

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: September 29, 2021

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Melgar on September 21, 2021:

File No. 211014

Resolution receiving and approving an annual report for the Ocean Avenue 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: Office of Chair Preston
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

1 [Ocean Avenue Community Benefit District - Annual Report - FY2019-2020]

2

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

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

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

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

25

1 WHEREAS, On September 29, 2020, the Board of Supervisors approved the Ocean
2 Avenue CBD's annual reports for FY2018-2019 in Resolution No. 435-20; and

3 WHEREAS, The Ocean Avenue CBD has submitted for the Board's receipt and
4 approval the annual report for FY2019-2020 as required by Section 36650 of the Act and
5 Section 3.4 of the Management Contract; and

6 WHEREAS, The annual report for FY2019-2020 is on file with the Clerk of the Board of
7 Supervisors in File No. 211014, and is 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 July 22, 2021, and documentation from the Ocean Avenue CBD for the FY2019-2020 annual
12 report are on file with the Clerk of the Board of Supervisors in File No. 211014; now, therefore,
13 be it

14 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
15 report for the Ocean Avenue Community Benefit District for FY2019-2020.

Ocean Avenue Association
Annual Report
Fiscal Year 2019-2020
(July 1, 2019 – June 30, 2020)



Lion dance audience

Photo by Ekevara Kitpowsong / The Aperturist

February 1, 2020,
Ingleside Lunar New Year Celebration

The 2020 Ingleside Lunar New Year celebration was held weeks before the Covid-19 Pandemic brought activities to a halt throughout San Francisco and the nation. These photos capture the spirit of the festivities – young attendees, the Lion Dances in a tent on Granada Avenue, and a community luncheon at Ingleside Presbyterian’s legendary Community Room.



Lunar New Year photos by Ekevara Kitpowsong / The Aperturist



Ocean Avenue Mural photos provided by Alex Mullaney

Small Business Services Program Report

Prepared by Alex Mullaney

For several years, the Ocean Avenue Association has operated a grant-funded Small Business Assistance Program to focus on economic development within the community benefit district by helping the Avenue's independent businesses grow and tackling pernicious commercial space vacancies.

Pandemic Response

Due to the global pandemic, the work of the OAA adapted to meet the moment. For instance, all business attraction work ceased to focus on information sharing, attending weekly meetings with community-based organizations and city agencies, loan and grant application assistance, one-on-one consultations with small business owners, etc.

Highlights include assisting two businesses — Ocean Ale House and Jojo's Cafe — to set up Shared Spaces for outside dining and three businesses in obtaining murals.

The OAA served as a conduit of information for the small business community using its website and email newsletter to provide news about regulations, health directives, grant and loan opportunities, and so on. Informational items came from city, state, and federal governments as well as private nonprofits and companies. Many usually reserved small business owners became active through the value they derived from these emails.

Free Legal Clinics

The OAA co-organized with the nonprofit Legal Service for Entrepreneurs, a program of the Lawyers Committee for Civil Rights, a free legal clinic for small businesses at Ingleside Library. The first one was so successful, with two dozen participants, a second one was held two months later.

Register of Legacy Businesses

The OAA submitted applications for two outstanding Ingleside businesses to San Francisco's Registry of Legacy Businesses. The OAA wrote and compiled applications for Surfaces by David Bonk and Korean Martial Arts Center, both important small businesses to the neighborhood's character. Due to the long list of applicants and the pandemic, the applications were put on hold by the Office of Small Business.

Small Business Attraction

The OAA worked with a dozen prospective businesses to show them vacant commercial spaces on the corridor and refer them to free services.

Commercial Space Inventory

The best way to measure the commercial corridor's economic health is to measure commercial space vacancies. Every month, the OAA conducts a review of non-performing storefronts and posts a Commercial Space Inventory report.

The information is useful to prospective business owners. The reports are available on OAA's website, www.oceanavenueassociation.org/resources.

Projects

Aside from managing cleaning, maintenance, and other contracts the administration of the organization and its various, OAA staff and board members work on numerous projects to enhance the neighborhood.

Public Life Survey

In April 2018, OAA was awarded a grant to commission a Public Life Survey. OAA contracted with Livable City to conduct the survey, which will gauge the level of public amenities on Ocean Avenue including walkability, availability of gathering spaces and business composition.

Livable City has conducted two data collection periods, during Fall 2018 and Spring 2019. Livable City staff and volunteers came to Ocean Avenue to perform passerby intercept surveys and interviews as well as data collection regarding transit and storefront conditions.

The final Public Life Survey report from Livable City is expected this year.

Murals

The OAA provided 3 small murals in order to enhance business facades and help discourage graffiti in this FY. They are located along Ocean Avenue in the CBD.

Ocean Avenue Historic Resources

This report has been delayed and is expected in the Fall / Winter of 2020.

Ingleside Library Gateway

The Ocean Avenue Association has contracted with sculptor Eric Powell to design and fabricate a bold sculptural gateway for the entrance of the Ingleside Library garden. The project is funded by grants OAA secured from the Mayor's Office of Housing and Community Development and the Office of Economic and Workforce Development's Invest in Neighborhoods program. We now anticipate completion in the Fall of 2020.

Programs

501(c)(3) Conversion

OAA is now a 501(c)(3) Public Charity!

Fiscal Sponsorship Program

The OAA continued its role as the fiscal sponsor for the Ingleside Merchants Association.

Additionally, OAA acted as the fiscal sponsor for Supervisor Norman Yee’s Lunar New Year Celebration on Ocean Avenue on February 1, 2020. OAA staff coordinated payment of all expenses related to the event, including food, entertainment and promotion.

Landscaping

The OAA has partnered with San Francisco Public Works to plant additional sidewalk gardens on Capital near Ocean, on Ocean and Harold and expand landscaping on the Plymouth Ave side of the Ingleside Library.

