

File No. 170182 Committee Item No. 6
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight Date March 2, 2017

Board of Supervisors Meeting Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>OEWD Memo 02/01/17</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Annual Rpt 2015-2016</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CPA Rpt 06/30/16</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Referral FYI 02/22/17</u> |
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Completed by: Erica Major Date February 24, 2017
Completed by: _____ Date _____

1 [Greater Union Square Business Improvement District - Annual Report for FY2015-2016]

2
3 **Resolution receiving and approving the annual report for the Greater Union Square**
4 **Business Improvement District for FY2015-2016, submitted as required by the Property**
5 **and Business Improvement District Law of 1994 (California Streets and Highways**
6 **Code, Sections 36600, *et seq.*), Section 36650, and the District's management**
7 **agreement with the City, Section 3.4.**

8
9 WHEREAS, On June 2, 2009, pursuant to the Property and Business Improvement
10 District Law of 1994 (the "Act"), California Streets and Highways Code Sections 36600 *et*
11 *seq.*, as augmented by Article 15 of the San Francisco Business and Tax Regulations Code,
12 the Board of Supervisors adopted Resolution No. 208-09, expressing the City's intention to re-
13 establish and expand the then existing Union Square Business Improvement District, to be
14 known as the Greater Union Square Business Improvement District ("Greater Union Square
15 BID"); and

16 WHEREAS, On July 28, 2009, the Board of Supervisors adopted Resolution
17 No. 320-09 establishing the Greater Union Square BID ("Resolution to Establish") for a period
18 of 10 years, commencing FY2009-2010; and

19 WHEREAS, On January 26, 2010, the Board of Supervisors adopted Resolution
20 No. 19-10, authorizing an agreement with the owners' association for the
21 administration/management of the Greater Union Square BID, and a management agreement
22 (the "Management Contract") with the owners' association, Greater Union Square Business
23 Improvement District, Inc., was executed accordingly; and

24 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board
25 of Supervisors in File No. 091437; and

1 WHEREAS, On February 23, 2016, the Board of Supervisors approved the Greater
2 Union Square BID's annual reports for FY2014-2015 in Resolution No. 068-16; and

3 WHEREAS, The Greater Union Square BID has submitted for the Board's receipt and
4 approval the Greater Union Square BID's annual report for FY2015-2016 as required by
5 Section 36650 of the Act and Section 3.4 of the Management Contract; and

6 WHEREAS, The annual report for FY2015-2016 is on file with the Clerk of the Board of
7 Supervisors in File No. 170182, and are incorporated herein by reference as though fully set
8 forth; and

9 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
10 memorandum report from the City's Office of Economic and Workforce Development, dated
11 February 1, 2017, and documentation from the Greater Union Square BID for the annual
12 report for FY2015-2016 is on file with the Clerk of the Board of Supervisors in File
13 No. 170182; now, therefore, be it

14 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
15 report for the Greater Union Square Business Improvement District for FY2015-2016.
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MEMO

To: Supervisor Aaron Peskin, District 3
CC: San Francisco Board of Supervisors
From: Chris Corgas, OEWD Senior Program Manager
RE: Greater Union Square Business Improvement District
Date: February 1, 2017

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2017 FEB 14 PM 4:25
BY: AK

This is a memo summarizing the performance of the Greater Union Square Business Improvement District (USBID) and an analysis of its financial statements (based on their audits) for the period between July 1, 2015 and June 30, 2016. For the record the Greater Union Square Business Improvement is known as the Union Square Business Improvement District and will be referred to as such throughout this document. Initially the word "Greater" was used to distinguish from the original and smaller BID that was initially formed.

Each year the USBID is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. The Union Square BID has complied with the submission of all these requirements. OEWD staff reviewed these financial documents to monitor and report on whether they have complied with the rules per the Property and Business Improvement District Law of 1994, California Streets and Highways Code Sections 36600 Et Seq.; San Francisco's Business and Tax Regulations Code Article 15; the USBID management contract with the City; and their Management Plan approved by the Board of Supervisors in 2009.

Also attached to this memo are the following documents:

1. Annual Report
 - a. FY 2015-2015
2. CPA Financial Audit Report
 - a. FY 2015-2016
3. Draft resolution from the Office of Economic and Workforce Development



Background

The USBID includes both privately and publicly owned properties. The district covers 27 blocks and includes approximately 588 parcels.

- July 28, 2009: the Board of Supervisors approved the resolution to renew and expand the Union Square Business Improvement District to cover 27 blocks and nearly 3,000 parcels for 10 years. Resolution # 320-09).
- January 26, 2010: the Board approved the contract for the administration and management of the Greater Union Square Business Improvement District (Resolution # 19-10).
- February 23, 2016: the Board of Supervisors approved the FY 2014 - 2015 annual report and audit report (Resolution 068-16).

USBID Summary and Highlights

Year Renewed	July 2009
Assessment Collection Period	FY 2009-10 to FY 2018-19 (July 1, 2009 to June 30, 2019)
Services Start and End Date	January 1, 2010 – December 31, 2019
Initial Estimated Annual Budget	\$3,040,061
Fiscal Year	July 1 – June 30
Executive Director	Karin Flood
Name of Nonprofit Owners' Entity	Union Square Business Improvement District

The current USBID website <http://www.visitunionsquaresf.com/about-us>, includes all the pertinent information about the organization and their programs, a calendar of events, their Management Plan, Mid-Year Report, Annual Report and meeting schedules.

Summary of USBID Program Areas

Clean and Safe

USBID Clean and Safe services include a team of Safety and Hospitality Ambassadors, including SFPD "10B" officers. The *Union Square BID Management Plan* calls for 65% of the operating budget dedicated to this service area. The USBID initially contracted with MJM Management Group for a Community Service Ambassador and Cleaning programs. However, in February 2015, the USBID contracted with a new service provider (Block-by-Block) for Ambassador Services that include cleaning, safety, and hospitality services. Cleaning Ambassadors pressure wash Union Square's 27-blocks every two weeks, remove illegally dumped cardboard and garbage, top-off overflowing City-owned garbage cans, and remove graffiti. , and assistance to visitors and persons in need. The cleaning and maintenance team constitutes 12 full-time equivalent positions.

Safety & Hospitality Ambassadors, including the Team Leads, constitute 12 full-time equivalent positions and easily recognizable in red uniform jackets emblazoned with the USBID's logo. Duties include walking throughout the district providing the public with attraction and event information, directions, , and giving out the USBID Map & Guide highlighting Union Square businesses, and providing visitor and member assistance as needed.

The USBID Ambassadors work 7 days a week from 5:30am to 11pm. The USBID also runs a dispatch center and member services line from 7:00am to 7:30pm, 7 days/week and employs 2.5 dispatchers.

SFPD 10B officers hired by the USBID provide 10 hrs/day (7 days/week) of supplemental security to regular SFPD beat officers assigned to the district. 10B officers primarily come from the Tenderloin and Central SFPD stations.

Marketing, Advocacy, - and Streetscape Improvements (MABSI)

This service area promotes the USBID and its members through the USBID website (visitunionsquaresf.com), social media outlets (i.e. Facebook and Twitter), monthly and weekly newsletters, a visitor Map & Guide, media outreach and special events; advocates on behalf of Union Square property owners for important city services; beautifies the area with; and implements public realm improvements such as streetscape elements, landscaping projects, seasonal décor and holiday lighting. . The Union Square BID Management Plan calls for 10% of the budget to be spent on Marketing, Advocacy, - and Streetscape Improvements.

