

**MEMO**

To: Supervisor Rafael Mandelman, District 8

CC: San Francisco Board of Supervisors;  
Chris Corgas, OEWD Senior Program Manager

From: Helen Mar, OEWD Project Manager

RE: Noe Valley Community Benefit District

Date: March 29, 2019

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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, 2017, and June 30, 2018.

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 2017-2018
2. CPA Financial Review Reports
  - a. FY 2017-2018
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).
- March 21, 2017: the Board of Supervisors approved the Annual Report for FY 2015-2016 (Resolution # 093-17).
- May 22, 2018: the Board of Supervisors approved the Annual Report for FY 2016-2017 (Resolution # 154-18).

**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](http://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 2017-2018**

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

- Removed 176 graffiti marks, stickers, and improper signage
- Removed 258 pieces of bulky and illegal trash (boxes, furniture, yard debris, bags of garbage, etc.)
- 212 calls to 311 for large item pick-ups
- Watered 229 trees

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

- Provided directions to 148 visitors
- maintained 7 gardens and 2 parklets
- maintained 25 community benches, 36 bike racks, 14 news racks, 26 trash cans and 7 umbrellas
- replanted planter boxes every 4 months, watered and maintained
- watered and semi-annually renewed 26 hanging flower baskets
- installed 7 NVA identity banners

### **Management & Operations**

- Awarded a \$112,000 grant as a fiscal agent to activate the Noe Valley Town Square on 24<sup>th</sup> Street

### **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 2017-2018**

**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. Upon further research the CBD indicated that due to its small budget that it does not budget for contingency, but rather determines how much, if any, should be allocated based off leftover reserves at the end of the FY. OEWD explained to the CBD that although this is fiscally prudent and in line with providing services with the district, that they must add budget to the contingency section for each FY and remove some from the Administrative and Corporate Operations service area in order to meet this benchmark. OEWD believes that the CBD will be able to meet this benchmark in the future by following staff recommendation which will not impact other areas of the service plan. A slight uptick in the amount budgeted for Administrative and Corporate Operations is due to the CBD beginning renewal proceedings. See Table Below.*

Service Category	Management Plan Budget	% of Management Plan	FY 2017-2018 Budget	% of Budget	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$160,000	69.53%	\$170,000	64.76%	-4.76%
District Identity and Streetscape Improvements	\$22,000	9.56%	\$20,500	7.81%%	-1.75%
Administrative/Corporate Operations	\$32,000	13.91%	\$72,000	27.43%	+13.52%
Contingency Reserve	\$16,128	7.01%	\$0.00	0.00%	-7.01%
<b>TOTAL</b>	<b>\$230,128</b>	<b>100%</b>	<b>\$262,500</b>	<b>100%</b>	<b>0.0%</b>

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

**ANALYSIS:** *Noe Valley CBD met this requirement. Assessment revenue was \$272,282.00 or 72.67% of actuals and non-assessment revenue was \$102,412 or 27.33% of actuals. See table below.*

Revenue Sources	FY 2017-2018 Actuals	% of Actuals
Special Benefit Assessments	\$272,282	
<b>Total assessment revenue</b>	<b>\$272,282</b>	<b>72.67%</b>
Donations	\$8,005	2.14%
Grants	\$93,788	25.03%
Interest Earned	\$619	0.17%
<b>Total non-assessment revenue</b>	<b>\$102,412</b>	<b>27.33%</b>
<b>TOTAL</b>	<b>\$374,694</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:** *Noe Valley CBD met this requirement. See table below.*

Service Category	FY 2017 - 2018 Budget	% of Budget	FY 2017 - 2018 Actuals	% of Actuals	Variance Percentage Points
Public Rights of Way and Sidewalk Operations	\$170,000	64.76%	\$160,220	58.80%	-5.96%

District Identity and Streetscape Improvements	\$20,500	7.81%	\$21,412	7.86%	+0.05%
Administrative/Corporate Operations	\$72,000	27.43%	\$73,364	26.92%	-0.51%
Contingency Reserve	\$0.00	0.00%	\$17,500	6.42%	+6.42%
<b>TOTAL</b>	<b>\$262,500</b>	<b>100%</b>	<b>\$272,496</b>	<b>100%</b>	

**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.*

<b>FY 2017-2018 Carryover Disbursement</b>	\$162,500.00
Designated Projects for FY 2017-18	
6 month operating reserve for programs	\$120,000.00
Noe Valley CBD Renewal	\$25,000.00
Contingency	\$17,500.00
<b>Total Designated amount for Future Years</b>	<b>\$162,500.00</b>

**Findings and Recommendations**

Within the review period of FY 2017-2018, the Noe Valley CBD did not meet Benchmark 1 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 by at least 3.52% and increase the percentage budgeted for Contingency by the amount deducted from the Administrative and Corporate Operations service area. Noe Valley CBD has historically not met this benchmark.

OEWD’s review of the CBD indicates structural weaknesses in the District management plan and City requirements that were not accounted for in the original management plan causing the CBD to continually miss this benchmark.

Additional City requirements of an account review caused the CBD to spend an additional \$8,836 dollars on its Administrative/Corporate Operations service area. 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. This caused variances in budgeting to surpass permitted levels.

OEWD met with the Noe Valley CBD and reviewed both its FY budget and FY actuals to see if there was a fix to this missed benchmark. OEWD determined that the CBD could meet Benchmark 1 in the future through anticipatory budgeting without having negative impact on the District's financial well-being. Going forward, OEWD expects the CBD to meet this benchmark. Additionally, OEWD anticipates that upon CBD renewal the district will be able to fully meet this requirement by updating their management plan appropriately to rectify previous structural deficiencies.

OEWD finds that Noe Valley CBD improved on their non-special assessment requirement found in Benchmark 2. For the second consecutive year, the District raised more non-assessment revenue than it did in the previous FY compared to the CBD's overall budget. In FY 16-17 the Noe Valley CBD raised approximately 8% in non-assessment revenue, but in FY 17-18 that has risen to 27.33%. A large portion of this increase can be attributed to the CBD overseeing the activation of the Noe Valley Town Square through City grant funding.

OEWD has been working with Noe Valley CBD on its CBD renewal campaign and recommends the District continues to take steps to ensure the CBD is renewed no later than July 2020. If the District is not renewed, it will sunset at midnight, January 1<sup>st</sup>, 2021.

### **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 activation of the Noe Valley Town Square, 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.