



Memo

Date: February 2, 2023

To: State Coastal Conservancy Board

From: Amy Hutzal, Executive Officer
Mary Small, Deputy Executive Officer

CC: Oversight Members

RE: Coastal Conservancy Annual Financial Report

This is the annual financial report of the State Coastal Conservancy (Conservancy). The purpose of the report is to provide the Conservancy Board and the public with an overall picture of the agency's funding. Unlike many state agencies, the Conservancy's funding is episodic, and this report provides an annual update of overall resources as well as an update to the Conservancy's Five Year Financial Plan. The Five Year Financial Plan is a conceptual roadmap for how the agency plans to fund its operation for the next five years.

The report is divided into two sections: Project Funding and Support Funding. The Project Funding section provides an overview of funding for the implementation of projects and grants. The Support Funding section describes funding for the operation of the Conservancy (including salaries, benefits, rent, etc.) and includes the Five Year Financial Plan.

Project Funding

Over the past two budgets, the Governor and Legislature have appropriated unprecedented resources to the Conservancy primarily to fund nature-based climate resilience. In the current year's budget (Fiscal Year (FY) 22/23), appropriations to the Conservancy totaled more than \$700 million, including \$547 million from the General Fund and \$117.5 million from the Greenhouse Gas Reduction Fund. Additional appropriations came from various sections of Prop 68, Prop 40, the Habitat Conservation Fund, the Coastal Access Account, the Environmental License Plate Fund, and the Sea Otter Fund.

On January 10, the Governor released his proposed budget for FY 23/24 (“Governor’s Budget”). To help address the significant declines in revenue and projected deficit, the Governor’s Budget revises some of the one-time appropriations from FY 21/22 and FY 22/23. However, more than \$500 million of the Conservancy’s funding from FY 22/23 is protected. The table below shows the original appropriations from the FY 22/23 budget and the amounts protected in the Governor’s Budget.

**FY 2022-2023 Budget Act Appropriations
to the Coastal Conservancy (\$ in thousands)**

Fund	Appropriated FY 22/23	Protected in FY 23/24
General Fund		
Climate Resilience	\$350,000	\$175,000
Acquisition - Sea Level Rise (SLR)	\$50,000	\$50,000
Nature Based SLR Adaptation	\$40,000	\$40,000
SF Bay Wetlands	\$11,000	\$600
Santa Monica Bay	\$10,800	\$10,800
Conservancy Programs - Wildfire	\$10,000	\$10,000
Santa Ana River	\$5,000	\$5,000
Specific Legislative Priorities	\$70,300	\$70,300
Greenhouse Gas Reduction Fund		
Nature Based SLR Adaptation	\$80,000	\$80,000
Public Infrastructure SLR Adaptation	\$37,500	\$37,500
Prop 68	\$19,800	\$19,800
Federal Trust Fund	\$10,000	\$10,000
Habitat Conservation Fund	\$3,800	\$3,800
Prop 40	\$2,359	\$2,359
Coastal Access	\$600	\$600
Environmental License Plate Fund	\$225	\$225
Sea Otter Fund	\$165	\$165
TOTAL	\$701,549	\$516,149

The Governor’s Budget calls for reversion of \$2.6 million of General Fund appropriated in FY 21/22 for Explore the Coast. This reversion is the entire remainder of the \$14 million appropriated two years ago.

Despite the projected decline in revenue, the FY 23/24 Governor’s Budget contains significant new appropriations for the Coastal Conservancy. The Governor’s Budget proposes more than

\$303.8 million for the Conservancy. A summary of the Governor’s Budget is shown in the table below.

**FY 2023-24 Governor’s Budget Proposed Appropriations
to the Coastal Conservancy (\$ in thousands)**

Fund	Total (\$K)
General Fund Appropriations	
Nature-Based Sea Level Rise	\$247,000
Wildfire Resilience	\$27,000
Climate Ready Program	\$300
Multi-benefit and Nature Based Solutions	\$ 10,000
Prop 68	\$14,723
Habitat Conservation Fund	\$3,800
Coastal Access	\$600
Environmental License Plate Fund	\$225
Sea Otter Fund	\$165
TOTAL	\$303,813

The Governor’s Budget proposal increases funding for nature-based sea level rise adaptation and wildfire resilience but does not include the \$297 million of coastal climate resilience funds referenced in previous budget bills. As mentioned above, it revises the \$350 million for coastal resilience in FY 22/23 to \$175 million. As a result, the Governor’s Budget shifts the Conservancy funding towards nature-based sea level rise adaptation and away from other program areas such as outdoor access and land conservation.

