



Memo

Date: September 5, 2024

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. Because the Conservancy's funding is episodic, the report provides an annual update on the Conservancy's financial situation. Staff has presented this report to the Board every year since 2012. The report is typically presented at the first meeting in the state's Fiscal Year (FY) which runs from July 1 – June 30.

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 Conservancy projects and grants. The Support Funding section describes funding for the operation of the Conservancy (including salaries, benefits, rent, etc.) and 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.

Project Funding

Recently, the Governor and Legislature have appropriated unprecedented resources to the Coastal Conservancy to fund nature-based climate adaptation and sea level rise adaptation

projects. The table below shows the total **\$837 million** appropriated to the Conservancy over four budget years, divided by fund and purpose. The FY 24/25 budget include new appropriations of \$40 million from the Greenhouse Gas Reduction Fund for the future acquisition of Wild Cherry Canyon and \$5 million for the Great Redwood Trail. Due to the volatility of the state’s revenue, both FY 23/24 and FY 24/25 budgets modified prior year appropriations. The FY 23/24 budget reverted \$186 million, and the FY 24/25 budget reverted \$444 million of previously appropriated Conservancy funding, primarily General Fund appropriations for sea level rise adaptation and coastal resilience. The table below consolidates the reversions into one column.

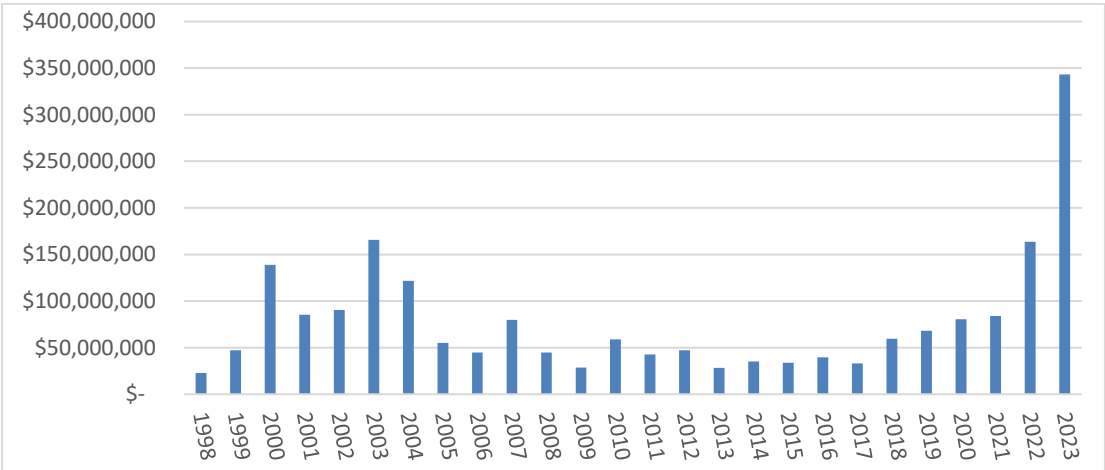
**Local Assistance Appropriations to the Coastal Conservancy
(\$ in thousands as of 7/1/2024)**

Fund	21-22	22-23	23-24	24-25	Reversions	Total
General Fund						
Climate Resilience		\$350,000			(\$189,467)	\$160,533
Sea Level Rise (SLR) Adaptation		\$40,000				\$40,000
Sea Level Rise and Coastal Resilience			\$548,000		(\$377,346)	\$170,654
Explore the Coast	\$14,000				(\$1,000)	\$13,000
SLR Acquisition		\$50,000			(\$50,000)	\$0
SF Bay Wetlands		\$11,000			(\$10,400)	\$600
Wildfire Resilience	\$10,000	\$10,000	\$27,000		(\$2,304)	\$44,696
Santa Ana River	\$14,000	\$5,000				\$19,000
Great Redwood Trail	\$10,300		\$1,500	\$5,000		\$16,800
Santa Monica Bay		\$10,800				\$10,800
West Coyote Hills	\$28,000					\$28,000
Specific Priorities	\$18,960	\$70,300	\$5,000			\$94,260
Greenhouse Gas Reduction Fund (GGRF)						
SLR Adaptation		\$80,000				\$80,000
Public Infrastructure SLR		\$37,500				\$37,500
Wild Cherry Canyon				\$40,000		\$40,000
Prop 40		\$2,359				\$2,359
Prop 68	\$23,693	\$19,873	\$14,723	\$0		\$58,289
Habitat Cons. Fund (HCF)	\$4,000	\$4,000	\$4,000	\$4,000		\$16,000
Violation Rem. Acct (VRA)	\$1,500					\$1,500
Misc (Access & Sea Otter)	\$990	\$990	\$990	\$990		\$3,960
TOTAL	\$125,443	\$691,822	\$601,213	\$49,990	(\$630,517)	\$837,951

