

File No. 211033

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: May 5, 2022

Board of Supervisors Meeting:

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
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER

- Annual Report FY2019-2020
- CPA Report – June 30, 2020
- OWED Memorandum - September 15, 2021
- FYI Referral October 06, 2021 100621
- _____

Prepared by: Jessica Perkinson

Date: April 29, 2022

Prepared by: _____

Date: _____

Prepared by: _____

Date: _____

1 [The East Cut Community Benefit District - Annual Report - FY2019-2020]

2

3 **Resolution receiving and approving an annual report for The East Cut Community**
4 **Benefit District for Fiscal Year (FY) 2019-2020, submitted as required by the Property**
5 **and Business Improvement District Law of 1994 (California Streets and Highways**
6 **Code, Sections 36600, et seq.), Section 36650, and the District’s management**
7 **agreement with the City, Section 3.4.**

8

9 WHEREAS, On June 9, 2015, pursuant to the Property and Business Improvement
10 District Law of 1994 (the “Act”), California Streets and Highways Code Sections 36600 *et*
11 *seq.*, as augmented by Article 15 of the San Francisco Business and Tax Regulations Code,
12 the Board of Supervisors adopted Resolution No. 199-15, expressing the City’s intention to
13 establish the Greater Rincon Hill Community Benefit District (the “Greater Rincon Hill CBD”),
14 and approving a Management Plan and Engineer’s Report for said district, copies of which are
15 on file with the Clerk of the Board of Supervisors in File No. 150592; and

16 WHEREAS, On July 31, 2015, the Board of Supervisors adopted Resolution
17 No. 299-15 establishing the Greater Rincon Hill CBD for a period of 15 years, commencing
18 Fiscal Year (FY) 2015-2016; and

19 WHEREAS, On December 8, 2015, the Board of Supervisors adopted Resolution
20 No. 506-15, authorizing an agreement with the owners' association for the
21 administration/management of the Greater Rincon Hill CBD, and a management agreement
22 (the “Management Contract”) with the owners' association, Greater Rincon Hill Association,
23 was executed accordingly; and

24 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board
25 of Supervisors in File No. 151192; and

1 WHEREAS, On November 19, 2019, the Board of Supervisors approved the Greater
2 Rincon Hill CBD's annual reports for FY2017-2018 and changed the name of the
3 Greater Rincon Hill Community Benefit District to The East Cut Community Benefit District
4 (The East Cut CBD) in Resolution No. 492-19; and

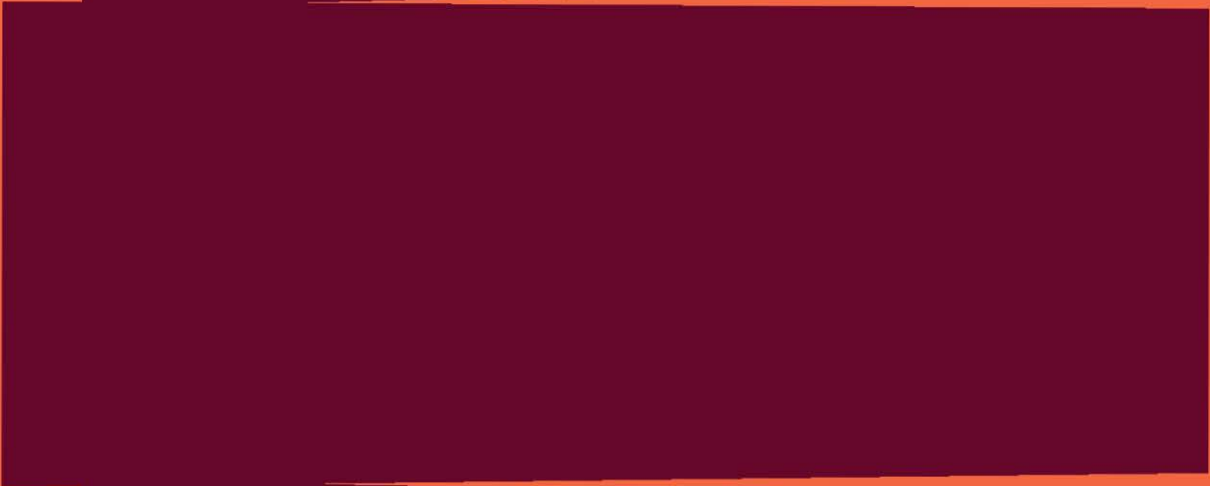
5 WHERE, On January 26, 2021, the Board of Supervisors approved the East Cut CBD's
6 annual reports for FY2018-2019 in Resolution No. 022-21; and

7 WHEREAS, The East Cut CBD has submitted for the Board's receipt and approval The
8 East Cut CBD's annual report for FY2019-2020 as required by Section 36650 of the Act and
9 Section 3.4 of the Management Contract; and

10 WHEREAS, The annual report for FY2019-2020 is on file with the Clerk of the Board of
11 Supervisors in File No. 211033, and are incorporated herein by reference as though fully set
12 forth; and

13 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
14 memorandum report from the City's Office of Economic and Workforce Development, dated
15 September 15, 2021, and documentation from The East Cut CBD for the annual report for
16 FY2019-2020 is on file with the Clerk of the Board of Supervisors in File No. 211033; now,
17 therefore, be it

18 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
19 report for The East Cut Community Benefit District for FY2019-2020.



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LETTER FROM THE PRESIDENT



I moved to Rincon Hill more than a decade ago. I could not be more excited about the growth of the East Cut in the five years of the CBD's existence. It is rare to have the opportunity to forge a new neighborhood in a city with such a rich history. Many of you took advantage of that opportunity in 2020 through your support of the CBD's volunteer and fundraising efforts. Thank you! In the year to come, I ask that you continue to join us in building the East Cut into a safe, prosperous, and welcoming neighborhood.

WITH APPRECIATION,

A handwritten signature in black ink that reads "Katina Johnson". The signature is fluid and cursive.

President,
Board of Directors,
The East Cut CBD

DEAR NEIGHBOR,

As was the case for all of us, The East Cut Community Benefit District (CBD) faced unprecedented challenges in Fiscal Year 2019-20. I'm incredibly proud of the way our staff, Street Services Team, volunteers, business owners, and neighbors pulled together through the toughest moments to maintain our neighborhood's safety and vitality.

The CBD pivoted to address the effects of the pandemic and wildfires that left this once-bustling neighborhood with empty sidewalks, parks, and restaurants. The emergence of the first large-scale homeless encampment since the launch of the CBD highlighted the importance of having an engaged community and an organization that can represent us at City Hall.

With few exceptions, the CBD maintained clean and safe street services 24 hours a day. We also launched East Cut Eats, a meal-delivery partnership with local restaurants. This initiative saw the highest levels of participation by residents in any CBD effort to date. At the beginning of the pandemic, the community also generously donated funds to provide weekly lunch for our Street Services Team, further supporting restaurants and giving much-deserved appreciation to CBD staff.

Despite the year's difficulties, there were some bright spots in 2020. Guy Place Mini Park was completed, so be sure to stop by if you haven't visited already. Guy Place Mini Park, Salesforce Park, and Emerald Park all remain open to provide a green respite during pandemic restrictions. Through neighbor surveys and community meetings, the CBD is also ensuring that East Cut residents have input into the City's plan for the new Transbay Park, to be built in the middle of the Temporary Transbay Terminal site.

Taking on less-publicized challenges -- including a record haul in trash collection and addressing physical threats to our Street Services Team -- has resulted in a more mature organization that is laser-focused on ensuring the City provides baseline municipal services. The CBD staff has forged a strong relationship with District 6 Supervisor Matt Haney and taken the lead on creating a consortium of CBDs that face similar street challenges. The initiative has allowed us to present a united front when coordinating services with the City.

This year's Annual Report will give you the full scope of the CBD's management of the East Cut. As we enter 2021, we will continue to work to ensure the next major neighborhood park -- Under Ramp Park -- is funded and built, and continue to drive programs to improve the economic viability of our community. We will, of course, continue to provide round-the-clock street maintenance and safety programs.

Whenever you see a need for street service, please contact our Dispatch center at 415.543.8223 or dispatch@theeastcut.org. Also, sign up for our email list on the theeastcut.org website for volunteer opportunities, neighborhood updates, invitations to public/virtual events, and more.

MISSION



Above: A child enjoys the play area in Salesforce Park.

The East Cut Community Benefit District works to advance the district's quality of life for residents, workers, and visitors by providing a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of the neighborhood's economic base.

DID YOU KNOW?

The East Cut CBD is your neighborhood steward and advocate. We provide cleaning, security, and programming, and work with property managers and the City to make the public realm more enjoyable for all. The East Cut CBD committee meetings, including street services, parks and greenspace, and economic development, are open to the public, and we welcome all members of the community to attend!

The East Cut CBD pays 80% of the maintenance and programming of Salesforce Park. This includes fitness, music, children's activities, art, plant maintenance, operations, and more! We hold monthly Salesforce Park Committee meetings that are open to the public and welcome anyone to come and share their thoughts and ideas.

POPOS (Privately Owned Public Open Spaces) are private property and the responsibility of the property owner to maintain. The East Cut Services Team provides a presence adjacent to these spaces, but we cannot enter any private property to clean or engage with individuals.

The playground at Emerald Park can be used to host children's birthday parties. The East Cut CBD provides the funding for Emerald Park maintenance, and has hosted family-friendly holiday events in the past on Easter, Halloween, and Christmas.

There is a 2.4-acre park planned for the empty parcels under the Transit Center bus ramp. Under Ramp Park will span 3-blocks, and feature sports courts, a dog park, swings attached to the Transit Center bus ramp, and a beer garden! You can learn more about Under Ramp Park and pledge to support fundraising for the park on our website. Help The East Cut get the park built and open by 2025!

Planning for Guy Place Mini Park, the district's newest park, started in 2007, prior to the existence of some of the neighborhood's biggest tech companies, like Slack, FitBit, and Databricks. The 4,000 square foot pocket park opened in June and has quickly become a spot of contemplative respite for residents of the district.





COVID-19 UPDATE

The East Cut CBD had many initiatives planned for FY19-20, with advancement of the SoDA Plan and East Cut Street Life Plan, to construction of The East Cut Community Garden, and development of a District Merchants Association. However, much like the entire world's plans, COVID-19 created a dramatic shift in organizational priorities. While the first half of FY19-20 saw the first East Cut CBD-sponsored event in Salesforce Park with the "Cut Above Happy Hour", an active second-annual Sunday Streets on Folsom Street, and a festive Halloween celebration for families in Emerald Park, the second half of the fiscal year saw the opposite.