- **Marketing & Communications** – The USBID manages a professional member and consumer marketing program, centered on digital marketing, public space programming, and member events. In addition, the USBID publishes and distributes 60,000 Union Square Visitor Maps and actively seeks opportunities to brand the district through signage, media outreach and advertising (usually done in-kind). Consumer and member events are also a large part of the USBID’s marketing programs. The USBID’s Marketing Committee includes Board members and district volunteers and meets bi-monthly. Committee members provide feedback on the USBID’s marketing programs and participates in group discussions regarding best practices. The USBID also hosts “Coffee & Connections”, a bi-monthly networking event for Union Square area businesses as well as other member programs such as “Meet the Concierge”, Chinese Tourism and other marketing related subjects for member benefits.
- **Streetscape & Public Realm Improvements** -- The USBID’s Streetscapes Committee meets monthly and includes approximately 15 people comprised of design professionals, property managers, and public sector stakeholders to plan and implement public realm improvements and discuss transportation and land use issues impacting Union Square. This past year, the Committee assisted with convening community stakeholders, SFMTA, and SF Planning for feedback on outreach and the proposed concept designs for the lower Stockton Street Improvement project and the lower Powell Street Improvement Project pilot.
- **Advocacy** - The USBID’s Public Affairs & Advocacy Committee addresses State and local policy issues impact the district and its members. For example, in 2015-2016, the Committee advocated on behalf of USBID members for the impact mitigation of the Central Subway construction project, additional SFPD presence, additional homeless outreach services, mobile food facility permits, and other relevant local legislation.

Management and Administration

The USBID Board consists of 23 members representing property owners and managers, retailers, hospitality representatives, , hotel operators, and several at-large stakeholders. There are seven advisory committees, including an Executive Committee, who meet regularly and take action on time-sensitive matters. The USBID recently completed a three-year strategic plan with a new vision

statement, a revised mission statement, key performance indicators, and goals and objectives by service area.

Summary of Accomplishments, Challenges, and Delivery of Services

FY 2015-2016

Clean and Safe

- Partnered with Recology and Public Works to pilot five, new solar powered, “Big Belly” smart waste units in Union Square.
- Cleaning Ambassadors completed 12,761 clean up and graffiti removal requests.
- Evaluated district conditions on a regular basis and advocated to City departments for improvements.
- Removed 281,050 pounds of trash from City streets within the District.
- Steam cleaned 961,810 linear feet.
- Handled 2,925 public safety calls.
- Security camera program expanded to include over 300 cameras in operation and over 400 uses of the system by SFPD, resulting in dozens of arrests.
- Launched Union Square Cares to address the issue of homelessness.
- As part of the Union Square Cares initiative, launched a Downtown Streets Team Program to provide additional cleaning and enable homeless individuals to re-enter the work force and become self-sufficient.

Marketing

- Launched a new USBID website.
- Designed, branded, promoted, activated, and managed its second Winter Walk SF – a temporary two block, pedestrian plaza along lower Stockton Street during the holiday season.

Streetscapes & Public Realm Improvements

- Convened 8 meetings with lower Stockton Street stakeholders to assess the feasibility, benefits and impacts of redesigning a section of Stockton Street for pedestrian and transit-oriented improvements. ,
- Led member outreach efforts on SFMTA’s Powell Street Improvement Pilot legislation and implementation

Management and Operations

- Hosted the 2015 IDA Conference in October of 2015, in partnership with OEWD.
- Began a strategic planning process in anticipation of the USBID’s 2019 renewal campaign.
- Hosted the USBID annual luncheon and raised \$101,250 for services and public realm improvements for the district.
- Drafted and approved FY 15-16 annual budget, mid-year budget modification, and drafted FY 16-17 annual budget

USBID Annual Budget Analysis

OEWD’s staff reviewed the following budget related benchmarks for USBID:

- **BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan (*Agreement for the Administration of the “Greater Union Square Business Improvement District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether one percent (1%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “Greater Union Square Business Improvement District”, Section 3.4 - Annual Reports*)
- **BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percentage points (*Agreement for the Administration of the “Greater Union Square Business Improvement District”, Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether USBID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (*CA Streets & Highways Code, Section 36650(B)(5)*).

FY 2014-2015

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

ANALYSIS: USBID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2015-2016 Budget	% of Budget	Variance Percentage Points
Clean & Safe	\$1,995,400	65%	\$2,306,871.00	64.33%	-.67%
Marketing, Advocacy, Beautification and Streetscape Improvements*	\$291,675	10%	\$602,343.00	16.80%	+6.80%
Management and Operations	\$460,488	15.00%	\$676,972.00	18.88%	+3.88
Contingency & Reserves	\$323,328	10%	\$0	0%	-10.00%
TOTAL	\$3,070,891	100.0%	\$3,586,186.00	100.0%	

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

ANALYSIS: USBID met this requirement. Assessment revenue was \$3,410,053.51 or 50.30% of actuals and non-assessment revenue was \$3,369,894.88 or 49.70% of actuals. See table below.

Revenue Sources	FY 2015-2016 Actuals	% of Actuals
Special Benefit Assessments	\$3,410,053.51	
Total assessment revenue	\$3,410,053.51	50.30%
Contributions and Sponsorships	\$96,194.53	1.42%
Donations	\$101,249.94	1.49%
Grants	\$3,033,000.00	44.73%
Interest Earned	\$2389.01	.04%
Earned Revenue	\$742.30	.01%
Other	\$136,320.10	2.01%
Total non-assessment revenue	\$3,369,895.88	49.70%
Total	\$6,779,949.39	100%

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

ANALYSIS: USBID met this requirement. See table below.

Service Category	FY 2015-2016 Budget	% of Budget	FY 2015-2016 Actuals	% of Actuals	Variance Percentage Points
Clean & Safe	\$2,306,871.00	64.33%	\$2,294,289.00	62.20%	-2.12%
Marketing, Advocacy, Beautification and Streetscape Improvements*	\$602,343.00	16.80%	\$704,936.00	19.11%	+2.32%
Management and Operations	\$676,972.00	18.88%	\$674,482.00	18.29%	-.59%
Contingency Reserve	\$0	0%	\$14,671.00	0.40%	+.40%
TOTAL	\$3,586,186.00	100.0%	\$3,688,378.00	100.0%	

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

ANALYSIS: USBID met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the USBID. As a result, BIDs/CBDs typically have a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.

FY 2015-2016 Carryover Disbursement	\$3,876,587
General Benefit Carryover Projects for FY 2015-16	
Audi Grant	\$1,058.26
HHR Floral Fund	\$1,889.35
SVC Foundation Grant (2014)	\$1,031,518.78
SVC Foundation Grant (2015)	\$439,319.50
Fundraising – Non-assessment advocacy	\$58,519.39
Fundraising – Non-assessment streetscapes	\$95,709.34
Security camera program – owner donations	\$103,201.53
Total General Benefit Carryover	\$1,731,216.15
Special Assessment Carryover Projects for FY 15-16	
Management and Operations	\$53,315.40
General Fund/Contingency	\$1,566,089.19
Special Assessment Projects Total Carry Over	\$1,619,404.59
Total Carryover amount from FY 2015-2016	\$3,350,620.74