Conservancy Authorizations

In FY 23/24, the Conservancy authorized \$343 million for its projects, the largest annual authorization total of the past 25 years and almost double the \$164 million authorized in FY 22/23. The chart below shows the total amount that the Conservancy authorized each fiscal year since 1998. The increased authorizations in FY 22/23 and FY 23/24 came from the appropriations for coastal resilience, sea level rise adaptation, and other priorities discussed above. Most of the General Fund and Greenhouse Gas Reduction Fund appropriations from the past three fiscal years have been authorized by the Board for projects.

Total Board Authorizations 1998-2023



The table below shows annual authorizations by fund for the past five years. In FY 23/24, 95% of the authorized funds were from the General Fund and the Greenhouse Gas Reduction Fund. This reflects enormous effort by the Conservancy staff to award these funds to urgent climate resilience projects. The table shows the shift from prior years where the Conservancy authorized more bond funds.

**Coastal Conservancy Authorizations by Fund
Fiscal Years 2019 – 2023 (\$ in thousands)**

Fund	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
General Fund	\$5,924	\$11,314	\$35,533	\$100,351	\$263,673
Proposition 1	12,863	11,442	5,177	660	-
Proposition 12	1,149	1,872	297	-	-
Proposition 40	-	-	-	-	1,113
Proposition 68	14,655	28,762	16,413	12,117	2,902
Proposition 84	8,610	8,800	5,712	8,226	2,566
HCF	19,205	3,411	9,808	1,008	422
VRA	95	1,475	1,491	223	-
Coastal Access & ELPF	1,137	779	734	149	792
Sea Otter Fund	165	80	52	273	174
GGRF	2,850	-	-	38,208	61,622
Coastal Trust Fund	1,336	10,047	8,363	2,300	9,777
TOTAL	\$67,989	\$77,982	\$83,580	\$163,515	\$343,051

Funding Benefiting Disadvantaged Communities

In its Strategic Plan, the Conservancy set an objective of spending 40% of our funds on projects that benefit systemically excluded communities. The Conservancy's Strategic Plan was adopted in December of 2022 and covers the calendar years 2023-2027. Since we began tracking under that Strategic Plan, 66% of the funding awarded by the Conservancy has gone to projects that benefit systemically excluded communities.

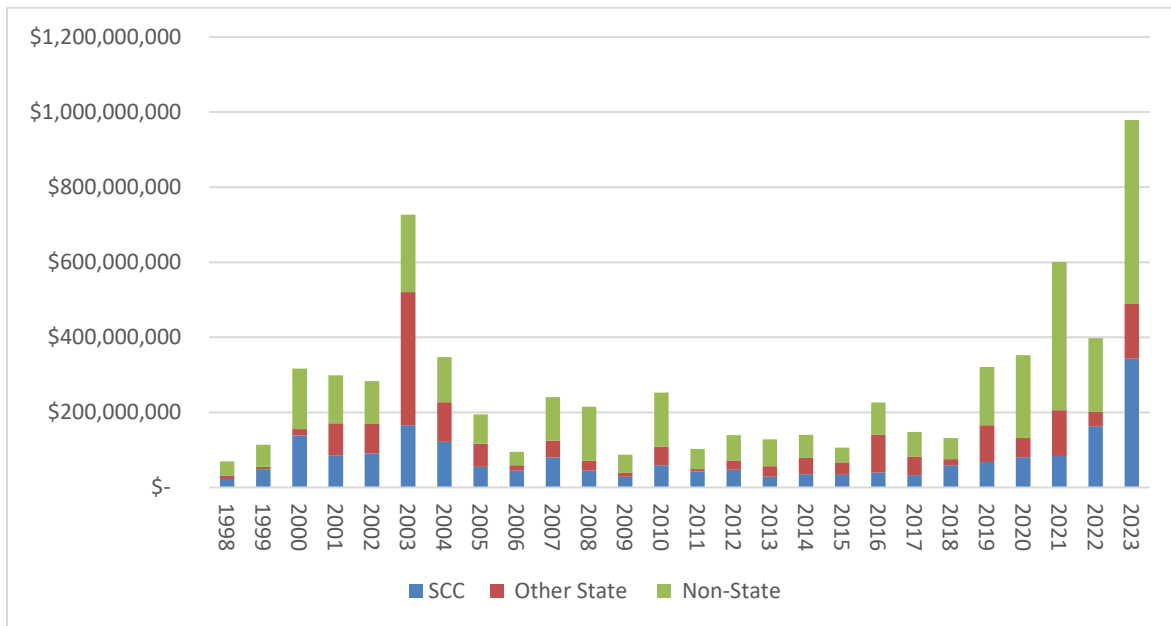
The Conservancy has been tracking projects that are located in or benefit Disadvantaged Communities (DAC) since 2018. A Disadvantaged Community is a community with an annual median household income that is less than 80 percent of the statewide annual median household income. Since 2018, 55% of the Conservancy's funding has gone to projects located in or benefitting DACs.

