estimate surplus and deficits in revenues carried over and designate how surplus will be used.	X	X	X	X
Estimate revenue from sources other than assessments.	✓	✓	✓	✓
Provide proposed upcoming annual budget.	✓	✓	✓	✓
Submit to OEWD and Board of Supervisors by July 31.	?	?	?	?

Legend: ✓ = Yes; X = No; ? = Unknown

Also, OAA must submit its annual reports to the Board of Supervisors for approval by July 31st each year. OEWD stated the submission deadline has been informally extended to October 31st for all CBDs because of the difficulty preparing annual reports at the end of the fiscal year. However, neither OAA nor OWED, the department that is the conduit for submission of the reports to the Board of Supervisors, knows OAA's submission dates to OEWD, so we cannot determine whether OAA met either the required or informally extended submission deadline.

Similarly, OAA must submit midyear reports, and include specified information, covering the first and second quarters of the fiscal year. As shown in Exhibit 4, OAA prepared midyear reports that did not comply with some requirements. Also, although OEWD indicated that OAA submits these required reports, neither OAA nor OWED maintains records of the submission dates. Thus, we cannot determine whether OAA met the January 31st submission deadline.

¹⁷ California Streets and Highways Code, Section 36650.

Exhibit 4. OAA's Compliance With Key Midyear Report Requirements

Key Midyear Report Requirement	Did OAA Comply?			
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Provide status and progress of district programs referenced in management plan and annual reports.	✓	✓	✓	✓
Summarize statistical/financial data, including actual versus budgeted expenditures.	✓	✓	X	✓
Specify status of each contract with third parties to provide/perform any district programs.	X	✓	✓	X
Include amount of revenue from sources other than assessments.	✓	✓	X	✓
Submit to OEWD by January 31.	?	?	?	?

Legend: ✓ = Yes; X = No; ? = Unknown

OAA Did Not Always Meet Requirements Related to Budget and Expense Allocations and Did Not Properly Report Surplus Property Assessment Revenues to OEWD

According to various sections of the management agreement and state law,¹⁸ OAA is required to adhere to certain revenue, expense, and budget allocation and reporting requirements. However, OAA did not always meet the requirements, as described below.

OAA Did Not Always Meet Requirements Related to Budget and Expense Allocations

According to the management agreement, Section 3.9, OAA's budget allocation percentages for expenses funded by property assessment revenue must be within 10 percent of the original budget detailed in OAA's management plan. Our comparison of OAA's budget allocation for the four fiscal years covered by this audit with the required budget allocation found that OAA has not always met the required percentage allocation, as shown in Exhibit 5.

¹⁸ Ibid., Section 36650(B)(6).

Exhibit 5. OAA Budget Allocations for Expenses Funded by Property Tax Assessments, Fiscal Years 2018-19 Through 2021-22

Expense Category	Required Budget Allocation Per Management Plan	2018-19 Budget Allocation	2019-20 Budget Allocation	2020-21 Budget Allocation	2021-22 Budget Allocation
Program: Cleaning, Maintenance, and Safety	52%	\$173,500 42% ✓	\$180,793 42% ✓	\$165,900 48% ✓	\$156,000 37% X
Program: Marketing, Streetscape Improvements, and Beautification	18%	\$36,050 9% ✓	\$56,550 13% ✓	\$33,873 10% ✓	\$52,789 12% ✓
Management and Operations	26%	\$193,090 46% X	\$176,982 41% X	\$134,240 38% X	\$202,871 48% X
Contingency and Reserves	4%	\$15,000 4% ✓	\$15,000 3% ✓	\$15,000 4% ✓	\$15,000 4% ✓
Total	100%	\$417,640	\$429,325	\$349,013	\$426,660

Legend: ✓ = Meets required % allocation X = Does not meet required % allocation

Note: Percentages may not sum to 100 percent due to rounding.

The management and operations expense category has the allocation percentage that differs the most from the requirement: it consumed an average of 43 percent of the budget compared to the 26 percent budget allocation permitted for it under the management plan. According to OAA, the deviation partly results from the fact that some management and operations payroll-related expenses should be re-categorized under the two program categories because employees spend some of their time working on both program activities. Although this may be true, it was not reflected in OAA’s financial records.

Although OAA did re-categorize some management and operations budgeted expenses to the two program categories for most years, it did so only in the annual reports submitted to OWED for purposes of meeting the allocation requirement. Further, because OAA does not track its staff time by activity or category, it cannot fully explain how the re-categorized amounts reflected in the annual reports were calculated. OAA’s new executive director plans to implement a timekeeping process that will track employee time by the activities performed, so OAA can appropriately allocate staff’s efforts among budget categories.

The management agreement, Section 3.9, also requires OAA’s actual expenses funded by property assessment revenue to be within 10 percent of budgeted amounts and not to exceed the total amount budgeted. As show in Exhibit 6, for each of the four fiscal years covered by this audit, OAA generally did not meet this requirement, mostly significantly by underspending the Marketing, Streetscape Improvements, and Beautification program budgets during fiscal years 2019-20 through 2021-22. The underspending in this program during these three years ranged from 31 to 81 percent of its budget.

Exhibit 6. Budgeted Versus Actual Expenses Funded by Property Tax Assessments, Fiscal Years 2018-19 Through 2021-22 (in thousands)

Expense Category	2018-19			2019-20			2020-21			2021-22		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Program: Cleaning, Maintenance, and Safety	\$173.5	\$166.6	-4% ✓	\$180.8	\$162.1	-10% ✓	\$165.9	\$133.8	-19% X	\$156.0	\$159.5	+2% ✓
Program: Marketing, Streetscape Improvements, & Beautification	\$36.1	\$41.7	+16% X	\$56.6	\$20.4	-64% X	\$33.9	\$23.3	-31% X	\$52.8	\$10.0	-81% X
Management & Operations	\$193.1	\$213.9	+11% X	\$177.0	\$149.8	-15% X	\$134.2	\$129.9	-3% ✓	\$202.9	\$174.1	-14% X
Contingency and Reserves	\$15.0	\$0	N/A	\$15.0	\$0	N/A	\$15.0	\$0	N/A	\$15.0	\$0	N/A
Total	\$417.7	\$422.2	X	\$429.4	\$332.3	✓	\$349.0	\$287.0	✓	\$426.7	\$343.6	✓

Legend: ✓ = Variance complies with agreement X = Variance does not comply with agreement

According to OAA, it was difficult to perform work associated with the marketing, streetscape improvements, and beautification program, such as assisting property and business owners and preparing community events, due to COVID-19 restrictions, but OAA plans to increase these efforts significantly in the upcoming year. Also, OAA actual expenses exceeded the total amount budgeted in fiscal year 2018-19.

Of note, OEWD has a different interpretation of the requirement discussed related to Exhibit 6. That is, OWED interprets the requirement to mean the percentage each expense category represents of total expenses cannot exceed the percentage each expense category represents of the total budget. Using OEWD's interpretation of the requirement, OAA met the requirement each year, as shown in Exhibit 7. However, we disagree with this interpretation of the requirement.