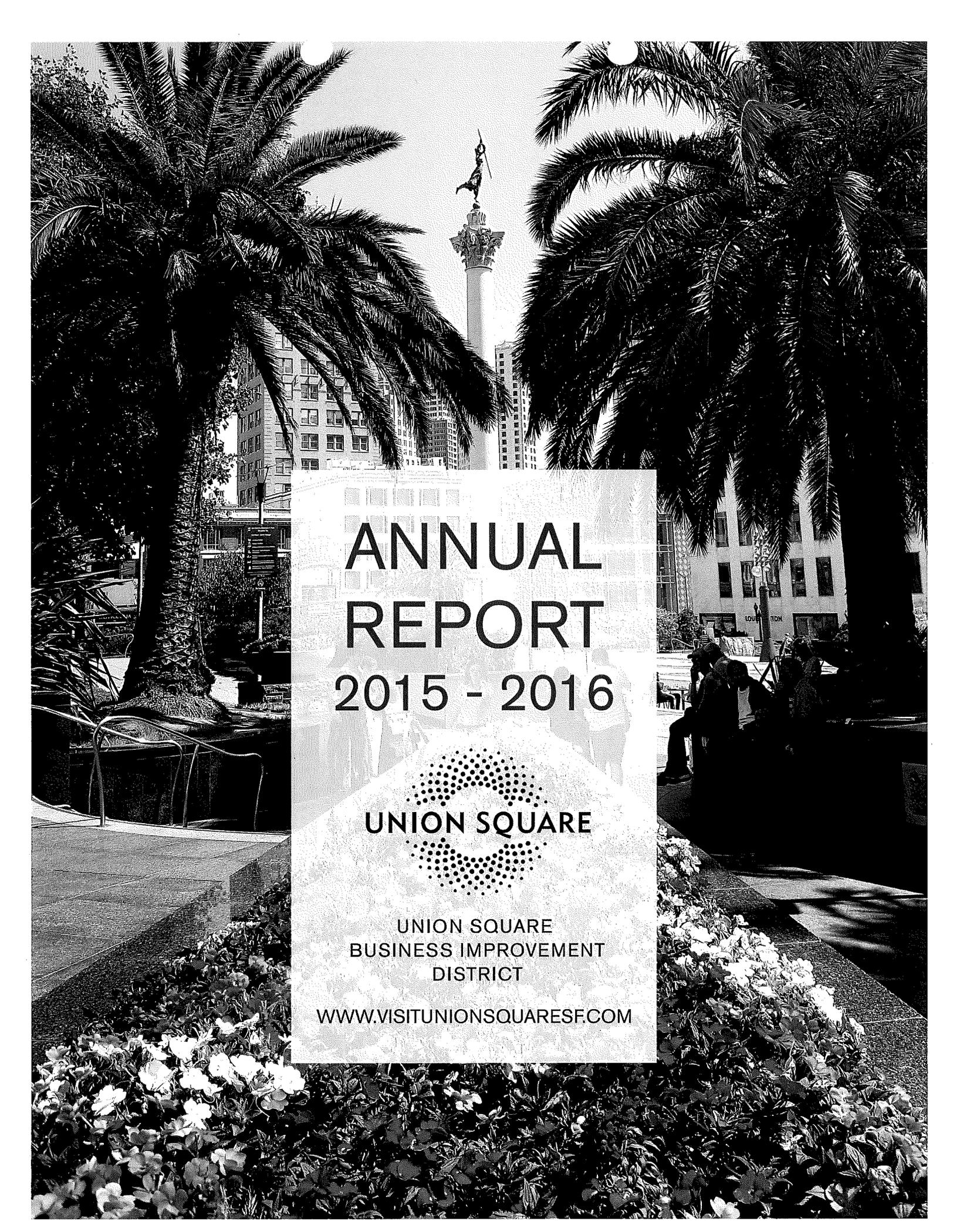
Findings and Recommendations

USBID has met all benchmarks as defined on page 5 of this memo. USBID has well exceeded its general benefit requirements of one percent (1%) The USBID was successful in acquiring grant dollars for clean, safe, and streetscape related projects. USBID revamped marketing through a new website and was able to attract thousands of visitors to the District through Winter Walk and other events.

USBID will be up for renewal in FY 2018 – 2019 and the USBID’s Board and staff have begun preparing for the renewal process. OEWD recommends the USBID continue preparation for the renewal process and begin formal outreach to USBID stakeholders in FY 2017 – 2018.

Conclusion

The USBID has performed exceptionally well in implementing the services outlined in their management plan. USBID has continued to successfully sponsor and help promote events in Union Square, including Winter Walk SF. The USBID has been particularly successful raising funds, with over half of their operating budget in FY 15-16 coming from non-assessment sources. USBID has done an outstanding job in partnering with the community stakeholders and numerous municipal agencies for the activation and improvement of public spaces. Additionally, the USBID was co-host to the 2015 IDA Conference, which brought 900 public space management professionals to San Francisco. USBID is a well-run organization with an active Board, committee members and will continue to successfully carryout its mission as a business improvement district.



ANNUAL
REPORT
2015 - 2016



UNION SQUARE

UNION SQUARE
BUSINESS IMPROVEMENT
DISTRICT

WWW.VISITUNIONSQUARESF.COM

WELCOME



On behalf of the Union Square Business Improvement District (USBID), Board of Directors and staff, we present this Annual Report to Union Square stakeholders and the City of San Francisco. Union Square proudly holds the status of San Francisco's #1 visitor destination, and is home to the largest concentration of hotels, department stores, and luxury retailers on the West Coast. Keeping the district clean, safe, and attractive for the millions of visitors who visit the district each year is hard work, particularly for the USBID Ambassadors on the street greeting visitors and presenting a welcoming and inviting district daily.

In addition to the impressive results from our clean and safe team, and under the strong leadership of the USBID Board, we launched the second Winter Walk SF, a new USBID website, the Union Square Cares program, expanded security camera project to 250 cameras (more in the pipeline), and raised a record \$100,000 at our Annual Luncheon for USBID-led initiatives. We also conducted a strategic planning process to chart the organization's priorities for the next three years.

Of course, the USBID does not do this work alone. It relies on public and private partners including SFPD, SFMTA, Public Works, Planning, OEWD, the District Attorney's Office, SF Travel, and multiple business and civic organizations who make our accomplishments possible.

In the next year, we'll focus on supplementing the district's core clean and safe services and celebrate Union Square as a destination to stay, play, eat, and have fun with lively events, programming, and activations. We welcome you to join us.

Sincerely,

Handwritten signature of Stephen Brett.

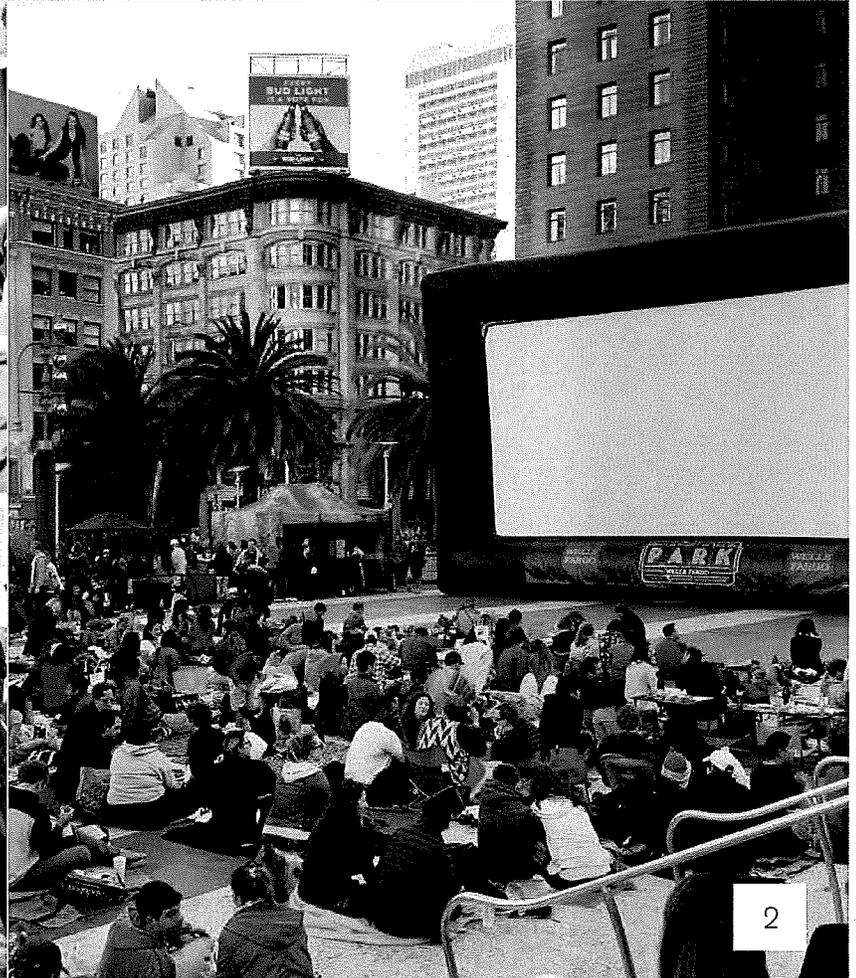
Stephen Brett
Board President

Handwritten signature of Karin Flood.