Proposition 1 requires that its funds be awarded through competitive grant rounds that give priority to projects located in or benefitting Disadvantaged Communities. Fifty-two percent of Proposition 1 funds were awarded to projects that benefit disadvantaged communities.

Matching Funds

Last year, the Conservancy’s \$343 million in authorizations leveraged \$145.5 million in other state funds and \$490.2 million in non-state funds. Since 1985, the Conservancy has authorized about \$2.1 billion for its projects. Those funds were matched by a total of \$5.4 billion. Matching funds came from other state sources (\$1.7 billion) and non-state sources including local, federal, and private partners (\$3.7 billion). The chart below displays matching funds since 1998.

**Matching Funds – Coastal Conservancy Authorizations
Fiscal Years 1998 – 2023**



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 Prop 1 grants, the Conservancy projects have leveraged \$1.77 for every dollar awarded.

Conservancy staff have applied and continue to apply for external grants as they become available. Our staff wrote 20 grant proposals last year. The federal government has significant funding for conservation work through the Great America Outdoors Act, the Bipartisan Infrastructure Investment and Jobs Act, and the Inflation Reduction Act. The table below summarizes grants awarded to the Conservancy during the last ten fiscal years. In FY 23/24, staff was awarded \$42.3 million in outside grants from a variety of sources, primarily federal grant programs. The Conservancy was awarded \$16 million for the restoration of Carmel River floodplain in two separate awards. These grants will be expended over multiple years.

As discussed in the next section, external grants are an important part of our long-term financial strategy and help pay for our support costs. For several years, we have worked to increase the number and amount of grant funds awarded to support our projects and our staff. In FY 2009/10, the Conservancy was awarded \$28K in grant funds to support staff. Last fiscal year, the Conservancy was awarded \$1.6 million for support costs.

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

FY	Project	Support	Total
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	\$11,092	\$1,085	\$12,177
FY 20/21	\$9,189	\$1,208	\$10,297
FY 21/22	\$34,130	\$2,157	\$36,287
FY 22/23	\$23,303	\$4,662	\$27,966
FY 23/24	\$40,698	\$1,613	\$42,310

Use of Delegated Authority to Accept Grants

The Executive Officer has delegated authority to add state or federal grant funds to Board authorized projects when the expenditures were anticipated in the staff recommendation for the project and do not require adoption of findings under the California Environmental Quality Act. The delegation requires an annual report of projects using the authority. Here are the projects that used that authority in the past year:

Project Name	Grant Amount	Source
Elkhorn Slough National Estuarine Research Reserve (NERR) Infrastructure and Conservation Project	\$368,000	National Oceanic and Atmospheric Administration (NOAA)
Elkhorn Slough NERR– North Marsh	\$300,000	NOAA
Regionally Advancing Living Shorelines	\$2,924,994	US Environmental Protection Agency
Regionally Advancing Living Shorelines	\$925,027	National Fish and Wildlife Foundation

Future Project Funding

The timing of the recent General Fund and Greenhouse Gas Reduction Fund appropriations were very fortunate, as most of the available bond funds have already been appropriated to the Conservancy. The amount of future project funding available to be appropriated to the Conservancy is significantly less than the past few fiscal years. The Board has authorized most of the one-time General Fund and Greenhouse Gas Reduction Fund and there are limited remaining bond fund.

The Conservancy has and continues to receive funds into the Violation Remediation Account and the Coastal Trust Fund. Often the funds are for mitigation or permit requirements, almost all of the funds are for specific geographies or purposes. The Conservancy will also continue to receive a \$4 million annual appropriation from the Habitat Conservation Fund until fiscal year 2029.

With our success obtaining outside grants, the Conservancy has used some bond funds to front reimbursements. As those projects are completed and the external grants are paid, the Conservancy will repay the bond fund making funds available for new projects. In addition, some prior bond balances have reverted without expenditure. As a result, the Conservancy expects to have some future appropriations from some of the older bond funds.