With administrative staff moving to work-from-home full-time starting in March, and our Services Team instituting new PPE requirements and safety protocols to keep staff safe, work continued, albeit in modified fashion, to provide essential services to the neighborhood – for the most part uninterrupted.

The key component to The East Cut CBD's continuation of service was the "essential" designation of our Services Team. While the City instituted a full shelter-in-place directive in March for non-essential work, the Cleaning Ambassadors and Team Leads showed up day in and out to pack up the sudden and unprecedented number of bulky items left on the sidewalks and stay atop of the increase in graffiti due to boarded-up ground floors and lack of foot traffic. This work resulted in the neighborhood being one of the cleanest in the City, and perhaps more importantly, ensured that the neighborhood's suddenly quiet streets remained among the City's safest for residents both during the day and at night.

For the administrative staff at the CBD, it became increasingly apparent that a greater focus on engagement with the community and support for local businesses would be required. Committee and Board meetings were quickly moved to the virtual Zoom format, and staff worked with OCII, the TJPA, and other City departments to make sure key initiatives were able to continue. Transbay Block 3 Park was one such project for which the CBD wanted to ensure continued engagement. The first community meeting occurred just before the shelter-in-place order, and staff pressed OCII and the City to continue the outreach process virtually so that the project did not lose momentum.

With regard to local business initiatives, the team saw an opportunity to expand business contacts while also supporting local restaurants now that the daily lunchtime crowd was no longer in the neighborhood. Through conversations with the Economic Development and Executive committees, East Cut Eats was born, and over a 15-week period, staff and volunteers helped deliver meals to residents free of charge. Not only did the effort provide a bit of income for local restaurants, it helped introduce residents to the great assortment of eateries that exist in the neighborhood.

As we continue to navigate this new socially-distanced reality and the need for more innovative approaches to stakeholder engagement, The East Cut CBD will forge ahead with best practices for providing essential services to the district while also enhancing neighborhood vitality. The organization remains nimble, and has been able to achieve goals while operating through the uncertainties that lie ahead.

HIGHLIGHTS & ACCOMPLISHMENTS

The core function of the CBD is to ensure that public rights-of-way in the district are clean, safe, and welcoming. Fiscal Year 2019-20 was the fourth full year of The East Cut CBD's operations, and continuing accomplishments from last year, we maintained our expanded cleaning service hours and nighttime security patrols for better efficiency.

Following are a few more highlights from across the CBD's program areas during the past year:

- Wrapped The East Cut Services Team truck with branded iconography to help the neighborhood better recognize our team in the field, emphasize identity, and deter poor street behavior.
- Created and distributed a neighborhood 'Welcome Packet' to property managers to inform new residents about the CBD and the services we offer.
- Secured a \$50K City budget addback from District 6 Supervisor Matt Haney to supplement overnight sidewalk pressure washing.
- Continued holding Property Manager meetings for over 100 district managers to update on CBD services and answer questions.
- Maintained Services Team presence in neighborhood during start of COVID-19, with full service returning May 2020.
- Installed five new Big Belly trashcans in the neighborhood with a grant from the SF Office of Economic & Workforce Development. The cans are tamper-proof and have internal compaction so more trash can be collected without overflowing. We also partnered with San Francisco artist fnnch to produce artwork for the side panels, transforming mundane street furnishings to public art for the community.

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The East Cut CBD initiated a number of programs to improve and advocate for district open space. We continued working with the San Francisco Planning Department to finalize the South Downtown Design + Activation (SoDA) Plan which will inform streetscape upgrades and activation strategies for years to come. The CBD also:

- Held family-friendly holiday events for Halloween in Emerald Park and Christmas in Salesforce Park, bringing community use and enjoyment to our greenspaces.
- Worked with Gensler to peer review and provide strategies for completing The East Cut Street Life Plan, which will recommend sidewalk improvements and public events over the next five years.
- Worked with the Transbay Joint Powers Authority (TJPA) and Biederman Redevelopment Ventures (BRV) to adjust Salesforce Park programming in light of COVID-19 Shelter-in-Place Orders.
- Secured a \$25K grant from the City's Community Challenge Grant program to help build the Essex Street Community Garden.
- Continued advocacy for Transbay Block 3, which will become The East Cut's central neighborhood park. Participated in the first community meeting with OCII and SF Public Works.
- Painted graphics and planted boxwood and flowers in empty concrete planter boxes owned by the TJPA on the Natoma Transit Center Gateway, just east of 2nd Street.
- Partnered with DocuSign and Toaster employees to paint a mural on the Caltrans wall under the I-80 off-ramp on Essex Street with paint donated by Benjamin-Moore.

The CBD expanded its programs to reinforce the neighborhood's economic base by promoting local businesses and producing pop-up events to provide opportunities to gather and build community while introducing the public to The East Cut CBD's services. The CBD:

- Held our first mask distribution event in the neighborhood, handing out free cloth masks to neighbors to protect against COVID-19 transmission, and sold East Cut-branded masks to raise funds for future programming.
- Continued highlighting new and existing local businesses in our monthly newsletter.
- Led the formation of a Districts Consortium with all San Francisco CBDs/BIDs to advocate at the highest levels of City government for clean and safe streets in San Francisco.
- Worked with The New Company and David Begler to develop, produce, and hang new light pole banners throughout the neighborhood to reinforce neighborhood identity and inform residents and visitors of neighborhood features.

1 Supervisor Haney and Mayor Breed speak at The Avery ribbon cutting in January.

2 The East Cut CBD new light pole banners dot the east side of Beale Street.

3 Natoma Transit Center Gateway planters.

4 Services Team member Terrill Clayton assists at our mask distribution event.



- 1 Face painting at the Emerald Park Halloween event, October 2019.
- 2 Resident walking her dog across Fremont Street at Natoma.
- 3 Big Belly unveiling event with D6 Supervisor Haney, December 2019.
- 4 Essex wall mural painted by neighborhood volunteers.

SERVICES & STATS



James Laqui, The East Cut Services Team Operations Manager, greets neighbors in the district.

The CBD Street Services and Safety Team works in The East Cut district 24-hours a day, seven days a week to ensure our neighborhood's sidewalks and public open spaces are clean, safe, and inviting. The CBD also leverages assessment dollars by raising additional funds for cleaning, providing community programming, collaborating with City leaders to address district-wide challenges, and elevating the residential and business profile of The East Cut.

CLEANING AND MAINTENANCE. The CBD's street services crew provides daily cleaning and beautification: sidewalk sweeping, power washing, graffiti abatement, topping off City trash cans, weeding tree basins and sidewalk cracks, and spot-cleaning health hazards. Cleaning services are provided every day from 5:30am to 10:00pm.

SECURITY. More than 100,000 residents, employees, and visitors move through The East Cut district every day. To ensure a safe environment, we were the first district in the City to offer 24/7 neighborhood security. Our patrol teams cover the entire CBD to deter crime and communicate with private building security personnel and SFPD for effective, coordinated action.

COMMUNITY GUIDES. Along with our Clean and Safe Teams, the CBD fields community guides who offer assistance and directions to locals and visitors. Operating as the "eyes and ears" of The East Cut from 5:30am to 10:00pm, our guides connect individuals with services, respond compassionately to calls for homeless outreach, and ensure that the district operates smoothly.

PARKS AND GREENSPACE. The CBD helps plan and maintain public parks, rain gardens, sidewalk landscaping, and street trees. In partnership with TJPA, the CBD also oversees maintenance and programming of Salesforce Park. And while awaiting construction of additional park spaces, the CBD works to highlight and activate privately-owned public open spaces (POPOS) for the enjoyment of district residents, workers, and visitors.

COMMUNITY PROGRAMMING. The East Cut CBD hosts a variety of arts and cultural events throughout the year to answer community requests for neighborhood activities. These events are open to everyone and provide social and business connections for all East Cut stakeholders.

MARKETING. We promote The East Cut CBD's services and events through our district newsletters, social media, website, and district-wide street banner campaign.

Learn more at: www.theeastcut.org

1,369

Public calls for clean and safe service responded to. 2,115 in FY18-19

7,821

City trash cans topped. 8,845 in FY18-19

3,221

Instances of graffiti removed. 6,571 in FY18-19

208,625

Pounds of garbage removed. (Does not include bulky items.) 236,372 in FY18-19

1,787

Needles removed. 2,329 in FY18-19

6,605

Instances of outreach to homeless individuals. 6,552 in FY18-19



- 1 Team Lead Jaleel Gistand looks on over the Harrison Street bridge.
- 2 Services Ambassador Jerry Harrison walks his route on Beale Street.
- 3 Services Ambassador Jerry Harrison sweeps the gutter on Folsom at Main.
- 4 Service Ambassador Rashid Jamerson uses a hydroshot to clean the new dog relief area at Guy Place Mini Park.
- 5 Team Lead John Harthoorn paints over graffiti on a garage door.
- 6 The East Cut CBD services truck full of items collected one morning.

THE POTENTIAL FOR GREEN



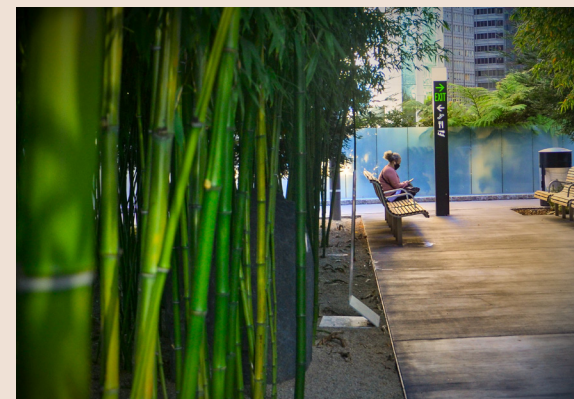
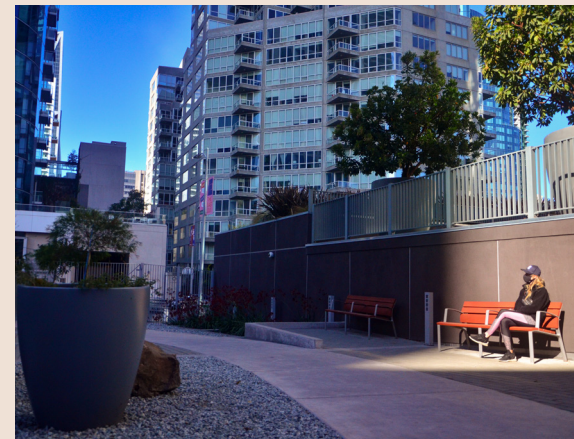
The future home of Under Ramp Park b/w Tehama and Howard streets.

