

MEMORANDUM

TO: Supervisor Myrna Melgar, District 7 Supervisor

CC: San Francisco Board of Supervisors

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

DATE: July 10, 2023

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

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

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

Also attached to this memo are the following documents:

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



Background

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

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

Basic Information about the Ocean Avenue Community Benefit District:

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

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

Summary of Program Areas

Cleaning, Maintenance, and Safety



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

Marketing, Streetscape Improvements, and Beautification

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

Management & Operations

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

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

Summary of Accomplishments, Challenges, and Delivery of Services

FY 2021-2022

Cleaning, Maintenance, and Safety

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



Marketing, Streetscape Improvements, and Beautification

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

Management & Operations

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

Ocean Avenue CBD Annual Budget Analysis

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

- **BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan (*Agreement for the Administration of the "Ocean Avenue Community Benefit District", Section 3.9 – Budget*)



- **BENCHMARK 2:** Whether one percent (1%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “Ocean Avenue Community Benefit District”, Section A - Annual Reports*)
- **BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percent (*Agreement for the Administration of the “Ocean Avenue Community Benefit District”, Section 3.9 – Budget.*)
- **BENCHMARK 4:** Whether the Ocean Avenue CBD is indicating the amount of any surplus or deficit revenues to be carried forward into the next fiscal year and designating the projects to be funded by any surplus revenues (*CA Streets & Highways Code, Section 36650(B)(5).*)

FY 2021-2022 Budget Analysis

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

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

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

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

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



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

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

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

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

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

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



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

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

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

Findings and Recommendations

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

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

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



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

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

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

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



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



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

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



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

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

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



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

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

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

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

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



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

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



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

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

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

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

Conclusion

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

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

ⁱⁱ Ibid

