

MEMO

To: Supervisor Scott Wiener, District 8

CC: San Francisco Board of Supervisors

From: Chris Corgas, OEWD Project Manager

RE: Castro/Upper Market Community Benefit District

Date: February 16, 2016

This is a memo summarizing the performance of the Castro/Upper Market Community Benefit District (Castro/Upper Market CBD) and an analysis of their financial statements (based on their audit) for the period between July 1, 2014 and June 30, 2015.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. The Castro/Upper Market 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 Castro/Upper Market's Community Benefit District management contract with the City; and their Management Plan as approved by the Board of Supervisors in 2006.

Also attached to this memo are the following documents:

1. Annual Report
 - a. FY 2014-2015
2. CPA Financial Review Report
 - a. FY 2014-2015
3. Draft resolution from the Office of Economic and Workforce Development



Background

The Castro/Upper Market Community Benefit District spans 18 blocks and contains 279 parcels.

- August 2, 2005: the Board of Supervisors approved the establishment of the Castro/Upper Market Community Benefit District (Resolution # 582-05).
- January 10, 2006: the Board approved the contract for the administration and management of the Castro/Upper Market Community Benefit District (Resolution # 14-06).
- February 2, 2016: the Board of Supervisors approved the Castro/Upper Market CBD's Annual Reports for Fiscal Year 2013-2014 (Resolution # 40-16).

Basic Info about the Castro Upper Market 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	\$413,500
Fiscal Year	July 1 – June 30
Executive Director	Andrea Aiello
Name of Nonprofit Entity	Castro/Upper Market Community Benefit District Corporation

The current CBD website, www.castrocbd.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 Service Area Goals

Public Rights of Way and Sidewalk Operations (PROWSO)

Public Rights of Way and Sidewalk Operations program area may include greening, landscaping and beautification of public spaces, removal of bulky items, graffiti removal within 24 hours, tree and plant maintenance, spot steam cleaning as necessary, and maintenance of public spaces. Cleaning and public realm management services include enhanced trash emptying in public rights of way and regular sidewalk and gutter sweeping within the district boundaries. These services are provided daily by a "Clean Team." This program area augments its pedestrian safety initiatives with a Patrol Special officer who patrols the neighborhood seven nights a week. The Castro/Upper Market CBD Management Plan calls for 63% of the budget to be spent on PROWSO.

District Identity and Street Improvements (DISI)

The District Identity and Street Improvements service includes marketing, public relations, street enhancements, historical markers and public art, and economic vitality related strategies in the Castro/Upper Market area. This program area also sponsors events such as Halloween, Castro Street Fair, Pink Saturday, Bear Weekend, and Folsom Street Fair. The Castro/Upper Market CBD Management Plan allocates 12% of their funds to this service area.

Administration and Corporate Operations

The Castro/Upper Market CBD is staffed by a full-time executive director who serves as the focal point person and advocate for the CBD. The executive director also ensures that the CBD complies with the

City contract and management plan as well as works towards organizational development issues including long term goals of the CBD. The executive director is in regular communication with community stakeholders such as the SFPD. The Castro/Upper Market CBD Management Plan calls for 16% of the budget to be spent on administration and corporate operations.

In FY 2014-2015 the Castro/Upper Market CBD board had ten (10) directors, represented by residents, property owners, community organizations, and non-property owning merchants. The full board meets on the second Thursday of each month. The three committees and meeting times are detailed below:

- **Executive Committee** – as needed.
- **Finance Committee** – as needed.
- **Land Use Committee** – Last Monday of the month. Encourages land use that aligns with the Upper Market Guidelines; compliments the existing diverse and historic character of the district; adds to the economic vitality through new community-serving uses and increases public safety for residents and visitors.
- **District Identity & Streetscape Committee** – 1st Monday of the month.
- **Services Committee** – as needed.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2014-2015

Public Rights of Way and Sidewalk Operations (PROWSO)

- Graffiti removal within 48 hours of being reported
- Daily sweeping of entire district
- Quarterly steam cleaning of sidewalks and plazas in district
- Weeding and greenspace maintenance

District Identity and Street Improvements (DISI)

- Completion of Castro St. Sidewalk Widening Project, which was funded with City and federal funds. Project widened sidewalks, added street trees, leaning posts, and other beautification strategies. Castro CBD acted as liaison between the City and merchants and property owners. The CBD paid for LED celebratory lights, Castro ST. History Walk (20 plaques in the sidewalk marking historic points in the Eureka Valley neighborhood, and the rainbow crosswalks at Castro & 18th Street.
- Completed the Castro & Upper Market Retail Strategy. This was a collaborative project aimed at addressing the increase in vacancies in the district and developing an actionable plan to fill ground floor retail in a manner which encourages the district to thrive.

