



# Memo

Date: August 22, 2019

To: State Coastal Conservancy Board

From: Sam Schuchat, Executive Officer  
Mary Small, Deputy Executive Officer

CC: Oversight Members

RE: Coastal Conservancy Annual Financial Report

At the first State Coastal Conservancy (Conservancy) meeting of the state's fiscal year, staff provides the Conservancy with an annual financial report to provide an overall picture of the agency's funding.

Highlights of FY19/20 Conservancy budget, which began on July 1<sup>st</sup>, include:

- Extension of the Habitat Conservation Fund (HCF) for 10 year. HCF provides the Coastal Conservancy with \$4 million per year for habitat projects.
- Continued progress stabilizing the support budget, including \$2.2 million in general operating support from the Environmental License Plate Fund.
- Appropriation of \$30 million of Prop 68: \$15 million for the Tijuana Pollution Control Project and \$15 million for San Francisco Bay Area wetlands. These two appropriations are more than one third of the \$85 million in Prop 68 for general Conservancy purposes.
- No appropriation of Greenhouse Gas Reduction Funds for the Climate Ready Program this year, the prior two years we did receive this funding.

The report is divided into two sections: Support Funding and Project Funding. The Project Funding section provides an overview of funding for the implementation of Conservancy projects and grants. The Support Funding section describes the 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 roadmap for how the agency plans to fund its operation for the next five years.

## Support Funding

The Conservancy’s support budget in the FY 19/20 Governor’s Budget is \$11.656 million. This is an increase of \$900K from the FY 18/19 budget, due primarily to increases in benefit costs. The FY 19/20 budget does not include any new positions for the Conservancy. As shown below, about 80% of the support budget pays for salaries and benefits.

The table below shows the actual expenditures for the Conservancy’s operation for FY 14/15 through FY 17/18, estimated expenditure for FY 18/19, and budgeted amounts for FY 19/20. The Conservancy usually has some savings in its support budget at the end of the year. The Conservancy’s budget has increased in recent years, primarily due to increases in salaries and benefits. The support budget is slightly less than it was in FY 08/09.

### Support Budget

#### Coastal Conservancy Support Budget 2014–2018 (Dollars in thousands)

Budget Categories	14/15 Actual	15/16 Actual	16/17 Actual	17/18 Actual	18/19 Estimate	19/20 BUDGET
<b>Staff</b>						
Salaries	\$4,493	\$4,630	\$4,580	\$5,155	\$5,691	\$5,494
Benefits	\$2,143	\$2,242	\$2,258	\$2,206	\$2,531	\$3,732
<b>Subtotal Staff</b>	<b>\$6,636</b>	<b>\$6,872</b>	<b>\$6,838</b>	<b>\$7,360</b>	<b>\$8,222</b>	<b>\$9,226</b>
<b>Expenses</b>						
Travel & Training	\$172	\$178	\$271	\$228	\$206	\$149
Facilities & Utilities	\$1,347	\$484	\$604	\$664	\$719	\$905
General Expense & Equipment	\$77	\$140	\$149	\$285	\$260	\$635
Printing, Comm. & Mail	\$79	\$81	\$87	\$61	\$66	\$121
Consulting: interdepartmental	\$67	\$186	\$186	\$85	\$55	\$125
Consulting: external	\$243	\$291	\$247	\$394	\$594	\$318
<b>Centralized Costs</b>						
Data Processing	\$100	\$87	\$93	\$72	\$102	\$105
Pro Rata	\$190	\$228	\$7	\$125	\$130	TBD
SWCAP	\$8	\$17	\$18	\$22	\$11	\$72
<b>Subtotal Expenses</b>	<b>\$2,283</b>	<b>\$1,692</b>	<b>\$1,655</b>	<b>\$1,937</b>	<b>\$2,142</b>	<b>\$2,430</b>
<b>Total Budget</b>	<b>\$8,919</b>	<b>\$8,564</b>	<b>\$8,493</b>	<b>\$9,297</b>	<b>\$10,365</b>	<b>\$11,656</b>

Note: FY 15/16 does not include the \$1.1 million from the Coastal Resilience Account, budgeted as support dollars but spent to implement Climate Ready Projects.