If sheltering in place has taught San Franciscans anything, it's that our outdoor spaces are critical to maintaining mental health – and due to the increased COVID-19 risks associated with congregating indoors – our physical health as well. When shelter-in-place ends, the draw to our outdoor spaces will be stronger than ever, as City residents crave safe, social gatherings outdoors.

Boasting some of the newest and most exciting public open spaces in the City, the East Cut will be at the forefront of this move towards leveraging open space for the safe enjoyment of all who live and visit our neighborhood. As profiled in last year's annual report, Salesforce Park is the City's premier open space destination and boasts 5.1-acres of outdoor leisure for residents, workers, and visitors. Pending public health orders, the CBD is hopeful that programming will resume in FY20-21, however, the park does remain open to visitors. Other neighborhood parks also provide a perfect escape from being confined indoors.

Guy Place Mini Park, which was completed at the end of FY19-20, is a pocket park situated behind the skyscrapers on Folsom Street. As the name would suggest, the park is just 4,000 square feet of green and granite located on Guy Place, but this little oasis packs a punch! One of the few undeveloped parcels left on Rincon Hill, the park land was acquired by the City of San Francisco in 2007, and after a robust community input and outreach process and construction phase that spanned many years, the park was opened a few months after the shelter-in-place began and has quickly become a place of contemplative respite for residents. The space is broken up into three "rooms" that include ornamental plantings, vine columns, comfortable benches, and the entire park is tied together with granite pavers. Visitors can access the park every day from 8:00am to 8:00pm.

20



Emerald Park, the neighborhood's first public park, continues to be a destination for residents, particularly those with children. It provides a large lawn and playground that accommodates community events just as well as it accommodates running and jumping children during daily play. Sometimes overlooked because of the park's fencing, this park is open to the public and remains a great space in the neighborhood.

One of two parks currently in development is Under Ramp Park – a 2.4-acre park planned for the vacant parcels under the Salesforce Transit Center bus bridge and Fremont Street I-80 off-ramp. The park parcels are bound by Howard and Folsom streets to the north and south, and Fremont and Oscar streets to the east and west, respectively. Schematic design for the park was completed by CMG Landscape Architecture in 2018, and The East Cut CBD, as mandated by our Management Plan, will be the operator of the park. Once built, Under Ramp Park will be a cutting-edge neighborhood-serving park in the district, providing a large dog park space, a community building, a beer garden, children's playground, and many spaces for the lunch crowds, evening and weekend events, and general relaxation. With a schematic design in hand, the CBD has worked with OCII to develop a yearly park operations and maintenance budget and will launch a fundraising campaign in January 2021 to ensure proper funding is allocated for yearly programming, security, and maintenance. Once initial funding is secured, the TJPA will authorize CMG to continue the design development and construction drawings. The East Cut CBD hopes to see construction begin on Under Ramp Park by 2023, and the park opened by late 2024!

The final park currently under development is Transbay Block 3 Park – a 1-acre space that will be located in the middle-third of the currently-vacated Temporary Transbay Terminal site bound by Main, Folsom, Beale, and Howard streets. Given the small footprint of the park, the design of the space emphasizes its status as a respite from the glass towers that define the neighborhood. Current designs call for larger tree canopies on the edges that help frame a communal space in the center, that includes a native meadow and movable tables and chairs. San Francisco Public Works, along with OCII and SFRPD will complete the community outreach and schematic design process in the Fall of 2020, and construction of the park should begin in 2022.

The three open parks help to define The East Cut as one of San Francisco's premier neighborhoods for public open space, and with the two additional parks on the way and a community garden in the works, the district has the potential to have the most eclectic mix of open space in the entire City, providing a safe space for physically-distanced congregation.

LEVERAGING YOUR DOLLARS

The East Cut Community Benefit District must raise non-assessment funds for the portion of district benefits enjoyed by the general public. Each year the CBD exceeds its fundraising required for services, and in FY19-20 raised an additional 4.30 cents for every assessment dollar received:

\$50,280

in corporate donations and City grants

- \$34,000 from Google, Jay Paul Company, DoorDash, Okta, Slack, and Columbia Property Trust for the Services Team Resiliency Fund.
- \$7,700 from OEWD for 5 Big Belly trash cans.
- \$6,450 from Google through their employee donation matching program.
- \$2,130 from DocuSign to support the Essex Street wall mural.

\$12,128

value of individual donations

- \$9,000 in donations to The East Cut CBD general activities.
- \$3,100 for the Services Team Lunch Fund.

\$19,026

value of in-kind donations

- One permanent parking space at Rincon Green for clean team staff.
- 15 cases of beer from Fort Point Beer Co.
- Three hours of live music performance.
- 76 hours of Salesforce and WordPress development services.

263 lunches

served to our Services Team

- Fayala Restaurant & Catering at 215 Fremont provided lunch to our cleaning and safety ambassadors 263 days in 2019-20.

514 hours

volunteered towards committees and CBD programs

- 474 hours volunteered by 29 board directors and committee members at meetings.
- 40 hours volunteered by 1 neighborhood resident for Sunday Streets event coordination.

Other donations

received from CBD supporters

- 12 Fitness SF gym memberships for The East Cut CBD staff and Services Team.
- 10 gallons of paint from Benjamin Moore for the Essex Mural.
- Meeting space at Golden Gate University and DocuSign's headquarters to host The East Cut CBD board meetings.

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Right: The new Mira residential tower by Studio Gang at Spear and Folsom streets.



LOOKING AHEAD

As we close the book on FY2019-20, we look ahead to a year that will continue to require our collective commitment to safely navigate the COVID-19 pandemic. Our neighborhood will still feel quiet for some time, without the normal vibrancy of office workers, residents, visitors, restaurants, and events. But we look to 2021 with optimism.

The sights and sounds of our neighborhood will return. But we also will plan for a different future and look at this coming year as an opportunity to build a better and more equitable neighborhood and city. The East Cut CBD's core priorities will remain clean and safe streets, economic recovery, and advancing promised public spaces like Under Ramp Park.

Twenty-four hours a day, The East Cut CBD will be on the ground doing its job. Many of you have taken a moment to say 'hi' to your East Cut team, but if you haven't, we encourage you to do so. You will be impressed by our team member commitment and pride in the neighborhood.

The East Cut CBD team has proven to be capable of nimbly responding to the evolving changes resulting from COVID to ensure the provision of our critical clean and safe services. We will always be the eyes on the street despite less foot traffic and activity. In anticipation of auto and bus traffic returning, in 2021 we will work to improve bike and pedestrian safety in the neighborhood, and highlight our advocacy work by launching an educational campaign to align with new bike and pedestrian infrastructure installed in the neighborhood.

The East Cut CBD will continue to focus on neighborhood retail in 2021 by promoting neighborhood merchants as well as supporting opportunities to safely offer retail services – be they in parklets, sidewalk seating areas, or at the Temporary Transbay Terminal site. The CBD will launch a new

programming series in vacant retail spaces to provide some vibrancy to the neighborhood and fill gaps created by COVID. A neighborhood is not built on retail alone, but without question, active and vibrant ground floors are key to people feeling safe and proud of their neighborhood.

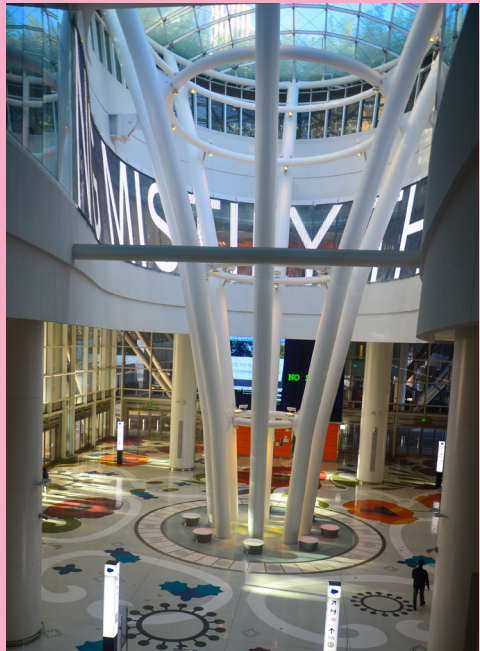
The East Cut CBD's most ambitious goal for 2021 is the launch of a community-wide campaign to raise \$3 million to support the first five years of Under Ramp Park's operating expenses. This long-planned park will be a linchpin in the neighborhood, providing recreation space for families, pet owners, sports enthusiasts, and neighborhood guests. Many of you likely became district champions because of our future suite of parks, from Salesforce Park to Guy Place Mini Park and everything in between. The CBD was formed with the mandate to financially support or provide services to all these spaces; and while Under Ramp Park is still several years away from completion, with The East Cut CBD's fundraising, the park can move forward into construction and opening.

While we execute our fundraising plan for Under Ramp Park, we will also work on other, nearer-term park and open space projects. The East Cut CBD expects to develop and open a community garden on a vacant parcel on Essex Street, and we will continue to partner with the Office of Community Investment and Infrastructure, Public Works, and the San Francisco Recreation and Parks department to finalize the design of the neighborhood's central park coming to Transbay Block 3. Meanwhile, the CBD will advance tactical projects throughout the neighborhood to support our existing inviting public spaces.

Please join us this year by attending a community meeting or sending us your thoughts. Together we are shaping this exciting, singular neighborhood!

Right: Construction of the Folsom Streetscape continued this year, and Avery Lane opened to the public.