Karin Flood
Executive Director



Upper Left: USBID Hospitality Ambassador giving directions | Upper Right: Downtown Streets Team
Lower Right: Film Night in the Park | Lower Left: SFPD Mounted Unit | Center Left: Fun on Winter Walk



ACCOMPLISHMENTS

STRATEGIC PLAN

In January 2016, the USBID contracted with MIG, Inc., a Berkeley-based, multi-disciplinary planning firm, to design and develop a strategic planning process in preparation for the USBID's 2019 renewal campaign. The 8-month process included conducting Board member and staff interviews, assessing the USBID's organizational, governance structure and fiscal and mission impact, conducting an in-depth environmental scan report, and facilitating Board Workshops and Strategic Planning Committee meetings in order to develop a three-year Strategic Plan to guide the USBID's priorities.

PUBLIC SAFETY AND CAMERA PROJECT

During the 2015-2016 fiscal year, the USBID received an additional \$3M from a Silicon Valley Community Foundation donor-advised fund for public safety enhancements in Union Square (\$.5M for the USBID's security camera program and \$1M for the SFPD's annual "Holiday Safe Shopper Program", and \$1.5M for the "Safe City Program") during the holidays and Super Bowl 50 week. The security camera program grew exponentially ending 15-16FY year with over 300 cameras in operation and approximately 400 uses of the system resulting in dozens of SFPD arrests.

UNION SQUARE CARES

USBID launched *Union Square Cares*, a comprehensive education campaign and services program, in partnership with SF Project Homeless Connect and SF Department of Health, to address the issue of homelessness in Union Square. *Union Square Cares'* three-pronged strategy CALL – CONTRIBUTE – CONNECT brings together the USBID's contracted "SF HOTs" social service outreach worker, Public Safety Ambassadors, and Union Square businesses and employees to link those in need with existing City services.

DOWNTOWN STREETS TEAM

As part of its *Union Square Cares* initiative, the USBID contracted with Downtown Streets Team (DST), a Bay Area nonprofit whose mission is "ending homelessness through the dignity of work". DST provides on-the-job training, case management, and access to City services. Eight DST members sweep and clean alleys and sidewalks in the Union Square area Mon. - Fri. from 7-11 am and 1-5 pm. Originally started in Palo Alto, Union Square is DST's second contract in San Francisco following Civic Center. DST sponsors weekly "Celebration" meetings, a type of team building and motivational event to share their individual stories of success.

BIG BELLY TRASH RECEPTACLES

USBID contracted with Big Belly and partnered with Recology and SF Public Works to pilot five, new solar powered, "Big Belly" smart waste units in Union Square's high-pedestrian traffic corridors to mitigate issues of sidewalk grime, litter, and illegal trash scavenging. SF Public Works is watching the pilot and may expand Big Belly's into other SF commercial districts depending on Union Square's pilot study results.

WINTER WALK SF

USBID designed, branded, promoted, activated and managed it's second Winter Walk SF, a highly successful, temporary two-block, pedestrian plaza activated with food trucks and performances, a projection light art show, green turf, lighted seating, and local retail promotions for five-weeks from late November to early January 2017. The family-friendly space attracted thousands of new and returning visitors to the district. Project sponsors included Central Subway Team, SFMTA, Chancellor Hotel,



Hotel G, Golden Gate Tap Room, Macy's, Off the Grid, RHAA, San Francisco Magazine, Techspace, and Where Magazine.

LOWER STOCKTON STREET PROJECT

USBID, in partnership with SFMTA and SF Public Works, convened 8-meetings with lower Stockton Street stakeholders to assess the feasibility, benefits, and impacts of redesigning the section of street as a three-block long pedestrian and transit-oriented promenade with sidewalk, lighting, and streetscape improvements. Approximately 30-40 stakeholders comprised of lower Stockton property owners and retailers, including pedestrian and bicycle advocacy groups, attended the meetings to hear presentations from SFMTA and SF Public Works, discuss and vote on concept design alternatives, resulting in a proposed design alternative for lower Stockton Street following Central Subway's completion in 2019.

POWELL STREET IMPROVEMENT PILOT

USBID led the outreach efforts with lower Powell Street hotels and retailers for a proposed SFMTA pilot closing two-blocks of Powell Street (Ellis to Geary Streets) to private vehicles (excluding hotel passenger pick-up/drop-off) for an 18-month trial period. In early November 2015, the SFMTA Board unanimously approved the pilot after the USBID convened multiple lower Powell Street stakeholder meetings and partners, including Supervisor Julie Christensen and the Hotel Council of SF, to work out concerns from hotels regarding passenger unloading/loading with tempo-

rary pedestrian and vehicle improvements, such as new turn restrictions onto Powell Street from adjacent streets, new red curb coloring and traffic signage, and added parking enforcement.

NEW WEBSITE LAUNCH

USBID contracted with Project6, a website design company, to develop a new, enhanced USBID website that improves the user experience and highlights Union Square businesses, district events and activities to visitors. The new website makes it easier to find information about USBID members and partners, and describes the USBID's services, projects, and accomplishments. The project consultants worked closely with USBID staff to ensure the website format and design aligned with Union Square's brand and image.

ANNUAL LUNCHEON

USBID held its most successful Annual Luncheon, raising \$101,250 through the generosity of individual and new corporate sponsors, such as Applied Video Solutions, to support advocacy, clean and safe services, and public realm projects. The sold out event included over 230+ USBID members, affiliates, and City officials, and Supervisor Aaron Peskin as the keynote speaker. Attendees were greeted by the USBID's first professionally produced video highlighting USBID services and initiatives.

IDA CONFERENCE

The USBID hosted the 2015 IDA conference "Bridge the Gap: Innovation, Inclusion, Inspiration", with IDA and the City of SF as co-hosts, which attracted 850 downtown management professionals (IDA's 2nd best attended conference ever) to hear experts in technology, hospitality, retail, and public space speak on diverse topics such as complex urban systems, best practices in emerging downtowns, public-private partnerships, the sharing economy, disruptive technologies, and social equity and sustainability. Generous contributions from local sponsors included the City of San Francisco, Big Bus, Block-by-Block, Lori's Diner, the Flood Corporation, Trinity Properties, The Keil Companies, Brett & Company, MJM, and the Henry Wine Group.



FINANCIALS

ASSESSMENT METHODOLOGY

The USBID is a 501(c)4 non-profit organization and currently the largest of San Francisco's 14 existing property-based Business Improvement Districts. The Union Square district covers 27 blocks and includes nearly 600 parcels, both publicly and privately owned. Funding for the district is proportionally shared by property owners, who are self-assessed to provide services to supplement those provided by the City.

These annual assessments are based on the following variables:

- Linear (sidewalk) frontage
- Building square footage of non-residential properties
- Property usage

Each property owner's assessment is calculated according to the special benefit received from the services provided by the USBID.