Cleaning and Maintenance (July 1, 2019 to June 30, 2020)

The OAA provides cleaning service on Ocean Avenue six days per week administered by Recology CleanScapes, including sidewalk sweeping, steam cleaning, graffiti removal, litter pickup and large item removal by requests to 311. The following is the annual overview of cleaning tasks performed.

Service	Quantity
Pounds of Trash and Cardboard Removed	66, 000 lbs
Human/Animal Waste Pickups	1,450
Instances of Graffiti Removal	780
Instances of Steam Cleaning	1,075
Needle/Biohazard Pickups	15
Illegal Dumping—311 Calls	220

Assessment Income and Grant Funding Budgets

OAA's Cost of Living increase for FY 2020-2021 is 2.9% and its calculated assessment budget for the 2020-2021 FY is \$339,387.

Between July 1, 2019 and June 30, 2020, OAA was awarded 5 grants totaling \$253,607 that will benefit the neighborhood. That's nearly 75% of OAA's calculated operating assessment budget for the FY 2020-2021 of \$339,581.

Here are the 5 grants:

\$40,000 In May 2020 OAA secured a Community Development Block Grant for \$40,000 to provide increased technical assistance to businesses on Ocean Avenue. This money allows for additional services to Ocean Avenue merchants with free resources such as lease negotiation consulting, marketing and promotional efforts and information about grant and loan opportunities.

\$65,000 OAA has been awarded an Organizational Support grant from the Office of Economic and Workforce Development to support our expansion efforts.

\$15,400 With funding from District 7 Participatory Budgeting, The SF Arts Commission awarded OAA \$15,000 to commission murals on the Ocean Ave corridor. The first mural was painted on the PG&E substation on Ocean Ave in early October of 2020.

\$75,000 SF Shines awarded a grant to OAA for small business façade improvements for the 2020-21 FY. The projects will be focused on assisting businesses in recovering from pandemic conditions and closures imposed this year.

\$58,247 The Mayors Office of Housing has awarded OAA additional funding of \$58,247 to complete the Ingleside Library Gateway.

Assessment Methodology + Financials

1) How to calculate your assessment

Assessment Methodology The assessment was raised 2.9% for FY 2020-2021 The 2020-2021 assessment budget is \$339,587. There are no proposed changes in the boundaries of the improvement district or in any benefit zones or classification of property or businesses within the district. The method and basis of levying the assessment to allow each real property or business owner to estimate the amount of the assessment to be levied against his or her property for that fiscal year is presented below. The amount of grants received for the 20-21 FY to date is \$253,607.

2) 2020-2021 -- RATE CHART

	\$ Amount increased	Unit of Measure	New \$ Base FY 2020-2021
ZONE 1			
Commercial, Residential, & Public Uses & City College Terminal Parcel	0.9219	per Linear Street Foot	32.7119
Non-Profit Service Organization and Religious Institutional Uses	0.7366	per Linear Street Foot	26.1366
Commercial Property Use	0.0038	per Building Square Foot	0.1338
Commercial Property Use	0.0009	per Lot Square Foot	0.0309
City College Terminal Corner Landscaped Parcel	0.0461	per Lot Square Foot	1.6361
Frida Kahlo Way Parcels Fronting and Accessed off of Unity Plaza	0.0020	per Lot Square Foot	0.0720
ZONE 2			
Educational Institutional Property Use and Public Property Use	0.4576	per Linear Street Foot	16.2376

Report compiled by Dan Weaver, Executive Director
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 650.273.6223

OCEAN AVENUE ASSOCIATION

FINANCIAL STATEMENTS

June 30, 2020

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

OCEAN AVENUE ASSOCIATION

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Ocean Avenue Association
San Francisco, California

We have reviewed the accompanying financial statements of Ocean Avenue Association (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

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

Accountant's Conclusion

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

Report on Summarized Comparative Information

The accompanying summarized comparative information as of and for the year ended June 30, 2019 is derived from financials that were previously reviewed by us and we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated April 14, 2020. We have not performed procedures in connection with that review engagement since that date.



Oakland, California
March 22, 2021

OCEAN AVENUE ASSOCIATION
Consolidated Statement of Financial Position
June 30, 2020
(With Comparative Totals as of June 30, 2019)

	2020	2019
Assets		
Cash	\$ 198,847	\$ 127,444
Assessments receivable	13,098	21,436
Grants receivable	40,276	5,423
Total Assets	\$ 252,221	\$ 154,303
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 45,304	\$ 5,286
Deferred revenue (Note 3)	23,228	11,550
Total Liabilities	68,532	16,836
Net assets without donor restrictions	183,689	137,467
Total Liabilities and Net Assets	\$ 252,221	\$ 154,303

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

OCEAN AVENUE ASSOCIATION

**Consolidated Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

	<u>2020</u>	<u>2019</u>
Support and Revenue		
Donations	\$ 18,904	\$ 10,834
Government grants	142,369	57,865
Assessment revenue	330,554	320,927
Penalties and interest	309	949
Miscellaneous income	2,195	2,275
Total Support and Revenue	<u>494,331</u>	<u>392,850</u>
Expenses		
Program	324,278	375,347
Management and general	97,377	96,733
Fundraising	26,454	27,784
Total Expenses	<u>448,109</u>	<u>499,864</u>
Change in net assets	46,222	(107,014)
Net Assets without donor restrictions, beginning of year	<u>137,467</u>	<u>244,481</u>
Net Assets without donor restrictions, end of year	<u>\$ 183,689</u>	<u>\$ 137,467</u>

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

OCEAN AVENUE ASSOCIATION

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 46,222	\$ (107,014)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Change in assets and liabilities:		
Assessments receivable	8,338	(4,130)
Accounts receivable	(34,853)	32,100
Accounts payable and accrued expenses	40,018	(2,477)
Deferred revenue	11,678	11,550
Net cash provided (used) by operating activities	<u>71,403</u>	<u>(69,971)</u>
Net change in cash	71,403	(69,971)
Cash, beginning of year	<u>127,444</u>	<u>197,415</u>
Cash, end of year	<u><u>\$ 198,847</u></u>	<u><u>\$ 127,444</u></u>

