

**MEMO**

To: Supervisor Jane Kim, District 6

CC: San Francisco Board of Supervisors

From: Crezia Tano, OEWD Senior Project Manager

RE: North of Market Tenderloin Community Benefit District

Date: March 26, 2015

---

This is a memo summarizing the performance of the North of Market Tenderloin Community Benefit District and an analysis of its financial statements (based on their audit) for the period between July 1, 2010, and June 30, 2013.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. North of Market/Tenderloin 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 North of Market/Tenderloin CBD management contract with the City; and their Management Plan approved by the Board of Supervisors in 2006.

Also attached to this memo are the following documents:

1. Annual Reports
  - a. FY 2010-2011
  - b. FY 2011-2012
  - c. FY 2012-2013
2. CPA Financial Review Reports
  - a. FY 2010-2011
  - b. FY 2011-2012
  - c. FY 2012-2013
3. Draft resolution from the Office of Economic and Workforce Development



### Background

The North of Market/Tenderloin District spans 29 blocks and includes 675 parcels.

- August 2, 2005: the Board of Supervisors approved the resolution that established the North of Market Tenderloin Community Benefit District for 15 years (Resolution # 584-05).
- January 10, 2006: the Board approved the contract for the administration and management of the North of Market Tenderloin Community Benefit District (Resolution # 15-06).
- July 12, 2011: the Board of Supervisors approved the Annual Reports for FYs 2006-2007, 2007-2008, 2008-2009 and 2009-2010 (Resolution #284-11).

### Basic Info about Greater North of Market/Tenderloin CBD:

Year Established	August 2005
Assessment Collection Period	FY 2005-2006 to FY 2019-2020 (July 1, 2005 to June 30, 2020)
Services Start and End Date	January 1, 2006 – December 31, 2020
Initial Estimated Annual Budget	\$981,147
Fiscal Year	July 1 – June 30
Executive Director	(Interim) Susie McKinnon (Previous ED Dina Hilliard 2009-2014)
Name of Nonprofit Owners' Entity	North of Market Tenderloin Community Benefit District

The current CBD website [www.nom-tlcbd.org](http://www.nom-tlcbd.org), includes all the pertinent information about the organization and their programs, a calendar of events, their Management Plan, Mid-Year Report, Annual Report and meeting schedules.

### Summary of Program Areas

#### **Public Right of Way and Sidewalk Operations**

Sidewalk Operations services include: (1) twice daily sidewalk and gutter hand sweeping 5 days a week, (2) bi-monthly soap and water scrub-down of all properties, (3) a "Lead Sweeper" dealing with needles, hazardous waste and bulky items, and (4) graffiti removal 10 to 15 hours per week, and (5) once monthly sidewalk steam cleaning. For the years in review, Public Right of Way initiatives also include: (1) *Safe Passages* program and (2) a public toilet study, access and design project. NOM/TL CBD contracts with *San Francisco Clean City Coalition* (Clean City) to provide sidewalk cleaning and maintenance as well as the Community Service Ambassador program. The North of Market Tenderloin CBD Management Plan calls for 76% of the budget to be spent on Public Right of Way and Sidewalk Operations.

#### **District Identity and Streetscape Improvements**

This service area includes but is not limited to promoting the district through brochures, a website, social media outlets (i.e. Facebook and Twitter), sponsoring special events, and enhancing beautification. NOM/TL dedicates approximately five percent (5%) of its budget to District Identity and Streetscape Improvements.

## **Management & Operations**

The NOM/TL Management Plan calls for 12% of the budget to be spent on management and corporate operations. NOM/TL CBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for the district. The NOM/TL CBD board has thirteen (13) board members that represent the diverse property and business owners and residents in the district. The board meets every third Monday every month. NOM/TL CBD has several committees that function to assist the CBD with its goals and objectives.