Exhibit 7. Budget Allocations Versus Actual Allocations for Expenses Funded by Property Tax Assessments, Fiscal Years 2018-19 Through 2021-22

Expense Category	2018-19 Allocation			2019-20 Allocation			2020-21 Allocation			2021-22 Allocation		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Program: Cleaning, Maintenance, and Safety	42%	39%	-3% ✓	42%	49%	+7% ✓	48%	47%	-1% ✓	37%	46%	+9% ✓
Program: Marketing, Streetscape Improvements, and Beautification	9%	10%	+1% ✓	13%	6%	-7% ✓	10%	8%	-2% ✓	12%	3%	-9% ✓
Management and Operations	46%	51%	+5% ✓	41%	45%	+4% ✓	38%	45%	+7% ✓	48%	51%	+3% ✓
Contingency and Reserves	4%	0%	-4% ✓	3%	0%	-3% ✓	4%	0%	-4% ✓	4%	0%	-4% ✓

Legend: ✓ = Variance complies with agreement X = Variance does not comply with agreement

OAA Did Not Properly Report Surplus Property Assessment Revenues to OEWD

According to state law,¹⁹ OAA must carry forward any surplus (or deficit) property assessment revenues into its next annual budget. OEWD also requires OAA to designate how the surplus will be used, such as funding cleaning and marketing activities identified in its management plan. According to OEWD, surplus revenues can be used to fund operating reserves and it is common for CBDs in San Francisco to maintain the equivalent of approximately six months’ special assessment revenue in reserve to cover the lag between when the City collects assessment payments from property owners and when it disburses the funds to CBDs. For OAA, six months of special assessment revenue during the audit period is about \$168,000.

Since the CBD’s establishment in 2010 through June 30, 2022, OAA had accumulated sufficient revenue surpluses to fund an operating reserve balance of nearly \$217,000. According to its fiscal year 2022-23 budget, OAA has allocated \$30,000 of its surplus to its marketing and beautification program to make up for significant underspending on this program’s activities in previous fiscal years due to the COVID-19 pandemic.

CBDs are also required to report annually to OEWD their estimated surplus (or deficit) revenues to be carried over from the previous fiscal year to the next. However, OEWD’s response memo to OAA’s fiscal year 2018-19 annual report reflects that OAA provided unclear and confusing information to OEWD about its surplus revenues. Specifically, OEWD’s memo states that OAA reported \$115,715 in property assessment revenue surplus carryforward for fiscal year 2018-19. However, this amount was the net

¹⁹ Ibid., Section 36650(B)(5).

cumulative total of all revenue surpluses generated since the CBD was established, not just the fiscal year 2018-19 surplus. Also, the information presented in OEWD's response reflects that OAA designated the entire \$115,715 across four expense categories, which was not the case because the surplus was maintained as operating reserves. OAA did not report estimated surplus amounts to OEWD in any other year covered by our audit.

Further, the requirement to carry forward and designate surplus revenues and report the information to OEWD only applies to excess revenues associated with *property assessments*. However, OAA's operating reserve balance does not distinguish between property assessment and non-property assessment (grant) revenue surpluses. For example, the \$115,715 surplus reported to OEWD in fiscal year 2018-19 was a combination of property assessment and non-property assessment monies. This makes it difficult for OAA to clearly demonstrate to OEWD that property assessment revenue surpluses are reported and used as required by OAA's management plan and state law.

OAA Lacks Required Documentation, So Cannot Demonstrate Assessment Funds Were Expended Only on Eligible Items

The management agreement, Section 3.7, requires OAA to use assessment funds only for eligible and budgeted expenditures. Further, it requires OAA to maintain accounting records on amounts expended, including invoices, payrolls, and other data required, in a readily accessible location and condition. As reflected in Exhibit 8, we selected for testing 29 expenditure transactions totaling \$114,439, including:

- \$7,500 in design services provided by OAA employees receiving salaries.
- A \$1,500 cash withdrawal for food for a Lunar New Year event.
- \$15,700 in tree planting/landscaping services, including \$700 for labor provided by an OAA employee receiving a salary.
- \$9,523 in salary and consulting payments to a former executive director.

We asked OAA to provide all supporting documentation, such as contracts, invoices, payroll records, and receipts, for these transactions. However, OAA was able to provide only partial support for only 4 of the 29 sample expenditures. According to the board, documentation exists to support the expenditures, but is not easy to locate because OAA does not have a reliable file management system. Instead, expenditure information is stored in various email accounts or in unorganized boxes.

Ultimately, OAA could not demonstrate that its funding—generated from property tax assessments and city-funded grants—was used appropriately or that it complied with applicable rules and requirements. OAA is addressing this issue. The new executive director reports that OAA is implementing an electronic document management system to maintain appropriate support for all expenditures.

Exhibit 8. Expenditure Testing Results

Categories Selected for Testing	Fiscal Year	Category Total	Total Selected for Testing	Brief Description of Transaction Selected for Testing	Support Provided?
Salaries and Wages	2018-19	\$126,299	\$29,398	Executive and associate director salaries and bonuses	Partial for 2 items tested
Telecom, Meeting Expenses	2018-19	\$2,047	\$951	Phone/wi-fi/meeting space cost	X
Legal Fees	2018-19	\$27,404	\$4,949	Adler & Colvin attorney fees	X
Liability Insurance	2018-19	\$10,239	\$2,570	Directors and officers Insurance	X
Website Upgrade	2018-19	\$7,500	\$7,500	Design services by OAA employees	X
Annual Report/Meeting Expenses	2019-20	\$1,323	\$460	Food for annual meeting	X
Sanitation/Graffiti Removal	2019-20	\$130,208	\$10,016	Cleanscapes services	X
Landscape & Maintenance	2019-20	\$14,260	\$8,260	Arborist Now services	X
Lunar New Year Grant	2019-20	\$18,485	\$1,500	Cash withdrawal for food for Lunar New Year event	X
Watering/maintenance	2020-21	\$18,859	\$2,180	Services and supplies costs	X
Professional Services	2020-21	\$4,010	\$2,010	Art show costs paid/reimbursed to OAA employees	X
Beautification	2020-21	\$15,823	\$15,700	Tree planting/landscaping, including \$700 for labor to an OAA employee	X
Telecom, Meeting Expenses	2020-21	\$3,061	\$610	Phone/wi-fi cost	X
Advertising	2021-22	\$4,722	\$1,299	Tents, food, and flyers for Lunar New Year event	Partial
Salaries and Wages	2021-22	\$75,000	\$17,513	Executive director salary	X
Consultants	2021-22	\$15,577	\$9,523	Salary and consulting pay for past executive director	Partial
		\$474,817	\$114,439		

Legend: X = Support not provided. Partial = Partial support provided.