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

OCEAN AVENUE ASSOCIATION

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

	Program	Management and General	Fundraising	Total	
				2020	2019
Salaries	\$ 87,379	\$ 27,739	\$ 23,579	\$ 138,697	\$ 158,659
Retirement contributions	2,352	747	634	3,733	5,562
Employee benefits	371	118	100	589	1,284
Payroll taxes	6,263	1,988	1,691	9,942	13,437
Total Personnel	<u>96,365</u>	<u>30,592</u>	<u>26,004</u>	<u>152,961</u>	<u>178,942</u>
Fee for service	222,589	20,368	-	242,957	273,695
Advertising and promotion	3,635	-	-	3,635	14,499
Supplies and office expenses	1,130	1,252	450	2,832	14,793
Travel and meals	559	841	-	1,400	2,048
Conferences and meetings	-	1,323	-	1,323	972
Insurance, fees and other expense	-	10,016	-	10,016	14,915
Event expenses	-	32,985	-	32,985	-
Total Expenses	<u>\$ 324,278</u>	<u>\$ 97,377</u>	<u>\$ 26,454</u>	<u>\$ 448,109</u>	<u>\$ 499,864</u>

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

OCEAN AVENUE ASSOCIATION

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for the Year Ended June 30, 2019)

NOTE 1: NATURE OF ACTIVITIES

The Ocean Avenue Association (the Organization) is a California nonprofit corporation that manages the Community Benefit District (CBD) established in December of 2010. Services began in July 2011 along the Ocean Avenue corridor in the Oceanview-Merced-Ingleside neighborhood. The Organization's mission is to revitalize the Ocean Avenue corridor from Interstate 280 to Manor Drive through sanitation, safety programs, marketing, promotion and advocacy for property and business owners.

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

Advocacy

The Organization advocates for local businesses by reaching out to elected officials and City agencies on topics such as zoning, urban design, and tax policy. The Organization also serves as an ombudsman, helping members to access public services.

Sanitation and Cleaning

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

Community Activities and Improvements

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

Ingleside Community Fund

The Organization controls the Ingleside Community Fund (the Fund), whose mission is to maintain public areas, lessen the burden of government and remedy community deterioration within the boundaries of the Ocean Avenue Community Benefit District ("OACBD") and its surrounding neighborhoods. This Fund will carry out fundraising activities and related events to promote long-term improvement and beautification of the OACBD area and its surrounding neighborhoods.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Consolidation

The Organization has the ability to appoint a majority of the board of the Ingleside Community Fund (the Fund), a California nonprofit corporation. The board of the Fund

OCEAN AVENUE ASSOCIATION

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for the Year Ended June 30, 2019)

includes one community designee. All other board members of the Fund are OAA board members.

Net Assets

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

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

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; there were no restrictions of this nature as of June 30, 2020.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

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

Accounting for Contributions

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

OCEAN AVENUE ASSOCIATION

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for the Year Ended June 30, 2019)

recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounting for Assessment Revenue

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

Assessments Receivable

Assessments receivable primarily consists of tax assessments owed by property owners. Such assessments are subject to City and County of San Francisco enforcement procedures, and are secured by property located in the City and County of San Francisco. The Organization considers all assessments to be fully collectible at June 30, 2020, though the timing of collection is not under the Organization's control and may be delayed.

Grants Receivable

Grants receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants. The Organization considers all accounts receivable to be fully collectible at June 30, 2020. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) (formerly 501(c)(4)) and California RTC 23701.

The Internal Revenue Service has determined that the Ingleside Community Fund is exempt from federal taxes under IRC 501(c)(3).

The Organization has evaluated its current tax positions as of June 30, 2020 and is not aware of any significant uncertain tax positions for which a reserve would be necessary beyond an application that is pending with the California Franchise Tax board for the Ingleside Community Fund exemption. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the consolidated financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended June 30, 2020.

OCEAN AVENUE ASSOCIATION

**Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

Estimates

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

Fair Value Measurements

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

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

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

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on June 30, 2020.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. The Organization had no property and equipment that met this capitalization policy at June 30, 2020.

Expense Recognition and Allocation

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

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

OCEAN AVENUE ASSOCIATION

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for the Year Ended June 30, 2019)

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

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

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

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

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Reclassifications

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

NOTE 3: DEFERRED REVENUE

The Organization held deferred revenue as of June 30, 2020 which represented funds received prior to expense for an Ingleside Community Fund project and funds received in advance for a mural project. The Organization expects to use such funds within one year.

NOTE 4: CONCENTRATIONS

Assessment Revenue

Special benefit assessments are received under a contract with the City and County of San Francisco and represent approximately 64% of the Organization's total revenue. Under the terms of the contract, the City and County can suspend distributions and ultimately terminate the contract if the Organization fails to provide adequate services to the district or fails to perform other responsibilities. The contract expires on June 30, 2025 and could be terminated at an earlier date if the related community benefit district is disestablished.

Geographic

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

OCEAN AVENUE ASSOCIATION

Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

NOTE 5: CONTINGENCIES

State Taxes

The Fund is not currently listed as exempt from state taxes with the Franchise Tax Board. The Fund is in the process of applying for such exemption based in part on the determination by the IRS of its exempt status at the federal level. In the event that exemption is not approved or delayed, additional taxes may be owed. The Organization has not accrued for any such amounts as of June 30, 2020.

Government Funding

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

NOTE 6: RETIREMENT PLAN

The Organization sponsors a Simple IRA retirement plan for employees. The Organization contributes 3% of gross salary for each eligible employee. The Organization contributed \$3,733 and \$5,562 to the plan during the years ended June 30, 2020 and 2019, respectively.