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BUDGET &

JULY 2019 – JUNE 2020 ACTUALS

INCOME	ACTUALS	BUDGET	OVER / (UNDER) BUDGET
Assessments	\$ 4,148,559.00	\$ 4,071,215.00	\$ 77,344.00
Fundraising/In-Kind	\$ 99,777.00	\$ 362,500.00	\$ (262,723.00)
Interest	\$ 79,404.00	\$ 34,025.00	\$ 45,379.00
Other Income	\$ 8,937.00	\$ 0.00	\$ 8,937.00
TOTAL INCOME	\$ 4,336,677.00	\$ 4,467,740.00	\$ (131,063.00)

EXPENSES	ACTUALS	BUDGET	OVER / (UNDER) BUDGET
Public Safety	\$ 776,141.00	\$ 926,642.00	\$ (150,501.00)
Cleaning & Maintenance	\$ 1,008,769.00	\$ 990,532.00	\$ 18,237.00
Parks & Greenspace	\$ 1,181,453.80	\$ 1,877,818.00	\$ (696,364.20)
Salesforce Park	\$ 190,321.20	\$ 581,699.00	\$ (391,377.80)
Economic Development	\$ 192,248.00	\$ 125,378.00	\$ 66,870.00
Management & Operations	\$ 356,930.00	\$ 301,675.00	\$ 55,255.00
TOTAL EXPENSE	\$ 3,705,863.00	\$ 4,803,744.00	\$ (1,097,881.00)
Revenue Over Expenses	\$ 630,814.00	\$ (336,004.00)	\$ 294,810.00
Prior Year Carryover	\$ 0.00	\$ 336,004.00	\$ (336,004.00)
TOTAL CARRYOVER	\$ 630,814.00	\$ 0.00	\$ (41,194.00)

JULY 2019 – JUNE 2020 BALANCE SHEET

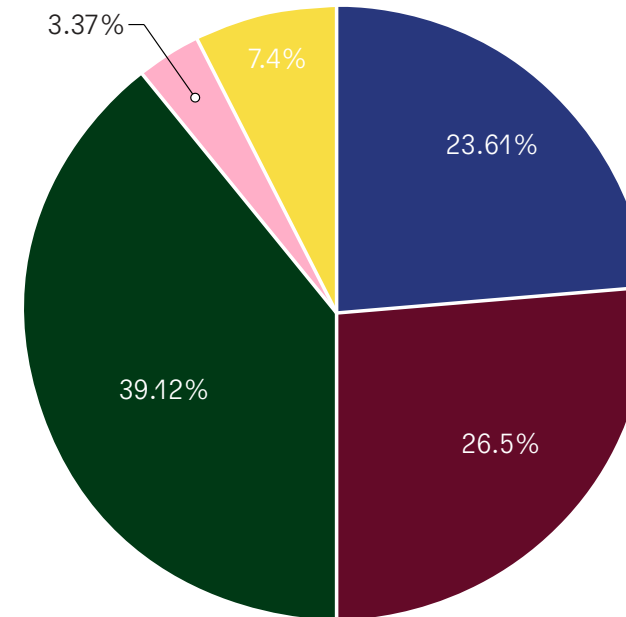
ASSETS	
Cash in Bank	\$ 2,018,713.00
Accounts Receivable, Net	\$ 75,053.00
Investments	\$ 3,414,064.00
Capital Assets	\$ 3,220.00
TOTAL ASSETS	\$ 5,511,050.00

LIABILITIES	
TOTAL LIABILITIES	\$ 922,465.00
TOTAL NET ASSETS (CARRYOVER)	\$ 4,588,585.00
TOTAL LIABILITIES & NET ASSETS	\$ 5,511,050.00

BALANCE SHEET

JULY 2020 – JUNE 2021 BUDGET

INCOME	
Assessments	\$ 3,855,430.00
Fundraising/In-Kind	\$ 242,500.00
Interest Income	\$ 10,000.00
Carryover Used	\$ 156,122.00
TOTAL INCOME	\$ 4,264,052.00



← FIG. 01

Public Safety	23.61%
Cleaning & Maintenance	26.5%
Parks & Greenspace	39.12%
Communications & Development	3.37%
Management & Operations	7.4%

PROJECTED CARRYOVER DISBURSEMENT

CARRYOVER	AS OF 6.30.20	BUDGETED FOR FY20 – 21	BUDGETED FOR FUTURE YEARS
Public Safety	\$ 725,827.20	\$ -	\$ 725,827.20
Cleaning & Maintenance	\$ 510,425.96	\$ -	\$ 510,425.96
Parks & Greenspace	\$ 1,139,742.95	\$ -	\$ 1,139,742.95
Salesforce Park	\$ 1,995,185.92	\$ -	\$ 1,995,185.92
Communications & Development	\$ 125,657.12	\$ -	\$ 125,657.12
Management & Operations	\$ 91,745.85	\$ -	\$ 91,745.85
TOTAL	\$ 4,588,585.00	\$ -	\$ 4,588,585.00

ASSESSMENT METHODOLOGY & CALCULATION

Each property within the CBD's boundaries pays a special assessment proportional to its share of the cost of the district's services. The assessment is based on a formula that determines the property's special benefit.

An individual parcel's annual assessment can be calculated in three steps:

1. Determine the parcel's land use and proximity to Salesforce Park to find out the assessment rate.
2. Add parcel lot square footage plus building square footage.
3. Multiply by the appropriate assessment rate.

$$(\text{PARCEL LOT SQUARE FOOTAGE} + \text{BUILDING SQUARE FOOTAGE}) \times \text{ASSESSMENT RATE} = \text{ANNUAL PARCEL ASSESSMENT}$$

EXAMPLES: For land uses more than 500 feet from Salesforce Park (excluding affordable housing and non-profit uses) with a 10,000 square foot lot and 100,000 square foot building, the calculation is:

FY2019/20
 $(10,000 + 100,000) \times \$0.08571 = \$9,428$
 annual parcel assessment

FY2020/21
 $(10,000 + 100,000) \times \$0.08828 = \$9,711$
 annual parcel assessment

All land uses within 500 feet of Salesforce Park, excluding commercial properties adjacent to the park:

FY2019/20
 $(10,000 + 100,000) \times \$0.12673 = \$13,940$
 annual parcel assessment

FY2020/21
 $(10,000 + 100,000) \times \$0.13053 = \$14,358$
 annual parcel assessment

Commercial buildings adjacent to Salesforce Park:

FY2019/20
 $(10,000 + 100,000) \times \$0.18032 = \$19,835$
 annual parcel assessment

FY2020/21
 $(10,000 + 100,000) \times \$0.18573 = \$20,430$
 annual parcel assessment

Commercial buildings adjacent to Salesforce Park and with a connecting bridge:

FY2019/20
 $(10,000 + 100,000) \times \$0.20711 = \$22,782$
 annual parcel assessment

FY2020/21
 $(10,000 + 100,000) \times \$0.21332 = \$23,465$
 annual parcel assessment

Affordable housing and non-profit uses more than 500 feet from Salesforce Park:

FY2019/20
 $(10,000 + 100,000) \times \$0.06428 = \$7,071$
 annual parcel assessment

FY2020/21
 $(10,000 + 100,000) \times \$0.06621 = \$7,283$
 annual parcel assessment

THE EAST CUT CBD STAFF SPOTLIGHT

EMILY TZOUANAKIS, ADMINISTRATION & STRATEGIC COMMUNICATIONS MANAGER



Emily joined The East Cut Community Benefit District in April 2020, just as COVID-19 began to ramp up and the shelter-in-place order was issued by Mayor Breed. As such, Emily had to start her new role with the CBD remotely, introduced to some of her colleagues only through

Zoom meetings. Nonetheless, Emily has been an extremely welcomed addition to the team, helping the organization map a strategic vision for social media, refine our weekly board newsletters and monthly district newsletters, and manage how the CBD responds to community stakeholder requests for information. You may have even met Emily in the neighborhood, as she spearheaded our mask giveaway events earlier this year, and is a resident at Millennium Tower. Emily brings a smile and positive attitude to the digital workplace on a daily basis, and has added to the professional pedigree of our team. Be sure to reach out to Emily or any other staff in the office should you have questions, comments, or suggestions for the neighborhood!

THE EAST CUT CBD BOARD OF DIRECTORS 2019–2020

Katina Johnson, **President**, Resident
 Dan Coming, **Vice President**, Resident
 Tony Birdsey, **Secretary**, Tishman Speyer
 Amy Arbuckle, **Treasurer**, The Clancy by Marriott
 Matt Lituchy, **Past President**, Jay Paul Company

Larissa Acosta, Resident
 John Cornwell, Resident
 Katie Darling, Kilroy Realty
 Tamsen Drew, Salesforce
 Leah Edwards, Resident
 Daniel Esdorn, Hines
 Helen Han, Boston Properties
 Chema Hernández Gil, Resident
 Mike Koperski, Golden Gate University
 Jessica Legault, Mercy Housing
 Wendy Lieu, Socola Chocolatier
 Sally Oerth, Office of Community Investment & Infrastructure
 Lauren Post, Resident
 Erin Roseman, Transbay Joint Powers Authority
 Nabil Musleh, Harlot Lounge
 Jonathan Shum, Related Companies

THE EAST CUT CBD COMMITTEES

Audit, Bylaws, Economic Development, Executive, Finance & Development, Neighborhood Parks & Greenspace, Nominating, Personnel & Operations, Salesforce Park, Street Services & Safety

THE EAST CUT CBD STAFF

Andrew Robinson, **Executive Director**
 Mike Rieger, **Deputy Director**
 Garrick Mitchler, **Public Realm Maintenance & Operations Manager**
 Pierre Lagarde, **Fundraising & Development Manager**
 Emily Tzouanakis, **Administration & Strategic Communications Manager**

The East Cut CBD would like to thank the individuals and organizations below for their financial contributions and in-kind support in 2019–2020. Their generosity allowed us to provide services and events that improved and enlivened the district.

Cristian Azcarate, Dan Coming, Shelley Costantini, City and County of San Francisco, Columbia Property Trust, District 6 Supervisor Matt Haney, DocuSign, DoorDash, Carla Emil, Debra Engel, Fayala + Jamel Bouzidi, Fitness SF, Fort Point Beer Co., John Fry, Google, Diping Huang, Jay Paul Company, Judy Heyboer, Katina Johnson, Barbara Jue, Tom Kolbeck, Matt Lituchy, Nancy & Christopher Meyer, Office of Community Investment and Infrastructure (OCII), Office of Economic and Workforce Development (OEWD), Okta, Kristina Razmara, Rincon Green, Slack, Toaster, Transbay Joint Powers Authority (TJPA), Andrew Van Wart

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THE EAST CUT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

THE EAST CUT COMMUNITY BENEFIT DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The East Cut Community Benefit District

Report on the Financial Statements

We have audited the accompanying financial statements of The East Cut Community Benefit District, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The East Cut Community Benefit District as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

San Francisco, California
October 2, 2020

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents including cash held for others \$12,317 and \$13,100, respectively	\$ 2,018,713	\$ 714,618
Assessments receivable	49,738	38,666
Other receivables and prepayments	25,315	7,151
Investments	3,414,064	3,818,027
Capital assets, net	<u>3,220</u>	<u>5,699</u>
Total Assets	<u>\$ 5,511,050</u>	<u>\$ 4,584,161</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 819,365	\$ 626,390
Loan payable	<u>103,100</u>	<u>--</u>
Total Liabilities	<u>922,465</u>	<u>626,390</u>
Net Assets		
Without donor restrictions	4,553,303	3,928,261
With donor restrictions	<u>35,282</u>	<u>29,510</u>
Total Net Assets	<u>4,588,585</u>	<u>3,957,771</u>
Total Liabilities and Net Assets	<u>\$ 5,511,050</u>	<u>\$ 4,584,161</u>