Recommendations

To improve compliance with management agreement provisions, the Office of Economic and Workforce Development should ensure that the Ocean Avenue Association Board of Directors:

10. Ensure annual reports and midyear reports include all required components and require that documentation be maintained to support and justify all amounts represented in the reports.
11. Ensure annual reports reflect information explaining whether actual expenses funded by property assessment revenue were within 10 percent of budgeted amounts and whether actual expenses exceeded the total amount budgeted.

12. Continue with efforts to implement a timekeeping process that tracks employee time by activities performed so that their efforts can be appropriately allocated among budget categories.
13. Ensure annual reports include information regarding the ending cumulative operating reserve balance.
14. Ensure annual reports explain the amount of revenue surplus (or deficit) for the prior fiscal year separated by property assessment and non-property assessment revenues. OAA should designate how the surplus revenues will be used, such as funding operating reserves or funding specific activities identified in its management plan and ensure such designations are reflected on the upcoming annual budget.
15. Implement a system, such as an electronic documentation management system, to maintain supporting documentation for all expenditures. Documentation should include contracts, invoices, payroll records, and receipts.

Finding 3. OAA Implemented Many of the Strategic Plan's Recommendations

The board hired a consultant to develop a strategic plan with recommendations on alternative approaches to build OAA's capacity and efficiency, particularly considering the possible renewal and expansion of the district. Grant funding from OEWD was used to pay for the effort. In January 2021, the consultant submitted its plan, including recommendations, to the board. The plan covers organizational, operational, and financial topics and its recommendations address board responsibilities, personnel development, district renewal efforts, financial policies, and annual work plans.

We found the board had implemented many of the strategic plan's key recommendations as of December 2022, as reflected in Exhibit 9. Specifically, the board adopted a board member handbook, hired a new executive director and business and marketing manager, and established an OACBD renewal working group. However, although the board also adopted a financial policy that includes some of the components recommended in the strategic plan, the policy *does not*:

- Require the monthly financial reports provided to the board to include balance sheet information or cashflow forecasts.
- Include sufficient guidance on grant processes and responsibilities, which is critical for the policy to include, as discussed in depth in Finding 5.

Last, the board is still implementing a few of the consultant's recommendations, including a key recommendation to adopt an annual work plan each spring for the coming fiscal year that includes a defined set of programs with expectations, goals, and scheduled updates to track progress. According to the board chair, the first work plan, for fiscal year 2023-24, is under development and is slated to be presented to the board for approval in April 2023.

Recommendations

To fully implement the strategic plan's recommendations, the Office of Economic and Workforce Development should ensure that the Ocean Avenue Association Board of Directors:

16. Add the following to its newly developed financial policies: a) additional guidance for grant activities; b) a requirement that balance sheet information and cashflow forecasts be in the monthly reports the board receives, and include budget and actual operating statement variances, along with beginning and ending fund balances and reserves.
17. Ensure financial policy requirements are consistent with existing practices. For example, the check signers required by the policy must be consistent with the authorized signers on OAA's bank accounts.

Exhibit 9. Implementation Status of Strategic Plan Recommendations as of December 2022

Synopsis of Strategic Plan Recommendation	Status as of December 2022	Comment
Formally accept strategic plan recommendations.	Implemented	On 2/8/21, board adopted the strategic plan.
Create a board handbook that clearly defines roles, responsibilities, and expectations and is included in each new board member's orientation.	Implemented	Board approved a handbook on 11/14/22 and board chair recently emailed it to two new members. Also, board hired a consultant to improve board members' understanding of legal and financial responsibilities.
Require board members to provide input and be engaged during board meetings.	Ongoing	Board handbook requires members to attend meetings and actively participate.
Prohibit changes to board meeting agenda without approval of board chair and executive director.	Implemented	On 11/19/22, board approved an agenda-setting policy that prohibits changes without approval of board chair and executive director.
Establish an executive director transition ad hoc committee and clearly define the executive director's role.	Implemented	In January 2021, board established the committee and disbanded it after new executive director was hired in September 2022. The position now has a written job description.
Create a marketing/business development position with a job description that includes outcome expectations and a wage and benefit package.	Implemented	In June 2022, board hired a marketing/business development manager. The position now has a written job description and wage and benefit package.
Establish a District Renewal Steering ad hoc committee and start the process of renewing the OACBD.	Implemented	In January 2021, board established a District Renewal Steering working group. Its work is ongoing but proceeding slowly pending the audit's conclusion.
Adopt a financial policy that requires budgets be approved before the start of the fiscal year; financial reports be provided at board meetings that include budget to actual data, balance sheet, and cashflow forecast; and processes and responsibilities be established over check/contract signing/bank account reconciliations/grants/credit cards/travel/expenses/purchasing/payroll.	Partially Implemented	On 6/20/22, board unanimously approved a financial policy that includes many of the recommended requirements but does not require the monthly financial reports to include balance sheet information or cashflow forecasts and does not include sufficient guidance on grant processes and responsibilities.
Include funding for an office in the fiscal year 2021-22 budget.	Implemented	\$16,000 was included in fiscal year 2021-22 budget for office space, but the funding was not used. Board began negotiating a lease in 2023.
Adopt an annual work plan each spring for the coming fiscal year. Plan should include a defined set of programs with expectations and goals and scheduled updates to track progress.	In Progress	According to board chair, a fiscal year 2023-24 work plan is being developed and will come before board for approval in April 2023.
Analyze purpose, need, and goal of Street Life and Small Business standing committees.	In Progress	Effort is in progress with executive director.
Refine framework to develop unity and focus on vision and purpose.	In Progress	Effort is in progress with executive director.
Develop a consistent communication strategy that targets property owners, business owners, and community and that requires scheduled updates to track progress.	In Progress	Effort is in progress with executive director.

Finding 4. OAA Does Not Always Properly Administer Grant Agreements

OAA does not always properly administer its grant agreements and does not follow adequate grant management policies and practices, which creates an environment in which key grant documents and deliverables cannot be located. Also, OAA paid some consultants without obtaining sufficient support for the services provided and cannot justify some expenses associated with staff efforts. Consequently, OAA's grant activities are not adequately supported by documentation.

OAA Cannot Provide Evidence of All Grant Deliverables and Paid for Consultant Services Without Sufficient Support

During the audit period, OAA executed six grant agreements with the City, as shown in Exhibit 10.

Exhibit 10. Grants Started and Revenue Received, July 1, 2018, Through June 30, 2022

Grant	Grantor	Award Amount	Revenue Received	Award Unspent	Status
Public Life Study and Activation	OEWD	\$40,000	\$26,500	\$13,500	Complete
Ocean Avenue Mural	SF Art Commission	\$15,400	\$15,400	\$0	Complete
Lunar New Year	OEWD	\$25,000	\$25,000	\$0	Complete
Strategic Planning	OEWD	\$260,250	\$125,416	\$134,834	Active
Historic Preservation Fund Committee	OEWD	\$5,600	\$4,690	\$910	Complete
SF Shines	OEWD	\$3,000	\$3,000	\$0	Complete
Total		\$349,250	\$200,006	\$149,244	

Of the six grants, we reviewed three—the Public Life Study and Activation grant, Lunar New Year grant, and Request for Proposal (RFP) 212 Strategic Planning grant—to determine whether OAA complied with the grant agreements and performed proper grant management practices. Our findings related to each of the three grants reviewed are described in the following pages.