## **Funding Sources in the Support Budget**

The funding sources in the Conservancy's support budget reflect a long-term effort to reduce dependence on bond funds, to diversify funding, and to collect outside funds to support our agency. The Conservancy has diversified the funding sources in its support budget over the past several years. The result is a complicated support budget with fourteen funding sources in FY 19/20. The table below shows the types of funding sources that make up the Conservancy's support budget.

<b>Funding Sources</b>	<b>Amount (in thousands)</b>	<b>Percent</b>
Bond Funds (Props 1, 12, 40, 50, 68 and 84)	\$6,563	56%
Environmental License Plate Fund	\$2,248	19%
Reimbursements and Federal Funds	\$1,741	15%
Coastal Conservancy Fund	\$756	6%
Administrative portions of other funds (Sea Otter, General Fund, Coastal Access Fund and Habitat Conservation Fund)	\$468	4%
<b>Total</b>	<b>\$11,756</b>	<b>100%</b>

Bond funds make up 56% of the funding in the Conservancy's support budget in FY 19/20. This includes the planning and monitoring and the administrative allocations in the bonds. These funds are finite, and the planning and monitoring funds need to be spent on project related costs, the Conservancy uses them to pay for staff working on project planning, project development, project management and monitoring. While the support budget remains reliant on bonds, in FY 16/17 more than 70% of the Conservancy's support funding came from bonds.

In FY 19/20 the Conservancy received \$2.2 million from the Environmental License Plate Fund (ELPF) which will fund about 19% of the support budget. Last year was the first year the Conservancy received significant support funding from ELPF. Every other state conservancy receives between 35% and 71% of their support funds from either ELPF or the General Fund.

Grants and reimbursements provide about 15% of the funds in the FY19/20 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. Ten years ago, in FY09/10 the Conservancy was awarded \$28,000 for support costs from all incoming grants. Last year, the Conservancy secured \$1.1 million for support costs.

The Conservancy has received a grant of \$357,000 in FY19/20 for our work on the Coastal Zone Management Program. This grant is from the National Oceanic and Atmospheric Administration and will pay for staff time working on coastal access projects. The Conservancy also continues to staff the San Francisco Bay Restoration Authority (SFBRA). The SFBRA paid \$480,000 for Conservancy staff services in FY 18/19 from the Measure AA parcel tax revenues. Staffing the

SFBRA significantly increased workload for our San Francisco Bay Program and we have had to adjust staff resources to meet these needs.

The final 10% of the support funding comes from the Coastal Conservancy Fund and small administrative portions of many other funds including the Habitat Conservation Fund, the Coastal Access Fund and the Sea Otter Fund. The Coastal Conservancy Fund used to be a major source of funding for the Conservancy, but it is diminishing every year.

### **Five Year Financial Plan**

Below is the 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 sustaining its funding for the next five years. Actual funding always varies from the Five Year Financial Plan, but this is useful guide to track the resources available and identify potential challenges.

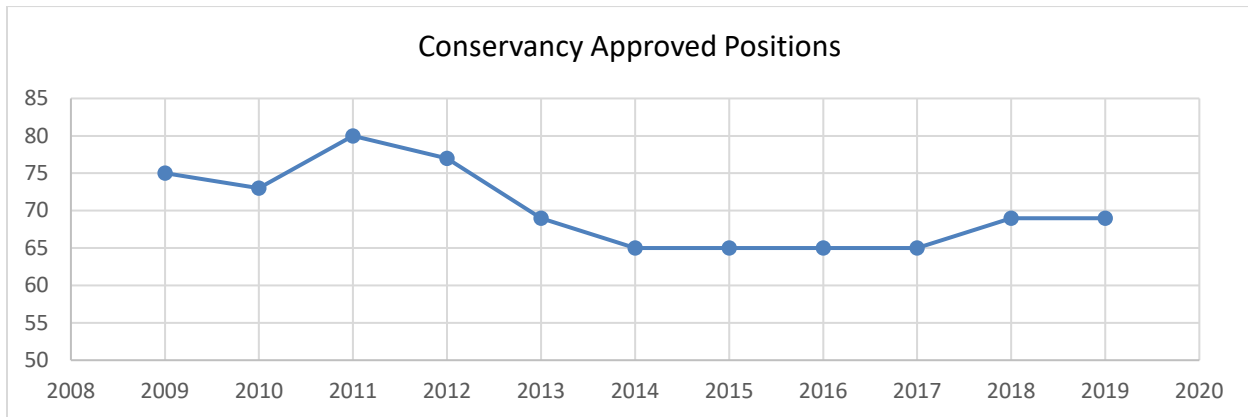
The plan is based on a few key assumptions. First, the plan assumes that support budget does not increase without a corresponding new source of funds. Second, the plan assumes a gradual increase in the ELPF funding for the Conservancy. This table shows that support funding from Proposition 12, Proposition 40, and Proposition 50 run out within the next three years. This plan relies heavily on Proposition 68 in FY 23/24 and FY 24/25. Finally, we reduce Federal Funds because the Conservancy has received fewer federal grants with support funding the past year.

