



# Memo

Date: October 2, 2014  
To: State Coastal Conservancy Board  
From: Sam Schuchat, Executive Officer  
Mary Small, Deputy Executive Officer  
CC: Oversight Members  
RE: Coastal Conservancy Financial Report

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The state's fiscal year began on July 1<sup>st</sup>. This is the annual financial report to the Coastal Conservancy that provides an overview of the past year's expenditures and an overall picture of the agency's funding. This report is divided into two sections: 1) Support Funding and 2) Project Funding. The support funding section describes the budget for the operation of the Conservancy (including salaries, benefits, rent, etc.) and progress implementing our Long Term Financial Plan. The project funding section describes funding available for implementation of Conservancy projects and grants.

## **Support Funding – Long Term Financial Plan**

At the direction of the legislature, the Conservancy developed a funding plan for the operation of the agency from 2013 – 2023, assuming there were no new bond funds. This plan is a roadmap for funding sustainability for the agency and we assumed in 2013 that it would be a living document that would be adjusted as we moved forward. After the fall election, we will update the Long Term Financial Plan so that it provides a roadmap for the agency's ongoing operation through 2025.

The Conservancy failed to obtain non-bond state funding for the agency's operation in the fiscal year 14/15 budget. The Long Term Financial Plan assumes the Coastal Conservancy would be funded like the other state conservancies, with funding from the Environmental License Plate Fund (ELPF) to cover a portion our operations. The plan initially plans on \$1.5 million of ELPF, increasing to \$3 million in FY 19/20. Currently, the Conservancy does not receive any ELPF for its operations.

The Conservancy made significant progress implementing other elements of the Long Term Financial Plan last year, specifically we increased support funding from incoming grants, diversified our support funding, and reduced our operating budget.

***Incoming Grants***

The Conservancy continued to apply for and receive outside grants to support our work. We reorganized staff assignments to improve our ability to apply for, receive and manage incoming grants. Our staff has been very successful in our grant applications. As shown in the table, we have dramatically increased the amount awarded from incoming grants to pay for staff and operating costs in recent years.

Fiscal Year	Grants for Support
2009/10	\$57,500
2010/11	\$355,000
2011/12	\$834,000
2012/13	\$1,046,000
2013/14	\$538,000

***Diversifying Support Funds***

Last year the Conservancy received approval to take a small percentage of various funds to cover the costs of managing those funds, including 5% of the Habitat Conservation Fund and 10% of the Violations Remediation Account, Sea Otter Account and newly created Coastal Resilience Trust Fund. While the percentages are relatively small, together these funds will provide about \$515,000 for operations in FY 14/15.

***Reducing Operating Budget***

Since FY 08/09, we have reduced our annual operating budget by almost 33% from \$11,882,000 to \$8,098,000 last year. The most significant reductions have been in salaries and benefits which make up about 65% of our total support budget. We have reduced our authorized positions from a high of 81 in FY10/11 to 65 positions this fiscal year. The reduction includes 8 Ocean Protection Council positions moved to the Natural Resources Agency last year and 8 Conservancy positions that were voluntarily abolished. We have also reduced travel, communications and consulting expenses. The following table shows the actual expenditures for the Conservancy’s operation for the last six fiscal years and the budget for the current fiscal year.

The budget for this fiscal year is higher than last year because it includes additional funding for the cost of moving our agency from its current office to the state building. The Conservancy’s received approval of a General Fund appropriation to cover the one time cost of the move and the ongoing costs of the associated rent increase.