Public Life Study and Activation Grant—OAA Cannot Provide Evidence for Most Deliverables or Support for Consultant Expenses

The \$40,000 Public Life Study and Activation grant²⁰ was intended to help fund OAA's promotion and marketing efforts that encourage residents and visitors to visit Ocean Avenue. These efforts were to build on past successful events, including Second Sundays entertainment events featuring music, dance, art, and food and drink tastings. OAA was required to provide graphic design, business outreach, marketing, and program development to achieve the grant's purpose. OAA received two grant reimbursements, in May

²⁰ The grant agreement began on July 1, 2018, and was initially set to expire on June 30, 2020, but was amended to expire on June 30, 2021.

and November 2019, totaling \$26,500, leaving \$13,500 of the grant budget unspent. OAA could not explain why it did not seek reimbursement for the remaining available grant amount.

\$30,000 of the grant budget was to be paid to OAA upon its submission of specific deliverables to OEWD, as shown in Exhibit 11.

Exhibit 11. Public Life Study and Activation Grant Budget and Deliverables

	Budget	Required Deliverable	Deliverable Submitted to OEWD?	Deliverable Met Requirements?
Deliverable 1	\$4,000	Activation Plan	Unknown	Unknown
Deliverables 2-5	\$1,000	Quarterly Reports	Unknown	Unknown
Deliverable 6	\$2,500	Livable City Subcontract	Unknown	Unknown
Deliverable 7	\$2,500	Draft Survey Templates	Unknown	Unknown
Deliverable 8	\$17,500	Draft Public Life Study Report	Unknown	Unknown
Deliverable 9	\$2,500	Final Public Life Study Report	Yes	Yes
Total	\$30,000			

Note: Unknown = Unable to determine due to lack of documentation

Of the remaining \$10,000 of the \$40,000 grant budget:

- \$8,000 was to fund the efforts of consultants working on the marketing and survey efforts.
- \$2,000 was to fund stipends or honoraria, which are typically one-time payments to event speakers, presenters, or entertainers.

Because OAA did not adequately track its grant activities, it generally cannot link the grant reimbursements it received to the corresponding budget categories. Thus, OAA cannot explain what grant activities it performed to receive the grant reimbursements from OEWD.

Also, although OEWD paid OAA \$26,500 for work associated with this grant, OAA cannot provide evidence for 8 of the 9 deliverables that it was required to submit to OEWD or support submitted for expenses associated with consultant efforts, such as invoices, if any. According to the grant agreement, Appendix C, the grantee must keep and make available as requested supporting documentation for all expenditures for which reimbursement is requested. Such documentation would include receipts for purchases and expenses incurred, invoices, copies of checks, confirmation of deliverable approval, and payroll records. Without such documentation, OAA cannot demonstrate that the services provided or expenses incurred comply with OAA’s contract with the consultant or its grant agreement with the City.

Lunar New Year Grant—OAA Cannot Provide Support for Expenses Associated With Staff Efforts

The \$25,000 Lunar New Year grant²¹ was intended to fund the 2020 Ocean Avenue Lunar New Year celebration. Besides holding the event, OAA was required to develop promotional materials, perform outreach, develop a passport booklet, decorate before the event, and post information on social media.

²¹ The grant agreement began on January 1, 2020, and expired on December 31, 2021.

OAA held the event on February 1, 2020, and received a single reimbursement payment of \$25,000 from OEWD on July 13, 2020, exhausting the grant award.

\$20,000 of the grant budget was to be paid to OAA upon its submission of specific deliverables to OEWD. We found that OAA held the event and provided OEWD with the required four deliverables, as shown in Exhibit 12.

Exhibit 12. Lunar New Year Event Grant Budget and Deliverables

	Budget	Required Deliverable	Deliverable Submitted to OEWD?	Deliverable Met Requirements?
Deliverable 1	\$14,000	Report on the event	Yes	Yes
Deliverable 2	\$2,000	Receipts for expenses	Yes	Yes
Deliverable 3	\$2,000	PDF of passport book and raffle prizes	Yes	Yes
Deliverable 4	\$2,000	Copies of promotional materials and postings	Yes	Yes
Total	\$20,000			

The remaining \$5,000 of the \$25,000 grant budget was to fund the efforts of two OAA employees working on the event. Although OEWD paid OAA the entire \$5,000 for this purpose, OAA did not provide evidence of support submitted for the expenses associated with staff efforts, such as timesheets or payroll records showing the amount of staff time spent on the event and the corresponding cost incurred.

Like the Lunar New Year grant discussed earlier, the agreement for this grant also requires the grantee to keep supporting documentation for all expenditures.

RFP 212 Strategic Planning Grant—Much of the Grant Work Is Ongoing, but OAA Paid for Consultant Services Without Sufficient Support

The \$260,250 Strategic Planning grant (RFP 212)²² was intended to build OAA’s capacity and efficiency in managing the CBD as well as explore the renewal and expansion of the CBD.

As reflected in Exhibit 13, OAA received \$125,416 in grant reimbursements through June 30, 2022. Of this amount, \$57,166 was expended on efforts related to expansion and renewal activities with the assessment engineer/management planning consultant, NBS Government Finance Group (NBS), performing initial analysis and outreach and engagement. OAA paid NBS for these services based on invoices that only reflected flat, unexplained amounts due. OAA should have required NBS to provide a description of the services performed, the names of those who performed the work and a billing rate for each, timesheets, and receipts for any expenses NBS incurred.

According to OEWD, apart from the contract with the consultant, OAA is only required to provide OEWD with the additional required deliverables, such as the survey performed, survey results, community meetings and notices, and final management plan, for the entire grant to be completed and finalized.

²² The grant agreement began on March 1, 2020, and was initially set to expire on June 30, 2022, but was amended to expire on June 30, 2023.

Although the grant is still in progress, we found that OAA had already provided OEWD with some survey and community meeting information.

As shown in Exhibit 13, most of the grant’s scope of work remained outstanding as of June 30, 2022, which was the end of the audit period. Since then, the board has continued working on the activities for the grant and, in August 2022, completed one of the deliverables related to the financial policy. Further, in December 2022, the board submitted to OEWD for its approval two additional deliverables related to organizational and operational policies and hired a board training consultant.