Accordingly, each property owner is assessed for their proportional special benefit for the following services:

- Cleaning, maintenance and safety services
- Marketing, beautification and streetscape improvements and advocacy (non-residential only)

ASSESSMENT CALCULATION RATE CHART FOR 16-17FY

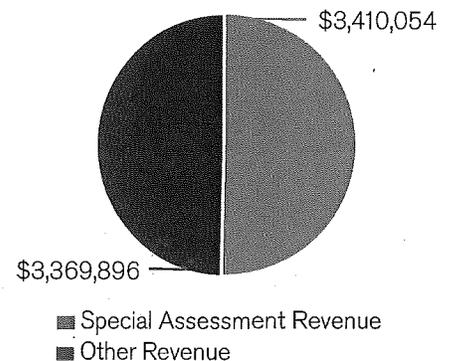
PROPERTY TYPE	CLEAN & SAFE*	MARKETING/ ADVOCACY**
Category 1 less than 2,000 bldg sq ft	\$80.40	\$85.43
Category 2 2,000 - 4,999 bldg sq ft	\$80.40	\$170.87
Category 3 5,000 - 9,999 bldg sq ft	\$80.40	\$569.56
Category 4 10,000 - 29,999 bldg sq ft	\$80.40	\$1,139.13
Category 5 30,000 - 99,999 bldg sq ft	\$80.40	\$1,423.92
Category 6 100,000 or more bldg sq ft	\$80.40	\$5,695.69
Residential Property & Public Property	\$80.40	\$0.00
Hallidie Plaza Parcels (1)	\$4.04***	\$0.00

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

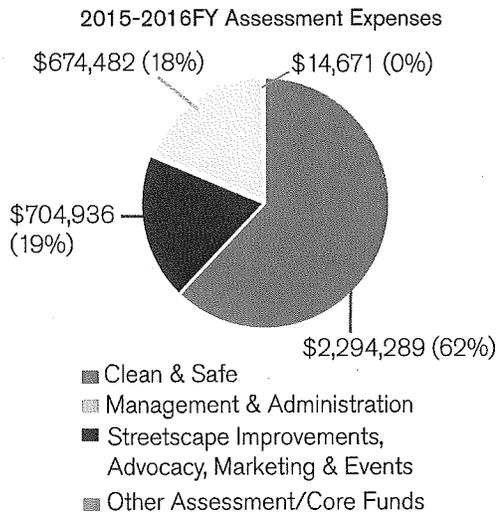
FINANCIAL RESULTS 15-16FY

FUNDS	BUDGET	ACTUAL	VARIANCE
Special Assessment Funds	\$3,346,023	\$3,410,054	\$64,031
Other Funds	\$337,665	\$3,369,896	\$3,032,231
TOTAL FUNDS	\$3,683,688	\$6,779,950	\$3,096,262
EXPENSES			
Clean & Safe	\$2,306,871	\$2,294,289	\$12,582
Streetscape Improvements, Marketing, Advocacy & Events	\$602,343	\$704,936	\$(102,593)
Management & Administration	\$676,972	\$674,482	\$2,490
Other Assessment / Core Funds	-	\$14,671	\$(14,671)
TOTAL ASSESSMENT EXPENSES	\$3,586,186	\$3,688,378	\$(102,192)
SVCF Grants (10B Police & Security Camera)	\$1,629,680	\$3,478,018	\$(1,848,338)
Other Grants & Non-Assessment Funds	\$334,253	\$139,520	\$194,733
TOTAL EXPENSES	\$5,550,119	\$7,305,916	\$(1,755,797)
NET DEFICIT FOR 15-16FY	\$(1,866,431)	\$(525,966)	\$1,340,465

2015-2016FY Revenue



15-16FY STATEMENT OF FINANCIAL POSITION



ASSETS

Cash	\$	2,792,232
Receivables (Net)	\$	43,522
Other Current Assets	\$	70,431
Furniture & Equipment (Net)	\$	857,807
TOTAL ASSETS	\$	3,763,992

LIABILITIES & NET ASSETS

Accounts Payable & Accrued Expenses	\$	413,371
TOTAL LIABILITIES	\$	413,371

NET ASSETS

Unrestricted	\$	1,773,633
Restricted Temporarily	\$	1,576,987
TOTAL NET ASSETS	\$	3,350,621

TOTAL LIABILITIES & NET ASSETS	\$	3,763,992
---	-----------	------------------

Carry Over Funds from FY 15-16

Management & Administration	\$	53,315
General Fund/Contingency	\$	1,566,089
Total Assessment & Service Area Funds	\$	1,619,404
SVCF Grants	\$	1,470,840
Other Restricted/Designated Funds	\$	260,377
TOTAL CARRY OVER FUNDS (From 15-16)	\$	3,350,621

BUDGET 16-17FY

INCOME

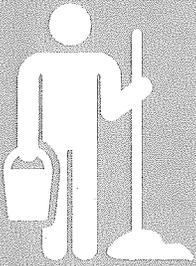
Assessment Revenue	\$	3,447,327
Fundraising & Other	\$	531,325
TOTAL INCOME	\$	3,978,652

EXPENSES

Clean & Safe	\$	2,450,163
Streetscapes, Advocacy, Marketing & Events	\$	667,052
Management & Administration	\$	702,093
Total Assessment Expenses	\$	3,819,308
SVCF Grant Expenses	\$	768,935
Other Grants & Funds	\$	280,000
TOTAL EXPENSES	\$	4,868,243

CLEAN & SAFE STATS (15-16FY)

POUNDS OF LITER/DEBRIS/LEAF



SIDEWALK SCRUB
REQUESTS

2,468



SIDEWALK SWEEP
REQUESTS

1,534



GRAFFITI, FLYER &
STICKER REMOVAL

12,761

NUMBER OF
SIT/LIE/SLEEPING



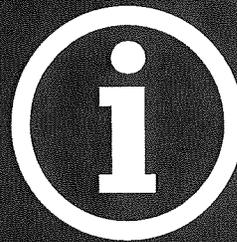
745

SFPD ENFORCED

4,711

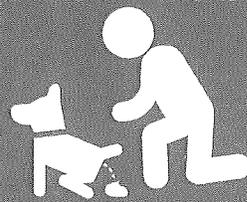
AMBASSADOR
ADVISED

DIRECTIONS



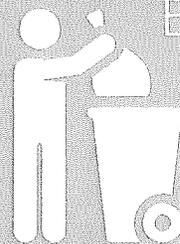
84,542

Cleaning Ambassadors - 11,785
Hospitality Ambassadors - 57,093
Safety Ambassadors - 15,664



HAZARDOUS WASTE
REMOVAL

6,989



BAGS (1 BAG = 25#)

11,242

AGGRESSIVE
PANHANDLERS

2,853



SERVICES

SERVICES OVERVIEW

HOSPITALITY AMBASSADORS
7:30AM - 7:30PM (7 days a week)

SAFETY AMBASSADORS
5:30AM - 11:00PM (7 days a week)

CLEANING AMBASSADORS
5:30AM - 8:30PM (Mon-Sat)
7:00AM - 8:30PM (Sun)

DISPATCH SERVICES
7:00AM - 7:30PM (7 days a week)

10B SFPD OFFICER
10 hours daily (7 days a week)

