

File No. 190983

Committee Item No. 6

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: Nov. 13, 2019

Board of Supervisors Meeting:

Date: _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <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 |
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| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER

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|-------------------------------------|--------------------------|---------------------------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Annual Report – FY2017-2018</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CPA Report – FY2017-2019</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>OEWD Memo – September 17, 2019</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Referral FYI – October 4, 2019</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Prepared by: John Carroll

Date: Nov. 8, 2019

Prepared by: John Carroll

Date: _____

1 [Greater Rincon Hill Community Benefit District - Name Change to The East Cut Community
2 Benefit District - Annual Report - FY2017-2018]

3 **Resolution changing the name of the Greater Rincon Hill Community Benefit District to**
4 **The East Cut Community Benefit District (The East Cut CBD); receiving and approving**
5 **the annual report for The East Cut CBD for FY2017-2018, submitted as required by the**
6 **Property and Business Improvement District Law of 1994 (California Streets and**
7 **Highways Code, Sections 36600, *et seq.*), Section 36650, and The East Cut CBD's**
8 **management agreement with the City, Section 3.4.**

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

17 WHEREAS, On July 31, 2015, the Board of Supervisors adopted Resolution
18 No. 299-15 establishing the Greater Rincon Hill CBD for a period of 15 years, commencing
19 FY2015-2016; and

20 WHEREAS, On December 8, 2015, the Board of Supervisors adopted Resolution
21 No. 506-15, authorizing the City to enter into an agreement with the Greater Rincon Hill CBD
22 owners' association (the "Greater Rincon Hill Association") for the administration and
23 management of the Greater Rincon Hill CBD (the "Management Contract"), a copy of which is
24 on file with the Clerk of the Board of Supervisors in File No. 151192; and
25

1 WHEREAS, On September 25, 2018, the Board of Supervisors approved the Greater
2 Rincon Hill CBD's annual reports for FY2016-2017 in Resolution No. 316-18; and

3 WHEREAS, The Greater Rincon Hill Association voted on April 10, 2018, to change its
4 name to The East Cut Community Benefit District ("The East Cut CBD"), and is registered as
5 such with the State of California, and has requested that the City rename the Greater Rincon
6 Hill CBD accordingly;

7 WHEREAS, Changing the district's name to The East Cut Community Benefit District
8 will allow the City and County of San Francisco's management agreement with the owners'
9 association to reflect the organization's official name filed with the State of California.

10 WHEREAS, The East Cut CBD has submitted for the Board of Supervisors' receipt and
11 approval an annual report for FY2017-2018 as required by Section 36650 of the Act and
12 Section 3.4 of the Management Contract; and

13 WHEREAS, The Annual Report is on file with the Clerk of the Board of Supervisors in
14 File No. _____, and is incorporated herein by reference as though fully set forth;
15 and

16 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
17 memorandum report from the City's Office of Economic and Workforce Development, dated
18 September 17, 2019, and documentation from The East Cut CBD for the FY2017-2018
19 Annual Report is on file with the Clerk of the Board of Supervisors in File No. _____;
20 now, therefore, be it

21 RESOLVED, That going forward, the Greater Rincon Hill Community Benefit District
22 shall be known as The East Cut Community Benefit District; and, be it

23 FURTHER RESOLVED, That all prior acts taken in reference to the Greater Rincon Hill
24 CBD, including without limitation the approval of the Management Plan and Engineer's
25 Report, shall apply with respect to The East Cut Community Benefit District; and, be it

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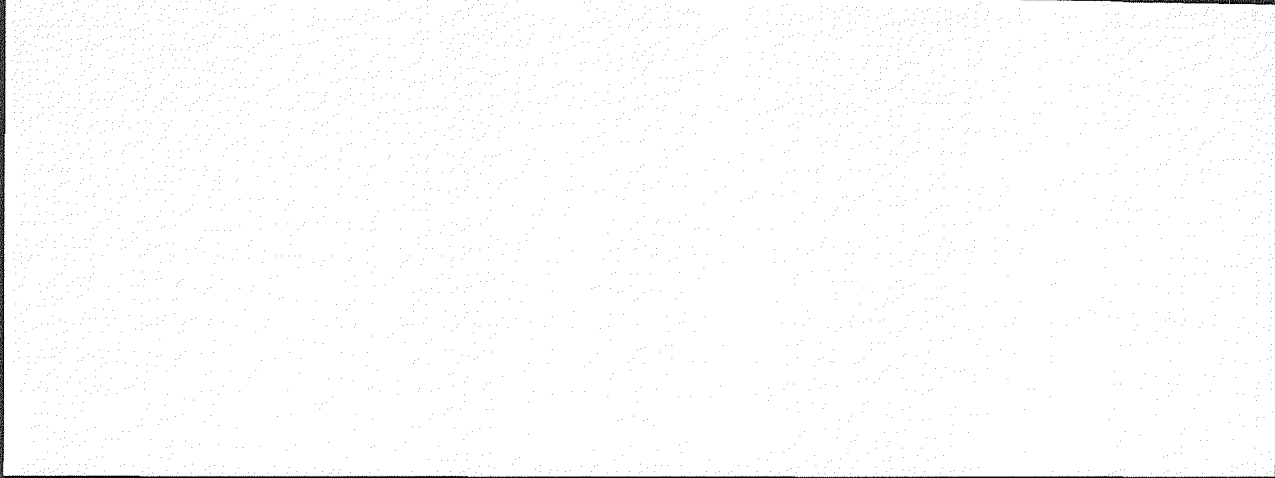
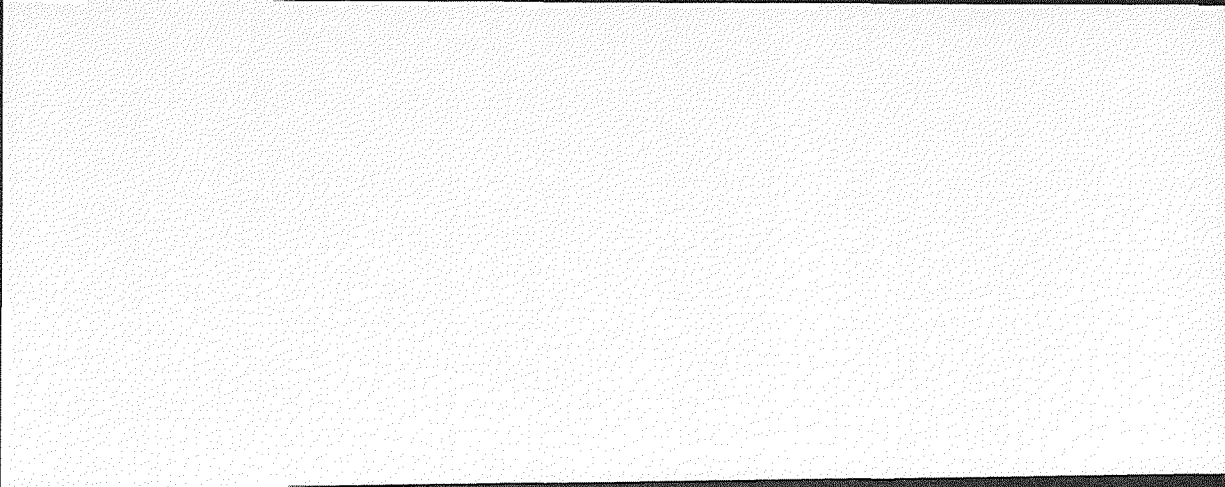
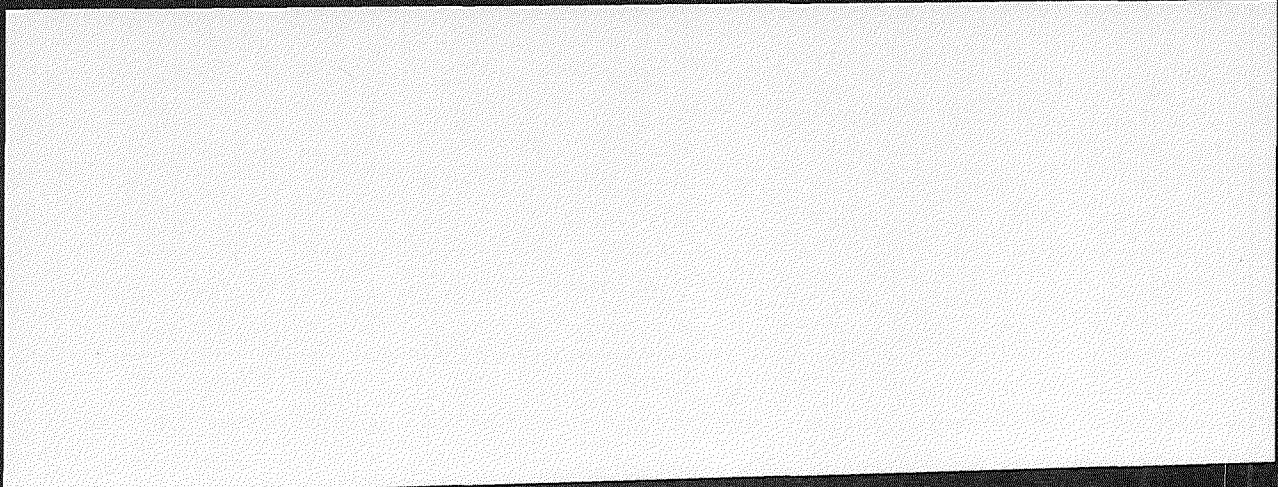
FURTHER RESOLVED, That all prior actions taken by the City in reference to The East Cut Community Benefit District are hereby ratified; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby receives and approves the annual report for The East Cut Community Benefit District for FY2017-2018.