Future Project Funding

Beyond the Governor’s Budget, there is some funding available to the Conservancy from previous bonds and special funds. The Conservancy will receive future appropriations from the Habitat Conservation Fund until fiscal year 2029. Most of the funds in the Coastal Trust Fund, Violation Remediation Account, and Prop 84 are for specific geographies or purposes. Estimated future funding is shown below by fund.

Because of our success obtaining outside grants, the Conservancy has used bond funds to front reimbursements. When the grants are repaid, we repay the bond fund and those funds become available for future appropriation. The available bond balances are estimates as we reconcile past year expenditures and reversions. The table below does not include the approximately \$1 million in annual appropriations for the Explore the Coast program and the Sea Otter grants that come from special funds.

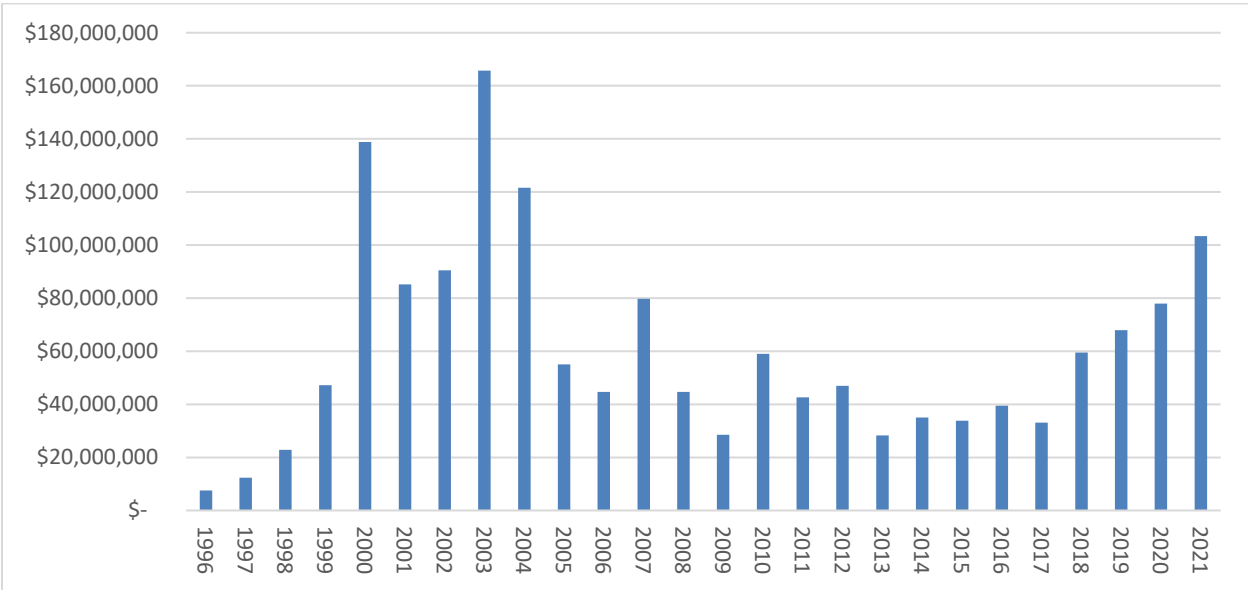
**Unappropriated or Available
Future Project Funds
(\$ in thousands)**

<u>Bond Funds</u>	
Proposition 68	\$14,600
Proposition 84	\$15,000
Proposition 1	\$1,800
<u>Other Funds</u>	
Habitat Conservation Fund (8 more years)	\$26,600
Violation Remediation Account	\$17,900
Coastal Trust Fund	<u>\$18,300</u>
TOTAL	\$94,200

Total Authorizations

In FY 21/22, the Conservancy authorized \$103 million for its projects, a huge increase from the nearly \$78 million authorized the year before. This includes \$38.8 million in funds that will be reimbursed from outside grants. The chart below shows the total amount that the Conservancy has authorized each fiscal year for the past twenty-five years.

Total Board Authorizations 1996-2021



There were three very large projects authorized by the Conservancy last fiscal year: \$10 million for the acquisition of the West Coyote Hills, \$10.5 million for the acquisition of Banning Ranch, and \$24.5 million for the Crystal Cove Cottages. The majority of the Crystal Cove funding is coming to the Conservancy from an interagency agreement with California State Parks. The

Conservancy also authorized \$13.5 million from the General Fund for specific legislative priority projects. In FY 21/22, more than half of the Conservancy’s authorizations were from the General Fund. The table below shows authorizations by fund source for the past five years.

