



Office of the City Auditor

**Report to the City Council
City of San José**

**AUDIT OF OUR CITY
FOREST**

**Report 17-01
February 2017**

February 27, 2017

Honorable Mayor and Members
Of the City Council
200 East Santa Clara Street
San José, CA 95113

Audit of Our City Forest

Our City Forest (OCF) is a San José-based non-profit whose mission is to *cultivate a green and healthy Silicon Valley by engaging community members in the appreciation, protection, growth and maintenance of our urban ecosystem, especially our urban forest.* The City of San José has had a working relationship with Our City Forest since 1994. Currently, the City provides two ongoing grants and other one-time funding to Our City Forest. OCF leverages that funding with State and federal grants and other revenue to provide a full array of services throughout San José. This includes planting and care of trees and shrubs, lawn conversions, and public education services. Over the last ten years (since FY 2006-07), OCF has received \$3.3 million in funding through various departments of the City, and planted thousands of trees and shrubs throughout the City.

The objective of this audit was to review the expenditure of City funding by Our City Forest, and determine compliance with the terms of its Operating and Matching Grants and off-site tree replacement program.

Finding 1: Our City Forest Ended Fiscal Year 2015-16 With a Surplus but Faces Ongoing Financial Challenges. In June 2016, OCF requested additional ongoing money from the City citing significant financial challenges. While we found that OCF actually ended FY 2015-16 with a \$351,000 surplus, and its financial condition appeared stable, funding challenges persist. Unlike some other similar organizations that rely mostly on private donations, OCF relies heavily on government funding (its largest contributors are the federal AmeriCorps program and the City of San José). With the exception of the City of San José Operating and Matching Grants, most of those grants are on a reimbursement basis. At the time of our review, OCF projections for FY 2016-17 showed financial challenges due to reduced funding in some State and federal grants, and reliance on the City's pre-funding of its Operating and Matching grant agreements.

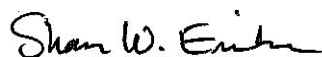
Finding 2: Our City Forest Met the Overall Grant Intent but Follow-up on Reporting Requirements Is Needed. The intent of OCF's Operating Grant is to help the organization obtain non-City grants and provide additional educational and community-building support for the City's urban forest goals. We found that, in FY 2015-16, OCF complied with this intent. However, OCF did not always meet the reporting requirements outlined in the Operating Grant. It is important the City request and review these reports to ensure compliance with the grant. We recommend that DOT request documents required by the current Operating Grant and follow up as needed.

Finding 3: The City Provides a Partial Match to OCF's AmeriCorps Grant. OCF uses AmeriCorps service members to facilitate the operation of its programs and plant and maintain trees. The AmeriCorps program is a federal grant program that provides grants to a network of local and national organizations and agencies committed to using national service to address critical community needs in education, public safety, health, and the environment. AmeriCorps funding is predicated on OCF raising matching funds. The City has provided OCF with a \$120,000 Matching Grant every year since OCF first obtained the AmeriCorps grant in FY 2007-08. Since that time, OCF has expanded the program and increased the number of AmeriCorps service members it enrolls. Although the City's Matching Grant agreement with OCF has always stipulated a partial match (with OCF expected to raise funds from other sources), in most years the City has provided OCF with additional one-time grants/funds far above what its original grant agreements contemplated, and OCF has used these additional funds to cover part of its AmeriCorps match. During the course of our audit, we requested and received copies of OCF's AmeriCorps grants. In the future, to confirm that its terms are in alignment with the City's Matching Grant, City staff should request and review copies of Our City Forest's annual AmeriCorps grant documents.

Finding 4: The City's Process to Authorize Off-Site Tree Replacement Needs Improvement. The City requires developers and some homeowners/landowners (permittees) to address the impact of removing existing trees for new development. One of the options for developers and homeowners/landowners as a condition of permit approval is to pay OCF a \$300 per tree payment to plant a tree off-site somewhere within San José. OCF has received \$800,000 in these payments since FY 2009-10 (\$300,000 of that in FY 2015-16). OCF uses these fees to fund its general operations. The process of allowing permittees to use OCF for the off-site planting of replacement trees has apparently been in place for many years, but was never formalized. There is no written agreement between the City and OCF detailing expectations, timeframes, or how fees should be handled. Further, OCF does not specifically track or report on mitigation tree plantings. Moreover, the City apparently never went through a formal process to determine the best and most cost-effective tree planting provider or fee. The off-site replacement fee of \$300 has been used since at least FY 2006-07. While this amount was at one time intended to cover both planting and three years of establishment (watering), this amount may not cover these costs today. In our opinion, the City Administration should review and formalize its off-site tree replacement process. If the City desires to contract for these services, it should determine whether a competitive process to select a tree replacement provider is needed, establish an agreement for these services (including a cost per tree), and require documentation of such tree plantings and maintenance provisions. In addition, to ensure permit conditions are met, the Planning Division should require developers and homeowners/landowners to provide proof of tree planting and retain documentation of verification of compliance with off-site replacement tree conditions.

This report includes four recommendations. We will present this report at the March 6, 2017 Transportation and Environment (T&E) Committee meeting. We would like to thank Our City Forest, the Department of Transportation, City Attorney's Office, Environmental Services Department, and Planning, Building and Code Enforcement for their time and insight during the audit process. The Administration and Our City Forest have reviewed this report. Due to the Coyote Creek flood emergency, the Administration's response will be distributed under separate cover later. The response from Our City Forest is shown on the green pages.

Respectfully submitted,



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This report is also available online at www.sanjoseca.gov/audits.

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Introduction

The mission of the City Auditor's Office is to independently assess and report on City operations and services. The audit function is an essential element of San José's public accountability, and our audits provide the City Council, City management, and the general public with independent and objective information regarding the economy, efficiency, and effectiveness of City operations and services.

In accordance with the City Auditor's Fiscal Year (FY) 2016-17 Work Plan, we have completed an audit of Our City Forest (OCF). The objective of this audit was to review the expenditure of City funding by OCF, and compliance with the terms of its Operating and Matching Grants and off-site tree replacement program.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We limited our work to those areas specified in the "Audit Objective, Scope, and Methodology" section of this report.

The Office of the City Auditor thanks the City's Department of Transportation (DOT), Department of Planning, Building & Code Enforcement (PBCE), City Attorney's Office, Environmental Services Department (ESD), and especially Our City Forest management, staff, and members of the Board of Directors for their time and insight during the audit process.

Background

Since 1994, the Department of Transportation (DOT) has been using the services of Our City Forest (OCF), a 501(c)3 non-profit, to provide public education services relating to City tree policy, tree benefits, and proper tree care. OCF identifies potential planting sites and also provides trees, tree installations and tree establishment services, and tree care for public properties such as streets, parks, and medians.

OCF's mission is "*to cultivate a green and healthy Silicon Valley by engaging community members in the appreciation, protection, growth and maintenance of our urban ecosystem, especially our urban forest*".¹

¹ <http://www.OurCityForest.org>

This mission aligns closely with the City's urban forest goals which includes increasing the number of trees planted in the City by 100,000 trees by 2022.²

OCF provides a broad range of services to San José residents. To provide these services, OCF receives funding from a variety of sources, including the City, as well as grants from various State and federal programs. Through these grants and the support of volunteers, OCF planted 1,341 trees³ and thousands of shrubs in FY 2015-16 (see Appendix A), provided tree planting demonstrations, maintained a community nursery, converted lawns into drought-tolerant landscapes, and held various community outreach events.

OCF relies heavily on its many volunteers and in FY 2015-16 it provided training to 16 certified volunteers (known as "Tree Amigos"). *Tree Amigos* are volunteers that go through a formal OCF training program. The training program is a four-week course designed around leading and educating volunteers, proper tree planting and maintenance, understanding the community nursery, and other urban forestry education. In total, OCF held over 300 projects in FY 2015-16 including watering's, planting's, and nursery workdays.

Exhibit I: Community Outreach, Education, and Tree Planting



Source: Our City Forest

OCF operates a community nursery on City-owned land at below-market rent. This 4.8 acre⁴ nursery offers at-cost or below-cost trees and shrubs for donation. OCF has recently expanded its nursery to include more drought-resistant, low-water plants as the demand for these plants has increased with the California drought and lawn conversion programs. OCF offers regular public tours and uses the facilities for tree planting education.

² In 2007 the City of San José adopted its Green Vision Plan for 2022. San José's Green Vision is a comprehensive fifteen-year plan to create jobs, preserve the environment, and improve quality of life for the community, demonstrating that the goals of economic growth, environmental stewardship and fiscal sustainability are inextricably linked. The City's Green Vision goal, as it relates to OCF, is to plant 100,000 new trees.

³ This includes all trees (street, public, private, fruit, etc.) that OCF planted in the City of San José in FY 2015-16.

⁴ Currently only about 1.6 acres are in use. According to OCF, expansion to utilize more of the 4.8 acres would require Federal Aviation Administration approval.

Exhibit 2: Trees and Shrubs at OCF's Nursery



Source: City Auditor's Office

Since FY 2007-08, OCF has received AmeriCorps federal grant funding to recruit and train AmeriCorps service members. The AmeriCorps State and National grant program⁵:

Provide[s] grants to a network of local and national organizations and agencies committed to using national service to address critical community needs in education, public safety, health, and the environment. [...] Each of these organizations and agencies, in turn, uses their AmeriCorps funding to recruit, place, and supervise AmeriCorps members nationwide. Full-time AmeriCorps State and National members are given a living allowance; health care; childcare, if they qualify; and become eligible for the Segal AmeriCorps Education Award upon successful completion of the program.

OCF's AmeriCorps service members work on various OCF programs such as tree plantings, tree inventory, lawn conversions, and community outreach and education.⁶ In FY 2015-16, OCF trained and graduated 52 AmeriCorps members.⁷ OCF's AmeriCorps grant requires OCF to obtain matching funding. The City provides an annual grant to OCF to partially assist OCF in meeting its matching obligations. In September 2016, OCF received the *2016 National Excellence in AmeriCorps Programming and Service Award* for the benefit OCF provides to the San José community.

The California drought caused some changes in OCF's service delivery. The demand for drought-resistant plants increased. The City of San José along with

⁵ <https://www.nationalservice.gov/programs/ameri-corps/ameri-corps-programs/ameri-corps-state-and-national>

⁶ OCF's AmeriCorps agreement requires full-time members to commit to work 1,700 hours, while part-time members work between 300 and 900 hours. Members are paid a stipend in accordance with the number of hours they work over the course of the year. In FY 2015-16, OCF agreed to provide \$15,948 to each full-time service member. The stipend was lower for part time members.

⁷ OCF graduated 52 individual AmeriCorps service members in FY 2015-16. 28 of these members served full-time, while the rest served varying levels of part time.

the Santa Clara Water District initiated a pilot lawn conversion program and used OCF's services for the pilot program (Lawn Busters Program). Specifically, in FY 2015-16 OCF worked with some homeowners to provide landscape design, materials, and labor to complete lawn conversions. The Program provided qualified single-family homeowners with a low-cost option for turning their lawn into a drought-tolerant landscape.

As part of this program, between August and November 2015, OCF provided qualified homeowners with a landscape design, materials, and labor to complete 24 lawn conversions. It also provided site follow-up and support, plant inspection, and replacement when necessary. ESD, in conjunction with the Santa Clara Valley Water District (SCVWD) Landscape Conversion Rebate Program, provided a \$88,000 one-time grant and funded the conversion of 24 lawns (21,000 total square feet), which involved designing, trenching, sheet mulching, soil amendment, planting more than one thousand drought-tolerant shrubs and trees, irrigation, mulching, and maintenance. Additionally, the City added \$50,000 in one-time funding to the FY 2015-16 Operating Grant to hire a program manager. Participating homeowners were required to pay a \$500 fee and the additional cost of any upgrades. Twenty percent of the pilot program was set aside for low-income homeowners.⁸

Exhibit 3: Before and After Lawn Busters



Source: ESD and OCF

Budget & Staffing

In FY 2015-16, OCF had an adopted budget of \$2.6 million. OCF budgeted for 11.5 staff positions⁹ but was only able to partially fill these positions. Budgeted positions included the President/CEO, program directors, team managers, AmeriCorps program manager (part-time), AmeriCorps program assistant, and temporary assistants. Current staff perform multiple functions. For example, during FY 2015-16 the Stewardship Team Manager also performed duties of the Volunteer Program Manager. Additionally, at least two positions were completely

⁸ OCF secured an expansion grant through AmeriCorps and SCVWD funding allowing OCF to continue to provide Lawn Busters for the remainder of FY 2015-16. According to OCF, this program targeted only low-income, veterans, and seniors.

⁹ This number is excluding the AmeriCorps service member positions.

vacant for at least part of the year, including an Administrative Officer/Bookkeeper.¹⁰

OCF Uses an Outside Agency to Prepare Its Monthly Financials

OCF has contracted with The Health Trust or FASS (Financial Administrative Support Services)¹¹ since 2009 to prepare its monthly financials. A limited review of OCF financial controls showed that OCF appears to have sufficient written policies and processes in place, including written cash handling policies. This includes appropriate segregation of duties in cash deposits. OCF uses FASS to deposit its cash and checks in its bank. In addition to preparing and reviewing the monthly financial statements, FASS does billings for OCF's reimbursement grants.

Finally, based on a limited review of Board of Director meeting minutes and discussion with Board members, the Board appeared to be adequately engaged. The OCF budget, including salaries and benefits for employees and AmeriCorps service members, were approved by the Board of Directors.

Our City Forest Has a Long-Term Funding Relationship with the City of San José

OCF has been a City grant recipient since 1994. Over the last ten years (since FY 2006-07), OCF has received \$3.3 million in funding from various departments in the City. These include an Operating Grant,¹² a Matching Grant,¹³ and various fee-for-service agreements. The Operating Grant and the Matching Grant, and some one-time fee-for-service projects are managed through DOT. The City Arborist, housed in DOT, manages the annual Operating and Matching Grants. DOT's one-time funding has supported projects such as a street tree inventory and technical services in writing a community forestry best practices manual.

The Environmental Services Division (ESD) and Parks, Recreation, and Neighborhood Services (PRNS) also contract with OCF for one-time planting/maintenance projects. ESD contributions to OCF have included one-time fee-for-service projects such as plantings, lawn and parking strip conversions, and youth education programs. PRNS contributions to OCF included one-time fee-for-service payments for tree plantings and tree establishment.

¹⁰ OCF has set its current (FY 2016-17) budget at \$2 million. Much of the reduction in OCF's budget can be attributed to OCF applying to enroll fewer service members and paying enrolled service members a lower stipend compared to FY 2015-16.

¹¹ FASS began operations in 2004 under The Health Trust, an Operating Foundation in San José and the San Francisco Bay Area. In July 2012, FASS separated and became a wholly owned Subsidiary Corporation of the Health Trust providing non-profit accounting based in San José and the San Francisco Bay Area. FASS provides "back-office" accounting services for non-profits with annual budgets ranging from \$100,000 to \$22 million.

¹² Base operational funding from FY 2008-09 until FY 2015-16 was around \$149,000. The FY 2007-08 Operating Grant was \$143,000, and the FY 2006-07 Operating Grant was about \$146,000.

¹³ Base matching funding from FY 2007-08 until FY 2015-16 was \$120,000.

In addition, OCF receives fees from developers and homeowners/landowners who hold permits with the City (permittees). The City, through PBCE, requires permittees to address the impact of new development on the urban canopy and existing trees. When there is insufficient space on the site of a new development to replace trees that will be removed, the permittee is given the option as a condition of permit approval to pay OCF a fee at a rate of \$300 per tree to plant a replacement tree somewhere else in San José (OCF categorizes these as “mitigation fees” on its financial statements). Permittees pay this fee directly to OCF. OCF records show that since FY 2009-10 OCF received \$884,000 in mitigation fees – ranging from \$27,000 to \$298,800 per year (discussed further in Finding 4).¹⁴

Exhibit 4 summarizes the various City-related grants, one-time funds, and mitigation fees received by OCF since FY 2006-07.

Exhibit 4: City-Related Contributions to OCF Since FY 2006-07

FY	DOT	ESD	PRNS	Mitigation Fees ¹⁵	Total
2006-07	\$186,200	\$ -	\$ -	\$ -	\$186,200
2007-08	\$278,000	\$ -	\$ -	\$ -	\$278,000
2008-09	\$269,000	\$3,000	\$ -	\$ -	\$272,000
2009-10	\$361,245	\$7,000	\$ -	\$27,000	\$395,245
2010-11	\$354,878	\$100	\$35,000	\$146,100	\$536,078
2011-12	\$308,878	\$1,000	\$15,000	\$81,540	\$406,418
2012-13	\$278,878	\$10,014	\$ -	\$106,200	\$395,092
2013-14	\$280,346	\$72,000	\$ -	\$164,700	\$517,046
2014-15	\$305,375	\$5,110	\$3,355	\$60,010	\$373,850
2015-16	\$410,723	\$91,426	\$8,227	\$298,800	\$809,176
YTD	\$3,033,523	\$189,650	\$61,582	\$884,350	\$4,169,105

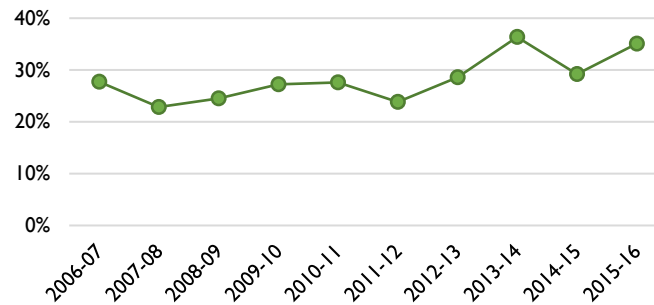
Source: Financial Management System (FMS) and OCF audited financials and general ledger

Over the past decade, City contributions and mitigation fees paid at the direction of the City comprised an average 29 percent of OCF’s revenues.

¹⁴ According to OCF, it is possible that some funds categorized as “mitigation fees” were not City related.

¹⁵ As recorded in OCF’s financial statements.

Exhibit 5: An Average of 29 Percent of OCF's Revenue Over the Past Decade Came from City-Related Sources



Source: Auditor calculation based on FMS, OCF's FY 2006-07 through FY 2008-09 unaudited financial statements, FY 2009-10 through FY 2014-15 audited financial statements, and FY 2015-16 draft audited financial statements¹⁶

In addition to the amounts shown in Exhibits 4 and 5 (above), OCF leases space from the City at below-market prices for its central office and nursery. OCF pays \$24 per year for use of these two properties. The combined annual rent subsidies for the two properties has been variously estimated from \$98,346 to \$203,340.¹⁷

OCF Receives Two Recurring Grants from the City

OCF receives two recurring annual grants from the City. The 2015-16 Operating Grant Agreement (commonly known as “the Operating Grant”) was set at \$148,878.¹⁸ According to the agreement, the overarching purpose of the Operating Grant is to help OCF obtain funding from sources other than the City and to provide educational and community-building support for the City’s urban forest.

The 2015-16 Matching Grant agreement (commonly known as the “Matching Grant”) was set at \$120,000.¹⁹ This provides partial match for OCF’s AmeriCorps funding to recruit and enroll AmeriCorps members who provide a variety of urban forestry and street tree inventory services in support of San José’s community forest.

OCF's June 2016 Request for Additional Funding

OCF requested a significant increase in grant funding from the City at the June 21, 2016 San José City Council meeting. According to OCF, the funding request was

¹⁶ OCF began completing audited financial statements as of FY 2009-10. For FY 2006-07 through FY 2008-09, the unaudited financial statements were used, and for FY 2015-16 the draft audited financial statements were used.

¹⁷ The City is evaluating the long-term viability of OCF's office facility and exploring alternative facilities.

¹⁸ This figure excludes additional one-time funding included in this grant agreement. The FY 2016-17 Operating Grant agreement reflects a cost of living adjustment to base funding totaling approximately nine percent.

¹⁹ The FY 2016-17 Matching Grant agreement reflects a cost of living adjustment to base funding.

intended to include an increase of \$152,000 to the City's Operating Grant that would bring that grant to an annual \$300,000 grant, and an increase of \$130,000 to the Matching Grant funding would bring that grant to a total of \$250,000. Essentially, OCF was requesting that the two annual grants increase from a total of \$270,000 to \$550,000.²⁰ OCF expressed concern that if the previous one-time funding did not continue, it would constitute a significant funding cut for the organization.²¹

Audit Objective, Scope, and Methodology

The objective of the audit was to review the expenditure of City funding by Our City Forest, and determine compliance with the terms of its Operating and Matching Grants and off-site tree replacement program.

The audit was a result of a request for a significant increase in funding from OCF and a whistleblower complaint alleging financial mismanagement at OCF.

In order to achieve our audit objectives, we did the following:

- Reviewed the various City agreements with OCF including the Operating Grant, Matching Grant, Master Fee Agreement, lease agreement for its office and the nursery, and reviewed these grants for compliance with the terms
- Reviewed OCF's grant agreement and application for its AmeriCorps grant
 - Reviewed Matching Grant documents for the AmeriCorps grant
 - Reviewed completed AmeriCorps grant audits for FY 2015-16
- Reviewed audited and unaudited financials for OCF from FY 2006-07 to FY 2015-16
- Compared OCF Form 990s to other similar organizations²²
 - Reviewed 990s for the following organizations
 - Urban Tree Foundation, Visalia
 - TreePeople, Beverly Hills

²⁰ OCF's need for funding increases as it expands its AmeriCorps program. As we discuss further in Finding 3, an increase in AmeriCorps funding requires OCF to increase its fundraising for matching funds. OCF only receives AmeriCorps funding for the matching funds it has raised.

²¹ In FY 2015-16, OCF received about \$240,000 in one-time funding from the ESD Lawn Busters agreement, the PRNS fee-for-services agreements, and additional one-time DOT grant funds. While OCF has received one-time funding from the City every year for the past 10 years, the base level of on-going funding has remained somewhat level. Over the past five years, OCF received a total of \$1.34 million in base Operating and Matching Grants, and \$1.16 million in one-time funding from the City and mitigation fees (as stated in OCF's financial statements).

²² Although these organizations are all focused on urban forestry, some program aspects are different, such as OCF's AmeriCorps program.

- Friends of Trees, Portland/Vancouver
- Friends of the Urban Forest, San Francisco
- Trees Atlanta
- Sacramento Tree Foundation
- Tree Pittsburgh
- Trees for Houston
- North East Trees, Los Angeles
- Canopy, Palo Alto
- Up With Trees, Inc., Tulsa
- Reviewed relevant OCF policies including its backgrounding policies, and cash handling policies
- Reviewed OCF's FY 2015-16 and FY 2016-17 proposed budgets
- Reviewed OCF FY 2015-16 and FY 2016-17 organization charts
- Reviewed Board of Director meeting minutes for FY 2015-16
 - Interviewed three of four Board members including the Board Chair²³
- Reviewed OCF President/CEO's current compensation agreement
 - Reviewed Board minutes to ensure that the compensation was appropriately approved
- Reviewed the City's Green Vision Goals as they relate to Our City Forest
- Reviewed City payments to OCF through the Financial Management System (FMS)
- Reviewed performance reports submitted by OCF to DOT as a grant compliance requirement
 - Reviewed OCF database for tree plantings and maintenance
 - Conducted site visits for a sample of trees reported as planted in FY 2015-16
 - Reviewed sign-in sheets for volunteer events conducted by OCF
 - Reviewed community outreach brochures
 - Reviewed OCF outreach videos available on social media including videos in Spanish and Vietnamese
 - Documented the number of AmeriCorps services members and *Tree Amigos* trained in FY 2015-16

²³ OCF has since added three new board members.

- Reviewed OCF records on projects completed for the City funded *Lawn Busters* program
 - Reviewed before and after project pictures for Lawn Busters approved projects
- Reviewed best practices
 - California Attorney General’s Guide for Charities
 - New York Attorney General’s Internal Controls and Financial Accountability for Not-For-Profit Boards
 - IRS sample conflict of interest policies
- Reviewed the City’s Tree Manual
- Reviewed the City’s internal *Guidelines for Inventorying, Evaluating, and Mitigating Impacts to Landscaping Trees in the City of San José*
- Reviewed relevant sections of the San José Municipal Code
- Interviewed key OCF staff and financial support staff
- Interviewed relevant DOT staff, the City’s Attorney’s Office, and Planning, Building and Code Enforcement staff
- Reviewed previous audit of *Annual Financial Scan of City-Funded Community-Based Organizations: Fiscal Years 2006-07 through 2009-10 (April 2011)*

We did limited testing of OCF’s compliance with the City’s grant terms and its financial condition.

During the course of reviewing the City’s Operating Grant terms, it came to our attention that OCF has been a recipient of mitigation funds for off-site planting of replacement trees. OCF receives these funds from developers and homeowners/landowners to comply with permit conditions set by PBCE to address the effects of tree removal. As a result, we also included a limited review of OCF’s use of these funds and the City’s process to distribute and track them.

In response to allegations made by an OCF whistleblower, we reviewed OCF’s current and past financial condition, policies and procedures, and Board of Director engagement. We were not able to substantiate the allegations made in the whistleblower complaint.

Finding I Our City Forest Ended Fiscal Year 2015-16 With a Surplus but Faces Ongoing Financial Challenges

Summary

Our City Forest has received City of San José grants since 1994. While some years the organization has operated in a financial deficit, most years it has ended the year with a surplus. OCF relies heavily on government funding — its largest contributors are the federal AmeriCorps program and the City of San José. This is different from some other similar organizations which rely mostly on private donations. Even though in June 2016 OCF requested additional funding, its financial condition appeared stable in FY 2015-16 and it ended the year with a \$351,000 surplus. Its working capital and net worth have increased over the past ten years. Most of OCF's grants, with the exception of two City of San José grants, are reimbursement-based grants. OCF projections for FY 2016-17 show financial challenges due to reduced funding in some state and federal grants and reliance on the City's pre-funding of its Operating and Matching grant agreements.

While Some Years OCF Operated in a Financial Deficit, Most Years It Has Ended the Year with a Surplus

As mentioned in the Background of this report, in June 2016 OCF requested a significant increase in its annual funding citing financial problems. We found that OCF has had a financial surplus in seven out of the past 10 years, and had a financial deficit in three out of the past 10 years. By the end of FY 2015-16, OCF had an annual surplus of \$351,225. Much of this surplus was the result of unexpected mitigation money received (as reported in its financial statements and further discussed in Finding 4). Exhibit 6 shows OCF's ten-year revenue and expenses history.

Exhibit 6: OCF's 10-year Revenue and Expenses Shows Fluctuation

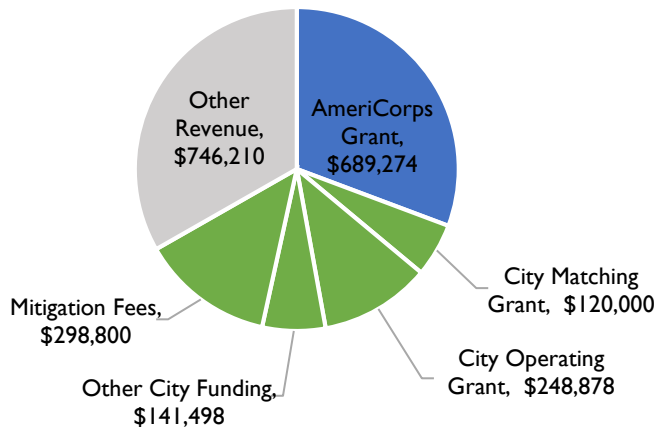
Fiscal Year	Revenue	Expenses	Net Surplus/Deficit
2006-07	\$671,045	\$658,101	\$12,943
2007-08	\$1,216,421	\$997,810	\$218,611
2008-09	\$1,108,121	\$1,076,924	\$31,197
2009-10	\$1,450,353	\$1,566,173	(\$115,820)
2010-11	\$1,943,306	\$1,705,836	\$237,470
2011-12	\$1,705,124	\$1,599,607	\$105,517
2012-13	\$1,381,163	\$1,412,640	(\$31,477)
2013-14	\$1,422,053	\$1,330,261	\$91,792
2014-15	\$1,278,895	\$1,375,909	(\$97,014)
2015-16	\$2,244,659	\$1,893,434	\$351,225 ²⁴

Source: OCF's FY 2006-07 through FY 2008-09 unaudited financial statements, FY2009-10 through FY 2014-15 audited financial statements, and FY 2015-16 draft audited financial statements.

The City of San José and AmeriCorps Were OCF's Two Largest Contributors in FY 2015-16

In FY 2015-16, OCF received a large portion of its funding from the City and the AmeriCorps program. Total City contributions, including mitigation fees,²⁵ equaled \$809,000, or 36 percent; total revenue from AmeriCorps equaled \$689,000, or 31 percent; and all other revenue equaled \$746,000, or 33 percent. Exhibit 7 shows the breakdown of OCF's revenues by source for FY 2015-16.

Exhibit 7: OCF FY 2015-16 Revenue by Source



Source: FMS and OCF audited and unaudited financial statements²⁶

²⁴ Almost \$300,000 of the surplus in funding for FY 2015-16 can be attributed to an increase in mitigation fee revenue (as stated in OCF's financial statements) which was higher than in any other previous year.

²⁵ According to OCF, some of the mitigation fees may not have been City related.

²⁶ "Mitigation fees" is the term used in OCF's financial statements.

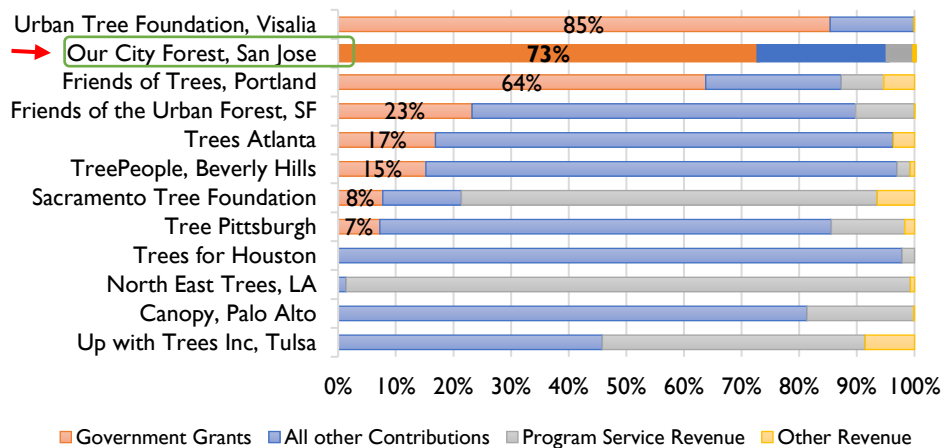
OCF Receives More in Government Funding as a Percentage of Its Total Revenue Than Most Other Similar Organizations

Non-profit organizations may have multiple sources of income. These may include donations from individuals or foundations, government funding, or investments. Overreliance on one type of income may be risky in the event that income source goes away. Analyzing the diversity of the revenue stream helps to understand whether an organization is too reliant on one source of income.

Over the past 10 years, OCF received an average of 68 percent²⁷ of its revenue from government funding alone. A key reason OCF receives a higher percentage of government grants than most other similar organizations, is the federally funded AmeriCorps program. In FY 2015-16, AmeriCorps funding accounted for nearly half of what OCF received in government grants.

Based on a review of similar non-profit organizations across the nation, we found that most other organizations do not rely as heavily on government funding as OCF does. In FY 2014-15, nine of the twelve non-profits we reviewed, received less than 25 percent of their funding from the government, whereas, the remaining three receive more than 50 percent of their funding from the government in FY 2014-15. As shown in Exhibit 8, OCF received the second highest amount of funding from government sources. For OCF, this included State, federal, and local government programs.

Exhibit 8: OCF Relies Largely on Government Funding Compared to Most Other Urban Forestry Non-Profits



Source: Organization’s form 990’s for FY 2014-15 from guidestar.com²⁸

²⁷ Calculated using OCF’s financial statements.

²⁸ This exhibit’s information is from the organization’s annual Internal Revenue Service (IRS) filing known as a Form 990 from FY 2014-15. This form gives the IRS an overview of the organization’s activities, governance, and detailed financial information. Information is classified slightly differently than audited financial statements. For example, per OCF’s audited financial statements, “other revenue” contains money that is classified as “government grants” or “contributions and support” in its form 990s.

OCF's Assets Have Consistently Outperformed Its Liabilities

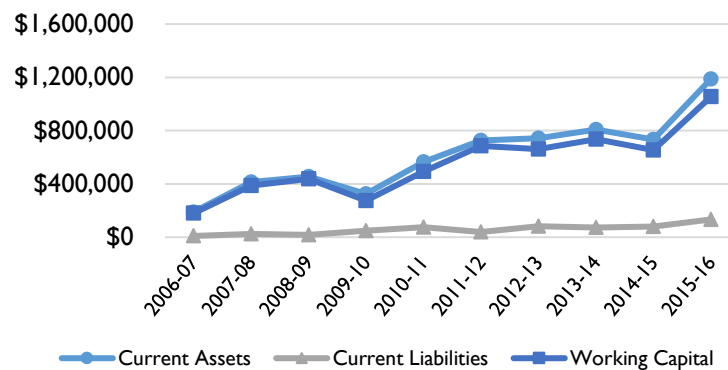
Based on our review of OCF's financial statements, we found that OCF's assets have consistently outweighed its liabilities. Information about assets and liabilities is used to determine how much an organization owns in relation to how much it owes.

Assets are what the organization owns and uses. For example, assets include cash, investments, accounts receivables (money owed to the organization), buildings, property, and equipment. Liabilities are the debts of the organization. Examples of liabilities include accounts payable (bills to be paid), unpaid employee salaries and vacation leave, and loans.

OCF's Working Capital Has Increased Over the Past 10 Years

Working capital is the difference between an organization's current assets (what the organization can consume within one year) and its current liabilities (all debts or obligations that will be due within one year). Working capital is a measure of how much money is expected to be currently and readily available to an organization to continue its operations.

Exhibit 9: OCF Has Grown Its Current Assets at a Faster Pace Than Its Current Liabilities over the Past 10 Years



Source: OCF's FY 2006-07 through FY 2008-09 unaudited financial statements, FY 2009-10 through FY 2014-15 audited financial statements, and FY 2015-16 draft audited financial statements

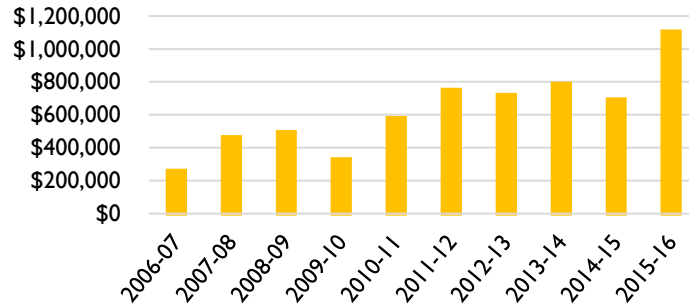
As shown in Exhibit 9, OCF's working capital has remained positive, and generally has increased over the past 10 years. In FY 2015-16, its working capital was at a high of just over \$1 million, up from a low of \$180,000 in FY 2006-07.

OCF's Net Worth Has Increased Over the Past 10 Years

Net worth is determined by total assets, the value of what an organization owns (i.e. trucks), minus total liabilities, what it owes on those items (i.e. car loan). If net worth is negative, it means an organization has debt that exceeds the value of what

it owns. A positive net worth means that the organization has more assets than liabilities.

Exhibit 10: OCF’s Net Worth Has Shown an Increase Over the Past 10 Years



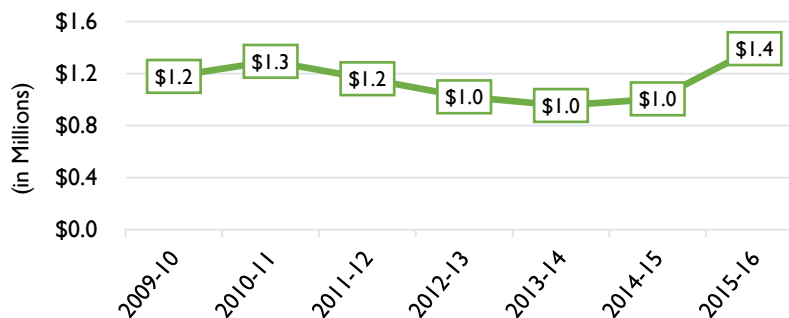
Source: OCF’s FY 2006-07 through FY 2008-09 unaudited financial statements, FY 2009-10 through FY 2014-15 audited financial statements, and FY 2015-16 draft audited financial statements

As Exhibit 10 shows, OCF’s net worth over the past 10 years has consistently stayed positive, and never dropped below \$200,000. Overall, there is a general upward trend of net worth.

Payroll Expenses Increased in FY 2015-16

Our review of OCF payroll records showed that after several years of declines, payroll expenses increased 38 percent from FY 2014-15 to FY 2015-16. This was primarily due to an increase in AmeriCorps service member’s annual stipends as well as an increase in the number of AmeriCorps service members enrolled in FY 2015-16 due to OCF expanding program services to include the Lawn Busters program.²⁹

Exhibit 11: Payroll Expenses from FY 2009-10 to FY 2015-16 (in millions)



Source: FY 2009-10 through FY 2014-15 audited financial statements, and FY 2015-16 draft audited financial statements

²⁹ The number of enrolled AmeriCorps service members increased from 36 to 67 in FY 2015-16, with a projected annual living stipend increase to \$15,948 per member. In addition, the President/CEO took a four percent pay decrease in FY 2013-14; that salary decrease was restored in FY 2015-16.

As of June 30, 2016, OCF Had Sufficient Cash to Cover Almost Four Months of Expenses

Organizations often build a cash reserve or emergency fund to be able to continue paying bills in the event it loses an anticipated source of revenue or incur large, unexpected expenses. Similarly, assessing cash reserves as a measure of financial health is useful to determine how long an organization could continue to pay its bills in the event it received no income.

As of June 30, 2016, OCF had \$584,000 in cash and cash equivalents. Unlike a surplus or deficit, which is calculated based on a comparison of the total expenses and total revenue accrued over that fiscal year, cash and cash equivalents represent all of cash and cash equivalents that the organization had on hand at the end of the fiscal year. For example, cash and cash equivalents include OCF's bank accounts, PayPal account, and petty cash. Based on the actual average monthly expenses for FY 2015-16, OCF could have sustained itself for almost four months after June 2016 with no additional revenue.

We should note that, according to OCF's most recent monthly financial statements, as of November 30, 2016 OCF had \$400,000 cash on hand, allowing for three additional months of operations after November without additional revenue. This may have reduced further because as of January 2017, OCF was expecting, but had not received, funding of its two grants from the City.

OCF Faces Financial Challenges

As discussed above, the City's Operating and Matching Grants are two of the only grants that OCF currently receives prior to providing proof of services completed. The City previously paid the grants to OCF in installments, but began providing the full value of the grant upfront a number of years ago in order to assist OCF with its cash flow. These funds generally have been distributed in November or December of the fiscal year. Due to extended negotiations to improve the agreements between the City and OCF, the FY 2016-17 agreements were not completed until February 2017, and payment of the funds was delayed. Since OCF had expected to receive funding for the grants earlier, this impacted its projected cash flow.

Finally, although OCF ended FY 2015-16 with a surplus, it faces financial challenges raising matching funds to fully utilize their AmeriCorps grant, and funding to expand its internal capacity and community impact.

Finding 2 Our City Forest Met the Overall Operating Grant Intent but Follow-up on Reporting Requirements Is Needed

Summary

The City has provided Our City Forest with an Operating Grant since FY 1995-96. In FY 2015-16, OCF complied with many of the terms of the Operating Grant. Although OCF appears to comply with the grant intent, it has not always provided the required reports and supporting documentation. It is important that the City request and review these reports to ensure compliance with the Operating Grant. We recommend that DOT request documents required by the current Operating Grant and follow up as needed.

OCF Appears to Have Complied with the Overall Intent of the Operating Grant

The City, through DOT, provides OCF with an annual Operating Grant. The purpose of the grant is described in City grant documents as

Fund[ing] the administration of Our City Forest so that they can obtain non-CITY grants and provide additional educational and community-building support for the CITY's community forest

OCF generally complied with the intent of the Operating Grant in FY 2015-16. Specifically, OCF:

- Secured \$1.4 million in non-City funding;
- Conducted over 300 volunteer projects;³⁰
- Distributed educational material, including videos in English, Spanish, and Vietnamese;
- Conducted the “Tree Amigos” certification program and certified 16 volunteers;

³⁰ It should be noted that at the time of our audit, OCF had not complied with TB testing requirements in its FY 2015-16 agreements, and did not appear to be aware that this was a grant requirement. For purposes of resolving this discrepancy, DOT consulted with the City Attorney's Office and has removed the requirement from the newly negotiated FY 2016-17 agreement with OCF. We would like to point out that OCF was not alone. In our March 2016 audit of [The City's Use And Coordination Of Volunteers](#) we reported that citywide there was varying guidance on TB testing for volunteers, and recommended that the Administration should determine under what circumstances, if any, TB testing is required of volunteers, and update its policies accordingly. This recommendation has not yet been implemented.

- Planted 1,341 trees in San José using various funding sources³¹; and,
- Assigned a current employee to assume the role of Program Manager for the Lawn Busters pilot program.³²

The City's contract also requires that if OCF provides services involving minors, OCF shall conduct criminal background checks through the database of the California Department of Justice and an FBI criminal database or equivalent national database on each of its employees and volunteers who have supervisory or disciplinary authority over minors. Based on our limited testing we found that OCF generally complies with the backgrounding requirements. OCF has a process in place and requires all its employees and AmeriCorps service members to undergo a fingerprinting check.³³

Follow-up on Reporting Requirements Is Needed

In the FY 2015-16 Operating Grant, OCF was required to report on its various activities which align with the City's goals in funding this organization. The Operating Grant included 10 different reporting requirements that varied from reporting the number of community projects, to total trees planted by various grants obtained, to total non-City funding secured.

We found that although OCF complied with many grant terms for FY 2015-16, it has not always met the reporting requirements. For example, the Operating Grant outlines that OCF is required to provide mid-year and year-end reports to summarize OCF's compliance with the City's grant terms. DOT reported that in FY 2014-15, it did not receive the mid-year and year-end reports from OCF, and did not receive OCF's FY 2015-16 mid-year report, and did not receive the year-end report³⁴ timely for FY 2015-16.

³¹ Total trees include all trees (street, public, private, fruit, etc.) planted in the City of San José. Funding sources include various City and non-City fee-for-service grants, other local grants, State grants (i.e. CalFire and Environmental Enhancement and Mitigation grants), as well as other special funding sources.

³² Although OCF assigned a current employee to fulfill the role of Program Manager for the Lawn Busters pilot program, this employee was splitting their time by performing duties for another position in the organization. After this person left OCF, another OCF employee assumed these responsibilities while also carrying out the job duties in their previous position.

³³ It should be noted that OCF's AmeriCorps grant has criminal history check requirements for all "covered positions". This includes a nationwide, name based sex offender public registry check, a statewide criminal history registry check and a FBI national fingerprint-based check prior to the start of service.

³⁴ OCF did not provide all the required information on the FY 2015-16 year-end report. For example, OCF was required to report on the number of trees planted by funding source. Although OCF tracks this information, it was not included in the report submitted to DOT. Additionally, OCF was required to submit copies of grant letters from non-City agencies, but these were also not submitted to DOT.

In previous years, DOT provided only part of the grant funding at the beginning of the year, after receiving proof of insurance, and the remaining amount mid-year after receiving OCF's mid-year reports. This provided the City with some leverage to enforce the reporting requirements as stipulated in the Grant agreements.

In February 2017, the City and OCF entered into a new Operating Grant agreement with new streamlined reporting requirements. These include providing the City with:

- A copy of audited financial statements;
- Copies of any Arbor Day Tree Planting Announcements and photographs of the Arbor Day event;
- A list of all non-City grants and partnerships that were applied for during the reporting period;
- Copies of grant agreements entered into during the reporting period; and,
- The accepted minutes of all the Board Meetings that occurred during the reporting period.

The City has not always received all required reports and documentation from OCF, and has not always requested this information when it is not received. In our opinion, not only is it important for OCF to provide the required information, but also for the City to actively monitor OCF's compliance with all terms in the agreement. Furthermore, although the new Operating Grant agreement does not include performance metrics on key services OCF provides or require submittal of location information for trees planted, it will be important that OCF and DOT coordinate data collection and information in support of the City's Green Vision.

Recommendation #1: DOT should request all documents required by its current Operating Grant, and follow up as needed.

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Finding 3 The City Provides a Partial Match to OCF's AmeriCorps Grant

Summary

OCF uses AmeriCorps service members to facilitate the operation of OCF programs and to plant and maintain trees. The City has provided OCF with a \$120,000 Matching Grant every year since OCF first obtained the AmeriCorps grants in FY 2007-08. Since that time, OCF has expanded the program and increased the number of AmeriCorps service members it enrolls. This has, in turn, increased the amount of matching funds OCF must raise to receive the entire AmeriCorps grant award. Although the City's Matching Grant agreement with OCF has always stipulated a partial match (with OCF expected to raise funds from other sources), in most years the City has provided OCF with additional one-time grants/funds far above what its original grant agreements contemplated, and OCF has used these funds to cover part of its AmeriCorps match. During the course of our audit, we requested and received copies of OCF's AmeriCorps grants. In the future, to confirm that its terms are in alignment with the City's Matching Grant, City staff should request and review copies of Our City Forest's annual AmeriCorps grant documents.

The City Has Provided Funding to Match OCF's AmeriCorps Grant Since FY 2007-08

OCF first applied for the federally-funded AmeriCorps grant funding in FY 2007-08 to cover administrative, personnel, and operating costs to enroll and train AmeriCorps service members. OCF's goal of enrolling AmeriCorps members is to assist OCF in planting and stewarding trees, coordinating events, and educating residents in tree care practices. OCF has applied for the federal AmeriCorps grant on a 3-year basis, and then applies for matching funding for each year within the 3-year timespan.

Since FY 2007-08, the City has provided OCF with an annual matching grant of \$120,000 to provide partial financial support for OCF's AmeriCorps match requirement. In FY 2015-16, the City's contribution provided partial funding for 28 AmeriCorps service members and 2.5 additional staff positions, which:

Will provide tree planting, tree care, volunteer support and community education services to the neighborhoods of San José

The City's Matching Grant has stipulated that the City funding provided to OCF would serve as a partial match for OCF's AmeriCorps contract, with the expectation that OCF would raise the remaining required funds from other sources.

OCF's Fundraising Obligations Have Expanded as OCF Expanded Its AmeriCorps Program

When OCF first applied for AmeriCorps grant funding for FY 2007-08, OCF requested \$337,018 from AmeriCorps to fund 22 service members, requiring a \$563,010 match. Since then, OCF has expanded its service member program. Specifically, in FY 2015-16, OCF requested \$987,870 from AmeriCorps to fund the equivalent of 63 full-time service members,³⁵ requiring a \$1.2 million match—more than double the previous matching requirement.

The AmeriCorps cost-sharing formula means that as OCF expands its AmeriCorps grant, it also expands its obligation to increase the match.³⁶ For example, OCF's FY 2015-16 AmeriCorps grant application projects total costs of \$2.2 million, of which OCF proposed raising \$1.2 million, or 55.4 percent.³⁷ In other words, if OCF wanted to add additional AmeriCorps service members, it would have been expected to pay 55.4 percent of the cost adding those members.

As OCF increases the number of AmeriCorps service members it enrolls, it must also provide adequate space to accommodate them. Currently, the City is almost entirely subsidizing OCF's space expenses. In our opinion, OCF should have discussed and coordinated its proposed expansion with the City of San José prior to submitting its AmeriCorps grant proposal.

OCF Relies Heavily on City Funding for a Significant Portion of AmeriCorps Matching Requirement

The AmeriCorps grant is predicated on OCF's ability to raise matching funds. Although the City's Matching Grant has long been only \$120,000, in its FY 2015-16 AmeriCorps grant application, OCF anticipated that it would receive a total of \$518,000 in grant funding from the City – or 42 percent of the total cost for the 63 AmeriCorps service members OCF initially wanted to enroll.

³⁵ OCF projected providing each full-time service member with a \$15,948 living stipend in addition to \$1,800 in health care benefits (expansion grant status allowed for a higher than usual stipend amount). OCF has since projected providing each full-time service member with a \$15,185 living stipend and \$1,800 in health care benefits in FY 2016- 17.

³⁶ The cost-sharing formula can change from year to year, but OCF generally assumes about 60 percent of the cost.

³⁷ Each AmeriCorps application OCF completes includes the total cost of the grant, with a detailed breakdown of the costs, including the amount and percentage of total cost that OCF is responsible for raising to obtain AmeriCorps funding.

Exhibit 12: OCF Anticipated the City Would Pay 42 Percent of Its Matching Amount in FY 2015-16

Source	Amount Listed	Percent of Anticipated Match
City of San José ³⁸	\$518,346	42.24%
Santa Clara Valley Water District	\$400,000	32.60%
Department of Forestry and Fire Protection - Greenhouse Gas Reduction Fund	\$125,000	10.19%
State of California Resources Agency - Environmental Enhancement and Mitigation	\$100,000	8.15%
Private Donations & Mitigation Fees ³⁹	\$83,750	6.83%
Total	\$1,227,096	100.00%

Source: FY 2015-16 OCF AmeriCorps Grant Application

Actual City payments to OCF in FY 2015-16 totaled \$510,376⁴⁰ which, together with mitigation fees paid by developers and homeowners/landowners to OCF, brought the total value of City-related contributions in FY 2015-16 to \$809,176, as shown in Exhibit 13 below.⁴¹ Including the value of the below-market leases for the OCF facility and the nursery (which was included in the estimate OCF presented in its AmeriCorps proposal) would increase this amount even more.

Exhibit 13: Actual City-Related Payments to OCF in FY 2015-16

Source	Total
DOT	\$410,723
ESD	\$91,426
PRNS	\$8,227
Mitigation ⁴²	\$298,800
Total	\$809,176

Source: FMS and OCF's general ledger

³⁸ OCF's AmeriCorps application divided City contributions into funding from the Matching Grant, master fee agreement, in-kind leases, and Lawn Busters grant from San José Municipal Water. This does not include mitigation funding (as shown in OCF's financial statements).

³⁹ Although we consider mitigation fees to be City-related payments to OCF, OCF's AmeriCorps grant application grouped mitigation fees with private donations. Since we were unable to determine how much OCF specifically anticipated from mitigation fees, we did not include them as City-related payments in Exhibit 12.

⁴⁰ This figure includes both the annual Matching and Operating Grants as well as funds paid to OCF as part of the master fee agreement. OCF received additional Operating Grant funding in FY 2015-16 to implement the Lawn Busters Program. While the Lawn Busters Program uses AmeriCorps service members, this funding was specifically earmarked for this program.

⁴¹ Mitigation fees (as shown in OCF's financial statements) are paid to OCF by developers and individuals in compliance with CEQA and City permitting conditions at a fixed rate of \$300 per tree.

⁴² "Mitigation", as shown in OCF's financial statements. It should be noted that in FY 2015-16 OCF received far more mitigation funding (as shown in OCF's financial statements) as well as an increase in one-time funding included in the Operating Grant compared to the previous years. In total, data from OCF and FMS indicate that the amount of funding the City paid to OCF in addition to City-directed mitigation payments averaged \$416,910 over the past decade. According to OCF, some of the mitigation fees may not have been City related.

Despite City Contributions OCF Fundraising Fell Below Expectations

Nonetheless, OCF did not meet its AmeriCorps fundraising expectations in FY 2015-16. This appears to be because the full value of other anticipated grants, such as the Lawn Busters grant from the Santa Clara Valley Water District did not materialize. Specifically, OCF anticipated receiving \$400,000 from the Santa Clara Valley Water District for Lawn Busters, but only received \$141,000 for FY 2015-16. Similarly, OCF anticipated \$100,000 from the California Resources Agency for environmental enhancement and mitigation, but only received \$24,563.

Because the AmeriCorps grant is predicated on matching funding, if matching funds are not raised, OCF cannot receive the full value of the AmeriCorps grant. Due to its lower than expected matching fund-raising, OCF graduated fewer service members and received less funding from AmeriCorps than it anticipated in its application.

The City Does Not Receive AmeriCorps Grant Documents from OCF

City staff indicated that DOT does not receive copies of the annual AmeriCorps grant documents or compliance reviews done by AmeriCorps from OCF even though the City has been providing matching funding for this grant since FY 2007-08. In our opinion, the City should at least have a copy of OCF's AmeriCorps agreements and conduct a review of OCF's capacity to achieve the targets outlined in the agreement which the City is matching.⁴³

OCF's use of AmeriCorps service members is important for OCF to plant and maintain trees in the City. Given the City's interest in ensuring that these activities happen, the City should know if OCF has the capability to meet its AmeriCorps fundraising expectations so that the City can continue receiving services that are important to preserving and expanding the City's urban forest goals.

This lack of alignment can cause confusion. For example, OCF's AmeriCorps application includes the number of member service years it seeks funding for, which is a measurement of the number of hours completed by AmeriCorps service members. However, while OCF's FY 2015-16 AmeriCorps application requested funding for **63 member service years**, the City's FY 2015-16 Matching Grant required OCF to enroll 28 AmeriCorps service members.⁴⁴

⁴³ OCF provided AmeriCorps grant agreements upon request of the Auditor's Office. The agreements show the total amount of required matching funds, a program narrative, and the number of service members applied for. They also list the other agencies from which OCF proposes to secure matching funding.

⁴⁴ According to OCF, this may have been a clerical error.

Providing clarity between member service years and the number of individual service members is important because a full-time AmeriCorps service member who completes 1,700 hours over the course of a year counts for **one** service member year. However, a half time service member who completes 900 hours over the course of a year counts for **0.5** service member service years.⁴⁵ It is not clear whether the City intended OCF to enroll 28 individual service members, or complete 28 member service years or whether the City was even aware of the disparity in the number of service members. Ensuring that the City and OCF expectations are aligned will facilitate better communication between OCF and City staff.

Recommendation #2: To ensure that the City's Matching Grant Agreement is in alignment with OCF's AmeriCorps grant, DOT should request to be notified of AmeriCorps grant submittals, request a copy of Our City Forest's annual grant agreement with AmeriCorps, request all documents required by its current Matching Grant with the City, and follow up as needed.

⁴⁵ There are varying levels of part-time service members. These include reduced half time (675 hours), quarter time (at 450 hours), and minimum time (300 hours).

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Finding 4 The City's Process to Authorize Off-Site Tree Replacement Needs Improvement

Summary

The City requires developers and some homeowners/landowners (permittees) to address the impact of removing existing trees for new development. One of the options for permittees as a condition of permit approval is to pay OCF a \$300 per tree payment as a mitigation measure to plant a tree off-site somewhere within the City of San José. OCF has received \$800,000 in these payments since FY 2009-10 (\$300,000 of that in FY 2015-16). OCF uses these funds for general operations.

The process of allowing permittees to use OCF for the off-site planting of replacement trees has apparently been in place for many years, but was never formalized. While our analysis shows that OCF has been providing payment receipts to permittees, there is no written agreement between the City and OCF detailing expectations, timeframes, or how fees should be handled. Furthermore, OCF does not specifically track or report on mitigation tree plantings. In addition, the City apparently never conducted a formal process to determine the best and most cost-effective tree planting provider or to set the fee. Moreover, the off-site replacement fee of \$300 per tree has been used since at least FY 2006-07. While this amount was at one time intended to cover both planting and three years of establishment (watering), this amount may not cover these costs today. In our opinion, the City Administration should review and formalize its off-site tree replacement process. If the City desires to contract for these services, it should determine whether a competitive process to select a tree replacement provider is needed, establish an agreement for these services (including a cost per tree), and require documentation of tree planting and maintenance provisions. In addition, the Planning Division of PBCE should require homeowners/landowners and developers to provide proof of tree planting and retain documentation of verification of compliance with off-site replacement tree conditions.

City Regulations Require Tree Mitigation for Certain Developmental Projects to Conform with the California Environmental Quality Act

In 1970 the California Legislature passed the California Environmental Quality Act (CEQA) requiring cities and other public agencies to consider what effects their discretionary actions might have on the environment before making decisions on a wide range of public and private projects. As a result of this legislation, environmental clearance is required prior to approval of

discretionary permits for public and private projects by the Planning Director, Planning Commission, or City Council. The City's Environmental Clearance Ordinance, Title 21 of the Municipal Code, specifies exactly how environmental review is carried out in San José.

The purpose of the environmental review process is to identify the environmental impacts that might be associated with a project prior to approval. Possible areas of environmental impact include but are not limited to traffic circulation, air quality, water quality, archaeological and historical resources, and vegetation and wildlife.

In addition to tree replacements required as part of CEQA mitigation, the City may require tree replacements or other landscaping as part of conditions of approval for a City permit.

City Guidelines for Mitigating Impacts to Trees

The City's 2006 *Guidelines for Inventorying, Evaluating, and Mitigating Impacts to Landscaping Trees in the City of San José* (guidelines), require that a tree survey be prepared if trees on the site could potentially be impacted by development.

The City requires that standard ratios be used for trees that would be replaced. The species and exact number of trees to be planted on the site are determined in consultation with the City Arborist and the Department of Planning, Building and Code Enforcement (PBCE).

Off-site Tree Replacement

For development projects with more significant environmental impacts involving destruction of on-site trees, Planning requires the planting of trees as a mitigation condition as part of the CEQA clearance document. If the project site does not have sufficient area to accommodate the required tree mitigation, the City may require alternative measures. One of the alternative measures is giving a donation of \$300 per tree to Our City Forest for "*in-lieu, off-site tree planting in the community*".

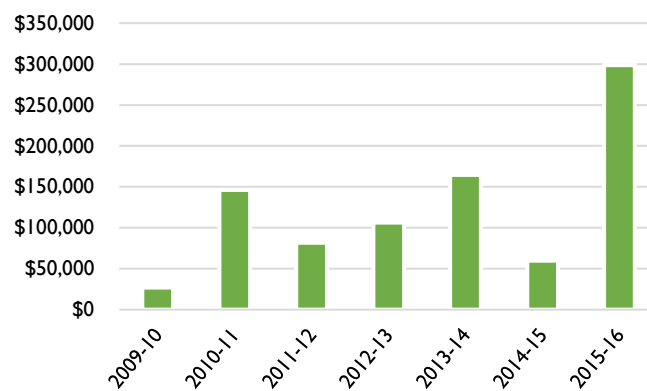
In addition, when homeowners/landowners apply for a tree removal permit, Planning may impose a condition of off-site tree planting as a requirement for approval of the tree removal. In that instance as well, Planning requires the homeowner/landowners to pay OCF a \$300 per tree for replacement.

In both cases, the homeowner/landowners and developers are directed to provide Planning with a payment receipt to satisfy their tree removal permit conditions to ensure that the impact to trees are addressed.

OCF Has Received \$800,000 in Mitigation Funding Since FY 2009-10

Thus, in conditions of permit approval and as CEQA mitigation, Planning has designated OCF as an entity that is able to mitigate the loss of on-site trees with off-site plantings for the permittee. Although OCF has received over \$800,000 in these funds since FY 2009-10, the amount of funds OCF can expect to receive in any given year is not predictable. Exhibit 14 below shows this unpredictability.⁴⁶

Exhibit 14: Off-Site Tree Replacement Planting Payments Collected by OCF Since FY 2009-10 Varied from Year to Year



Source: OCF audited financial statements FY 2009-10 through FY 2014-15 and OCF’s draft audited financial statement for FY 2015-16. According to OCF, some of the mitigation fees may not have been City related.

OCF Receives Payments for Off-Site Replacement Tree Mitigation Through an Informal Process

We found that the City has been using OCF for many years without formalizing an agreement with OCF, clarifying the City’s expectations on the use of those funds, or any required reporting on how the funds were used.

In addition, while permittees directly pay the required amount to OCF, OCF is not informed ahead of time if any mitigation fees are forthcoming for any project. Neither is OCF made aware of any conditions that are required by the City for the replacement of the trees.

OCF reports that once the permittees submit this fee, OCF then provides the permittees with a receipt. City staff have informed us that they verify this receipt prior to approving the permits. However, while Planning maintains

⁴⁶ According to City staff, this unpredictability is a function of economic development conditions that both drive the approval of development applications and the subsequent timing for the construction of individual projects.

documentation of the receipt where CEQA clearance is required, in all other instances, there is no documentation that Planning has verified that payment was made to OCF. Additionally, we have no assurance that this verification is in fact occurring on a consistent basis.

Thus, because of this lax process, there are no checks on the City's side, the permittee's side, or OCF's side to ensure that the correct amounts are being paid or if any amount is being paid. Finally, although the purpose of this entire process is to provide tree replacement for trees removed from new development, replacement trees are not actually being verified.

OCF Uses the Off-Site Replacement Tree Funds for General Operations

The intended purpose of the \$300 per tree payment is to address the effects of new development by planting replacement off-site trees. The City's internal 2006 *Guidelines for Inventorying, Evaluating, and Mitigating Impacts to Landscaping Trees in the City of San José* and permit conditions state that the funds are for tree planting and maintenance of planted trees for approximately three years.

According to OCF, it uses this money for general operations. Using the funds in this way contradicts City staff's understanding of the purpose of these fees, and may not comply with the mitigation and monitoring requirements imposed on a permittee's projects.

Additionally, the City has been only requiring a receipt of payment, and not tracking whether off-site trees were planted to conform with the permit conditions it set.⁴⁷

OCF Does Not Specifically Track Off-Site Replacement Tree Planting

It is our understanding that OCF should be planting specific numbers and types of trees to satisfy mitigation requirements for funding received for the off-site replacement tree mitigation program. The City's previous Operating Grant required OCF to provide a report on *in-lieu of planting mitigation funds and the street trees and non-street trees planted with these funds*.

However, although OCF tracks mitigation funds received⁴⁸ and has a database that is able to track trees planted by specific funding sources, OCF does not currently report on mitigation funds received nor track specific trees planted from these funds.

⁴⁷ In contrast to what the City requires, Pacific Gas & Electric Company (PG&E) which also gives mitigation funds to OCF requires more. PG&E's arrangement specifies the number of trees to be planted and pays those fees to OCF as a fee for service or a reimbursement fee. In other words, OCF invoices PG&E once the trees have been planted.

⁴⁸ As shown in OCF's financial statements.

We reviewed the number of trees OCF planted in FY 2014-15 and FY 2015-16 to determine if overall, the number planted would cover the off-site replacement tree planting requirement. Based on the cost per tree, OCF would have had to plant 200 off-site replacement trees for the funds received during FY 2014-15, and 996 off-site replacement trees for the funds received in FY 2015-16, for a total of 1,196 trees.⁴⁹ In those two years, OCF planted 1,158 trees that were not attributable to other funding sources (see Appendix A).⁵⁰

The Off-Site Replacement Tree Payment Amount Should Be Reviewed

The off-site replacement tree payment appears to have been set at \$300 per tree by the City and has remained the same since at least FY 2006-07. While this amount was at one time intended to cover both planting and three years of establishment (watering), this amount may not cover these costs today. The City's approved fee schedule does not include this fee as a Council-approved fee.

OCF's current fee schedule lists the per tree cost for planting and maintenance for three years at \$420-\$900 (depending on the number of trees⁵¹).

Recommendation #3: The City Administration should review and formalize its off-site tree replacement process. If the City desires to contract for these services, it should determine whether a competitive process is required to select a provider(s), establish an agreement(s) for these services (including a cost per tree), and require documentation of the tree plantings and maintenance provisions.

Recommendation #4: To ensure permit conditions are met, the Planning Division should:

- a) Require permittees (developers and homeowners/ landowners) to provide proof of off-site tree mitigation plantings;**
- b) For development permits, require proof of off-site replacement plantings prior to the issuance of building permits;**
- c) For tree removal permits, continue to require proof of off-site replacement plantings within 30 days of removal of the trees, and utilize Code Enforcement to ensure compliance;**

⁴⁹ Calculated based on the \$60,010 and \$298,800 in fees collected by OCF in FY 2014-15 and FY 2015-16 respectively, and the \$300 per tree fee.

⁵⁰ OCF receives other grants on a reimbursement basis for tree planting. These include State grants (i.e. EEM grants, Cal Fire), PG&E grants, and City of San José reimbursement grants.

⁵¹ This calculation is based on the 15-gallon tree option from OCF's current master fee schedule with the City.

- d) Retain documentation of verification of compliance with off-site replacement tree conditions; and**
- e) Require maintenance period for replacement trees and replanting if they fail within that period.**

Conclusion

The City of San José has had a working relationship with Our City Forest since 1994. Over the last ten years, OCF has received \$3.3 million in funding from various departments in the City, and planted thousands of trees and shrubs throughout the City. OCF's work planting trees, providing drought resistance landscapes, and providing community outreach and education align with the City's urban forest goals. OCF current financial condition appears stable but challenges persist, and its AmeriCorps grant expansion has meant an increase in its fundraising obligations. OCF met the overall intent of the Operating and Matching Grants but follow-up on reporting requirements is needed. Finally, the City has designated OCF as a recipient of the off-site mitigation payments but did not go through a formal process to select the provider or have a formal agreement on how those fees should be used.

RECOMMENDATIONS

Recommendation #1: DOT should request all documents required by its current Operating Grant, and follow up as needed.

Recommendation #2: To ensure that the City's Matching Grant Agreement is in alignment with OCF's AmeriCorps grant, DOT should request to be notified of AmeriCorps grant submittals, request a copy of Our City Forest's annual grant agreement with AmeriCorps, request all documents required by its current Matching Grant with the City, and follow up as needed.

Recommendation #3: The City Administration should review and formalize its off-site tree replacement process. If the City desires to contract for these services, it should determine whether a competitive process is required to select a provider(s), establish an agreement(s) for these services (including a cost per tree), and require documentation of the tree plantings and maintenance provisions.

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- d) Retain documentation of verification of compliance with off-site replacement tree conditions; and
- e) Require maintenance period for replacement trees and replanting if they fail within that period.

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APPENDIX A

Summary of Trees Planted by Funding Source

In response to the drought, OCF planted over 4,000 drought-tolerant shrubs in FY 2015-16. Most of these shrubs were planted in conjunction with its Lawn Busters program. Below is the summary of trees planted by funding source.

Funding Source	Trees Planted FY 2014-15	Trees Planted FY 2015-16
No Funding Source Listed*	601	557
CalFire Green House Gas	0	103
Environmental Enhancement and Mitigation	196	153
Fee-for-Service	117	347
In-Kind and Private Donation	84	71
Lawn Busters	0	34
Other Mitigation/PG&E	24	17
County	39	0
Special Funding	0	59
Total Trees Planted	1,061	1,341

Source: OCF's Database

*No funding source listed indicates that these trees planted did not have a specific grant that funded planting of those trees.

OUR CITY FOREST

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February 23, 2017

Honorable Vice Mayor and Members
Of the Transportation & Environment Committee
200 East Santa Clara St.
San José, CA 95113

First, we would like to thank the Vice Mayor and City councilmembers on the Transportation & Environment Committee for your time in reviewing this item. We hope that in the process you will learn much about Our City Forest's mission, its services, and its performance.

Second, we would like to thank the City Auditor and her team. We thank them for delving deep. We experience routine audits by our State and federal grantors, as a matter of course, and undertake annual independent financial audits. As with those, we enjoyed sharing not only what we do on the front lines, but also what we do behind the scenes in the way of recordkeeping, reporting, financial oversight and attention to detail, all which are essential for program and fiscal integrity. Audits can provide grantors assurance and confidence in their partnerships, and we trust that this is the case here as well.

Third, we would like to extend our appreciation to the many City staff who participated in this process and who we have had the pleasure to partner with for 25 years. It is through working together that we have accomplished so much to advance urban forestry and transform San José from grey to greener.

We appreciate the overall positive findings as they relate to OCF. While we may hold a different view or interpretation regarding some points made in the report, the most important take-away is that we are compliant, financially solvent, and we are doing all the great things we say we are doing. This is all the more significant for OCF at this time given that the Mayor's Office set aside many months ago 70% of our requested budget increase pending this very outcome. It has been a long 24-year wait for this increase to our operating grant, and a 10-year wait for such an increase to our AmeriCorps matching grant. Given the increases in San José's cost of living over the past 2 ½ decades, the need is not difficult to imagine.

With only a few days to prepare this written response, we are unable to respond as thoroughly as we would have liked. Compounding this short timeframe is that it comes at the same time the City has given us a deadline to move out of primary office space in response to concerns over exposure to various molds and asbestos. As this is being written, the City is boarding up walls, and we are moving offices and reconnecting computers. Clearly, this is a difficult time.

We do appreciate that the auditor was able to incorporate some initial comments submitted after a partial read of the report. In our view, there are still conclusions drawn that appear to have incomplete information. We are concerned with the inadvertent, yet false, picture that the FY15-16 data presents in regards to the City's ongoing support. It is not what it appears. Due to the time constraint given, we

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are unable to provide you feedback on all our concerns. The priority at this stage must be to fill in those information gaps that can better inform our councilmembers in making decisions.

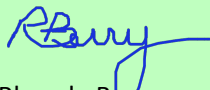
Our focus now is to provide additional perspective regarding how OCF contributes to the mission financially, and how San José and its residents benefit from the partnership between OCF and CSJ. We share a snapshot of services provided to residents. We share how OCF raises the vast majority of funding in order to provide these services. We look at how OCF's work supports multiple city goals and policies. We look at the reasons OCF has had consistent success obtaining State and Federal grants to provide services and what that has meant for San José. We look at one of OCF's unfunded programs - trees for seniors and people with disabilities – and how it is supported, in part, with mitigation payments from developers. Finally, we describe our current financial situation, and how 15-16 City contributions do not accurately tell the story.

Because we provide core city services needed and expected by San José's residents the same as residents in any city, and we continue to raise the vast majority of funding which provides these services, we greatly appreciate the Council's support of our contributions.

We hope you have time to read our entire response and study, in particular, pages 4-5, 11-14 and Appendix B.

We apologize in advance for any inadvertent errors, and anticipate distributing additional information at the committee meeting. Thank you for your understanding.

On behalf of Our City Forest,



Rhonda Berry
President & CEO

RB:rb

RESPONSE TO OUR CITY FOREST AUDIT REPORT

Submitted by Our City Forest

February 27, 2017

BACKGROUND

Our City Forest – A City Council Vision

In the late 1980's, the San José City Council adopted an ambitious goal to plant one million trees, and by the early 1990's, approved a plan directing the City to provide \$150,000 per year in seed money to spin off an urban forestry nonprofit. These actions were in response to several factors. First, the City could not afford to provide the core services residents expected, and residents were frustrated. City councilmembers saw a solution in partnering with a nonprofit to help fill the service void. In addition, stories regarding the steep decline of urban forests throughout the nation were making headlines, and research studies quantifying the remarkable environmental and health benefits of trees were catching attention. Soon after, a statewide survey of larger California cities was issued showing San José with the lowest per capita ranking in terms of urban forestry spending. In late 1991, San José hired a consultant with both a public administration and nonprofit development background to take on the task of creating the nonprofit. By 1994, Our City Forest was not only incorporated, but also busy planting trees thanks to a State grant.

Alignment with City Initiatives, Goals, and Policies

The value of Our City Forest's work and mission has continued to increase since 1994, due to its close alignment with multiple City goals and policies adopted by Council since 1994. Examples of some of the benefits of OCF's work that pertain to these include:

- removing dangerous air particulates,
- reducing soil erosion and flooding,
- reducing energy use,
- providing jobs and job training,
- increasing environmental stewardship,
- shading school yards to protect young children from skin cancer,
- enhancing parks for recreation,
- protecting creeks from contaminated runoff,
- providing suitable animal and bird habitat,
- providing thousands of volunteer opportunities every year.

These are but a few important ways that Our City Forest's work supports myriad economic, environmental, health, and community initiatives, plans and policies adopted by San José, including the Green Vision. The Mayor's new beautification initiative is yet the latest example reflecting the continued relevance and significance to the City of OCF's mission.

OCF Spans Boundaries to Serve All of San José

OCF works with multiple City departments to obtain permission to plant trees and shrubs on hundreds of city properties including parks, libraries, community centers, police and fire stations, airports, water and storm facilities, maintenance yards, on- and off- highway ramps, streets, medians and backups. Since 1994, OCF has financed and planted tens of thousands

more trees at virtually every city park and school, and every zip code, transforming barren thoroughfares and playgrounds into beautiful neighborhoods.

In addition to City-owned property and schools, OCF works with all agencies and school districts and ultimately can assist any property in and near San José. We work to beautify non-City property managed by such entities as CalTrans, SCVWD, VTA, and a host of nonprofits. The vast majority of available planting space is actually private property, and with the launching of our nursery, we are no longer restricted to public property restrictions of our State grants. The Community Nursery is the perfect strategy for getting trees and shrubs installed in more available planting spaces.

The ability to work across departmental lines, bureaucratic boundaries and with multiple agencies enables OCF to be a true citywide service agency. The many benefits of the urban forest also span political boundaries, so the ability to do the same makes perfect sense. It provides the entire City with a one-stop shop and eliminates bureaucratic obstacles.

What is the “Urban Forest”?

The urban forest includes all the trees and vegetation in a city, on both public and private property, as well as its interacting components in the urban ecosystem – soil, water, people, wildlife, insects, birds, and climate. Shade trees, evergreen trees, shrubs, plants, groundcover, fruit trees, and more, are all planted by OCF. Unlike a rural forest, the urban forest is extremely dependent on people to plant, maintain, and manage it. *The key to a healthy urban forest is an engaged, trained and supported community.* This latter point is an important aspect of OCF’s mission and is a best practice. Getting trees *and shrubs* in the ground without a stewardship plan and without training residents to monitor and care for them results in dead and unattractive trees and shrubs, and squanders scarce resources.

Partial List of OCF Services and Support

- Maintains a citywide urban forestry clearinghouse – “information central” for residents to make inquiries, obtain literature, receive training, take classes, etc
- Provides technical assistance to residents, businesses, agencies
- Assists residents in species selection and obtaining permits
- Provides tree planting and care demonstrations
- Organizes and oversees greening projects
- Provides complete planting services
- Removes cement to create planting sites
- Prunes and waters trees
- Recruits and trains volunteers
- Manage and cultivate trees
- Operates a community nursery and training center for the public
- Provides special assistance to seniors and people with disabilities
- Converts lawns to drought-tolerant gardens for low-income and seniors
- Installs drip irrigation
- Conducts hazardous tree inspections
- Conducts tree inventories
- Hosts Arbor Day events and other services to qualify San José as a Tree City
- Conducts education and outreach events and workshops
- Provides trees, stakes, mulch, auguring and cement cutting

- Provides safety equipment, supervisors, training and tools for all plantings
- Conducts classroom presentations for youth
- Offers a professional staff team including certified arborists, landscape contractor and experienced project managers
- Recruits, hires and trains a team of full-time AmeriCorps service members

Urban Forest = Trees *and* Shrubs

LawnBusters, launched in partnership with the Mayor’s Office in 15-16, is a high-demand program for low-income, seniors and veterans and is advancing the transformation of a more sustainable landscape across San José. Instead of trees, it primarily plants shrubs. During 15-16, OCF installed 5,726 drought-tolerant shrubs, many through this program, but the data is not included in the actual table, so we have added it for you.

During the several drought years, the City did not enforce required tree plantings nor did it promote the importance of planting trees during a drought. This caused a multi-year decline in tree plantings. During 15-16, OCF helped counter that decline by effectively implementing another a landscape strategy to save water through its LawnBusters program. In 15-16, the installation of shrubs was a very significant OCF effort. We have modified and attached the report table (Appendix A) to reflect this massive effort.

Shrubs have actually been a part of OCF’s planting programs since 2012-2013, when OCF applied for a State grant for not only trees but also to remove concrete and install shrubs in addition to tree in neighborhoods impacted by the airport expansion. This “Green Streets” program was the forerunner to LawnBusters, our lawn and turf conversion program.

A major benefit of a healthy and large urban forest is its ability to redirect stormwater from flooding our infrastructure. Tree and shrubs increase pervious surface in San Jose, meaning less water enters sewers in storm events. According to a 2010 USDA-Forest Service study, the percentage of San José’s impervious surface (concrete, asphalt) is 2nd only to Los Angeles.

Despite their smaller stature, shrubs still require extensive nursery space to cultivate and prepare for planting. OCF provides thousands of low-cost, endemic plant species to San Jose businesses and residents each year. Like trees, many have specific cultivation and care needs that require special training. OCF provides these services to residents and businesses daily.

Additionally, many locations in San Jose are not suitable for trees due to existing infrastructure, or design concerns. Shrubs offer a smaller scale of plant that still fulfills a specific environmental need. State environment enhancement and mitigation grants have funded the planting of thousands of OCF shrubs since 2011, and at a recent professional conference, OCF learned of ongoing efforts to include shrubs in future greenhouse gas mitigation grants. Trees are a very important part - and certainly the largest part - of a forest, but any natural forest begins at the soil and the understory of plants. A healthy urban forest is no different.