THE
EAST
CUT

Community Benefit District
Annual Report

Fiscal Year
2017 – 2018



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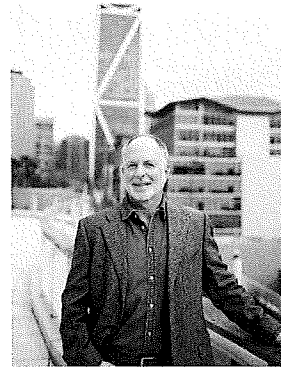
RINCON HILL

FOLSOM STREET

TRANSBAY

INTRODUCTION LETTER FROM THE PRESIDENT

06



WITH GRATITUDE,

MATT LITUCHY
*President,
Board of Directors,
The East Cut CBD*

07

DEAR NEIGHBOR,

I am pleased to share with you the second Annual Report for The East Cut Community Benefit District (CBD). Fiscal Year 2017-18 marked the District's second full year of operations and was highlighted by significant progress in meeting our mission of fostering a clean, safe and vibrant neighborhood.

I am particularly proud of our continued efforts to improve the condition of neighborhood sidewalks. The CBD's Clean and Safe Team swept and steam-cleaned sidewalks, topped overflowing trash cans, removed needles, feces, and garbage, painted over graffiti, and identified "hot spots" for special attention. East Cut Ambassadors assisted visitors, connected business owners to services, and worked 24/7 to encourage homeless individuals to seek help and shelter. Our Security Team patrolled seven nights a week as we remain the only CBD in San Francisco to provide overnight security service.

One of our most successful new initiatives was a partnership with Downtown Streets Team (DST). DST is a Bay Area-wide non-profit that offers homeless individuals (or those facing homelessness) employment skills and assistance finding housing. The CBD trained DST participants to work with our Clean Team personnel resulting in permanent housing and full-time positions for several individuals. We are currently fundraising to continue our DST partnership in 2018-19.

Our commitment to provide parks and open space took a leap forward this year. Guy Place Mini-Park broke ground on Rincon Hill, the CBD continued to maintain and program Emerald Park, and we assisted with the design of Under-ramp and Transbay Parks, two large neighborhood parks opening in the near future. We also completed the first phase of a plan to increase and improve sidewalk greenery.

A frenzy of building and job creation characterized our unique neighborhood as new high-rises came online and added thousands of residents and workers to The East Cut. The jewel amid the towers was world-class Salesforce Park. The reviews of the park were overwhelmingly positive and its usage far exceeded expectations during its first six weeks of operations. At this writing the park remains closed, but we expect a grand reopening and continuation of the park's rich programming.

The CBD's mandate includes strengthening the area's economic base. Besides working with real estate developers, property managers, leasing agents, and the City to ensure a robust business mix to serve local needs, The East Cut executed a variety of public events to provide neighbors with opportunities to meet and enjoy social activities close to home. We hosted monthly arts evenings and sponsored speaker panels and holiday gatherings.

This new year we are keeping pace with the District's burgeoning population and increased demand for services. In partnership with City Planning, we will finish the public input process for the South Downtown Design and Activation Plan as we help shape the neighborhood's transit, retail, and greenspace. We will also partner with the City to trim and maintain the CBD's 1,000+ trees. And of course, we will continue our round-the-clock street maintenance and safety program to augment the City's baseline municipal services.

I want to thank our staff and volunteers for their hard work in 2017-18 and our District property-owners for your continued support. The changes we see around us are exciting and the CBD will continue to put community concerns front and center. Please be sure to contact our Dispatch center at 415.543.8223 or dispatch@theeastcut.org whenever you see a need for street service, and sign up for our e-mail list on the theeastcut.org website to receive invitations to public events and other neighborhood information.

MISSION



Rincon Place, 375 Beale Street

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

09

OUR STORIED NEW NEIGHBORHOOD



San Francisco's tallest towers

In 1865, pioneer and gold-rusher Thomas Selby opened a large-scale lead smelting facility at 1st and Howard Streets in The East Cut district. The main feature of the building was its 200-foot tall tower used to create rifle pellets by pouring molten lead from the top of the tower through sieves below. The shot was classified as "B" or "BB" depending on the size of the sieve the lead was poured through.

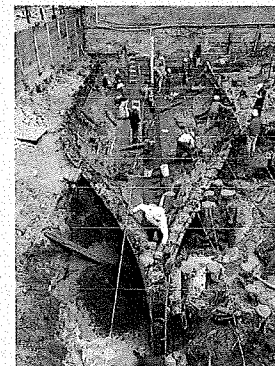
Selby's Shot Tower was visible from most vantages across the city, much like today's Salesforce Tower. Both were the visual totems of a growing city.

Thomas Selby went on to become Mayor of San Francisco in 1869 and the Shot Tower remained in production until it was severely damaged in the 1906 earthquake and fires. Boston Properties' Salesforce Tower, which officially opened in the spring of 2018, is home to San Francisco's largest private employer and a beacon seen from miles around while symbolizing the Bay Area's tech boom. In these two towers, past and present come together and highlight the district's long history of innovation.

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Selby's Shot Tower, S.E. cor. Howard & 1st
Looking West, 1880



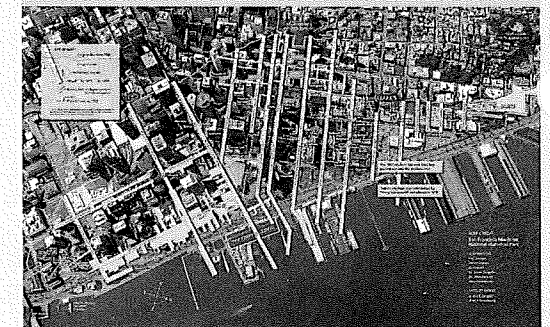
The East Cut neighborhood Selby chose for his business was already a unique one. Shortly following the Gold Rush, the U.S. Coast Survey mapped the city's shoreline, which at the time started at 1st Street north of Harrison Street and formed Yerba Buena Cove. Sea captains and new settlers disembarked from their ships in the cove when first arriving in San Francisco. With no intention of returning to their homeland, they left the vessels and abandoned them in the harbor, creating a dense forest of masts.

The Gold Rush had brought massive growth to San Francisco. The population burgeoned from less than 1,000 inhabitants in 1848 to 25,000 at the end of 1849. By 1856 the population was almost 50,000. In part to accommodate this influx, and also to address the high number of abandoned ships in Yerba Buena Cove, the city allowed settlers to claim the land underneath the ships they sank. This strategy both filled in the cove and created an opportunity for new residents to own some prime real estate.

Cartographers in the 1960s mapped out locations of the sunken ships buried in landfill underneath what is today known as the Financial District and The East Cut. In 2005, construction crews working on Tishman Speyer's Infinity condominiums discovered the Candace, a 19th-century whaling ship that had found its last anchorage under the growing city.

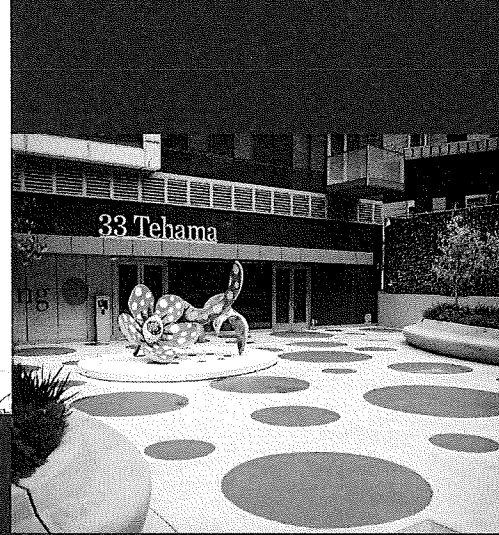
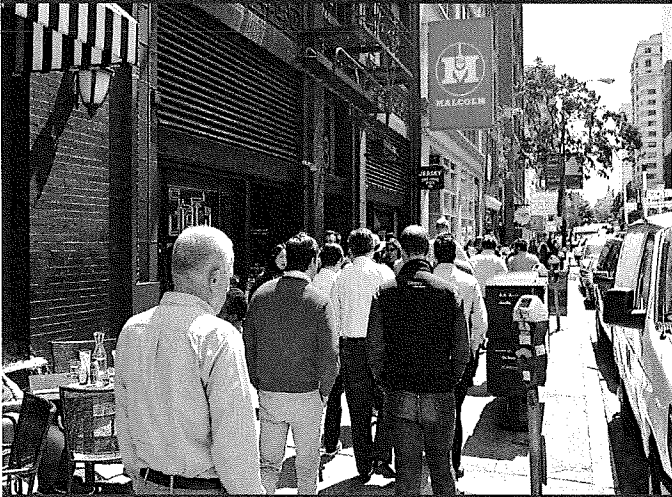
From Yerba Buena Cove during the Gold Rush to The East Cut today, our neighborhood is where settlers from all parts of the world have come to stay.