PRESSURE WASHING
All sidewalks - twice monthly

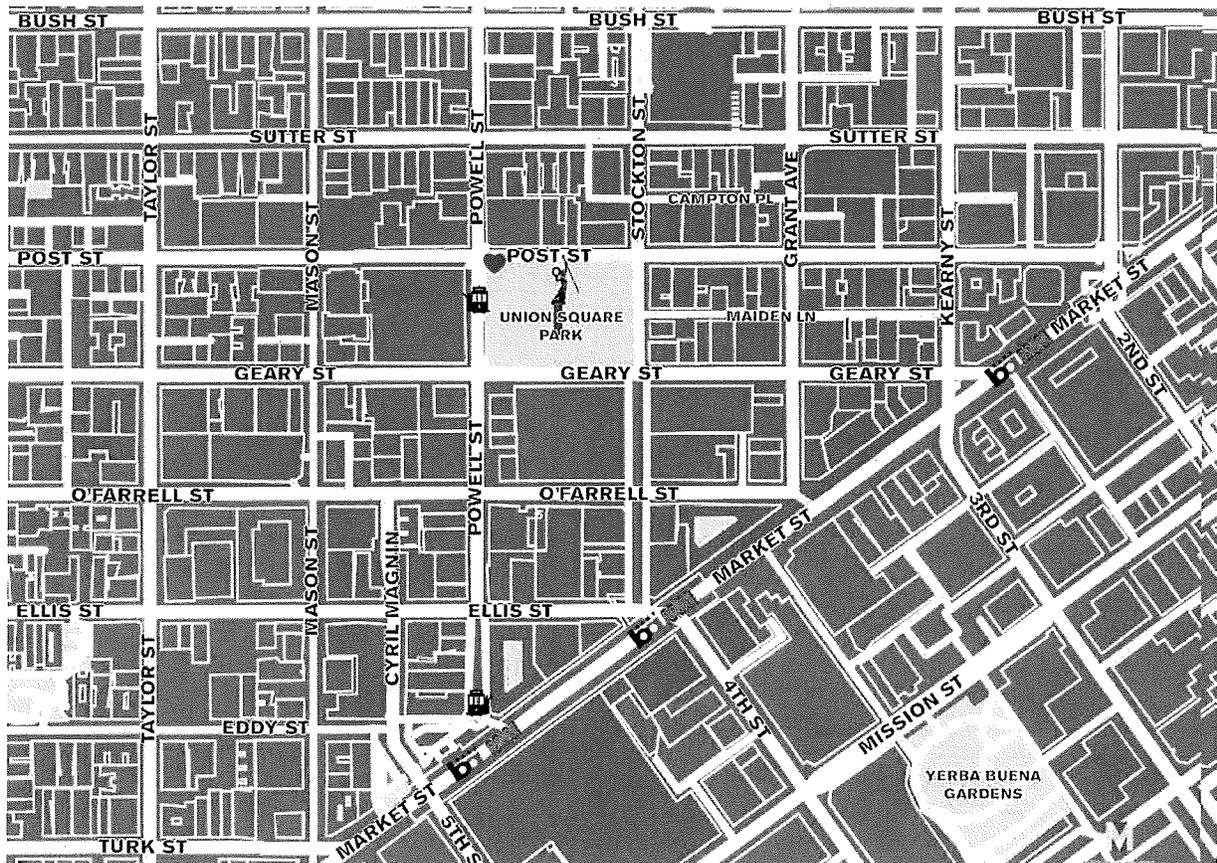
GRAFFITI REMOVAL
As needed, with property owner's authorization

ADVOCACY
To represent the district on clean, safe, quality of life and business issues

MARKETING
To ensure Union Square's standing as a dynamic, world-class destination

STREETSCAPES & PUBLIC REALM
To support, promote, and implement public realm improvements throughout the district

MAP OF UNION SQUARE BID



BOARD, STAFF & COMMITTEES

BOARD OFFICERS

PRESIDENT

Stephen Brett | Brett & Company

TREASURER

James Sangiacomo | Trinity Properties

SECRETARY

Man J. Kim | Lori's Diner International

DIRECTORS

Thomas Carroll | Tiffany & Co.

Jim Chappell | Planning Consultant

Steve Cowan | Hilton San Francisco Union Square

Paul Devitt | Grand Hyatt

Tim Falvey | Hanford-Freund & Company

James C. Flood | Flood Corporation

Leah Heil | Westfield San Francisco Centre

Shirley Howard Johnson | Arts Consultant

Russell D. Keil, Jr. | The Keil Companies

Richard Leider | Anvil Builders

Amber Jo Manuel | American Conservatory Theater

Tad Moore | 250 Post Street LP

Alan Morrell | Neiman Marcus

Lawrence Pineda | Macy's Men's Store

Kelly Powers | Hotel Council of San Francisco

Spencer Sechler | CityPark

Minna Tao | Recology - Golden Gate

Julie Taylor | Collier's International

Don Thomas | The Club Donatello

Wes Tyler | Chancellor Hotel on Union Square

ADVISORY COMMITTEE CHAIRS

AUDIT

Man J. Kim | Lori's Diner International

FINANCE

James Sangiacomo | Trinity Properties

PUBLIC AFFAIRS

Wes Tyler | Chancellor Hotel on Union Square

SERVICES AND PUBLIC SAFETY

Don Thomas | The Club Donatello

STREETSCAPES & PUBLIC REALM

Manuela Anne King | RHAA Landscape Architects

2016 MANAGEMENT

EXECUTIVE DIRECTOR

Karin Flood

DEPUTY DIRECTOR

Benjamin Horne

DIRECTOR OF STRATEGIC INITIATIVES

Claude Imbault

DIRECTOR OF MARKETING & COMMUNICATIONS

Alex Lopez

MARKETING COORDINATOR

Tara Jett

SERVICES MANAGER

Randall Scott

CONTRACT SERVICE PROVIDER

Block-by-Block



Upper Left: Cable Car Turnaround | Upper Right: Visiting Powell St. | Center Right: Emperor Norton's Magical Time Machine Tour
Lower Right: Lunch on Maiden Lane | Lower Left: PRIDE at Westfield San Francisco Centre

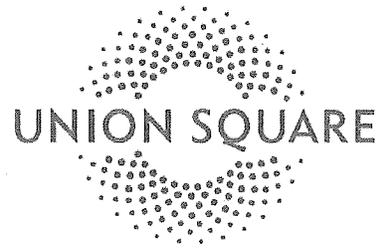




UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

323 GEARY STREET, SUITE 203 SAN FRANCISCO, CA 94102
TEL (415) 781-7880 FAX (415) 781-0258
FOR DISPATCH SERVICES CALL (415) 781-4456

VISITUNIONSQUARESF.COM



UNION SQUARE
BUSINESS IMPROVEMENT
DISTRICT

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

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Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Union Square Business Improvement District
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Union Square Business Improvement District (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Square Business Improvement District as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The 2015 financial statements of Union Square Business Improvement District were audited by Lautze & Lautze CPA's & Financial Advisors whose practice was combined with Marcum LLP as of June 1, 2016, and whose report dated September 24, 2015, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

San Francisco, California
September 22, 2016

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	2016	2015
Assets		
Cash and cash equivalents	\$ 566,574	\$ 2,508,643
Promises to give	11,098	63,171
Assessments and accounts receivable, net	32,424	305,265
Prepaid expenses and deposits	70,432	32,511
Certificates of deposit	2,225,658	1,074,149
Furniture and equipment, net	<u>857,807</u>	<u>273,508</u>
Total Assets	<u>\$ 3,763,993</u>	<u>\$ 4,257,247</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 299,703	\$ 375,871
Grants payable	87,500	--
Accrued benefits	10,247	4,787
Deferred revenue	<u>15,918</u>	<u>--</u>
Total Liabilities	<u>413,368</u>	<u>380,658</u>
Net Assets		
Unrestricted	1,773,636	1,861,835
Temporarily restricted	<u>1,576,989</u>	<u>2,014,754</u>
Total Net Assets	<u>3,350,625</u>	<u>3,876,589</u>
Total Liabilities and Net Assets	<u>\$ 3,763,993</u>	<u>\$ 4,257,247</u>