**Coastal Conservancy Operating Budget 2008–2014**  
(Dollars in 1,000s)

	08/09 Actual	09/10 Actual	10/11 Actual	11/12 Actual	12/13 Actual	13/14 Actual	14/15 Budget
<b>Staff</b>							
Salaries	5,138	4,595	4,674	4,883	4,618	4,502	4,821
Benefits	1,728	1,772	2,206	2,446	2,008	1,859	1,649
<i>subtotal - Staff</i>	<i>6,866</i>	<i>6,367</i>	<i>6,880</i>	<i>7,329</i>	<i>6,626</i>	<i>6,361</i>	<i>6,470</i>
<b>Expenses</b>							
Travel In State	320	288	217	231	181	194	221
Travel Out of State	12	10	4	4	4	8	11
Training	3	15	4	3	2	3	15
Facilities & Utilities	570	495	467	449	435	465	729
General Expense & Equipment	160	195	201	193	142	178	563
Printing, Communication & Mail	170	161	116	110	85	78	179
Consulting – interdepartmental	294	364	238	274	687	116	802
Consulting - external	3,055	1,013	715	837	276	493	751
<i>Centralized Costs</i>							
Data Processing	114	157	165	152	97	164	197
Pro Rata	313	356	706	644	621	21	190
SWCAP	6	38	12	8	-	8	8
<i>subtotal OE&amp;E</i>	<i>5,016</i>	<i>3,090</i>	<i>2,846</i>	<i>2,905</i>	<i>2,530</i>	<i>1,728</i>	<i>3,666</i>
<b>Total Budget</b>	<b>11,882</b>	<b>9,457</b>	<b>9,726</b>	<b>10,234</b>	<b>9,156</b>	<b>8,089</b>	<b>10,136</b>

## **Project Funding**

The Conservancy is a project implementation agency. Funding for projects are appropriated to the Conservancy for the purposes of making grants and entering into contracts; they are not used for our operating costs. There are three types of funding available to the Conservancy to fund projects: Bond Funds, Annual Appropriations and Coastal Trust Funds. A detailed description of each of fund and remaining balances is provided in Attachment 1.

### **How much funding do we have?**

Over the past decade, the vast majority of the funds available for Conservancy projects have come from voter approved bond measures. As shown below, four bond measures approved by the voters since 2000 included nearly \$1 billion for Conservancy projects. The remaining balances are based on an estimate of the balance in the bond rather than current appropriations; as in past reports we have included anticipated future appropriations of bond funds in these totals. These totals do not include pending reimbursements. The Conservancy has about \$154 million remaining in bond funds. Each bond act included specific language governing the use of its funds. In many cases, funds are restricted to specific geographic areas or specific projects. About half of the remaining funds are subject to these restrictions; see details in Attachment 1.

Bond	Total Available to Conservancy	Estimated Balance July 1, 2014
Prop 12	\$250,400,000	19,500,000
Prop 40	\$240,000,000	16,000,000
Prop 50	\$140,000,000	16,000,000
Prop 84	\$360,000,000	102,500,000
<i>TOTAL</i>	<i>\$990,400,000</i>	<i>154,000,000</i>

In addition to the bond funds, the Conservancy receives annual appropriations from other sources for its projects. These sources include the Habitat Conservation Fund (HCF), the Coastal Access Account, the California Beach and Coastal Enhancement Account and the Sea Otter Funds. The Conservancy receives occasional appropriations from the Violation Remediation Account which comes from fines levied by the Coastal Commission against violators of the Coastal Act.

Last year the legislature created the Climate Resilience Account in the Coastal Trust Fund for coastal zone management planning and implementation activities to address the risks and impacts of climate change, sea level rise, and associated extreme events to coastal and bay communities and natural resources. Funds are to be used to support project implementation, capital outlay, and local assistance grants with up to 10 percent available for administrative costs. The funds deposited in the account are divided between the Coastal Commission (20%), BCDC (20%) and the Conservancy (60%). The Conservancy receives the largest share because it is the Coastal Zone Management Agency charged with project implementation. In the FY 14/15