NOTE 7: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are:

Cash and cash equivalents	\$ 198,847
Assessments receivable	13,098
Accounts receivable	<u>40,276</u>
Total	<u>\$ 252,221</u>

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

NOTE 8: INGLESIDE COMMUNITY FUND

Activity of the Ingleside Community Fund (the Fund), reported on a consolidated basis in these financials, consisted of approximately \$53,168 in revenue and \$52,746 in expenses during the year ended June 30, 2020. The Organization held \$11,678 in deferred revenue for the Ingleside Community Fund as of June 30, 2020.

NOTE 9: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of March 22, 2021, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

OCEAN AVENUE ASSOCIATION

**Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

Public Health Order - Coronavirus

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic which affected activities of the Organization. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations and workforce.

OAA YrX, FY19-20 Budget, Rev#12.5 FINAL, June 2020 edited 12/10/20

Item	Amount	Accrued as of 6/30/20	Variance
INCOME			
Assessment Revenue			
Assessment Revenue (current year)	\$ 330,554	\$ 317,456	\$ 13,098
-Penalties/Interest (current year)		\$ 309	\$ (309)
Assessment Revenue (prior year[s])	\$ 34,766	\$ 19,539	\$ 15,227
-Penalties/Interest (prior year[s])		\$ 1,897	\$ (1,897)
Prior Year(s) Assessment Refund	\$ -		\$ -
Prior Year(s) Assessment Bad Debt	\$ -	\$ -	\$ -
Subtotal Assessment Revenue	\$ 365,320	\$ 339,201	\$ 26,119
Other Revenue			
Loan to ICF account	\$ 6,500	\$ 6,500	\$ -
Lunar New Year Donations	\$ 14,500	\$ 14,500	\$ -
Subtotal Other Revenue	\$ 21,000	\$ 21,000	\$ -
Grants			
CDBG Staff Payroll	\$ 26,000	\$ 26,000	\$ -
CDBG Fees	\$ 4,000	\$ 4,000	\$ -
IIN Grant (Gateway Sculpture 16-18)	\$ 12,500	\$ 12,500	\$ -
IIN Grant (Organizational Support 17-18)	\$ 8,500	\$ 8,500	\$ -
IIN Grant (Public Life Study & Activation 18-19)	\$ 31,000	\$ 17,500	\$ 13,500
Lunar New Year Grant	\$ 25,000	\$ 25,000	\$ -
OMI CC Grant 19-20 (Ocean View Library)	\$ 2,300	\$ 2,300	\$ -
SFAC Ocean Avenue Mural Fund	\$ 3,850	\$ -	\$ 3,850
Subtotal Grants	\$ 113,150	\$ 95,800	\$ 17,350
Operating Reserve			
Carryover Net Income from FY 18-19	\$ 115,852	\$ 115,852	\$ -
Subtotal Operating Reserve	\$ 115,852	\$ 115,852	\$ -
Total Income	\$ 615,322	\$ 571,853	\$ 43,469
Item	Amount	Accrued as of 6/30/20	Variance
EXPENSES			
Personnel:			
<i>Full Time</i>			
Salary (Executive Director)	\$ 81,924	\$ 82,344	\$ (420)
Payroll Tax	\$ 6,267	\$ 6,750	\$ (483)
IRA Contribution	\$ 3,545	\$ 2,481	\$ 1,064
<i>Part Time</i>			
Salary-Assessment (Small Business Program Mgr)	\$ 16,827	\$ 11,822	\$ 5,005
Salary-CDBG (Small Business Program Manager)	\$ 13,000	\$ 8,918	\$ 4,082
Payroll Tax (Small Business Program Mgr)	\$ 2,281	\$ 1,587	\$ 694
IRA Contribution-Assessment (Small Business Program)	\$ 1,295	\$ 622	\$ 673
IRA Contribution-CDBG (Small Business Program Mgr)	\$ 1,000	\$ -	\$ 1,000
Salary-Assessment (Associate Director)	\$ 16,827	\$ 11,968	\$ 4,859

Salary-CDBG (Associate Director)	\$ 13,000	\$ 9,028	\$ 3,972
Payroll Tax (Associate Director)	\$ 2,281	\$ 1,606	\$ 675
IRA Contribution-Assessment (Associate Director)	\$ 1,295	\$ 630	\$ 665
IRA Contribution-CDBG (Associate Director)	\$ 1,000	\$ -	\$ 1,000
Consultants/Hourly Staff (Assessment)	\$ 150	\$ 450	\$ (300)
Consultants/Hourly Staff (CDBG)	\$ 10,833	\$ 14,166	\$ (3,333)
Subtotal Personnel (Assessment)	\$ 132,543	\$ 120,260	\$ 12,283
Subtotal Personnel (Non-Assessment/CDBG)	\$ 28,000	\$ 32,112	\$ (4,112)
TOTAL PERSONNEL	\$ 160,543	\$ 152,372	\$ 8,171
Management and Operations			
Accounting Fees	\$ 5,000	\$ 6,300	\$ (1,300)
Annual Report and Meeting Expenses	\$ 1,000	\$ 1,323	\$ (323)
Assessment Roll Updating	\$ 2,000	\$ 2,000	\$ -
Bookkeeping Fees	\$ 8,000	\$ 9,525	\$ (1,525)
Dues, Subscriptions, Workshops	\$ 3,000	\$ 865	\$ 2,135
Insurance - Liability, D&O	\$ 5,700	\$ 3,736	\$ 1,964
Legal Fees	\$ 10,000	\$ 390	\$ 9,610
Licenses, Permits, Filing Fees	\$ 350	\$ 195	\$ 155
Office Supplies, Equipment & Expenses	\$ 3,000	\$ 399	\$ 2,601
Payroll Processing Fees	\$ 1,240	\$ 2,068	\$ (828)
Printing, Copying, Postage & Mailing Services	\$ 1,000	\$ 744	\$ 256
Telephone, Telecom, Meeting Expense, Other	\$ 2,500	\$ 1,400	\$ 1,100
Workers Compensation Insurance	\$ 1,500	\$ 590	\$ 910
Subtotal Management and Operations	\$ 44,290	\$ 29,535	\$ 14,755
Cleaning, Maintenance and Safety			
Graffiti Removal-Other	\$ 293	\$ 250	\$ 43
Landscape & Maintenance (Arborist Now)	\$ 31,000	\$ 14,260	\$ 16,740
Safety and Security	\$ 1,000	\$ -	\$ 1,000
Sanitation and Graffiti Removal (Cleanscapes)	\$ 121,000	\$ 130,208	\$ (9,208)
Supplies and Materials	\$ 2,500	\$ 1,661	\$ 839
Watering & Maintenance (plants & trees)	\$ 25,000	\$ 15,759	\$ 9,241
Subtotal Cleaning, Maintenance & Safety	\$ 180,793	\$ 162,138	\$ 18,655
Marketing and Beautification			
Advertising	\$ 5,000	\$ 3,635	\$ 1,365
Beautification- Sidewalk Garden & Tree Planting	\$ 10,000	\$ -	\$ 10,000
Holiday Decorations	\$ 1,500	\$ 1,028	\$ 472
Lunar New Year Donation Expenses	\$ 14,500	\$ 14,500	\$ -
Public Art	\$ 20,000	\$ -	\$ 20,000
Professional Services	\$ 5,000	\$ 998	\$ 4,002
Refreshments- Meetings and Volunteers	\$ 250	\$ 28	\$ 222
Webhosting	\$ 300	\$ 193	\$ 107
Subtotal Marketing & Beautification	\$ 56,550	\$ 20,382	\$ 36,168
Contingency & Reserves			
Contingency & Reserves - General	\$ 12,500	\$ -	\$ 12,500
Contingency & Reserves - Ocean Avenue Mural	\$ 2,500	\$ -	\$ 2,500
Subtotal Contingency & Reserves	\$ 15,000	\$ -	\$ 15,000