Support Funding

The Conservancy’s support budget in FY 24/25 is \$14.9 million. These are the funds that pay for the Conservancy’s operation. About 80% of the support budget is salaries and benefits. The table below shows the actual expenditures for the Conservancy’s operation for the past five years and budgeted amounts for the current year.

**Coastal Conservancy Support Budget 2019–2024
(\$ in thousands)**

Budget Categories	19/20 Actuals	20/21 Actuals	21/22 Actuals	22/23 Actuals	23/24 Actuals	24/25 BUDGET
Salaries	\$7,592	\$5,760	\$6,353	\$6,619	\$7,431	\$7,102
Benefits	\$652	\$2,339	\$4,340	\$4,490	\$3,414	\$4,432
Expenses	\$1,969	\$1,675	\$3,987	\$5,213	\$3,474	\$3,359
Total Budget	\$10,573	\$9,774	\$14,680	\$16,322	\$14,319	\$14,893

The Conservancy’s budget decreased in FY 20/21 due to the unpaid leave program and vacancies. Salaries increased in FY 21/22 and 22/23 as the unpaid leave program ended and we filled positions. In FY 23/24, salaries increased again under new labor contracts. The FY 24/25

budget reflects the Governor's Budget and does not include any reductions that will be required as part of the ongoing initiatives to enact savings.

Funding Sources in the Support Budget

The Conservancy has diversified the funding sources in its support budget over the past several years. The funding sources in the Conservancy's support budget reflect a long-term effort to reduce dependence on bond funds and to collect outside funds to support our agency. The result is a complicated support budget with more than a dozen funding sources. Recent one-time General Fund and Greenhouse Gas Reduction Fund appropriations have allowed the Conservancy to shift away from bond funds to, at least temporarily, use the support funds associated with these other sources.

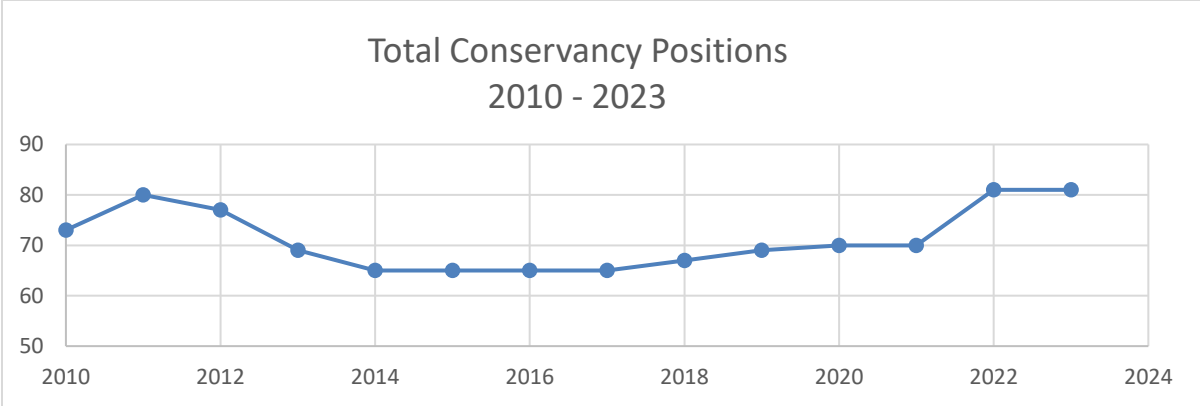
Bond funds are still an important source of funding in the Conservancy's support budget. This includes the planning and monitoring and the administrative allocations in Propositions 68 and 84. The planning and monitoring funds need to be spent on project-related costs, so the Conservancy uses them to pay for staff working on project planning, project development, project management and monitoring. The existing bond funds are finite and will run out over the next few years.

Outside grants and reimbursements account for about 11% 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, was awarded \$1.5 million for support costs from all incoming grants. Most grants are billed over multiple years.

There are a couple significant ongoing agreements that support Conservancy staff. The Conservancy has an agreement with the San Francisco Bay Restoration Authority which provides \$825K for the Conservancy's staffing of that agency. The Conservancy also receives about \$400K in annual funding from the National Oceanic and Atmospheric Administration for the Conservancy's work as part of the state's Coastal Zone Management Program.

