

MEMO

To: Supervisor Jeff Sheehy, District 8

CC: San Francisco Board of Supervisors

From: Chris Corgas, OEWD Senior Program Manager

RE: Noe Valley Community Benefit District

Date: February 1, 2017

This is a memo summarizing the accomplishments of the Noe Valley Community Benefit District and an analysis of its 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. Noe Valley 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 Noe Valley 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 2015-2016
2. CPA Financial Review Reports
 - a. FY 2015-2016
3. Draft resolution from the Office of Economic and Workforce Development



Background

The Noe Valley Community Benefit District (Noe Valley CBD) was formed to clean, beautify, and improve public space within the district. Noe Valley CBD includes both privately and publicly owned properties. The district is 8 square blocks and includes 211 parcels. The main commercial street that services Noe Valley is 24th Street between Church and Douglass Streets.

- August 2, 2005: the Board of Supervisors approved the resolution that established the Noe Valley Community Benefit District for 15 years (Resolution # 583-05).
- January 10, 2006: the Board approved the contract for the administration and management of the Noe Valley Community Benefit District (Resolution # 13-06).
- March 3, 2015: the Board of Supervisors approved the Annual Reports for FYs 2009-2010, 2010-2011, 2011-2012, 2012-2013, and 2013-2014 (Resolution # 062-15).
- March 22, 2016: the Board of Supervisors approved the Annual Report for FY 2014-2015 (Resolution # 111-16).

Basic Info about Noe Valley Community Benefit District:

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	\$230,138
Fiscal Year	July 1 – June 30
Executive Director	Debra Niemann
Name of Nonprofit Owners’ Entity	Noe Valley Association

The current CBD website www.noevalleyassociation.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 Rights of Way and Sidewalk Operations

The Noe Valley Management Plan calls for 70% of the budget to be spent on Public Rights of Way and Sidewalk Operations. This program area includes maintenance of trees, planters and flower baskets; and systematic sidewalk cleaning. Noe Valley CBD contracts with Curb Appeal to provide daily sidewalk and gutter sweeping as well as removal of excess trash, leaves and debris, graffiti removal within 24 hours, ten monthly hot steam cleanings and as needed spot cleaning are services that are covered by this program area. Curb Appeal is also responsible for watering 24 hanging flower baskets, 148 neighborhood trees, and 22 open ground or planter boxes.

District Identity and Streetscape Improvements

Approximately 9% 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 street festivals, and developing plans that outline the long term goals of the district.

Management & Operations

Noe Valley CBD is staffed by a part-time Executive Director who 1) performs the day-to-day management of the organization, 2) works with various city departments, 3) advocates for city funds and services, and 4) ensures that the organization is in compliance with their Management Plan and City contract. The Noe Valley CBD Management Plan calls for approximately 14% of the budget to be spent on management and operations.

The remaining 7% of annual budget is to be allocated to a contingency fund.

The Noe Valley CBD board has eight (8) members, represented by residents, property owners, merchants, and community organizations. Board member seats are determined using the following guidelines: property owners (63%), two seats (25%) are set aside for non-property owning merchants with a preference for existing small businesses operating retail, restaurant and service, and one seat (12%) is reserved for Community Based Organizations and residents. This structure complies with Article 15 of the San Francisco Business and Tax Regulations Code. The full board meets quarterly. The committees are detailed below:

- **Executive Committee** – The 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 on an as needed basis.
- **Streetscape Committee** – The Streetscape Committee is in charge of overseeing the greening and creation of public space and ensuring the success and efficiency of these services. The Streetscape Committee meets as needed.

Summary of Accomplishments, Challenges, and Delivery of Services

FY 2015-2016

Public Right of Way and Sidewalk Operations

- Removed 419 graffiti marks, stickers, and improper signage; removed 231 pieces of bulky and illegal trash (boxes, furniture, yard debris, bags of garbage, etc.), 267 calls to 311 for large item pick-ups, weeded and watered 229 trees,

District Identity and Streetscape Improvements

- Provided directions to 172 visitors, maintained 3 public parks/parklets, watered and maintained 27 planter boxes and sidewalk gardens.

Management & Operations

- Advocated for 24th Street with all departments of SF City government and presented work to the Board of Supervisors and the Government Oversight Committee. Managed finances and reporting to the City and State offices; wrote grant applications to bring additional resources to the CBD; monitored contracts and services; published Mid-Year and Annual Reports, managed webpage updates, and responded to all community inquiries.