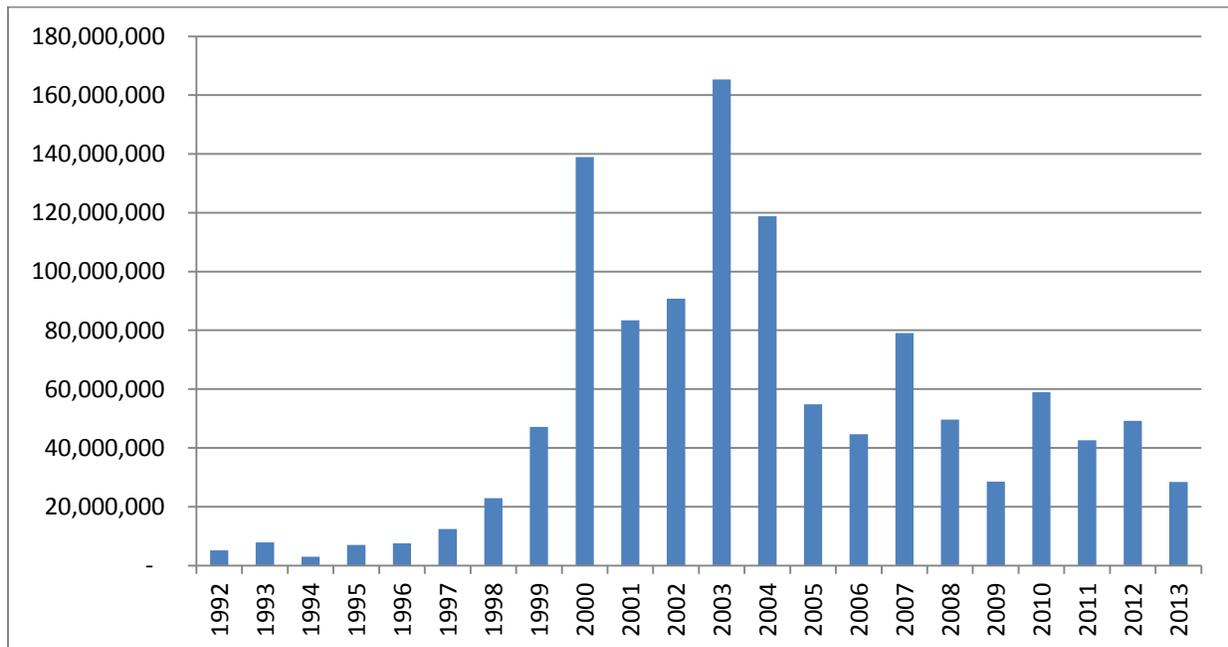
Budget Act, the Legislature appropriated \$2.5 million into the Climate Resilience Account, of which \$1.5 million is available to the Conservancy.

	Balance July 1, 2014
Habitat Conservation Fund	21,500,000
Coastal Access Account	890,000
California Beach & Coastal Enhancement Account	1,330,000
Violation Remediation Account	1,500,000
Sea Otter Fund	130,000
Coastal Trust Fund, Climate Resilience Account	1,500,000
<i>TOTAL</i>	<i>23,730,000</i>

**How much did we spend last year?**

The Conservancy authorized \$28.4 million of its funds for projects last year. This is a decrease from the \$48.5 million authorized the year before. As discussed in the Strategic Plan and the Long Term Financial Plan, the Conservancy has slowed the pace of its spending due to the uncertainty of future funding. The chart below shows the total amount that the Conservancy has authorized each fiscal year since 1992. Although not included in the chart, the Conservancy typically authorized less than \$20 million a year in the decade between 1986 and 1996.

**Conservancy Authorizations 1992-2013**



Most of the funding (\$19.9 million) authorized for projects last year came from Proposition 84. In FY 13/14, the Conservancy held its first the “Explore the Coast” grant program to support educational programs and initiatives to bring the public out to the coast. These grants were funded with the Coastal Access Account and the Beach and Coastal Enhancement Account. The Conservancy also approved nearly \$3 million from the Habitat Conservation Fund and over \$1 million from the Violation Remediation Account. The table below shows approvals by funding source.