The four committees include:

- **Executive Committee** - oversees central operations of the organization and ensures the functioning of key areas: staff and contracts; corporate finances; insurance; grants; development of budget; board agendas and meetings; correspondence; outreach; bylaws and policies; public relations; newsletters. The Executive Committee meets the 1<sup>st</sup> Wednesday of the month.
- **Public Rights of Way (PROW) Committee** – oversees the services in public spaces and ensures the success and efficiency of these services, along with other services designed to promote safety in the neighborhood. These services include the following activities: sidewalk sweeping and cleaning; steam cleaning; relations with the Department of Public Works (DPW); tree planting and maintenance; improving public right of way experience; and safety programs including Safe Passage and Safe Havens. The PROW Committee meets the 2<sup>nd</sup> Thursday of the month.
- **District Identity and Streetscape Improvements (DISI) Committee** - oversees programs that promote Tenderloin district identity and provide beautification through visual media such as art and murals. The DISI Committee meets the 1<sup>st</sup> Monday of the Month.
- **Community Advisory Board Committee** – works to address the needs and concerns of Tenderloin residents and engages in outreach activities to form partnerships among local community organizations. Projects during these years include community benefit agreement negotiations, land use planning discussions and advocacy, and community safety meetings. The Community Advisory Board Committee meets the 2<sup>nd</sup> Thursday of the month.

## **Summary of Accomplishments, Challenges, and Delivery of Services**

### **FY 2010-2011**

#### **Public Right of Way and Sidewalk Operations**

- Funded Clean City for the purchase of a new model M-20 sidewalk scrubbing machine.
- Clean and Safe Services Team removed more than 2,324 graffiti tags from public and private property; collected over 14,800 bags of litter from sidewalks and gutter; and safely disposed of 2,189 needles.

#### **District Identity and Streetscape Improvements**

- Received the final approval from the San Francisco Arts Commission for the "Humming with Life" mural on the United States Postal Service office at 101 Hyde Street.

### **Management & Operations**

- Provided a letter of support on behalf of Friends of Boeddeker Park for the San Francisco Community Opportunity Fund. The grant would fund Boeddeker Park's plans to rebuild and develop a basketball court, fitness zone, and Tai Chi area.

### **FY 2011-2012**

#### **Public Right of Way and Sidewalk Operations**

- Funded Clean City for the purchase of new Steam Cleaning Equipment.
- Clean and Safe Services Team removed more than 1,661 graffiti tags from public and private property; collected over 16,000 bags of litter from sidewalks and gutter; and safely disposed of 2,828 needles.
- Provided 156 paid transitional jobs to very low-income women and men through CBD operations such as power washing and steam cleaning once per month, targeting neighborhood "hotspots."

#### **District Identity and Streetscape Improvements**

- Partnered with San Francisco City Impact (a faith-based organization that provides a variety of services to homeless and low-income residents) to provide access to their bathrooms, which reduced reported incidents of human waste on sidewalks by 20%.

#### **Management & Operations**

- Started work on an ecological public toilet with Hyphae Design Lab and SF Clean City with funding from SF Community Challenge Grant and the Community Development Block Grant.

### **FY 2012-2013**

#### **Public Right of Way and Sidewalk Operations**

- Clean and Safe Services Team removed more than 962 graffiti tags from public and private property; collected over 20,243 bags of litter from sidewalks and gutter; and safely disposed of 4,492 needles.

#### **District Identity and Streetscape Improvements**

- Collaborated with Cova Hotel and Southeast Asian Community Center to create a community-approved banner design with funding from an Invest in Neighborhoods Grant.
- Partnered with the Central Market and Civic Center CBDs, San Francisco Arts Commission and OEWD to design, develop and maintain an online events calendar and directory for the Tenderloin, Central Market and Civic Center neighborhoods.

#### **Management & Operations**

- Received a Neighborhood Partners Program Grant with the San Francisco Travel Association to explore opportunities for promoting unique neighborhood destinations.