The BURIED SHIPS of YERBA BUENA COVE



1. Selby's Shot Tower, Howard Street, 1880
2. 1853 U.S.C.S. Map of San Francisco, California & Vicinity
3. The buried ship Candace being excavated
4. The buried Ships of Yerba Buena Cove map

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1. Bustling 2nd Street at lunchtime
2. Lumina towers
3. Yayoi Kusama's Flowers That Bloom at Midnight
4. Fayala owner, James Bouzidi

HIGHLIGHTS & ACCOMPLISHMENTS

Fiscal Year 2017-18 was the second full year of The East Cut CBD's operations. Below are a few highlights from across the CBD's program areas:

The core function of the CBD is to ensure that public rights-of-way in the district are clean, safe, and welcoming. With a year of implementation under our belts, we expanded our cleaning service hours, improved our nighttime sidewalk pressure washing, and became the first CBD to join the Vision Zero Coalition, committed to improving pedestrian and traffic safety on our streets.

More examples of our year's activities include:

- Launched a partnership with the Downtown Streets Team (DST) to provide daily work experience, and a stipend, to individuals facing homelessness and housing instability; ultimately hired three DST members full-time to The East Cut street services team and saw two get housing.
- Collaborated with the Mayor's Fix-It Team to address over 100 public realm maintenance issues, including striping crosswalks, replacing lights, and repairing curbs.
- Joined a national pilot program to provide sidewalk receptacles for cigarette butts and collect and recycle the debris.
- Patrolled overnight to deter crime and respond to security issues and coordinated with SFPD when needed to resolve unsafe situations.
- Regularly convened City agencies and the Transbay Joint Powers Authority, with the support of Supervisor Jane Kim's office, to ensure a successful opening of Salesforce Transit Center.



14



15

The East Cut CBD initiated a number of programs to improve and advocate for district open space. We co-hosted the South Downtown Design and Activation (SODA) Plan to ensure that neighborhood residents and businesses had a voice in the development and programming of parks and the public realm. The CBD also:

- Continued to maintain and program Emerald Park, the only public park currently open in the district.
- Partnered with California College of the Arts and the San Francisco Planning Department to generate design proposals for the Spear Street cul-de-sac. The studio created four concepts and displayed the prototypes at a cul-de-sac block party.
- Worked with Public Works to plan safety lighting and aesthetic improvements to the Beale Street Stairs that connect Beale to Harrison Street.
- Worked with SF Recreation and Parks to begin construction of Guy Place Mini Park.
- Transformed a parking space into a park on international Park(ing) day and Halloween.
- Maintained district street trees along 1st and Folsom Streets and continued to coordinate with SF Public Works on the city's Proposition E-funded tree pruning.
- Collaborated with OCII and its Citizens Advisory Committee to complete the design of Under-ramp Park. When constructed it will house The East Cut's Services team.

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

- Launched monthly Friday night programming in a variety of vacant retail spaces to demonstrate the demand and need for active ground floors.
- Unveiled light pole banners across the district to highlight the history and significance of our corner of San Francisco.
- Introduced the CBD to the San Francisco Public Relations Roundtable, San Francisco Hotel Council Board of Directors, SF Travel, and San Francisco Association of Realtors to raise awareness of the city's fastest-growing neighborhood and combine efforts to promote business and recreation in the neighborhood.
- Co-sponsored the second City Hall Day of Advocacy with the San Francisco Chamber of Commerce to ensure the district continues to receive the city's attention.

1. Beale Street underpass cleaned up
2. Salesforce Park
3. Illegal dumping cleaned up
4. Light-pole banners on Fremont Street

SERVICES & STATS



The East Cut clean team at work

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

CLEANING AND MAINTENANCE. The CBD's street services crew provides daily cleaning and beautification: sidewalk sweeping, power washing, graffiti abatement, topping off City trash cans, weeding tree basins and sidewalk cracks, and spot-cleaning health hazards. Cleaning services are provided every day from 6am to 11:30pm.

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

COMMUNITY GUIDES. Along with our clean and safe teams, the CBD fields community guides who offer assistance and directions to locals and visitors. Operating as the "eyes and ears" of The East Cut from 6am to 11:30pm, our guides connect individuals with services, respond compassionately to calls for homeless outreach, and ensure that the district operates smoothly.

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

COMMUNITY PROGRAMMING. The East Cut CBD hosts a monthly series of arts and cultural events in response to community demand for neighborhood activities. These events are open to anyone and provide social and business connections for all East Cut stakeholders.

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

Learn more at: www.theeastcut.org

1,730

Public calls for clean and safe service responded to.

3,254

City trash cans topped.

1,979

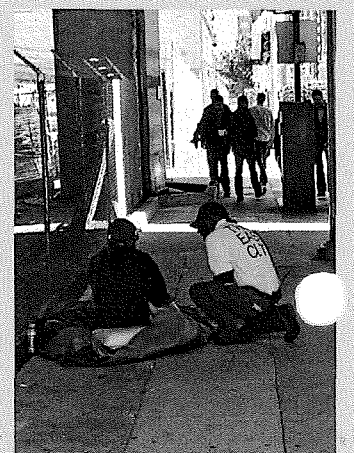
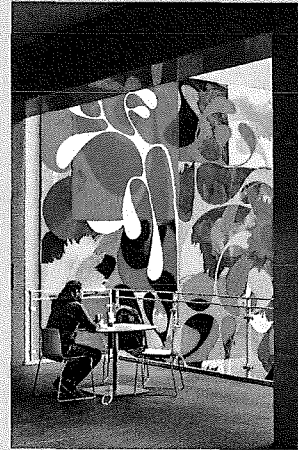
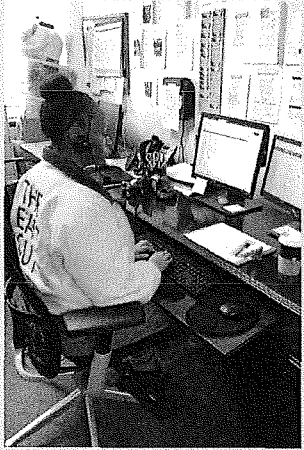
Instances of graffiti removed.

132,175

Pounds of garbage removed.

1,959

Needles removed.



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1. The East City CRD development
2. Holiday community event to vacant retail space
3. Public art, 4th and Street
4. Temporary Toybox Tournament
5. Skateboard tower skate activity
6. Public art and multi-use event
7. The East City CRD's Curious on Wheels event
8. East City CRD team leader partner to the introduction of services

LOOKING FORWARD

This year, The East Cut CBD is working to finalize the City's SODA Plan to improve transit options and pedestrian safety in the district, ensure neighborhood needs for green spaces and public plazas are met, and bring resources and attention to the particular challenges faced by our dense, urban, high-rise neighborhood.

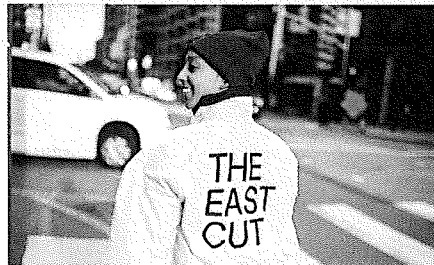
We've already received over 1,000 comments through the SODA community engagement process and are implementing some of those ideas. For example, we know that more parks and dog spaces are needed to create comfortable places to relax and play in our towering district. Guy Place Mini Park on Rincon Hill will be one small spot that combines both – a place of respite under a tree canopy and a testing ground for a curbside dog area.

The CBD also looks forward to the reopening of Salesforce Transit Center and the glorious park atop it. Salesforce Park unquestionably enriched the East Cut and we look forward to it claiming its central place in our district. We will work closely with TJPA to maintain its greenery and plan community events and activities for park visitors of all ages.

This year we will see the final design of Under-ramp Park completed, which will include a generous dog run and play space. We also will kick off the design for Transbay Park, located in the middle of what is now the Transbay Temporary Terminal site. The CBD will be maintaining and programming both of these large public parks to serve the district with a range of activities and create opportunities to gather and relax.

In 2018-19, The East Cut CBD will continue its partnership with the Downtown Streets Team to help employ and house those most in need. Funded entirely with non-assessment funds, this program is improving the cleanliness of our sidewalks while providing new opportunities for individuals facing housing instability. We are grateful to the district residents and corporations who have stepped up to support the program. We could not do this without you. (Contributions to DST can be made via the CBD's website at theeastcut.org/donate.)

The East Cut CBD is a community comprised of diverse constituents across the district. We look forward to continuing to foster a cleaner, safer, and more beautiful environment for residents, workers, business operators, and visitors. We will continue to advocate for the City's fastest-growing, densest neighborhood to be livable, economically vibrant, and supported by outstanding open space amid the high-rise pinnacles of San Francisco's new downtown core.