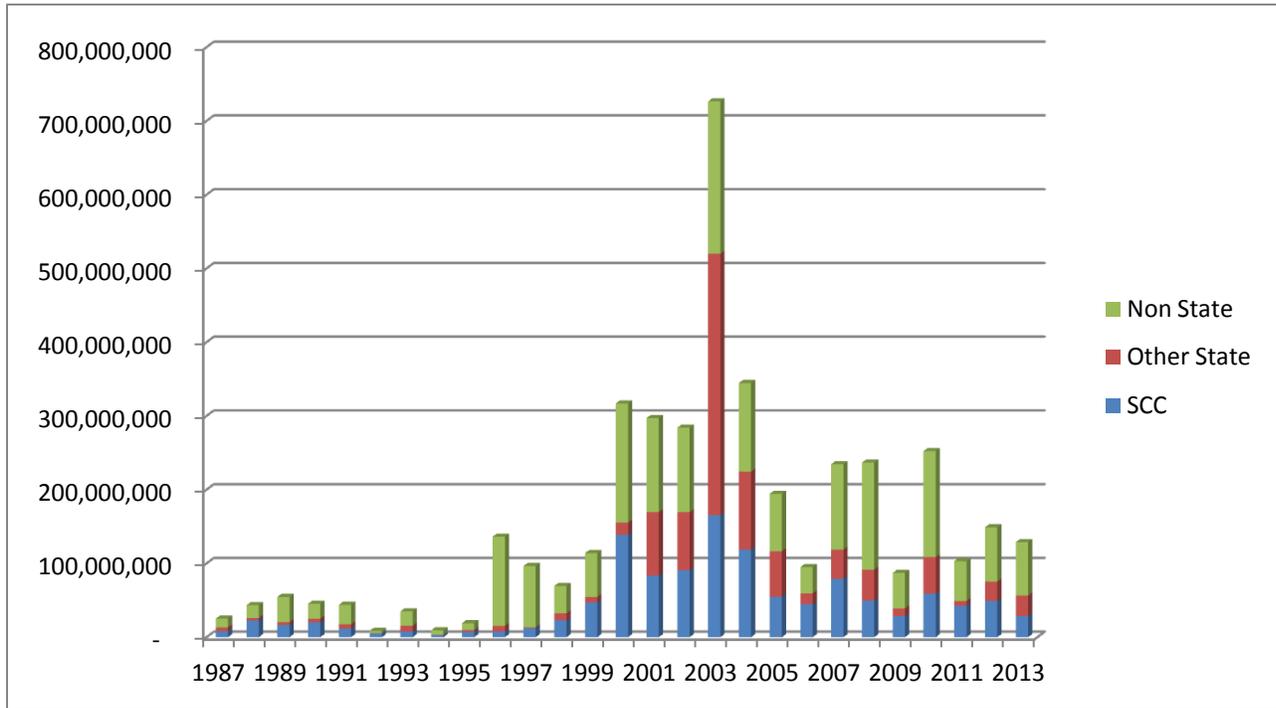
<b>Bond Funds</b>		FY 12/13	FY 13/14
	Proposition 12	2,000,000	2,500,000
	Proposition 40	14,200,000	0
	Proposition 50	1,200,000	0
	Proposition 84	25,100,000	19,901,000
<b>Annual Appropriations</b>			
	Habitat Conservation Fund	630,000	2,943,000
	Violation Remediation Account	0	1,035,000
	Coastal Access Account	220,000	445,000
	California Beach & Coastal Enhancement Account	140,000	880,000
	California Sea Otter Fund	120,000	130,000
<b>Coastal Trust Funds</b>			
	Coastal Trust Fund	3,800,000	450,000
	San Francisco Bay Conservancy Account	1,090,000	168,000
	<i>TOTAL</i>	<i>48,500,000</i>	<i>28,443,000</i>

**How much matching funding did we leverage?**

Last year, the Conservancy authorized \$28.4 million for its project, which leveraged \$27.9 million in other state funds and \$72.3 million in non-state funds. For every dollar the Conservancy approved last year we had 3.8 dollars of matching funds.

Over the past twenty fiscal years, the Conservancy authorized \$1,140,950,000 for its projects. Those funds have been matched by a total of \$2,788,560,000. Matching funds came from other state sources (\$956,645,000) as well as non-state sources including local, federal and private partners (\$1,831,912,000).

### Matching Funds - Conservancy Projects 1997-2013



#### How much outside grant funding have we received?

Conservancy staff continues to actively pursuing outside grants to fund our projects and our staff work on those projects. The table below summarizes the grants awarded during the last five 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. As a result, the total amount awarded between FY 10 and FY 12 was exceptionally high. Last year, staff obtained ten separate grants of more than \$5 million for our projects and five additional awards have been received already this fiscal year (FY 14/15).

	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
Project	4,149,468	13,872,419	17,367,461	25,038,054	4,887,742
Support	57,477	355,081	833,846	1,045,899	538,148
<b>TOTAL</b>	<b>4,206,945</b>	<b>14,227,500</b>	<b>18,201,307</b>	<b>26,083,954</b>	<b>5,425,890</b>

## Attachment 1: Fund Descriptions and Detailed Balances

### **Bond Funds**

#### **Proposition 12 (2000)**

The Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond of 2000 (Proposition 12) made available a total of \$250,400,000 for appropriation by the legislature for the Coastal Conservancy. In the language of the Bond Act, funds were designated to specific purposes. The table below shows the allocations within the Bond Act and the uncommitted balances.