**NOM/TL CBD Annual Budget Analysis**

**OEWD’s staff reviewed the following budget related benchmarks for NOM/TL 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 “North of Market/Tenderloin Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether five percent (5%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “North of Market Tenderloin 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 “North of Market Tenderloin Community Benefit District”, Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether NOM/TL 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 36651*)

**FY 2010-2011**

**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:** NOM/TL CBD met this requirement. See table below.

<b>Service Category</b>	<b>Management Plan Budget</b>	<b>% of Management Plan</b>	<b>FY 2010-2011 Budget</b>	<b>% of Budget</b>	<b>Variance Percentage Points</b>
Public Right of Way and Sidewalk Operations	\$749,074	76.0%	\$823,080	68.1%	-7.9
District Identity and Streetscape Improvements	\$45,000	5.0%	\$74,691	6.2%	+1.2
Management & Operations	\$120,000	12.0%	\$221,141	18.3%	+6.3
Contingency Reserve	\$67,413	7.0%	\$89,968	7.4%	+0.4
<b>TOTAL</b>	<b>\$981,487</b>	<b>100%</b>	<b>\$1,208,880</b>	<b>100%</b>	

**BENCHMARK 2:** Whether five percent (5%) of NOM/TL CBD’s actuals came from sources other than assessment revenue

**ANALYSIS:** *NOM/TL CBD met this requirement. Assessment revenue was \$912,828 or 93.3% of actuals and non-assessment revenue was \$65,934 or 6.7% of actuals. See table below.*

Revenue Sources	FY 2010-2011 Actuals	% of Actuals
Special Benefit Assessments	\$912,828	
<b>Total assessment revenue</b>	<b>\$912,828</b>	<b>93.3%</b>
Grants	\$63,940	
Donations	\$582	
Interest Earned	\$1,412	
<b>Total non-assessment revenue</b>	<b>\$65,934</b>	<b>6.7%</b>
<b>TOTAL</b>	<b>\$978,762</b>	<b>100%</b>

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

**ANALYSIS:** *NOM/TL CBD met this requirement. See tables below.*

Service Category	FY 2010-2011 Budget	% of Budget	FY 2010-2011 Actuals	% of Actuals	Variance Percentage Points
Public Right of Way and Sidewalk Operations	\$823,080	68.1%	\$835,550	75.3%	+7.2
District Identity and Streetscape Improvements	\$74,691	6.2%	\$146,811	13.2%	+7.1
Management & Operations	\$221,141	18.3%	\$127,303	11.5%	-6.8
Contingency Reserve	\$89,968	7.4%	-	-	
<b>TOTAL</b>	<b>\$1,208,880</b>	<b>100%</b>	<b>\$1,109,664</b>	<b>100%</b>	

**BENCHMARK 4:** Whether NOM/TL 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:** *NOM/TL CBD did not indicate the specific allocation of their carryforward funds in their Annual Report. OEWD requested that NOM/TL CBD provide a memo stating the carryover disbursement along with the designated projects. The data from the memo has been incorporated into the table below. Upon further review, OEWD requested that NOM/TL CBD assess the carryforward stated in their annual report and net assets stated in their yearly audit. NOM/TL CBD has conducted an analysis of these two figures. See attached letter from NOM/TL CBD received March 3, 2015.*

*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.*

<b>FY 2010-2011 Carryover Disbursement</b>	<b>\$222,018</b>
Designated Projects for FY 2011-12	
DISI	\$93,248
PROW	\$48,844
Contingency Reserve	\$79,926
<b>Total Designated amount for FY 2011-12</b>	<b>\$222,018</b>

**FY 2011-2012**

**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:** *NOM/TL CBD met this requirement. See table below.*

<b>Service Category</b>	<b>Management Plan Budget</b>	<b>% of Management Plan</b>	<b>FY 2011-2012 Budget</b>	<b>% of Budget</b>	<b>Variance Percentage Points</b>
Public Right of Way and Sidewalk Operations	\$749,074	76.0%	\$817,807	70.3%	-5.7
District Identity and Streetscape Improvements	\$45,000	5.0%	\$87,103	7.5%	+2.5
Management & Operations	\$120,000	12.0%	\$173,218	14.9%	+2.9
Contingency Reserve	\$67,413	7.0%	\$85,944	7.4%	+0.4
<b>TOTAL</b>	<b>\$981,487</b>	<b>100%</b>	<b>\$1,164,072</b>	<b>100%</b>	

**BENCHMARK 2:** Whether five percent (5%) of NOM/TL CBD’s actuals came from sources other than assessment revenue

**ANALYSIS:** *NOM/TL CBD did not meet this requirement.* Assessment revenue was \$986,949 or 98% of actuals and non-assessment revenue was \$20,310 or 2% of actuals. NOM/TL CBD has reported that this deficiency can be explained by the organization’s transitional period with a new and sole staff member. See table below.