**Coastal Conservancy Authorizations by Fund
Fiscal Years 2017 – 2021 (\$ in thousands)**

Fund	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
General Fund	-	19,810	5,924	11,314	55,928
Proposition 1	19,828	4,605	12,863	11,442	5,177
Proposition 12	359	6,970	1,149	1,872	297
Proposition 19	889	-	-	-	-
Proposition 40	756	-	-	-	-
Proposition 68	-	12,650	14,655	28,762	16,263
Proposition 84	7,664	3,725	8,610	8,800	5,712
Habitat Conservation Fund	2,157	2,573	19,205	3,411	10,068
Violation Remediation Acct	123	-	95	1,475	1,491
Access, Whale Tail, & ELPF	648	825	1,137	779	734
California Sea Otter Fund	90	118	165	80	52
CA Climate Investment (GGRF)	-	3,800	2,850	-	-
Coastal Trust Fund	2,960	4,462	1,336	10,047	7,625
TOTAL	35,474	59,539	67,989	77,982	103,347

Funding Benefiting Disadvantaged Communities

In the 2018 Strategic Plan, the Conservancy set an objective of spending 35% of our funds on projects that benefit disadvantaged communities. Since 2018, 37% of our funds have been awarded to projects that benefit disadvantaged communities.

Proposition 1 defined a Disadvantaged Community as 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)). These funds are awarded through competitive grant rounds that give priority to projects located in or benefitting Disadvantaged Communities. Fifty-two percent of Proposition 1 funds have gone to projects that benefit disadvantaged communities.

Proposition 1 Funding for Projects Benefiting Disadvantaged Communities

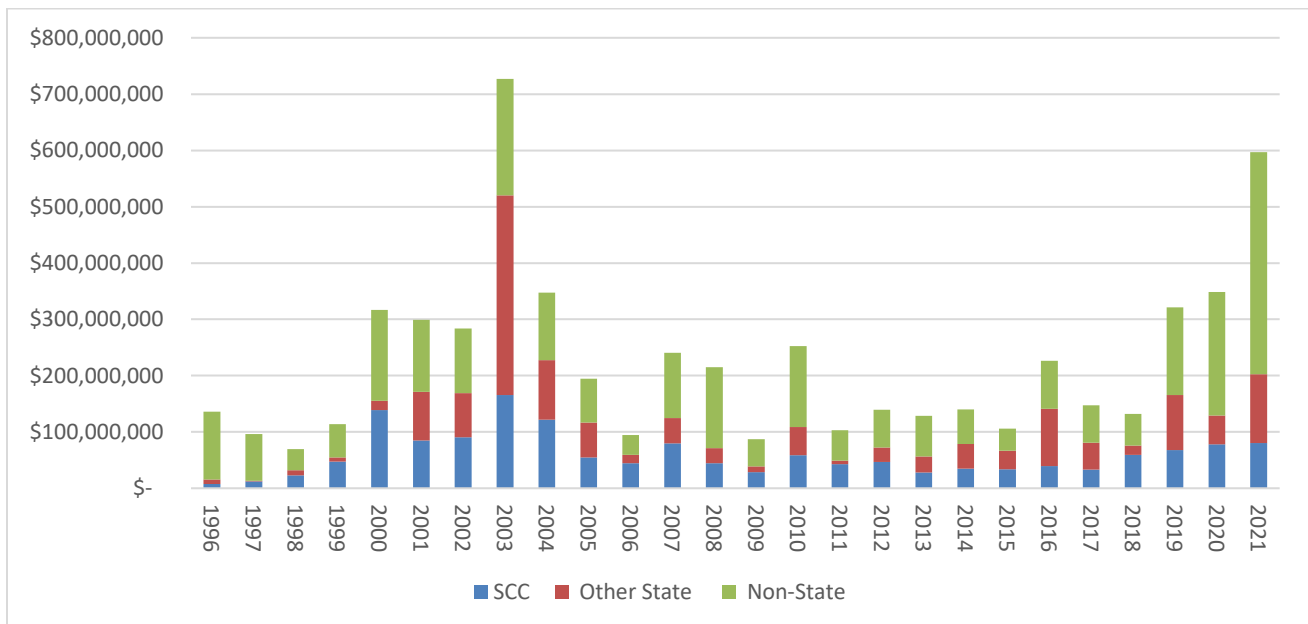
	Grants	Amount Awarded	% of #	% of \$
Projects in DAC*	96	\$ 41,647,786	60%	52%
Projects not in DAC	<u>65</u>	<u>\$ 38,056,411</u>	<u>40%</u>	<u>48%</u>
* includes partially in	161	\$ 79,704,198	100%	100%

