

MEMO

To: San Francisco Board of Supervisors

CC: Mayor Edwin Lee

From: Chris Corgas, OEWD Senior Program Manager

RE: Moscone Expansion District Annual Report Fiscal Years 2014 – 2015 and 2015 – 2016

Date: May 9, 2017

This is a memo summarizing the performance of the Moscone Expansion District (MED) and an analysis of its financial statements (based on their audits) for the period between July 1, 2014 and June 30, 2016.

Each year the MED is required to submit an annual report, and a CPA Independent Auditor's Report. The MED has complied with the submission of all these requirements. OEWD staff, with assistance from the Office of the Controller, City Services Auditor Division, 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 San Francisco Tourism Improvement District Management Corporation's management contract with the City for the TID; MED Management District Plan approved by the Board of Supervisors in 2013.

Also attached to this memo are the following documents:

1. Annual Reports
 - a. FY 2014 – 2015
 - b. FY 2015 – 2016
2. CPA Independent Auditors' Report
 - a. FY 2014 – 2015
 - b. FY 2015 – 2016
3. Proposed Resolution to approve the MED annual report for FY 2014 – 2015 and 2015 – 2016.

Background

The MED is a business-based assessment district that includes all tourist hotels operating in the City & County of San Francisco that generate revenue from tourist rooms, and which are located in the following geographic areas:



Zone 1: Tourist hotels with addresses:

- On or east of Van Ness Avenue
- On or east of South Van Ness Avenue, and
- On or north of 16th Street from South Van Ness to the Bay, including all tourist hotels east of Van Ness Avenue as if it continued north to the Bay, and north of 16th Street as if it continued east to the Bay.

Zone 2: Tourist hotels with addresses:

- West of Van Ness Avenue and South Van Ness Avenue, and
 - South of 16th Street.
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- December 16, 2008: the Board of Supervisors approved the resolution to form the Tourism Improvement District Business Improvement District to cover hotels identified in the District’s Management Plan and Engineer’s Report. Resolution # 504-08).
 - July 28, 2009: the Board approved the contract for the administration and management of the Tourism Improvement District Business Improvement District (Resolution # 323-09).
 - December 10, 2013: the Board of Supervisors approved an amendment to the District’s Management Plan to authorize monthly, instead of quarterly, assessment collection and distribution. (Resolution #441-13).

Basic Info about Tourism Improvement District BID:

Year Formed	2013
Assessment Collection Period	FY 2014 – 2015 (July 1, 2014 to June 30, 2015)
Services Start and End Date	July 1, 2013 – June 20, 2045
Initial Estimated Annual Budget	\$19,332,000
Fiscal Year	July 1 – June 30
Executive Director	Lynn Farzaroli
Name of Nonprofit Owners’ Entity	San Francisco Tourism Improvement District Management Corporation

The current BID website is <http://www.sftid.com/moscone>.

Summary of Program Areas

Summary of Accomplishments, Challenges, and Delivery of Services

FY 2014-2015

Services and Improvements to Moscone Convention Center

- Ground breaking ceremony on May 21, 2015
- \$1.26 million to provide customers with rental incentives to attached conventions in San Francisco

- Renovation project to install new air wall panels with door locks at Moscone West was completed

FY 2015-2016

Services and Improvements to Moscone Convention Center

- Project currently in Phase 2, on track to be completed in December 2018
- Demolition of the current esplanade lobby
- Structural steel erected
- \$2 million utilized to provide convention customers with rental incentives to attached conventions in San Francisco
- Project liaison secured to help with communication to clients

FY 2014-2015

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: MED met this requirement. Of note: MED’s budget percentages are from the Management Plan – Table 2 (pg 23.) MED does not break down the budget in the management plan by dollar value. Therefore, the allocation percentages were used for comparison purposes. Expenditure categories in the Management Plan and Annual Report do not match exactly. The Management Plan combines Administration/Contingency/Reserve Allocation in one category, whereas the Annual Report separates Administration from Contingency/Reserve. *See table below.*

Service Category	Management Plan Budget	% of Budget	FY 2014-2015 Budget	% of Budget	Variance Percentage Points
Expansion/Development Activities		87.5%	\$19,985,000	86.3%	-1.2%
Capital reserve for Future Renovations and Improvements		1.0%	\$228,400	1.0%	0.0%
Incentive Fund		9.0%	\$2,055,600	8.9%	-.1%
Sales and Marketing Fund		0.0%	\$0	0.0%	0.0%
Administration of MED and Operating Contingency Reserves		2.5%	\$901,000	3.9%	+1.4%
TOTAL		100%	\$23,170,000	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: MED met this requirement. See table below.