Exhibit 13. RFP 212 Grant Budget and Reimbursements Through June 30, 2022

Grant Document	Description	Grant Budget	Amount Received Through 6/30/22	Required Deliverable	Due Date	Deliverable Submitted to OEWD Through 6/30/22?	Status as of December 2022
Original agreement and Revision 1	Assessment Engineering; Management Plan Consultant; Deliverables 1 – 9	\$104,000	\$57,166	<ul style="list-style-type: none"> Signed contract for assessment engineering and management plan consulting Outreach, written commitment from Area 2 property owners, proof of mailed survey/door-to-door outreach/community meeting (with proof of meeting notice) in Area 3, final report if owners in Area 3 are supportive Final assessment engineer’s report and management plan 	None	Yes	Work is ongoing
Original agreement and Revision 1	Deliverable 10	\$45,000	\$45,000	Strategic plan report	None	Yes	Completed January 2021
Revision 1	Strategic Plan Consultant	\$16,000 ²³	\$0	Strategic plan implementation: invoice for strategic plan implementation consultant, if desired by board	None	N/A Professional service not desired by board	N/A
Revision 1	Deliverable 11	\$10,000	\$0 ²⁴	Strategic plan implementation: board adopted financial policy including budget, financial, and grant policies and procedures	6/15/23	No, not yet due	Completed August 2022
Revision 1	Deliverable 12	\$10,000	\$0	Strategic plan implementation: board adopted operations policy including hiring support staff, funding office space, and rebidding cleaning program	6/15/23	No, not yet due	Submitted to OEWD for approval December 2022
Revision 1	Deliverable 13	\$10,000	\$0	Strategic plan implementation: board adopted organizational policy including board member handbook and board meeting	6/15/23	No, not yet due	Submitted to OEWD for approval

²³ In January 2023, \$16,000 was transferred from the Strategic Plan Implementation Consultant budget line item to Deliverables 1-9 and Deliverable 23, which is part of the contract’s Revision 3, effective November 2022.

²⁴ \$10,000 paid by OEWD in September 2022.

Grant Document	Description	Grant Budget	Amount Received Through 6/30/22	Required Deliverable	Due Date	Deliverable Submitted to OEWD Through 6/30/22?	Status as of December 2022
				requirements and workplan requirements			December 2022
Revision 2	Deliverables 14-17	\$25,000	\$0	Board development consultant: list of interview panelists, professional consultant candidates, summary of hiring process, and executed professional consultant agreement	7/30/22 through 10/31/22	No, not yet due.	Submitted to OEWD for approval December 2022
Revision 2	Deliverable 18	\$23,250	\$23,250	Juneteenth Activation Plan	5/20/22	Yes	Completed June 2022
Revision 2	Deliverable 19	\$7,000	\$0 ²⁵	Juneteenth Final Report	8/30/22	No, not yet due	Completed October 2022
Revision 2	Deliverable 20	\$8,000	\$0 ²⁶	Taste of OMI Activation Plan	6/30/22	Yes	Completed June 2022
Revision 2	Deliverable 21	\$2,000	\$0 ²⁷	Taste of OMI Final Report	8/30/22	No, not yet due	Completed August 2022
	Total	\$260,250	\$125,416				

OAA Lacks Grant Management Policies and Procedures to Guide Activities

As described in Finding 2, OAA lacks adequate policies and procedures, including grant management policies and procedures, which contributed to an environment in which key grant activities are not adequately supported and grant documents and deliverables cannot be located. According to board members, some pertinent grant-related information is decentralized and kept with various members or OAA employees, including some information maintained in boxes at the former executive director’s residence. Also, according to OAA, it is difficult to maintain some grant information, such as executed grant agreements and amendments, because the City does not readily provide the documents.

Effective grant policies and procedures require strong records management practices that include identifying the grant manager assigned—and their roles and responsibilities—and that ensure the organization obtains and retains:

- **Pre-award documents**, such as the RFP from the grantor, proposal/application submitted, and notification of grant award.
- **Agreement documents**, such as a fully executed copy of the agreement, agreement amendments or change orders, subcontract agreements, agreements for major purchases, and file close-out documents.

²⁵ \$7,000 paid by OEWD in October 2022.

²⁶ \$8,000 paid by OEWD in June 2022.

²⁷ \$2,000 paid by OEWD in August 2022.

- **Financial documents**, such as requests for payment submitted to the grantor and all required backup documentation, such as timesheets, payroll records, travel documents, and receipts.
- **Project documents**, such as deliverables and status reports.
- **General documents**, such as pertinent correspondence, emails, letters, budgets, schedules, and meeting minutes.

Although OAA recently included some brief grant administration requirements in its newly developed financial policy, the policy only delves into approvals required for grants and contracts over a specific value. In the absence of sufficient grant policies and procedures, OAA staff lacks the guidance needed to effectively administer grant activities. If it does not meet key grant requirements and conditions, OAA risks having to return some or all the funds it received.

Establishing and implementing controls over grant administration reduces the risk of noncompliance with grant conditions, minimizes the likelihood of unintentional errors and fraud, and may boost the confidence of OAA's grantors, all of which reduces the risk of discontinued funding. OAA's board chair and new executive director stated that they understand the importance of strong grant management practices and indicated that improvements will be implemented.

Recommendations

To improve its grant management and administration, the Office of Economic and Workforce Development should ensure that the Ocean Avenue Association Board of Directors:

18. Only pay grant expenses after obtaining sufficient support for services provided and only seek grant reimbursements when able to justify expenses.
19. Implement effective grant management policies and procedures, including those that will result in strong records management practices. The policies and procedures should require that pre-award documents, agreement documents, financial documents, project documents, and general documents are obtained and retained.

APPENDIX A: OEWD'S RESPONSE




Mayor London N. Breed

1 Dr. Carlton B. Goodlett Place, Room 448, San Francisco, CA 94102 | (415) 554-8969 | oewd@sfgov.org

MEMORANDUM

TO: Mark de La Rosa; Director of Audits, Office of the Controller

FROM: Crezia Tano; Acting Director, OEWD 

DATE: June 2, 2023

SUBJECT: OEWD Response - "Ocean Avenue Association Generally Complies With Some Provisions of the Management Agreement but the Board of Directors Does Not Effectively Govern the Organization or Community Benefit District."

Thank you for the opportunity to review the audit report entitled "Ocean Avenue Association Generally Complies With Some Provisions of the Management Agreement but the Board of Directors Does Not Effectively Govern the Organization or Community Benefit District." The Office of Economic and Workforce Development (OEWD) has read the report and generally concurs with all of the recommendations in the report. As an independent non-profit organization, the Ocean Avenue Association's Board of Directors (Owners' Association) has the full and sole authority and ability to implement these recommendations. OEWD, using this audit as guidance, will monitor the organization to ensure progress.

OEWD has worked extensively over the years with this organization to help the organization address many of the issues highlighted in the audit. This includes organizing trainings from the City Attorney, providing technical assistance to executive directors and the board, explaining their responsibilities, and how to accomplish them, to both the board and executive director, and providing funding to identify and address shortfalls. Recently (FY 22-23), OEWD has seen significant progress in the organization achieving many of these goals, in large part due to the hiring of a new executive director and staff.

