

BOARD of SUPERVISORS



City Hall
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MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller
Joaquin Torres, Director, Office of Economic and Workforce Development

FROM: John Carroll, Assistant Clerk, Government Audit and Oversight
Committee, Board of Supervisors

DATE: November 4, 2020

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Haney on October 27, 2020:

File No. 201223

Resolution receiving and approving an annual report for The East Cut Community Benefit District for Fiscal Year (FY) 2018-2019, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Office of Chair Mar
Todd Rydstrom, Office of the Controller
J'Wel Vaughan, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development
Chris Corgas, Office of Economic and Workforce Development

1 [The East Cut Community Benefit District - Annual Report - FY2018-2019]

2
3 **Resolution receiving and approving an annual report for The East Cut Community**
4 **Benefit District for Fiscal Year (FY) 2018-2019, submitted as required by the Property**
5 **and Business Improvement District Law of 1994 (California Streets and Highways**
6 **Code, Sections 36600, *et seq.*), Section 36650, and the District's management**
7 **agreement with the City, Section 3.4.**

8
9 WHEREAS, On June 9, 2015, pursuant to the Property and Business Improvement
10 District Law of 1994 (the "Act"), California Streets and Highways Code, Sections 36600 *et*
11 *seq.*, as augmented by Article 15 of the San Francisco Business and Tax Regulations Code,
12 the Board of Supervisors adopted Resolution No. 199-15, expressing the City's intention to
13 establish the Greater Rincon Hill Community Benefit District (the "Greater Rincon Hill CBD"),
14 and approving a Management Plan and Engineer's Report for said district, copies of which are
15 on file with the Clerk of the Board of Supervisors in File No. 150592; and

16 WHEREAS, On July 31, 2015, the Board of Supervisors adopted Resolution
17 No. 299-15 establishing the Greater Rincon Hill CBD for a period of 15 years, commencing
18 FY2015-2016; and

19 WHEREAS, On December 8, 2015, the Board of Supervisors adopted Resolution
20 No. 506-15, authorizing an agreement with the owners' association for the
21 administration/management of the Greater Rincon Hill CBD, and a management agreement
22 (the "Management Contract") with the owners' association, Greater Rincon Hill Association,
23 was executed accordingly; and

24 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board
25 of Supervisors in File No. 151192; and

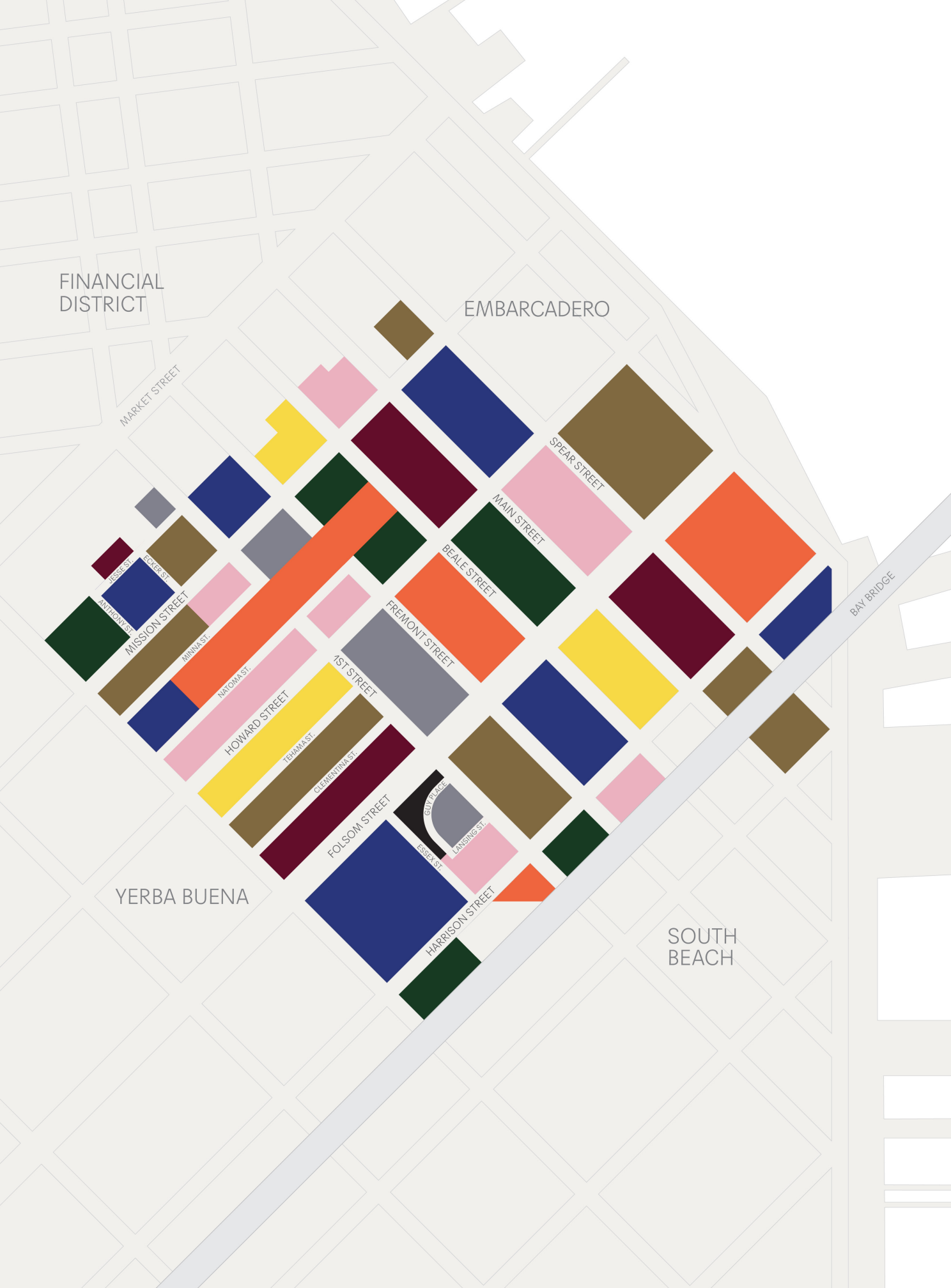
1 WHEREAS, On November 19, 2019, the Board of Supervisors approved the Greater
2 Rincon Hill CBD's annual reports for Fiscal Year (FY) 2017-2018 and changed the name of
3 the Greater Rincon Hill Community Benefit District to The East Cut Community Benefit District
4 (The East Cut CBD) in Resolution No. 492-19; and

5 WHEREAS, The East Cut CBD has submitted for the Board's receipt and approval The
6 East Cut CBD's annual report for FY2018-2019 as required by Section 36650 of the Act and
7 Section 3.4 of the Management Contract; and

8 WHEREAS, The annual report for FY2018-2019 is on file with the Clerk of the Board of
9 Supervisors in File No. 201123, and are incorporated herein by reference as though fully set
10 forth; and

11 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
12 memorandum report from the City's Office of Economic and Workforce Development, dated
13 October 21, 2020, and documentation from The East Cut CBD for the annual report for
14 FY2018-2019 is on file with the Clerk of the Board of Supervisors in File No. 201123; now,
15 therefore, be it

16 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
17 report for The East Cut Community Benefit District for FY2018-2019.



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RINCON HILL

FOLSOM STREET

TRANSBAY

INTRODUCTION LETTER FROM THE PRESIDENT

06



WITH GRATITUDE,

A handwritten signature in dark ink, appearing to read 'Matt Lituchy'.

MATT LITUCHY
President,
Board of Directors,
The East Cut CBD

07

DEAR NEIGHBOR,

The East Cut Community Benefit District continues to build momentum on behalf of all district stakeholders. Our street services team is maintaining clean sidewalk conditions that are second to none in the City: Fiscal Year 2018-19 saw The East Cut team remove over 225,000 pounds of trash, clean thousands of graffiti tags, improve the neighborhood's safety, and, with compassionate outreach, conduct over 6,500 contacts with unsheltered San Franciscans. Our clean team and ambassadors on the ground are outstanding, and we are lucky to have them taking care of the district and ensuring The East Cut is an inviting place to live, work, and play. When you see them out working, please take a moment to say hi and thank them for their dedication and attention to detail. It makes a difference.

Your East Cut CBD does much more than just cleaning and safety, though. This past year, The East Cut coordinated with the City to prune over 1,000 street trees in our neighborhood. The CBD also contributes to the overall success of Salesforce Park with a significant annual financial investment that ensures the park's outstanding programming and premiere botanical gardens are available to everyone. Further, The East Cut CBD continues to be your advocate at City Hall: This year we secured additional funds for sidewalk pressure washing and new smart trash cans (decorated by local artist ffnch), and improved our coordination with City departments.

As you read through this annual report you will learn more about the importance of The East Cut CBD in making our neighborhood, the City's fastest-growing and most dense, a success. The board and staff are developing an operating budget for Under Ramp Park that will ensure this neglected public space under the Transit Center bus bridge becomes a thriving community asset. Guy Place Park is nearing completion and will provide a place of respite away from urban hustle-bustle for years to come. And until all of our planned neighborhood parks come online, The East Cut CBD will fill the gap by creating a community garden space this year and activating existing POPOS (privately-owned public open spaces) for you to enjoy.

What strengthens The East Cut is your support and involvement. There is a lot in store for the coming year, from new public art to opportunities to help design a new park. The CBD is here to facilitate the ongoing maintenance of the neighborhood, but also to advocate and shepherd placemaking to build the district's overall economic vitality. Crucial to these efforts are our volunteers – residents, business owners, and workers. You are what make our neighborhood thrive, and I ask that all stakeholders seek out the CBD not only for cleanliness and safety, but as a source of opportunity where you yourself can give back to the community where we live, work, and prosper.

MISSION



Throngs of visitors at Salesforce Park

The East Cut Community Benefit District works to advance the district's quality of life for residents, workers, and visitors by providing a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of the neighborhood's economic base.

DID YOU KNOW?

The East Cut CBD is your neighborhood steward and advocate. We provide cleaning, security, and programming, and work with property managers and the City to make the public realm more enjoyable for all. The East Cut CBD committee meetings, including street services, parks and greenspace, and economic development, are open to the public, and we welcome all members of the community to attend!

The East Cut CBD pays 80% of the maintenance and programming of Salesforce Park. This includes fitness, music, children's activities, art, plant maintenance, operations, and more! We hold monthly Salesforce Park Committee meetings that are open to the public and welcome anyone to come and share their thoughts and ideas.

