

**MEMO**

To: Supervisor Aaron Peskin, District 3  
CC: San Francisco Board of Supervisors  
From: Chris Corgas, Senior Program Manager  
RE: Lower Polk Community Benefit District  
Date: July 17, 2017

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This is a memo summarizing the performance of the Lower Polk Community Benefit District (LPCBD) and an analysis of their financial statements (based on their audit) for the period between July 1, 2015 and June 30, 2016.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. Lower Polk CBD has complied with the submission of all these requirements. OEWD staff 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 Civic Center's Community Benefit District management contract with the City; and their Management Plan as approved by the Board of Supervisors in 2008.

Also attached to this memo are the following documents:

1. LPCBD Annual Report
  - a. FY 2015-2016
2. LPCBD Financial Statements
3. Draft resolution from the Office of Economic and Workforce Development

**Background**



The Lower Polk Community Benefit District includes 307 property-based parcels.

- July 29, 2014: the Board of Supervisors approved the resolution that established the property-based district called the Lower Polk Community Benefit District for 8 years (Resolution # 314-15).
- November 26, 2014: Organization formed and incorporated
- January 14, 2015: First meeting of the Board of Directors
- July 28, 2015: the Board approved the contract for the administration and management of the Lower Polk Community Benefit District (Resolution # 297-15).
- August 17, 2015: CBD received first assessment payment.
- February 23, 2016: the Board approved the FY 2014-2015 Annual Report (Resolution # 067-16).

### **Basic Info about Lower Polk CBD**

Year Established	July 2014
Assessment Collection Period	FY 2014-15 to FY 2028-29 (July 1, 2014 to June 30, 2029)
Services Start and End Date	January 1, 2014 – December 31, 2029
Initial Estimated Annual Budget	\$799,093
Fiscal Year	July 1 – June 30
Executive Director	Christian Martin
Name of Nonprofit Owners' Association	Lower Polk Community Benefit District

The current CBD website, [www.lowerpolkcbd.com](http://www.lowerpolkcbd.com), includes all the pertinent information about the organization and their programs, meeting agendas, and their Management Plan.

### **Summary of Service Area Goals**

#### **Cleaning, Maintenance, and Safety**

Cleaning, Maintenance, and Safety program area includes regular sidewalk sweeping, alley cleaning, refuse removal, regularly scheduled steam cleaning, pressure washing, graffiti removal, tree maintenance, and weeding. LPCBD Management Plan calls for 57% of the budget to be spent in this service area.

#### **Marketing, Streetscape Improvement, and Beautification**

Street Operations, Beautification and Order service area includes street maintenance and beautification. This service area calls for increased district marketing in order to create neighborhood identity and contribute to the economic vitality of the area. Additionally, this service area will support the district with events meant to draw visitors to the Lower Polk neighborhood throughout the year. The LPCBD Management Plan calls for 11% of the budget to be spent on this service area.

#### **Management and Operations**

The LPCBD Management Plan calls for 28% of the budget to be spent on management and operations. LPCBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for Lower Polk CBD. LPCBD board has eleven (9) board members that represent the diverse property owners and businesses in the district. Notice of meetings of the CBD's Board of Directors and CBD Advisory Committees are posted to the website calendar and at the SF Main Library. All Board of Directors meetings are open to the public, and public comment is welcome. LPCBD will be forming advisory committees in FY 16-17.

### **Summary of Accomplishments, Challenges, and Delivery of Service Areas**

#### **FY 2015-2016**

##### **District Identity**

- **New Logo and branding established and displayed on all vehicles and equipment**
- Branded ambassador and homeless outreach staff uniforms
- Produced and sponsored special marketing events such as; Wine Walks, Art Walks,
- Staffed booth at Pride Parade distributing district information
- Produced print brochure and shopping guide

##### **Street Operations, Beautification and Order (SOBO)**

- Maintenance and hospitality ambassador program established
- 300 instances of graffiti removed
- Approximately 28,500 pounds of trash removed from LPCBD public rights of way
- 705 instances of steam cleaning throughout LPCBD
- Holiday decorations installed on Polk Street
- Plant and tree installations on Polk Street
- Decorative lights installed for aesthetic and security enhancements
- 24 hour portable bathroom program established
- Sponsored daytime staffing of JC Decaux restroom near Macauley Park
- Homeless outreach program established
- Cedar Alley activation event sponsor
- 10 Dog waste stations installed in LPCBD
- Public Ashtrays/cigarette disposal stations
- Sponsored Porta-Pots for special events; SantaCon, St. Patrick's Day
- Donated \$50,000 to DPW for Fern Alley beautification