East Cut CBD security team member (above).
Harrison Street at dusk (right)



BUDGET

&

BALANCE SHEET

JULY 2017 – JUNE 2018 ACTUALS

INCOME	ACTUALS	BUDGET	OVER / (UNDER) BUDGET
Assessments	\$ 3,287,636.00	\$ 3,290,000.00	\$ (2,364.00)
Fundraising/In-Kind	\$ 94,494.00	\$ 67,650.00	\$ 26,844.00
Interest & Penalty Income	\$ 23,825.00	\$ 9,250.00	\$ 14,575.00
TOTAL INCOME	\$ 3,405,955.00	\$ 3,366,900.00	\$ 39,055.00

EXPENSES	ACTUALS	BUDGET	OVER / (UNDER) BUDGET
Public Safety	\$ 1,056,530.00	\$ 1,068,427.00	\$ (11,897.00)
Cleaning & Maintenance	\$ 717,663.00	\$ 806,432.00	\$ (88,769.00)
Parks & Greenspace	\$ 1,153,517.00	\$ 1,458,961.00	\$ (305,444.00)
Economic Development	\$ 171,733.00	\$ 226,208.00	\$ (54,475.00)
Management & Operations	\$ 268,080.00	\$ 288,957.00	\$ (20,877.00)
TOTAL EXPENSE	\$ 3,367,523.00	\$ 3,848,985.00	\$ (481,462.00)

JULY 2017 – JUNE 2018 BALANCE SHEET

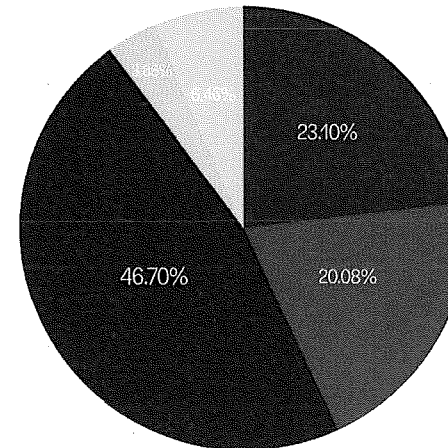
ASSETS	
Cash in Bank	\$ 2,345,066.00
Accounts Receivable, Net	\$ 47,473.00
Investments	\$ 1,025,157.00
Capital Assets	\$ 24,279.00
TOTAL ASSETS	\$ 3,441,975.00

LIABILITIES	
TOTAL LIABILITIES	\$ 1,210,457.00
TOTAL NET ASSETS (CARRYOVER)	\$ 2,231,518.00
TOTAL LIABILITIES & NET ASSETS	\$ 3,441,975.00

22

JULY 2018 – JUNE 2019 BUDGET

INCOME	
Assessments	\$ 3,838,000.00
Fundraising/In-Kind	\$ 255,000.00
Interest Income	\$ 11,200.00
Carryover Used	\$ 430,970.00
TOTAL INCOME	\$ 4,535,170.00



← FIG. 01

● Public Safety	23.10%
● Cleaning & Maintenance	20.08%
● Parks & Greenspace	46.70%
● Communications & Development	3.66%
● Management & Operations	6.46%

PROJECTED CARRYOVER DISBURSEMENT

CARRYOVER	AS OF 6.30.18	BUDGETED FOR FY18-19	BUDGETED FOR FUTURE YEARS
Public Safety	\$ 725,827.00	\$ 65,240.00	\$ 660,587.00
Cleaning & Maintenance	\$ 410,426.00	\$ 136,754.00	\$ 273,672.00
Parks & Greenspace	\$ 880,151.00	\$ 149,706.00	\$ 730,445.00
Communications & Development	\$ 125,657.00	\$ 48,484.00	\$ 77,173.00
Management & Operations	\$ 89,457.00	\$ 30,786.00	\$ 58,671.00
TOTAL	\$ 2,231,518.00	\$ 430,970.00	\$ 1,800,548.00

23

ASSESSMENT METHODOLOGY & CALCULATION

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

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

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

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

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

FY2017/18
 $(10,000 + 100,000) \times \$0.08830 = \$9,713$
 annual parcel assessment

FY2018/19
 $(10,000 + 100,000) \times \$0.06349 = \$3,184$
 annual parcel assessment

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

FY2017/18
 $(10,000 + 100,000) \times \$0.11547 = \$12,702$
 annual parcel assessment

FY2018/19
 $(10,000 + 100,000) \times \$0.12325 = \$13,558$
 annual parcel assessment

Commercial buildings adjacent to Salesforce Park:

FY2017/18
 $(10,000 + 100,000) \times \$0.14765 = \$16,242$
 annual parcel assessment

FY2018/19
 $(10,000 + 100,000) \times \$0.17527 = \$19,280$
 annual parcel assessment

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

FY2017/18
 $(10,000 + 100,000) \times \$0.12213 = \$13,434$
 annual parcel assessment

FY2018/19
 $(10,000 + 100,000) \times \$0.20129 = \$22,142$
 annual parcel assessment

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

FY2017/18
 $(10,000 + 100,000) \times \$0.06623 = \$7,285$
 annual parcel assessment

FY2018/19
 $(10,000 + 100,000) \times \$0.06262 = \$6,888$
 annual parcel assessment

THE EAST CUT CBD BOARD OF DIRECTORS 2017–2018

Matt Lituchy, President, *Jay Paul Company*
 Katina Johnson, Vice President, *Resident*
 Chris Foley, Secretary, *Ground Matrix*
 Dan Coming, Treasurer, *Resident*
 Lauren Post, Past President, *Resident*

Larissa Acosta, *Resident*
 Tony Birdsey, *Tishman Speyer*
 Elizabeth Chrisman, *Marin Day Schools*
 John Cornwell, *Resident*
 Carla Emil, *Resident*
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 Helen Han, *Boston Properties*
 Shane Hart, *Office of Community Investment & Infrastructure*
 Chema Hernández Gil, *Resident*
 Mike Koperski, *Golden Gate University*
 Tonia Leonardos, *Delts Dental*
 Wendy Lieu, *Socola Chocolatier*
 Nabil Musleh, *Habitat Lounge*
 Carly Perez, *Kilroy Realty*
 Steven Rosenthal, *Town Hall Restaurant*
 Jonathan Shum, *Related Companies*
 Adam Tartakovsky, *Crescent Heights*
 Martha Velez, *Transbay Joint Powers Authority*

THE EAST CUT CBD COMMITTEES

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

THE EAST CUT CBD STAFF

Andrew Robinson, *Executive Director*
 Tom Kolbeck, *Director of Operations & Community Engagement*
 Garrick Mitchler, *Public Realm Maintenance & Operations Manager*
 Lauren Machi, *Administration & Special Projects Manager*
 Pierre Lagarde, *District Fellow*

The East Cut CBD would like to thank the individuals and organizations below for their financial contributions and in-kind support in 2017–2018. Their generosity allowed us to provide services and events that improved and enlivened the district.

Ada's Cafe, Adam Swig, Boston Properties, Fayala, Fort Point Beer, Golden Gate University, Hines Properties, Kilroy Realty, Metropolitan Transportation Commission, Related California, San Francisco Planning Department, San Francisco Office of Economic & Workforce Development, Solaire Apartments, Temescal Brewing, Tishman Speyer

Photography by Terilyn Steverson and Matthew J. Zumwalt.

Get in touch

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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

Greater Lincoln Hill Service Category/Budget Line	Management Plan Budget	FY 2016-17									
		General Benefit Dollars	Management Plan Assessment Budget	% of Budget	FY 2017-18 Budget	General Benefit Dollars	FY 2017-18 Assessment Budget	% of Budget	Variance	Source	
Public Safety	\$ 971,036.00	\$ 13,595.00	\$ 957,441.00	21.66%	\$ 1,062,327.00	\$ 14,000.00	\$ 1,048,327.00	27.60%	5.94%		
Cleaning and Maintenance	\$ 619,374.00	\$ 8,671.00	\$ 610,703.00	13.81%	\$ 800,332.00	\$ 9,920.00	\$ 790,412.00	20.79%	6.98%		
Parks and Greenspace (Salesforce Park)	\$ 3,963,375.00	\$ 30,374.00	\$ 1,933,001.00	43.31%	\$ 775,000.00	\$ 47,600.00	\$ 727,400.00	20.14%	-21.19%		
Parks and Greenspace (Other Park/Parklets)	\$ 3,915,914.00	\$ 9,277.54	\$ 3,906,636.46	13.19%	\$ 877,861.00	\$ 47,600.00	\$ 830,261.00	17.61%	4.41%		
Communication and Development	\$ 78,831.00	\$ -	\$ 78,831.00	1.76%	\$ 220,108.00	\$ -	\$ 220,108.00	5.72%	3.96%		
Management	\$ 105,242.00	\$ -	\$ 105,242.00	3.24%	\$ 148,632.00	\$ -	\$ 148,632.00	3.86%	0.61%		
Operations	\$ 108,028.00	\$ -	\$ 108,028.00	1.41%	\$ 154,718.00	\$ -	\$ 154,718.00	4.28%	1.67%		
TOTAL	\$ 4,483,446.00	\$ 61,431.00	\$ 4,422,015.00	100.00%	\$ 3,848,985.00	\$ 118,500.00	\$ 3,730,485.00	100.00%			