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Assessments revenue	\$ 4,148,559	\$ --	\$ 4,148,559
Contributions	15,616	37,079	52,695
In-kind contributions	33,082	--	33,082
Grants	--	14,000	14,000
Net realized and unrealized investment gains	14,318	--	14,318
Investment income	65,086	--	65,086
Other income	8,937	--	8,937
Net assets released from restrictions	45,307	(45,307)	--
Total Revenue, Gains, and Other Support	<u>4,330,905</u>	<u>5,772</u>	<u>4,336,677</u>
Expenses			
Program services	3,348,933	--	3,348,933
Supporting services:			
Management and general	356,930	--	356,930
Total Expenses	<u>3,705,863</u>	<u>--</u>	<u>3,705,863</u>
Change in Net Assets	625,042	5,772	630,814
Net Assets - Beginning	<u>3,928,261</u>	<u>29,510</u>	<u>3,957,771</u>
Net Assets - Ending	<u>\$ 4,553,303</u>	<u>\$ 35,282</u>	<u>\$ 4,588,585</u>

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Assessments revenue	\$ 3,857,342	\$ --	\$ 3,857,342
Contributions	160,827	29,510	190,337
In-kind contributions	40,406	--	40,406
Investment income	52,970	--	52,970
Other income	199,872	--	199,872
Total Revenue, Gains, and Other Support	<u>4,311,417</u>	<u>29,510</u>	<u>4,340,927</u>
Expenses			
Program services	2,272,358	--	2,272,358
Supporting services:			
Management and general	<u>342,316</u>	<u>--</u>	<u>342,316</u>
Total Expenses	<u>2,614,674</u>	<u>--</u>	<u>2,614,674</u>
Change in Net Assets	1,696,743	29,510	1,726,253
Net Assets - Beginning	<u>2,231,518</u>	<u>--</u>	<u>2,231,518</u>
Net Assets - Ending	<u>\$ 3,928,261</u>	<u>\$ 29,510</u>	<u>\$ 3,957,771</u>

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Support Services		
	Public Safety	Clean Team and Dispatch	Communication and Development	Parks and Greenspace	Total	Management and General	Total
Contract services	\$ 631,504	\$ 841,431	\$ --	\$ 1,081,415	\$ 2,554,350	\$ --	\$ 2,554,350
Management personnel expenses	103,373	107,669	108,811	184,780	504,633	160,207	664,840
Rent and utilities	24,003	24,921	3,157	63,097	115,178	26,134	141,312
Legal fees	8,882	8,882	--	27,415	45,179	44,716	89,895
Accounting and audit	--	--	--	--	--	65,758	65,758
Marketing and branding	624	648	67,795	2,364	71,431	692	72,123
Office expense and supplies	2,299	3,580	7,047	266	13,192	2,362	15,554
Depreciation	--	--	--	--	--	2,479	2,479
In-kind goods and services	1,044	17,150	5,012	--	23,206	9,877	33,083
Community events	639	1,372	64	2,182	4,257	94	4,351
Insurance - liability	--	(80)	--	--	(80)	9,391	9,311
General consulting	--	--	--	--	--	24,273	24,273
All other expenses	3,773	3,196	362	10,256	17,587	10,947	28,534
Total	<u>\$ 776,141</u>	<u>\$ 1,008,769</u>	<u>\$ 192,248</u>	<u>\$ 1,371,775</u>	<u>\$ 3,348,933</u>	<u>\$ 356,930</u>	<u>\$ 3,705,863</u>

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Total	Support Services	Total
	Public Safety	Clean Team and Dispatch	Communication and Development	Parks and Greenspace		Management and General	
Contract services	\$ 788,604	\$ 784,704	\$ --	\$ 80,429	\$ 1,653,737	\$ --	\$ 1,653,737
Management personnel expenses	80,972	85,366	88,164	184,832	439,334	147,295	586,629
Rent and utilities	18,874	12,039	1,551	43,342	75,806	11,423	87,229
Legal fees	1,313	4,006	--	20,266	25,585	43,646	69,231
Accounting and audit	--	--	--	--	--	66,716	66,716
Marketing and branding	497	497	12,103	7,187	20,284	11,254	31,538
Office equipment and supplies	592	540	21,878	273	23,283	1,654	24,937
Depreciation	--	--	--	--	--	21,946	21,946
In-kind goods and services	--	182	570	13,229	13,981	3,570	17,551
Community events	984	658	4,242	6,276	12,160	278	12,438
Insurance - liability	--	--	--	--	--	12,214	12,214
General consulting	--	--	--	--	--	11,126	11,126
All other expenses	871	1,155	1,718	4,444	8,188	11,194	19,382
Total	<u>\$ 892,707</u>	<u>\$ 889,147</u>	<u>\$ 130,226</u>	<u>\$ 360,278</u>	<u>\$ 2,272,358</u>	<u>\$ 342,316</u>	<u>\$ 2,614,674</u>

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 630,814	\$ 1,726,253
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized investment gains	(14,318)	--
Depreciation	2,479	21,946
Changes in operating assets and liabilities:		
Assessments receivable	(11,072)	(4,255)
Other receivables and prepayments	(18,164)	5,911
Accounts payable and accrued expenses	<u>192,975</u>	<u>(584,067)</u>
Net Cash Provided by Operating Activities	<u>782,714</u>	<u>1,165,788</u>
Cash Flows From Investing Activities		
Purchase of investments	(8,006,719)	(3,960,025)
Redemption of investments	8,425,000	1,167,155
Purchase of capital assets	<u>--</u>	<u>(3,366)</u>
Net Cash Provided by (Used in) Investing Activities	<u>418,281</u>	<u>(2,796,236)</u>
Cash Flows From Financing Activities		
Proceeds from loan payable	<u>103,100</u>	<u>--</u>
Net Cash Provided by Financing Activities	<u>103,100</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,304,095	(1,630,448)
Cash and Cash Equivalents - Beginning	<u>714,618</u>	<u>2,345,066</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,018,713</u>	<u>\$ 714,618</u>

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

The East Cut Community Benefit District (“ECCBD” or the “District”) is a nonprofit 501(c)(3) community-based organization. ECCBD was formed in 2015 and began operations in 2016. The property owners of the catchment area formed ECCBD to improve the quality of life in the area by making the area cleaner, safer, and more vibrant. ECCBD has a contract with the City and County of San Francisco (the “City”) for a term of 15 years, expiring on June 30, 2030. ECCBD is generally 57 whole or partial blocks from approximately the east side of Second Street to the west side of the Embarcadero and from the north side of Mission Street to the north side of Harrison (the “District”).

ECCBD exists to implement programs to create a neighborhood that is safer, cleaner, greener, and a better place to conduct business and live. These programs and services are funded by district property owners in the Rincon Hill and Transbay neighborhoods.

ECCBD’s mission statement is as follows:

The East Cut Community Benefit District will advance the quality of life for residents, workers, and visitors in the District by fostering a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of the area’s economic base.

Program services provided by ECCBD include:

- **Public Safety** – The daytime security community guides monitor street conditions, provide crime deterrence, and evaluate quality of life issues. Community guides may patrol the District on foot or bicycle, depending on pedestrian traffic from 5:30am to 10:00pm, daily.

Nighttime security will be provided by private neighborhood security patrol working throughout the District as a deterrence to quality of life crimes, and connects to the San Francisco Police Department for more serious matters. They will be providing crime deterrence and enforcement from 4:00pm to 7:00am, daily.

- **Clean Team** – The Clean Team works to improve the appearance and cleanliness of the district daily from 5:30am to 10:00pm. The Clean Team steam cleans all sidewalks in the district once a month, work daily on sidewalk sweeping and trashcan topping, and also removes graffiti on an on-call basis, daily.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

PURPOSE AND ORGANIZATION (CONTINUED)

- **Dispatch** – ECCBD’s clean and safe services are accessed through a neighborhood dispatch system available twenty-four hours a day seven days a week.
- **Parks and Greenspace** – The Parks and Greenspace program includes irrigation systems management and repair; pest control; tree, shrub, and ground maintenance; gardening and weeding; arborist and horticultural consultation; seasonal fire fuel reduction; trash off-haul; pavement and pathway repairs and care; small capital improvements such as replacement of plant materials, fixtures, furniture, and equipment; emergency repair projects. Projects that the ECCBD is involved in the current year are: Emerald Park, Salesforce Park, Guy Place Park, Essex Hillside, Transbay Park, and Under-Ramp Park, as well as other Public Realm projects.
- **Communication and Development** – The Communication and Development program’s mission is to communicate the changes taking place in ECCBD and reinforce the public’s positive perception of the District’s parcels. This program will include newsletters, marketing materials, website development, property owner and merchant outreach programs, community liaison activities, special events, business retention and recruitment, media relations, advertising, property manager outreach, and property database development and update.

BASIS OF ACCOUNTING

ECCBD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred, regardless of the timing of cash flows.

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that ECCBD report information regarding its financial position and activities into two classes of net assets: without donor restrictions and with donor restrictions.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

CLASSIFICATION OF NET ASSETS (CONTINUED)

Accordingly, the net assets are classified and reported as described below:

Without Donor Restrictions

Those net assets and activities which represent the portion of expendable funds that are available to support ECCBD's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

With Donor Restrictions

Net assets representing funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be expendable in nature in that they will be met by actions of ECCBD or by the passage of time. Other donor restrictions are permanent in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. At June 30, 2020, there were no net assets that were required to be held in perpetuity.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

ESTIMATES

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

CASH AND CASH EQUIVALENTS

ECCBD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

CASH HELD FOR OTHERS

ECCBD serves as a fiscal sponsor for another organization. ECCBD receives cash and other sources of income and makes payments on behalf of the organization. These transactions are not considered revenue or expenses of ECCBD. There is a corresponding liability that equals the residual cash within accounts payable and accrued expenses.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

ASSESSMENTS RECEIVABLE

Assessments receivable represent obligations of local property owners due to ECCBD. Unpaid assessments do not accrue interest.

ECCBD uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on an evaluation of the outstanding receivables. As of June 30, 2020 and 2019, management believes all assessments will be collected, and therefore, an allowance for uncollectible assessments was not needed.

INVESTMENTS

Investments in marketable securities and fixed income securities are carried at fair value based upon quoted market prices.