### **Five Year Financial Plan 2019-2024 (in thousands)**

<b>Fund</b>	<b>FY 19/20</b>	<b>FY 20/21</b>	<b>FY 21/22</b>	<b>FY 22/23</b>	<b>FY 23/24</b>	<b>FY 24/25</b>
General Fund	100	-	-	-	-	-
Prop 12	756	750	750	-	-	-
Environmental License Plate Fund	2,248	2,770	3,180	3,380	3,550	3,550
Habitat Conservation Fund	200	200	200	200	200	200
Coastal Conservancy Fund	736	500	500	500	500	500
Coastal Access	150	150	150	150	150	150
Federal Funds	612	300	300	300	300	300
Reimbursements	1,129	1,000	1,000	1,000	1,000	1,000
Prop 40	807	800	800	800	-	-
Prop 50	560	560	-	-	-	-
Prop 84	1,630	750	750	750	750	750
Prop 1	1,557	1,500	1,000	1,000	1,000	1,000
Prop 68	1,253	2,500	3,150	3,700	4,330	4,330
Sea Otter	18	20	20	20	20	20
<b>Totals</b>	<b>11,756</b>	<b>11,800</b>	<b>11,800</b>	<b>11,800</b>	<b>11,800</b>	<b>11,800</b>

## **Staffing and Workload**

There are no new positions in the FY 19/20 budget but in FY 18/19, the Conservancy added four positions: one procurement position to work on Fi\$Cal, one San Francisco Bay Area position to work on the San Francisco Bay Restoration Authority and two new project staff to work on the Low Cost Accommodations program. The Conservancy voluntarily reduced positions during the years between passage of Proposition 84 and Proposition 1. Though we have recently added a few new positions, the Conservancy now has 69 positions, which is a decrease from the 80 positions we had in 2011.



## **Workload**

While we have limited the number of new positions, the workload for our staff is very high. As reported last year, the transition to the Fi\$CAL accounting system has increased the workload for procurement, contracts and accounting staff. We have used some temporary help as we continue to work through that transition and become familiar with the new system. We have significant reporting requirements such as bond accountability reporting. We are currently working to ensure the accessibility of our website to comply with a new law.

The agency is working to develop Justice, Equity, Diversity and Inclusion Guidelines. Staff from across the agency has put significant effort into examining both internal and external work of the Conservancy to implement changes that improve accessibility and inclusivity in all our work. This year we created an external advisory Board for Explore the Coast, which involved additional staff time to coordinate.