This is an audit commissioned by OEWD with the Controller's Office in 2022. We value the partnership and expertise of the Controller's Office and the information and recommendation in this audit report. We are committed to ensuring that the Ocean Avenue Association continually improves its services and operations. We thank you for your thorough work. Please do not hesitate to contact me should you have any further questions or concerns.



Recommendations and Responses

For each recommendation, the responsible agency should indicate in the column labeled **Agency Response** whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Agency Response	CSA Use Only Status Determination*
The San Francisco Office of Economic & Workforce Development should ensure that the Ocean Avenue Association (OAA) Board of Directors:		
1. Set a “tone at the top” that promotes the importance of strong controls and demonstrates accountability to all organizational policies and procedures.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur OAA has worked with OEWD to address this through board development training funded through an OEWD grant. OEWD will observe progress at OAA board meetings and through conversations with organizational staff. Implementation: 10/31/2023	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
2. Formally establish a clear vision and common understanding of its members’ duties and responsibilities and how they differ from those of OAA’s executive director and staff. Board members’ duties and responsibilities should focus on OAA’s vision, mission, and strategic planning goals and policies, while the executive director’s duties and responsibilities should focus on day-to-day activities needed to fulfill the board’s vision. Ensure the board evaluates the executive director’s performance in writing at least annually.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur OAA has worked consistently worked to improve in this area with guidance from OEWD. OEWD was able to have other CBDs/BIDs provide template and sample documents to work off of. OAA’s board must approve these. Implementation date: 10/31/2023	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team’s review of the agency’s response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>3. Require that a comprehensive, easy-to-locate set of internal policies and procedures be created and implemented for all operational areas and activities. The guidance should establish and communicate standard expectations focused on efficiency, effectiveness, consistency, strong controls, and compliance.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA has worked consistently to improve in this area with guidance from OEWD. OEWD was able to have other CBDs/BIDs provide template and sample documents to work off of. Many of these have been approved, already, by OAA's board in the time period following the audit's review period. OAA staff should review and enhance w/ suggestions to the board based off this audit.</p> <p>Implementation date: 9/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>4. Ensure the policies and procedures that are created have the agreement and support of OAA's board, management, and staff, and that monitoring processes are implemented to ensure compliance.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA has worked consistently to improve in this area with guidance from OEWD. OAA is undergoing board development training which will aid in this area. OEWD will attend board meetings and speak with staff and the trainer to gauge improvement.</p> <p>Implementation date: 12/31/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>5. Work with the executive director to establish measurable goals and metrics for the Cleaning, Maintenance, and Safety program and Marketing, Streetscape, and Beautification program.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA has worked consistently to improve in this area in the period following this audit's review. This has already been improved on in Q3 of FY 2022-2023. OEWD will continue to monitor and work with staff to see what areas could be further improved on.</p> <p>Implementation date: 11/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>6. Require the executive director to summarize in writing and distribute to the board all applicable provisions of the California Corporations Code, Section 5233, and the California Government Code, Section 54950 et seq. Board members should then familiarize themselves with these provisions.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA has hired a new executive director since this audit. The new OAA ED has extensive experience running similar organizations. OAA ED will do this in an email and CC OEWD staff for proof of summary and mailing.</p> <p>Implementation date: 7/31/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>7. Develop, document, and implement policies and procedures related to conflicts of interest for the board and OAA staff. The guidance should describe in detail situations that could be a conflict of interest, OAA's monitoring processes for conflicts of interest, and OAA's annual reporting of interests to ensure compliance with all applicable provisions of the California Corporations Code, Section 5233, and the California Government Code, Section 54950 et seq. The conflict-of-interest guidance should be incorporated in the board's Handbook and OAA's personnel policies and procedures, as applicable.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA has worked consistently to improve in this area with guidance from OEWD. OEWD was able to have other CBDs/BIDs provide template and sample documents to work off of. Additionally, they are undergoing board development training to help address this.</p> <p>OAA ED must ensure this policy is in all areas mentioned. OEWD will review that this is accomplished by accessing the entity's website and public documents.</p> <p>Implementation date: 10/31/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>8. Research and implement best practices of city committees of similar size and/or scope and what state law requires to help ensure the board fully complies with the Ralph M. Brown Act. This research could include listening to a recorded meeting of the San Francisco Public Utilities Commission Revenue Bond Oversight Committee (<i>audio archive at granicus.com</i>) to learn how that body conducts its meetings, reading the agenda of the same meeting, and becoming familiar with the requirements of California Government Code sections 54952-54953.3. The board should then agree upon the best practices and implement them in its procedures.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA is currently undergoing board development training to undertake this. The best organization the OAA could learn from would be fellow CBDs. OAA ED should accomplish this by attending a Union Square Alliance, East Cut CBD, or Yerba Buena CBD board meeting and preparing a list of practices for the board to implement.</p> <p>Implementation date: 7/31/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>9. Consider establishing term limits for its members, including whether to allow former members to rejoin the board after a sabbatical. Term limits may cause new perspectives to be brought to the board, enhance the board’s creativity and dynamism, and make it more aware of and able to follow best practices in developing solutions to any challenges that may arise.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA board must decide whether or not to include term limits in their bylaws. OEWD does not control the OAA Board or have the ability to unilaterally effect this change. OEWD will discuss this change with Board Chair and ED to have them create a policy and have it put to a vote of their board.</p> <p>Implementation Date: 12/31/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team’s review of the agency’s response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>10. Ensure annual reports and midyear reports include all required components and require that documentation be maintained to support and justify all amounts represented in the reports.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OEWD sends all CBDs, including OAA, a memo that outlines what is needed in each annual report. In the report period following the reporting timeline of this audit, the OAA made substantial improvements in their annual report. OEWD will continue to review annual and midyear reports of the organization and provide feedback, as needed.</p> <p>Implementation date: 8/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>11. Ensure annual reports reflect information explaining whether actual expenses funded by property assessment revenue were within 10 percent of budgeted amounts and whether actual expenses exceeded the total amount budgeted.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OEWD sends all CBDs, including OAA, a memo that outlines what is needed in each annual report. In the report period following the reporting timeline of this audit, the OAA made substantial improvements in their annual report. OEWD will continue to review annual and midyear reports of the organization and provide feedback, as needed. This requirement has been reiterated to the Board.</p> <p>Implementation date: 7/1/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>12. Continue with efforts to implement a timekeeping process that tracks employee time by activities performed so that their efforts can be appropriately allocated among budget categories.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA staff and board must come up with a system to accomplish this. OEWD will confer with ED on how and when this is accomplished.</p> <p>Implementation date: 7/31/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>13. Ensure annual reports include information regarding the ending cumulative operating reserve balance.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OEWD sends all CBDs, including OAA, a memo that outlines what is needed in each annual report. In the report period following the reporting timeline of this audit, the OAA made substantial improvements in their annual report. OEWD will continue to review annual and midyear reports of the organization and provide feedback, as needed.</p> <p>Implementation date: 8/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>14. Ensure annual reports explain the amount of revenue surplus (or deficit) for the prior fiscal year separated by property assessment and non-property assessment revenues. OAA should designate how the surplus revenues will be used, such as funding operating reserves or funding specific activities identified in its management plan and ensure such designations are reflected on the upcoming annual budget.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OEWD sends all CBDs, including OAA, a memo that outlines what is needed in each annual report. In the report period following the reporting timeline of this audit, the OAA made substantial improvements in their annual report. OEWD will continue to review annual and midyear reports of the organization and provide feedback, as needed.</p> <p>Implementation date: 8/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>15. Implement a system, such as an electronic documentation management system, to maintain supporting documentation for all expenditures. Documentation should include contracts, invoices, payroll records, and receipts.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA staff and board must come up with a system to accomplish this. OEWD will confer with ED on how and when this is accomplished.</p> <p>Implementation date 7/31/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>16. Add the following to its newly developed financial policies: a) additional guidance for grant activities; b) a requirement that balance sheet information and cashflow forecasts be in the monthly reports the board receives, and include budget and actual operating statement variances, along with beginning and ending fund balances and reserves.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA has worked consistently to improve in this area with guidance from OEWD. OEWD was able to have other CBDs/BIDs provide template and sample documents to work off of. Many of these have been approved, already, by OAA's board in the time period following the audit's review period. OAA staff should review and enhance w/ suggestions to the board based off this audit. With board development training and the addition of experienced staff, OEWD expects OAA to be able to accomplish this. OEWD will confer with ED on follow through.</p> <p>Implementation date: 9/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>17. Ensure financial policy requirements are consistent with existing practices. For example, the check signers required by the policy must be consistent with the authorized signers on OAA's bank accounts.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA has worked consistently to improve in this area with guidance from OEWD. OEWD was able to have other CBDs/BIDs provide template and sample documents to work off of. Many of these have been approved, already, by OAA's board in the time period following the audit's review period. OAA staff should review and enhance w/ suggestions to the board based off this audit. With board development training and the addition of experienced staff, OEWD expects OAA to be able to accomplish this. OEWD will confer with ED on follow through.</p> <p>Implementation date: 9/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>18. Only pay grant expenses after obtaining sufficient support for services provided and only seek grant reimbursements when able to justify expenses.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OEWD reviews all submissions by OAA before approving any deliverables and invoices. OAA, as part of its record keeping, must do a better job of keeping copies of documentation for invoices and deliverables for their records. Additionally, OAA (w/ the additional of time keeping software) must do a better job of tracking hours spent.</p> <p>Implementation date: 11/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>19. Implement effective grant management policies and procedures, including those that will result in strong records management practices. The policies and procedures should require that pre-award documents, agreement documents, financial documents, project documents, and general documents are obtained and retained.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>OAA is now working with a board development trainer and experienced staff. These policies and procedures should be developed between the two and approved by the OAA board. OEWD will review and gauge progress.</p> <p>Implementation date: 11/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