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	2016	2015
Revenue and Other Support				
Assessment revenue	\$ 3,410,053	\$ --	\$ 3,410,053	\$ 3,279,352
Contributions	2,724,185	529,572	3,253,757	3,168,546
Special event	113,750	--	113,750	126,473
Interest income	2,389	--	2,389	243
Net assets released from restrictions	<u>967,337</u>	<u>(967,337)</u>	<u>--</u>	<u>--</u>
Total Revenue and Other Support	<u>7,217,714</u>	<u>(437,765)</u>	<u>6,779,949</u>	<u>6,574,614</u>
Expenses				
Program	6,595,794	--	6,595,794	4,059,073
Management and administrative	674,481	--	674,481	539,349
Fundraising	<u>35,638</u>	<u>--</u>	<u>35,638</u>	<u>33,432</u>
Total Expenses	<u>7,305,913</u>	<u>--</u>	<u>7,305,913</u>	<u>4,631,854</u>
Change in Net Assets	<u>(88,199)</u>	<u>(437,765)</u>	<u>(525,964)</u>	<u>1,942,760</u>
Net Assets - Beginning	<u>1,861,835</u>	<u>2,014,754</u>	<u>3,876,589</u>	<u>1,933,829</u>
Net Assets - Ending	<u>\$ 1,773,636</u>	<u>\$ 1,576,989</u>	<u>\$ 3,350,625</u>	<u>\$ 3,876,589</u>

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Program	Management and Administrative	Fundraising	2016	2015
Silicon Valley Community Foundation grants expenses	\$ 3,181,072	\$ --	\$ --	\$ 3,181,072	\$ 1,046,054
Contract clean and safe services	2,042,595	--	--	2,042,595	2,078,937
Salaries and wages	308,786	208,744	--	517,530	396,482
Accounting, legal, and support	55,752	270,677	750	327,179	202,171
Public realm improvement projects	177,138	--	--	177,138	123,920
Clean and Safe operating expenses and projects	163,935	--	--	163,935	105,993
Marketing and promotion	136,289	--	--	136,289	147,573
In-kind services	117,635	9,185	--	126,820	29,195
Special events and activation	65,375	--	33,941	99,316	189,344
Rent and utilities	--	81,574	--	81,574	69,069
Payroll taxes and benefits	35,133	30,322	--	65,455	49,605
Depreciation	252,375	8,640	--	261,015	72,850
Public affairs, advocacy, and Union Square Cares	45,960	--	--	45,960	41,017
Insurance, permits, and fees	9,675	30,407	--	40,082	38,485
Meeting expenses, conferences, and travel	3,908	14,562	--	18,470	15,345
Office supplies and expenses	81	11,490	--	11,571	8,836
Printing expenses	42	4,724	--	4,766	11,732
Office equipment lease	--	3,843	--	3,843	3,482
Bank fees and interest expense	43	313	947	1,303	1,764
Total	\$ 6,595,794	\$ 674,481	\$ 35,638	\$ 7,305,913	\$ 4,631,854

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

	2016	2015
Cash Flows Provided By (Used In) Operating Activities		
Change in net assets	\$ (525,964)	\$ 1,942,760
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for uncollectible assessments	(18,910)	--
Depreciation	261,015	72,850
Changes in Operating Assets and Liabilities		
Promises to give	52,073	(33,570)
Assessments and accounts receivable	291,751	(195,206)
Prepaid expenses and deposits	(37,921)	(16,162)
Accounts payable and accrued expenses	(76,168)	41,283
Grants payable	87,500	--
Accrued benefits	5,460	(2,095)
Deferred revenue	15,918	--
	<u>54,754</u>	<u>1,809,860</u>
Net Cash Provided By Operating Activities		
Cash Flows Provided By (Used In) Investing Activities		
Proceeds on sale/maturity of certificates of deposit	1,074,149	--
Purchase of certificates of deposit	(2,225,658)	(1,074,149)
Purchase of furniture and equipment	(845,314)	(193,795)
	<u>(1,996,823)</u>	<u>(1,267,944)</u>
Net Cash (Used In) Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(1,942,069)	541,916
Cash and Cash Equivalents - Beginning	<u>2,508,643</u>	<u>1,966,727</u>
Cash and Cash Equivalents - Ending	<u>\$ 566,574</u>	<u>\$ 2,508,643</u>

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

The Union Square Business Improvement District (the USBID) was formed in 1999 by property owners and merchants to improve the image and economic vitality of the Union Square area by providing cleaning and maintenance and public safety programs to a 10 block area (the District). The USBID aims to provide services that assure a positive experience of Union Square so that Union Square will maintain its ranking as one of the top destinations in the world, that the district will be equally enjoyed by residents and workers, and that this experience will enhance the district's economic base and be reflected in positive property values for the USBID's members.

The USBID renewed its contract with the City and County of San Francisco (the City) for a ten year term on July 1, 2009. Effective with the renewal, the USBID expanded the district from the original ten blocks to twenty-seven whole or partial blocks, representing nearly 600 parcel owners in the district. The USBID also expanded services and added marketing, advocacy, beautification and capital improvement programs.

The USBID's mission statement is as follows:

The Union Square BID serves members and creates a high quality visitor experience by managing and activating public spaces, attracting new investment and advocating for the District's future success.

Major programs and services provided by the USBID are:

Clean and Safe:

- Safety and Hospitality Ambassadors – Ambassadors walk throughout the USBID to greet and assist the public with information and directions, and guide those in need of social services to appropriate resources. Ambassadors are on duty 5:30am to 11:00pm daily.
- 10B Police Officers – 10B Police Officers are on patrol in the district 10 hours daily to respond to members' needs and manage other quality of life issues in the District.
- Cleaning and Graffiti Removal – Maintenance staff are on duty daily from 5:30am to 8:30pm to clean litter from sidewalks and to remove graffiti. Each sidewalk in the District is steam cleaned every 2 weeks.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

PURPOSE AND ORGANIZATION (CONTINUED)

Silicon Valley Community Foundation:

- As a result of contributions from donor advised funds of the Silicon Valley Community Foundation, the USBID has been able to provide additional San Francisco Police Department (SFPD) patrols through the 10B program and expand the security camera project.

Other:

- Public Realm Improvements, Marketing, and Events – Promoting the Union Square area and its interests through events, digital and traditional marketing programs and public relations, public realm improvements, décor and other programs to beautify the area.
- Public Affairs Advocacy – Advocating public policy and services to ensure the economic vitality of the district.
- Union Square Cares – A program to provide homeless services and outreach and member education to help alleviate homelessness in Union Square.

BASIS OF ACCOUNTING

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

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that the USBID report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of the USBID are classified and reported as described below:

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

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

CLASSIFICATION OF NET ASSETS (CONTINUED)

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

As of June 30, 2016, the USBID did not have any net assets meeting the definition of permanently restricted.

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-term maturity of these instruments.

ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

PROMISES TO GIVE

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

PROMISES TO GIVE (CONTINUED)

The USBID uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has reviewed and evaluated the outstanding promises to give and considers them fully collectible; therefore management has determined that no allowance is necessary as of June 30, 2016.

ASSESSMENTS RECEIVABLE

Assessments receivable represent obligations of local property owners due to the USBID. Unpaid receivables do not accrue interest.

The USBID uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on historical experience and an evaluation of the outstanding receivables at the end of the year. As of June 30, 2016, the allowance for uncollectible assessments was approximately \$6,000.

CERTIFICATES OF DEPOSIT

The USBID's investments in certificates of deposit are carried at fair value based upon quoted market prices.