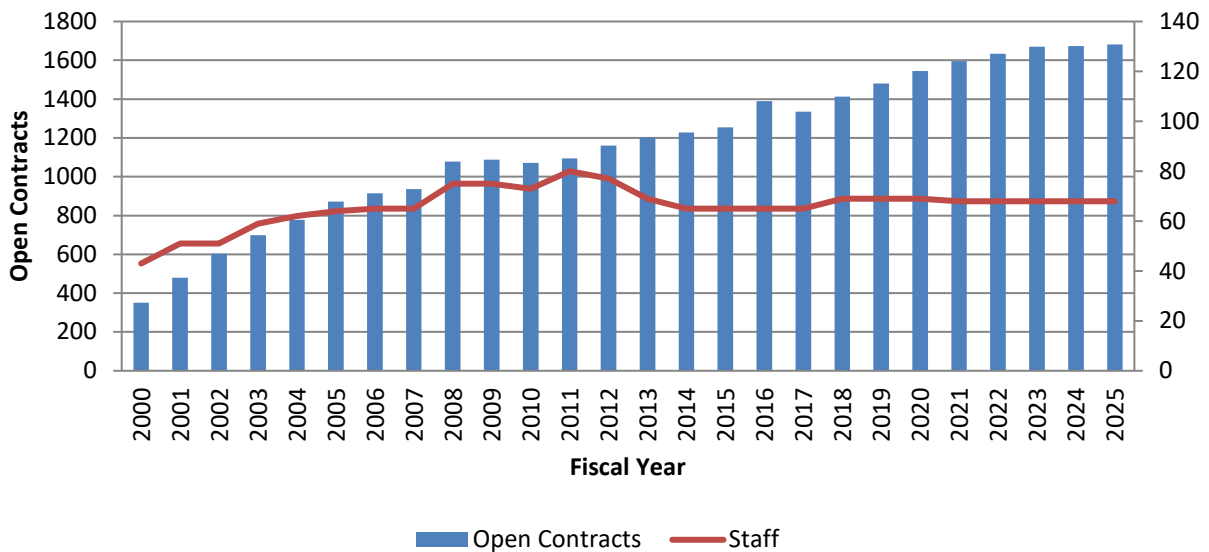
Staff spend a significant amount of time coordinating with other agencies, tribes, and stakeholders; participating in California Natural Resource Agency working groups; reviewing and providing input into state plans, such as Safeguarding California; and leading regional planning and coordination such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

Our Prop 1, Climate Ready and Explore the Coast grant rounds typically receive far more proposals than we can fund. A great deal of staff time is involved in reading and reviewing all of these proposals. While critical to our financial strategy, applying for and managing incoming

grants requires significant staff time, both project staff and administrative staff to support the grant billings.

One metric we report every year is the total number of open agreements and total number of staff. The chart below shows actual numbers from 2000 through 2018 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**



## 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. The FY 19/20 budget provides the Conservancy \$87.1 million for projects, including our first appropriation of Prop 68 funds for the Lower Cost accommodations program and a \$21 million appropriation of Proposition 1. As mentioned above, \$30 million of the Prop 68 is appropriated for two specific purposes: the Tijuana Pollution Control Project and \$15 million for San Francisco Bay Area wetlands.

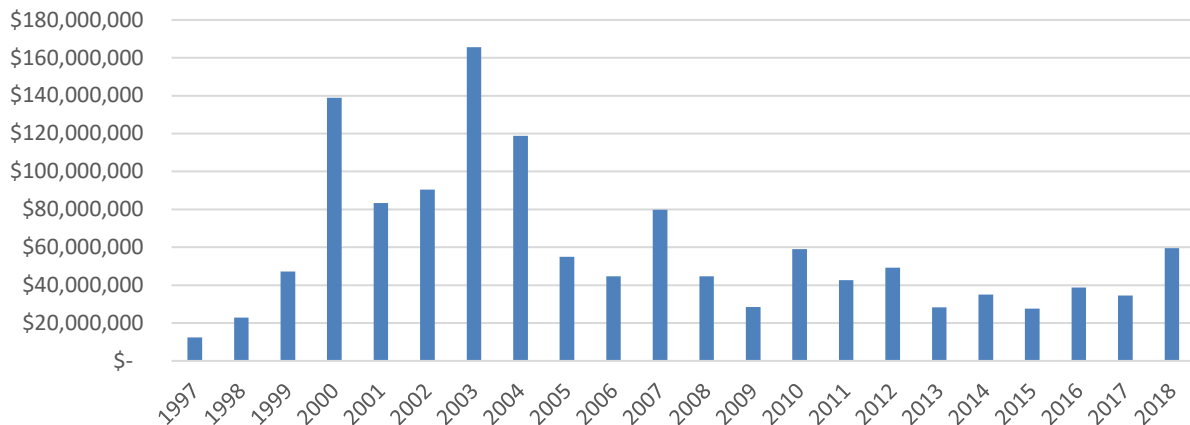
## Coastal Conservancy Local Assistance or Capital Outlay Appropriations 2019-20 Budget Act (in thousands)