APPENDIX B: OAA'S RESPONSE



Ocean Avenue Association
1720 Ocean Avenue, PMB 154
San Francisco, CA 94112
Ph. 415-845-7094
Email. christianm@oaacbd.org

Jun 13, 2023

To: Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

From: Christian Martin
Executive Director
Ocean Avenue Association (OAA)

Date: 13 June 2023

Re: Audit response

On behalf of the Ocean Avenue Association (OAA), we thank you and Sjoberg Evashenk Consulting, Inc. for the thorough audit work and report. As part of the process of improvement at OAA I started as the part-time Executive Director in October of 2022. While I was not here for the period under audit, I have seen or sensed many of the conditions documented. As such, I do not object to any of the facts, findings, or recommendations presented. We will focus our response to the actions taken or to be taken in response to each recommendation.

Recommendation 1: *Set a "tone at the top" that promotes the importance of strong controls and demonstrates accountability to all organizational policies and procedures.*

OAA Response:

OAA has worked with OEWD to address this through board development training funded by an OEWD grant. Such training began in January 2023 and included all board members. Furthermore, OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm has already implemented a new general ledger accounting system with integrated payroll, time tracking, and document

management. Conventional internal controls and appropriate segregation of duties have been implemented. All approvals are documented contemporaneously.

Recommendation 2: *Formally establish a clear vision and common understanding of its members' duties and responsibilities and how they differ from those of the OAA's executive director and staff. Board members' duties and responsibilities should focus on OAA's vision, mission, and strategic planning, goals, and policies, while the executive director's duties and responsibilities should focus on day-to-day activities needed to fulfill the board's vision. Ensure the board evaluates the executive director's performance in writing at least annually.*

OAA Response:

Recently, OAA has worked consistently to improve in this area with guidance from OEWD. OAA has received templates, sample documents, and valuable advice from other CBDs. The board approved many of these documents at the June 19th, 2023 board meeting. The board will review and document the ED's performance annually with its fiscal year cycle.

Recommendation 3: *Require that a comprehensive, easy-to-locate set of internal policies and procedures be created and implemented for all operational areas and activities. The guidance should establish and communicate standard expectations focused on efficiency, effectiveness, consistency, strong controls, and compliance.*

OAA Response:

Recently, OAA has worked consistently to improve in this area with guidance from OEWD. OAA has received templates, sample documents, and valuable advice from other CBDs. The board will discuss and vote to approve these documents on June 19, 2023, at its monthly board meeting. Furthermore, OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. Conventional internal controls and appropriate segregation of duties have been implemented. All approvals are documented contemporaneously.

Recommendation 4: *Ensure the policies and procedures that are created have the agreement and support of OAA's board, management, and staff, and that monitoring processes are implemented to ensure compliance.*

OAA Response:

Recently, OAA has worked consistently to improve in this area with guidance from OEWD. OAA has received templates, sample documents, and valuable advice from other CBDs. The board will discuss and vote to approve these documents on June 19, 2023, at its monthly board meeting. Compliance with certain policies and procedures will be monitored and enforced by the recently engaged CPA firm.

Recommendation 5: *Work with the executive director to establish measurable goals and metrics for the Cleaning, Maintenance, and Safety program and Marketing, Streetscape, and Beautification program.*

OAA Response:

With guidance from OEWD, OAA has worked recently to improve in this area based on recommendations from this audit process. Baseline activity measurements are being established. Measurable goals and metrics will be established with each annual budget process. OAA expects significant, but not complete improvement in FY24 (the fiscal year starting 7/1/2023 and ending 6/30/2024) and further improvement on this point for FY25.

Recommendation 6: *Require the executive director to summarize in writing and distribute to the board all applicable provisions of the California Corporations Code, Section 5233, and the California Government Code, Section 54950 et seq. Board members should then familiarize themselves with these provisions.*

OAA Response:

The newly hired executive director will do so by June 19, 2023.

