CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

COUNCIL AGENDA: 11/19/19
FILE: 19-1058
ITEM: 2.12

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:** CAO, PW, CMO – Budget Office	**Dept. Approval:** /s/ John Ristow
Council District(s): 3			**CMO Approval:** 11-7-19

SUBJECT: DOWNTOWN SAN JOSE PROPERTY-BASED IMPROVEMENT DISTRICT ANNUAL FINANCIAL REPORT

RECOMMENDATION:

Approve the Downtown San Jose Property-Based Improvement District (PBID) Annual Financial Report for Fiscal Year 2018-19.

BASIS FOR RECOMMENDATION:

The downtown San Jose PBID was formed in August 2007 and renewed in June 2012 for a 10-year term. 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 are required to be submitted to the City by October 1 each year. The report provides information to the public and the property owners in the District regarding the use of the assessments, as well as the management and operations of the District. Per the agreement with the City, the Downtown Property Owners' Association submitted the attached reports for FY 2018-19 on September 30, 2019. Staff reviewed the Financial Report and determined that it meets the requirements of the current agreement between the City and the Downtown Property Owners' Association. The Financial Report is attached to this memorandum along with the CPA-reviewed financial statements and will be posted on the City's internet site prior to the City Council Meeting on November 19, 2019. The Financial Report contains the following information as required by the agreement:

- Summary of Assessed Services
- Procurement of Goods and Services
- Downtown Property Owners' Association meeting dates for FY 2018-19
- FY 2018-19 Budget Report
- FY 2018-19 Financial Statements

City General Funds have been combined with assessment funds to provide baseline and enhanced services in accordance with the current agreement between the City and the Downtown Property Owners' Association, as well as the PBID Management Plan and Engineer's Report. PBID services have been effective in creating a cleaner and more vibrant downtown and have been well received by property owners. This is reflected by the positive results from the 2019 member survey, which indicated a 90% approval rating for the Groundwerx enhanced cleaning and maintenance program. The beautification and street life projects and Groundwerx ambassadors have also been extremely successful and continue to receive high approval ratings. Additional program highlights, including cleaning service frequencies and outputs, are detailed in the attached Financial report (Attachment A). The CPA review report is also included (Attachment B).

Climate Smart San Jose: The recommendation in this memo has no effect on Climate Smart San Jose energy, water, or mobility goals.

Commission Recommendation/Input: This item does not require any input from a board or commission.

COST AND FUNDING SOURCE:

No costs are associated with this action.

FOR QUESTIONS CONTACT:

Eric Hon, Department of Transportation Division Manager, (408) 794-1987.

Attachment A: Financial Report
Attachment B: CPA Review Report

PBID
DOWNTOWN SAN JOSE IMPROVEMENT DISTRICT

TREE TRIMMING • BEAUTIFICATION • STREET LIFE • CLEAN & FRIENDLY • SAFETY • BUSINESS DEVELOPMENT

Financial Report for FY 2018-19

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

September 30, 2019

The downtown San Jose Property-Based Improvement District (PBID), originally formed in August 2007 and renewed in June 2012 for a ten-year term, 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 Fourth Street and City Hall complex to the east, St. James and Devine 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 auspice of Groundwerx commenced on January 28, 2008. Since the implementation of services, property owners have been surveyed annually and the results have been overwhelmingly positive. The 2019 PBID member survey was completed April 2019 and downtown property owners continue their strong support of PBID services. Cleanliness maintained its standing as the highest downtown priority (90%), followed by homeless services (85%) and security (75.5%) rounding out the top three priorities. The cleaning program received an approval rating of 90 percent, which marks its seventh consecutive year with a rating of 90 percent or above.

I. Summary of Assessed Services for FY 2018-19

Service frequency Table A is from July 1, 2018 to June 30, 2019. 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 four shifts, which covers seven days per week. The shifts vary depending on the day. The District provided 8,339 hours of pressure washing in FY 2018-19, which equals approximately 160 hours of pressure washing per week.

Table A includes the cleaning frequencies for both enhanced and baseline services. Baseline services account for 28.8 percent of the total cleaning budget, which is equivalent to providing basic portering services Monday through Friday along the Transit Mall and Repertory Plaza and three days of portering in 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 18-19
Maintenance F.T.E.	13 to 18	13-16
Pan & Broom, Litter Removal/All-Terrain Litter Vacuum/Machine Sweeping/Transit Stop Maintenance (Includes Basic Portering)	7 days/week, 16 hours/day (Premium Zone) 8 hours/day (Basic Zone)	7 days/week, 16 hours/day (Premium Zone) 8 hours/day (Basic Zone)
Pressure Washing: Basic Zone	Two to Four times per year	Three times and as needed for hot spots
Pressure Washing: Premium Zone	Four to Six times per year	Seven times and as needed for hot spots
Graffiti Reporting/Cleaning	Daily as Needed	Daily as Needed
Light Landscape/Weeds	As Needed	As Needed
SWAT Patrol or “emergency cleaning”	As Needed	Daily

Maintenance of PBID funded beautification elements	Landscape watering 3 days/week and as needed.	Landscape watering 3 days/week and as needed.
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	As Needed

Table B shows total output for various components of the cleaning program in FY 2018-19. 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. Increased pedestrian foot traffic and an increased downtown homeless population resulted in a greater need for sidewalk cleaning services. Starting in January 2019, Groundwerx now deploys two all-terrain litter vacuums (ATLVs) allowing for more efficient removal of leaves, dirt and other debris. Additional litter removal and cleaning was also necessary because of numerous special events held within the District. "Hot Spot" cleaning is most often reported by Groundwerx staff but also includes cleaning requests from businesses, property owners and City departments. The majority of these rapid response cleanings take place within the same day they are reported.

Groundwerx provides service to 104 public litter cans (PLC) by closely monitoring the overflow. 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.

The Groundwerx cleaning program is supplemented with additional resources through its partnership with Downtown Streets Team (DST). In FY 2018-19, the City of San Jose's Housing Department funded a work experience program that served 67 unduplicated participants who provided additional pan and broom cleaning within the district. Of the 67 unduplicated DST participants, 16 gained employment and five were housed through this program.

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:	Output:
Pan/Broom	17,029 hrs
Pan/Broom: Debris Removal	322,725 lbs
Hot Spot Cleaning/Calls for Service	6,371
Pressure Washing	8,339 hrs
Trash Collected (Trash cans emptied)	193,125 lbs
Gum Removal	16.5lbs
Graffiti cleaned by Groundwerx	26,954

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. Since 2013, the ambassadors have been called upon more frequently to assist in graffiti abatement. The ambassadors address most of the graffiti in the outer portions of the district, thus allowing the clean team to focus on the more densely populated downtown core.

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 11 p.m. on weekends. 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 contact 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 18-19
Ambassadors F.T.E.	9-12	9-12
Coverage in Basic area	7 days/week, 8 hours/day	7 days/week, 8 hours/day
Coverage in Premium area	7 days/week, 12-16 hours	7 days/week, 12-16 hours

Table D represents a statistical summary of the ambassador program for FY 2018-19. 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 business 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 social service and outreach providers to assist the downtown homeless population who are interested in obtaining services.

Table D

Ambassador Services:	Output:
Ambassador hours	13,115 hrs
Directions given	13,103
Business contacts	608
Sitting/Lying (loitering)	2,611
Personal safety escorts	159

Bike patrol hours	839 hours

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 Street Life scope includes beautification and art-based enhancements in the form of decorative lighting, urban forest canopy and understory maintenance, murals, art crosswalks, and smaller-scale capital projects.

Beautification and Street Tree Maintenance

Number of trees trimmed	606
Number of trees planted/replanted	22
Number of trees treated (disease prevention)	142
Number of tree wells expanded/grates removed	162
Number of trees receiving additional care (removal of old lights, attachments, etc)	19
Number of new/refreshed flowers installed (approximate)	3304

Mural Program – Downtown San Jose saw nine new murals painted from July 2018 to June 2019. SJDA supported the POW! WOW! San Jose! Downtown San Jose mural festival in fall, 2018 through funding, project management, permitting support, and relationship-building with downtown community members. The murals are painted by a mix of local to national and international artists.

SJDA also supported Exhibition District's 100 Block mural project through funding support, marketing, and connections to downtown property owners. The 100 Block project hired 100 local artists to paint a mosaic of mini-murals in the SoFA Arts District and was completed in March 2019.

San Pedro Squared – MOMENT at San Pedro Squared celebrated its one-year anniversary in May 2019. The project involves four micro-retail units and San Jose's longest parklet (100 feet). The entire project converted five on-street parking and 12 garage spaces into active places for people.

MOMENT tenants were active participants in Small Business Saturday last year, taking advantage of the holiday program (day after black Friday) with some impressive results,

in some cases making up to 20% of their sales for the month on a single day.

From May 2018-2019

- Number of businesses participating: 8
- Average gross sales per month: $7,053
- Job created: 12 (not including owner-operators)

Awards received in FY 2018-19

- Silicon Valley Business Journal Structures Award
- Downtown Design Committee Golden Nail Award
- American Planning Association, Northern California Section Great Places Award of Excellence
- American Planning Association, California Chapter, Great Places Award of Merit

The project also received favorable press coverage in the Metro, Mercury News, Silicon Valley Business Journal, The Registry, Office of Economic Development newsletter, Content Magazine, Food Gal blog, and more.

Fountain Alley Visioning & Activation – SJDA re-enlisted Gensler, an international design firm with an office in downtown San Jose, to lead the pro-bono visioning work for Fountain Alley. With collaboration from adjacent property owners and community partners, the firm developed multiple concepts that aim to bring art, light, shelter, and activation to the space. The team plans to leverage the visioning when adjacent properties begin relevant development and tenant improvement stages.

Partnering with artists Michele Guieu And Corinne Okada Takara and the Alliance for Youth Achievement, The Ocean is Calling is an interactive art and light installation where artists and youth interact with the downtown community with an evening activation series. Though the activation was intended to be a four-part series, two had to be canceled due to the California wildfires that greatly impacted air quality late last year.

SoFA Art crosswalks – A community design process to re-design the art crosswalks in the SoFA Arts District of downtown San Jose was initiated. Following a series of meetings with the SoFA District committee, Art Crosswalk subcommittee, public "office hours," and a design charrette with City engineers, the design received approval from the San Jose Department of Transportation and the City Public Art Committee.

Downtown Pedestrian Counts – Pedestrian counts are conducted every four months in April, August, and December. The first in-depth downtown San Jose pedestrian count report was published in September 2016. The second was published in December 2017. The third was published in December 2018. Counts show a decrease in pedestrian activity in 2017-2018, but overall growth in pedestrian volumes. The next report will be completed in December 2019. Reports have been used by downtown brokers, potential downtown businesses, and the City.

The PBID's business development services are focused on helping recruit and retain district businesses. During the year, 134 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.

Related policy issues affecting downtown businesses were also addressed, such as updates to the zoning code in order to streamline permits for small businesses, growing the Small Business Ally program, expanding the outdoor seating program, making changes to the sign code, and implementing the vacant storefront registry program.

The PBID enhanced security program completed its sixth year of service in FY 18-19. 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, Thursday and Friday, from 10 a.m. to 3 p.m. and Tuesday and Wednesday from 7 a.m. to 12 p.m. SEU officers made an average of 24 business contacts and responded to an average of 81 instances of loitering per month.

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.

The District's FY 2018-19 assessment funds were used to continue the service 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 2018-19:

August 21, 2018
October 12, 2018 – PBID Annual Meeting
December 5, 2018
January 29, 2019
March 19, 2019
May 21, 2019

IV. FY 2018-19 Budget report

Please see attached FY 2018-19 final reviewed financial statement for details.

The total PBID revenue for FY 2018-19 was $3,474,330. Assessment revenues totaled $2,770,877 and the City's baseline contribution was $395,000. Additional revenue was generated through fee-for-service agreements and grants.

Total program administrative costs were $343,959, which is 9.9 percent of the total revenue.

A balance of $991,838 was carried over, which constitutes the POA's reserves.
Street Life projects underspent in FY 18-19, with six anticipated projects experiencing unexpected delays, pushing the completion of these projects to FY 19-20. Of these projects, two were completed in the first quarter of FY 19-20, the SoFA crosswalks and Globe Alley Installation. Additionally, the POA budgeted $31,200 for maintenance of the automated public toilets in downtown, a partnership between SARA, VTA, Team San Jose and the POA. In August 2019, we were notified that SARA had sufficient funds to pay for the maintenance contract entirely, eliminating the POA's financial responsibility.

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.

Aside from the assessment revenue and City baseline funds, the POA has other revenue fee-for-service contracts. In 2008, the POA reached an agreement with VTA to provide additional cleaning of the VTA tracks and light rail stations. In FY 2016-17 VTA added weekly maintenance of four Bus Rapid Transit stations to the contract. This service agreement was renewed with a three percent increase in FY 2018-19, along with additional funds for increased services, for a total of $83,220.

The POA continued to contract with the Parks, Recreation and Neighborhood Services Department (PRNS) to provide supplemental maintenance, trash collection, cleaning and ambassador services in St. James Park. In FY 2018-19, the contract generated $89,358 in revenue.

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

V. FY 2018-19 Reviewed Financial Statement.

Please see attached Reviewed Financial Statement.

San Jose Downtown Property Owners' Association
FY 2018-19

	A	E
1	**Revised 9/24/19**	**FY 18-19**
2		
3		**ACTUALS**
4		
5	**REVENUE**	
6		
7	Assessments	
8	Assessments - thru SCC	2,187,830
9	less assessment charges SCC	(22,704)
10	Assessments - exempt thru SJ	611,601
11	less assessment charges SJ	(10,000)
12	Assessment - thru PBID	4,151
13		
14	**Net Assessments**	**2,770,877**
15		
16	City baseline	395,000
17	Contracts	208,281
18	Street Life Investors	100,000
19	Miscellaneous & Interest	172
20		
21	**TOTAL REVENUE**	**3,474,330**
22		
23		
24	**EXPENSES**	
25		
26	**CLEAN TEAMS**	
27	Contract service	977,519
28	Contract baseline	395,000
29	**Subtotal**	**1,372,519**
30		
31	**SAFETY AMBASSADOR TEAMS**	
32	Contract Service	522,179
33	**Subtotal**	**522,179**
34		
35	**Total BBB Contract**	**1,894,698**
36		
37	**IMAGE ENHANCEMENTS**	
38	San Pedro Squared	8,673
39	Street Life Plan Projects	157,364
40	Maintenance completed projects	183,989
41	Enhanced Maintenance	78,912
42	Street Tree maintenance	116,498
43	**Subtotal**	**545,436**
44		
45	**DISTRICT ENHANCEMENTS**	
46	Business development program	135,000
47	Secondary Employment Unit	212,697
48	APT (auto public toilet) maintenance	-
49	Fee for Service Contracts	60,615
50	Miscellaneous	23,371
51	**Subtotal**	**431,683**
52		
53	**ADMINISTRATION**	
54	SJDA Management	343,959
55	Insurance	5,201
56	Professional Services	19,375
57	Office Supplies	5,792
58	Misc	4,537
59	less 2% prepay contracts	(37,712)
60	**Subtotal**	**341,152**
61		
62	RDA Write-off	28,000
63		
64	**TOTAL EXPENSES**	**3,240,969**
65		
66	**REVENUE NET OF EXPENSES**	**233,361**
67		
68		
69	Beginning Fund Balance	758,477
70		
71	Projected Ending Fund Balance	991,838
72		
73		
74		

San Jose Downtown Property Owners' Association

Financial Statements

June 30, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
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, 2019, 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.

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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Association has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our conclusion is not modified with respect to that matter.

Armanino LLP

Armanino LLP
San Jose, California

September 27, 2019

San Jose Downtown Property Owners' Association
Statement of Financial Position
June 30, 2019

ASSETS

Current assets	
Cash and cash equivalents	$ 1,234,871
Accounts receivable	4,799
Contracts receivable	76,890
Prepaid expenses	2,964
Total current assets	1,319,524
Fixed assets	
Office equipment	18,927
Accumulated depreciation	(18,203)
Total fixed assets	724
Total assets	$ 1,320,248

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	$ 312,758
Accrued expenses	15,650
Total current liabilities	328,408
Net assets without donor restrictions	991,840
Total liabilities and net assets	$ 1,320,248

San Jose Downtown Property Owners' Association
Statement of Activities
For the Year Ended June 30, 2019

Revenues, gains and other support	
Property owners' assessments	$ 2,165,126
Exempt properties assessments	605,751
City of San Jose contracts - baseline services	395,000
Grants	100,000
Other contracts	208,281
Miscellaneous	26
Interest income	146
Total revenues, gains and other support	3,474,330
Functional expenses	
Program services	
San Pedro Squared	8,673
Street Life Projects	157,364
Image Maintenance Projects	183,989
Enhanced Maintenance	78,912
Tree Maintenance	116,499
District Enhancements	431,683
Clean / Greet Teams	1,856,986
Total program services	2,834,106
Support services	
Management and general	406,861
Total support services	406,861
Total functional expenses	3,240,967
Change in net assets	233,363
Net assets without donor restrictions, beginning of year	758,477
Net assets without donor restrictions, end of year	$ 991,840

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, 2019

	San Pedro Squared	Street Life Projects	Image Maintenance Projects	Enhanced Maintenance	Tree Maintenance	District Enhancements	District Maintenance Projects	Clean / Greet Teams	Total Program Services	Management and General	Total
Functional expenses											
Subcontractors - Groundwerx	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,856,986	$ 1,856,986	$ -	$ 1,856,986
Image enhancement	6,074	155,134	183,989	78,912	116,499	-	-	-	540,608	-	540,608
District enhancements	-	-	-	-	-	411,342	-	-	411,342	-	411,342
Management services	-	-	-	-	-	-	-	-	-	343,959	343,959
Bad debt expense	-	-	-	-	-	-	-	-	-	28,000	28,000
Other supplies and materials	-	-	-	-	-	20,341	-	-	20,341	-	20,341
Professional services	-	-	-	-	-	-	-	-	-	19,375	19,375
Miscellaneous	2,599	386	-	-	-	-	-	-	2,985	5,586	8,571
Insurance	-	-	-	-	-	-	-	-	-	5,201	5,201
Office supplies	-	-	-	-	-	-	-	-	-	4,037	4,037
Depreciation	-	1,449	-	-	-	-	-	-	1,449	703	2,152
Travel	-	395	-	-	-	-	-	-	395	-	395
	$ 8,673	$ 157,364	$ 183,989	$ 78,912	$ 116,499	$ 431,683	$ -	$ 1,856,986	$ 2,834,106	$ 406,861	$ 3,240,967

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, 2019

Cash flows from operating activities		
Change in net assets	$	233,363
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		2,152
Bad debt		28,000
Contracts receivable		4,302
Grants receivable		47,652
Prepaid expenses		49,000
Accounts payable		929
Accrued expenses		(56,590)
Deferred revenue		2,650
Net cash provided by operating activities		311,458
Net increase in cash and cash equivalents		311,458
Cash and cash equivalents, beginning of year		923,413
Cash and cash equivalents, end of year	$	1,234,871

San Jose Downtown Property Owners' Association
Notes to Financial Statements
June 30, 2019

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.

Change in accounting policy

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Presentation of Financial Statements of Not-for-Profit ("NFP") Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two: net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Association, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses.

San Jose Downtown Property Owners' Association
Notes to Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting policy (continued)

The amendment in this ASU is effective for organizations with fiscal years beginning after December 15, 2017 and must be applied on a retrospective basis. The Association adopted the ASU effective July 1, 2018. The adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

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

No allowance for uncollectible receivables has been presented 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.

Property and equipment

The Association's policy is to capitalize property and equipment purchases in excess of $500. 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. Depreciation expense for the year ended June 30, 2019 was $2,152.

Deferred revenue

Deferred revenue results from assessments, contract or sponsorship revenue received for a specific event scheduled in the following year. Revenue is recognized in the period that the related expenses are incurred.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

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

Functional expenses

Costs of providing the Association's activities have been allocated between programs, 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, 2016 and beyond remain subject to possible examination by the Internal Revenue Service. The Association's California returns for the years ended June 30, 2015 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 revenue 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, 2019 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, 2019. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 27, 2019.

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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. The PBID was scheduled to terminate on December 31, 2012, however, the PBID was renewed for an additional ten years through December 31, 2022.

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 January 31, 2022. The entities have separate boards of directors and operate as separate entities. As a fee for the management services, SJDA will receive up to and not to exceed 9.9% of the total revenue received by the Association. The fee is payable semi-annually. For the year ended June 30, 2019, the Association incurred expenses from this agreement totaling $343,959.

The Association also has an arrangement with SJDA in which salaries for two SJDA employees who work on the PBID projects are paid through SJDA and reimbursed by the Association. For the year ended June 30, 2019, the Association paid a total of $233,000 towards salaries of a Business Development Program Manager and Street Life Program Project Manager under this arrangement.

Further, the Association has an arrangement with SJDA in which grant money received by SJDA is paid to PBID for programs specified in the grant via an exchange transaction. During the year ended June 30, 2019, the Association received $98,000 from SJDA under this arrangement. Revenue recognized related to this arrangement totaled $100,000 for the year ended June 30, 2019.

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 agreement has been amended and renewed and will expire on January 14, 2022.

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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, 2019. 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.

6. LIQUIDITY

The following is a quantitative disclosure describing financial assets that are available within one year of June 30, 2019 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	$ 1,234,871
Accounts receivable	4,799
Contracts receivable	76,890
	$ 1,316,560

The Association had $1,316,560 of financial assets available at June 30, 2019 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.