Service Category	FY 2014-2015 Budget	% of Budget	FY 2014-2015 Actuals	% of Actuals	Variance Percentage Points
Expansion/Development Activities	\$19,985,000	86.3%	\$16,383,424	89.3%	+3.0%
Capital reserve for Future Renovations and Improvements	\$228,400	1.0%	\$307,170	1.7%	+7%
Incentive Fund	\$2,055,600	8.9%	\$1,350,000	7.4%	-1.5%
Sales and Marketing Fund	\$0	0.0%	\$0	0.0%	0%
Administration of MED and Operating Contingency Reserves	\$901,000	3.9%	\$306,977	1.7%	-2.2%
TOTAL	\$23,170,000	100%	\$18,347,571	100%	

BENCHMARK 3: Whether MED 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: MED 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	
Designated Projects for Future Years	
Development and Expansion	\$15,153,895
Capital Fund	\$138,207
Incentive Fund	\$2,658,424
Contingency/Reserve	\$564,010
Total Designated amount for Future Years	\$18,514,536

FY 2015-2016

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: MED met this requirement. Of note: MED’s budget percentages are from the Management Plan – Table 2 (pg 23.) MED does not break down the budget in the management plan by dollar value. Therefore, the allocation percentages were used for comparison purposes. Expenditure categories in the Management Plan and Annual Report do not match exactly. The Management Plan combines Administration/Contingency/Reserve Allocation in one category, whereas the Annual Report separates Administration from Contingency/Reserve. *See table below.*

Service Category	Management Plan Budget	% of Budget	FY 2015-2016 Budget	% of Budget	Variance Percentage Points
Expansion/Development Activities		87.5%	\$25,266,500	86.2%	-1.3%
Capital reserve for Future Renovations and Improvements		1.0%	\$289,000	1.0%	0.0%
Incentive Fund		9.0%	\$2,599,000	8.9%	-.1%
Sales and Marketing Fund		0.0%	\$0	0.0%	0.0%
Administration of MED and Operating Contingency Reserves		2.5%	\$1,167,500	34.0%	+1.5%
TOTAL		100%	\$29,322,000	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: MED met this requirement. *See table below.*

Service Category	FY 2015-2016 Budget	% of Budget	FY 2015-2016 Actuals	% of Actuals	Variance Percentage Points
Expansion/Development Activities	\$25,266,500	86.2%	\$15,101,522	79.1%	-7.0%
Capital reserve for Future Renovations and Improvements	\$289,000	1.0%	\$193,615	1.0%	0.0%
Incentive Fund	\$2,599,000	8.9%	\$3,315,835	17.4%	+8.5%

Sales and Marketing Fund	\$0	0.0%	\$0	0.0%	0%
Administration of MED and Operating Contingency Reserves	\$1,167,500	34.0%	\$473,973	2.5%	-1.5%
TOTAL	\$29,322,000	100%	\$19,084,945	100%	

BENCHMARK 3: Whether MED 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: MED 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	
Designated Projects for Future Years	
Development and Expansion	\$27,750,446
Capital Fund	\$260,337
Incentive Fund	\$2,190,688
Contingency/Reserve	\$879,121
Total Designated amount for Future Years	\$31,080,592

Findings and Recommendations

The Moscone Expansion District met their reporting requirements under Article 15 of the San Francisco Business and Tax Regulations Code, the California Streets and Highways Code, and the organization’s management agreement with the City and County of San Francisco.

MED shares the same management entity as the San Francisco Tourism Improvement District. As a result the following findings and recommendations echo that of the TID report. The website is generally up-to-date; however, some hyperlinks are broken. OEWD recommends the MED fixes broken links in order to connect to site visitors to the correct information. Additionally, the District must maintain compliance with the Brown Act by posting the agendas of all regular board meetings on the District’s website 72 hours prior to the meeting. MED should post previous and future board meeting agendas on its website for public view, the organization has begun to take steps to rectify this error. OEWD will work with MED to ensure that this requirement is continually met.

Conclusion

The Moscone Expansion District is following all requirements placed on it by the California Streets & Highways Code, Article 15 of the San Francisco Business and Tax Regulations Code, and the District's Management Agreement with the City and County of San Francisco, but needs to improve its compliance with the Brown Act. The District continues to succeed at its primary purpose of funding renovations at the Moscone Convention Center.