CAPITAL ASSETS

ECCBD capitalizes acquisitions of capital assets with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost and donated assets are recorded at estimated fair value or appraised value at the date of donation. Depreciation of capital assets is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 10 years. Maintenance and repairs are charged to expense as incurred and major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

ACCRUED ANNUAL LEAVE

Full-time employees may accrue up to 5 weeks per year depending on the number of years employed. Employees can accrue a maximum of 180 vacation hours.

REVENUE RECOGNITION

Assessments Revenue

ECCBD receives its revenue primarily from special assessments levied by the City on properties located within the District in accordance with City Ordinance. The assessments are recorded by ECCBD when earned. The City remits the assessments to ECCBD as the assessments are collected from the property owners. Interest is not charged on late assessments; however, late penalties are charged in accordance with the City's policy.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

REVENUE RECOGNITION (CONTINUED)

Contributions

ECCBD recognizes all unconditional contributions when they are received or unconditionally promised. Contributions are recognized based on the existence or absence of donor-imposed restrictions.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

For the years ended June 30, 2020 and 2019, ECCBD received unconditional contributions of \$52,695 and \$190,337, respectively.

In-Kind Contributions

Donated material and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as without donor-restrictions support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as with donor restrictions support. Absent donor stipulations regarding how long those donated assets must be maintained, ECCBD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ECCBD reclassifies with donor-restrictions net assets to without donor-restrictions net assets at that time.

ECCBD records in-kind contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the years ended June 30, 2020 and 2019, ECCBD received contributed goods and services in the amount of \$33,082 and \$40,406 respectively.

Grants

Unconditional grant awards are recognized when the award is received or unconditionally promised. Grants awarded with conditions that depend on specified future and uncertain events are not recognized until the conditions on which they depend are substantially met.

For the year ended June 30, 2020, ECCBD recognized \$14,000 of a \$28,000 conditional grant.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

MARKETING AND BRANDING

The costs of marketing and branding are charged to expense as incurred. Marketing and branding expenses for the years ended June 30, 2020 and 2019, were \$72,123 and \$31,538, respectively.

INCOME TAXES

ECCBD is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code, respectively.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if ECCBD has taken an uncertain tax position that more-likely-than-not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. ECCBD is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

CONCENTRATIONS OF RISK

Financial Instruments

Financial instruments which potentially subject ECCBD to concentrations of credit risk consist principally of cash and cash equivalents. ECCBD maintains its cash in various bank accounts which, at times, may exceed federally insured limits. ECCBD has not experienced any losses in such accounts.

Service Provider

Approximately 67% of total expenses incurred were provided by two vendors and 52% of total expenses incurred were provided by one vendor during the years ended June 30, 2020 and 2019, respectively, and were attributed to safety and cleaning services. Management believes that ECCBD is not exposed to any significant credit risk related to this concentration.

Revenue

For the years ended June 30, 2020 and 2019, ECCBD received 96% and 92%, respectively, of its total income from the City in the form of assessments.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

CONCENTRATIONS OF RISK (CONTINUED)

Contributions

For the years ended June 30, 2020 and 2019, one donor represented 31% and 79%, respectively, of total contributions.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited based on an analysis of personnel time by each program or activity.

FUNDRAISING REQUIREMENTS

The City's contract requires that ECCBD annually raise 1.40% of its clean and safe services budget and 6.79% of its neighborhood parks and greenspaces services budget from sources other than the City's assessments.

For the years ended June 30, 2020 and 2019, ECCBD has satisfied these requirements.

RECLASSIFICATIONS

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications have no effect on the previously reported total net assets or total change in net assets.

ADOPTED ACCOUNTING PRONOUNCEMENT

On June 21, 2018, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 applies to all entities, including business entities that receive or make contributions of cash and other assets (except for transfers of assets from government entities to business entities). ASU 2018-08 provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

ADOPTED ACCOUNTING PRONOUNCEMENT (CONTINUED)

Making this determination is important because distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow the guidance in FASB ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*, whereas, for exchange transactions, an entity should follow other guidance (for example, FASB ASC 606, *Revenue from Contracts with Customers*).

ASU 2018-08 could result in more grants and contracts being accounted for as contributions (often-conditional contributions) than under current U.S. GAAP. Accounting for the grant or contract as a contribution is expected to be less costly than applying FASB ASC 606 (including the additional disclosure requirements). ASU 2018-08 also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The ASU requires entities to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Additionally, ASU 2018-08 modifies the simultaneous release option currently in U.S. GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions, if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns.

ECCBD adopted the recipient and disbursement portions of ASU 2018-08 as of July 1, 2018, on a modified prospective basis and had minimal impact on ECCBD's financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to provide guidance concerning recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. On June 3, 2020, the FASB issued ASU 2020-05 which allows any organization who has not yet adopted Topic 606 and issued their financial statements to defer implementation of Topic 606 for one year in light of delays created by the novel coronavirus ("COVID-19") pandemic. The guidance is applicable for annual reporting periods beginning after December 15, 2019. Management is evaluating the impact of this new guidance.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. ASU 2020-05 also delayed the effective date of this ASU by another year. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021. Early application is permitted. Management is evaluating the impact of this guidance.

NOTE 2 - FAIR VALUE MEASUREMENTS

ECCBD's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1

Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect ECCBD's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a description of the valuation methodology used for assets measured at fair value.

Equity Securities

Equity securities listed on national markets are valued at the quoted price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. Such securities are in active markets and are classified within Level 1 of the fair value hierarchy.

Fixed Income Securities

Valued at cost plus accrued interest which approximates fair value. These securities are classified within Level 2 of the fair value hierarchy.

The following tables provide information about ECCBD's financial assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets at Fair Value				
Fixed income securities	\$ --	\$ 3,406,996	\$ --	\$ 3,406,996
Equity securities	7,068	--	--	7,068
Total Assets				
at Fair Value	\$ 7,068	\$ 3,406,996	\$ --	\$ 3,414,064
	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets at Fair Value				
Fixed income securities	\$ --	\$ 3,818,027	\$ --	\$ 3,818,027

ECCBD's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. ECCBD had no transfers into or out of levels of the fair value hierarchy during the years ended June 30, 2020 and 2019.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 - CAPITAL ASSETS

Capital assets at June 30, 2020 and 2019, consist of the following:

	2020	2019
Computers	\$ 11,055	\$ 11,055
Furniture and equipment	3,588	3,588
Leasehold improvements	<u>35,618</u>	<u>35,618</u>
	50,261	50,261
Less: accumulated depreciation	<u>(47,041)</u>	<u>(44,562)</u>
Total	<u><u>\$ 3,220</u></u>	<u><u>\$ 5,699</u></u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$2,479 and \$21,946, respectively.

NOTE 4 - LOAN PAYABLE

ECCBD entered into a promissory note in April 2020 with JP Morgan Chase Bank, N.A. as the lender (the "Lender"), pursuant to which the Lender agreed to make a loan to ECCBD under the Paycheck Protection Program (the "PPP Loan") offered by the U.S. Small Business Administration (the "SBA") in a principal amount of \$103,100 pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The PPP Loan proceeds, which are intended to be forgiven, are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt. The amount that will be forgiven will be calculated in part with reference to ECCBD's full time headcount during a twenty-four week period following the funding of the PPP Loan. The interest rate on the PPP Note is a fixed rate of 1% per annum. To the extent that the amounts owed under the PPP Loan, or a portion of them, are not forgiven, ECCBD will be required to make principal and interest payments in monthly installments beginning six months from April 2020. The PPP Note matures in two years.

The PPP Loan includes events of default. Upon the occurrence of an event of default, the Lender will have the right to exercise remedies against ECCBD, including the right to require immediate payment of all amounts due under the PPP Loan.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 - NOTE PAYABLE (CONTINUED)

The principal payments are due as follows:

For the Years Ending June 30,	Amount
2021	\$ 45,344
2022	<u>57,756</u>
Total	<u>\$ 103,100</u>

NOTE 5 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2020 and 2019, consist of the following:

	2020	2019
Undesignated	\$ 4,217,298	\$ 3,446,177
Board Designated - Strategic Investment	<u>336,005</u>	<u>482,084</u>
Total	<u>\$ 4,553,303</u>	<u>\$ 3,928,261</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2020 and 2019, net assets with donor restrictions are as follows:

	2020	2019
Subject to Expenditure for Specific Purpose		
Guy Lansing Neighbors	\$ 29,510	\$ 29,510
Big Belly Grant	5,452	--
Lunch Fund	<u>320</u>	<u>--</u>
Total Net Assets with Donor Restrictions	<u>\$ 35,282</u>	<u>\$ 29,510</u>

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. During the year ended June 30, 2020, net assets released were as follows:

Resiliency Fund	\$	33,958
Big Belly Grant		8,548
Lunch Fund		<u>2,801</u>
Total	\$	<u>45,307</u>

There were no net assets released for during the year ended June 30, 2019.

NOTE 8 - RETIREMENT PLAN

ECCBD established a noncontributory defined contribution retirement plan (the “Plan”) for its employees. The Plan allows eligible employees to make voluntary contributions by salary reduction to the Plan, up to the limit allowed by law.

NOTE 9 - COMMITMENTS

ECCBD has a three-year office lease agreement which expired on June 30, 2019 and was renewed through June 30, 2020 with a renewal option through June 30, 2024. ECCBD executed the renewal option during the year ended June 30, 2020. The lessor is an employer of ECCBD’s board member. ECCBD also has a five-year office equipment lease expiring on June 30, 2021.

The following is a schedule of minimum lease commitments:

For the Years Ending				
June 30,	Office Lease	Copier Lease	Total	
2021	\$ 77,020	\$ 1,572	\$	78,592
2022	79,333	--		79,333
2023	81,716	--		81,716
2024	<u>84,168</u>	<u>--</u>		<u>84,168</u>
Total	<u>\$ 322,237</u>	<u>\$ 1,572</u>	\$	<u>323,809</u>

For the years ended June 30, 2020 and 2019, the rent expense was \$124,519 and \$83,710, respectively.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 10 - LIQUIDITY AND AVAILABILITY

ECCBD's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2020 and 2019, were as follows:

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 2,018,713	\$ 714,618
Assessments receivable	49,738	38,666
Investments	<u>3,414,064</u>	<u>3,818,027</u>
Total Financial Assets	5,482,515	4,571,311
Cash held for others	(12,317)	(13,100)
Donor imposed restrictions	(35,282)	--
Board designated net assets	<u>(336,005)</u>	<u>(482,084)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 5,098,911</u>	<u>\$ 4,076,127</u>

ECCBD's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$2.4 million). As part of its liquidity and availability plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

NOTE 11 - CONDITIONAL GRANT

During the year ended June 30, 2020, ECCBD received a conditional grant totaling \$28,000 to install 10 Big Belly trash receptacles within the Districts' catchment area. During the year ended June 30, 2020, ECCBD installed five such receptacles and recognized \$14,000. ECCBD anticipates that it will install the remaining five receptacles during the year ending June 30, 2021.