\$ 1,452,861.00

BENCHMARK 2: General Benefit Requirement Public Safety 1.40%

Revenue Source	FY 2017-2018 Actuals	% of Actuals	Source
Assessment Revenue	\$ 864,018.59	97.85%	
Total Assessment (Special Benefit) Revenue	\$ 911,030.51	97.85%	
Contributions and Sponsorships	\$ 5,133.35	0.57%	
Grants	\$ 2,477.29	0.55%	
Donations	\$ 3,442.00	0.54%	Individual
Interest Earned	\$ 3,925.68	0.40%	
Earned Revenue	\$ -	0.00%	
Other	\$ 1,167.93	0.14%	Penalty
Total Non-Assessment (General Benefit) Revenue	\$ 21,474.41	2.14%	
Total	\$ 1,002,504.93	100.00%	

BENCHMARK 2: General Benefit Requirement Cleaning and Maintenance 1.40%

Revenue Source	FY 2017-2018 Actuals	% of Actuals	Source
Assessment Revenue	\$ 625,637.09	96.86%	
Total Assessment (Special Benefit) Revenue	\$ 625,637.09	96.86%	
Contributions and Sponsorships	\$ 10,639.15	1.66%	Corporate and Individual
Grants	\$ -	0.00%	
Donations	\$ 6,161.00	0.95%	Individual
Interest Earned	\$ 7,546.19	0.39%	
Earned Revenue	\$ 372.34	0.11%	Penalty
Other	\$ -	0.00%	
Total Non-Assessment (General Benefit) Revenue	\$ 20,272.73	3.14%	
Total	\$ 645,909.82	100.00%	

BENCHMARK 2: General Benefit Requirement Parks and Greenspace 0.79%

Revenue Source	FY 2017-2018 Actuals	% of Actuals	Source
Assessment Revenue	\$ 597,510.00	91.85%	
Total Assessment (Special Benefit) Revenue	\$ 597,510.00	91.85%	
Contributions and Sponsorships	\$ 5,193.18	0.80%	
Grants	\$ 12,960.16	1.99%	
Donations	\$ 27,549.00	4.25%	Individual
Interest Earned	\$ 2,458.98	0.48%	
Earned Revenue	\$ -	0.00%	
Other	\$ 2,648.99	0.39%	Penalty
Total Non-Assessment (General Benefit) Revenue	\$ 31,014.26	4.15%	
Total	\$ 628,524.26	100.00%	

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

Greater Lincoln Hill Service Category/Budget Line	FY 2017-18 Budget	FY 2017-18											
		Amount from Assessment	Amount from General Benefit	% of Budget (Assessment)	% Budget (Total Budget)	Actuals	Amount from Assessment	Amount from General Benefit	% of Actuals (Assessment)	% of Actuals (Total Budget)	Variance (Assessment)	Variance (Total Budget)	Source
Public Safety	\$ 1,062,327.00	\$ 1,048,327.00	\$ 14,000.00	39.81%	27.60%	\$ 1,002,508.94	\$ 911,030.51	\$ 21,474.41	29.84%	25.43%	-3.97%	1.83%	
Cleaning and Maintenance	\$ 800,332.00	\$ 791,212.00	\$ 9,120.00	25.24%	10.79%	\$ 845,909.82	\$ 625,637.09	\$ 20,272.73	19.03%	18.96%	-4.49%	-1.83%	
Parks and Greenspace (Salesforce Park)	\$ 1,452,861.00	\$ 727,350.00	\$ 47,650.00	23.46%	37.75%	\$ 1,393,393.37	\$ 1,393,393.37	\$ 83,024.26	40.77%	40.91%	-17.31%	3.16%	
Parks and Greenspace (Other Park/Parklets)	\$ 220,108.00	\$ 220,108.00	\$ -	7.10%	8.72%	\$ 95,009.91	\$ 60,875.84	\$ 34,134.07	2.45%	2.79%	-4.64%	-2.93%	
Communication and Development	\$ 148,632.00	\$ 148,632.00	\$ -	4.79%	3.86%	\$ 148,632.00	\$ 148,632.00	\$ -	4.53%	4.37%	-0.27%	0.51%	
Operations	\$ 154,718.00	\$ 154,718.00	\$ -	5.11%	4.28%	\$ 154,718.00	\$ 154,718.00	\$ -	3.73%	3.53%	-1.54%	-0.75%	
TOTAL	\$ 3,848,985.00	\$ 3,100,474.00	\$ 70,650.00	100.00%	100.00%	\$ 3,405,953.00	\$ 3,187,635.79	\$ 118,317.21	100.00%	100.00%			

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

FY 2017-2018 Carryover Disbursement	Source	Spenddown Timeline
General Benefit Project		
General Benefit Project 1		
General Benefit Project 2		
General Benefit Project 3		
General Benefit Project 4		
General Benefit Project 5		
General Benefit Project 6		
General Project Total		
Special Assessment Project	Budgeted for FY18-19 remaining Carryover	
Public Safety	\$ 795,892.20	\$ 602,897.00
Cleaning and Maintenance	\$ 419,159.59	\$ 78,867.00
Parks and Greenspace (Salesforce Park)	\$ 480,150.72	\$ 710,444.70
Parks and Greenspace (Other Park/Parklets)	\$ 115,957.12	\$ 27,173.10
Communication and Development	\$ 72,813.62	\$ 13,463.60
Operations	\$ 6,651.37	\$ -
Special Project Total	\$ 2,131,514.00	\$ 2,131,514.00
Total Designated Amount for FY 2018-19	\$ 2,131,514.00	\$ 1,400,548.00

THE EAST CUT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

THE EAST CUT COMMUNITY BENEFIT DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The East Cut Community Benefit District, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The East Cut Community Benefit District as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

San Francisco, California
December 3, 2018

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 2,345,066	\$ 814,501
Assessments receivable, net	34,411	40,306
Other receivable	13,062	8,671
Cash held for long term investments	790,988	563,576
Investments	234,169	1,199,141
Capital assets, net	<u>24,279</u>	<u>45,210</u>
Total Assets	<u>\$ 3,441,975</u>	<u>\$ 2,671,405</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 1,210,457</u>	<u>\$ 478,319</u>
Total Liabilities	1,210,457	478,319
Net Assets Unrestricted	<u>2,231,518</u>	<u>2,193,086</u>
Total Liabilities and Net Assets	<u>\$ 3,441,975</u>	<u>\$ 2,671,405</u>

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Revenue, Gains, and Other Support		
Assessment revenue	\$ 3,287,636	\$ 2,422,765
Contributions	44,711	10,666
In-kind contributions	49,783	49,765
Interest and other income	<u>23,825</u>	<u>11,815</u>
Total Revenue, Gains, and Other Support	<u>3,405,955</u>	<u>2,495,011</u>
Expenses		
Program services	3,099,443	1,985,048
Supporting services:		
Management and administrative	<u>268,080</u>	<u>252,829</u>
Total Expenses	<u>3,367,523</u>	<u>2,237,877</u>
Change in Net Assets	38,432	257,134
Net Assets - Beginning	<u>2,193,086</u>	<u>1,935,952</u>
Net Assets - Ending	<u>\$ 2,231,518</u>	<u>\$ 2,193,086</u>

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	Program Services				Total	Supporting Services		
	Public Safety	Cleaning & Maintenance	Communication & Activation	Parks and Green Space		Management and Administration	Fundraising	Total
Management personnel expenses	\$ 57,531	\$ 57,816	\$ 97,614	\$ 119,426	\$ 332,387	\$ 125,159	\$ --	\$ 457,546
Contract services	917,808	600,342	246	874,628	2,393,024	502	--	2,393,526
Accounting and audit	--	--	--	--	--	53,388	--	53,388
Legal fees	6,117	4,357	764	13,040	24,278	30,065	--	54,343
General consulting	13,160	8,580	39,473	19,296	80,509	6,581	--	87,090
Rent and utilities	26,408	17,028	2,135	35,378	80,949	6,855	--	87,804
Office equipment rental	552	352	46	755	1,705	146	--	1,851
Office equipment and supplies	3,689	3,921	1,728	188	9,526	15,249	--	24,775
Insurance - liability	3,643	2,323	300	4,977	11,243	964	--	12,207
Dues and subscriptions	--	--	--	--	--	3,105	--	3,105
Conference, convention, and meeting	220	241	43	130	634	795	--	1,429
Bank fees	--	--	--	--	--	448	--	448
Payroll fees	688	691	1,167	1,428	3,974	1,496	--	5,470
Marketing and branding	18,937	13,736	17,725	30,887	81,285	77	--	81,362
Community events	1,205	1,398	3,251	23,911	29,765	1,016	--	30,781
In-kind goods	5,447	6,161	7,149	27,937	46,694	3,089	--	49,783
Depreciation	1,125	717	92	1,536	3,470	19,145	--	22,615
Total	\$ 1,056,530	\$ 717,663	\$ 171,733	\$ 1,153,517	\$ 3,099,443	\$ 268,080	\$ --	\$ 3,367,523