POPOS (Privately Owned Public Open Spaces) are private property and the responsibility of the property owner to maintain. The East Cut services team provides a presence adjacent to these spaces, but we cannot enter any private property to clean or engage with individuals.

The East Cut covers a little over 140-acres of land in San Francisco. Our east/west boundaries are generally defined as the east side of 2nd Street to The Embarcadero, and the north side of Mission to Harrison streets. The boundaries are determined by parcels that pay the annual East Cut CBD special assessment, as depicted on the map on page 02.

There are many opportunities to volunteer with The East Cut CBD, including assisting at our community events with simple bartending, checking in guests, and setup/breakdown. More important, the CBD is required to fundraise every year to meet quality-of-life standards expected by property owners. A particular area in need of extra funds is our parks and greenspace. Most parks in the City are funded by the City, but in the East Cut, the CBD pays for the operations and maintenance of our neighborhood's parks.

The East Cut team conducts daily outreach to unhoused individuals in the district. When making contact with an individual, we first perform a welfare check to see if any immediate needs can be met. Our team does not have the authority to physically move people; only SFPD and the Sheriff's Dept. have the legal authority to move individuals. We aim for voluntary compliance and have found the most success when simply being friendly and consistent in our contacts.

Right: Salesforce Transit Center Gateway at Natoma and 2nd streets



A SAN FRANCISCO DESTINATION



Salesforce Park from above. Image credit: Steelblue, c/o TJPA

In January 1939, visitors to the newly constructed Transbay Terminal were propelled into a whole new era of public transportation that today would feel like a luxury - traversing the Bay on electric trains. The first electric train to travel on the lower deck of the Bay Bridge, itself opened less than three years prior, crossed the Bay into San Francisco in September 1938 on a purely ceremonial trek. When regular service started in 1939, the train turned The East Cut's new transit center at Mission and Beale streets into the destination for all transbay trains and, by 1941, Market Street Railway cars. The Terminal accommodated over 37 million passengers during peak ridership in 1945, but the Terminal's train service was brief: citing rising costs and declining ridership, area service providers petitioned the California Public Utilities Commission to end train service, and the last train crossed the bridge into the Transbay Terminal in April 1958.

The Transbay Terminal began a slow decline. The Bay Bridge and Terminal were converted to bus service, and the Key System, which operated the trains out of the East Bay, was sold to AC Transit. After the opening of BART in 1974, which was not built to include access to the Terminal, bus ridership diminished even further as many passengers opted for the rail service under the Bay.

During this decline in use, there were other efforts by local activists and politicians to reshape transportation in The East Cut. After the 1989 Loma Prieta earthquake, portions of the Embarcadero Freeway were severely damaged, which led to the entire structure being taken down. The Transbay Terminal also sustained damage and needed to be rehabilitated or demolished. A resolution for rebuilding the center was not agreed to until 2006, ten years after former Mayor Willie Brown proposed the idea. By August 2010, the City and County of San Francisco, AC Transit,



and Caltrain, collectively known as the Transbay Joint Powers Authority (TJPA), advanced the demolition of the Transbay Terminal in order to create a brand new facility that would accommodate buses, Caltrain, and California High Speed Rail (HSR).

The footprint for the new Transbay Transit Center was to span four city blocks, bordered by Minna and Natoma streets to the north and south, and Second and Beale streets to the east and west. With such a large structure, the need for public space was at the forefront of design requirements, and with an area quickly transforming into a densely populated downtown center characterized by skyscrapers, green space was at a premium. The idea to create a downtown park on top of the Center quickly gained traction.

The roof of the planned Transit Center provided approximately five acres of area for the new park. Peter Walker Partners, headquartered in Berkeley, won the open design competition and was selected as the landscape architecture lead for the project. The design that was developed and executed for the park uses a variety of different plant communities, creating a botanical garden that capitalizes on San Francisco's hospitable Mediterranean climate. Visitors who walk the park's sinuous concrete path can view California Redwood forest plants on the east end, and find a Southern California desert garden on the west end, with plants from around the world in between. The park boasts a large amphitheater that can accommodate over 700 people, while the central plaza at the base of Salesforce Tower hosts live music, yoga, dancing, and other free events throughout the week.

The park's reopening in July 2019 has by all accounts been a tremendous success. But there is still much work to do for full realization of the Salesforce Transit Center. The original plan called for trains to arrive in The East Cut by 2026, however, project delays and increased costs currently have train service projected for 2028. If decision-makers can advance the design and construction of the Downtown Rail Extension, also known as DTX, trains will be arriving in The East Cut for the first time in 70 years via the two-level train box already constructed under the Center.

Whether you're seasoned enough to remember the former Transbay Terminal, or you've just moved to the City and are experiencing The East Cut for the first time, the Salesforce Transit Center is truly a gem in San Francisco's storied transit legacy. The retail activation expected this year, coupled with future train service and the world-class public space in Salesforce Park add to the dynamic global destination that is The East Cut.



1 Construction of the Transbay Terminal, 1938. Image credit: OpenSFHistory

2 Construction of Salesforce Transit Center. Image credit: TJPA

3 Aerial View of The East Cut. Image credit: Steelblue, c/o TJPA



HIGHLIGHTS & ACCOMPLISHMENTS

Fiscal Year 2018-19 was the third full year of The East Cut CBD's operations. Below are a few highlights from across the CBD's program areas:

The core function of the CBD is to ensure that public rights-of-way in the district are clean, safe, and welcoming. Continuing accomplishments from last year, we maintained our expanded cleaning service hours, and adjusted our nighttime security patrols for better efficiency.

Additional examples of our year's activities include:

- Continued a partnership with the Downtown Streets Team (DST) to provide daily work experience, and a stipend, to individuals facing homelessness and housing instability; ultimately hired three DST members full-time to The East Cut street services team and saw two get housing.
- Continued coordination with the Mayor's Fix-It team to expedite infrastructure repairs in the neighborhood.
- Secured a \$50K City budget addback from District 6 Supervisor Matt Haney to supplement overnight sidewalk pressure washing.
- Nearly doubled the amount of garbage removed through the expansion of service hours.
- Expanded outreach and ambassador hospitality during the overnight hours by meeting with front desk staff at neighborhood buildings.
- Worked with Supervisor Matt Haney and other District 6 CBDs to address quality of life issues through the Supervisor's 10-point plan, which includes 24-hour pit stops, additional BigBelly trash cans, additional sidewalk pressure washing, and added cigarette butt receptacles.



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The East Cut CBD initiated a number of programs to improve and advocate for district open space. We developed and published an Open Space Inventory of the 40+ Privately Owned Public Open Spaces (POPOS) in the district so that residents, visitors, and workers have a resource for finding opportunities to relax and enjoy the neighborhood. The CBD also:

- Held family-friendly holiday events for Halloween and Easter in Emerald Park, continuing the activation of our greenspaces.
- Developed The East Cut Street Life Plan to establish public space placemaking and activation strategies for the district. The document will be incorporated into the San Francisco Planning Department's South Downtown Design + Activation (SoDA) Plan.
- Worked with the Transbay Joint Powers Authority (TJPA) and Biederman Redevelopment Ventures (BRV) to expand Salesforce Park programming to include Sundays.
- Held SoDA meetings with SF Planning and SF Public Works to gather feedback around the plan and ensure City buy-in.
- Continued advocacy for Transbay Block 3, which will become the future Transbay Park. Completed a neighborhood survey for the park and received over 600 responses, and presented the project at SoDA meetings during the year.
- Successfully coordinated with SF Public Works to complete tree maintenance and pruning of all 1,200+ district street trees.
- Participated in Livable City's first SoMa Sunday Streets in its 10-year history. Coordinated and activated Folsom Street between Essex and 2nd streets.

The CBD expanded its programs to reinforce the neighborhood's economic base by promoting local businesses and producing pop-up events to provide opportunities to gather and build community while introducing the public to The East Cut CBD's services. The CBD:

- Participated in the "Love our City" event with the Mayor's office and multiple City departments to help beautify the neighborhood. Completed a clean-up of the Rincon Hill Dog Park and painted a colorful mural on a previously blighted wall on Essex Street.
- Highlighted new and existing local businesses in our monthly newsletter.
- Joined the Clean & Safe Coalition, a group led by San Francisco Travel that unites the voices of the San Francisco business community and many San Francisco neighborhood groups to advocate at the highest levels of City government for clean and safe streets in San Francisco.

- 1 East Cut services signage
- 2 Emerald Park Halloween 2018
- 3 SoDA Meeting at 101 2nd Street
- 4 View north on Beale Street



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SERVICES & STATS



The East Cut clean team at work near the Essex Street Wall

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The CBD Street Services and Safety team works in The East Cut district twenty-four hours a day, seven days a week to ensure our neighborhood’s sidewalks and public open spaces are clean, safe, and inviting. The CBD also leverages assessment dollars by raising additional funds for cleaning, providing community programming, collaborating with City leaders to address district-wide challenges, and elevating the residential and business profile of The East Cut.

CLEANING AND MAINTENANCE. The CBD’s street services crew provides daily cleaning and beautification: sidewalk sweeping, power washing, graffiti abatement, topping off City trash cans, weeding tree basins and sidewalk cracks, and spot-cleaning health hazards. Cleaning services are provided every day from 6am to 11:30pm.

SECURITY. More than 100,000 residents, employees, and visitors move through The East Cut district every day. To ensure a safe environment, we are the only district in the City to offer 24/7 neighborhood security. Our patrol teams cover the entire CBD to deter crime and communicate with private building security personnel and SFPD for effective, coordinated action.

COMMUNITY GUIDES. Along with our clean and safe teams, the CBD fields community guides who offer assistance and directions to locals and visitors. Operating as the “eyes and ears” of The East Cut from 6am to 11:30pm, our guides connect individuals with services, respond compassionately to calls for homeless outreach, and ensure that the district operates smoothly.

PARKS AND GREENSPACE. The CBD helps plan and maintains public parks, rain gardens, sidewalk landscaping, and trees. In partnership with TJPA, the district also oversees maintenance and programming of Salesforce Park. And while awaiting construction of additional park spaces, the CBD works to highlight and activate privately-owned public open spaces (POPOS) for the enjoyment of district residents, workers, and visitors.

COMMUNITY PROGRAMMING. The East Cut CBD hosts a monthly series of arts and cultural events in response to community demand for neighborhood activities. These events are open to everyone and provide social and business connections for all East Cut stakeholders.

MARKETING. We promote The East Cut CBD’s services and events through our district newsletters, social media, website, and district-wide street banner campaign.

Learn more at: www.theeastcut.org

21

2,115

Public calls for clean and safe service responded to.

8,845

City trash cans topped.

6,571

Instances of graffiti removed.

236,372

Pounds of garbage removed.

2,329

Needles removed.

6,552

Instances of outreach to homeless individuals.



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- 1 "Wipe-Down Wednesdays", a weekly furnishings cleaning program
- 2 Services team members. From left to right - Robert Walker, Norman Perez, Bermanny Guevara, and Brittany Gandy
- 3 Services team member Rashid Jamerson posing in front of CBD signage
- 4 Services team members. Back row from left to right - Robert Perez, Bermanny Guevara, Corinthian Cain, Mario Dorado. Front row from left to right - Norman Perez, Rashid Jamerson, Terrill Clayton, Robert Walker.
- 5 Services team members. From left to right - John Harthoorn, Robert Cagle, Dwight Johnson, Stephen Lim, Kendra Baker, Brittany Gandy

LEVERAGING YOUR DOLLARS

The East Cut Community Benefit District is mandated to raise funds in addition to the special assessment dollars received from district property owners. To support core services and fund programs required by our Management Plan, The East Cut CBD goes above and beyond its assessment levy. In FY18-19, we raised:

\$189,000

in corporate donations and City funds

- \$150,000 from Related California for our Downtown Streets Team Program.
- \$29,500 from the Guy/Lansing Neighborhood Association for Essex Hillside Improvements.
- \$5,000 from PG&E and the P&GE Foundation.
- \$2,500 from Google for parks and greenspace.
- \$2,000 from San Francisco Planning for SoDA community planning and public outreach.

\$40,000

value of in-kind donations

- One permanent parking space at Rincon Green for clean team staff.
- Event spaces at Solaire and 101 2nd Street.
- Meeting spaces at Golden Gate University, Perkins+Will, TJPA, Bay Area Metro Center, and One Rincon Hill.
- Beer from Fort Point Beer Co. and wine from Folsom Forge.
- 6 Hours of event services (dj & bartending).

250 lunches

served to our Services Team

- Fayala Restaurant & Catering at 215 Fremont provided lunch to our cleaning and safety ambassadors every business day in 2018-19.

675 hours

volunteered towards committees and CBD programs

- 435 hours volunteered by 34 board directors and committee members at meetings.
- 240 hours volunteered by 2 neighborhood residents for event coordination and social media marketing services.

24

Right: View of Salesforce Park looking west from the 181 Fremont Amenity Floor



LOOKING AHEAD

2020 promises to be one of the busiest years for The East Cut CBD since formation. Building upon last year's development of the SoDA Plan to improve transit options, pedestrian safety, and greening in the district, the CBD will continue working with SF Planning to shepherd the final document through the necessary City approvals to codify the recommendations that will drive future public space improvements.

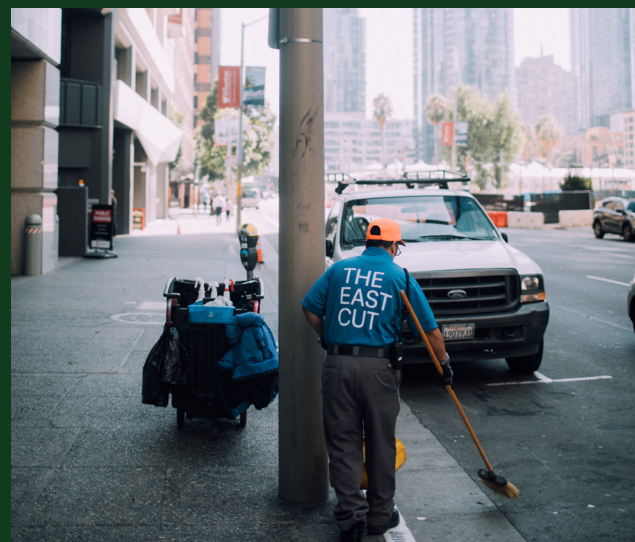
Incorporated within the SoDA Plan are recommendations informed by over 3,000 people participating in the SoDA Plan process, input that also led directly to the development of The East Cut Street Life Plan. The projects outlined in the Street Life Plan are organized around six core concepts: traffic calming, sociability, interactive green spaces, wayfinding, eco-consciousness, and placemaking. Many of these ideas are ready to be implemented. The East Cut CBD will be working on fundraising efforts, using non-assessment funds, to begin implementation through this year and beyond.

One project which we hope to open in 2020 is The East Cut Community Garden. The project site for the proposed garden is the empty lot behind Rene Cazenave Apartments on Essex Street. The CBD has applied for a grant through the City's Community Challenge Program, and is working with the property owner, the Office of Community Investment & Infrastructure (OCII), to make this project a reality for neighborhood residents.

The East Cut CBD will also continue coordination with OCII to see Under Ramp Park and Transbay Park (OCII Block 3) designed and built. Design for the former is currently on hold due to a projected shortfall in operating and maintenance funding, however, the CBD is working to secure dedicated funding sources so that the park can move toward construction. The CBD is also working closely with OCII and SF Public Works on outreach efforts for Transbay Block 3 Park. These will include public meetings intended to inform the schematic design of the park.

In early 2020, The East Cut CBD will be rolling out a refresh of our website (www.theeastcut.org)! The format will still keep true to our identity, but the interface will be more user-friendly, highlighting how to make a service request, information on The East Cut's many nooks and hidden-away special places, and an interactive district map that shows local businesses, public art, and amenities.

As The East Cut neighborhood continues to grow, with more businesses, residents, and visitors than ever before, the need for evening and weekend programming has increased. The East Cut CBD will continue to host events for the community. We will also be a voice for the neighborhood at City Hall as we advance the priorities of a district that has become a true San Francisco destination.



East Cut CBD clean team member (above)
Mira and Infinity towers with the Temporary Terminal in the foreground (right)



BUDGET &

JULY 2018 – JUNE 2019 ACTUALS

INCOME	ACTUALS	BUDGET	OVER / (UNDER) BUDGET
Assessments	\$ 3,857,342.00	\$ 3,838,000.00	\$ 19,342.00
Fundraising/In-Kind	\$ 230,743.00	\$ 255,000.00	\$ (24,257.00)
Interest & Penalty Income	\$ 61,731.00	\$ 11,200.00	\$ 50,531.00
Other Income	\$ 138,131.00	\$ 0.00	\$ 138,131.00
TOTAL INCOME	\$ 4,340,927.00	\$ 4,104,200.00	\$ 236,727.00

EXPENSES	ACTUALS	BUDGET	OVER / (UNDER) BUDGET
Public Safety	\$ 892,707.00	\$ 1,047,576.00	\$ (154,869.00)
Cleaning & Maintenance	\$ 889,147.00	\$ 910,660.00	\$ (21,513.00)
Parks & Greenspace	\$ 360,278.00	\$ 2,117,946.00	\$ (1,757,668.00)
Economic Development	\$ 130,226.00	\$ 166,191.00	\$ (35,965.00)
Management & Operations	\$ 342,316.00	\$ 292,797.00	\$ 49,519.00
TOTAL EXPENSE	\$ 2,614,674.00	\$ 4,535,170.00	\$ (1,920,496.00)
Revenue Over Expenses	\$ 1,726,253.00	\$ (430,970.00)	\$ 1,295,283.00
Prior Year Carryover	\$ 0.00	\$ 430,970.00	\$ (430,970.00)
TOTAL CARRYOVER	\$ 1,726,253.00	\$ 0.00	\$ (1,726,253.00)

JULY 2018 – JUNE 2019 BALANCE SHEET

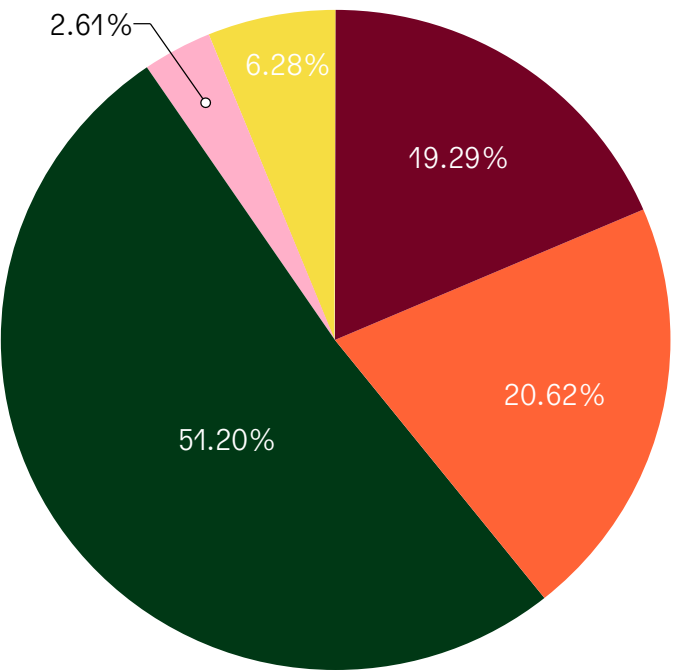
ASSETS	
Cash in Bank	\$ 714,618.00
Accounts Receivable, Net	\$ 45,817.00
Investments	\$ 3,818,027.00
Capital Assets	\$ 5,699.00
TOTAL ASSETS	\$ 4,584,161.00

LIABILITIES	
TOTAL LIABILITIES	\$ 626,390.00
TOTAL NET ASSETS (CARRYOVER)	\$ 3,957,771.00
TOTAL LIABILITIES & NET ASSETS	\$ 4,584,161.00

BALANCE SHEET

JULY 2019 – JUNE 2020 BUDGET

INCOME	
Assessments	\$ 4,071,215.00
Fundraising/In-Kind	\$ 362,500.00
Interest Income	\$ 34,025.00
Carryover Used	\$ 336,005.00
TOTAL INCOME	\$ 4,803,745.00



← FIG. 01	
Public Safety	19.29%
Cleaning & Maintenance	20.62%
Parks & Greenspace	51.20%
Communications & Development	2.61%
Management & Operations	6.28%

PROJECTED CARRYOVER DISBURSEMENT

CARRYOVER	AS OF 6.30.19	BUDGETED FOR FY19 – 20	BUDGETED FOR FUTURE YEARS
Public Safety	\$ 725,827.00	\$ -	\$ 725,827.00
Cleaning & Maintenance	\$ 510,426.00	\$ -	\$ 510,426.00
Parks & Greenspace	\$ 899,338.00	\$ -	\$ 899,338.00
Salesforce Park	\$ 1,604,777.00	\$ 336,005.00	\$ 1,268,772.00
Communications & Development	\$ 125,657.00	\$ -	\$ 125,657.00
Management & Operations	\$ 91,746.00	\$ -	\$ 91,746.00
TOTAL	\$ 3,957,771.00	\$ 336,005.00	\$ 3,621,766.00

ASSESSMENT METHODOLOGY & CALCULATION

Each property within the CBD’s boundaries pays a special assessment proportional to its share of the cost of the district’s services. The assessment is based on a formula that determines the property’s special benefit.

- An individual parcel’s annual assessment can be calculated in three steps:
1. Determine the parcel’s land use and proximity to Salesforce Park to find out the assessment rate.
 2. Add parcel lot square footage plus building square footage.
 3. Multiply by the appropriate assessment rate.

$$\text{(PARCEL LOT SQUARE FOOTAGE + BUILDING SQUARE FOOTAGE)} \times \text{ASSESSMENT RATE} = \text{ANNUAL PARCEL ASSESSMENT}$$

EXAMPLES: For land uses more than 500 feet from Salesforce Park (excluding affordable housing and non-profit uses) with a 10,000 square foot lot and 100,000 square foot building, the calculation is:

FY2018/19
 $(10,000 + 100,000) \times \$0.08321 = \$9,153$
annual parcel assessment

FY2019/20
 $(10,000 + 100,000) \times \$0.08571 = \$9,428$
annual parcel assessment

All land uses within 500 feet of Salesforce Park, excluding commercial properties adjacent to the park:

FY2018/19
 $(10,000 + 100,000) \times \$0.12304 = \$13,534$
annual parcel assessment

FY2019/20
 $(10,000 + 100,000) \times \$0.12673 = \$13,940$
annual parcel assessment

Commercial buildings adjacent to Salesforce Park:

FY2018/19
 $(10,000 + 100,000) \times \$0.17507 = \$19,258$
annual parcel assessment

FY2019/20
 $(10,000 + 100,000) \times \$0.18032 = \$19,835$
annual parcel assessment

Commercial buildings adjacent to Salesforce Park and with a connecting bridge:

FY2018/19
 $(10,000 + 100,000) \times \$0.20108 = \$22,119$
annual parcel assessment

FY2019/20
 $(10,000 + 100,000) \times \$0.20711 = \$22,782$
annual parcel assessment

Affordable housing and non-profit uses more than 500 feet from Salesforce Park:

FY2018/19
 $(10,000 + 100,000) \times \$0.06241 = \$6,865$
annual parcel assessment

FY2019/20
 $(10,000 + 100,000) \times \$0.06428 = \$7,071$
annual parcel assessment

THE EAST CUT CBD BOARD OF DIRECTORS 2018–2019

Matt Lituchy, **President**, Jay Paul Company
Katina Johnson, **Vice President**, Resident
Chris Foley, **Secretary**, Ground Matrix
Dan Coming, **Treasurer**, Resident
Lauren Post, **Past President**, Resident

Larissa Acosta, **Resident**
Amy Arbuckle, **Marriott**
Tony Birdsey, **Tishman Speyer**
Elizabeth Chrisman, **Marin Day Schools**
John Cornwell, **Resident**
Katie Darling, **Kilroy Realty**
Leah Edwards, **Resident**
Helen Han, **Boston Properties**
Shane Hart, **Office of Community Investment & Infrastructure**
Chema Hernández Gil, **Resident**
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Nabiel Musleh, **Harlot Lounge**
Evan Schwimmer, **The John Buck Company**
Jonathan Shum, **Related Companies**
Adam Tartakovsky, **Crescent Heights**
Martha Velez, **Transbay Joint Powers Authority**

THE EAST CUT CBD COMMITTEES

Audit, Bylaws, Economic Development, Executive, Finance & Development, Neighborhood Parks & Greenspace, Nominating, Personnel & Operations, Salesforce Park, Street Services & Safety

THE EAST CUT CBD STAFF

Andrew Robinson, **Executive Director**
Mike Rieger, **Deputy Director**
Garrick Mitchler, **Public Realm Maintenance & Operations Manager**
Pierre Lagarde, **Fundraising & Development Manager**
Amanda Balneg, **Administration & Event Programming Manager**

The East Cut CBD would like to thank the individuals and organizations below for their financial contributions and in-kind support in 2018–2019. Their generosity allowed us to provide services and events that improved and enlivened the district.

Cristian Azcarate, Bay Area Metro Center, Mayor London Breed, Adrian Caratowsa, CMG Landscape Architecture, Blake Conway, Shelley Costantini, Fayala + Jamel Bouzidi, Fort Point Beer Co., Golden Gate University, Google, Supervisor Matt Haney, Hines, Travis Kelly, Darrin Ketter, Katy Liddell, Nancy Meyer, MKThink, Office of Community Investment & Infrastructure (OCII), Office of Economic & Workforce Development (OEWD), One Rincon Hill, Related California, Rincon Green Apartments, Salesforce, San Francisco Planning, San Francisco Public Works, Michele Schneider, Solaire Apartments, Grayson Stebbins, Adam Swig, Carol Swig, Transbay Joint Powers Authority (TJPA), Andrew Van Wart

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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

The East Cut					FY 2018-19					
Service Category/Budget Line	Management Plan Budget	General Benefit Dollars*	Management Plan Assessment Budget	% of Budget	FY 2018-19 Budget**	General Benefit Dollars	FY 2018-19 Assessment Budget	% of Budget	Variance	Source
Public Safety	\$ 971,056.00	\$ 13,595.00	\$ 957,461.00	21.21%	1,047,576	22,336	1,025,240	23.10%	1.89%	
Cleaning and Maintenance	\$ 619,374.00	\$ 8,671.00	\$ 610,703.00	13.53%	910,660	153,906	756,754	20.08%	6.55%	
Parks and Greenspace	\$ 686,235.00	\$ 46,595.00	\$ 639,640.00	14.99%	576,133	61,240	514,893	12.70%	-2.29%	
Salesforce Park	\$ 1,969,378.00	\$ 410,024.00	\$ 1,559,353.00	43.02%	1,541,813		1,541,813	34.00%	-9.02%	
Communication and Development	\$ 78,831.00	\$ -	\$ 78,831.00	1.72%	166,191	27,707	138,484	3.66%	1.94%	
Management	\$ 145,241.00	\$ -	\$ 145,241.00	3.17%	178,206	1,011	177,195	3.93%	0.76%	
Operations	\$ 108,232.00	\$ -	\$ 108,232.00	2.36%	114,591	-	114,591	2.53%	0.16%	
TOTAL	\$ 4,578,347.00	\$ 478,885.00	\$ 4,099,461.00	100.00%	4,535,171	266,200	4,268,971	100.00%		

*The East Cut is not obligated to raise the General Benefit funds for Salesforce Park, per the Management Plan. Beginning in FY19-20 the TJPA will submit a letter to The East Cut CBD stating their fundraising for Salesforce Park

**The FY18-19 budgeted amount includes the projected use of carryover from previous years.

BENCHMARK 2: General Benefit Requirement	Public Safety	1.40%	
Revenue Sources	FY 2018-2019 Actuals	% of actuals	Source
Assessment Revenue - FY18-19	\$ 964,467.80		
Carryover/Reserve	\$ -		
Total Assessment (Special Benefit) Revenue	\$ 964,467.80	96.38%	
Contributions and Sponsorships	\$ 15,000.00	1.50%	
Grants		0.00%	
Donations	\$ 7,001.01	0.70%	In-kind
Interest Earned	\$ 12,236.07	1.22%	
Earned Revenue	\$ -	0.00%	
Other	\$ 1,976.74	0.20%	Penalty
Total Non-Assessment (General Benefit) Revenue	\$ 36,213.82	3.62%	
Total	\$ 1,000,681.62	100.00%	

BENCHMARK 2: General Benefit Requirement		Cleaning and Maintenance		1.40%
Revenue Sources	FY 2018-2019 Actuals	% of actuals	Source	
Assessment Revenue - FY18-19	\$ 623,883.86	70.17%		
Carryover/Reserve	\$ 110,775.15	12.46%		
Total Assessment (Special Benefit) Revenue	\$ 734,659.01	82.63%		
Contributions and Sponsorships	\$ 135,815.80	15.27%	Corporate and Individual	
Grants	\$ -	0.00%		
Donations	\$ 6,310.78	0.71%	In-kind	
Interest Earned	\$ 10,636.38	1.20%		
Earned Revenue		0.00%	Penalty	
Other	\$ 1,725.03	0.19%		
Total Non-Assessment (General Benefit) Revenue	\$ 154,487.99	17.37%		
Total	\$ 889,147.00	100.00%		

BENCHMARK 2: General Benefit Requirement	Parks and Greenspace		6.79%
Revenue Sources	FY 2018-2019 Actuals	% of actuals	Source
Assessment Revenue - FY18-19	\$ 459,457.14		
Carryover/Reserve	\$ -		
Total Assessment (Special Benefit) Revenue	\$ 459,457.14	87.95%	
Contributions and Sponsorships	\$ 32,584.00	6.24%	
Grants	\$ -	0.00%	
Donations	\$ 20,608.32	3.94%	In-kind
Interest Earned	\$ 6,727.19	1.29%	
Earned Revenue	\$ 1,935.58	0.37%	Open Space Inventory Sales
Other	\$ 1,091.03	0.21%	Penalty
Total Non-Assessment (General Benefit) Revenue	\$ 62,946.12	12.05%	
Total	\$ 522,403.26	100.00%	

BENCHMARK 2: General Benefit Requirement	Salesforce Park		0.00%
Revenue Sources	FY 2018-2019 Actuals	% of actuals	Source
Assessment Revenue - FY18-19	\$ 1,456,575.66		
Carryover/Reserve	\$ -		
Total Assessment (Special Benefit) Revenue	\$ 1,456,575.66	70.04%	
Contributions and Sponsorships		0.00%	
Grants		0.00%	
Donations		0.00%	In-kind
Interest Earned		0.00%	

Earned Revenue	\$ -	0.00%	
Other	\$ 623,147.00	29.96%	TJPA
Total Non-Assessment (General Benefit) Revenue	\$ 623,147.00	29.96%	
Total	\$ 2,079,722.66	100.00%	