Subtotal Non-Personnel Assessment Expenses	\$ 296,633	\$ 212,055	\$ 84,578
Item	Amount	Accrued	Variance
Supplemental Non-Assessment Expenses			
Accounting Fees (CDBG)	\$ 2,000	\$ -	\$ 2,000
IIN Grant (Gateway Sculpture 16-18)	\$ 12,500	\$ 10,000	\$ 2,500
IIN Grant (Organization Support 16-18)	\$ 3,900	\$ -	\$ 3,900
IIN Grant (Public Life Study & Activation 18-19)	\$ 25,000	\$ -	\$ 25,000
Lunar New Year Grant	\$ 25,000	\$ 18,485	\$ 6,515
OMI CC Grant 19-20 (Ocean View Library)	\$ 2,300	\$ 2,450	\$ (150)
SFAC Ocean Avenue Mural Fund	\$ 15,400	\$ -	\$ 15,400
Subtotal Supplemental Non-Assessment Expenses	\$ 86,100	\$ 30,935	\$ 55,165
Total Non-Assessment Expenses (Including Payroll)	\$ 114,100	\$ 63,047	\$ 51,053
Total Assessment Expenses	\$ 429,176	\$ 332,315	\$ 96,861
Total OAA Income*	\$ 186,147	\$ 239,538	\$ (53,391)
Net Income/Cash Balance**	\$ 72,047	\$ 176,491	\$ (104,444)
* Total Income less Total OAA Expenses			
** Total Income less Total OAA Expenses plus Subtotal Supplemental Non-OAA Expenses.			
Bank balance on 6/30/20	\$180,258.70		
+plus A/R Assessment FY19-20 (received July 2020)	\$275.85		
+plus Accounts Receivable (CDBG Grant)	\$2,500.00		
+plus Grants Receivable (received in July 2020)	\$37,500.00		
+Loan Receivable (from ICF to correct Neil pay Mar20)	\$1,260.00		
-less Accounts Payable/checks outstanding	\$43,530.74		
-less credit cards charges	\$191.68		
-less IRA to be deducted (received in July 2020)	\$1,581.76		
Net Income/Cash Balance:	\$176,490.37		

MEMO

To: Supervisor Myrna Melgar; District 7 Supervisor

CC: San Francisco Board of Supervisors

From: Chris Corgas; OEWD Senior Program Manager, Community Benefit Districts

RE: Ocean Avenue Community Benefit District; FY 19-20 Annual Report

Date: July 22, 2021

This is a memo summarizing the accomplishments of the Ocean Avenue Community Benefit District (“Ocean Avenue CBD” or “CBD”) and an analysis of its financial statements (based on their audit) for the period between July 1, 2019, and June 30, 2020.

Each year, the CBD is required to submit a mid-year report, an annual report and a CPA financial review or audit. Ocean Avenue CBD has complied with the submission of all these requirements. OEWD staff, with assistance from the Controller’s Office, reviewed these financial documents to monitor and report on whether they have complied with the rules per the Property and Business Improvement District Law of 1994, California Streets and Highways Code Sections 36600 Et Seq.; San Francisco’s Business and Tax Regulations Code Article 15; the Ocean Avenue CBD management contract with the City; and their Management Plan approved by the Board of Supervisors in 2010.

Also attached to this memo are the following documents:

1. Annual Reports
 - a. FY 2019-2020
2. CPA Financial Review Reports
 - a. FY 2019-2020
3. Ocean Ave CBD FY 19-20 Budget Document - Supplemental
4. Draft resolution from the Office of Economic and Workforce Development



Background

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

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

Basic Information about the Ocean Avenue Community Benefit District:

Year Established	December 2010
Assessment Collection Period	FY 2010-2011 to FY 2024-2025 (July 1, 2010 to June 30, 2025)
Services Start and End Date	July 1, 2011 – December 31, 2025
Initial Estimated Annual Budget	\$239,578
FY 2019-20 Assessment Submission	\$330,010.32
Fiscal Year	July 1 – June 30
Executive Director	Daniel Weaver
Name of Nonprofit Owners' Entity	Ocean Avenue Association ("OAA")

The current CBD website www.oceanavenueassociation.org includes all the pertinent information about the organization and their programs, a calendar of events, their Management Plan, Mid-Year Report, Annual Report and meeting schedules.