Matching Funds

Last year, the Conservancy’s \$103.3 million for projects leveraged \$394.6 million in non-state funds. Conservancy funding was matched 3.8 to 1. Since 1985, the Conservancy has authorized about \$1.6 billion for its projects. Those funds were matched by a total of \$4.5 billion. Matching funds came from other state sources (\$1.5 billion) and non-state sources including local, federal, and private partners (\$3 billion). The chart below displays matching funds since 1996. Some projects have no match while other projects are highly leveraged. This can depend on the resources of the community, the grantee, and the availability of funding for that project. The Conservancy seeks to leverage our funds, while providing flexibility to disadvantaged communities and accommodating project needs.

Proposition 1 specifically calls for the Conservancy to prioritize projects that leverage other funds. For those grants, the Conservancy projects have leveraged \$1.77 for every dollar awarded. The section of Prop 68 that provided \$20 million for the purpose of San Francisco Bay restoration in accordance with the San Francisco Bay Restoration Authority Act and required that the Conservancy establish a matching grant requirement for a grant awarded pursuant to this paragraph. This requirement was included in the Conservancy’s Prop 68 Program Guidelines. The \$7.8 million awarded in funding from this section identified matching funds in excess of \$50 million.

**Matching Funds – Coastal Conservancy Authorizations
Fiscal Years 1996 – 2021**



Conservancy staff continue to secure outside funding for our projects and staff working on those projects. The table below summarizes the grants awarded during the last ten fiscal years. Last year, staff obtained grants of more than \$26 million for our projects and staff. This includes a single grant from California State Parks of \$21 million for Crystal Cove. Grants are typically expended over multiple years.

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

FY	Project	Support	Total
FY 09/10	\$2,375	\$28	\$2,403
FY 10/11	\$13,616	\$334	\$13,950
FY 11/12	\$11,853	\$400	\$12,253
FY 12/13	\$17,387	\$381	\$17,768
FY 13/14	\$7,642	\$856	\$8,498
FY 14/15	\$6,684	\$386	\$7,070
FY 15/16	\$8,485	\$664	\$9,149
FY 16/17	\$21,868	\$1,415	\$23,283
FY 17/18	\$3,038	\$1,059	\$4,097
FY 18/19	\$6,317	\$1,179	\$7,496
FY 19/20	\$8,520	\$594	\$9,114
FY 20/21	\$9,210	\$535	\$9,745
FY 21/22	\$26,130	\$664	\$26,794

The federal government has also committed significant funds to conservation through the Great America Outdoors Act, the Infrastructure Investment and Jobs Act, and the Inflation Reduction Act and through the annual appropriations process. Our staff have developed long-term partnerships with federal agencies, support Congressional efforts to expand federal funding for coastal conservation in California, regularly apply for federal grants, and will continue to identify and seek federal funding opportunities for our projects. We have a handful of restoration projects in San Francisco Bay that leverage federal funds through the US Army Corps of Engineers. We also have a history of successful applications to federal grant programs managed by NOAA, US EPA, and US Fish and Wildlife Service. For example, in January of 2023, the Conservancy was awarded a \$4 million grant from US EPA for a portion of the South Bay Salt Pond Restoration Project. In the spring of 2023, we intend to apply for NOAA coastal resilience funding for restoration projects. We annually apply for National Coastal Wetlands Conservation funds through the US Fish and Wildlife Service on behalf of project partners.

Outside grants increase the resources available to Conservancy projects and provide significant support for our operations. As shown in the table above, the Conservancy was awarded grants that will provide \$660K in support costs when those projects are completed. In addition, the

Conservancy receives approximately \$600K funding from the San Francisco Bay Restoration Authority for its role staffing the program.

Support Funding

The Conservancy’s support budget in FY 22/23 is \$16.3 million. This is an increase due primarily to the eleven new staff positions approved with the new project funding. About 80% of the support budget pays for salaries and benefits.