Recommendation 7: *Develop, document, and implement policies and procedures related to conflicts of interest for the board and OAA staff. The guidance should describe in detail situations that could be a conflict of interest, OAA's monitoring process for conflicts of interest, and OAA's annual reporting of interests to ensure compliance with all applicable provisions of the California Corporations Code, section 5233, and the California Government Code, Section 54950 et seq. The conflicts-of-interest guidance should be incorporated in the board's handbook and OAA's personnel policies and procedure, as applicable.*

OAA Response:

With guidance from OEWD, OAA has worked recently to improve in this area based on recommendations from this audit process. OAA has received templates, sample documents, and valuable advice from other CBDs. OAA has worked with OEWD to address this through board development training funded by an OEWD grant. Such training was done in March 2023 and included 9 board members. The training and documentation will be updated annually.

Recommendation 8: *Research and implement best practices of city committees of similar size and/or scope and what state law requires to help ensure the board fully complies with the Ralph M. Brown Act. This research could include listening to a recorded meeting of the San Francisco Public Utilities Commission Revenue Bond Oversight Committee (audio archive at granicus.com) to learn how that body conducts its meetings, reading the agenda of the same meeting, and becoming familiar with the requirements of California Government Code sections 54952-54953.3. The board should then agree upon the best practices and implement them in its procedures.*

OAA Response:

With guidance from OEWD, OAA has worked recently to improve in this area based on recommendations from this audit process. OAA has received templates, sample documents,

and valuable advice from other CBDs. The executive director has attended board meetings of other CBDs.

Recommendation 9: *Consider establishing term limits for its members, including whether to allow former members to rejoin the board after a sabbatical. Term limits may cause new perspectives to be brought to the board, enhance the board's creativity and dynamism, and make it more aware of and able to follow best practices in developing solutions to any challenges that may arise.*

OAA Response:

The executive director has included this topic as an agenda item at a forthcoming board meeting. Once the general terms are agreed upon, the bylaws must be amended to formalize and institutionalize this policy.

Recommendation 10: *Ensure annual reports and midyear reports include all required components and require that documentation be maintained to support and justify all amounts represented in the reports.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm is very familiar with the CCSF mid-year and annual reporting format and requirements. This CPA firm has already implemented a new general ledger accounting system with reporting capabilities to customize report formats to comport with the CCSF mid-year and annual report format. The integrated document management system will help ensure that each transaction has the required substantiating documentation.

Recommendation 11: *Ensure annual reports reflect information explaining whether actual expenses funded by property assessment revenue were within 10 percent of budgeted amounts and whether actual expenses exceeded the total amount budgeted.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm is very familiar with the CCSF mid-year and annual reporting format and requirements. This CPA firm has already implemented a new general ledger accounting system with reporting capabilities to customize report formats to comport with the CCSF mid-year and annual report format. Budget versus actual variance reports are one of such customized reports.

Recommendation 12: *Continue with efforts to implement a timekeeping process that tracks employee time by activities performed so that their efforts can be appropriately allocated among budget categories.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm has already implemented a new general ledger accounting system with integrated payroll and time tracking. Furthermore, the CPA firm has implemented a cost allocation system in accordance with ASU 206-14 (formerly FASB 116 and FASB 117).

Recommendation 13: *Ensure annual reports include information regarding the ending cumulative operating reserve balance.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. The CPA firm is familiar with both US GAAP, IRC, and CCSF reporting requirements which includes the proper reporting of increases or decreases in net assets in the statement of operations, the beginning and ending balances of net assets by type in the statement of financial position, and any related operating reserve balance.

Recommendation 14: *Ensure annual reports explain the amount of revenue surplus (or deficit) for the prior fiscal year separated by property assessment and non-property assessment revenues. OAA should designate how the surplus revenues will be used, such as funding operating reserves or funding activities identified in its management plan and ensure such designations are reflected on the upcoming annual budget.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. The CPA firm is familiar with both US GAAP, IRC, and CCSF reporting requirements which includes the proper reporting of increases or decreases in net assets in the statement of operations, the beginning and ending balances of net assets by type in the statement of financial position, and any related operating reserve balance. The CPA firm will assist OAA in appropriately documenting the annual budget for all funds, revenues, and expenses.

Recommendation 15: *Implement a system, such as an electronic document management system, to maintain supporting documentation for all expenditures. Documentation should include contracts, invoices, payroll records, and receipts.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm has already implemented a new general ledger accounting system with integrated payroll, time tracking, and document management. All approvals are documented contemporaneously.

Recommendation 16: *Add the following to its newly developed financial policies: a) additional guidance for grant activities; b) requirement that balance sheet information and cash flow*

forecasts be in the monthly reports the board receives, and included budget and actual operating statement variances, along with beginning and ending fund balances and reserves.

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. The CPA firm is familiar with both US GAAP, IRC, and CCSF reporting requirements which includes the proper reporting of revenue, expenses, and increases or decreases in net assets in the statement of operations (“income statement”), the beginning and ending balances of assets, liabilities, and net assets by type in the statement of financial position (“balance sheet”), and any related operating reserve balance. The CPA firm will assist OAA in appropriately documenting the annual budget for all funds, revenues, and expenses. The CPA firm will prepare a customized income statement report format for monthly reporting of budget versus actual revenue and expenses for the recent month and year to date results.

Recommendation 17: *Ensure financial policy requirements are consistent with existing practices. For example, the check signers required by the policy must be consistent with the authorized signers on OAA’s bank accounts.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm has already implemented a new general ledger accounting system with integrated payment processing. Cash disbursements are approved and electronically signed using this platform. All approvals are documented contemporaneously. All signature authority will be in conformity to actual approved board resolutions regardless of what appears at any given bank records.

Recommendation 18: *Only pay grant expenses after obtaining sufficient support for services provided and only seek grant reimbursements when able to justify expenses.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. The CPA firm is familiar with both US GAAP, IRC, and CCSF reporting requirements including grant compliance and reporting. This CPA firm has already implemented a new general ledger accounting system with integrated payroll, time tracking, document management, and payment processing which has been tested, audited, and proven to be sufficient support for grant reimbursements and grant reporting.

Recommendation 19: *Implement effective grant management policies and procedures, including those that will result in strong records management practices. The policies and procedures should require that pre-award documents, agreement documents, financial documents, project documents, and general documents are obtained and retained.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. The CPA firm is familiar with both US GAAP, IRC, and CCSF reporting requirements including grant compliance and reporting. This CPA firm has already implemented a new general ledger accounting system with integrated payroll, time tracking, document management, and payment processing which has been tested, audited, and proven to be sufficient support for grant reimbursements and grant reporting. The document management system is also used for maintaining various related required grant documentation.

Thank you,

A handwritten signature in black ink, appearing to read "Christian Martin", with a long horizontal stroke extending to the left.

Christian Martin
Executive Director