Administration and Corporate Operations

- Developed and approved Fiscal & Governance Policy Manual
- Developed and approved Personnel Handbook
- Recruited new Board Members
- Website and social media updates
- CBD now has its own office
- Hired part-time staff funded through grant dollars, not assessment dollars

- Ensured compliance with state and City CBD requirements; as well as Management Agreement with the City.

Castro/Upper Market CBD Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for the Castro/Upper Market 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 "Castro/Upper Market 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 "Castro/Upper Market 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 "Castro/Upper Market Community Benefit District", Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether the Castro/Upper Market 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 2014-2015

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

ANALYSIS: The Castro/Upper Market CBD met this requirement. The variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2014-2015 Budget	% of Budget	Variance Percentage Points
Public Rights of Way and Sidewalk Operations plus Public Safety Services	\$260,675	63%	\$334,800	59%	-4%
District Identity and Streetscape Improvements	\$50,500	12%	\$70,730	13%	+1%
Administrative/Corporate Operations	\$65,000	16%	\$78,343	14%	-2%
Contingency/Reserve	\$37,325	9%	\$80,247	14%	+5%
TOTAL	\$413,500	100%	\$564,120	100%	

BENCHMARK 2: Whether five percent (5%) of actuals came from sources other than assessment revenue.

ANALYSIS: The Castro/Upper Market CBD met this requirement. Assessment revenue was \$455,047 or 68% of actuals and non-assessment revenue was \$210,326 or 32% of actuals. See table below.

Revenue Sources	FY 2014-2015 Actuals	% of Actuals
Special Benefit Assessments	\$455,047	
Total assessment revenue	\$455,047	68%
Contributions	\$203,682	31%
Donations	\$4,395	1%
Earned Revenue	\$1,986	.3%
Interest Earned	\$263	.04%
Total non-assessment revenue	\$210,326	32%
Total	\$665,373	100%

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

ANALYSIS: The Castro/Upper Market CBD met this requirement. See table below.

Service Category	FY 2014-2015 Budget	% of Budget	FY 2014-2015 Actuals	% of Actuals	Variance Percentage Points
Public Rights of Way and Sidewalk Operations plus Public Safety Services	\$334,800	59%	\$400,841	59%	0%
District Identity and Streetscape Improvements	\$70,730	13%	\$132,702	19%	+6%
Administrative/Corporate Operations	\$78,343	14%	\$115,354	17%	+3%
Contingency/Reserve	\$80,247	14%	\$33,007	5%	-9%
TOTAL	\$564,120	100.0%	\$681,904	100.0%	

BENCHMARK 4: Whether the Castro/Upper Market 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 Castro/Upper Market 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. See table below.

FY 2014-2015 Carryover Disbursement	\$470,180
General Benefit Projects	
Jane Warner Plaza Activation	\$4,500
Castro Cares	\$136,841
Total General Benefit Projects	\$141,341
Special Assessment Project	
District Identity and Streetscape Improvements	\$14,089
Administrative and Corporate Operations	\$33,077
Contingency and Reserve	\$281,743
Total Special Assessment Allocation	\$328,909
Total Designated Amount	\$470,250

Findings and Recommendations

For the fiscal year in review, the Castro/Upper Market CBD has met all of the benchmarks as defined on page 4 of this memo.

The Castro/Upper Market CBD exceeded their General Benefit requirement of five percent (5%) by raising their non-assessment revenue to \$210,326 or 32%. carryover funds, there is an opportunity to hire additional staff to support the program. Castro/Upper Market CBD's large carryover can be explained because there is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, CBD's typically have a fund balance equal to about 6 months of their annual budget in order to fund operation until their next disbursement happens.

Moving forward, OEWD will work with the Castro/Upper Market CBD to develop a framework that identifies assessment fund allocation and non-assessment expenditures.

Conclusion

The Castro/Upper Market CBD has performed well in implementing their service plan. The Castro/Upper Market CBD has continued to successfully market and produce events such as *Live!* in the Castro. The Castro/Upper Market CBD has increased their opportunities in partnering with community stakeholders and numerous municipal agencies for the implementation of the Castro Cares Project. The Castro/Upper Market CBD has an active board of directors and committee members; and OEWD believes the Castro/Upper Market CBD will continue to successfully carryout their mission and service plans.