FURNITURE AND EQUIPMENT

The USBID capitalizes acquisitions of furniture and equipment with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 7 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

ACCRUED VACATION

Full-time employees may accrue up to 19 hours per month depending on the number of years employed. Part-time employees accrue vacation on a prorated basis. Employees can accrue a maximum of 150% of their annual vacation accrual.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

REVENUE RECOGNITION

Assessment Revenue

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

Contributions

The USBID recognizes all contributions when they are received or unconditionally promised. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of restriction. Contributions with donor-imposed restrictions and investment income generated from such investments that are complied with within the year of receipt are reported as unrestricted support.

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

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the USBID reports expirations of donor restrictions over the estimated useful lives of the donated assets. The USBID reclassifies temporarily restricted net assets to unrestricted net assets at that time. There were no donations of material and equipment for the year ended June 30, 2016.

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

For the year ended June 30, 2016, the USBID recognized contributed goods and services in the amount of \$136,320.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

ADVERTISING

The costs of advertising are charged to expense as incurred. Advertising expense for the year ended June 30, 2016 was \$8,898 and has been included in *marketing and promotion* in the statement of functional expenses.

INCOME TAXES

The USBID is a qualified organization exempt from federal and state income taxes under §501(c)(4) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code, respectively.

The USBID recognizes a threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an organization is entitled to economic benefits resulting from tax positions taken in income tax returns. For tax-exempt entities, favorable tax status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The USBID's evaluation on June 30, 2016 revealed no tax positions that would have a material impact on the financial statements.

The USBID's tax returns are subject to examination by federal and state taxing authorities. However, management is unaware of any pending examinations nor are there any in progress.

CONCENTRATIONS OF RISK

Financial Instruments

Financial instruments which potentially subject the USBID to concentrations of credit risk consist principally of cash and cash equivalents. The USBID maintains its cash in various bank deposit accounts. The USBID has a policy requiring all funds be fully insured. Management believes that the USBID is not exposed to any significant credit risk related to concentrations.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and supporting services have been summarized on a functional basis for the year ended June 30, 2016 in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the USBID's financial statements as of June 30, 2015 and for the year then ended, from which the summarized information was derived.

RECLASSIFICATIONS

Certain amounts in the summarized comparative totals for 2015 have been reclassified to conform to the 2016 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

NOTE 2 - FAIR VALUE MEASUREMENTS

The USBID's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a 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

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

Level 2

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

Level 3

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

Certificates of Deposit

The fair value of fixed income securities is estimated using recently executed transactions or market price quotations (where observable). These securities are classified within Level 2 of the fair value hierarchy.

The following table provides information as of June 30, 2016, about the USBID's financial assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Assets at Fair Value				
Certificates of deposit	\$ --	\$ 2,225,658	\$ --	\$ 2,225,658

NOTE 3 - PROMISES TO GIVE

The promise to give at June 30, 2016, is the balance due from a \$33,000 contribution from Audi of America (Audi), restricted for maintenance of the Powell Street Promenade. The balance of \$11,098 is due to be received during the year ended June 30, 2017.

NOTE 4 - FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, 2016, consist of the following:

Furniture and equipment	\$ 1,205,105
Less accumulated depreciation	<u>(394,393)</u>
	810,712
Equipment not yet placed in service	<u>47,095</u>
Total	\$ <u>857,807</u>

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5 - LINE OF CREDIT

The USBID renewed a revolving line of credit with Wells Fargo on December 1, 2015, which expires on February 5, 2017, for a maximum borrowing amount of \$500,000. Interest is payable at the greater of the prime rate plus 1.25% (4.75% at June 30, 2016) or the floor rate of 4.50%. The line of credit is secured by the USBID's inventory, accounts receivable, and equipment. The USBID did not borrow from the line of credit during the year ended June 30, 2016.

NOTE 6 - UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2016, consist of the following:

Undesignated	\$ 1,529,018
Board designated:	
Streetscape projects	95,709
Advocacy	58,519
Management and administration	53,315
Net investment in furniture and equipment	<u>37,075</u>
Total	<u>\$ 1,773,636</u>

The USBID does not receive the first assessment payment for its fiscal year until January, thus it is incumbent on the USBID to maintain approximately eight months of operating capital at the end of each fiscal year to support operations until the first payment is received in the next fiscal year. This policy will also provide for the USBID to dissolve the entity in a timely manner should its contract with the City to provide services not be renewed in June 2019.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016, consist of the following:

Police patrols and security cameras	\$ 753,308
Net investment in furniture and equipment (security cameras)	820,732
Others	<u>2,949</u>
Total	<u>\$ 1,576,989</u>

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses which satisfied the restricted purposes during the year ended June 30, 2016, as follows:

Police patrols and security cameras	\$ 917,337
IDA Conference	<u>50,000</u>
Total	<u>\$ 967,337</u>

NOTE 9 - GRANTS

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

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

Grants payable at June 30, 2016, was \$87,500. USBID is also committed to an additional \$87,500 on each sub-grant, due upon evidence that the respective project is 75% complete.

NOTE 10 - COMMITMENTS

The USBID was obligated under non-cancelable operating lease agreements for its office, operations office, conference room, and storage. The lease term is October 1, 2013 through September 30, 2016. Subsequent to September 30, 2016, the USBID will lease the space on a month-to-month basis.

The USBID also leases equipment under an agreement with a term from November 20, 2015 through February 20, 2019.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 10 - COMMITMENTS (CONTINUED)

The following is a schedule of minimum lease commitments:

For the Years Ending June 30,	Facility	Equipment	Total
2017	\$ 32,506	\$ 4,320	\$ 36,826
2018	--	4,320	4,320
2019	--	<u>3,240</u>	<u>3,240</u>
Total	<u>\$ 32,506</u>	<u>\$ 11,880</u>	<u>\$ 44,386</u>

Rent expense for the year ended June 30, 2016, was \$71,268.

NOTE 11 - RELATED PARTY TRANSACTIONS

The USBID has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each Board member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the USBID does business with an entity in which a Board member has a material financial interest. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the USBID. When a conflict of interest does exist, all affected parties (Board members or staff) must refrain from the decision-making process and abstain from the voting process.

A member of the USBID's Board of Directors is also associated with an organization that received a sub-grant in the amount of \$350,000 from the USBID (Note 9). \$262,500 was paid to the organization during the year ended June 30, 2016.

NOTE 12 - SUBSEQUENT EVENTS

In August 2016, the USBID approved an agreement with Audi that Audi shall pay \$125,000 to USBID toward the cost of maintenance of the Powell Street Promenade (Note 3), including disassembly, removal, and discard of the project that features any trademark or brand of Audi.

The USBID has evaluated subsequent events through September 22, 2016, the date the financial statements were available to be issued. Other than the disclosure above, no other events requiring recognition or disclosure in the financial statements were identified.

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

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

FROM: Erica Major, Assistant Clerk, Government Audit and Oversight Committee,
Board of Supervisors

DATE: February 22, 2017

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Peskin on February 14, 2017:

File No. 170182

Resolution receiving and approving the annual report for the Greater Union Square Business Improvement District for FY2015-2016, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, *et seq.*), Section 36650, and the District's management agreement with the City, Section 3.4.

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

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

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED
 BOARD OF SUPERVISORS
 SAN FRANCISCO
 2017 FEB 14 PM 4:25
 Time stamp or meeting date
 BY _____

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 [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

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

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

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

Sponsor(s):

Peskin

Subject:

[Greater Union Square Business Improvement District – Annual Report for FY 2015-2016]

The text is listed below or attached:

Resolution receiving and approving annual report for the Greater Union Square Business Improvement District for fiscal year 2015-2016, 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.

Signature of Sponsoring Supervisor: _____

For Clerk's Use Only: