



Memo

Date: September 6, 2018
To: State Coastal Conservancy Board
From: Sam Schuchat, Executive Officer
Mary Small, Deputy Executive Officer
CC: Oversight Members
RE: Coastal Conservancy Annual Financial Report

The state's fiscal year begins on July 1st and this is the annual financial report to the State Coastal Conservancy (Conservancy) to provide an overall picture of the agency's funding. The report is divided into two sections: Support Funding and Project Funding. The Support Funding section describes the funding and budget for the operation of the Conservancy (including salaries, benefits, rent, etc.) and an update to the Conservancy's Five Year Financial Plan. The Project Funding section provides an overview of funding for implementation of Conservancy projects and grants.

The Conservancy's financial situation improved significantly last year, with increased funding for both projects and operation. For project funding, there were two major events since last year's report. In June, California voters approved Proposition 68, a park bond, which will provide \$204.8 million to the Conservancy. Second, the U.S. Congress approved \$177 million to fund construction of the Shoreline Project in the South San Francisco Bay. This funding came after years of persistent effort by the Conservancy to obtain these federal funds.

There was also great progress in funding the Conservancy's operation. The state budget for FY 18/19 provides \$1.6 million in general operating support from the Environmental License Plate Fund to the Conservancy. This is the first significant general operating support that the Conservancy has received in over a decade and is an enormous step towards sustainable funding for the Conservancy's operations.

Support Funding

The Conservancy's support budget in the FY 18/19 Governor's Budget is \$10.593 million. This is an increase from the FY 17/18 budget, due to increases in salaries and benefits. The Conservancy is adding four new positions in FY 18/19, two project staff to work on the lower cost overnight accommodations program, one staff in procurement and one limited term position to work on levee construction at Bel Marin Keys. We have also requested creation of additional positions to help with the work load of implementing Prop 68, the park bond. In total, we expect to add eight positions.

The table below shows the actual expenditures for the Conservancy's operation for FY 14/15 through FY 16/17 and the budgeted amounts for FY 17/18 and 18/19. The Conservancy usually has some savings in its support budget at the end of the year. Due to the transition to the Fi\$CAL system, we do not have the actual expenditure numbers for FY 17/18 in time for this report. The Conservancy's budget has increased in recent years, but it is still less than it was in FY 08/09.

Support Budget

Coastal Conservancy Support Budget 2011–2018 (Dollars in 1,000s)

	14/15 Actual	15/16 Actual	16/17 Actual	17/18 BUDGET	18/19 BUDGET
Staff					
Salaries	\$4,493	\$4,630	\$4,580	\$4,983	\$5,515
Benefits	\$2,143	\$2,242	\$2,258	\$2,511	\$2,802
<i>subtotal - Staff</i>	<i>\$6,636</i>	<i>\$6,872</i>	<i>\$6,838</i>	<i>\$7,494</i>	<i>\$8,317</i>
Expenses					
Travel & Training	\$172	\$178	\$271	\$251	\$335
Facilities & Utilities	\$1,347	\$484	\$604	\$730	\$750
General Expense & Equipment	\$77	\$140	\$149	\$208	\$111
Printing, Communication & Mail	\$79	\$81	\$87	\$128	\$146
Consulting – interdepartmental	\$67	\$186	\$186	\$175	\$250
Consulting - external	\$243	\$291	\$247	\$300	\$350
<i>Centralized Costs</i>					
Data Processing	\$100	\$87	\$93	\$73	\$104
Pro Rata	\$190	\$228	\$7	\$131	\$159
SWCAP	\$8	\$17	\$18	\$22	\$42
<i>subtotal OE&E</i>	<i>\$2,283</i>	<i>\$1,692</i>	<i>\$1,655</i>	<i>\$1,887</i>	<i>\$2,247</i>
Total Budget	\$8,919	\$8,564*	\$8,493	\$9,381	\$10,564

* Does not include the \$1.1 million from the Coastal Resilience Account, budgeted as support dollars but spent to implement Climate Ready Projects.

Funding For the Support Budget

The Conservancy has diversified funding for its operation over the past five years; the result is a complicated support budget with fifteen funding sources in FY 18/19. However, the majority of the funding for the Conservancy's support budget continues to come from bond funds. The administrative as well as the planning and monitoring allocations of existing bond funds will provide about 60% of the Conservancy's support budget in FY 18/19.

The Conservancy received \$1.6 million from the Environmental License Plate Fund (ELPF) this fiscal year, which will pay for about 15% of its operating budget. This is the first significant support funding for general operations in a decade. For a sustainable budget, the Conservancy seeks to have non bond general operating support for 33% of its total budget. All other state conservancies receive between 35% and 71% of their support budgets from either ELPF or the General Fund.

A small percentage of all of the funds administered by the Conservancy are used to help pay for support costs, including the Habitat Conservation Fund, the Greenhouse Gas Reduction Fund, Sea Otter Account, and the Coastal Access Account. The percentages are relatively small but together these funds will provide about \$950,000 in FY 18/19.

The Conservancy has put significant effort into applying for outside grants to support our work. We have reorganized staff to improve our ability to apply for, receive, and manage incoming grants. Although there is annual fluctuation, we have significantly increased the amount awarded from incoming grants to pay for support costs. In 2009, the Conservancy received \$57,000 for support costs from incoming grants. In FY 17/18, the Conservancy received \$1,074,000 for support costs from grants and agreements. The largest single grant for staff time is from NOAA's grant to California for our work on the Coastal Zone Management Program. In FY 18/19, that grant will provide \$353,700 for staff work.

Finally, as described above, the Conservancy is providing staff to the SFBRA. The SFBRA paid \$504,000 for the Conservancy staff services last year and will provide another \$480,000 in FY 18/19. However, the SFBRA also reflects a significant increase in work load for our San Francisco Bay Program and we are adjusting staff resources to meet these needs.

Five Year Financial Plan

Below is a conceptual Five Year Financial Plan for the Conservancy's support budget. As in past years, this plan does not reflect funding that has been approved by the administration; it is a strategic document to show the Conservancy's plan for long term funding.

The plan is based on a few key assumptions. First, the plan assumes that support budget does not increase significantly beyond its current level. Second, the plan assumes a gradual increase in the ELPF funding for the Conservancy. This table shows that support funding from Proposition 12, Proposition 40, Proposition 50, Proposition 84, and the Habitat Conservation Fund will run out within the next five years. This plan also spends a significant amount of the balance of Proposition 1, Proposition 68 and the Coastal Conservancy Fund by FY 23/24.

Five Year Financial Plan 2018-2023
(\$ in thousands)

Fund	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
General Fund	275	275	-	-	-	-
Prop 12	756	756	756	756	-	-
ELPF	1,662	1,662	2,000	2,250	2,500	3,000
HCF	364	364	-	-	-	-
Coastal Conservancy Fund	755	500	500	500	500	500
Coastal Access	150	150	150	150	150	150
Federal Funds	569	569	569	569	569	569
GGRF	150	-	-	-	-	-
Prop 40	807	807	807	807	807	-
Prop 50	560	560	560	-	-	-
Prop 84	1,588	750	750	750	750	750
Prop 1	2,124	1,800	1,500	1,000	1,000	1,000
Prop 68	791	2,400	3,000	3,810	4,320	4,630
Sea Otter	13	13	13	13	13	13
Totals	10,564	10,606	10,605	10,605	10,609	10,612

Workload

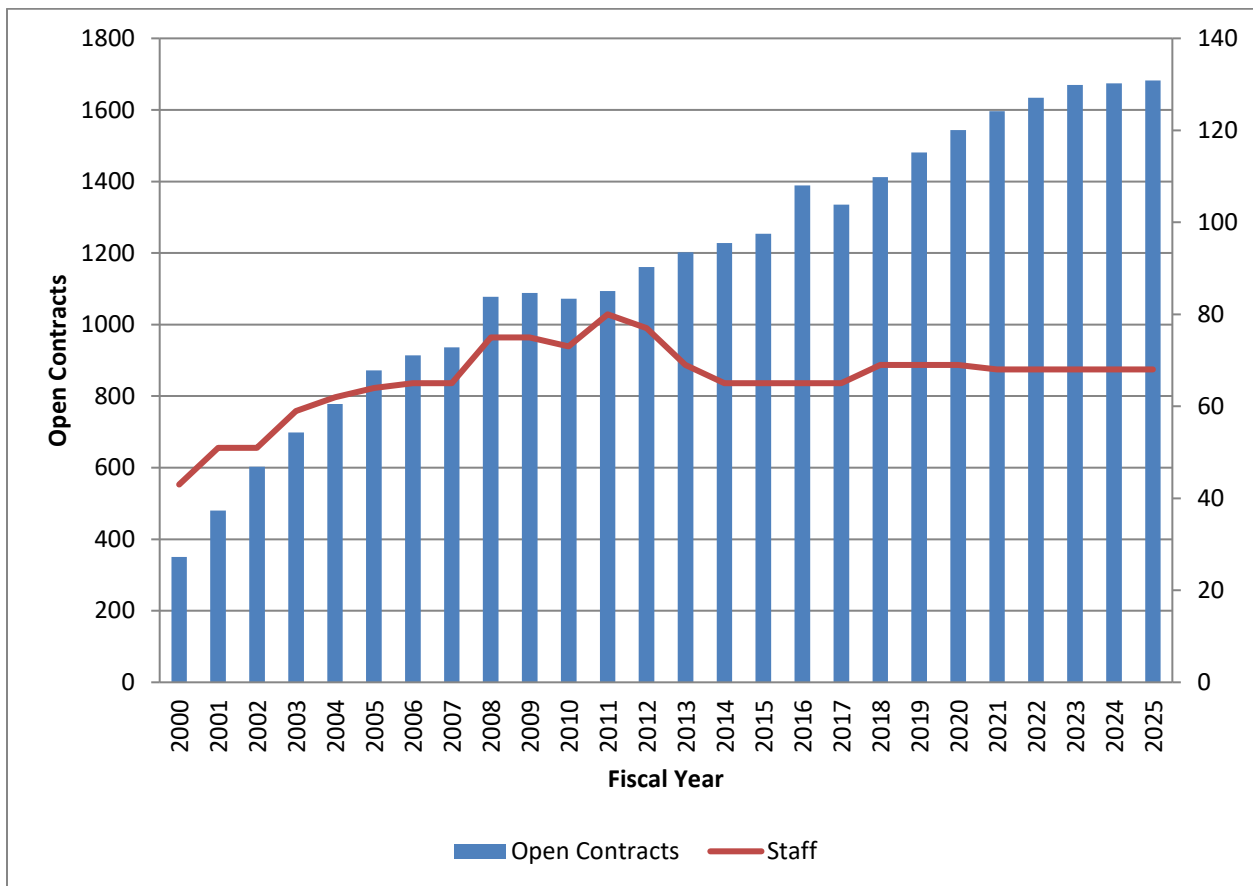
The Conservancy’s work load increased significantly last year due to a few major changes. First, we began using the state’s new accounting system, Fi\$CAL, on July 1, 2017. As we transitioned onto Fi\$CAL, there was significant additional work reconciling the old and the new systems. We hope this work load will be more manageable as we complete the transition, but in the long run Fi\$CAL requires more input by Conservancy staff and higher level skills for our procurement and accounting staff. We are adding staff and expect to upgrade some positions because of the complexity of work required to use the new system.

There have also been increases in the work load associated with our projects. In June 2016, the Conservancy entered into a Joint Powers Agreement to provide staff support to the San Francisco Bay Restoration Authority (SFBRA). Last year, Conservancy staff managed the first grant round and awards of the local Measure AA funds. The Conservancy will be filling a vacant position will be requesting a new position as part of implementing Proposition 68 to increase resources in the San Francisco Bay Area Program.

A new program was added to the Conservancy with AB 250, enacted in January 2018. This legislation created a lower cost coastal accommodations program. We are drafting a lower cost coastal accommodations plan, as required by the legislation, and have added two new project staff to work on implementing the program. Proposition 68 includes \$30 million to fund lower cost coastal accommodations.

The chart below shows the total number of open agreements and total number of staff from 2000 through 2016 and projected numbers through 2025 assuming modest staff increases. Many Conservancy contracts are open for 20 years during which time there are project monitoring requirements. Given the Conservancy’s responsibility for administering Proposition 1 and Proposition 68 funds, we expect that the number of open contracts will continue to increase through 2023; absent new funding the open contracts might begin to decrease after that time.

**Actual and Estimated Open Contracts Compared to Number of Staff
Fiscal Years 2000-2025**



Finally, Conservancy staff time for reporting, training, and interagency coordination has increased. Staff spend a significant amount of time coordinating with other agencies, tribes, and stakeholders; participating in California Natural Resource Agency working groups; reviewing and providing input into state plans, such as Safeguarding California; and leading regional planning and coordination such as the Southern California Wetland Recovery Project.

Project Funding

The Conservancy is a project implementation agency. Funding for projects are appropriated to the Conservancy as either local assistance or capital outlay and these funds are available for the purposes of making grants and entering into contracts.

During the past year significant new funding was made available for Conservancy projects. In June 2018, California voters approved Proposition 68, a park bond, which will provide \$204.8 million to the Conservancy. This is the first bond in a decade that includes funding for public access projects. Second, this summer, the Army Corps of Engineers approved \$177 million to fund construction of the Shoreline Project in the South San Francisco Bay. This funding came after years of persistent effort by the Conservancy to obtain these federal funds. In April 2018, the San Francisco Bay Restoration Authority awarded the first grants for projects using the Measure AA funds. Measure AA is a regional funding measure passed in 2016 that will provide \$25 million annually for San Francisco Bay restoration projects over the next 20 years. The Conservancy is managing those projects through our agreement with the SFBRA. Finally, Proposition 3 is a water bond on the November ballot. If approved, it would provide an additional \$475 million to the Conservancy and an additional \$200 million to the SFBRA.

The FY 18/19 state budget provides the Conservancy with more than \$112 million for the Conservancy to implement several programs and some specific projects. The table below provides a summary of the FY 18/19 appropriations for projects.

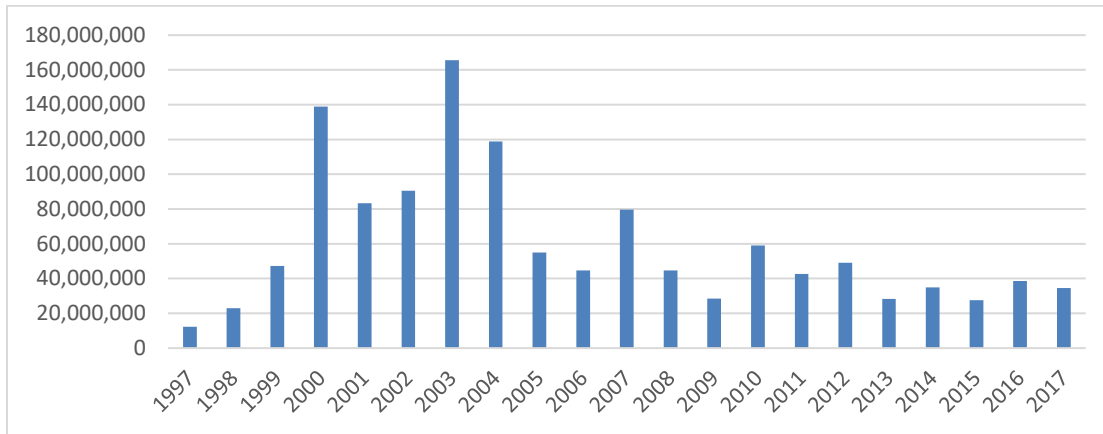
Coastal Conservancy Appropriations in 2018-19 State Budget (\$ in thousands)

Fund	Amount	Purpose
General Fund	21,400	various specific projects
Environmental License Plate and Coastal Access Account	825	Explore the Coast
Greenhouse Gas Reduction Fund	3,000	Climate Ready
Proposition 84	16,000	various programs
Proposition 1	8,600	Proposition 1 grants
Proposition 68	59,052	various programs
Sea Otter Fund	131	
Habitat Conservation Fund	3,636	
Total	112,644	

2017 Project Funding

The Conservancy authorized \$35.5 million for projects last fiscal year, a slight decrease from the \$38.7 million authorized the year before. The chart below shows the total amount that the Conservancy has authorized each fiscal year for the past twenty years.

Total Board Authorizations 1997-2017



The Conservancy reduced the number of Proposition 1 grant rounds last year, although more than half of the funding authorized (\$19.8 million) was from Proposition 1. The Conservancy also awarded grants from various other sources including Proposition 84, the Habitat Conservation Fund and the Coastal Trust Fund. The following table below shows authorizations by fund source for the past five years.

Total Board Authorizations by Fund Fiscal Years 2013 – 2017

Fund	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Proposition 1	0	0	6,160,000	21,901,980	19,828,000
Proposition 12	2,500,000	3,377,500	0	151,188	359,000
Proposition 19	0	0	0	0	889,000
Proposition 40	0	1,450,500	4,936,000	950,000	756,000
Proposition 50	0	5,961,024	330,000	175,000	0
Proposition 84	19,901,000	16,265,758	12,806,000	7,214,219	7,664,000
Habitat Conservation Fund	2,943,000	6,718,000	758,000	4,275,607	2,157,000
Violation Remediation Acct	1,035,000	0	0	161,000	123,000
Access, Whale Tail & ELPF	1,325,000	1,397,190	2,153,000	1,131,479	648,000
California Sea Otter Fund	130,000	118,000	118,000	117,800	90,000
Climate Resilience Account	0	1,100,000	0	0	0
Coastal Trust Fund	618,000	842,000	303,000	1,600,000	2,960,000
TOTAL	28,443,000	36,231,000	27,564,000	38,678,273	35,474,000

Future Project Funding

The Conservancy has about \$353 million remaining from all source of project funding. There is a total of about \$310 million for remaining from the Conservancy’s previous bond allocations, primarily Proposition 84 and Proposition 1. More than half of the remaining Proposition 84

funds are geographically focused. Funds in the Coastal Trust Fund and Violation Remediation Account may have very specific restrictions on spending. The table below shows these balances.

Available Conservancy Project Funds

<i>Bond Funds</i>		
	Proposition 1	39,000,000
	Proposition 12	11,200,000
	Proposition 40	0
	Proposition 50	0
	Proposition 68	189,400,000
	Proposition 84	70,000,000
<i>Other Funds</i>		
	Habitat Conservation Fund (sunsets 2019)	21,700,000
	Violation Remediation Account	5,000,000
	Coastal Trust Fund	16,600,000
TOTAL		352,900,000

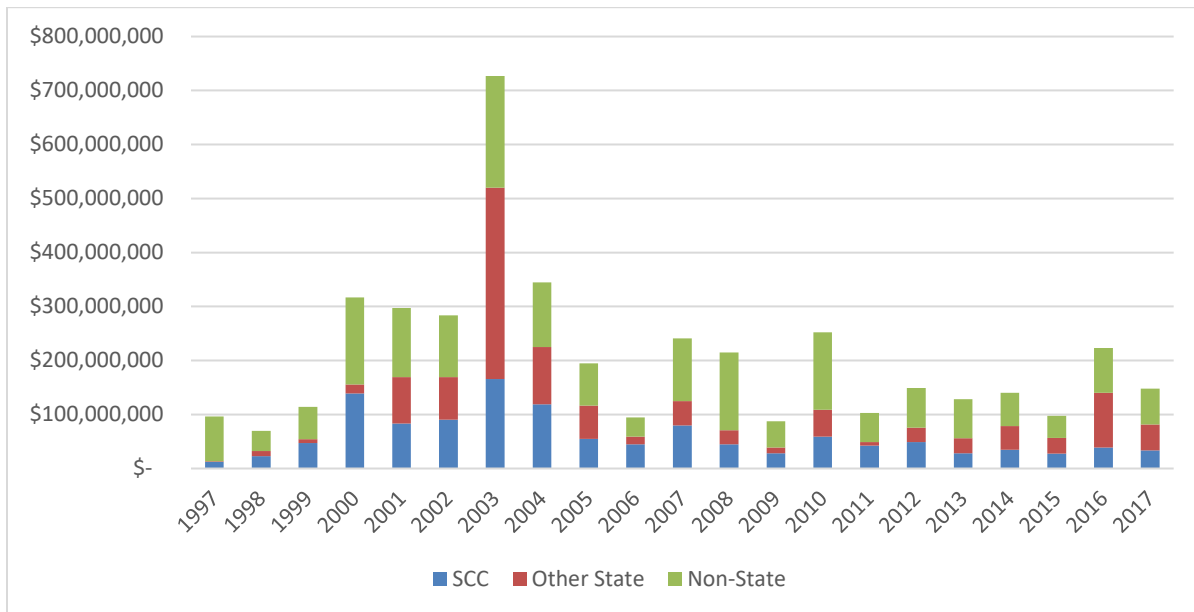
These balances show the total that is available to put into contract as of August 2018. It does not include the portion of bond funds planned for the Conservancy’s support budget or authorizations on the September agenda. The unencumbered balances may also under estimate the total available for future projects, because some encumbered funds will be reimbursed by outside grants to the Conservancy.

Matching Funds

Last year, the Conservancy authorized \$35.5 million for projects, which leveraged \$50.0 million in other state funds and \$66.3 million in non-state funds. In total, the Conservancy’s funding was matched about 3:1 last year.

Over the last 30 years, since 1985, the Conservancy has authorized \$1.38 billion for its projects. Those funds were matched by a total of \$3.43 billion. Matching funds came from other state sources (\$1.20 billion) as well as non-state sources including local, federal and private partners (\$2.23 billion). The chart below displays matching funds each year for the last 20 years.

**Matching Funds - Conservancy Authorizations
Fiscal Years 1997 - 2017**



Conservancy staff continues to actively pursue outside grants to fund our projects and our staff working on those projects. The table below summarizes the grants awarded during the last seven fiscal years. Between FY 10/11 and FY 12/13 we received more than \$18 million in grants for the San Clemente Dam project and more than \$10 million in Federal Recovery Act funds.

Last year, staff obtained grants of \$4.3 million for our projects and staff. This is significantly less grant funding for projects than in the prior year, in part because this year we assisted our partners in obtaining grant funding directly and several grants were awarded to project partners. For example, the Department of Fish and Wildlife awarded \$8.8 million to the Wildlands Conservancy for the Eel River Estuary project. As discussed above, the federal budget includes \$177 million for the Shoreline Project. These funds will not be granted to the Conservancy, but they will implement one of our projects and were approved due to our work. The Conservancy was also awarded \$950,000 from the Ocean Protection Council in July, this will be included in the FY 18/19 report. All of these grants will be expended over multiple years.

**Grant Funds Awarded to the SCC
(\$ in thousands)**

	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Project	4,149	13,872	17,367	25,038	4,888	4,223	15,271	19,983	3,328
Support	57	355	834	1,046	538	671	749	917	1,006
TOTAL	4,206	14,227	18,201	26,084	5,426	4,894	16,020	20,900	4,334

Disadvantaged Communities

For the past several years, the Conservancy has analyzed the total number of projects and the amount of its funding that has been awarded to projects located near or within a Disadvantaged Community. The table below includes more than 1,800 Conservancy projects since July 1, 2000 that used a variety of funding sources totaling more than one billion dollars in awards.

All Mapped Coastal Conservancy Projects Authorized July 1, 2000 – June 30, 2018

	Amount of Funding	% of Funds	# Projects	% of Projects
Inside Disadvantaged Community (DAC)	\$336,608,019	29%	647	36%
Inside or within ¼ mile of DAC	\$478,866,331	41%	812	45%
Inside or within 1 mile of DAC	\$573,996,261	50%	1035	57%
Outside 1 mile of DAC	\$583,396,636	50%	772	43%
TOTAL	\$1,157,392,897		1,807	

Proposition 1 funds are awarded through competitive grant rounds that give priority to projects located in Disadvantaged Communities. Based on review of the grant applications in the first nine grant rounds, fifty eight percent (58%) of the projects recommended for funding are located in a Disadvantaged Community. The definition of Disadvantaged Community in Proposition 1 is a community with an annual median household income that is less than 80 percent of the statewide annual median household income (Water Code § 79702(j)). Using this definition and the most recent census data, the table below shows the percent of projects and percent of funding located near or within a Disadvantaged Community.

Last year, the Conservancy received an appropriation of \$4 million of Greenhouse Gas Reduction Funds for its Climate Ready Program. As part of the solicitation, the Conservancy committed to awarding 75% of those funds to projects located in and benefitting Disadvantaged Communities. Those grants will come the Conservancy for consideration in December.