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

The East Cut						FY 2018-19							
Service Category/Budget Line	FY 2018-19 Budget	Amount from Assessment	Amount from General Benefit	% of Budget (Assessment)	% Budget (Total Budget)	Actuals	Amount from Assessment	Amount from General Benefit	% of Actuals (Assessment)	% of Actuals (Total Budget)	Variance (Assessment)	Variance (Total Budget)	Source
Public Safety	\$ 1,047,576.40	\$ 1,025,240.40	\$ 22,336.00	24.02%	23.10%	\$ 892,707.00	\$ 856,493.18	\$ 36,213.82	36.64%	34.14%	12.63%	11.04%	
Cleaning and Maintenance	\$ 910,660.00	\$ 756,754.00	\$ 153,906.00	17.73%	20.08%	\$ 889,147.00	\$ 734,659.01	\$ 154,487.99	31.43%	34.01%	13.70%	13.93%	
Parks and Greenspace	\$ 576,133.00	\$ 514,893.00	\$ 61,240.00	12.06%	12.70%	\$ 360,278.00	\$ 297,331.88	\$ 62,946.12	12.72%	13.78%	0.66%	1.08%	
Salesforce Park	\$ 1,541,813.00	\$ 1,541,813.00	\$ -	36.12%	34.00%	\$ 74,699.83	\$ 74,699.83	\$ -	3.20%	2.86%	-32.92%	-31.14%	
Communication and Development	\$ 166,191.40	\$ 138,484.40	\$ 27,707.00	3.24%	3.66%	\$ 130,226.00	\$ 116,091.93	\$ 14,134.07	4.97%	4.98%	1.72%	1.32%	
Management	\$ 178,206.00	\$ 177,195.00	\$ 1,011.00	4.15%	3.93%	\$ 147,295.00	\$ 147,295.00	\$ -	6.30%	5.63%	2.15%	1.70%	
Operations	\$ 114,591.00	\$ 114,591.00	\$ -	2.68%	2.53%	\$ 120,321.80	\$ 110,914.06	\$ 9,407.74	4.75%	4.60%	2.06%	2.08%	
TOTAL	\$ 4,535,170.80	\$ 4,268,970.80	\$ 266,200.00	100.00%	100.00%	\$ 2,614,674.63	\$ 2,337,484.89	\$ 277,189.74	100.00%	100.00%			

BENCHMARK 4: Whether 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

FY 2018-2019 Carryover Disbursement	\$ 3,957,771.00	Source	Spendddown Timeline
General Benefit Project			
General Benefit Project 1	\$ -		
General Benefit Project 2	\$ -		
General Benefit Project 3	\$ -		
General Benefit Project 4	\$ -		
	\$ -		
	\$ -		
	\$ -		
General Project Total	\$ -		
Special Assessment Project		Budgeted for FY19-20	remaining Carryover
Public Safety	\$ 725,827.20	\$ -	\$ 725,827.20
Cleaning and Maintenance	\$ 510,425.96	\$ -	\$ 510,425.96
Parks and Greenspace	\$ 899,337.87	\$ -	\$ 899,337.87
Salesforce Park	\$ 1,604,777.00	\$ 336,005.00	\$ 1,268,772.00
Communication and Development	\$ 125,657.12	\$ -	\$ 125,657.12
Management	\$ 23,122.48	\$ -	\$ 23,122.48
Operations	\$ 68,623.37	\$ -	\$ 68,623.37
Special Project Total	\$ 3,957,771.00		
Total Designated Amount for FY 2019-20	\$ 3,957,771.00	\$ 336,005.00	\$ 3,621,766.00

\$ -

THE EAST CUT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

THE EAST CUT COMMUNITY BENEFIT DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The East Cut Community Benefit District

Report on the Financial Statements

We have audited the accompanying financial statements of The East Cut Community Benefit District, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The East Cut Community Benefit District as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

San Francisco, California
October 21, 2019

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
Assets		
Cash and cash equivalents (cash held for others \$13,100)	\$ 714,618	\$ 2,345,066
Assessments receivable	38,666	34,411
Other receivables and prepayments	7,151	13,062
Investments - money market accounts	690,920	790,988
Investments - certificates of deposits	3,127,107	234,169
Capital assets, net	5,699	24,279
Total Assets	<u>\$ 4,584,161</u>	<u>\$ 3,441,975</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 626,390</u>	<u>\$ 1,210,457</u>
Total Liabilities	626,390	1,210,457
Net Assets Without Donor Restrictions	<u>3,957,771</u>	<u>2,231,518</u>
Total Liabilities and Net Assets	<u>\$ 4,584,161</u>	<u>\$ 3,441,975</u>

The accompanying notes are an integral part of these financial statements.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Revenue, Gains, and Other Support		
Assessments revenue	\$ 3,857,342	\$ 3,287,636
Contributions	190,337	44,711
In-kind contributions	40,406	49,783
Investment income	52,970	13,380
Other income	199,872	10,445
Total Revenue, Gains, and Other Support	<u>4,340,927</u>	<u>3,405,955</u>
Expenses		
Program services	2,272,358	3,099,443
Supporting services:		
Management and general	<u>342,316</u>	<u>268,080</u>
Total Expenses	<u>2,614,674</u>	<u>3,367,523</u>
Change in Net Assets	1,726,253	38,432
Net Assets Without Donor Restrictions - Beginning	<u>2,231,518</u>	<u>2,193,086</u>
Net Assets Without Donor Restrictions - Ending	<u>\$ 3,957,771</u>	<u>\$ 2,231,518</u>

The accompanying notes are an integral part of these financial statements.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services		
	Public Safety	Clean Team and Dispatch	Communication and Development	Parks and Greenspace	Total	Management and General	Total
Contract services	\$ 788,604	\$ 784,704	\$ --	\$ 80,429	\$ 1,653,737	\$ --	\$ 1,653,737
Management personnel expenses	80,972	85,366	88,164	184,832	439,334	147,295	586,629
Rent and utilities	18,874	12,039	1,551	43,342	75,806	11,423	87,229
Legal fees	1,313	4,006	--	20,266	25,585	43,646	69,231
Accounting and audit	--	--	--	--	--	66,716	66,716
Marketing and branding	497	497	12,103	7,187	20,284	11,254	31,538
Office expense and supplies	592	540	21,878	273	23,283	1,654	24,937
Depreciation	--	--	--	--	--	21,946	21,946
In-kind goods and services	--	182	570	13,229	13,981	3,570	17,551
Community events	984	658	4,242	6,276	12,160	278	12,438
Insurance - liability	--	--	--	--	--	12,214	12,214
General consulting	--	--	--	--	--	11,126	11,126
All other expenses	871	1,155	1,718	4,444	8,188	11,194	19,382
Total	<u>\$ 892,707</u>	<u>\$ 889,147</u>	<u>\$ 130,226</u>	<u>\$ 360,278</u>	<u>\$ 2,272,358</u>	<u>\$ 342,316</u>	<u>\$ 2,614,674</u>

The accompanying notes are an integral part of these financial statements.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Service:		
	Clean Team and Dispatch	Communication and Development	Parks and Greenspace	Total	Management and General	Total	
Contract services	\$ 917,808	\$ 600,342	\$ 246	\$ 874,628	\$ 2,393,024	\$ 502	\$ 2,393,526
Management personnel expenses	57,531	57,816	97,614	119,426	332,387	125,159	457,546
Rent and utilities	26,960	17,380	2,181	36,133	82,654	7,001	89,655
General consulting	13,160	8,580	39,473	19,296	80,509	6,581	87,090
Marketing and branding	18,937	13,736	17,725	30,887	81,285	77	81,362
Legal fees	6,117	4,357	764	13,040	24,278	30,065	54,343
Accounting and audit	--	--	--	--	--	53,388	53,388
In-kind goods	5,447	6,161	7,149	27,937	46,694	3,089	49,783
Community events	1,205	1,398	3,251	23,911	29,765	1,016	30,781
Office equipment and supplies	3,689	3,921	1,728	188	9,526	15,249	24,775
Depreciation	1,125	717	92	1,536	3,470	19,145	22,615
Insurance - liability	3,643	2,323	300	4,977	11,243	964	12,207
All other expenses	908	932	1,210	1,558	4,608	5,844	10,452
Total	<u>\$ 1,056,530</u>	<u>\$ 717,663</u>	<u>\$ 171,733</u>	<u>\$ 1,153,517</u>	<u>\$ 3,099,443</u>	<u>\$ 268,080</u>	<u>\$ 3,367,523</u>

The accompanying notes are an integral part of these financial statements.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 1,726,253	\$ 38,432
Depreciation	21,946	22,615
Changes in operating assets and liabilities:		
Assessments receivable	(4,255)	5,895
Other receivables and prepayments	5,911	(4,391)
Accounts payable and accrued expenses	(584,067)	732,138
Net Cash Provided by Operating Activities	<u>1,165,788</u>	<u>794,689</u>
Cash Flows From Investing Activities		
Purchase of investments	(3,960,025)	(2,000,000)
Redemption of investment	1,167,155	2,173,984
Purchase of capital assets	(3,366)	(1,684)
Net Cash (Used in) Provided by Investing Activities	<u>(2,796,236)</u>	<u>172,300</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,630,448)	966,989
Cash and Cash Equivalents - Beginning	<u>2,345,066</u>	<u>1,378,077</u>
Cash and Cash Equivalents - Ending	<u>\$ 714,618</u>	<u>\$ 2,345,066</u>

The accompanying notes are an integral part of these financial statements.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

The East Cut Community Benefit District (“ECCBD”) is a nonprofit 501(c)(3) community-based organization. ECCBD was formed in 2015 and began operations in 2016. The property owners of the catchment area formed ECCBD to improve the quality of life in the area by making the area cleaner, safer, and more vibrant. ECCBD has a contract with the City and County of San Francisco (the “City”) for a term of 15 years, expiring on June 30, 2030. ECCBD is generally 57 whole or partial blocks from approximately the east side of Second Street to the west side of the Embarcadero and from the north side of Mission Street to the north side of Harrison (the “District”).

ECCBD exists to implement programs to create a neighborhood that is safer, cleaner, greener, and a better place to conduct business and live. These programs and services are funded by district property owners in the Rincon Hill and Transbay neighborhoods.

ECCBD’s mission statement is as follows:

The East Cut Community Benefit District will advance the quality of life for residents, workers, and visitors in the District by fostering a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of the area’s economic base.