NOTE 12 - RISK AND UNCERTAINTY

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the United States. ECCBD has been actively evaluating the impact of the COVID-19 virus as it relates to the District's operations and have concluded that it does not expect it will have a material impact on its results of operations. ECCBD believes that no disclosures in or adjustments to the financial statements are required as a result of these matters, except for obtain the PPP Loan pursuant to the CARES Act as discussed in Note 4.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 - SUBSEQUENT EVENTS

ECCBD has evaluated all subsequent events through October 2, 2020, the date the financial statements were available to be issued. No further events requiring recognition or disclosure in the financial statements were identified.

MEMO

To: Matt Haney, District 6 Supervisor

CC: San Francisco Board of Supervisors

From: Chris Corgas, OEWD Senior Program Manager

RE: The East Cut Community Benefit District FY 2019-2020 Annual Report

Date: September 15, 2021

This is a memo summarizing the performance of the East Cut Community Benefit District (The East Cut CBD) and an analysis of its financial statements for the period between July 1, 2019 and June 30, 2020.

The East Cut CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. The East Cut CBD has submitted all necessary documents. OEWD staff reviewed The East Cut CBD's annual report to monitor and report on whether the CBD complied with applicable rules under 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 Greater Rincon Hill Community Benefit District management contract with the City; and the Greater Rincon Hill Community Benefit District Management Plan (Management Plan) as approved by the Board of Supervisors in 2015.

Also attached to this memo are the following documents:

1. Annual Report
 - a. FY 2019-2020
2. CPA Financial Review Reports
 - a. FY 2019-2020
3. Draft resolution from the Office of Economic and Workforce Development

Background

The District includes approximately 4,300 property-based parcels.

- July 31, 2015: the Board of Supervisors approved the resolution that established the property-based district called the Greater Rincon Hill Community Benefit District for 15 years (Resolution # 299-15).
- December 8th, 2015: the Board approved the contract with non-profit corporation Greater Rincon Hill Association for the administration and management of the Greater Rincon Hill Community Benefit District (Resolution # 506-15).
- April 10, 2017: Greater Rincon Hill Association voted to rename both the nonprofit corporation and the District as The East Cut Community Benefit District.
- June 5, 2017: The Secretary of State accepted and filed the name change of the nonprofit corporation to The East Cut Community Benefit District.
- September 25, 2018: The Board of Supervisors approved the FY 2016–17 annual report and financial statements for The East Cut Community Benefit District (Resolution # 316-18)
- November 19, 2019: The Board of Supervisors approved a resolution changing the name of the Greater Rincon Hill Community Benefit District to The East Cut Community Benefit District and approved the FY 2017-18 annual report and financial statements (Resolution # 492-19)
- January 26, 2021: The Board of Supervisors approved the FY 2018-19 annual report and financial statement for The East Cut Community Benefit District (Resolution # 022-21).

Basic Info about The East Cut CBD

Year Established	July 2015
Assessment Collection Period	FY 2015-16 to FY 2029-30 (July 1, 2015 to June 30, 2030)
Services Start and End Date	January 1, 2015 – December 31, 2030
Initial Estimated Annual Budget	\$ 2,474,194
FY 2019-2020 Assessment Roll Submission	\$ 4,091,673.32
Fiscal Year	July 1 – June 30
Executive Director	Andrew Robinson
Name of Nonprofit Owners' Entity:	The East Cut Community Benefit District

The current CBD website, <https://theeastcut.org>, includes all the pertinent information about the organization and its programs, meeting calendar and agendas, and Management Plan.

Summary of Service Area Goals

The East Cut Community Benefit District (The East Cut CBD) has a unique management plan budget allocation compared to other districts. All other districts illustrate their management plan budget as a fixed percentage of assessments toward a specific category which does not change over time. Understanding that The East Cut CBD would have ongoing development, which included parks and greenspace coming online, project proponents provided a new management plan budget for each service category for each FY through FY 18-19. Following FY 18-19, the CBD will follow FY 18-19 management plan

budget through the rest of its legislative life. The main factors determining this method of management plan budgeting was the eventual opening of Salesforce Park (called City Park in the Management Plan) and various small parks and parklets within the CBD's jurisdiction.

Public Safety

Community Guides monitor street conditions, provide crime deterrence, and evaluate quality of life issues within the District. Community guides may patrol the District on foot or bicycle, depending on pedestrian traffic.

During night hours, crime deterrence is provided by a private security firm. They are in cars and on foot. The Management Plan calls for approximately 23.36% of District assessment funds to be spent in this service area.

Cleaning and Maintenance

Cleaning and Maintenance program area includes regular sidewalk sweeping, steam cleaning, trash can topping, graffiti abatement, weeding of tree basin, spot cleaning of street furniture, and maintenance of streetscape amenities. A dispatch service is available to CBD residents and property owners to address specific cleaning and safety issues. The Management Plan calls for approximately 14.90% of District assessment funds to be spent in this service area.

Parks and Greenspace

Maintenance services include: irrigation systems management and repair; pest control; tree, shrub, and ground maintenance; gardening/weeding; arborist and horticultural consultation; seasonal fire fuel reduction; trash off-haul; pavement and pathway repairs/care; small capital improvements such as replacement of plant materials, fixtures, furniture, and equipment; emergency repair projects.

Park operations include: management of maintenance and safety services; special events planning and oversight; community outreach. The Management Plan calls for approximately 53.64% of District assessment funds to be spent on this service area.

Communication and Development

To communicate the changes taking place in the District and reinforce the public's positive perception of the District's parcels, a professionally managed communication and development program will be created. This program may include:

- Newsletters
- Marketing materials
- Website development
- Property owner and merchant outreach programs
- Community liaison activities and special events
- Business retention and recruitment
- Media relations
- Advertising
- Property manager outreach
- Property database development and updating

The Management Plan calls for approximately 1.92% of District assessment funds to be spent in this service area.

Management

The Management Plan calls for approximately 3.54% of District assessment funds to be spent on management. The East Cut CBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for the CBD. The East Cut CBD Board of Directors has twenty-three (23) board members who represent the diverse property owners and businesses in the District. Notice of meetings of the CBD's Board of Directors and CBD Advisory Committees are posted to the CBD's website and at the SF Main Library. All Board of Directors meetings are open to the public, and public comment is welcome.

Operations

The East Cut CBD will incur the customary and usual expenses of running a business and office. Annual operational costs include rent, utilities, insurance, accounting, audit, and legal fees. In addition, \$12,000 per year has been budgeted for an annual Assessment Database to ensure that The East Cut CBD properly accounts for and levies assessments on new development as it is built, completed, and occupied. The Management Plan calls for approximately 2.64% of District assessment funds to be spent in this service area.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2019-2020

Public Safety

- Provided public safety services 24/7 throughout the district, with Community guides working between 5:30 AM and 10:00 PM, daily and dedicated neighborhood security patrolling the district from 8:00pm-6:30am.
- Responded to 1,369 public calls for service.
- Conducted outreach 6,605 times to unsheltered individuals to connect them to city services and ensure they are not in need of urgent medical care.

Cleaning and Maintenance

- The CBDs street services crew provides daily cleaning and beautification: sidewalk sweeping, power washing, graffiti abatement, topping off City trash cans, weeding tree basins and sidewalk cracks, and spot-cleaning health hazards. Cleaning services are provided every day from 5:30am to 10:00pm.
- Secured a \$50,000 City budget addback from District 6 Supervisor Matt Haney to supplement overnight sidewalk pressure washing.
- Installed five new Big Belly trash receptacles in the neighborhood with an OEWD grant.
- Removed 208,625 pounds of litter.
- Cleaned or removed 3,221 instances of graffiti.
- Topped off 7,821 overflowing trashcans.
- Removed 1,787 needles.

Parks and Greenspace

- Held family-friendly holiday events for Halloween in Emerald Park and Christmas in Salesforce Park, bringing community use and enjoyment to greenspaces.

- Painted graphics and planted boxwood and flowers in empty concrete planter boxes owned by the TJPA on the Natoma Transit Center Gateway, just east of 2nd Street.
- Partnered with DocuSign and Toaster employees to paint a mural on the Caltrans wall under the I-80 off-ramp on Essex Street with paint donated by Benjamin-Moore.

Salesforce Park

- Funded 80% of the programming and maintenance of Salesforce Park.

Communication and Development

- Created and distributed a neighborhood ‘Welcome Packet’ to property managers to inform new residents about the CBD and the services it offers.
- Continued to hold quarterly property manager meetings for over 100 individuals to update on CBD services and answer questions.
- Highlighted new and existing businesses in the CBD’s monthly newsletter.
- Worked with The New Company and David Begler to develop, produce, and hang new light pole banners throughout the neighborhood to reinforce neighborhood identity and inform residents and visitors of neighborhood features.

Management

- The Board was supplied a weekly update on pertinent information about new developments in the neighborhood and the anticipated impacts.
- Continued membership in the Clean & Safe Coalition, a group led by San Francisco Travel that unites the voices of the San Francisco business community and many San Francisco neighborhood groups to advocate at the highest levels of City government for clean and safe streets in San Francisco.
- Participated on the TJPA CAC and active in the OCII CAC.
- Responded to the Covid-19 pandemic by assisting the City and County of San Francisco with outreach to the neighborhood.

Operations

- The East Cut CBD produced its fourth Annual Report and mailed a flyer announcing the annual report to all property owners in the District, as well as delivering to ground floor retail and commercial property management staff.