Revenue Sources	FY 2011-2012 Actuals	% of Actuals
Special Benefit Assessments	\$ 986,949	
<b>Total assessment revenue</b>	<b>\$986,949</b>	<b>98.0%</b>
Contributions and grants	\$11,556	
Interest Earned	\$347	
Donations and Other Income	\$8,407	
<b>Total non-assessment revenue</b>	<b>\$20,310</b>	<b>2.0%</b>
Total	\$1,007,259	100%

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

**ANALYSIS:** *NOM/TL CBD met this requirement.* See table below.

Service Category	FY 2011-2012 Budget	% of Budget	FY 2011-2012 Actuals	% of Budget	Variance Budget to Actuals
Public Right of Way and Sidewalk Operations	\$817,807	70.3%	\$814,397	76.8%	+6.5
District Identity and Streetscape Improvement	\$87,103	7.5%	\$142,393	13.4%	+5.9
Management & Operations	\$173,218	14.9%	\$104,154	9.8%	-5.1
Contingency Reserve	\$85,944	7.4%	-	-	
<b>TOTAL</b>	<b>\$1,164,072</b>	<b>100%</b>	<b>\$1,060,944</b>	<b>100%</b>	



**BENCHMARK 4:** Whether NOM/TL 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:** *NOM/TL CBD did not indicate the allocation of their carryforward funds in their Annual Report. OEWD requested that NOM/TL CBD provide a memo stating the carryover disbursement along with the designated projects. The data from the memo has been incorporated into the table below. Upon further review, OEWD requested that NOM/TL CBD assess the carryforward stated in their annual report and net assets stated in their yearly audit. NOM/TL CBD has conducted an analysis of these two figures. See attached letter from NOM/TL CBD received March 3, 2015.*

*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.*

<b>FY 2011-2012 Carryover Disbursement</b>	<b>\$160,000</b>
Designated Projects for FY 2012-13	
DISI	\$16,000
PROW	\$120,000
Admin/Staff	\$24,000
<b>Total Designated amount for FY 2012-13</b>	<b>\$160,000</b>

**FY 2012-2013**

**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:** *NOM/TL CBD met this requirement. See table below.*

<b>Service Category</b>	<b>Management Plan Budget</b>	<b>% of Management Plan</b>	<b>FY 2012-2013 Budget</b>	<b>% of Budget</b>	<b>Variance Percentage Points</b>
Public Right of Way and Sidewalk Operations	\$749,074	76.0%	\$875,700	75.4%	-0.6
District Identity and Streetscape Improvements	\$45,000	5.0%	\$54,500	4.7%	-0.3
Management & Operations	\$120,000	12.0%	\$159,264	13.7%	+1.7
Contingency Reserve	\$67,413	7.0%	\$72,000	6.2%	-0.8
<b>TOTAL</b>	<b>\$981,487</b>	<b>100%</b>	<b>\$1,161,464</b>	<b>100%</b>	

**BENCHMARK 2:** Whether five percent (5%) of NOM/TL CBD’s actuals came from sources other than assessment revenue

**ANALYSIS:** NOM/TL CBD did not meet this requirement. Assessment revenue was \$988,538 or 95.4% of actuals and non-assessment revenue was \$47,757 or 4.6% of actuals. NOM/TL CBD reported to OEWD that it worked diligently to meet the general benefit requirement. See table below.