Program services provided by ECCBD include:

- **Public Safety** – The daytime security community guides monitor street conditions, provide crime deterrence, and evaluate quality of life issues. Community guides may patrol the District on foot or bicycle, depending on pedestrian traffic from 6:00am to 8:00pm, daily.

Nighttime security will be provided by private neighborhood security patrol working throughout the District as a deterrence to quality of life crimes, and connects to the San Francisco Police Department for more serious matters. They will be providing crime deterrence and enforcement from 4:00pm to 7:00am, daily.

- **Clean Team** – The Clean Team works to improve the appearance and cleanliness of the district daily from 6:00am to 8:00pm. The Clean Team steam cleans all sidewalks in the district once a month, work daily on sidewalk sweeping and trashcan topping, and also removes graffiti on an on-call basis, daily.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PURPOSE AND ORGANIZATION (CONTINUED)

- **Dispatch** – ECCBD’s clean and safe services are accessed through a neighborhood dispatch system available from 7:00am to 11:00pm from Sunday through Thursday and 24 hours a day on Friday and Saturday.
- **Parks and Greenspace** – The Parks and Greenspace program includes irrigation systems management and repair; pest control; tree, shrub, and ground maintenance; gardening and weeding; arborist and horticultural consultation; seasonal fire fuel reduction; trash off-haul; pavement and pathway repairs and care; small capital improvements such as replacement of plant materials, fixtures, furniture, and equipment; emergency repair projects. Projects that the ECCBD is involved in the current year are: Emerald Park, Under-Ramp Park, Public Realm, and Transbay Park (beginning 2019).
- **Communication and Development** – The Communication and Development program’s mission is to communicate the changes taking place in ECCBD and reinforce the public’s positive perception of the District’s parcels. This program will include newsletters, marketing materials, website development, property owner and merchant outreach programs, community liaison activities, special events, business retention and recruitment, media relations, advertising, property manager outreach, and property database development and update.

BASIS OF ACCOUNTING

ECCBD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred, regardless of the timing of cash flows.

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that ECCBD report information regarding its financial position and activities into two classes of net assets: without donor restrictions and with donor restrictions.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CLASSIFICATION OF NET ASSETS (CONTINUED)

Accordingly, the net assets are classified and reported as described below:

Without Donor Restrictions

Those net assets and activities which represent the portion of expendable funds that are available to support ECCBD's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

With Donor Restrictions

Net assets representing funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of ECCBD or by the passage of time. Other donor restrictions are permanent in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

As of June 30, 2019 and 2018, and for the years then ended, ECCBD has no net assets or activities with donor restrictions.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

ECCBD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

CASH HELD FOR OTHERS

ECCBD serves as a fiscal sponsor for another organization. ECCBD receives cash and other sources of income and makes payments on behalf of the organization. These transactions are not considered revenue or expenses of ECCBD. There is a corresponding liability that equals the residual cash within accounts payable and accrued expenses.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSESSMENTS RECEIVABLE

Assessments receivable represent obligations of local property owners due to ECCBD. Unpaid assessments do not accrue interest.

ECCBD uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on an evaluation of the outstanding receivables. As of June 30, 2019 and 2018, management believes all assessments will be collected, and therefore, an allowance for uncollectible assessments was not needed.

INVESTMENTS – CERTIFICATES OF DEPOSIT

Certificates of deposit are valued at cost plus accrued interest which approximates fair value.

CAPITAL ASSETS

ECCBD capitalizes acquisitions of capital assets with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost and donated assets are recorded at estimated fair value or appraised value at the date of donation. Depreciation of capital assets is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 10 years. Maintenance and repairs are charged to expense as incurred and major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

REVENUE RECOGNITION

Assessments Revenue

ECCBD receives its support primarily from special assessments levied by the City on properties located within the District in accordance with City Ordinance. The assessments are recorded by ECCBD when earned. The City remits the assessments to ECCBD as the assessments are collected from the property owners. Interest is not charged on late assessments; however, late penalties are charged in accordance with the City's policy.

Contributions

ECCBD recognizes all contributions when they are received or unconditionally promised. Contributions without donor-imposed restrictions are reported as support without donor restrictions. Contributions with donor-imposed restrictions are reported as support with donor restrictions and may be expendable or are required to be held permanently.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Contributions (continued)

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

For the years ended June 30, 2019 and 2018, ECCBD received contributions of \$190,337 and \$44,711, respectively. 2019 Audit

In-Kind Contributions

Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as without donor-restrictions support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as with donor restrictions support. Absent donor stipulations regarding how long those donated assets must be maintained, ECCBD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ECCBD reclassifies with donor-restrictions net assets to without donor-restrictions net assets at that time.

ECCBD records in-kind contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the years ended June 30, 2019 and 2018, ECCBD received contributed goods and services in the amount of \$40,406 and \$49,783 respectively.

MARKETING AND BRANDING

The costs of marketing and branding are charged to expense as incurred. Marketing and branding expenses for the years ended June 30, 2019 and 2018 were \$31,538 and \$81,362, respectively.

INCOME TAXES

ECCBD is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code, respectively.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

Management evaluated ECCBD's tax positions and concluded it maintained its tax-exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

The 2015 through 2018 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2014 through 2018 tax years remain subject to examination by the California Franchise Tax Board. However, management is unaware of any pending examinations nor are there any in progress.

CONCENTRATIONS OF RISK

Financial Instruments

Financial instruments which potentially subject ECCBD to concentrations of credit risk consist principally of cash and cash equivalents. ECCBD maintains its cash in various bank accounts which, at times, may exceed federally insured limits. ECCBD has not experienced any losses in such accounts.

Service Provider

Approximately 52% and 23% of total expenses incurred during the years ended June 30, 2019 and 2018, respectively, were attributed to safety and cleaning services provided by one vendor. Management believes that ECCBD is not exposed to any significant credit risk related to this concentration.

Revenue

For the years ended June 30, 2019 and 2018, ECCBD received 92% and 97%, respectively, of its total income from the City in the form of assessments.

Contributions

For the year ended June 30, 2019, one donor represented 79% of total contributions.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited based on an analysis of personnel time by each program or activity.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNDRAISING REQUIREMENTS

The City's contract requires that ECCBD annually raise 1.40% of its clean and safe services budget and 6.79% of its neighborhood parks and greenspaces services budget from sources other than the City's assessments.

For the years ended June 30, 2019 and 2018, ECCBD has satisfied these requirements.

RECLASSIFICATIONS

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on the previously reported net assets or change in net assets.

ADOPTED ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, the type of information provided about expenses, and investment return. ECCBD adopted ASU 2016-14 as of July 1, 2018.

RECENT ACCOUNTING PRONOUNCEMENTS

The FASB issued new guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to provide guidance concerning recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. The FASB also issued ASU 2015-14, which deferred the effective date. The guidance is applicable for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

On August 15, 2019, FASB issued an exposure draft to delay the effective date of this ASU. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2020 under the proposed delay. Early application is permitted. Management is evaluating the impact of this guidance.

On November 17, 2016, the FASB issued ASU 2016-18, *Restricted Cash*. The amendments require that the statement of cash flows explain the change during the period of total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Management is evaluating the impact of this new guidance.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 applies to all entities, including business entities that receive or make contributions of cash and other assets (except for transfers of assets from government entities to business entities). ASU 2018-08 provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. Making this determination is important because distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow the guidance in FASB ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*, whereas, for exchange transactions, an entity should follow other guidance (for example, FASB ASC 606, *Revenue from Contracts with Customers*). ASU 2018-08 could result in more grants and contracts being accounted for as contributions (often-conditional contributions) than under current U.S. GAAP. Accounting for the grant or contract as a contribution is expected to be less costly than applying FASB ASC 606 (including the additional disclosure requirements). ASU 2018-08 also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor imposed condition from a donor imposed restriction. The ASU requires entities to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Additionally, ASU 2018-08 modifies the simultaneous release option currently in U.S. GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions, if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns.

A not-for-profit organization that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market would apply the new standard for transactions in which the entity serves as a resource recipient to annual reporting periods beginning after June 15, 2018, including interim periods within that annual period. Other organizations would apply the standard to annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is evaluating the impact of this new guidance.

NOTE 2 - FAIR VALUE MEASUREMENTS

ECCBD's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1

Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect ECCBD's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following is a description of the valuation methodology used for assets measured at fair value.

Certificates of deposit: Certificates of deposits are valued at cost plus accrued interest which approximates fair value. These securities are classified within Level 2 of the fair value hierarchy.

The following tables provide information about ECCBD's financial assets measured at fair value on a recurring basis as of June 30, 2019 and 2018:

June 30, 2019				
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ --	\$ 3,127,107	\$ --	\$ 3,127,107

June 30, 2018				
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ --	\$ 234,169	\$ --	\$ 234,169

ECCBD's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. ECCBD had no transfers into or out of levels of the fair value hierarchy during the years ended June 30, 2019 and 2018.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 - CAPITAL ASSETS

Capital assets at June 30, 2019 and 2018, consist of the following:

	2019	2018
Computers	\$ 11,055	\$ 7,688
Furniture and equipment	3,588	3,588
Leasehold improvements	<u>35,618</u>	<u>35,618</u>
	50,261	46,894
Less: accumulated depreciation	<u>(44,562)</u>	<u>(22,615)</u>
Total	<u><u>\$ 5,699</u></u>	<u><u>\$ 24,279</u></u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$21,946 and \$22,615, respectively.

NOTE 4 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2019 and 2018, consist of the following:

	2019	2018
Net Assets Without Donor Restrictions	\$ 3,475,687	\$ 1,749,434
Board Designated - Strategic Investment	<u>482,084</u>	<u>482,084</u>
Total	<u><u>\$ 3,957,771</u></u>	<u><u>\$ 2,231,518</u></u>

NOTE 5 - RETIREMENT PLAN

ECCBD established a noncontributory defined contribution retirement plan (the "Plan") for its employees. The Plan allows eligible employees to make voluntary contributions by salary reduction to the Plan, up to the limit allowed by law.

NOTE 6 - COMMITMENTS

ECCBD has a three-year office lease agreement which expired on June 30, 2019 and was renewed through June 30, 2020 with a renewal option through June 30, 2024. The lessor is an employer of a ECCBD's board member. ECCBD also has a five-year office equipment lease expiring on June 30, 2021.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - COMMITMENTS (CONTINUED)

The following is a schedule of minimum lease commitments:

For the Years Ending				
June 30,	Office Lease	Copier Lease	Total	
2020	\$ 74,777	\$ 1,572	\$ 76,349	
2021	<u>--</u>	<u>1,572</u>	<u>1,572</u>	
Total	<u>\$ 74,777</u>	<u>\$ 3,144</u>	<u>\$ 77,921</u>	

For the years ended June 30, 2019 and 2018, the rent expense was \$83,710 and \$82,286, respectively.