Staffing and Workload

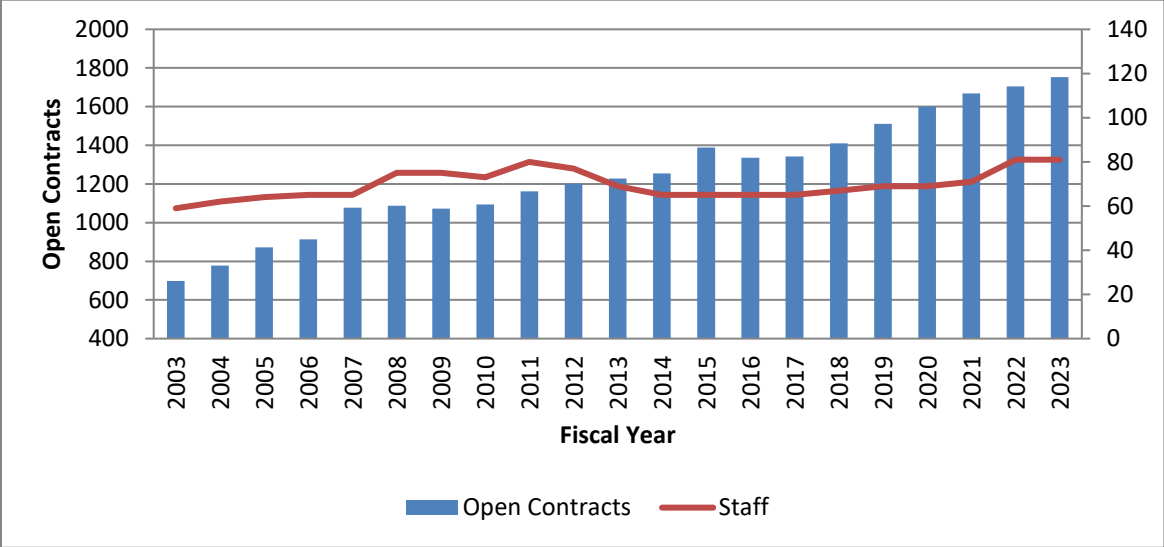
In FY 22/23, we added eleven new positions, bringing the total staff to 81. This was the first major increase in staffing since 2011. The new positions allowed us to create one specialist position focused on Environmental Justice and Tribal Engagement, increased the number of project managers, and increased staff in administration. Conservancy management has been careful not to request new positions unless we have the long-term funding to support those positions. The chart below shows the total number of Conservancy positions for between 2010 and 2023.



Workload

One workload metric is the total number of open agreements and total number of staff. The chart below shows actual numbers from 2000 through 2023. Many Conservancy contracts are open for 20 years during which time there are project monitoring requirements. Given the number of projects authorized in the past few years, 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 2003-2023**



Open contracts are one measure of workload, but there are other important factors that drive workload. During the past few years, staff from across the agency have put significant effort into examining both the internal and external work of the Conservancy to implement changes that improve equity and inclusivity in all our work. This work will continue, and implementing

actions in support of the Justice, Equity, Diversity, and Inclusion Guidelines adds to overall workload.

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 necessarily 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 for operations of the Conservancy and identify potential challenges.

**Five Year Financial Plan 2024-2028
(\$ in thousands)**

Fund	FY 24/25	FY 25/26	FY 26/27	27/28	28/29	29/30
General Fund	4,000	3,200	4,200	4,900	4,700	5,800
GGRF	1,200	1,500	1,500	1,000	1,000	1,500
ELPF	4,000	4,500	4,500	4,500	4,500	4,500
HCF	200	200	200	200	200	200
Coastal Conservancy Fund	-	550	550	550	750	850
Coastal Access	150	150	150	150	150	150
Federal Funds	600	600	600	600	600	600
Reimbursements	1,100	1,100	1,100	1,100	1,100	1,100
Prop 40	200	-	-	-	-	-
Prop 50	500	500	-	-	-	-
Prop 84	1,500	1,500	1,500	-	-	-
Prop 1	750	700	700	-	-	-
Prop 68	800	1,000	1,000	3,500	4,000	2,800
Totals	\$15,000	\$15,500	\$16,000	\$16,500	\$17,000	\$17,500

The table assumes that the support budget remains largely flat, however the plan includes an approximately 3% annual increase to account for increased costs of salaries and benefits. This year’s plan allocates the recent General Fund and Greenhouse Gas one-time support appropriations over the next six years. These funds will be critical to the on-going funding of the agency as the bond funds that have made up the bulk of our support budget are expended. The plan also assumes that the Conservancy will continue to receive annual support funds from the Environmental Licenses Plate Fund and reimbursements for support costs from incoming grants. Given those assumptions, the Conservancy is in a relatively strong position to maintain its operations for the next five years.