	Total in Prop 12	Uncommitted Balance
Coastal Conservancy (undesignated) <sup>1</sup>	22,900,000	2,424,000
San Francisco Bay Conservancy	55,000,000	683,000
Central Coast (Santa Cruz to Santa Barbara)	25,000,000	3,500,000
Coastal Salmon	25,000,000	0
Ballona Wetlands	25,000,000	3,652,000
Santa Monica Bay	25,000,000	7,956,000
North of Gualala	15,000,000	1,139,000
Upper Newport Bay	13,000,000	0
Laguna Coast Wilderness	12,500,000	146,000
Fish and Wildlife projects	11,200,000	0
Wildlife projects north of Gualala River	10,000,000	0
Coastal Trail	5,000,000	0
Regional Beach Erosion	3,000,000	0
San Francisco Bay Area Ridge Trail	2,000,000	0
Steelhead - North San Diego Co.	800,000	0
<b>TOTAL</b>	<b>250,400,000</b>	<b>19,500,000</b>

#### **Proposition 40 (2002)**

The California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Act of 2002 (Proposition 40) made available a total of \$240,000,000 for appropriation by the legislature for the general purposes of the Coastal Conservancy and the San Francisco Bay Conservancy.

	Total in Prop 40	Uncommitted Balance
Coastal Conservancy	200,000,000	10,000,000
San Francisco Bay Conservancy	40,000,000	6,000,000
<b>TOTAL</b>	<b>240,000,000</b>	<b>16,000,000</b>

<sup>1</sup> The Conservancy received a \$2 million special appropriation from Prop 12 last year for Pt. Hueneme. The funding came from savings in bond administration and was not included in last years estimate of remaining balance.

### **Proposition 50 (2002)**

The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) made available a total of \$140,000,000 for appropriation by the legislature for the general purposes of the Coastal Conservancy and the San Francisco Bay Conservancy. Ten percent of the funds in each allocation were required to be spent on “acquisition and development of facilities to promote public access to and participation in the conservation of land, water, and wildlife resources.”

	Total in Prop 50	Uncommitted Balance
Coastal Conservancy	108,000,000	14,000,000
Coastal Conservancy – Public Access/Interp	12,000,000	400,000
San Francisco Bay Conservancy	18,000,000	1,500,000
San Francisco Bay Conservancy – Public Access/Int.	2,000,000	0
<i>TOTAL</i>	<i>140,000,000</i>	<i>15,900,000</i>

### **Proposition 84 (2006)**

The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) made available a total of \$360,000,000 for appropriation by the legislature to the Coastal Conservancy. Proposition 84 included specific geographic allocations, listed below.

	Total in Prop 84	Uncommitted Balance
Coastal Conservancy	135,000,000	31,000,000
San Francisco Bay Conservancy	108,000,000	17,000,000
Monterey Bay & Watersheds	45,000,000	16,000,000
Santa Ana River Parkway	45,000,000	32,500,000
San Diego Bay & Watersheds	27,000,000	6,000,000
<i>TOTAL</i>	<i>360,000,000</i>	<i>102,500,000</i>

## **Annual Appropriations**

### **Habitat Conservation Fund (Proposition 117, 1990)**

Proposition 117 of 1990 created the Habitat Conservation Fund (HCF) and requires an annual commitment of funds into the HCF for thirty years. Proposition 117 did not create a new source of funding; the money transferred into HCF come from other sources within the state budget. The purpose of Proposition 117 is to protect fish, wildlife and native plant resources. Allowable uses of HCF include: acquisition of habitat necessary to protect deer and mountain lions or to protect rare, endangered, threatened or fully protected species; acquisition, enhancement or restoration of wetlands, riparian habitat or aquatic habitat for anadromous fish. The Legislature may appropriate up to \$4 million dollars a year to the Conservancy from HCF until 2020. The Conservancy currently has \$21 million of this funding available for projects.

### **Coastal Access Account**

The Coastal Access Account provides funds for grants to public agencies and nonprofit organizations for development, maintenance and operation of new or existing facilities that provide public access to the shoreline of the sea. These funds come from permit fees from the Coastal Commission and cannot be used for projects along the San Francisco Bay shoreline. The Conservancy receives \$500,000 per year for this fund. The Conservancy currently has \$1,330,000 of this funding available for projects.