Fund	Amount	Purposes
General Fund	\$2,000	Capitola Wharf
ELPF and Coastal Access Account	\$825	Explore the Coast grants
Proposition 84	\$12,000	various Prop 84 allocations
Proposition 1	\$21,215	Proposition 1 grants
Proposition 68	\$45,116	various Prop 68 programs, incl. 2 specific projects
Sea Otter Fund	\$165	Sea Otter grants
Habitat Conservation Fund	\$3,800	Habitat projects
Violation Remediation Account	\$2,000	Projects to address impacts from Coastal Act violations
<b>Total</b>	<b>\$87,121</b>	

### **2018-19 Project Funding**

The Conservancy authorized \$59.5 million for projects last fiscal year, a significant increase from the \$35.4 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 1997-2018**



Almost \$20 million of the funding authorized in FY18/19 was from the General Fund for specific projects identified in the last year's budget. FY 18/19 was the first year that the Conservancy spent Proposition 68 funds, including the \$9.75 million to fund the Santa Margarita Parkway Preserve. The Conservancy also awarded grants from various other sources including Proposition 12, Proposition 84, the Habitat Conservation Fund, the Coastal Trust Fund and the Greenhouse Gas Reduction Fund (GGRF). The following table below shows authorizations by fund source for the past five years.

**Coastal Conservancy Board Authorizations by Fund  
Fiscal Years 2013 – 2018 (in thousands)**

<b>Fund</b>	<b>FY 13/14</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>
General Fund	-	-	-	-	-	19,810
Proposition 1	-	-	6,160	21,902	19,828	4,605
Proposition 12	2,500	3,378	-	151	359	6,970
Proposition 19	-	-	-	-	889	-
Proposition 40	-	1,451	4,936	950	756	-
Proposition 50	-	5,961	330	175	-	-
Proposition 68	-	-	-	-	-	12,650
Proposition 84	19,901	16,266	12,806	7,214	7,664	3,725
Habitat Conservation Fund	2,943	6,718	758	4,276	2,157	2,573
Violation Remediation Acct	1,035	-	-	161	123	-
Access, Whale Tail & ELPF	1,325	1,397	2,153	1,131	648	825
California Sea Otter Fund	130	118	118	118	90	118
Climate Resilience Acct & GGRF	-	1,100	-	-	-	3,800
Coastal Trust Fund	618	842	303	1,600	2,960	4,462
<b>TOTAL</b>	<b>28,452</b>	<b>37,231</b>	<b>27,564</b>	<b>37,678</b>	<b>35,474</b>	<b>59,539</b>

**Future Project Funding**

The Conservancy has about \$183.8 million in unappropriated funds from all sources of project funding. This includes all future appropriations expected from the Habitat Conservation Fund over the next decade. Most of the remaining Proposition 84 funds are geographically focused. For instance, half of the unappropriated funds are for the Santa Ana River Parkway. Similarly, the funds in the Coastal Trust Fund and Violation Remediation Account have very specific restrictions on spending. In addition, we hope to continue to receive the approximately \$1 million annual appropriation from the Sea Otter Fund and for the Explore the Coast program.

**Unappropriated Coastal Conservancy Project Funds**

**Bond Funds**

Proposition 1	
Proposition 68	\$92,800,000
Proposition 84	\$27,500,000

**Other Funds**

Habitat Conservation Fund (over 10 years)	\$40,000,000
Violation Remediation Account	\$6,600,000
Coastal Trust Fund	\$16,900,000
<b>TOTAL</b>	<b>\$183,800,000</b>



Because of our success obtaining outside funds, the Conservancy has used bond funds to front reimbursements. When the grants are repaid, we repay the bond. If those repayments come in after an appropriation expires, it becomes available for future appropriation. Actual future appropriations may be higher due to these reimbursements. In the FY 19/20 budget, we received \$10 million from the General Fund to be used for reimbursements.

**Disadvantaged Communities**

The table below includes almost 1,860 Conservancy projects since July 1, 2000 that used a variety of funding sources totaling more than 1.2 billion dollars in awards. 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, the table below shows the percent of projects and percent of funding located near or within a Disadvantaged Community (DAC).