NOTE 7 - LIQUIDITY AND AVAILABILITY

ECCBD's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2019 were as follows:

	2019
Financial Assets	
Cash and cash equivalents	\$ 714,618
Assessments receivable	38,666
Investments - money market accounts	690,920
Investments - certificates of deposits	<u>3,127,107</u>
Total Financial Assets	4,571,311
Cash held for others	(13,100)
Board designated net assets	<u>(482,084)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 4,076,127</u>

ECCBD's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$2.4 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

THE EAST CUT COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 8 - SUBSEQUENT EVENTS

ECCBD has evaluated all subsequent events through October 21, 2019, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.



TRANSBAY JOINT POWERS AUTHORITY

Mark Zabaneh • Executive Director

July 20, 2020

Andrew Robinson
Executive Director
East Cut CBD
160 Spear Street, Suite 230
San Francisco, CA 94105

RE: Funding Letter for FY2018-2019

Dear Mr. Robinson:

We are writing in response to your July 15, 2020 email. TJPA has met its obligation to raise the 20.82% general benefit portion of the Park's operation and maintenance costs for the fiscal year of FY18-19. As indicated in the TJPA Audited Financial Statements, for Fiscal Year Ended June 30, 2019, the total park expenses were \$869,402. The East Cut CBD provided \$246,255 or 28% of the park expenses and TJPA provided \$623,147 or 72% of the park expenses. The TJPA portion was paid for using various sources of funding. I am enclosing the TJPA's Audited Financial Statements for your reference.

Per the MOU executed between the TJPA and the CBD on September 9, 2019, we will be providing the CBD with an annual funding letter by September 15th of each year starting in September 2020 confirming that TJPA has met its obligation to raise the 20.82% general benefit portion of the Park's operation and maintenance costs for the previous fiscal year.

Sincerely,

A handwritten signature in blue ink, appearing to read "Erin Roseman", is written over a circular blue ink stamp.

Erin Roseman,
Chief Financial Officer

MEMO

To: Matt Haney, District 6 Supervisor

CC: San Francisco Board of Supervisors

From: Chris Corgas, OEWD Senior Program Manager

RE: The East Cut Community Benefit District FY 18-19 Annual Report

Date: October 21, 2020

This is a memo summarizing the performance of the East Cut Community Benefit District (The East Cut CBD) and an analysis of its financial statements for the period between July 1, 2018 and June 30, 2019.

The East Cut CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. The East Cut CBD has submitted all necessary documents. OEWD staff reviewed The East Cut CBD's annual report to monitor and report on whether the CBD complied with applicable rules under 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 Greater Rincon Hill Community Benefit District management contract with the City; and the Greater Rincon Hill Community Benefit District Management Plan (Management Plan) as approved by the Board of Supervisors in 2015.

Also attached to this memo are the following documents:

1. Annual Report
 - a. FY 2018-2019
2. CPA Financial Review Reports
 - a. FY 2018-2019
3. TJPA General Benefit Letter
4. Draft resolution from the Office of Economic and Workforce Development

Background

The District includes approximately 4,300 property-based parcels.

- July 31, 2015: the Board of Supervisors approved the resolution that established the property-based district called the Greater Rincon Hill Community Benefit District for 15 years (Resolution # 299-15).
- December 8th, 2015: the Board approved the contract with non-profit corporation Greater Rincon Hill Association for the administration and management of the Greater Rincon Hill Community Benefit District (Resolution # 506-15).
- April 10, 2017: Greater Rincon Hill Association voted to rename both the nonprofit corporation and the District as The East Cut Community Benefit District.
- June 5, 2017: The Secretary of State accepted and filed the name change of the nonprofit corporation to The East Cut Community Benefit District.
- September 25, 2018: The Board of Supervisors approved the FY 2016–17 annual report and financial statements for (Resolution # 316-18)
- November 19, 2019: The Board of Supervisors approved a resolution changing the name of the Greater Rincon Hill Community Benefit District to The East Cut Community Benefit District and approved the FY 2017-18 annual report and financial statements (Resolution # 492-19)

Basic Info about The East Cut CBD

Year Established	July 2015
Assessment Collection Period	FY 2015-16 to FY 2029-30 (July 1, 2015 to June 30, 2030)
Services Start and End Date	January 1, 2015 – December 31, 2030
Initial Estimated Annual Budget	\$ 2,474,194
FY 2018-19 Assessment Roll Submission	\$ 3,813,006.48
Fiscal Year	July 1 – June 30
Executive Director	Andrew Robinson
Name of Nonprofit Owners' Entity:	The East Cut Community Benefit District

The current CBD website, <https://theeastcut.org>, includes all the pertinent information about the organization and its programs, meeting calendar and agendas, and Management Plan.

Summary of Service Area Goals

The East Cut Community Benefit District (The East Cut CBD) has a unique management plan budget allocation compared to other districts. All other districts illustrate their management plan budget as a fixed percentage of assessments toward a specific category which does not change over time. Understanding that The East Cut CBD would have ongoing development, which included parks and greenspace coming online, project proponents provided a new management plan budget for each service category for each FY through FY 18-19. Following FY 18-19, the CBD will follow FY 18-19 management plan budget through the rest of its legislative life. The main factors determining this method of management

plan budgeting was the eventual opening of Salesforce Park (called City Park in the Management Plan) and various small parks and parklets within the CBD's jurisdiction.

Public Safety

Community Guides monitor street conditions, provide crime deterrence, and evaluate quality of life issues within the District. Community guides may patrol the District on foot or bicycle, depending on pedestrian traffic.

During night hours, crime deterrence is provided by a private security firm. They are in cars and on foot. The Management Plan calls for approximately 21.66% of District assessment funds to be spent in this service area in FY 18-19.

Cleaning and Maintenance

Cleaning and Maintenance program area includes regular sidewalk sweeping, steam cleaning, trash can topping, graffiti abatement, weeding of tree basin, spot cleaning of street furniture, and maintenance of streetscape amenities. A dispatch service is available to CBD residents and property owners to address specific cleaning and safety issues. The Management Plan calls for approximately 13.81% of District assessment funds to be spent in this service area in FY 18-19.

Parks and Greenspace

Maintenance services include: irrigation systems management and repair; pest control; tree, shrub, and ground maintenance; gardening/weeding; arborist and horticultural consultation; seasonal fire fuel reduction; trash off-haul; pavement and pathway repairs/care; small capital improvements such as replacement of plant materials, fixtures, furniture, and equipment; emergency repair projects.

Park operations include: management of maintenance and safety services; special events planning and oversight; community outreach. The Management Plan calls for approximately 57.12% of District assessment funds to be spent on this service area in FY 18-19.

Communication and Development

To communicate the changes taking place in the District and reinforce the public's positive perception of the District's parcels, a professionally managed communication and development program will be created. This program may include:

- Newsletters
- Marketing materials
- Website development
- Property owner and merchant outreach programs
- Community liaison activities and special events
- Business retention and recruitment
- Media relations
- Advertising
- Property manager outreach
- Property database development and updating

The Management Plan calls for approximately 1.76% of District assessment funds to be spent in this service area in FY 18-19.

Management

The Management Plan calls for approximately 3.24% of District assessment funds to be spent on management in FY 17-18. The East Cut CBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for the CBD. The East Cut CBD Board of Directors has twenty-three (23) board members who 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 CBD's website and at the SF Main Library. All Board of Directors meetings are open to the public, and public comment is welcome.

Operations

The East Cut CBD will incur the customary and usual expenses of running a business and office. Annual operational costs include rent, utilities, insurance, accounting, audit, and legal fees. In addition, \$12,000 per year has been budgeted for an annual Assessment Database to ensure that The East Cut CBD properly accounts for and levies assessments on new development as it is built, completed, and occupied. The Management Plan calls for approximately 2.41% of District assessment funds to be spent in this service area in FY 18-19.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2018-2019

Public Safety

- Provided public safety services 24/7 throughout the district, with Community guides working between 5:30 AM and 10:00 PM, daily and dedicated neighborhood security patrolling the district from 8:00pm-6:30am.
- Expanded outreach and ambassador hospitality during the overnight hours by meeting with front desk staff at neighborhood buildings.
- Responded to 2,115 public calls for service.
- Conducted outreach 6,552 times to unsheltered individuals to connect them to city services and ensure they are not in need of urgent medical care.

Cleaning and Maintenance

- Removed 236,372 pounds of litter.
- Cleaned or removed 6,571 instances of graffiti.
- Topped off 8,845 overflowing trashcans.
- Removed 2,329 needles.
- Nearly doubled the amount of garbage removed through the expansion of cleaning service hours.
- Continued coordination with the Mayor's Fix-It team to expedite infrastructure repairs in the neighborhood.
- Secured a \$50K City budget addback from District 6 Supervisor Matt Haney to supplement overnight sidewalk pressure washing.
- Continued a partnership with the Downtown Streets Team (DST) to provide daily work experience, and a stipend, to individuals facing homelessness and housing instability; ultimately hired three DST members full-time to The East Cut street services team and saw two get housing.

- Worked with Supervisor Matt Haney and other District 6 CBDs to address quality of life issues through the Supervisor's 10-point plan, which includes 24-hour pit stops, additional BigBelly trash cans, additional sidewalk pressure washing, and added cigarette butt receptacles.
- Participated in the "Love our City" event with the Mayor's office and multiple City departments to help beautify the neighborhood. Completed a clean-up of the Rincon Hill Dog Park and repainted a green wall on the blighted east wall on Essex Street.

Parks and Greenspace

- Continued to maintain Emerald Park – the District's first public park and an oasis which contains a children's playground and plantings.
- Held family-friendly holiday events for Halloween and Easter in Emerald Park, continuing the activation of our greenspaces.
- Published The East Cut Open Space Inventory documenting 40 public spaces in the district.
- Developed The East Cut Street Life Plan to establish public space placemaking and activation strategies for the district. The document will be incorporated into the San Francisco Planning Department's South Downtown Design + Activation (SoDA) Plan.
- Continued advocacy for Transbay Block 3, which will become a future 1-acre park. Completed a neighborhood survey for the park and received over 600 responses, and presented the project at SoDA meetings during the year.
- Successfully coordinated with SF Public Works to complete tree maintenance and pruning of all 1,200+ district street trees.
- Participated in Livable City's first SoMa Sunday Streets in its 10-year history. Coordinated and activated Folsom Street between Essex and 2nd Streets.