### **California Beach and Coastal Enhancement Account (Whale Tail Environmental License Plate)**

The California Beach and Coastal Enhancement Account was established under California Vehicle Code section 5067 within the California Environmental License Plate Fund to be used by the Coastal Commission and the Coastal Conservancy for various coastal programs. Funds are provided to the State Coastal Conservancy for coastal natural resource restoration and enhancement projects and for other projects consistent with the provisions of Division 21 of the Public Resources Code. The amount that the Conservancy receives from this fund depends on the revenues from the Whale Tail License Plates, which are divided between DMV, the general environmental license plate funds, the Coastal Commission and the Conservancy. The Conservancy typically receives \$400,000 per year in this fund. The Conservancy currently has \$890,000 of this funding available for projects.

### **Sea Otter Fund**

In 2006, the legislature created the California Sea Otter Fund for sea otter research through a voluntary tax donation check-off box on state tax forms. The check off appeared on tax forms for the first time in 2007 and will continue as long as enough tax payers elect to participate. Funds generated from the tax check off are divided between the Coastal Conservancy and the Department of Fish and Game. The Conservancy currently has \$130,000 of this funding available for projects.

### **Violation Remediation Account**

The Violation Remediation Account (VRA) was established to ensure that funds derived from violations of the Coastal Act are spent to implement the provisions of the Coastal Act. These funds are spent pursuant to a Memorandum of Agreement between the Coastal Conservancy and the Coastal Commission to ensure that funds are spent on priority projects that further the goals of the Coastal Act. The amount of money deposited in the VRA fluctuates and funds deposited in the VRA are available for future appropriation to the Conservancy by the Legislature. The Conservancy currently has \$1,500,000 of VRA appropriated for projects.

### **Coastal Trust Fund**

California Public Resources Code Section 31012 established the Coastal Trust Fund in the State Treasury, to receive and disburse funds paid to the Conservancy in trust. The funds within the Coastal Trust Fund include gifts, mitigation funds, in-lieu fees and other funds which have been given to the Conservancy in trust for specific purpose. Because of the inherent restrictions on these funds, these funds are not subject to appropriation by the legislature as part of the annual budget process. The Conservancy has about 50 subaccounts with a total of about \$19

million deposited in the Coastal Trust Fund. The Conservancy is required to obtain approval from the Department of Finance to create a new account within the Coastal Trust Fund. These funds can only be used for specific types of projects, and the majority of the funds are set aside to satisfy mitigation or permit conditions. Below is a list of the accounts and subaccounts and their current balance.

Name	Balance
Bay Conservation and Development Commission Permits	3,580,000
Resource Enhancement Special Projects	8,113,000
Coastal Commission In-Lieu Fees	2,190,000
Carlsbad Agricultural Improvement Fees	740,000
Malibu Access Fund	680,000
El Nido Restoration Project Account	290,000
San Francisco Bay Conservancy Account	250,000
Los Penasquitos Lagoon Enhancement Fund	316,000
San Joaquin Gnatcatcher Habitat	150,000
Malibu Beach Access Account	121,000
Coastal Resource Development Fund	88,000
Climate Resilience Account <sup>2</sup>	2,500,000
<i>TOTAL</i>	<i>19,018,000</i>

Some of the funds are quite recent, such as the account from Bay Conservation and Development Commission permits. However, some of these funds, such as the Malibu Access accounts, have been held in trust by the Conservancy for decades because we have been unable to implement a project that is consistent with the conditions on the money.

### **Reporting and Reconciling Trust Funds**

When contributions to the Coastal Trust Fund are received by the Conservancy, we deposit them in the bank which transmits them to the state treasury. The Conservancy remits the funds to the State Controller’s Office, specifying the Coastal Trust Fund subaccount to receive the deposit. The State Controller sends a journal entry to the Conservancy confirming the deposit and the Conservancy posts this information onto Department of Finance’s CALSTARS database. At the end of every month, our accounting office reconciles the balances in the Coastal Trust Fund between the State Controller’s Office and CALSTARS and our internal record, the Fund Balance Summary. This reconciliation checks our records of deposits, interest and expenditures against the State Controller’s Office and the Department of Finance’s. At the end of each fiscal year, the Conservancy verifies the balances with the State Controller’s Office and CALSTARS to generate a year-end report which is submitted to the State Controller.

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<sup>2</sup> The FY 14/15 Budget Act transferred \$2.5 million into the Climate Resilience Account; \$1 million is held in separate subaccounts to be spent by BCDC and the Coastal Commission.