NVCBD Annual Budget Analysis

OEWD’s staff reviewed the following budget related benchmarks for Noe Valley 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 “Noe Valley 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 “Noe Valley 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 “Noe Valley Community Benefit District,” Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether Noe Valley 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 2015-2016

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: Noe Valley CBD did not meet this requirement. See Table Below

Service Category	Management Plan Budget	% of Management Plan	FY 2015-2016 Budget	% of Budget	Variance Percentage Points
Public Rights of Way and Sidewalk Operations 82%	\$160,000	69.53%	\$145,000	58.35%	-11.18%
District Identity and Streetscape Improvements 18%	\$22,000	9.56%	\$16,000	6.44%	-3.12%
Administrative/Corporate Operations	\$32,000	13.91%	\$65,000	26.16%	+12.25%
Contingency Reserve	\$16,128	7.01%	\$22,500	9.05%	+2.05%
TOTAL	\$230,128	100%	\$248,500	100%	0.0%

BENCHMARK 2: Whether five percent (5%) of Noe Valley CBD’s actuals came from sources other than assessment revenue

ANALYSIS: Noe Valley CBD did not meet this requirement. Assessment revenue was \$261,226 or 99.70% of actuals and non-assessment revenue was \$777 or .30% of actuals. See table below.

Revenue Sources	FY 2015-2016 Actuals	% of Actuals

Special Benefit Assessments	\$261,226	
Total assessment revenue	\$261,226	99.70%
Contributions/Grants	\$0	0%
Donations	\$111	.04%
Interest Earned	\$666	.25%
Earned Revenue	\$0	0%
Total non-assessment revenue	\$777	.30%
TOTAL	\$262,003	100%

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

ANALYSIS: *Noe Valley CBD met this requirement. See table below.*

Service Category	FY 2015-2016 Budget	% of Budget	FY 2015-2016 Actuals	% of Actuals	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$145,000	58.35%	\$167,713	64.77%	+6.42%
District Identity and Streetscape Improvements	\$16,000	6.44%	\$18,758	7.24%	+8.1%
Administrative/Corporate Operations	\$65,000	26.16%	\$71,302	27.54%	+1.38%
Contingency Reserve	\$22,500	9.05%	\$1,155	.45%	-8.61%
TOTAL	\$266,184	100%	\$268,638	100%	

BENCHMARK 4: Whether Noe Valley 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: *Noe Valley 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 2015-2016 Carryover Disbursement	\$4,762
Designated Projects for FY 2014-15	
PROW	\$3,310.85

DISI	\$455.24
Admin	\$662.17
Contingency and Reserve	\$333.73
Total Designated amount for Future Years	\$4,762

Findings and Recommendations

Within the review period of FY 2015-2016, the Noe Valley CBD did not meet Benchmarks 1 and 2 of the expectations and requirements as set by the California Street and Highways Code Section 36650-36651; and the Agreement for the Administration of the Noe Valley Community Benefit District. In order to correct this the CBD needs to decrease the percentage budgeted for Administrative and Corporate Operations and increase the percentage budgeted for Public Rights of Way and Sidewalk Operations. Additionally, the CBD needs to raise outside money from sources other than special assessment. In previous fiscals years CBD was able to leverage grant money, donation, and Harvest Festival income to reach this amount. Per the CBD’s financial review no grant money was awarded and only a small amount of donations were provided to the CBD.

Further research found that the Noe Valley CBD’s administration expenses increased by over \$5,500 dollars due to a City requirement that the organization conducts an annual account review of its finances. This account review was not included as part of the administration budget in the original management plan which was sent to property owners, but was required after the district was approved by property owners and the Board of Supervisors in 2005. Because the district is one of the first CBD’s in San Francisco there were changes made by the City after the management plan was approved. Additionally, the CBD board elected to spend more on activating the street in order to partner with the Noe Valley Merchant’s Association to produce 24 Holidays and Summerfest events. This caused variances in budgeting to surpass permitted levels. It is OEWD’s belief that this will be rectified in the future through the collection of non-assessment funds and the renewal and expansion process the District will undergo by June 20, 2020.

OEWD will work with the Noe Valley CBD to ensure that future budgeting is closer in line with the District Management Plan. OEWD recommends that the Noe Valley CBD apply to grants from the City and other actors in order to meet Benchmark 2. The CBD can also increase the amount of donations they receive, including in-kind, to meet this requirement.

Conclusion

Noe Valley CBD has performed well in implementing the service plan. The CBD has continued to successfully sponsor and help promote events in Noe Valley, including the SummerFEST and 24 HoliDAYS, driving hundreds of visitors to the district. Noe Valley CBD has done an outstanding job in partnering with the community stakeholders and numerous municipal agencies for the activation and improvement 24th at Noe and at Church streets. Noe Valley CBD is a well-run organization with active board and committee members and will continue to successfully carryout its mission as a community benefit district.