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	Program Services				Supporting Services			
	Public Safety	Cleaning & Maintenance	Communication & Activation	Parks and Green Space	Total	Management and Administration	Fundraising	Total
Management personnel expenses	\$ 60,265	\$ 65,049	\$ 64,928	\$ 48,646	\$ 238,888	\$ 131,213	\$ --	\$ 370,101
Contract services	822,122	514,337	--	48,790	1,385,249	--	--	1,385,249
Marketing and branding	--	--	151,497	--	151,497	--	--	151,497
General consulting	--	--	--	900	900	5,481	--	6,381
Legal fees	12,377	13,219	3,909	2,944	32,449	19,954	--	52,403
Accounting and audit	--	--	--	--	--	36,356	--	36,356
Rent and utilities	29,513	18,822	2,399	17,981	68,715	7,706	--	76,421
Office equipment rental	--	--	--	--	--	6,793	--	6,793
Travel and meetings	--	--	--	486	486	--	--	486
Community events	3,333	3,333	17,905	33,585	58,156	--	--	58,156
Insurance - liability	--	--	--	--	--	12,378	--	12,378
Office equipment and supplies	7,814	4,558	2,295	2,916	17,583	3,064	--	20,647
Dues and subscriptions	--	--	--	--	--	1,653	--	1,653
Conference, convention, and meeting	--	--	--	--	--	1,747	--	1,747
Start up costs	--	--	--	--	--	14,010	--	14,010
In-kind goods	--	--	5,350	3,000	8,350	5,877	--	14,227
In-kind services	--	--	22,775	--	22,775	--	--	22,775
Payroll fees	--	--	--	--	--	5,147	--	5,147
Bank fees	--	--	--	--	--	1,450	--	1,450
Total	\$ 935,424	\$ 619,318	\$ 271,058	\$ 159,248	\$ 1,985,048	\$ 252,829	\$ --	\$2,237,877

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 38,432	\$ 257,134
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,615	--
Changes in operating assets and liabilities:		
Assessments receivable	5,895	9,479
Other receivable	(4,391)	(8,671)
Accounts payable and accrued expenses	<u>732,138</u>	<u>350,119</u>
Net Cash Provided by Operating Activities	<u>794,689</u>	<u>608,061</u>
Cash Flows From Investing Activities		
Purchase of investments	(2,000,000)	(599,141)
Redemption of investment	2,964,972	--
Purchase of capital assets	<u>(1,684)</u>	<u>(42,035)</u>
Net Cash Used in Investing Activities	<u>963,288</u>	<u>(641,176)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,757,977	(33,115)
Cash and Cash Equivalents - Beginning	<u>1,378,077</u>	<u>1,411,192</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,136,054</u>	<u>\$ 1,378,077</u>
Balance Sheet Presentation		
Cash and cash equivalents	\$ 2,345,066	\$ 814,501
Cash held for long-term investment	<u>790,988</u>	<u>563,576</u>
	<u>\$ 3,136,054</u>	<u>\$ 1,378,077</u>

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

The East Cut Community Benefit District (“ECCBD”) is a nonprofit 501(c)(3) community-based organization. ECCBD was formed in 2015 and began operations in 2016. The property owners of the catchment area formed ECCBD to improve the quality of life in the area by making the area cleaner, safer, and more vibrant. ECCBD has a contract with the City and County of San Francisco (the “City”) for a term of 15 years, expiring on June 30, 2030. ECCBD is generally 57 whole or partial blocks from approximately the east side of Second Street to the west side of the Embarcadero and from the north side of Mission Street to the north side of Harrison (the “District”). During the year ended June 30, 2017, ECCBD changed its legal name and was formerly known as The Greater Rincon Hill Association dba Greater Rincon Hill Community Benefit District.

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

ECCBD’s mission statement is as follows:

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

Programs and services provided by ECCBD include:

- **Public Safety** – The daytime security Community Guides will monitor street conditions, provide crime deterrence, and evaluate quality of life issues. Community Guides may patrol the District on foot or bicycle, depending on pedestrian traffic from 6:00am to 8:00pm, daily.

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

- **Clean Team** – The Clean Team works to improve the appearance and cleanliness of the district daily from 6:00am to 8:00pm. The Clean Team steams clean all sidewalks in the district once a month, work daily on sidewalk sweeping and trash can topping. They also remove graffiti on an on-call basis, daily.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

PURPOSE AND ORGANIZATION (CONTINUED)

- **Dispatch** – All ECCBD clean and safe services are accessed through a neighborhood dispatch system available from 7:00am to 11:00pm on Sunday through Thursday and 24 hours a day Friday and Saturday.
- **Parks and Greenspace** – The Parks and Greenspace program includes irrigation systems management and repair; pest control; tree, shrub, and ground maintenance; gardening/weeding; arborist and horticultural consultation; seasonal fire fuel reduction; trash off-haul; pavement and pathway repairs/care; small capital improvements such as replacement of plant materials, fixtures, furniture, and equipment; emergency repair projects. Projects that the ECCBD is involved in are; Guy Place Park, Under-Ramp Park and Essex Hillside (beginning 2017); Transbay Park (beginning 2019); Parklets, and District street trees and a portion of maintenance and operations for City Park (in 2018); and Park utilities (water and electric).
- **Communication and Development** – The Communication and Development program’s mission is to communicate the changes taking place in ECCBD and reinforce the public’s positive perception of the District’s parcels. A professionally-managed communication and development program will be created. This program will include newsletters, marketing materials, website development, property owner and merchant outreach programs, community liaison activities, special events, business retention and recruitment, media relations, advertising, property manager outreach, and property database development and updated.

BASIS OF ACCOUNTING

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

CLASSIFICATION OF NET ASSETS

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

CLASSIFICATION OF NET ASSETS (CONTINUED)

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

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.

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, 2018 and 2017, the ECCBD did not have any net assets meeting the definition of temporarily or 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 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

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

ASSESSMENTS RECEIVABLE

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

ECCBD uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on an evaluation of the outstanding receivables. As of June 30, 2018 and 2017, management believes all assessments will be collected, and therefore, an allowance for uncollectible assessments was not needed.

CERTIFICATES OF DEPOSIT

The ECCBD certificates of deposit are valued at fair value based upon quoted prices.

CAPITAL ASSETS

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

REVENUE RECOGNITION

Assessment Revenue

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

Contributions

ECCBD 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.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

REVENUE RECOGNITION (CONTINUED)

Contributions (continued)

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

For the years ended June 30, 2018 and 2017, ECCBD received cash contributions of \$44,711 and \$10,666, respectively.

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, ECCBD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ECCBD reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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

For the year ended June 30, 2018, ECCBD received contributed goods and services in the amount of \$49,783 and \$0, respectively. For the year ended June 30, 2017, ECCBD received contributed goods and services in the amount of \$22,775 and \$14,227 respectively. Additionally, during the year ended June 30, 2017, ECCBD received a fixed asset contribution for \$12,763.

ADVERTISING

The costs of advertising are charged to expense as incurred. Advertising expense for the years ended June 30, 2018 and 2017, was \$81,362 and \$151,497, respectively.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

INCOME TAXES

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

Management evaluated ECCBD's tax positions and concluded it maintained its tax exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

The 2014 through 2017 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2013 through 2017 tax years remain subject to examination by the California Franchise Tax Board. However, management is unaware of any pending examinations nor are there any in progress.

CONCENTRATIONS OF RISK

Financial Instruments

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

Service Provider

Approximately 23% of total expenses incurred during the year ended June 30, 2018 were attributed to safety and cleaning services provided by one vendor. Management believes that ECCBD is not exposed to any significant credit risk related to concentrations.

Revenue

For each of the years ended June 30, 2018 and 2017, ECCBD received 97% of its total income from the City in the form of assessments.

FUNCTIONAL ALLOCATION OF EXPENSES

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

FUNDRAISING REQUIREMENTS

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

For the years ended June 30, 2018 and 2017, ECCBD has satisfied these requirements.

NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, representing the completion of the first phase of a two-phase project to amend not-for-profit ("NFP") financial reporting requirements as set out in FASB ASC 958, *Not-for-Profit Entities*.

This standard:

- Eliminates distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions).
- Removes the current requirement to present or disclose the indirect method (reconciliation) when using the direct method of reporting cash flows.
- Requires NFP entities to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.
- Requires NFP entities to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

NFP entities will reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption. This amendment eliminates the current option that, in the absence of explicit donor stipulations, had allowed a NFP entity to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed) rather than when placed in service.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

NEW ACCOUNTING STANDARDS (CONTINUED)

ASU 2016-14 also requires enhanced disclosures about:

- Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- Qualitative information that communicates how a NFP entity manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
- Quantitative information and additional qualitative information in the notes as necessary, that communicates the availability of a NFP entity's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date.
- Amounts of expenses by both their natural classification and their functional classification and the methods used to allocate costs among program and support functions.
- Underwater endowment funds.

NFP entities are required to adopt this standard for annual reporting periods beginning after December 15, 2017. Management is evaluating the impact of this new guidance.