Summary of Program Areas

Cleaning, Maintenance, and Safety

The Ocean Avenue Management Plan calls for approximately 52% of the budget to be spent on Cleaning, Safety, and Maintenance. OAA contracts with CleanScapes to provide cleaning and maintenance. Two workers are employed who clean and maintain the public realm six days a week. These services include sweeping and steam cleaning sidewalks and Muni boarding islands; removing graffiti within 24 hours; topping off city trash cans; spot pressure washing; reporting and monitoring of illegal dumping of small

and large items in the public right-of-way; wiping down furniture; removing weeds from tree wells; removing posted notices on city poles and other street furniture; and painting city poles.

Marketing, Streetscape Improvements, and Beautification

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

Management & Operations

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

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

- **Executive Committee** – oversees central operations of the organization and ensures the functioning of key areas: staff and contracts; corporate finances; insurance; grants; development of budget; board agendas and meetings; correspondence; outreach; bylaws and policies; public relations; and newsletters.
- **Street Life Committee** – composed of corridor business representatives.
- **Business Committee** – composed of corridor business representatives.
- **Public Safety Committee** – works with San Francisco Safe to address safety issues impacting businesses within the district and continued the formation work for an Ocean Avenue Business Watch.

Summary of Accomplishments, Challenges, and Delivery of Services

FY 2019-20

Cleaning, Maintenance, and Safety

- Removed 66,000 lbs of trash and cardboard from the public right of way
- Removed 1,450 instances of human or animal biohazards

- Removed 780 instances of graffiti
- 1,075 instances of steam cleaning throughout the District
- 15 instances of needle disposal
- 220 instances of illegal dumping reporting

Marketing, Streetscape Improvements, and Beautification

- Continued to work with SF Public Works for maintenance of its open space property, newspaper rack problems, sidewalk maintenance
- Continued to work with the Planning Department on rezoning the Ocean Avenue Corridor Study Implementation
- Worked with a core group of neighborhood-based volunteers and Lick-Wilmerding and Lowell High School students to hang and remove holiday decorations on the Ocean Avenue palm trees
- Partnered with San Francisco Arts Commission, OMI Cultural Participation Project, Lick-Wilmerding High School to begin a monthly event series at Unity Plaza, called the Ocean Avenue Arts Bazaar
- Continued Arts Alive Ingleside Banner project for corridor marketing of the retail district

Management & Operations

- Ensured functioning of CBD and compliance with City contract and management plan requirements.
- Applied for grants to bring additional resources to the CBD
- Continued to recruit a variety of board members representing Ocean Avenue property owners, businesses and community members
- Communicated with residential and other community organizations to address issues in the community and raise awareness about Ocean Avenue
- Continued with promotion and marketing program with free events at Unity Plaza and at Ocean Avenue businesses
- Continued to actively participate in the San Francisco CBD/BID consortium
- Ensure compliance with the California Brown Act
- Monitor contracts and services. Assist contractors in problem solving as necessary
- Increased and improved upon communication between CBD Board and property owners
- Published Mid-Year and Annual Reports.
- Supported all working committees of the Board of Directors including: Street Life, Business, Public Safety committees, and Board Development

Ocean Avenue CBD Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for the Ocean Avenue CBD:

- **BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan (*Agreement for the Administration of the "Ocean Avenue Community Benefit District", Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether one percent (1%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the "Ocean Avenue Community Benefit District", Section A - Annual Reports*)

- **BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percent (*Agreement for the Administration of the “Ocean Avenue Community Benefit District”, Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether the Ocean Avenue CBD is indicating the amount of any surplus or deficit revenues to be carried forward into the next fiscal year and designating the projects to be funded by any surplus revenues (*CA Streets & Highways Code, Section 36650(B)(5)*).

FY 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 Ocean Avenue CBD did not meet this requirement. See table below.*

Service Category	Management Plan Budget (Percentage)	FY 2019-2020 Budget (Percentage)	FY 2019-2020 Asst. Budget (Percentage)	Variance % Points	Variance % Points – Asst.
Cleaning, Maintenance, and Safety	\$125,000.00 (51.65%)	\$180,793.00 (39.55%)	\$180,793.00 (42.13%)	-12.11%	-9.53%
Marketing, Streetscape Improvements, and Beautification	\$43,658.00 (18.04%)	\$56,550.00 (12.37%)	\$56,550.00 (13.18%)	-5.67%	-4.86%
Management and Operations	\$63,000.00 (26.03%)	\$204,833.00 (44.80%)	\$176,833.00 (41.20%)	18.77%	+15.17%
Contingency and Reserves	\$10,340.00 (4.27%)	\$15,000.00 (3.28%)	\$15,000.00 (3.50%)	-0.99%	-0.78%
Total	\$241,998.00 (100%)	\$457,176.00 (100%)	\$429,176.00 (100%)		

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

ANALYSIS: *The Ocean Avenue CBD met this requirement. Assessment revenue was \$330,863.00 or 66.93% of actuals and non-assessment revenue was \$163,468.00 or 33.07% of actuals. See table below.*

Revenue Sources	FY 2019-2020 Actuals	% of Actuals
Special Benefit Assessments	\$330,554.00	
Penalties and Interest (Late Payments)	\$309.00	

Total assessment revenue	\$330,863.00	66.93%
Grants	\$142,369.00	28.80%
Donations	\$18,904.00	3.82%
Miscellaneous	\$2,195.00	0.44%
Total non-assessment revenue	\$163,468.00	33.07%
Total	\$494,331.00	100.00%