Revenue Sources	FY 2012-2013 Actuals	% of Actuals
Special Benefit Assessments	\$988,538	
<b>Total assessment revenue</b>	<b>\$988,538</b>	<b>95.4%</b>
Grants	\$39,265	
Donations	\$8,200	
Interest Earned	\$292	
<b>Total non-assessment revenue</b>	<b>\$47,757</b>	<b>4.6%</b>
<b>TOTAL</b>	<b>\$1,036,295</b>	<b>100%</b>

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

**ANALYSIS:** NOM/TL CBD met this requirement. See table below.

Service Category	FY 2012-2013 Budget	% of Budget	FY 2012-2013 Actuals	% of Actuals	Variance Percentage Points
Public Right of Way and Sidewalk Operations	\$875,700	75.4%	\$888,383	82.6%	+7.2
District Identity and Streetscape Improvements	\$54,500	4.7%	\$41,335	3.8%	-0.9
Management & Operations	\$159,264	13.7%	\$145,627	13.5%	-0.2
Contingency Reserve	\$72,000	6.2%			
<b>TOTAL</b>	<b>\$1,161,464</b>	<b>100%</b>	<b>\$1,075,345</b>	<b>100.0%</b>	

**BENCHMARK 4:** Whether NOM/TL 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:** NOM/TL 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 their annual budget.*

<b>FY 2012-2013 Carryover Disbursement</b>	<b>(\$34,857)</b>
Designated Projects for FY 2013-14	
<b>Total Designated amount for FY 2013-14</b>	<b>(\$34,857)</b>

### Findings and Recommendations

Within the review periods of FY 2010-2011, FY 2011-2012, and FY 2012-2013, the North of Market Tenderloin CBD generally met all of the benchmarks as defined on page 5 of this memo. Of the three fiscal years in review, NOM/TL CBD did not meet the all the benchmarks in the 2011-12 and 2012-13 fiscal years; specifically with benchmark two.

Per their management plan NOM/TL CBDs non-assessment revenue must be at five percent (5%) of their total revenue. In FY 2011-2012 assessment revenue was \$986,949 or 98% of actuals and non-assessment revenue was \$20,310 or 2% of actuals. FY 2012-2013 assessment revenue was \$988,538 or 95.4% of actuals and non-assessment revenue was \$47,757 or 4.6% of actuals. We recommend that NOM/TL CBD work diligently to meet their five percent (5%) general benefit requirement.

In a letter addressed to OEWD, NOM/TL CBD states that the figures prepared as part of the financial statement review were not those used for the purposes of communicating the CBD’s financial position to stakeholders in their annual report. NOM/TL CBD’s carryforward published in their annual reports for FY 2010-11 was \$222,018 while their actual net assets were at (\$130,922). In FY 2011-12 their carryforward is shown in the annual report as \$160,000 while actual net assets were at (\$53,685). In addition, NOM/TL CBD reports that for each year in review, year-end expenditures exceeded their actual revenues by spending cash reserves, indicating a deficit.

OEWD recommends that NOM/TL CBD outline a budget that does not exceed their total revenue. In the letter attached, NOM/TL CBD has stated that it will work diligently to “rectify past errors and inadequacies.”

Additionally, during OEWD's review process, NOM/TL CBD conducted its audit for fiscal year 2013-14. NOM/TL CBD's auditor has highlighted weaknesses and deficiencies with NOM/TL CBD's organizational practices:

- Segregation of Duties
- Personnel Documentation
- Lack of Personnel Handbook
- Reconciliation of Assessment Funds

For the segregation of duties, personnel documentation, and lack of personnel handbook, OEWD will closely monitor and track NOM/TL CBD's progress. OEWD will support NOM/TL CBD in reconciling assessment collections.

### **Conclusion**

North of Market Tenderloin CBD has performed well in implementing their service plan. North of Market Tenderloin CBD has developed projects such as a community-approved banner design. North of Market Tenderloin CBD has increased their opportunities in partnering with community stakeholders and numerous municipal agencies for the implementation of its Clean and Safe Program. NOM/TL CBD has an active board of directors and committee members; and OEWD believes the NOM/TL CBD will be able to carry out their mission and service plans.