##### **Administration, Organization and Corporate Operations**

- Hired a full time executive director, Christian Martin, who began work late November 2015.
- Hired office manager, 2 social service outreach workers, 7 cleaning ambassadors through maintenance contractor Streetplus Inc.
- Established administrative procedures and protocols for employees and contractors
- Hired Massoni CPA to manage financial accounting
- Secured long term office/storage space for cleaning and maintenance operations
- Human Services Agency's ITIP Program participant

- Assisted Middle Polk as fiscal sponsor for their CBD feasibility efforts.
- Joined SFMTA Business Advisory Committee for Van Ness BRT Construction

**LPCBD Annual Budget Analysis**

**OEWD’s staff reviewed the following budget related benchmarks for LPCBD:**

- **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 “Lower Polk Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “Lower Polk 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 “Lower Polk Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether LPCBD 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 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:** *LPCBD met this requirement. See tables below.*

<b>Service Category</b>	<b>Management Plan Budget</b>	<b>% of Budget</b>	<b>FY 2015-2016 Budget</b>	<b>% of Budget</b>	<b>Variance Percentage Points</b>
Cleaning, Maintenance, and Safety Program	\$478,675	56.58%	\$478,675	56.58%	0%
Marketing, Streetscape Improvements, and Beautification Program	\$95,700	11.31%	\$95,700	11.31%	0%
Management and Operations	\$240,900	28.47%	\$240,900	28.47%	0%
Contingency/Reserves	\$30,774.54	3.64%	\$30,774.54	3.64%	0%
<b>TOTAL</b>	<b>\$846,049.54</b>	100.0%	<b>\$846,049.54</b>	100.0%	

**BENCHMARK 2:** Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue

**ANALYSIS:** *LPCBD met this requirement. Assessment revenue was \$751,211.38 or 58.60% of actuals and non-assessment revenue was \$530,809.67 or 100% of actuals. See table below.*

Revenue Sources	FY 2015-2016 Actuals	% of Actuals
Special Benefit Assessments	\$ 751,211.38	
<b>Total assessment revenue</b>	<b>\$751,211.38</b>	<b>58.60%</b>
Contributions/Sponsorships	\$785.58	.06%
Donations	\$529,650	41.31%
Interest Earned	\$374.09	.03%
In-kind services	\$0	
<b>Total non-assessment revenue</b>	<b>\$530,809.67</b>	<b>41.40%</b>
Total	\$1,282,021.05	100%

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

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

Service Category	FY 2015-2016 Budget	% of Budget	FY 2015-2016 Actuals	% of Budget	Variance Percentage Points
Cleaning, Maintenance, and Safety Program	\$478,675	56.58%	\$400,806.92	57.56%	+.98%
Marketing, Streetscape Improvements, and Beautification Program	\$95,700	11.31%	\$25,232.88	3.62%	-7.69%
Management and Operations	\$240,900	28.47%	\$239,597.50	34.41%	+5.94%
Contingency/Reserves	\$30,774.54	3.64%	\$30,667.00	4.40%	+.77%
<b>TOTAL</b>	<b>\$846,049.54</b>	<b>100.0%</b>	<b>\$696,304.30</b>	<b>100%</b>	

**BENCHMARK 4:** Whether LPCBD 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:** LPCBD 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.

<b>FY 2015-2016 Carryover Disbursement</b>	<b>\$1,323,671.11</b>
Designated Projects for FY 2015-16	
Cleaning, Maintenance, and Safety Program	\$ 772,955.04
Marketing, Streetscape Improvements, and Beautification Program	\$ 201,282.52
Management and Operations	\$ 328,201.16
Contingency/Reserves	\$ 21,232.39
<b>Total Designated amount for Future Years</b>	<b>\$1,323,671.11</b>

**Findings and Recommendations**

LPCBD has met all of the benchmarks as defined on page 4 of this memo.

LPCBD received the totality of its FY 14-15 and the first installment of its FY 15-16 disbursements within 4 months. This occurred due to untimely delays on post-formation tasks caused by the untimely passing of an original project proponent. This, coupled with a sizable donation from California Pacific Medical Center, led to the large carryforward seen in Benchmark 4. OEWD has worked with LPCBD to identify ways to spenddown the large carryforward. The CBD has developed a spenddown plan which will see the totality of carryforward funding spent forward in a timely manner, assessment carryforward will be spent down in accordance with state statute governing this area.

Christian Martin came on as executive director of the CBD in late 2015. Mr. Martin and the governing board were able to quickly and effectively begin services in January 2016. Additionally, the CBD agreed to assist Middle Polk in the neighborhood’s efforts to form a neighboring CBD by acting as a fiscal sponsor and by providing technical advice.

LPCBD has made all OEWD recommendations from its FY 14-15 annual report.

**Conclusion**

LPCBD has performed well in implementing its service plan. LPCBD has continued to successfully sponsor and help implement events and programs in the district. LPCBD is a well-run organization with active board and committee members and will continue to successfully carryout its mission as a community benefit district.