FUNDING THE PARTNERSHIP

OCF Saves City Money by Raising Non-City Funding to Support Programs

A primary purpose of the \$148,000 City operating grant is to raise non-City funds. OCF has successfully done this to the tune of \$15+ million since its founding and \$10+ million in the past 10 years. *(besides fund leveraging, the other main purpose of the operating grant is for basic support to maintain a legal, fiscally responsible, and insured nonprofit for the City. Examples include liability insurance, computers, grant administration, financial reports, and financial audits. At its current level, the grant is significantly overextended.*

The modified table below, taken from the report, shows the extent of OCF's efforts in obtaining non-City funding. OCF has used the figures from the audit report except for the column added on the right which is taken from OCF's audited financial reports. The DOT grant column has been divided to show the two distinct City-DOT grants. In addition, DOT fee-for-service special project revenue that was included in the operating grants has been extracted and moved to the DOT-fee-for-service column.

Exhibit A

10-YEARS of REVENUE --- 2006-07 to 2015-16

FY	1	2	Combined Payments for Special City Dept. Services*			4	5
	DOT- administered Operating Grant	DOT- administered Matching Grant	DOT FFS	ESD FFS	PRNS FFS	Developer Mitigation Requests	Non-City Revenue Obtained by OCF*
2006-07	\$148,878	0	\$66,200	\$ -	\$ -	\$ -	\$484,845
2007-08	\$148,878	\$120,000	\$9,122	\$ -	\$ -	\$ -	\$938,421
2008-09	\$148,878	\$120,000	\$122	\$3,000	\$ -	\$ -	\$836,121
2009-10	\$148,878	\$120,000	\$92,367	\$7,000	\$ -	\$27,000	\$1,055,108
2010-11	\$148,878	\$120,000	\$86,000	\$100	\$35,000	\$146,100	\$1,407,228
2011-12	\$148,878	\$120,000	\$40,000	\$1,000	\$15,000	\$81,540	\$1,298,706
2012-13	\$148,878	\$120,000	\$10,000	\$10,014	\$ -	\$106,200	\$986,071
2013-14	\$148,878	\$120,000	\$11,468	\$72,000	\$ -	\$164,700	\$905,007
2014-15	\$148,878	\$120,000	\$36,497	\$5,110	\$3,355	\$60,010	\$905,045
2015-16	\$148,878	\$120,000	\$141,845	\$91,426	\$8,227	\$298,800	\$1,435,483
10-Year Totals	\$1,488,780	\$1,080,000	\$493,621	\$189,650	\$61,582	\$884,350	\$10,252,035

Source: City audit report except for OCF column which is as recorded in OCF's audited financial statements

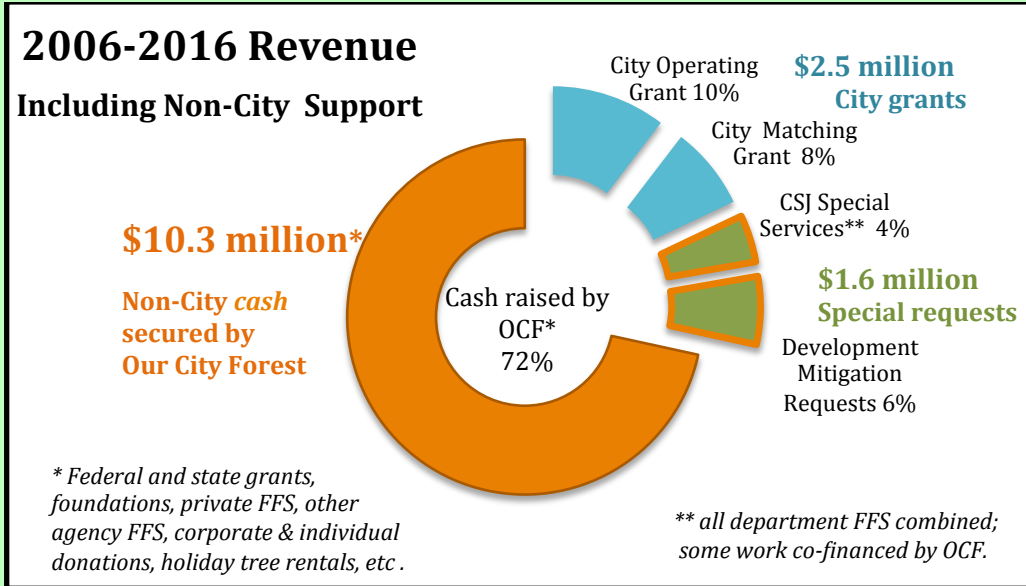
Note: the special services column reflects additional work performed by OCF outside of its other grant goals such as conducting the City's street tree inventory, providing an additional 16 AmeriCorps members to City for 1 year, conducting multilingual outreach for plastic bag law awareness.

Note: An exception to the above note: \$72K from ESD FFS was contributed to provide required match for one of OCF's State planting grants for parking strip conversions; OCF provided reports to ESD in addition to the State.

Note: \$50,000 of the \$61,582 PRNS FFS was contributed by CityCouncil---\$5,000 from each councilmember's own funds

Comparative percentages and amounts using the data in the table are illustrated here in chart form:

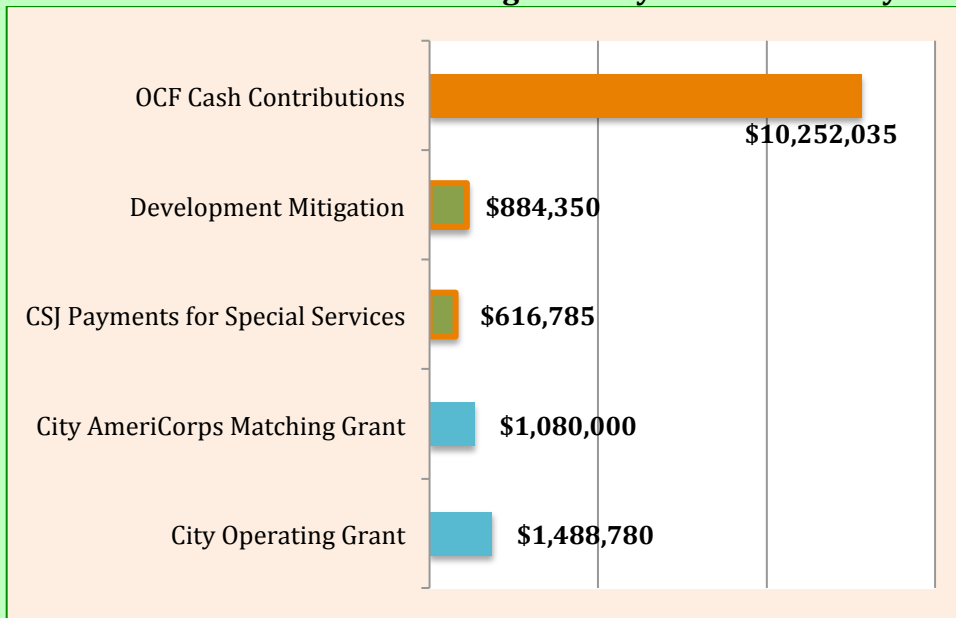
Exhibit B



Source: City data from City audit report; OCF column figures as recorded in OCF's audited financial statements

Exhibit C

2006 - 2016 REVENUE - Including Non-City Funds Raised by OCF



Source: City data from City audit report; OCF column figures as recorded in OCF's audited financial statements

To align with the auditor's report table, we limited OCF revenue data to 2006 - 2016.

State & Federal Grants for San José – A Success Story

The report hints that OCF may be too dependent on government grants. We beg to differ. The City has saved millions as a result of OCF's success in garnering State and federal urban forestry grants on its behalf, and many nonprofits ask for copies of our proposals in attempts to secure the same. Obtaining this non-City funding has long been a labor of love considering that there has long been insufficient operating funding to support this activity. We would like to shed more light on the nature of these grants and how they are helping San José residents every day..

State Planting Grants Secured by OCF

Highly competitive – and used to fund most OCF tree installations

State urban forestry grants have been a critical source of funding for Our City Forest's planting operations since 1994, paying for trees, arborists, and site preparation work such as cement-cutting and auguring. OCF's state grant proposals consistently rank quite high among hundreds of proposals submitted by California cities and other urban forestry nonprofits. As a result, San José has received more State urban forestry grants than any city in California. Today, San José is a greener and more beautiful city as a result

Since 1994, OCF has been awarded a total of over 20 State grants from three different State departments. The fact that Our City Forest has successfully competed for these is because it has repeatedly been able to demonstrate excellent technical, performance and fiscal integrity.

Appendix B provides a list of Environmental Enhancement & Mitigation Grant Program grants awarded to Our City Forest. OCF has secured other State grants as well.

State Grants Need Responsible Providers with a Focused Mission

The work of installing trees impacts the infrastructure for decades, and our State grantors are well-versed in best urban forestry practices. They fund entities who are up to the task and can handle detailed planting and financial reporting. *(if a new entity fails the first time, there is no likelihood a second grant will be approved)*. In contrast, a corporate grant given to a nonprofit for planting trees, though well-intentioned, simply doesn't require best practices or arborists because neither the corporation or the nonprofit has a mission focused on planting and stewarding trees. Still, there are groups that want to do beautification projects and sometimes a tree planting is thrown in, along side litter pick-up as one of their fun activities. Unfortunately, for a variety of reasons, these plantings often result in dead trees for San José.

The most challenging aspect of urban forestry is tree establishment and ongoing care. If a tree dies before it matures, the entire investment is lost. Ensuring healthy establishment – whether trees, shrubs or lawn conversions - requires a great deal of staff time and expertise to assess the site, determine legalities, obtain permits, select suitable species, inspect for healthy specimens, obtain stewardship agreements, train residents, and then monitor the well-being of the trees/shrubs and assisting the tree stewards for at least 3 years. The saying, "it takes 5 years to plant a tree" makes this point. Planting a tree is the easiest part – but even that requires careful training, safety controls, quality control and supervision of volunteers to be successful.

Following best practices results in high survival rates....and is why OCF is successful in obtaining State grants. There is a great deal of technical knowledge required to do urban forestry well, so it is much different than most projects that engage volunteers such as litter pickup, loading

trash, painting over graffiti. This fact can be lost when comparing the work of OCF to that of other nonprofits or City programs who utilize volunteers.

Large State government grants are also *the most efficient way OCF can get more trees planted in San José*. It would take thousands of small private donations to plant the number of trees we can plant with each \$200,000+ State grant.

Without the State urban forestry funding raised by OCF, there would be far fewer trees planted, no community nursery, no Tree Mobile, no cement-cutting funds, and no planting staff.

Accountability Required

State planting grants to OCF are 100% reimbursement-based. OCF fronts the costs of all labor and trees for planting projects. Afterwards, it submits detailed invoices for reimbursements which are received months later. Every dime – no, *penny*, and every individual shrub and tree planted must be carefully documented and accounted for. Tree size, location, stake type, species, square feet of cement removed, irrigation part, mulch used, gas consumed, workers comp insurance expensed, are just some examples of detailed data maintained by OCF and required for reimbursement.

Federal Grants Secured by OCF

Full-Time Paid Service Opportunities and Entry-Level Jobs

AmeriCorps

AmeriCorps is federal, and is our largest government grant. Like State grants, it demands utmost accountability. Whereas the State grants support the cost of trees, supplies and cement-cutting, AmeriCorps supports the labor expenses. An extensive paper and field audit by an AmeriCorps team last summer resulted in high praise and no required follow-up recommendations. This grant is also reimbursement-based, with OCF required to front the funding until invoices are approved and paid. Every hour of time must be documented, as well as member activities. AmeriCorps conducts regular desk audits and requires quarterly performance reports which require measured and documented outputs and outcomes. Examples of the detailed AmeriCorps reports and documentation, as well as the AmeriCorps site visit results, were provided to the City auditing team.

American Recovery Act

Our City Forest competed successfully in obtaining two federal Recovery Act grants from two federal departments:

USDA-Forest Service

OCF was one of just 8 entities to receive this grant and, together with a CalFire Innovation Grant, funded the development of OCF's Community Nursery as well as two years of operation. The grant provided 65 jobs lasting between 1 and 3 years.

National Community Service Corporation-AmeriCorps

This grant made possible the hiring of 30+ additional AmeriCorps members, 16 of whom were assigned to the City of San José to perform street tree inventory work for one year.

All of the above federal grants were and are 100% reimbursement-based, requiring detailed invoicing with documentation of all expenses. OCF fronts all expenses for several months.

Developer and Other Mitigation Payments

Due to OCF's mission and its efforts to bring in funding for the urban forest, it has made sense for OCF to be the recipient of funding intended to better the urban forest. OCF knows which neighborhoods are covered by its grants and which neighborhoods need help. OCF sees the bigger picture and works diligently to ensure that all areas of the City receive services. OCF has no involvement in the process and does not discuss payment negotiations that City staff have with developers. Payments are very hit and miss - and we are aware that a lot of them do not make their way to us. We do not interject in the process because we are advocates of protecting trees when at all possible. At the same time, if the City approves removals, then related payments to OCF are the most effective way to benefit the urban forest. For many years, those payments went to the General Fund and were lost to the cause of urban forestry. While the funding is unpredictable and we cannot budget for it, every dime adds to the level of services we can provide.

The audit report categorizes the developer mitigation payments made to OCF as "government contribution" or "city-directed" whereas the independent auditor for OCF and the OCF accounting contractor both consider mitigation fees "private funding". This makes a significant difference in determining how much of OCF's revenue is government vs. private. For most years it doesn't matter much, but for the audit year, it made a difference because the amount was unusually high. In any case, financial protocols do not allow these payments to be coded as government contributions. The interpretation used in the report significantly increases the City's contributions to OCF and decreases the amount we recognize as private.

OCF has modified the audit report table shown on the following page to show trees planted without a funding source since 2006-07 at the rate of \$300 per tree as used in the audit report.

EXHIBIT D

Summary of Unfunded & Mitigation Trees Planted - FY 2006-2007 to Present

Fiscal Year	Other Mitigation	No Funding Source*	Mitigation Fees¹	Cost of Trees Planted at \$300/tree
FY 2006 - 2007	0	0	\$ -	\$ -
FY 2007 - 2008	0	0	\$ -	\$ -
FY 2008 - 2009	0	391	\$ -	\$117,300
FY 2009 - 2010	18	209	\$27,000	\$62,700
FY 2010 - 2011	0	213	\$146,100	\$63,900
FY 2011 - 2012	0	324	\$81,540	\$97,200
FY 2012 - 2013	0	511	\$106,200	\$153,300
FY 2013 - 2014	0	458	\$164,700	\$137,400
FY 2014 - 2015	24	601	\$60,010	\$180,300
FY 2015 - 2016	17	557	\$298,800	\$167,100
Total Unfunded	59	3,264	\$884,350	\$979,233

*"No funding source" indicates no specific grant was available. While mitigation funding is highly unpredictable and cannot be relied upon; if it is available, it is used to support unfunded tree requests allowing OCF to distribute resources to serve all residents – not just those in its grant-funded areas. Most of these are single increments and requests from seniors and people with disabilities.

Source: OCF's Database; Auditor's Report on FY 2014-2015 and FY 2015-2016

Beneficiaries of Mitigation Payments: *Seniors & Residents with Disabilities*

In contrast to plantings in entire neighborhoods, parks and schools where many trees are planted in a day, many requests coming in to OCF are for a single tree. Many of these requests come from seniors and people with disabilities. It is very time-consuming to plant a single tree in a City as big as San José, but OCF is dedicated to serving these target groups and provides trees and planting services to them at no cost. Mitigation funding is completely unpredictable – and the amounts sometimes don't amount to much – but in some years it can go a long ways towards supporting this worthy program for seniors and people with disabilities.

Streamlining the Process for Residents – and saving City staff time

7,887 Inquiries from Residents in 15-16

OCF staff responds to questions daily from residents about their tree concerns and questions, including numerous permit-related questions. No other organization has the familiarity that Our City Forest does regarding the City's permitting process – and this expertise is a big time-saver for both City staff and residents. City staff relies on the expertise of OCF's arborists to carry out a wide range of tasks that would otherwise fall to them.

Our City Forest conducts site assessments, species selections and works out any bugs regarding permits. This time-consuming effort by OCF saves the City time and also saves time and energy of some of the City's most in-need populations. Our City Forest is proud of the services we provide to residents regardless of geographic location.

Operating Grant vs. Fee-for-Service

OCF not only provides multiple community services and programs, but it also funds the majority of the costs with non-City funding. This leveraging model is more beneficial for the City and its residents than a strict fee-for-service model. With the latter, no additional funding would be leveraged...only the planting or project would be completed for the fee. It is through the operating grant – and leveraging non-City funding - that OCF has been able to provide residents with an array of services such as tree installations, tree care, technical assistance, education programs, lawn conversions, a community nursery and more.

To illustrate, if the City's \$148,000 operating grant were, instead, a planting fee-for-service grant, it would pay for the planting of roughly 800 trees. *(At \$185 per tree, each tree planted would include locating the vacant site, obtaining adoption agreement from the residents, species selection, stake, permit, advising resident regarding ongoing care, installation, quality control, post-planting inspection, plus 3 years of tracking. This amount does not include auguring or cement cutting – even though the majority of available tree sites in San José require cement cutting. The additional cost is roughly \$300 per site/tree.)*

Instead of the above fee for service arrangement, the City's operating grant –set at roughly \$148,000 for many years - is used instead to help *leverage about \$1 million in non-City funds*. This is how OCF is able to offer a well-balanced urban forestry program to respond to needs of residents, schools, parks and a host of City departments and other agencies.

The City's operating grant to OCF is intended to support expenses related to:

- Staff expenses for leveraging non-City revenue
- Staff expenses related to grant administration: data entry, reporting, tracking, invoicing
- Daily accounting and preparation of monthly financial reports
- Hiring an independent CPA to conduct an annual financial audit
- Procuring necessary insurance policies
- Essential office equipment, computers, IT, printing, office supplies

Critical Financial Challenges Continue

As noted by the auditor, OCF currently faces serious financial constraints that it worked hard to stave off last year by advising City staff of the situation and submitting budget increase proposals. The situation continues to worsen as expected. OCF's large State planting grants and federal AmeriCorps grant cannot be tapped without San José providing sufficient match and without the City pushing for trees to be planted and trees to be cared for. This means that the non-City grants cannot sufficiently be drawn down, and funding is simply left behind in Sacramento and D.C..

Any focus on FY15-16 in terms of gaining an understanding of OCF's typical funding will cause confusion because the year was an extraordinary anomaly:

- AmeriCorps awarded expansion funding for the new low-income residents LawnBusters initiative, but lack of sufficient match curtailed the actual expansion for most of the year.

- Mitigation funding was *over 3 times the amount of an average year*. In stark contrast, only \$38,500 has been received in the first 8 months of the current year 16-17. Mitigation funding cannot be budgeted because it is completely unpredictable. Still, when available, it supports the many unfunded plantings requested by residents – particularly seniors and people with disabilities – those living outside OCF's State-restricted grant areas.

- City departments – such as DOT, PRNS and ESD - have made almost no special fee-for-service requests for turn conversions, tree care, or plantings. Just \$14,120 has been received from DOT-FFS, and that was payment for work done nearly one year previously. Again, this is in stark contrast to 15-16 where DOT-FFS was \$141,845. *We will not see this revenue in 16-17, and so it gives a false assurance or picture of ongoing City contributions*. It is right now that all need to be concerned with, along with the City's commitment to getting trees in the ground and caring for its urban forest. Even during a drought, planting trees is the most critical action a city can take to address its impacts and ready it for the next. In spite of this knowledge, City actions have failed to encourage, if not discouraged, tree planting during the drought.

- FY 15-16 reflects one-time funding for the City and SCVWD-sponsored LawnBusters mini-pilot – it shows up in the revenue table under ESD-FFS as \$91,426. *We won't see any of that in 16-17 so again, there is a false assurance that the City's ongoing contribution is much greater than it is*. Once the mini-pilot ended midyear, the City pulled out, leaving SCVWD to fund the ongoing program with AmeriCorps serving low-income residents. The City contribution received in 15-16 is absent in 16-17. Contributing to OCF's worries, the SCVWD's support may soon end as well as the drought appears to be ending. Climate-suitable landscaping such as lawn conversions is an essential strategy for San José becoming more sustainable. Beyond lawns, OCF can provide turf conversions for parks and other city properties that will save the City millions of gallons of water. OCF's lawn conversions in just one year of nearly 92,000 sq. ft., are on track to save 2,845,707 gallons of water *annually*.

- Adding to these concerns is the long wait for the 15-16 basic grants. This is partly a cash flow issue vs funding matter, but waiting 8 months into the fiscal year to receive payment is a challenge. With only the one \$14,120 City payment coming in the first 8 months, the City has completely trusted and relied upon OCF to front the costs of all its planting and tree care projects, technical support, nursery operations, LawnBusters projects, public outreach efforts, grant administration, operating costs and more for a full 2/3 of FY16-17. This reliance on OCF underscores the degree to which OCF is trusted to serve, but it pressures OCF to make sacrifices and creates undue stress.

Continued funding shortages mean several key positions remain vacant, staff salaries remain low, and service members receive the same stipend amount as they did 10 years ago. These problems can be tied to the lack of increases since 1994 to the City's operating and matching grants in spite of new programs desired by the City (Tree Care for All, Community Nursery for the Green Vision and LawnBusters). It is worth noting that 4 of Our City Forest's talented arborists have moved on to become head city arborists in four different Bay Area cities.

The City must decide if it wants to support the operation of programs developed in partnership with OCF such as the Community Nursery & Training Center, which was built completely with non-City funds to help achieve Green Vision goals. The nursery is one of the best solutions to advance the city's beautification initiative, and OCF operates it cost-effectively with its AmeriCorps members largely staffing it – but the additional team needed to operate it requires an increased match that has never been approved.

Another program piloted initially by the Mayor's Office is the LawnBusters program which won a national award in 2016. For the past year the program has been supported solely by the SCVWD. There is high demand for this program for low-income, veterans and seniors, and which saves millions of gallons of water, but time is running out to identify another sponsor now that the rebate program has ended.

Yet nowhere can the City get more return on its investment than through this partnership. The average pay for all of OCF's staff and service members combined is **\$23,307!** These are full-time workers dedicated to greening San José.

The current increase proposed by the Mayor's Office will help and can't come soon enough, but OCF will still be without key staff. The increase - 70% of the request - remains insufficient to meet critical needs, some of which are outlined below.

Staff Shortages:

- An administrative support position* (OCF has none)
- A grantwriter or related fund development position*
- A full-time volunteer manager for 5,000+ volunteers*
- A full-time tree care manager*

** Note: AmeriCorps members are not allowed to do the work of these positions per federal regulations. Specifically, they are not allowed to perform administrative work, fundraise, write grants, or supervise other AmeriCorps members.*

Program Support:

- Increased salaries* for staff
- Increased stipends* for service members from \$15K to \$17K (1 yr full-time)
- Used pickups and water trucks
- Truck repairs, registration and insurance
- Raincoats, hats and boots for AmeriCorps service members
- Copier and printing expenses for community outreach
- Safe office space (must move due to presence of molds and asbestos)
- IT support

- Updated computer equipment and software

Note: \$23,307* is the average full-time annual pay at Our City Forest – combining service members and all full time staff. * Source: OCF 15-16 financials

Value of Services

How much are Our City Forest's services worth and how does this value measure up to the level of the City's investment? Consider, a partial list of activities with slightly outdated numbers in San José:

- 27,000 households have received street trees (some multiple trees)
- 151 parks have received 8000+ trees – many with multiple projects
- 260 schools have received 18,000+ free trees – many with multiple projects
- Additional tree plantings in medians, backups, libraries, fires stations, City properties, SJ Mineta International Airport, Muni Water, police horse stables, maintenance yards, percolation ponds, Monterey Hwy, highway ramps, and private yards
- 110,000 trees maintained and tracked
- 170,000 community volunteers engaged
- 30,000+ students educated
- 68,000 trees planted – at least 2/3 of them 15-gallon size shade trees
- Miles of drip irrigation installed
- 92,000 sq. ft of lawn removed – *in just one year*
- Emergency watering services
- Tree pruning of young trees by and supervised by certified, experienced arborists – *early structural pruning is the best investment a City can make to avoid future hazards and protect its residents*
- 7,000+ inquiries per year from residents
- Weekly tree planting and tree care demonstrations for residents
- Distribution of multi-lingual tree literature and applications – with extensive outreach efforts ongoing

The market value of many of the above services can be quantified, but there is insufficient time to include an analysis at this time. We can readily provide a simple example for the turf conversion effort (lawns only):

Approximate Market Value of 91,979 sq ft. lawn converted (drought-tolerant plants and shrubs; drip irrigation, mulch) = **\$919,790**
(Mulch type, types and # of of shrubs, trees, etc. create variances)

*Note: OCF receives \$2.00 per sq ft. in rebates from the SCVWD for its lawn conversions.
Source: quotes from landscaping companies*

Value of one environmental benefit: **2,845,707 gallons of water saved annually**

Source: SCVWD-State of California formula

The long-term the benefits of trees and shrubs planted include the value of filtering air particulates, decreasing occurrences of respiratory disease, managing stormwater to reduce soil erosion and flooding, lowering temperatures thus reducing the use of air conditioning, gallons of

water saved through lawn conversions, and increase in property values. These can all be quantified. Intangible but important benefits such as aesthetic views, relief from stress, and the sense of community trees provide are also significant.

The **annual** benefit to San José for all the trees planted by OCF = **\$12.5 million*** (annual benefit)
**as calculated using American Forests/Treekeeper tree benefits calculator*

In Closing

We thank you for this opportunity to fill you in on the important role Our City Forest plays in growing a greener and healthier San José and the challenges we face. Since 1994, every single one of San José's mayors and councilmembers has joined us, grabbed a shovel, and helped plant trees alongside enthusiastic volunteers. We believe they share in the idea that *the health and vitality of a city is reflected in the health and vitality of its urban forest.*

Our partnership with CSJ has been an inspiring sustainability story for 25 years. Together, we are transforming San José and improving the quality of life for all.

We look forward to seeing you at our events, and meeting with you to get your ideas. Your ongoing input is critical as we serve San José's many neighborhoods.

Please reach out with your questions so that we can provide clarification or additional information.

Respectfully submitted on behalf of Our City Forest,

Rhonda Berry
President & CEO
rberry@ourcityforest.org
408-799-9502

RB:rb

Appendix A

**Summary of Trees and Shrubs
Planted by Funding Source**

Funding Source	Trees Planted FY 2014-15	Trees Planted FY 2015-16	Shrubs Planted FY 2015-16
No Funding Source Listed*	601	557	0
CalFire Green House Gas	0	103	0
Environmental Enhancement and Mitigation	196	153	121
Fee-for-Service	117	347	1,151
In-Kind and Private Donation	84	71	9
Lawn Busters	0	34	4,445
Other Mitigation/PG&E	24	17	0
County	39	0	0
Special Funding	0	59	0
Total Trees Planted**	1,061	1,341	5,726

* "No funding source" listed indicates that these trees planted did not have a specific grant (such as State EEM or GHG) that funded planting of those trees.

**Trees included are 15-gallon size (approx. 6 ft in height and typically at least 2-3 years old) which require a staking system and watering berm; 15-gallon size is the minimum size required for street plantings and other City properties. It is also the recommended size for parks and schools.

Source: OCF's Database and internal nursery accounting.

Appendix B

State EEM Urban Forestry Grants Obtained by Our City Forest 1994 through 2017

Below is a list of EEM grants obtained by Our City Forest. EEM -California's Environmental & Enhancement Mitigation Program -includes a small amount of urban forestry funding for the purpose of mitigating the environmental impacts of eligible transportation projects. Requests from cities are far greater than what can be funded and it is thus extremely competitive. Grants are paid out gradually on a reimbursement basis, requiring Our City Forest to front all project costs and prepare detailed invoices with receipts for subsequent payment. Dates given below indicate approximate grant implementation periods. These grants have been OCF's primary revenue source for 25 years in regards to funding for trees, stakes, arborists, cement-cutting and fuel. This funding source is responsible for the vast majority of trees OCF plants.

Note: We were unable to submit an EEM proposal for the last grant cycle due to OCF's heavy grant administration workload over the past year, including the staff time consumed by the City audit. As a result, we will not have an EEM grant program to offer for the first time since 1994.

2015–2017 GREEN & HEALTHY (880/280)

\$182,160 – 500 trees and 550 shrubs

This grant was awarded to help mitigate the removal of vegetation, construction dust, and increased vehicular emissions resulting from the impacts of the new on-ramps and off-ramps in a small area. This proposal presented a case that trees and shrubs were essential to improving air quality and growing healthier surrounding to help protect the many vulnerable seniors and rehab patients housed in the area.

2013-2016 TREES FOR AIRPORT NEIGHBORHOODS

\$298,480 – 1,000 trees and 2,000 shrubs

This grant was awarded to plant 1,000 trees and 2,000 shrubs to mitigate the construction and tree removals caused by the building of an additional terminal. This creative proposal – using an airport as the transportation project - was the first proposed by an applicant and only one funded to date through this grant program. The target area were neighborhoods within a 2-mile radius of the San José Mineta International Airport.

2010-2012 TREES FOR EAST SAN JOSE

\$236,900 – 1,400 trees

This project planted **1,400** trees in neighborhoods, parks and schools. All residents willing to sign a stewardship agreement for a street tree(s), plus schools and parks within **two miles of the US-101, between the I-280/I-680 interchange and Yerba Buena Rd.** were eligible for trees and services. Neighborhoods included **Alum Rock, Mayfair, and many others**

2007-2009 TREES FOR CENTRAL SAN JOSE

\$230,800 – 1,600 trees

This project planted shade trees in San José neighborhoods and schools within two miles of STATE ROUTE 87 between Julian St. (near US101) and State Route 85. The project scope for 1,200 trees was completed under budget so OCF received approval to transfer additional unspent funds to the tree category to purchase another 400 trees.

2005-2007 TREES FOR SOUTH SAN JOSE (HWY 85 NEIGHBORHOODS #2)

\$188,000 – 1,200 trees

This project was directly related to the environmental impacts created by the construction of approximately 14 miles of the new Route 85 freeway which began construction after 1990. Twelve miles of the project is within the City of San Jose. This transportation project had several construction segments beginning and ending between 1990 and 1994. This was the second EEM grant OCF obtained for this area – the first was 10 years earlier for 5,000 trees.

2004 -2006 CAPITOL LIGHT RAIL NEIGHBORHOODS

\$184,200 – 1,200 trees

This project planted 1,200 shade trees in neighborhoods and schools within two miles of the 3.5 mile Capitol Corridor Light Rail Project corridor from Hostetter Rd. to Alum Rock Avenue in San José. Shade trees were planted to help mitigate significant impacts resulting from this project which includes construction of 5 neighborhood rail stations.

2003-2004 – VASONA LIGHT RAIL NEIGHBORHOODS

\$234,600 – 1,500 trees

This EEM grant planted 1,600 shade trees, at a total cost of \$146 per installed tree. Planting sites included parking strips and public schools in San Jose and Campbell neighborhoods within two miles of the Vasona Light Rail Project corridor. These trees helped to mitigate the environmental and land use impacts created by the construction and operation of the Vasona Light Rail Project which began construction in February 2001 and included the construction of 9 rail stations, approximately 1/2 mile apart along the transportation corridor.

2001-2003 TREES FOR 880 NEIGHBORHOODS

\$186,200 - 1,200 trees

This EEM grant planted 1,200 shade trees, at a total cost of \$155 per installed tree, in inner city neighborhoods adjacent to a 3.4-mile stretch of Interstate 880 between Montague Expressway and North First Street in the City of San José. It was directly related to the environmental impacts created by the widening of the Interstate 880 freeway which began construction in June of 2001.

1999-2001 MONTEREY HIGHWAY GREENING

\$235,400 - 1,600 trees

This project planted 1,600 shade trees along and near a 7.7 mile stretch of Monterey Hwy (Hwy 82) between Curtner Ave. and Bernal Rd to mitigate the impacts of a highway construction completed in 1994 which removed 2,000 trees. Nearby neighborhood streets, parks and schools were also eligible. OCF also donated \$25,000 to the City to pay for the completion of irrigation in the medians on a promise that the City – through Lowe’s - would later pay for it. That promise was never fulfilled.

1998-2000 INNER CITY GREENING

\$168,100 - 1,200 trees

This EEM grant planted 1,200 shade trees, at a total cost of \$140 per installed tree, in inner city neighborhoods adjacent to a 3.1-mile stretch of Highway 87 between Julian St. and Highway 101. This project was directly related to the environmental impacts created by the expansion of the Highway 87 freeway which began construction in July of 1997.

1997-1999 SOUTH CENTRAL SAN JOSE NEIGHBORHOODS

\$174,420 – 2,000 trees

This tree planting grant was directly related to the widening of Highway 87 between I-280 and Santa Teresa Boulevard. All neighborhoods, schools and parks within 3 miles of Hwy 87 received free trees, technical assistance, and arborist services from Our City Forest..

1994-1996 HWY 101 NEIGHBORHOODS URBAN FORESTRY PROJECT

\$182,300 – 2,000 trees

This project was directly related to the environmental impacts created by the widening of a 4.5 mile stretch of Highway 101 between Highway 880 and Freeway 280. This transportation project had several construction segments beginning and ending between 1990 and 1994. Neighborhoods, schools and parks were all eligible for free trees and services.

1992-1994 TREES FOR HIGHWAY 85 NEIGHBORHOODS #1

\$398,500 – 5,000 trees

OCF developed a proposal on behalf of San José neighborhoods, parks and schools impacted by the new Route 85 transportation project. OCF was not yet incorporated so the City agreed to partner as fiscal agent. OCF's program design was rated high by the State and has been used successfully by OCF for subsequent EEM grant applications. Due to the size of the eligible area, a considerable number of South San José residents, agencies, parks and schools were beneficiaries of free trees and assistance.

Many additional State grants such as those received through CalFire, including a 3-year \$300,000 grant to develop the Community Nursery, and the current Trees for All – greenhouse grant, \$750,000 over 3 years - are not included but are equally important.

OUR CITY FOREST



We GROW

SILICON VALLEY

"Our City Forest fills an important role in San Jose."

Maria Carlucci, TREE STEWARD

Since 1994, Our City Forest has been the leading non-profit for urban forestry and environmental education in Silicon Valley. We believe in the power of trees to transform our homes, neighborhoods and cities.

OCF by the numbers

IN OUR FIRST **24** YEARS

30,000+ K-5 students received environmental education

PLANTED in 

260 SCHOOLS


151 PARKS

27,000+ HOMES & BUSINESSES

90% survival rate

68,000+ TREES PLANTED

RAISED **\$10+ MILLION** IN NON-CITY FUNDS

COMMUNITY NURSERY & Training Center opened 2012 



170,000 VOLUNTEERS

108,400  Trees maintained & managed

884K pounds air cleaned per year



*Numbers current January 2017, sources at ourcityforest.org.

HELP US HELP OUR CITY

100% of every donation is tax-deductible and helps fund materials and programs that **GROW OUR URBAN FOREST, FIGHT THE DROUGHT** and **HELP US BREATHE**. Donate at OURCITYFOREST.ORG/DONATE or make checks payable to: Our City Forest. (EIN 77-0371911)

OUR CITY FOREST in SILICON VALLEY



Changing our city, one tree at a time.

Our mission is to **CULTIVATE** a green and healthy **SILICON VALLEY** by engaging

community members in the appreciation, protection, growth and maintenance of our urban ecosystem, especially our urban forest.

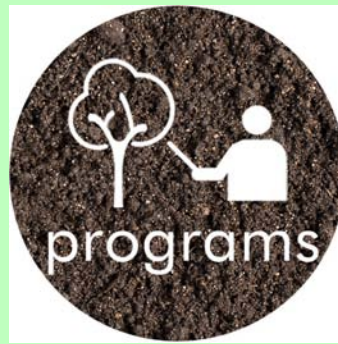


Making our city a community.

PLANTING Greening our neighborhoods, schools, parks, and businesses using the best practices;

COMMUNITY NURSERY & TRAINING CENTER

Home to thousands of plants, open to the public; **TREE CARE** Providing proper care and stewardship for healthy growth; **LAWN BUSTERS** Replacing thirsty lawns with drought-tolerant landscape for households in need. **EDUCATION & OUTREACH** Teaching and empowering our community; **CERTIFIED ARBORISTS** Ensuring the Right Tree for the Right Place to last generations. **WORKSHOPS & DEMOS** Providing expert-led training on planting, care and sustainability.



Let it grow.

TREES FOR ALL

Permitting and logistic help and planting assistance for those in need;

PLANET TREE

Environment

education to youth; **TREE AMIGOS** Dedicated volunteer training for urban forestry advocates; **VOLUNTEER** Opportunities for all ages to help their community and the environment.



Planting it forward.

2016 HARKIN EXCELLENCE IN AMERICORPS PROGRAMMING AWARD

Corporation for National and

Community Service **2011 EDUCATION INNOVATION AWARD** National Arbor Day Foundation; **2011 SILICON VALLEY WATER CONSERVATION AWARD SV** Water Conservation Coalition; **2010 CLEAN AIR AWARD** Santa Clara-San Benito American Lung Association; **2003 & 2007 GOLD LEAF AWARD** International Association of Arboriculture; **2002 PLANTING AMERICA'S FUTURE AWARD** National Tree Trust, Washington DC; **1997 COMMUNITY ENHANCEMENT AWARD** Acterra; **1996 PRESIDENT'S SERVICE CITATIONIST AWARD** Points of Light Foundation, Washington DC.

TOGETHER WE **GROW OUR COMMUNITY & HELP FIGHT DROUGHT.**

Thank you to our partners:



408.993.7337 • info@ourcityforest.org



TREES HELP *the* DROUGHT

Every tree counts. Especially now.

We're here to help you replant your lost tree. Contrary to popular belief, now is the most important time to plant trees. Help rejuvenate our community forest and protect against future drought and climate change.

BE WATERWISE & TREEWISE.

Trees save water.

Trees not only retain ground moisture, they lower city summer temperatures by 10°F average, meaning less evaporation.

Trees only need 10-15 gallons of water per week on average.

Tip: Collect 10 gallons easily with a bucket waiting for your shower to get hot!

Lawns use 1,800 gallons of water per week on average.

Convert 1,000 sq. ft. of lawn to water-saving landscape and save 650 gallons per week, plus you may be eligible for a \$2,000 rebate!

Trees clean & protect our waterways.

Trees reduce soil erosion, flooding and pollution.

For more info & sources visit ourcityforest.org.

USE WATER WHERE IT'S NEEDED MOST!

**OUR
CITY**



FOREST CAN HELP!

Proud partners with



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REPLANT *Your* TREE

The right tree. The right place. The right care.

Our City Forest can help every step of the way. Visit our nursery for drought-tolerant, nuisance-free trees and plants, talk to our arborists about questions and benefits, or attend a demo to learn proper planting and care. Our City Forest is a non-profit organization dedicated to the protection and promotion of urban forestry in Silicon Valley.

.....Nothing but Pure Good.....



Trees make your neighborhood safe.

Tree-lined streets reduce speeding & decrease crime rates.



Trees increase property value by 3 -15%.

This could mean \$100,000 per household in Silicon Valley!



Trees are beautiful.

The right tree in the right setting gives 40+ years of urban beautification, increased quality of life and reduced stress.



Trees make the air healthy.

Trees protect our lungs from harmful dust and pollutants.

.....

Let us help you replant your tree.

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OUR CITY FOREST



68,000+
TREES PLANTED

15-GALLON LARGE

90%
survival rate

884,000+

pounds of air
cleaned
per year



108,400+

Trees
Maintained
&
Managed



170,000+
VOLUNTEERS



COMMUNITY NURSERY
& TRAINING CENTER
opened 2012



PLANTED in

260+
SCHOOLS

27,000+
HOMES
& BUSINESSES

151+
PARKS

10 YEARS WITH
AMERICORPS
SERVICE MEMBERS



California Volunteers

Administered by California Volunteers and sponsored by the Corporation for National and Community Service.



Comanche Park in San José

Why Plant Trees?

San José's trees filter 750,000 tons of dangerous air particulates every year, decreasing rates of respiratory illness and heart disease. Trees also increase property values, lower energy bills, and manage stormwater which prevents flooding. Trees are such a good investment that we hope you will help us plant more by becoming a member of Our City Forest.

Other ways to get involved:

Volunteer with us!

ourcityforest.org/volunteer
volunteer@ourcityforest.org

Donate and grow with us!

ourcityforest.org/donate
408-998-7337

Visit the community nursery!

ourcityforest.org/nursery
treenursery@ourcityforest.org

Community Nursery & Training Center
1000 Spring St.
San José, 95110

Our City Forest Office
1590 Las Plumas Ave.
San José, 95133

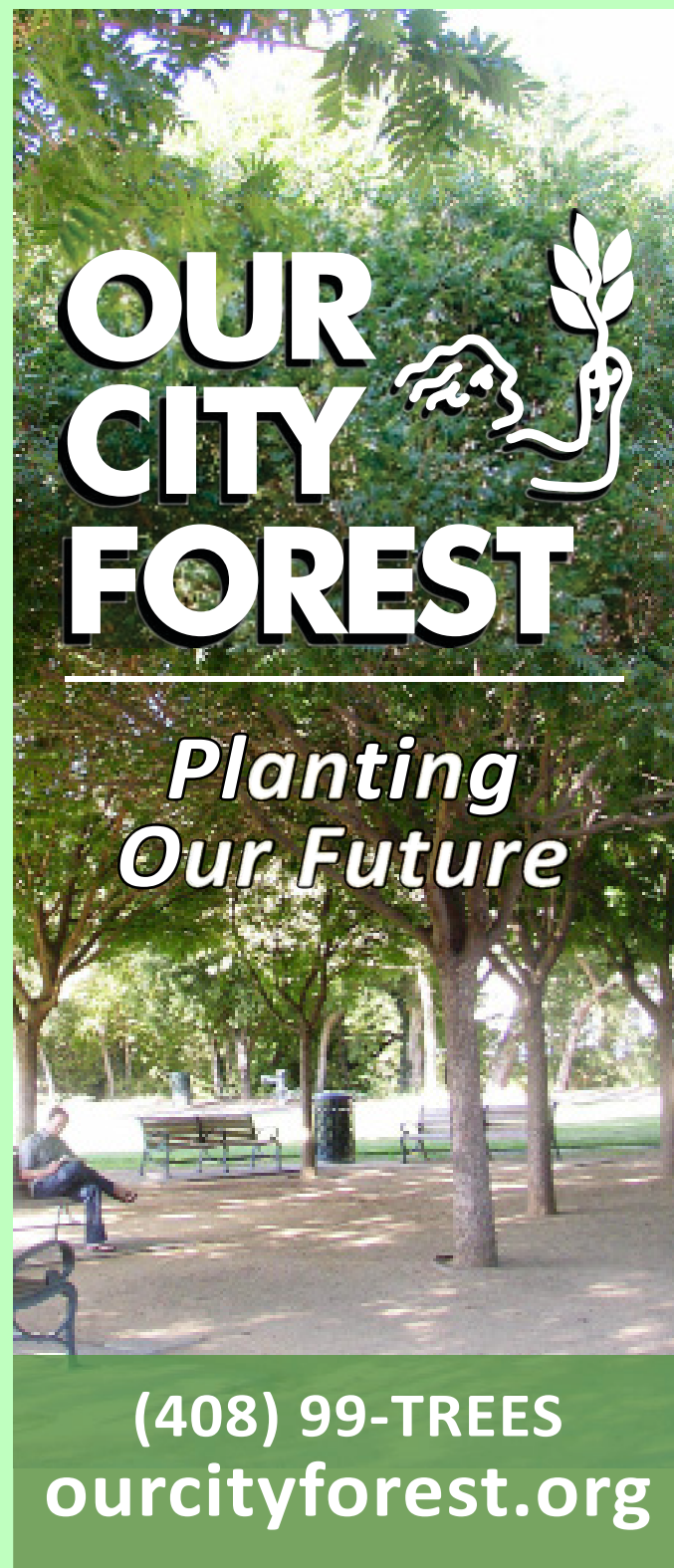


www.ourcityforest.org

Our City Forest is a 501(c)3 non-profit organization.

Tax ID (EIN): 77-0371911

Rev. 2/2017



OUR CITY FOREST



*Planting
Our Future*

(408) 99-TREES
ourcityforest.org

OUR CITY FOREST

Our programs help **YOU** help the environment.



Our City Forest has been Silicon Valley's nonprofit urban forestry and environmental stewardship leader since 1994. We believe in the **power of trees** to turn our neighborhoods and cities from gray to green, and we believe in the **power of people** to help achieve this transformation. Our City Forest invites **YOU** to join with us in appreciating, protecting, growing and caring for our urban forest.



Serve your community - help it grow!

Our City Forest AmeriCorps members **BUILD CAPACITY** in the communities of the Silicon Valley by **ENGAGING** volunteers and residents through:

- **EDUCATING** community members on best urban forestry practices and training them to be environmental stewards
- **CULTIVATING** plants and young trees at the community nursery
- **PLANTING** and **CARING** for trees in neighborhoods, schools, and parks
- **COMBATTING** the drought through water conservation efforts

OCF AmeriCorps members commit to 11 months of full-time service and receive a living stipend and an educational award.

To find out more information about the positions and upcoming start dates: visit www.ourcityforest.org/amicorps or email amicorps@ourcityforest.org

Thank you to our partners:



OUR CITY FOREST 

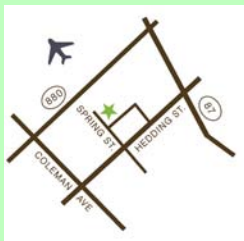
COMMUNITY NURSERY



& TRAINING CENTER

CA NATIVES • DROUGHT-TOLERANT PLANTS • GRASSES
YARD & STREET TREES • GROWDCOVERS • SUCCULENTS
WORKSHOPS • VOLUNTEER OPPORTUNITIES

OPEN HOURS: TH - SAT, 9AM - NOON



1000 Spring St.,
San Jose, CA, 95110

By the Coleman shopping center & San Jose Airport

ourcityforest.org/nursery

408.998.7337 x 119 | treenursery@ourcityforest.org



NURSERY

VOLUNTEER

OPPORTUNITIES



California
Volunteers



OUR
CITY
FOREST

VOLUNTEER WITH US: TH - SAT, 9AM - NOON

TRANSPLANTING • PROPAGATION • INVASIVE SPECIES REMOVAL
• PRUNING • NURSERY BEAUTIFICATION • LANDSCAPE
MAINTENANCE • SEASONAL PROJECTS • SOIL PREPARATION

STEP 1: Pick a day during our volunteer open hours that works for you/your group.

STEP 2: RSVP with your preferred date by email at:
nurseryvolunteers@ourcityforest.org

STEP 3: Once confirmed you will receive further instructions via email.

Have a special skill that isn't listed? Or want to help out more regularly?
Contact the Nursery Volunteer Coordinator to find out more.