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

ANALYSIS: *The Ocean Avenue CBD met this requirement. See Table below.*

Service Category	FY 2019-2020 Budget	FY 2019-2020 Asst. Budget	FY 2019-2020 Actuals – Total	FY 2019-2020 Actuals – Asst	Variance % Points - Total	Variance % Points – Asst.
	(Percentage)	(Percentage)	(Percentage)	(Percentage)		
Cleaning, Maintenance, and Safety	\$180,793.00 (39.55%)	\$180,793.00 (42.13%)	\$162,138.00 (41.01%)	\$162,138.00 (48.80%)	+1.47%	+6.67%
Marketing, Streetscape Improvements, and Beautification	\$56,550.00 (12.37%)	\$56,550.00 (13.18%)	\$51,317.00 (12.98%)	\$20,382.00 (6.13%)	+0.61%	-7.04%
Management and Operations	\$204,833.00 (44.80%)	\$176,833.00 (41.20%)	\$181,867.00 (46.00%)	\$149,755.00 (45.07%)	+1.20%	+3.87%
Contingency Reserve	\$15,000.00 (3.28%)	\$15,000.00 (3.50%)	\$0.00 (0.00%)	\$0.00 (0.00%)	-3.28%	-3.50%
TOTAL	\$457,176.00 (100%)	\$429,176.00 (100%)	\$395,322.00 (100%)	\$332,275.00 100%		

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

ANALYSIS: *The Ocean Avenue CBD did not meet this requirement. Per California Streets and Highways code 36650 (b) (5) CBDs are required to indicate the amount of surplus or deficit revenues to be carried over from the previous fiscal year into the next. The Ocean Avenue CBD did not include this information in their annual report delivered to the Office of Economic and Workforce Development, but did provide it in*

supplemental documentation provided to OEWD. In the supplemental information, they did not indicate how this would be broken down by service category for expenditures in future years.

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

FY 2019-2020 Carryover Disbursement	\$176,491.00
Cleaning, Maintenance and Safety	
Marketing, Streetscape Improvements and Beautification	
Management and Operations	
Contingency and Reserves	
Total Designated Amount for Future Years	\$176,491.00

Findings and Recommendations

The Ocean Avenue CBD met all 2 of the 4 benchmarks as defined on pages 4 and 5 of this memo. For the year in review, the Ocean Avenue CBD has well exceeded its general benefit requirement of one percent (1%) by raising approximately 33% in general benefit dollars and the CBD kept its variances in line for Benchmark 3.

The CBD failed to meet Benchmark 1 and Benchmark 4. Benchmark 1 was missed because the CBD budgeted 5.17% more than the management plan percentage allotment for the Management and Operations category. Per the CBD’s Management Agreement with the City and County of San Francisco, OEWD must decide if this adversely impacted special benefits conferred on identifiable parcels within the district. OEWD reached out to the organization’s board treasurer, Henry Kevane, for an explanation of this. In providing access to the CBD’s FY budget, Mr. Kevane pointed out that payroll and salaries are not assigned by Management District Plan service categories and are included entirely within Management & Operations service category. Staff does perform work under all service categories so it is likely that this variation does not adversely impact the special benefits conferred on parcels. However, the CBD should take steps to address these issues going forward in the future:

- 1) OAA staff should take note of how many hours per week they spend on work in each service category, this will allow the organization to accurately breakdown salaries by service category.
- 2) OAA does not separate non-assessment dollars from assessment dollars easily in documents provided to OEWD which, in smaller districts, often put CBDs out of compliance with either Benchmark 1 or 3. OEWD recommends that the OAA either keeps two separate budgets and financial statements for non-assessment and assessment dollars OR work to identify where non-assessment dollars most closely align with management service categories.
- 3) OEWD has created tools for CBDs to report this information to the City and OAA should make use of these tools in reporting to OEWD and including them in the annual report to property owners.

By doing this OEWD believes that the CBD will not mistakenly be out of compliance with either Benchmarks 1 or 3 in the future. OEWD will provide a revised template for all CBDs for the FY 20-21 reporting period which should prevent this issue in the future.

The Ocean Avenue CBD also did not meet Benchmark 4 because it did not include this information in the annual report to property owners. Over the years many CBDs have failed to provide this information because it is provided in their financial statements provided to OEWD. Unfortunately, state law specifies it must be included in the annual report. OEWD created a reporting template in 2015 for CBDs to address this issue, but the Ocean Avenue CBD did not use it in FY 19-20. OEWD has revised the template for FY 20-21 reporting and, in a summary memo, is requiring all CBDs to include all chart fields from that template in the annual report to property owners. If the Ocean Avenue CBD does this for future annual reports they will comply with the law. This information was provided in supplemental documentation as well as in the financial statements, but the specificity of the law requires it to be in the organization's annual report.

In February 2019, the Ocean Avenue Association, thanks to the leadership and partnership of District 7 Supervisor and Board of Supervisors President Norman Yee, hosted the first annual Ocean Avenue Lunar New Year Celebration. The event saw lion dancing along the Ocean Avenue corridor until a rain storm forced an early cancellation of the dance. The rest of the event was primarily held in the Ingleside Presbyterian Church and was a resounding success. OEWD encourages the CBD to continue building on this effort as a way to bring people out to the Ocean Avenue business corridor. The event was held again February 2020.

The Ocean Avenue CBD could do a better job of marketing itself as an organization to the Ocean Avenue community and to the public at large. For instance, all other CBDs in the City and County of San Francisco have clearly identifiable uniforms and logos on their cleaning and safety staff letting folks know that they are part of the CBD or BID. On the other hand, Ocean Avenue's contractor does not have uniquely branded uniforms or logos and wears their company's uniform. Their company is a subsidiary of Recology which could cause people to think that these employees are funded by general fund dollars rather than the CBD. OEWD recommends that the CBD works with their contractor to develop a uniform, vest, hat, or some other easily identifiable piece of outer wear to tie their valued work to the services of the Ocean Avenue CBD. Additionally, the CBD should interact with property owners frequently and directly through mailings and phone calls to ensure they know of the services and work provided by the Ocean Ave CBD.