Coastal Conservancy Support Budget 2016–2022 (\$ in thousands)

Budget Categories	16/17 Actual	17/18 Actual	18/19 Actual	19/20 Actuals	20/21 Actuals	21/22 Actual	22/23 Budget
Salaries	\$4,630	\$5,155	\$5,691	\$7,592	\$5,760	\$6,416	\$6,619
Benefits	\$2,258	\$2,206	\$2,531	\$652	\$2,339	\$2,756	\$4,490
Expenses	\$1,655	\$1,937	\$2,142	\$1,969	\$1,675	\$1,823	\$5,213
Total Budget	\$8,493	\$9,297	\$10,365	\$10,573	\$9,774	\$10,995	\$16,322

The table above shows the actual expenditures for the Conservancy’s operation for FY 16/17 21/22, and budgeted amounts for FY. The Conservancy usually has savings in its support budget at the end of the year. The Conservancy’s budget decreased in 20/21 primarily due to the unpaid leave program and vacancies.

Funding Sources in the Support Budget

Recent General Fund appropriations have included allocations for the Conservancy support budget which has allowed the Conservancy to reduce its reliance on bond funds. The Conservancy’s support budget continues to be complicated and to rely on many different funding sources. The table below shows the types of funding sources that make up the Conservancy’s support budget in FY 22/23.

Funding Sources	Percent
Bond Funds (Props 1, 12, 40, 50, 68 and 84)	39%
Environmental License Plate Fund	23%
Reimbursements and Federal Funds	7%
Coastal Conservancy Fund	5%
General Fund	19%
Other Funds (HCF, Coastal Access, Sea Otter)	7%

Bond funds make up more than 1/3 of the funding in the Conservancy’s support budget. This includes the planning and monitoring and the administrative allocations in Propositions 1, 68,

and 84. Bond funds are finite and will run out over the next few years. The planning and monitoring funds need to be spent on project related costs, so the Conservancy uses them to pay for staff working on project planning, project development, project management and monitoring. While the support budget remains very reliant on bonds, we have been reducing the reliance of bond funds over the past five years. In FY 16/17, more than 70% of the Conservancy's support funding came from bonds.

The 22/23 budget includes \$3.220 million from the Environmental License Plate Fund (ELPF) for the Conservancy's support budget. This appropriation makes up 23% of the support budget and is critical to provide unrestricted operating funds. Other state conservancies receive between 35% and 71% of their support funds from either ELPF or the General Fund. In addition, the Conservancy has access to significant General Funds from the administrative allocations of those appropriations. This allocation of General Fund will be critical for the Conservancy's support budget over the next five years.

Outside grants and reimbursements account for 7% of the support budget. Conservancy staff put significant effort into applying for outside grants to support our work. Although there is annual fluctuation, we have significantly increased the amount awarded from incoming grants to pay for support costs. In FY 09/10 the Conservancy was awarded \$28K for support costs from all incoming grants. Last year, the Conservancy was awarded more than \$660K. In FY 21/22, the Conservancy billed outside sources more than \$1 million for its staff work; this includes more the \$600K for its work staffing the San Francisco Bay Restoration Authority (SFBRA).

Five Year Financial Plan

The Conservancy does not have a single, stable source of operating funding. For the past twenty years, staff have prepared and updated a conceptual Five Year Financial Plan. This plan does not reflect funding that has been approved by the administration; it is a strategic roadmap to show how the Conservancy could support its operation for the next five years. Actual funding always varies from the Five Year Financial Plan, but it is a useful guide to track the resources available and identify potential challenges.

The Five Year Financial Plan is based on an estimate of the expected actual support costs of the Conservancy. The plan assumes that support budget increases this current year as we finish filling vacant positions and then increases only slightly to reflect salary adjustments and other cost increases.

This year's plan assumes that the proposed Governor's Budget is adopted but that the allocations for program administration remain unchanged. The 5% allowed for administration of these large appropriations will allow the Conservancy to reduce its dependence on bond funds and sustain the current staff for five years. The General Fund is critical to the on-going funding of the agency, especially with the anticipation that older bonds will be closed out during the next five years.

Five Year Financial Plan 2021-2025
(\$ in thousands)

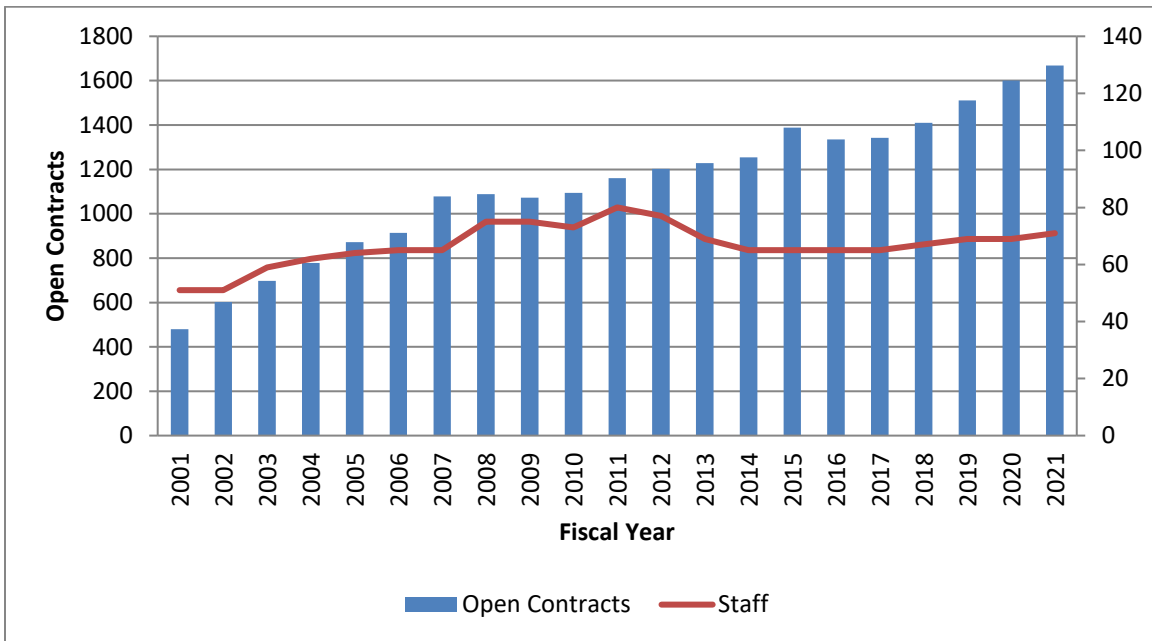
Fund	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28
General Fund	3,800	5,000	5,250	5,500	6,200	6,500
GGRF	1,500	1,300	1,200	-	-	-
Prop 40	800	800	-	-	-	-
Prop 50	550	550	-	-	-	-
Prop 84	750	750	1,150	1,000	-	-
Prop 1	500	500	500	750	750	750
Prop 68	1,500	1,000	2,000	3,000	3,450	3,300
ELPF	3,750	3,750	3,800	3,900	4,000	4,100
SCC Fund	800	800	800	800	800	800
Reimbursements	1,100	1,100	1,100	1,100	1,100	1,100
Other Funds	450	450	450	450	450	450
Totals	15,500	16,000	16,250	16,500	16,750	17,000

Staffing and Workload

In FY 21/22 the Conservancy had a total of 71 approved positions. Eleven new positions were added to the Conservancy in the FY 22/23 budget in response to the significant funding approved in FY 21/22 and 22/23. Most of the newly approved positions have been filled. The Conservancy management has been careful not to request new positions unless we are certain we have the long-term funding to support those positions.

During FY 21/22 our staff processed more than 1,200 invoices and managed more than 1,600 open contracts. One workload metric we use is the total number of open agreements and total number of staff. The chart below shows actual numbers from 2001 through 2021. Many Conservancy contracts are open for 20 years during which time there are project monitoring requirements. Given the project funding picture, we expect that the number of open contracts will continue to increase over the next few years.

Active Contracts v. Number of Staff Fiscal Years 2001-2021



Workload for our staff remains very high, between ongoing management of Conservancy-owned lands and Conservancy-led projects, initiatives to tackle issues facing the California coast, ongoing improvements to our grant processes, collaboration with our many partners, reporting requirements to several state agencies, and internal administration of the agency. During the past few years, staff has put significant effort into examining both internal and external work of the Conservancy to implement changes that improve equity and inclusivity in all our work. The recently adopted Strategic Plan also calls for our staff to provide more technical assistance. This work will continue, and implementing actions in support of the Justice, Equity, Diversity, and Inclusion Guidelines adds to overall workload. Last year, the Conservancy took over the management of the Great Redwood Trail. Two of our new positions are dedicated to that project full time. Another two positions are dedicated to wildfire resilience work, which has been a growing focus of the Conservancy over the past few years.