


CITY COUNCIL ACTION REQUEST			
DEPARTMENT(S) Transportation	CEQA Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.	COORDINATION City Attorney's Office; City Manager's Budget Office; Planning, Building and Code Enforcement Department; Public Works Department	Director Approval /s/ John Ristow
COUNCIL DISTRICT(S) 3 & 6			CMO Approval  2/8/25
SUBJECT: Downtown San Jose Property-Based Improvement District Annual Financial Report			
RECOMMENDATION			
Approve the Downtown San Jose Property-Based Improvement District Annual Financial Report for Fiscal Year 2023-2024.			
BASIS FOR RECOMMENDATION			
<p>The downtown San Jose Property Based Improvement District was established by City Council in August 2007, renewed for a 10-year term in 2012, and again in June 2022 for a 10-year term through December 2032. As required by the California Streets and Highways Code (Property and Business Improvement District Law of 1994) and in compliance with the current agreement between the City and the Downtown Property Owners' Association, an annual financial report along with CPA-reviewed financial statements for the Downtown Property Owners' Association are required to be submitted to the City by October 1 of each year. The report submitted for Fiscal Year (FY) 2023-2024 meets the requirements of the current agreement. The Financial Report contains the following information as required by the agreement.</p> <ul style="list-style-type: none"> • Summary of Assessed Services • Procurement of Goods and Services • Downtown Property Owners' Association meeting dates for FY 2023-2024 • FY 2023-2024 Budget Report • FY 2023-2024 Financial Statements <p>The City General Fund has been combined with assessment funds to provide baseline, special benefit, and enhanced services in accordance with the current agreement between the City and the Downtown Property Owners' Association, as well as the Property-Based Improvement District Management Plan and Engineer's Report. Property-Based Improvement District services have created a cleaner and more vibrant downtown and have been well received by property owners. This is reflected by the positive results from the 2024-member survey, which indicated a 67% of property owners found the cleanliness of downtown to be improved from the previous year. The beautification and street life projects and Groundwerx ambassadors have also been successful and continue to receive support from Property-Based Improvement District members. Additional program highlights, including cleaning service frequencies and outputs, are detailed in the attached Financial Report for FY 2023-24 (Attachment A). The Financial Statements produced by the accounting firm Armanino is also included (Attachment B).</p>			
COMMISSION RECOMMENDATION AND INPUT			
No commission recommendation or input is associated with this action.			

COST AND FUNDING SOURCE
There are no costs associated with this action or no additional funding is needed for the time extension of this agreement.
FOR QUESTIONS CONTACT: Eric Hon, Division Manager, eric.hon@sanjoseca.gov

Attachments:

Attachment A: Financial Report for FY 2023-24

Attachment B: Financial Statements



Financial Report for FY 2023-24

Submitted by
Downtown San Jose Property Owners' Association (POA)

October 1, 2024

The downtown San Jose Property-Based Improvement District (PBID), originally formed in August 2007 and renewed in June 2012 and June 2022 for consecutive ten-year terms, is an assessment district (District) that conveys special benefits to the properties located within the District boundaries. The District encompasses the core of the downtown area bounded approximately by Seventh Street and to the east, St. John and Bassett streets to the north, Highway 87 and the SAP Center to the west and Market and First streets south to Reed Street.

Enhanced cleaning and maintenance services under the auspices of Groundwerx commenced on January 28, 2008. A new program called the Social Impact Team commenced in June 2023, providing outreach and assistance to the unhoused population as described in our management plan.

Since the implementation of services, property owners have been surveyed annually and the results have been overwhelmingly positive. A sample of the 2024 PBID Annual Survey results show marked improvement in public perception of downtown's clean and safe services. Approximately sixty-seven percent (67%) of survey respondents found the cleanliness of downtown to be "much better" or "slightly better" than the previous year. That cleanliness is largely the result of our Groundwerx team, which maintained their stellar approval ratings at approximately eighty-nine percent (89%). Finally, the survey asked respondents to provide direction to the PBID team on what types of improvements or projects should take priority, approximately eighty-one percent (81%) of respondents indicated that they would like the PBID to focus on unhoused services, which aligns with the PBID's decision to introduce a Social Impact Team (S.I.T.) in the beginning of July 2023.

I. Summary of Assessed Services for FY 2023-24

Service frequency Table A is from July 1, 2023 to June 30, 2024. The overall cleaning program has been consistent since the implementation of services. The enhanced cleaning program operates seven days a week, combining the use of mechanized equipment and cleaning by hand. Sidewalk sweeping and portering services take place from 6 a.m. to 8 p.m. daily. Pressure washing is divided into two shifts (4am-12:30pm, 12pm-8 pm), which covers seven days per week. The District provided 11,740 hours of pressure washing in FY 2023-24, which equals an average 226 hours of pressure washing per week.

Table A includes the cleaning frequencies for the entire PBID district. Baseline cleaning services account for 17% of the total budget, which is equivalent to providing basic portering services daily in the core downtown areas such as Santa Clara, Paseo De San Antonio, SoFA, and San Pedro Square." Additional portering hours throughout the district, including evening and weekends, are part of the enhanced services provided by the PBID.

Table A

Cleaning	Proposed in Management Plan	FY 23-24
Maintenance F.T.E.	13 to 20	16 to 24
Pan & Broom, Litter Removal	7 days/week, 20 hours/day	7 days/week, 20 hours/day
All-Terrain Litter Vacuum/Machine Sweeping	Daily as Needed	7 days/week, 8 hours/day
Pressure Washing	Six to Twelve times per year	Twelve times per year
Graffiti Reporting/Cleaning	Daily as Needed	Daily as Needed
Light Landscape/Weeds	As Needed	As Needed
Hot Spot Patrol or "emergency cleaning"	As Needed	Daily
Maintenance of PBID funded beautification elements	Landscape watering 5 days/week and as needed.	Landscape watering, replanting, landscape pruning, seasonal changes of flowering

Tree trimming	Approximately ¼ of street trees per year	Approximately ¼ of street trees per year
Other maintenance services such as pole painting, paver repair and refinishing street benches.	As Needed	Painting 5 days/week. Other maintenance as needed.

Table B shows total output for various components of the cleaning program in FY 2023-24. The amount of litter and the condition of the downtown streets resulted in more cleaning services provided by the District than projected in the management plan. Since January 2019, Groundwerx has deployed one all-terrain litter vacuum (ATLVs) allowing for more efficient removal of leaves, dirt and other debris.

Groundwerx provided service to 47 public litter cans (PLC) along First and Second Streets, Paseo De San Antonio, and Fountain Alley by closely monitoring the overflow. This number has been reduced since the VTA Transit Mall Prevailing Wage Contract was awarded to another contractor. At a minimum, the PLCs are emptied once a day, but many are frequently emptied more often. Pan and broom cleaners also wipe down each PLC and paint them as needed throughout the year. A full time painter was added to the team in January 2023 as part of the expansion in services dictated by renewal.

Graffiti clean up continues to be one of Groundwerx's primary services. Groundwerx removes most tags within 48 hours. Offensive tags are prioritized and are often abated within 24 hours. In addition to graffiti tags, Groundwerx removes stickers and handbills that are attached to public spaces and street fixtures. A small portion of District graffiti is forwarded to the City contractor or private property owners.

Table B

Clean Team Services:	Annual Output:
Pan/Broom	21,761 hrs
Pan/Broom: Debris Removal	483,500 lbs
Hot Spot Cleaning/Calls for Service	6,385
Pressure Washing	11,740 hrs
Trash Collected (Trash cans emptied)	209,200

All-Terrain Litter Vacuum: Debris Removal	86,475 lbs
Graffiti abated by Groundwerx	37,483

Groundwerx ambassadors reinforce the image of a friendly downtown by offering visible assistance to downtown employees, visitors and residents. Ambassadors perform a variety of tasks, such as providing information to visitors, escorting pedestrians and employees to their vehicles (or other destinations in the District) and reporting graffiti and other messes to the appropriate party. Ambassadors also report instances of vandalism and property damage to property owners and work with local social service agencies to provide referrals. Ambassadors have been called upon more frequently to interact with downtown’s unsheltered population, including coordinated outreach with the Social Impact Team.

The ambassador program incorporates mobile and foot patrols seven days a week. Ambassadors begin their routes at 6 a.m. and provide services until 8 p.m. during the week, with extended hours to 10 p.m. on Friday and Saturday. Ambassadors are frequently the first point of contact with many individuals in downtown’s homeless population. Ambassadors are trained on the nuances of downtown San Jose and carry helpful information such as walking maps, bus and light rail schedules, special event flyers and other collateral. They are equipped with handheld devices with Internet access, which allows them to access information at any time. Reporting incidents and property conditions are also made easier and more effective by this technology. Ambassadors also play an important role in identifying potentially troublesome situations and contacting the appropriate authorities. Table C depicts the regular deployment of Groundwerx ambassadors. Hours and schedules may be adjusted to accommodate downtown special events.

Table C

Information and Safety Ambassadors	Proposed in Management Plan	FY 23-24
Safety Ambassadors F.T.E.	5-9	5-10
Coverage	7 days/week, 12-16 hours	7 days/week, 12-16 hours

Table D represents a statistical summary of the ambassador program for FY 23-24.

Ambassadors make business contacts on a regular basis as part of the enhanced services of the PBID. These informal “check-ins” allow ambassadors to convey information to businesses and property owners such as resource referrals and property condition reports. This type of interaction also enhances the visibility of ambassadors and helps promote a friendly downtown.

The “Sitting/Lying” statistic reflects ambassador efforts in making downtown more friendly for the general public. The presence of ambassadors can discourage vagrancy and loitering. Ambassadors work with the Social Impact Team to assist the downtown homeless population who are interested in obtaining services.

Table D

Safety Ambassador Services:	Annual Output:
Safety Ambassador hours	17,814
Directions given	6,534
Business contacts	4,755
Sitting/Lying (loitering)	7,400
Personal safety escorts	41
Bike patrol hours	268

The Social Impact Team (SIT) is a dedicated initiative under the San Jose Downtown Association’s Property-Based Improvement District (PBID). The mission of the outreach ambassadors is to support the vulnerable unsheltered population in downtown San Jose through compassionate outreach and effective service coordination. Table E outlines the service frequency of the outreach program from July 1, 2023, to June 30, 2024. The key functions of the outreach ambassadors are to build trust and connections, collaborate with Groundwerx and other outreach organizations. The outreach program provides services seven (7) days a week from 8 a.m. to 5 p.m.

Table E

Outreach Ambassadors	Proposed in Management Plan	FY 23-24
Outreach Ambassadors F.T.E.	5	5
Coverage	7 days/week, 8 hours	7 days/week, 8 hours

Table F presents metrics captured by our outreach ambassadors during their daily shifts. These ambassadors follow up on hotspots in our district to make contact with the downtown unhoused population, building rapport with individuals on a daily basis. The SIT team is equipped with handheld devices to access the Homeless Management Information System (HMIS) system in the field for Vulnerability Index – Service Prioritization Decision Assistance Tool (VI-SPDAT), enabling them to better assist the unhoused in connecting with outreach services. Recently, our outreach ambassadors underwent training provided by Santa Clara County to administer Narcan to individuals who may be experiencing overdose symptoms.

The SIT ambassadors coordinate with local outreach programs such as PATH, HomeFirst, and the CSJ Housing Department. The SIT program conducts joint outreach with the CSJ-contracted outreach provider PATH twice a week. This is a great opportunity for our outreach programs to coordinate with each other to provide a better chance of getting help to the downtown unhoused population. Since its inception, SIT has successfully connected numerous individuals with housing, legal identification, and other critical resources. Our efforts have led to significant improvements in the quality of life for many downtown residents, contributing to a safer and more welcoming community for all.

SIT responds directly to concerns from downtown members and businesses. SIT is reachable through the Groundwerx Everywhere app and Groundwerx dispatch line, ensuring timely and efficient responses to any issues or requests for assistance.

Table F

Outreach Ambassador Services:	Output:
Outreach hours	2,673
Outreach Contacts	4,274
Referral to Partner Agencies	2,044
Kits Distributed	1,715
SIT Requests	222

Streetscape beautification and image enhancements, also referred to as Street Life Projects, comprise the third component of the core PBID services. The PBID continues to provide general maintenance of the PBID's previous installations. The Streetlife scope includes greening initiatives such as landscaping services, planting and maintaining seasonal hanging baskets, and urban canopy maintenance and plantings. It also includes partnership projects such as the SoFA Pocket Park and streetscape enhancements in the form of decorative lighting, murals, art crosswalks, and volunteer activations.

Our Tree Maintenance program provides support to the City of San Jose in the trimming, pruning, treatment, and planting of trees within our PBID boundaries. However, activity was reduced last year due to the removal of tree grates in FY 22-23. Limited planting occurred as trimming and pruning took precedence. Additionally, the program did not have a Street Life manager from December 2023 to March 2024, which will be reflected in the FY 23-24 report.

Table G

Beautification and Street Tree Maintenance:	Output:
Number of trees trimmed	455
Number of trees treated (disease or damage prevention)	32
Number of trees receiving additional care (removal of old lights, attachments, etc)	8
Number of new/refreshed flowers installed in PBID Planters	1,518

Mural Program: Last year, downtown San Jose saw the installation of large-scale murals and in addition to this we also added a small-scale mural on the Hotworx utility box (46 W. Santa Clara street), contributing to the growing public art landscape downtown. More progress of our mural program will be seen in this upcoming fiscal year.

Santa Clara Corridor Project: This year, the board has taken on a significant new initiative focused on the Santa Clara Corridor, aiming to enhance the aesthetics of downtown's main street. We've started with simple yet impactful improvements; replacing broken windows, upgrading lighting, and repainting buildings. These efforts are designed to make the area feel more welcoming, especially on a stretch of blocks that has faced challenges in the past.

MOMENT San Pedro Square has seen a slight downward sales trend over the last six months compared to last year. Despite fluctuating sales numbers, the MOMENT businesses continue to be very happy with the spaces themselves and maintain ~35 open hours per week. Across the board, businesses are doing well on event days, which include events produced by the tenants themselves, by our organization, MOMENT, or by third-parties. The highest grossing sales day for Woofboard and Plant Slut was during the San Pedro Square Block Party held on July 24.

- Number of current participating businesses: **Four**
 - Ashley Michelle Home opened their doors Sept. 21, joining existing tenants Woofboard, Plant Slut, and BohoMoonArt.
- Average gross sales per tenant per month:
 - Avg of last six months (March 2024 to August 2024) - **\$17,014.19**

- Avg of last 12 months (August 2023 to August 2024) - **\$19,130.21**
- Total jobs created (not including owner of operators):
 - 6. Tiny Keyboards hired four staff members. Bohomoonart and Plant Slut have hired one staff member each.

The PBID's business development services are focused on helping recruit and retain district businesses. During the year, 242 small businesses, brokers, developers and similar stakeholders were assisted with the city permitting process, available office or retail spaces, pricing, incentives, referrals, and other issues related to the downtown business environment.

The theme of our work this year has been "re-opening." We continued to provide location assistance, permit assistance for the surge of businesses looking to open or reopen downtown now that the major effects of Covid and the economic issues related to the lockdown period are over. While our outreach and referral numbers are down a bit this year, please keep in mind that for the last two fiscal years we were operating under a federal EDA grant that created a position solely focused on outreach, whereas for this fiscal year, we are back to having only one FTE Business Development Manager provide all of these services.

Between January and June 2024, the coordination of business grand openings/ribbon cuttings between the City of San José's Office of Economic Development, Carlos Velasquez, and SJDA, Juan Carlos Aguirre, has improved, strengthened, and streamlined thanks to the leadership of Carlos, Public Information Manager.

In the same time period there were a total of eight (8) grand opening/ribbon cuttings that SJDA assisted with including, Cloud Kitchen, Dream Club Lab, Urban Putt, MOMENT Paseo, Purple Lotus, Nirvana Soul (at SJSU), Home Eat, and the re-opening of Angelou's Mexican Grill.

Placer.ai software offers valuable insights for place management organizations, like SJDA, by providing real-time data on foot traffic, visitor demographics, and consumer behavior. Since acquiring Placer.ai software in the Fall of 2023, the PBID team has been able to help members make data-driven decisions to enhance marketing strategies, improve event planning, and attract visitors by understanding patterns of visitation and engagement. In the future, Placer.ai can help assess the impact of initiatives and investments, optimize resource allocation, and identify trends in downtown activity, ultimately supporting efforts to create vibrant, thriving downtown environments.

The PBID enhanced security program completed its seventh year of service in FY 23-24. These off-duty SJPD officers continued their focus in addressing quality-of-life issues in the downtown area. The program is scheduled to provide 50 hours of weekly coverage, and has been fully staffed since April 2018. Typical program hours are Monday and Thursday from 7 a.m. to 12 p.m. and Tuesday, Wednesday and Friday from 10 a.m. to 3 p.m.

Table H

Secondary Enforcement Unit (SEU):	Output:
Loitering Check	198
Business Contact	43
Premise Check	197
Encampment Check	34

II. Procurement of Goods and Services

The downtown Property Owners' Association (POA) certifies all funds were expended in accordance with the Property and Business Improvement District Law of 1994, Section 36600 et seq. of the State of California Streets and Highways Code (PBID Law). A fair and competitive process was maintained during the procurement of goods and services as per the agreement with the City of San Jose. The POA substantially followed the procurement guidelines provided by the City of San Jose, Council Policy No. 0-35 and in accordance with the POA procurement policy adopted on August 18, 2009.

A primary use of the District's FY 2023-24 assessment funds continued the agreement with Block-by-Block (BBB), to provide cleaning and ambassadorial services. The POA and BBB worked with the Office of Equality Assurance (OEA) to ensure wages complied with the City's Living Wage policy.

District funds were used to commission artists for various murals downtown, provide enhanced maintenance and landscaping services.

III. Downtown POA meeting dates FY 2023-24:

August 22, 2023
 October 13, 2023 – PBID Annual Meeting
 November 14, 2023
 January 30, 2024
 March 19, 2024
 May 21, 2024

IV. FY 2023-24 Budget report

Please see attached FY 2023-24 final reviewed financial statement for details.

The total PBID revenue for FY 2023-24 was \$5,576,449. Assessment revenues totaled \$4,622,501 and the City's baseline contribution was \$500,818. Additional revenue was generated through fee-for-service agreements and grants.

Total program administrative costs were \$845,293. The POA incurred several unexpected expenses this fiscal year that led to an increase in admin costs, including a 30% increase in health insurance costs for employees, City requirements to add auto insurance to our coverage, a major HVAC repair for the office, and additional expenses for contractors and overtime for team members due to staff turnover.

A balance of \$856,549 was carried over, which constitutes the POA's reserves. The POA's prudent reserves allow the District to have the equivalent of three months operating capital and receive a two percent discount by paying Block by Block, its primary Groundwerx service provider, on a quarterly schedule.

The POA continues to leverage funds by negotiating discounts and conservatively projecting program costs. The current fund balance will allow the POA to maintain its current service levels despite anticipated increases in operating costs, such as the City's mandated living wage increases. The POA will also retain the ability to add services as needs arise within the District.

The POA no longer has a fee-for-service contract with VTA and all outstanding payments related to a previous prevailing wage accounting issue have been received.

Additional small-scale fee-for-service contracts are in place with the San Jose Museum of Art, Children's Discovery Museum and Valley Oaks Partners.

V. FY 2023-24 Audited Financial Statement.

Please see attached Audited Financial Statement

1	9/26/24	FY 23-24
2		Final
3		Actuals
4	REVENUE	
5		
6	Assessments	
7	Assessments - thru SCC	3,689,921
8	less assessment charges SCC	(15,000)
9	Assessments - exempt thru SJ	932,580
10	less assessment charges SJ	(10,000)
12		
13	Net Assessments	4,597,500
14		
15	City baseline	500,818
16	General benefit	95,603
17	Contracts	213,963
18	Street Life Investors	140,000
19	Miscellaneous & Interest	3,563
20		
21	TOTAL REVENUE	5,551,448
22		
23	EXPENSES	
24		
25	CLEAN & SAFETY TEAMS	
26	Contract service	2,904,318
27	Contract baseline	500,818
28	Total BBB Contract	3,405,136
29		
30	IMAGE ENHANCEMENTS	
31	Street Life Plan Projects	292,244
32	Maintenance completed projects	47,425
33	Enhanced Maintenance	24,449
34	Street Tree maintenance	10,091
35	Subtotal	374,209
36		
37	DISTRICT ENHANCEMENTS	
38	Business development program	151,050
39	Secondary Employment Unit	104,175
40	Fee for Service Contracts	283,250
41	Community Engagement	2,758
42	Social Impact Team	411,130
43	Miscellaneous	1,256
44	Subtotal	953,619
45		
46	ADMINISTRATION	
47	SJDA Management	807,844
48	Insurance	1,834
49	Professional Services	10,328
50	Office Supplies	2,787
51	Misc	22,500
52	less 2% prepay contracts	(67,240)
53	Subtotal	778,053
54		
55	TOTAL EXPENSES	5,511,017
56		
57	REVENUE NET OF EXPENSES	40,431
58		
59		
60	Beginning Fund Balance	816,118
61		
62	Projected Ending Fund Balance	856,549

Subject: Downtown San Jose Property-Based Improvement District Annual Financial Report

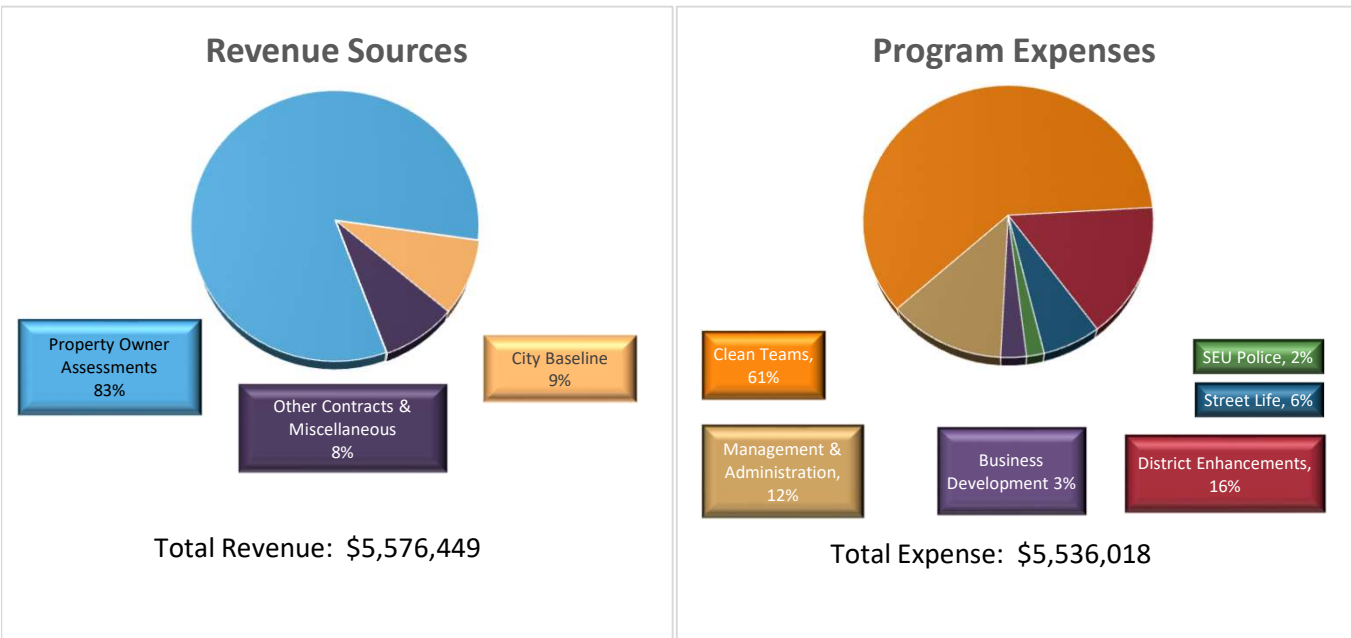
SAN JOSE DOWNTOWN PROPERTY OWNERS' ASSOCIATION
STATEMENT OF REVENUE AND EXPENSES
FY 2023-24
Year ended June 30, 2024

REVENUE

Property Based Improvement District (PBID) Assessments	\$	4,622,501
City of San Jose Baseline Contract Services		500,818
Other Contracts and Miscellaneous		453,130
TOTAL REVENUE		5,576,449

EXPENSES

Clean Teams Program	3,362,896
District Enhancements & Street Tree Maintenance	878,300
Street Life Program	345,354
Secondary Employment Unit (SEU) Policing Program	104,175
Business Development Program	151,050
Management & Administration	694,243
TOTAL EXPENSES	5,536,018
NET REVENUE (EXPENSES)	40,431
BEGINNING FUND BALANCE	816,118
ENDING FUND BALANCE	\$ 856,549



San Jose Downtown Property Owners' Association

Financial Statements

June 30, 2024



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
San Jose Downtown Property Owners' Association
San Jose, California

We have reviewed the accompanying financial statements of San Jose Downtown Property Owners' Association (a California nonprofit mutual benefit corporation) (the "Association"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of San Jose Downtown Property Owners' Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Jose, California

October 7, 2024

San Jose Downtown Property Owners' Association
Statement of Financial Position
June 30, 2024

ASSETS

Current assets		
Cash and cash equivalents	\$	1,025,529
Accounts receivable		7,172
Due from related parties		152,630
Prepaid expenses		<u>287,788</u>
Total current assets		<u>1,473,119</u>
Total assets	\$	<u><u>1,473,119</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$	96,955
Due to related parties		518,615
Other liabilities		<u>1,000</u>
Total current liabilities		616,570
Net assets without donor restrictions		<u>856,549</u>
Total liabilities and net assets	\$	<u><u>1,473,119</u></u>

San Jose Downtown Property Owners' Association
Statement of Activities
For the Year Ended June 30, 2024

Revenues and support	
Property owners' assessments	\$ 3,689,921
Exempt properties assessments	932,580
City of San Jose contracts - baseline services	500,818
Grants	40,000
Other contracts	409,567
Other revenue	<u>3,563</u>
Total revenues and support	<u>5,576,449</u>
Functional expenses	
Program services	
Clean and Safety Teams	3,362,896
District Enhancements	953,619
Street Life	345,354
Image Enhancement	<u>28,856</u>
Total program services	<u>4,690,725</u>
Support services	
Management and general	<u>845,293</u>
Total support services	<u>845,293</u>
Total functional expenses	<u>5,536,018</u>
Change in net assets	40,431
Net assets without donor restrictions, beginning of year	<u>816,118</u>
Net assets without donor restrictions, end of year	<u>\$ 856,549</u>

See accompanying notes and independent accountant's review report.

San Jose Downtown Property Owners' Association
Statement of Functional Expenses
For the Year Ended June 30, 2024

	<u>Image Enhancement</u>	<u>Street Life</u>	<u>District Enhancements</u>	<u>Clean and Safety Teams</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
Functional expenses							
Subcontractors - Groundwerx	\$ -	\$ -	\$ 411,130	\$ 3,351,968	\$ 3,763,098	\$ -	\$ 3,763,098
Management services	-	100,000	150,000	-	250,000	787,230	1,037,230
Security	-	-	102,975	1,200	104,175	-	104,175
Tree maintenance	1,223	8,868	133,532	-	143,623	-	143,623
Landscape maintenance	24,449	48,255	149,719	-	222,423	-	222,423
Supplies and materials	3,027	48,715	2,877	8,177	62,796	-	62,796
Other expenses	-	111,533	1,364	1,551	114,448	43,785	158,233
Professional services	-	4,400	-	-	4,400	10,328	14,728
Other services	157	11,793	2,022	-	13,972	2,116	16,088
Insurance	-	11,790	-	-	11,790	1,834	13,624
	<u>\$ 28,856</u>	<u>\$ 345,354</u>	<u>\$ 953,619</u>	<u>\$ 3,362,896</u>	<u>\$ 4,690,725</u>	<u>\$ 845,293</u>	<u>\$ 5,536,018</u>

See accompanying notes and independent accountant's review report.

San Jose Downtown Property Owners' Association
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash flows from operating activities	
Change in net assets	\$ 40,431
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Bad debt	20,421
Changes in operating assets and liabilities	
Accounts receivable	680,603
Due from related parties	(152,630)
Prepaid expenses	(8,586)
Accounts payable	(685,962)
Accrued expenses	(19,000)
Due to related parties	<u>518,615</u>
Net cash provided by operating activities	<u>393,892</u>
Net increase in cash and cash equivalents	393,892
Cash and cash equivalents, beginning of year	<u>631,637</u>
Cash and cash equivalents, end of year	<u>\$ 1,025,529</u>

See accompanying notes and independent accountant's review report.

San Jose Downtown Property Owners' Association
Notes to Financial Statements
June 30, 2024

1. NATURE OF OPERATIONS

The San Jose Downtown Property Owners' Association (the "Association") is a corporation organized under the California Nonprofit Mutual Benefit Corporation Law. The Association is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The Association's operation commenced on January 28, 2008. The purpose of the Association is to improve downtown San Jose, California with enhanced services including:

(a) Clean teams that will sweep, scrub, power wash sidewalks, remove litter and graffiti, and increase the frequency of trash removal and maintenance of public spaces within downtown.

(b) Information and safety ambassadors to provide information on downtown activities and establishments, prevent crime and work productively with social service providers.

(c) Image enhancement and cosmetic improvements to visually improve downtown.

(d) Tree maintenance to maintain the street trees and palms within the downtown San Jose Property-based Business Improvement District ("PBID") boundary.

(e) Enhanced security services to provide a visible uniformed presence at the properties and parcels within the downtown San Jose PBID boundary.

(f) Business development program designed to keep and attract jobs, investment and new businesses to downtown San Jose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

In accordance with accounting principles generally accepted in the United States of America, the Association reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. There are currently no net assets with donor restrictions.

San Jose Downtown Property Owners' Association
Notes to Financial Statements
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting policy

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 326, *Financial Instruments - Credit Losses* ("ASC 326"), which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in the standard is a shift from an "incurred loss" model to an "expected credit loss" model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in ASC 326 are accounts receivable.

The Association adopted ASC 326 effective July 1, 2023 using the modified retrospective method. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Receivables

Receivables represent amount due from grants, contracts and fees that are carried at the original invoice amount less allowance for credit losses based on a review of all outstanding amounts. Receivables are written off when deemed uncollectible and recoveries of receivables previously written off are recorded when received. No allowance for credit losses has been presented for the outstanding receivable balance since all amounts are deemed to be collectible.

Prepaid expenses

Prepaid expenses result from advances or deposits on goods or services that will be received in the following year. Direct event expenses are recorded in the year the event takes place.

San Jose Downtown Property Owners' Association
Notes to Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

The Association's policy is to capitalize property and equipment purchases in excess of \$3,000. Any furniture, equipment or other assets purchased under a grant or a service contract are considered the property of the granting agency and will not be capitalized. Depreciation is computed using straight-line depreciation methods over the asset's estimated useful lives. As of June 30, 2024, all property and equipment has been fully depreciated and is still being used by the Association. Accordingly, the property and equipment has been reported at a zero book value on the statement of financial position. Depreciation expense for the year ended June 30, 2024 was \$0.

Revenue recognition

The Association recognizes revenue and support on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided. The Association follows the following steps to determine revenue recognition:

- Identifying the contract(s) with a customer,
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Association satisfies a performance obligation.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as with or without donor restrictions, depending on the nature of donor restrictions. Restricted contributions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions. Restricted contributions, where restrictions are met in the same period as the donation is made, is shown as additions to contributions without donor restrictions.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are substantially met, at which time, the gift is recognized as either grants and contributions revenue with or without restriction.

Advertising costs

The Association's policy is to expense advertising costs as the costs are incurred.

San Jose Downtown Property Owners' Association
Notes to Financial Statements
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

Costs of providing the Association's activities have been allocated between program services and management and general based upon estimates of time and costs incurred by the Association.

Income tax status

San Jose Downtown Property Owners' Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements.

The Association files information returns in the U.S. federal jurisdiction and state of California. The Association's federal returns for the years ended June 30, 2021 and beyond remain subject to possible examination by the Internal Revenue Service. The Association's California returns for the years ended June 30, 2020 and beyond remain subject to possible examination by the Franchise Tax Board.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

Subsequent events

Management of the Association has evaluated events and transactions subsequent to June 30, 2024 for potential recognition or disclosure in the financial statements. The Association did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2024. Subsequent events have been evaluated through the date the financial statements became available to be issued, October 7, 2024.

3. PROPERTY-BASED IMPROVEMENT DISTRICT

In August 7, 2007, City of San Jose City Resolution No. 73937 established and defined the San Jose Downtown Property-Based Improvement District ("PBID" or "District"). The PBID is funded by an assessment levied on the property owners located within the District and approved through a petition and mail-ballot process. On June 14, 2022, the renewed District was approved at City Council extending the term for an additional ten years through December 31, 2032.

San Jose Downtown Property Owners' Association
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3. PROPERTY-BASED IMPROVEMENT DISTRICT (continued)

The Association was incorporated as a California Nonprofit Mutual Benefit Corporation to provide oversight of the District, to contract on behalf of the District, and to review and provide leadership and guidance to the members of the District.

4. SAN JOSE DOWNTOWN ASSOCIATION

On January 28, 2008, the Association entered into an agreement with San Jose Downtown Association ("SJDA") to receive management services. The agreement has been extended several times and continues through June 27, 2027. The entities have separate boards of directors and operate as separate entities. The Association pays SJDA a fee for the management services, and the amount is determined by PBID. The fee is payable semi-annually. For the year ended June 30, 2024, the Association incurred expenses from this agreement totaling \$637,658.

The Association also has an arrangement with SJDA in which salaries for four and half SJDA employees who work on the PBID projects are paid through SJDA and reimbursed by the Association. For the year ended June 30, 2024, the Association paid a total of \$399,572 towards salaries of a Business Development Program Manager, a Street Life Program Project Manager, a Community Engagement Manager and a PBID coordinator under this arrangement.

The management fee and the salaries are presented as management services in the statement of functional expenses, totaling \$1,037,230.

On January 15, 2013, SJDA on behalf of the Association entered into an Environmental and Maintenance and Supplemental Security Services agreement with Block by Block. The original agreement was for a period of three years and expired on January 14, 2016. The amended and renewed agreement expired on January 14, 2024. The Association's contract with Block by Block was extended through January 14, 2025. In consideration of the services, the maximum annual amount of payments to Block by Block shall not exceed \$3,485,054.

5. ASSESSMENTS ON SARA PARCELS

There are certain parcels of Federal and State SARA (Successor Agency to the Redevelopment Agency of the City of San Jose) properties where assessments continue to be made on an annual basis although management of the Association believes collectability to be uncertain. Assessments are recognized in revenue upon the sale of each parcel. There were no SARA parcels sold during the year ended June 30, 2024. There are other assessments related to SARA transfers to the City of San Jose that have not been included in accounts receivable or recognized in revenue, and collectability is entirely dependent on sufficient proceeds being available at the time of any potential sale of each parcel.

San Jose Downtown Property Owners' Association
Notes to Financial Statements
June 30, 2024

6. LIQUIDITY

The following is a quantitative disclosure describing financial assets that are available within one year of June 30, 2024 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 1,025,529
Accounts receivable	7,172
Due from related parties	<u>152,630</u>
	<u>\$ 1,185,331</u>

The Association had \$1,185,331 of financial assets available at June 30, 2024 to meet the needs for general expenditures in the next 12 months and none of them are subject to donor or other contractual restrictions. The Association manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due.

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Association expects that receivables from program and contracts will be collected and available within 60 days of the fiscal year end.