The Ocean Avenue corridor is a diverse community made up of a large number of immigrant owned, women owned, and BIPOC owned businesses. The Ocean Avenue CBD should do a better job of highlighting its services and accomplishments to these stakeholders. Although the CBD has increased outreach to businesses, especially monolingual ones, OEWD believes it can do a better job of doing so. Some suggestions would be to ensure the organization's website has an option to translate the page into Cantonese and Spanish, ensure that outreach materials are translated into Cantonese and Spanish, and work with organizations with culturally competent staff when doing merchant walks to best ensure that language or other issues are not a barrier to communication. Additionally, the CBD needs to do a better job of outreach to the entire merchant community. OEWD recommends that CBD staff perform a merchant walk weekly and listen to the concerns of businesses and either refer them to CBD services that can be of assistance or to the City resources that can address specific concerns.

As the CBD prepares for an early renewal and expansion campaign OEWD recommends that the CBD fully explore expansion areas down, including up to Ocean Avenue's intersection with Junipero Serra Boulevard. The Ocean Avenue corridor is incredibly diverse, including a large number of Cantonese speaking businesses. Although the CBD should be commended for increased efforts to provide outreach to monolingual communities, it should continue to build on this especially in respect to a renewal and expansion campaign.

Mr. Weaver has been the executive director of the Ocean Avenue CBD since shortly after its formation in 2010. OEWD believes the CBD could benefit from an in-depth CBD review to evaluate the overall effectiveness of the organization to ensure it is operating at its highest possible capacity and conduct robust stakeholder outreach to determine the direction of the organization should it be renewed. OEWD believes the organization should develop a strategic plan that will look at short term, mid-term, and long term needs of the district and focus on: 1) ensuring the management structure of the district is effective and what management structure would be the most effective including relating to board/staff relationships, 2) gauging the overall effectiveness of core CBD programs and provide recommendations on how they could be improved, 3) improving the CBD's overall effectiveness and respect in the broader Ocean Avenue community, 4) identify strategies to ensure the long-term financial stability of the organization, especially related to non-assessment resource sources. This strategic plan would be incredibly helpful to the organization as it works with its property owners, business owners, and other stakeholders on a renewal and expansion to ensure the next iteration of the district is well placed to succeed over its next duration. OEWD will provide support and guidance to the CBD through this process. The strategic plan is anticipated to be completed in early 2021.

The CBD's governing board need to significantly be strengthened in order for the district to reach its full potential on the Ocean Avenue corridor. In late 2019, OEWD attended Ocean Avenue CBD board meetings and found them to be out of character compared to meetings hosted by other CBDs in San Francisco. Specifically, the executive director did not guide the board chair/president through the meeting which allowed individual board members to go off the agenda, change the subject, and not adhere to standard board behavior. It is likely that the CBD board isolated the Brown Act on numerous occasions throughout the year. OEWD explained to the executive director the CBD's responsibility under the Brown Act and that full compliance, including appropriate agendas, were expected.

In general, OEWD believes there is an unhealthy relationship between the governing board and the executive director, Mr. Weaver. Specifically, as Mr. Weaver has been the organization's only executive director and many of the board members have not changed in years, some going back to the organization's foundation, that there appears to be a system in place meant to maintain the status quo rather than to improve. At the end of the day the governing board is responsible for the performance of the organization and its executive director and it should be asking robust questions of the director to ensure the organization is running with maximum efficiency and efficacy. In conversations with the executive director, individual board members, and former employees of the organization OEWD does not believe this is occurring.

OEWD recommends the following recommendations to increase the strength of the governing board to ensure the organization is strong:

- 1) In recruiting new board members, the organization and nominating committee should make efforts to have applicants represent the vibrant diversity of the Ocean Avenue corridor.
- 2) Board seats should not be held in perpetuity and reinstatement a forgone conclusion, instead members who have expiring terms should reapply to the board and go through the formal nomination and election process.
- 3) The Board should create ladders to elevate new board members to leadership positions.
- 4) The governing board and the executive director need to complete the strategic plan process and follow all recommendations issued.
- 5) The governing board should have an annual retreat where they identify annual objectives and growth opportunities for the organizations.
- 6) The organization should hire outside legal counsel familiar with CBD/BID laws to advise them rather than rely on board members and the City for legal advice.
- 7) The governing board should set a maximum term limit for board members at which point they take at least a 2 year break away from the board, but may reapply to join after that period expires.
- 8) The board needs to clearly spell out expectations for board members.
- 9) The board needs to create an onboarding process for new board members.
- 10) Each board member needs to participate fully at board meetings and not allow individuals to control the meetings.
- 11) The board needs to establish a performance evaluation and metrics for the executive director.
- 12) The board needs to ensure rules are in place pertaining to the awarding of subcontracts and proper fiduciary management.
- 13) The board needs to provide overall direction to the executive director and ensure that the director is meeting all tasks and responsibilities appropriately.

These recommendations are in line with the best practices of other CBD/BIDs in San Francisco and, OEWD believes, ensure that the Ocean Avenue CBD is best suited to succeed and serve the Ocean Avenue corridor. Working on these recommendations will not stop the organization from work associated with a renewal and expansion campaign; in fact, it is complementary. OEWD must see significant progress on the implementation of these recommendations prior to the petition process beginning for a renewal and expansion campaign.

Conclusion

The Ocean Avenue CBD continues to perform its core cleaning services, but must do a better job of reaching out to the small business community especially immigrant and monolingual owned ones. The CBD continues to partner with community stakeholders and numerous municipal agencies for small business technical assistance, business attraction, and façade improvement along the commercial corridor. The CBD should increase efforts to market itself, its services, and strengthen its governing board in line with the aforementioned recommendations. OEWD looks forward to the results of the strategic plan in FY 20-21 and expects the CBD to fully comply with the recommendations in it.

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):

Supervisors Melgar

Subject:

Melgar - Resolution - Ocean Avenue Community Benefit District – FY 2019-2020 Annual Report

The text is listed:

Resolution receiving and approving annual report for the Ocean Avenue Community Benefit District for fiscal year 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.

Signature of Sponsoring Supervisor: /s/Myrna Melgar

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