RECLASSIFICATIONS

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

NOTE 2 - FAIR VALUE MEASUREMENTS

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

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

Level 2

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

Level 3

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

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

Certificates of deposit: Certificates of deposits are valued at cost plus accrued interest which approximates fair value. These securities are classified within Level 2 of the fair value hierarchy.

The following table provides information about ECCBD's financial assets measured at fair value on a recurring basis as of June 30, 2018:

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ --	\$ 1,199,141	\$ --	\$ 1,199,141

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides information about ECCBD's financial assets measured at fair value on a recurring basis as of June 30, 2017:

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>

ECCBD's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. ECCBD had no transfers into or out of levels of the fair value hierarchy during the years ended June 30, 2018 and 2017.

NOTE 3 - CAPITAL ASSETS

Capital assets at June 30, 2018 and 2017, consist of the following:

	2018	2017
Computers	\$ 7,688	\$ 6,004
Furniture and equipment	3,588	3,588
Construction-in-progress	--	35,618
Leasehold improvements	35,618	--
Less: accumulated depreciation and amortization	(22,615)	--
Total	\$ 24,279	\$ 45,210

Depreciation expense for the years ended June 30, 2018 and 2017 was \$22,615 and \$0, respectively.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 4 - UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2018 and 2017, consist of the following:

	2018	2017
Unrestricted	\$ 1,749,434	\$ 1,996,651
Board Designated - Strategic Investment	<u>482,084</u>	<u>196,435</u>
Total	<u><u>\$ 2,231,518</u></u>	<u><u>\$ 2,193,086</u></u>

NOTE 5 - RETIREMENT PLAN

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

NOTE 6 - COMMITMENTS

ECCBD has a three year office lease agreement expiring on June 30, 2019. The lessor is represented by a Board member. ECCBD also has a five year office equipment lease expiring on June 30, 2021.

The following is a schedule of minimum lease commitments:

For the Years Ending			
June 30,	Office Lease	Copier Lease	Total
2019	\$ 54,323	\$ 1,572	\$ 55,895
2020	--	1,572	1,572
2021	--	<u>1,572</u>	<u>1,572</u>
Total	<u><u>\$ 54,323</u></u>	<u><u>\$ 4,716</u></u>	<u><u>\$ 59,039</u></u>

For the years ended June 30, 2018 and 2017, the rent expense was \$82,435 and \$69,637, respectively.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - SUBSEQUENT EVENTS

ECCBD has evaluated all subsequent events through December 3, 2018, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

MEMO

To: Matt Haney, District 6 Supervisor

CC: San Francisco Board of Supervisors
Chris Corgas, OEWD Senior Program Manager

From: Helen Mar, OEWD Project Manager

RE: The East Cut Community Benefit District

Date: 9/17/2019

This is a memo summarizing the performance of the East Cut Community Benefit District (The East Cut CBD) – the new name of the Greater Rincon Hill Association, the nonprofit organization that manages the assessment funds of the Greater Rincon Hill Community Benefit District (District), which is also now known as The East Cut Community Benefit District. This memo also provides an analysis of The East Cut CBD’s annual report for the period between July 1, 2017, and June 30, 2018.

The East Cut CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. The East Cut CBD has submitted all necessary documents. OEWD staff reviewed The East Cut CBD’s annual report to monitor and report on whether the CBD complied with applicable rules under the Property and Business Improvement District Law of 1994, California Streets and Highways Code Sections 36600 et seq.; San Francisco’s Business and Tax Regulations Code Article 15; the Greater Rincon Hill Community Benefit District management contract with the City; and the Greater Rincon Hill Community Benefit District Management Plan (Management Plan) as approved by the Board of Supervisors in 2015.

Also attached to this memo are the following documents:

1. Annual Report
 - a. FY 2017-2018
2. CPA Financial Review Reports
 - a. FY 2017-2018
3. Draft resolution from the Office of Economic and Workforce Development



Background

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

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

Basic Info about The East Cut CBD

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

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

Summary of Service Area Goals

The East Cut Community Benefit District (The East Cut CBD) has a unique management plan budget allocation compared to other districts. All other districts illustrate their management plan budget as a fixed percentage of assessments toward a specific category which does not change over time. Understanding that The East Cut CBD would have ongoing development, which included parks and greenspace coming online, project proponents provided a new management plan budget for each service category for each FY through FY 18-19. Following FY 18-19, the CBD will follow FY 18-19 management plan budget through the rest of its legislative life. The main factors determining this method of management plan budgeting was the eventual opening of Salesforce Park (referred to as City Park in the Management Plan) and various small parks and parklets within the CBD's jurisdiction.

Public Safety

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

During night hours, crime deterrence is provided by a private security firm. They are in cars and on foot. The Management Plan calls for approximately 21.66% of District assessment funds to be spent in this service area in FY 17-18.

Cleaning and Maintenance

Cleaning and Maintenance program area includes regular sidewalk sweeping, steam cleaning, trash can topping, graffiti abatement, weeding of tree basin, spot cleaning of street furniture, and maintenance of streetscape amenities. A dispatch service is available to CBD residents and property owners to address specific cleaning and safety issues. The Management Plan calls for approximately 13.81% of District assessment funds to be spent in this service area in FY 17-18.

Parks and Greenspace

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

Park operations include: management of maintenance and safety services; special events planning and oversight; community outreach. The Management Plan calls for approximately 57.12% of District assessment funds to be spent on this service area in FY 17-18.

Communication and Development

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

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

The Management Plan calls for approximately 1.76% of District assessment funds to be spent in this service area in FY 17-18.

Management

The Management Plan calls for approximately 3.24% of District assessment funds to be spent on management in FY 17-18. The East Cut CBD is staffed by a full-time Executive Director who serves as the

focal point person and advocate for the CBD. The East Cut CBD Board of Directors has twenty three (23) board members who represent the diverse property owners and businesses in the District. Notice of meetings of the CBD's Board of Directors and CBD Advisory Committees are posted to the CBD's website and at the SF Main Library. All Board of Directors meetings are open to the public, and public comment is welcome.

Operations

The East Cut CBD will incur the customary and usual expenses of running a business and office. Annual operational costs include rent, utilities, insurance, accounting, audit, and legal fees. In addition, \$12,000 per year has been budgeted for an annual Assessment Database to ensure that The East Cut CBD properly accounts for and levies assessments on new development as it is built, completed, and occupied. The Management Plan calls for approximately 2.41% of District assessment funds to be spent in this service area in FY 17-18.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2017-2018

Public Safety

- Coordinated with City agencies to create and maintain a safe public right-of-way along Essex Street and the Spear Street cul-de-sac
- Community guides operate between 6:30 AM and 11:30 PM, daily
- Patrolled overnight to deter crime and respond to security issues and coordinated with SFPD when needed to resolve unsafe situations
- Worked with the Department of Public works to plan safety lighting and aesthetic improvements to the Beale Street Stairs that connect Beale Street to Harrison Street
- Responded to 983 public safety calls for service

Cleaning and Maintenance

- Removed 132,175 pounds of litter
- Cleaned or removed 1,979 instances of graffiti
- Topped off 3,254 overflowing trashcans
- Responded to 747 cleaning calls for service
- Removed 1,959 needles
- Launched a partnership with the Downtown Streets Team (DST) to provide daily work experience, and a stipend to individuals facing homelessness and housing instability
- Hired 3 DTS members full-time to The East Cut street services team and saw 2 receive housing
- Joined a national pilot program to provide sidewalk receptacles for cigarette butts and collect and recycle the debris
- Collaborated with the Mayor's Fix-it Team to address over 100 public realm maintenance issues, including striping crosswalks, replacing lights, and repairing curbs

Parks and Greenspace

- Continued to maintain Emerald Park – the District's first public park and an oasis which contains a children's playground and plantings

- Collaborated with California College of the Arts and San Francisco Planning Department to generate design proposals to improve the Spear Street cul-de-sac
- Worked with SF Recreation and Parks to begin construction of Guy Place Mini Park
- Launched a walking tour of public art in public spaces
- Maintained District street trees along 1st and Folsom Streets and continued to coordinate with Department of Public Works on the City's Proposition E-funded tree pruning
- Collaborated with OCII and its Citizens Advisory Committee to complete the design of Under-ramp Park, which, when constructed, will house The East Cut's Services team

Salesforce Park

- Regularly convened City agencies and the Transbay Joint Powers Authority, with the support of Supervisor Jane Kim's office, to ensure a successful opening of Salesforce Transit Center
- Organized community focus groups for Salesforce Park programmer, Biederman Redevelopment Ventures, to get input on park programming
- Funded Salesforce Park programming

Communication and Development

- Launched monthly Friday night programming in a variety of vacant retail spaces to demonstrate the demand and need for active ground floors
- Unveiled light pole banners across the District to highlight the history and significance of that corner of San Francisco
- Introduced the CBD to the San Francisco Public Relations Roundtable, San Francisco Hotel Council Board of Directors, SF Travel, and San Francisco Association of Realtors to raise awareness of the city's fastest-growing neighborhood and combine efforts to promote business and recreation in the neighborhood