The East Cut CBD Annual Budget Analysis

OEWD’s staff reviewed the following budget related benchmarks for The East Cut 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 “Greater Rincon Hill Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether one and forty hundredths percent (1.40%) of actuals for Public Safety, one and forty hundredths percent (1.40%) for Cleaning and Maintenance, six and seventy-nine hundredths percent (6.79%) of actuals for Parks and Greenspace, came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the*

Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.4 - Annual Reports)

- **BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percent (*Agreement for the Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether The East Cut CBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (*CA Streets & Highways Code, Section 36650(B)(5)*)

FY 2019-2020

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 East Cut CBD met this requirement. See table below:

Service Category	Management Plan Budget (Percentage)	FY 2019-20 Budget – Asst. (Percentage)	FY 2019-20 Budget – Total. (Percentage)	Variance % Points – Asst.	Variance % Points - Total
Public Safety	\$971,056 (21.21%)	\$912,701 (20.71%)	\$926,642 (19.29%)	-0.50%	-1.92%
Cleaning and Maintenance	\$619,374 (13.53%)	\$979,638 (22.23%)	\$990,532 (20.62%)	+8.70%	+7.09%
Parks and Greenspace	\$686,235 (14.99%)	\$251,699 (5.71%)	\$581,699 (12.11%)	-9.28%	-2.88%
Salesforce Park	\$1,969,378 (43.02%)	\$1,877,818 (42.61%)	\$1,877,818 (39.09%)	-0.41%	-3.92%
Communication and Development	\$78,831 (1.72%)	\$104,490 (2.37%)	\$125,378 (2.61%)	+0.65%	+0.89%
Management	\$145,241 (3.17%)	\$170,400 (3.87%)	\$184,022 (3.83%)	+0.69%	+0.66%
Operations	\$108,232 (2.36%)	\$110,474 (2.51%)	\$117,653 (2.45%)	+0.14%	+0.09%
TOTAL	\$4,578,347 (100%)	\$4,407,220 (100%)	\$4,803,745 (100%)		

BENCHMARK 2: Whether one and forty hundredths percent (1.40%) of actuals for Public Safety, one and forty hundredths percent (1.40%) for Cleaning and Maintenance, six and seventy-nine hundredths percent (6.79%) of actuals for Parks and Greenspace, came from sources other than assessment revenue. The Transbay Joint Powers Authority (TJPA) is responsible for raising twenty and eighty-one hundredths percent (20.81%) for Salesforce Park from sources other than assessment revenue.

ANALYSIS: *The East Cut CBD met its requirement. Assessment revenue was \$964,467.80 or 96.38% of actuals and non-assessment revenue was \$36,213.82 or 3.62% of actuals for the public safety service category. Assessment revenue was \$623,883.86 or 80.15% of actuals and non-assessment revenue was \$154,487.99 or 19.85% of actuals for the cleaning and maintenance service category. Assessment revenue was \$459,457.14 or 87.95% of actuals and non-assessment revenue was \$62,946.12 or 12.05% of actuals for the Parks and Greenspace service category. Assessment revenue was \$1,456,575.66 or 70.04% of actuals and non-assessment revenue was \$623,147.00 or 29.96% of actuals. See table below.*

Public Safety (1.40% needed)

Revenue Sources	FY 2019-20 Actuals	% of Actuals
Special Benefit Assessments	\$ 965,142.12	
Total assessment revenue	\$ 965,142.12	95.27%
Contributions	\$22,653.50	2.24%
Donations	\$11,128.00	1.10%
Interest earned	\$14,149.70	1.40%
Total non-assessment revenue	\$ 47,931.20	4.73%
Total	\$ 1,013,073.32	100%

Cleaning and Maintenance (1.40% needed)

Revenue Sources	FY 2019-20 Actuals	% of Actuals
Special Benefit Assessments	\$ 615,602.29	
Total assessment revenue	\$ 615,602.29	90.59%
Contributions	\$22,653.50	3.33%%
Grants	\$8,548.00	1.26%
Donations	\$15,128.00	2.23%
Interest earned	\$17,612.27	2.59%
Total non-assessment revenue	\$63,941.77	9.41%
Total	\$778,371.85	100%

Parks and Greenspace (6.79% needed)

Revenue Sources	FY 2019-20 Actuals	% of Actuals
Special Benefit Assessments	\$ 644,771.44	
Total assessment revenue	\$ 644,771.44	91.20%
Contributions	\$15,616.00	2.21%

Donations	\$4,313.00	0.61%%
Interest earned	\$33,324.03	4.71%
Other	\$8,937.00	1.26%
Total non-assessment revenue	\$62,190.03	8.80%
Total	\$706,961.47	100%

Salesforce Park (20.82% needed)

Revenue Sources	FY 2019-20 Actuals	% of Actuals
Special Benefit Assessments	\$ 1,571,862.72	
Total assessment revenue	\$ 1,571,862.72	75.89%
Total non-assessment revenue	\$499,368.55	24.11%
Total	\$ 2,071,231.27	100%

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

ANALYSIS: *The East Cut CBD met this requirement. See table below.*

Service Category	FY 2019-20 Budget – Asst. (Percentage)	FY 2019-20 Budget – Total. (Percentage)	FY 2019-20 Actuals – Asst. (Percentage)	FY 2019-20 Actuals – Total (Percentage)	Variance % Points – Asst.	Variance % Points – Total
Public Safety	\$912,701 (20.71%)	\$926,642 (19.29%)	\$728,209.80 (20.76%)	\$776,141.00 (18.46%)	+0.05%	-0.83%
Cleaning and Maintenance	\$979,638 (22.23%)	\$990,532 (20.62%)	\$944,827.23 (26.93%)	\$1,008,769.00 (23.99%)	+4.70%	+3.37%
Parks and Greenspace	\$251,699 (5.71%)	\$581,699 (12.11%)	\$128,130.97 (3.65%)	\$190,321.00 (3.65%)	-2.06%	-7.58%
Salesforce Park	\$1,877,818 (42.61%)	\$1,877,818 (39.09%)	\$1,181,453.80 (33.68%)	\$1,680,822.00 (39.97%)	-8.93%	+0.88%
Communication and Development	\$104,490 (2.37%)	\$125,378 (2.61%)	\$178,113.93 (5.08%)	\$192,248.00 (4.57%)	+2.71%	+1.96%
Management	\$170,400 (3.87%)	\$184,022 (3.83%)	\$204,522.26 (5.83%)	\$204,522.00 (4.86%)	+1.96%	+1.03%
Operations	\$110,474 (2.51%)	\$117,653 (2.45%)	\$143,000.00 (4.08%)	\$152,498.00 (3.62%)	+1.57%	+1.18%
TOTAL	\$4,407,220 (100%)	\$4,803,745 (100%)	\$3,508,257.99 (100%)	\$4,205,231.00 (100%)		

BENCHMARK 4: Whether The East Cut CBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

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

FY 2019-2020 Carryover Disbursement	
Special Assessment Services	
Public Safety	\$725,827.20
Cleaning and Maintenance	\$510,425.96
Parks and Greenspace	\$1,139,742.95
Salesforce Park	\$1,995,185.92
Communication and Development	\$125,657.12
Management	\$23,122.48
Operations	68,623.37
Total Designated amount for FY 2020-21 and future years	\$4,588,585.00

Findings and Recommendations

The East Cut CBD has met all benchmarks as defined on pages 5 and 6 of this memo. The East Cut CBD has a strong history of meeting each of these benchmarks since its inception. This particular CBD’s management plan allocates general benefit in relation to special assessment dollars being used on a given service area. As a result, each service category has a different general benefit. This is because the CBD will maintain and service various parks within the District, including Salesforce Park. As parks and public realm have a large impact on general benefit, this was determined to be the most equitable way to accurately portray general benefit.

The second half of FY 2019-2020 was particularly challenging for The East Cut CBD as well as property owners and businesses in the area. In February 2020 visitor and office traffic to the area began to decline due to the emergence of the Covid-19 global pandemic. On March 16, 2020 Mayor London N. Breed announced that the Health Officer for the City County of San Francisco issued a Public Health Order requiring residents to remain at home, with the exception of essential needs. Additionally, all businesses other than Essential Businesses and Essential Government Functions, were required to cease all operations. All public and private gatherings of any number of people occurring outside a single family or living unit were also prohibited.

This order was particularly confusing to the Community Benefit District/Business Improvement District community in San Francisco as, by definition, they provide supplemental service and no direction was provided as to whether or not they were to cease operations. The East Cut CBD suspended operations out of an abundance of caution in the early days of the pandemic. OEWD and the Office of the City Attorney worked to determine if CBD/BIDs must continue their supplemental service despite what decisions each district made in reaction to the pandemic. On March 23, 2020 OEWD issued a memo to all CBD/BIDs stating that, based on the advice of Deputy City Attorney Manu Pradhan, Articles 13 C and D of the California Constitution supersede both gubernatorial and mayoral executive orders. These Constitutional provisions deal with how special benefits are conveyed and each CBD/BID's specific assessment formula. The ramifications of this meant that all CBD/BIDs had to return to full service immediately. OEWD also provided a list of resources to the CBD/BIDs to provide to their employees or contractors. The East Cut CBD returned to their full-service schedule once this determination was made.

During the pandemic OEWD worked with the Covid Command Center to ensure that CBD/BID essential workers were not forgotten during the Covid response and was able to acquire personal protective equipment and hygiene supplies to keep workers and the community safe. CBD/BIDs played an important role in facilitating communication between the City and their stakeholders throughout the pandemic. The East Cut CBD worked with the Covid Command Center, through OEWD, to disseminate Covid-19 related information to its stakeholders and provided safety kits to the unhoused community and commuters within the District.

The East Cut CBD worked throughout the early days of the pandemic to expand their contacts with local businesses and to support local restaurants that lost their daily lunchtime crowd. The East Cut CBD's Economic Development and Executive committees created the "East Cut Eats" programs which saw staff and volunteers deliver meals to residents from local restaurants free of charge. This program helped generate income to suffering local restaurants and helped promote existing eateries that exist in the neighborhood.

At this time, OEWD has no recommendations for The East Cut CBD.

Conclusion

The East Cut CBD was formed through an open, community-based process. The CBD performed well in implementing its service plan. The CBD is in its 5th year of operations, and has increased its opportunities in partnering with community stakeholders and numerous municipal agencies for various projects within the District. The CBD is an extremely well-run organization with an active Board of Directors and committee members. OEWD believes The East Cut CBD will continue to successfully carry out its mission and service plans.

BOARD of SUPERVISORS



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MEMORANDUM

TO: Kate Sofis, Director, Office of Economic and Workforce Development
Ben Rosenfield, City Controller

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

DATE: October 6, 2021

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Haney on September 28, 2021:

File No. 211033

Resolution receiving and approving an annual report for The East Cut Community Benefit District for Fiscal Year (FY) 2019-2020, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.

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

c: Offices of Chair Preston and Supervisor Haney
Todd Rydstrom, Office of the Controller
Anne Taupier, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development
Chris Corgas, Office of Economic and Workforce Development

Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp
or meeting date

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

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor inquiries"
- 5. City Attorney Request.
- 6. Call File No. from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Subject:

The text is listed:

Signature of Sponsoring Supervisor: