



Highlights

Why OCA Did This Study

In accordance with the City Auditor's FY 2015 Work Plan, we conducted a performance audit of the City of San Diego's Business Improvement District Program. Our audit objectives were to analyze the City's processes for collecting BID assessments and disbursing revenues to the BID districts, evaluate the Economic Development Department's efforts to analyze BID performance, and evaluate opportunities to streamline the City's administrative operations.

What OCA Recommends

OCA made [three recommendations](#) related to the City's BID assessment compliance efforts and use of performance metrics, all of which [management agreed to implement](#). These include:

- The Office of the City Treasurer should amend their Process Narrative 0105 to fully reflect current compliance practices and current data and referral sources; and should utilize additional sources, including San Diego County Assessor's data, to enhance compliance efforts and ensure that all businesses within BIDs are being assessed correctly;
- The Economic Development Department, in consultation with the Office of the City Treasurer and BID associations, should establish and document a standardized process for BIDs to report businesses within districts that are not potentially paying Business Tax or required BID assessments; and
- The Economic Development Department, in conjunction with BID associations, should develop metrics to evaluate BID performance.

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Business Improvement Districts

Opportunities Exist to Strengthen the City's Collection of BID Assessments and Analysis of BID Performance

What OCA Found

[Business Improvement Districts \(BIDs\) are designated geographic areas within the City of San Diego \(City\) where business owners elect to have assessments levied against their business for the purpose of utilizing the funds to improve district business conditions.](#) The City currently has 18 active BIDs. Nonprofit entities, under contract with the City, manage and administer BID activities. BIDs are able to leverage assessment dollars by managing revenue-generating activities such as farmers markets, street fairs, festivals, and fundraising drives.

The Office of the City Treasurer (Treasurer) collects BID assessments as part of the Business Tax Certificate process, and the Economic Development Department (Economic Development) is responsible for oversight of BID operations and spending. We identified opportunities to enhance Business Tax and BID assessment compliance efforts and to better utilize performance metrics to assess BID performance.

BID Associations Generate Revenue by Operating Farmers Markets and Other Community Events



Source: Adams Avenue Business Association.

First, while the Treasurer undertakes efforts to ensure compliance with applicable business taxes and BID assessments, we determined that some businesses may not be registering with the City, and therefore not paying the required business tax and BID assessment. [The Treasurer could enhance compliance efforts with the use of additional data sources.](#) In addition, the Economic Development Department should establish a standardized process for BID associations to report businesses that are not paying BID assessments.

[Additionally, Economic Development can better utilize metrics to evaluate BID performance and effectiveness.](#) We identified six potential performance indicators that the City could use to analyze BID association performance. Data related to BID association performance can better enable BID members and the City to make informed policy decisions about BIDs.

Finally, during our review, several BID association executive directors noted that the Economic Development's monthly expenditure reconciliation process is overly burdensome. While the City should continue to adequately oversee BID spending in accordance with City Council policy and recommendations from the Office of the City Attorney, concerns related to the monthly expense reporting processes may necessitate future discussions as to whether the City could lessen this perceived administrative burden.