Management

- The Board was supplied a weekly update on pertinent information about new developments in the neighborhood and the anticipated impacts
- Regularly convened City agencies and the Transbay Joint Powers Authority to ensure a successful opening of Salesforce Transit Center
- The East Cut CBD Board of Directors improved administrative efficiency by reducing the number of full board meetings from 12 to 6 per year, with each meeting occurring roughly every other month

Operations

- The East Cut CBD completed its third organizational annual audit and received an unmodified opinion from an independent auditor
- The East Cut CBD produced its second Annual Report and mailed it to all property owners in the District, as well as delivering to ground floor retail and commercial property management staff

The East Cut CBD Annual Budget Analysis

OEWD’s staff reviewed the following budget related benchmarks for The East Cut CBD:

- **BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan (*Agreement for the Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether one and forty hundredths percent (1.40%) of actuals for Public Safety, one and forty hundredths percent (1.40%) for Cleaning and Maintenance, six and seventy nine hundredths percent (6.79%) of actuals for Parks and Greenspace, came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.4 - Annual Reports*)
- **BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percent (*Agreement for the Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether The East Cut CBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (*CA Streets & Highways Code, Section 36650(B)(5)*)

FY 2017-2018

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

ANALYSIS: *The East Cut CBD did not meet this requirement. For FY 17-18, the CBD assessed for only approximately half of the Management Plan Budget allocation for Salesforce Park due to an anticipated delay in completion of the park. This resulted in a variance of -23.78% as the CBD could not budget funding on the park while it was not in operation. See table below:*

Service Category	Management Plan Budget	% of Budget	FY 2017-2018 Budget	% of Budget	Variance Percentage Points
Public Safety	\$971,056.00	21.66%	\$1,062,327.00	27.60%	+5.94%
Cleaning and Maintenance	\$619,374.00	13.81%	\$800,332.00	20.79%	+6.98%
Parks and Greenspace (Salesforce Park)	\$1,969,378.00	43.92%	\$775,000.00	20.14%	-23.78%
Parks and Greenspace (Other Parks/Parklets)	\$591,534.00	13.19%	\$677,861.00	17.61%	+4.42%
Communication and Development	\$78,831.00	1.76%	\$220,108.00	5.72%	+3.96%
Management	\$145,241.00	3.24%	\$148,632.00	3.86%	+0.62%

Operations	\$108,232.00	2.41%	\$164,725.00	4.28%	+1.87%
TOTAL	\$4,483,646.00	100.00%	\$3,848,985.00	100.00%	

BENCHMARK 2: Whether one and forty hundredths percent (1.40%) of actuals for Public Safety, one and forty hundredths percent (1.40%) for Cleaning and Maintenance, six and seventy-nine hundredths percent (6.79%) of actuals for Parks and Greenspace, came from sources other than assessment revenue. The Transbay Joint Powers Authority (TJPA) is responsible for raising twenty and eighty-two hundredths percent (20.82%) for Salesforce Park from sources other than assessment revenue.

ANALYSIS: *The East Cut CBD met its requirement. Upon the reopening of Salesforce Transit Center and Salesforce Park, the Transbay Joint Powers Authority (TJPA) will document its non-assessment obligation and provide to The East Cut CBD which will, in turn, provide proof of this documentation to OEWD. Assessment revenue was \$981,030.52 or 97.86% of actuals and non-assessment revenue was \$21,478.41 or 2.14% of actuals for the public safety service category. Assessment revenue was \$625,637.09 or 96.86% of actuals and non-assessment revenue was \$10,693.16 or 1.66% of actuals for the cleaning and maintenance service category. Assessment revenue was \$597,910.07 or 91.85% of actuals and non-assessment revenue was \$53,024.26 or 8.15% of actuals for the Parks and Greenspace service category. See table below.*

Public Safety (1.40% needed)

Revenue Sources	FY 2017-2018 Actuals	% of Actuals
Special Benefit Assessments	\$ 981,030.52	
Total assessment revenue	\$ 981,030.52	97.86%
Contributions	\$5,193.15	0.52%
Grants	\$5,477.79	0.55%
Donations	\$5,447.00	0.54%
Interest earned	\$3,992.54	0.40%
Other	\$1,367.93	0.14%
Total non-assessment revenue	\$ 21,478.41	2.14%
Total	\$ 1,002,508.93	100.00%

Cleaning and Maintenance (1.40% needed)

Revenue Sources	FY 2017-2018 Actuals	% of Actuals
Special Benefit Assessments	\$ 625,637.09	
Total assessment revenue	\$ 625,637.09	96.86%
Contributions	\$10,693.16	1.66%

Donations	\$6,161.00	0.95%
Interest earned	\$2,546.19	0.39%
Earned Revenue	\$872.38	0.14%
Total non-assessment revenue	\$20,272.73	3.14%
Total	\$645,909.82	100.00%

Parks and Greenspace – Other Parks/Parklets (6.79% needed)

Revenue Sources	FY 2017-2018 Actuals	% of Actuals
Special Benefit Assessments	\$ 597,910.07	91.85%
Total assessment revenue	\$ 597,910.07	91.85%
Contributions	\$5,193.15	0.80%
Grants	\$12,960.16	1.99%
Donations	\$27,547.00	4.23%
Interest earned	\$5,454.96	0.84%
Other	\$1,868.99	0.29%
Total non-assessment revenue	\$53,024.26	8.15%
Total	\$650,934.33	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 East Cut CBD met this requirement. See table below.*

Service Category	FY 2017-2018 Budget	% of Budget	FY 2017-2018 Actuals	% of Budget	Variance Percentage Points
Public Safety	\$1,062,327.00	27.60%	\$1,002,508.00	29.43%	+1.83%
Cleaning and Maintenance	\$800,332.00	20.79%	\$645,909.82	18.96%	-1.83%
Parks and Greenspace (Salesforce Park, Other Parks/Parklets)	\$1,452,861.00	37.75%	\$1,393,393.37	40.91%	+3.16%
Communication and Development	\$220,108.00	5.72%	\$95,009.91	2.79%	-2.93%
Management	\$148,632.00	3.86%	\$148,809.16	4.37%	+0.51%
Operations	\$164,725.00	4.28%	\$120,321.80	3.53%	-0.75%
TOTAL	\$3,848,985.00	100.00%	\$3,405,953.00	100.00%	

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

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

FY 2017-18 Carryover Disbursement	\$2,231,518.00
Designated Projects for FY 2017-18	
Public Safety	\$725,827.20
Cleaning and Maintenance	\$410,425.96
Parks and Greenspace	\$880,150.72
Communication and Development	\$125,657.12
Management	\$20,833.63
Operations	68,623.37
Total Designated amount for FY 2018-19 and future years	\$2,231,518.00

Findings and Recommendations

The East Cut CBD has met benchmarks 2, 3, and 4. All four benchmarks are defined on page 6 of this memo.

The CBD did not meet benchmark 1, specifically for the Parks and Greenspace (Salesforce Park) service category as the CBD assessed for approximately half of the Management Plan Budget amount for FY17-18. This was due to a delay in the completion of Salesforce Park, which, when fully constructed and operational, would have had a service budget allocation of approximately \$2,560,911.00.

This particular CBD’s management plan allocates general benefit in relation to special assessment dollars being used on a given service area. As a result, each service category has a different general benefit. This is because the CBD will maintain and service various parks within the District, including Salesforce Park. As parks and public realm have a large impact on general benefit, this was determined to be the most equitable way to accurately portray general benefit.

In this fiscal year, Guy Place Mini-Park broke ground and the CBD assisted with the design on the Under-ramp and Transbay Parks. The CBD also partnered with the City to trim and maintain 1,000+ trees.

The East Cut CBD implemented a new initiative to partner with Downtown Streets Team (DST). DST is a Bay Area-wide non-profit that offers homeless individuals, or those facing homelessness, employment skills and assistance finding housing.

Conclusion

The East Cut CBD was formed through an open, community-based process. The CBD performed well in implementing its service plan. The CBD is in its 3rd year of operations, and has increased its opportunities in partnering with community stakeholders and numerous municipal agencies for various projects within the District. The CBD is an extremely well run organization with an active Board of Directors and committee members. OEWD believes The East Cut CBD will continue to successfully carryout its mission and service plans.

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
Joaquin Torres, Director, Office of Economic and Workforce Development

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

DATE: October 4, 2019

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Haney on September 24, 2019:

File No. 190983

Resolution changing the name of the Greater Rincon Hill Community Benefit District to The East Cut Community Benefit District (The East Cut CBD); receiving and approving the annual report for The East Cut CBD for FY2017-2018, 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
J'Wel Vaughan, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development
Chris Corgas, Office of Economic and Workforce Development

Introduction Form

By a Member of the Board of Supervisors or Mayor

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BOARD OF SUPERVISORS
SAN FRANCISCO

2019 SEP 24 PM 1:25
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):

Haney,

Subject:

Greater Rincon Hill Community Benefit District - Name Change, Annual Report for FY 2017-2018

The text is listed:

Resolution changing the name of the Greater Rincon Hill Community Benefit District to The East Cut Community Benefit District; receiving and approving the annual report for the District for fiscal year 2017-2018, 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