**Coastal Conservancy Projects in Disadvantaged Communities  
Authorized July 1, 2000 – June 30, 2019**

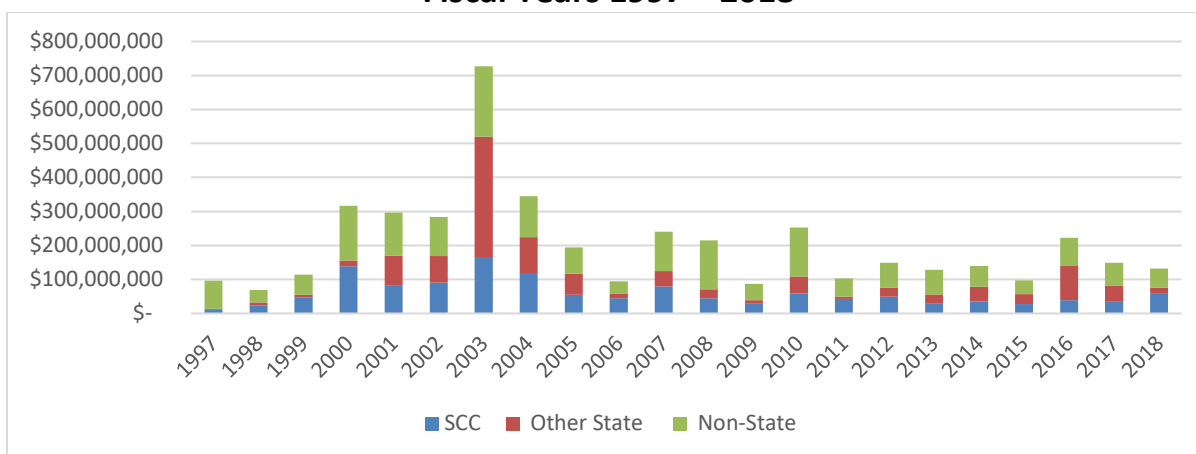
<b>Location</b>	<b>SCC Funding</b>	<b>Percent of Funds</b>	<b>Number of Projects</b>	<b>Percent of Projects</b>
Inside DAC	\$356,000,000	29%	680	36%
Inside or within ¼ mile of DAC	\$507,000,000	42%	855	45%
Inside or within 1 mile of DAC	\$607,000,000	50%	1088	57%
Outside 1 mile of DAC	\$612,000,000	50%	772	41%
<b>TOTAL</b>	<b>\$1,219,000,000</b>	<b>100%</b>	<b>1,860</b>	<b>100%</b>

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 ten grant rounds, 58% (\$29.5 million) of the projects recommended for funding are located in a Disadvantaged Community, 4% (\$2.1 million) are located partially in a Disadvantaged Community and 46% (\$26.6 million) are not located in Disadvantaged Communities. Last year, the Conservancy approved \$3.8 million in Climate Ready grants from the Greenhouse Gas Reduction Fund. All the projects in that grant round benefitted disadvantaged communities, as defined in the California Climate Investment Program.

**Matching Funds**

Last year, the Conservancy authorized \$59.5 million for projects, which leveraged \$16 million in other state funds and \$56.3 million in non-state funds. In total, the Conservancy’s funding was matched slightly more than 1:1 last year. Over the last 30 years, since 1985, the Conservancy has authorized \$1.44 billion for its projects. Those funds were matched by a total of \$3.5 billion. Matching funds came from other state sources (\$1.22 billion) as well as non-state sources including local, federal and private partners (\$2.28 billion). The chart below displays matching funds each year for the last 20 years.

## Matching Funds – Coastal Conservancy Authorizations Fiscal Years 1997 – 2018



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. In aggregate, staff believe it is very important that we leverage our funds, while providing flexibility to disadvantaged communities and others.

Conservancy staff continue 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 ten fiscal years. Last year, staff obtained grants of \$7.5 million for our projects and staff. This includes a grant of \$2.2 million from Department of Fish and Wildlife for the Invasive Spartina Project and \$3 million in grants from the US Fish and Wildlife Service for three projects: Elk River Estuary Restoration in Humboldt, South San Francisco Bay wetlands and the Big Canyon Wetland Restoration in Orange County. Grants are typically expended over multiple years. The Conservancy received grants of more than \$1.1 million for its staff costs last fiscal year.

### Grants 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