Salesforce Park

- Funded the programming of Salesforce Park, and worked with the Transbay Joint Powers Authority (TJPA) and Biederman Redevelopment Ventures (BRV) to expand Salesforce Park programming to include Sundays.

Communication and Development

- Highlighted new and existing local businesses in its monthly newsletter.
- Produced monthly pop-up events to provide opportunities for community gathering and to introduce the public to The East Cut CBD's services.
- Held SoDA meetings with SF Planning and SF Public Works to gather feedback around the plan and ensure City buy-in.

Management

- The Board supplied a weekly update on pertinent information about new developments in the neighborhood and the anticipated impacts
- Joined the Clean & Safe Coalition, a group led by San Francisco Travel that unites the voices of the San Francisco business community and many San Francisco neighborhood groups to advocate at the highest levels of City government for clean and safe streets in San Francisco.
- Participate on the TJPA CAC and active in the OCII CAC.

Operations

- The East Cut CBD completed its third organizational annual audit and received an unmodified opinion from an independent auditor

The East Cut CBD produced its third Annual Report and mailed a flyer announcing the annual report to all property owners in the District, as well as delivering to ground floor retail and commercial property management staff.

The East Cut CBD Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for The East Cut 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 "Greater Rincon Hill Community Benefit District", Section 3.9 – Budget*)
- BENCHMARK 2:** Whether one and forty hundredths percent (1.40%) of actuals for Public Safety, one and forty hundredths percent (1.40%) for Cleaning and Maintenance, six and seventy-nine hundredths percent (6.79%) of actuals for Parks and Greenspace, came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the "Greater Rincon Hill 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 "Greater Rincon Hill Community Benefit District", Section 3.9 – Budget*)
- BENCHMARK 4:** Whether The East Cut 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 2018-2019

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 East Cut CBD met this requirement. See table below:

Service Category	Management Plan Budget	% of Budget	FY 2018-2019 Budget	% of Budget	Variance Percentage Points
Public Safety	\$971,056	21.21%	\$1,047,576	23.10%	+1.89%
Cleaning and Maintenance	\$619,374	13.53%	\$910,660	20.08%	+6.55%
Parks and Greenspace	\$686,235	14.99%	\$576,133	12.70%	-2.29%
Salesforce Park	\$1,969,378	43.02%	\$1,541,813	34.00%	-9.02%
Communication and Development	\$78,831	1.72%	\$166,191	3.66%	+1.94%

Management	\$145,241	3.17%	\$178,206	3.93%	+0.76%
Operations	\$108,232	2.36%	\$114,591	2.53%	+0.16%
TOTAL	\$4,578,347	100.00%	\$4,535,171	100.00%	

BENCHMARK 2: Whether one and forty hundredths percent (1.40%) of actuals for Public Safety, one and forty hundredths percent (1.40%) for Cleaning and Maintenance, six and seventy-nine hundredths percent (6.79%) of actuals for Parks and Greenspace, came from sources other than assessment revenue. The Transbay Joint Powers Authority (TJPA) is responsible for raising twenty and eighty-one hundredths percent (20.81%) for Salesforce Park from sources other than assessment revenue.

ANALYSIS: *The East Cut CBD met its requirement. Assessment revenue was \$964,467.80 or 96.38% of actuals and non-assessment revenue was \$36,213.82 or 3.62% of actuals for the public safety service category. Assessment revenue was \$623,883.86 or 80.15% of actuals and non-assessment revenue was \$154,487.99 or 19.85% of actuals for the cleaning and maintenance service category. Assessment revenue was \$459,457.14 or 87.95% of actuals and non-assessment revenue was \$62,946.12 or 12.05% of actuals for the Parks and Greenspace service category. Assessment revenue was \$1,456,575.66 or 70.04% of actuals and non-assessment revenue was \$623,147.00 or 29.96% of actuals. See table below.*

Public Safety (1.40% needed)

Revenue Sources	FY 2018-2019 Actuals	% of Actuals
Special Benefit Assessments	\$ 964,467.80	
Total assessment revenue	\$ 964,467.80	96.38%
Contributions	\$15,000.00	1.50%
Donations	\$7,001.01	0.70%
Interest earned	\$12,236.07	1.22%
Other	\$1,976.74	0.20%
Total non-assessment revenue	\$ 36,213.82	3.62%
Total	\$ 1,000,681.62	100%

Cleaning and Maintenance (1.40% needed)

Revenue Sources	FY 2018-2019 Actuals	% of Actuals
Special Benefit Assessments	\$ 623,883.86	
Total assessment revenue	\$ 623,883.86	80.15%
Contributions	\$135,815.80	17.45%
Donations	\$6,310.78	0.81%
Interest earned	\$10,636.38	1.37%

Other	\$1,725.03	0.22%
Total non-assessment revenue	\$154,487.99	19.85%
Total	\$778,371.85	100%

Parks and Greenspace (6.79% needed)

Revenue Sources	FY 2018-2019 Actuals	% of Actuals
Special Benefit Assessments	\$ 459,457.14	
Total assessment revenue	\$ 459,457.14	87.95%
Contributions	\$32,584.00	6.24%
Donations	\$20,608.32	3.94%
Interest earned	\$6,727.19	1.29%
Earned Revenue	\$1,935.58	0.37%
Other	\$1,091.03	0.21%
Total non-assessment revenue	\$62,946.12	12.05%
Total	\$522,403.26	100%

Salesforce Park (12.94% needed)

Revenue Sources	FY 2018-2019 Actuals	% of Actuals
Special Benefit Assessments	\$ 1,456,575.66	
Total assessment revenue	\$ 1,456,575.66	70.04%
Total non-assessment revenue	\$623,147.00	29.96%
Total	\$ 2,079,722.66	100%

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

ANALYSIS: *The East Cut CBD did not meet this requirement. In FY 2018-19 Sales Transit Center, including the Park, was closed due to the discovery of cracked support beams. The Center was closed for just over 9 months. The East Cut CBD paid for approximately 80% of the park's expenses during the period it was open and nothing for the remaining three-fourths of the year when it was closed. This caused a significant reduction in actual expenses related to the park and caused variances to become out of line. OEWD expects this to be corrected in future fiscal years when the Park is reopened to the public. See table below.*

Service Category	FY 2018-2019 Budget	% of Budget	FY 2018-2019 Actuals	% of Budget	Variance Percentage Points
Public Safety	\$1,047,576.40	23.10%	\$892,707.00	34.14%	+11.04%

Cleaning and Maintenance	\$910,660.00	20.08%	\$889,147.00	34.01%	+13.93%
Parks and Greenspace	\$576,133.00	12.70%	\$360,278.00	13.78%	+1.08%
Salesforce Park	\$1,541,813.00	34.00%	\$74,699.83	2.86%	-31.14%
Communication and Development	\$166,191.40	3.66%	\$130,226.00	4.98%	+1.32%
Management	\$178,206.00	3.93%	\$147,295.00	5.63%	+1.70%
Operations	\$114,591.00	2.53%	\$120,321.80	4.60%	+2.08%
TOTAL	\$4,535,170.80	100.00%	\$2,614,674.63	100.00%	

BENCHMARK 4: Whether The East Cut 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 East Cut 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 its annual budget. See table below.

FY 2018-2019 Carryover Disbursement	\$3,957,771
Designated Projects for FY 2017-18	
Public Safety	\$725,827.20
Cleaning and Maintenance	\$510,425.96
Parks and Greenspace	\$880,337.87
Salesforce Park	\$1,604,777.00
Communication and Development	\$125,657.12
Management	\$23,122.48
Operations	68,623.37
Total Designated amount for FY 2018-19 and future years	\$3,957,771.00

Findings and Recommendations

The East Cut CBD has met 3 out of the 4 benchmarks as defined on page 6 of this memo.

The CBD did not meet benchmark 3 due to circumstances outside of its control. Benchmark 3 was not met as a result of the cracked beams at the Salesforce Transit Center. Those fissures closed the Center for

just over 9 months. The East Cut CBD paid for approximately 80% of the park's expenses during the period it was open and nothing for the remaining three-fourths of the year when the park was closed. This significant reduction in their actual expenses related to the closure and pushed all other CBD program percentages out of line. OEWD believes the CBD will meet this benchmark in the future once the Park is reopened to the public.

This particular CBD's management plan allocates general benefit in relation to special assessment dollars being used on a given service area. As a result, each service category has a different general benefit. This is because the CBD will maintain and service various parks within the District, including Salesforce Park. As parks and public realm have a large impact on general benefit, this was determined to be the most equitable way to accurately portray general benefit.

In this fiscal year, Guy Place Mini-Park broke ground and the CBD assisted with the design on the Under-ramp and Transbay Parks. The CBD also partnered with the City to trim and maintain 1,000+ trees.

The East Cut CBD continued its partnership with Downtown Streets Team (DST). DST is a Bay Area-wide non-profit that offers homeless individuals, or those facing homelessness, employment skills and assistance finding housing.

The CBD's governing board is in compliance with Article 15 of the Business and Tax Regulations Code and there were no reported Brown Act violations in this reporting period. The CBD's governing board and subcommittees are well run and meet regularly.

Conclusion

The East Cut CBD was formed through an open, community-based process. The CBD performed well in implementing its service plan. The CBD is in its 4th year of operations, and has increased its opportunities in partnering with community stakeholders and numerous municipal agencies for various projects within the District. The CBD is an extremely well-run organization with an active Board of Directors and committee members. OEWD believes The East Cut CBD will continue to successfully carryout its mission and service plans.

Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- ☒ 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- ☐ 2. Request for next printed agenda Without Reference to Committee.
- ☐ 3. Request for hearing on a subject matter at Committee.
- ☐ 4. Request for letter beginning : "Supervisor inquiries"
- ☐ 5. City Attorney Request.
- ☐ 6. Call File No. from Committee.
- ☐ 7. Budget Analyst request (attached written motion).
- ☐ 8. Substitute Legislation File No.
- ☐ 9. Reactivate File No.
- ☐ 10. Topic submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- ☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission
- ☐ Planning Commission ☐ Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Subject:

The text is listed:

Resolution receiving and approving annual report for The East Cut Community Benefit District for fiscal year 2018-2019, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.

Signature of Sponsoring Supervisor:

For Clerk's Use Only