



Memo

Date: February 3, 2022

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 eleventh year staff has provided the Coastal Conservancy Board with an annual financial report to provide an overall picture of the agency's funding. This report is in stark contrast to all past reports, as it is full of good news. The current budget and the Governor's proposed budget for next year include significant funding to the Coastal Conservancy (Conservancy).

This report discusses the financial situation of the Coastal Conservancy in two areas: 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

Last year and in the proposed budgets for next two years, the Governor and Legislature have proposed unprecedented resources from the General Fund to the Coastal Conservancy and to other natural resource and public access programs. This funding is very timely for the Coastal Conservancy because most of the bond funds we have relied upon in past years have been fully appropriated.

The FY 21-22 Budget appropriated a total of \$135,743,000 to the Coastal Conservancy for a variety of specific projects and Conservancy programs, shown in the table below. This included \$105,760,000 from the General Fund. Additional appropriations came from various sections of Prop 68, the Habitat Conservation Fund, the Violation Remediation Account, the Coastal Access Account, the Environmental License Plate Fund, and the Sea Otter Fund.

**FY 2021-2022 Budget Act Appropriations
to the Coastal Conservancy (\$ in thousands)**

Fund		Total (\$K)
General Fund		\$ 105,760
Explore the Coast	\$ 14,000	
Garrapata State Park Trails	\$ 1,000	
SF Bay Conservancy - Wildfire	\$ 5,000	
Conservancy Programs - Wildfire	\$ 5,000	
Pacifica Esplanade	\$ 7,750	
Stivers Lagoon	\$ 2,160	
Great Redwood Trail	\$ 10,300	
OneShoreline Project	\$ 8,000	
BEACON	\$ 50	
Santa Ana River Conservation	\$ 14,000	
West Coyote Hills	\$ 28,500	
Hollister Ranch	\$ 10,000	
Prop 68		\$ 23,693
Habitat Conservation Fund		\$ 3,800
Violation Remediation Account		\$ 1,500
Coastal Access		\$ 600
Environmental License Plate Fund		\$ 225
Sea Otter Fund		\$ 165
TOTAL		\$ 135,743

The Governor's Budget for FY 22-23 includes further appropriations of \$384,663,000 for the Coastal Conservancy, including \$350 million for coastal resilience, \$10 million for wildfire resilience and \$19.8 million from Prop 68. SB 155, a trailer budget bill from last fall, calls for an additional \$150 million to be appropriated to the Coastal Conservancy for coastal resilience in FY 23-24. A summary of the Governor's proposed appropriations to the Coastal Conservancy for FY 22/23 for project funding is shown in the table below.

**FY 2022-23 Governor’s Budget Proposed Appropriations
to the Coastal Conservancy (\$ in thousands)**

Fund	Total (\$K)
General Fund	
Coastal Resilience	\$ 350,000
SF Bay Conservancy - Wildfire	\$ 5,000
Conservancy Programs - Wildfire	\$ 5,000
Prop 68	\$ 19,873
Habitat Conservation Fund	\$ 3,800
Coastal Access	\$ 600
Environmental License Plate Fund	\$ 225
Sea Otter Fund	\$ 165
TOTAL	\$ 384,663

These tables and figures only describe the funding appropriated directly to the Coastal Conservancy. There are significant additional resources for climate resilience, conservation, and public access work available to many other state agencies, including the Ocean Protection Council, State Parks, Department of Fish and Wildlife, the California Natural Resources Agency, Coastal Commission, Office of Planning and Research, and others. Last year’s budget and the proposed budget for next year represent an unprecedented investment in climate resilience, natural resources, and public access.

In addition to state funding, the federal government has also committed significant funds to conservation through the Great America Outdoors Act and the Infrastructure Investment and Jobs Act. Our staff are continuing to look for opportunities to leverage our funding with these federal resources.

Future Project Funding

The timing of the proposed appropriations from the General Fund to the Coastal Conservancy is very fortunate, as most of the bond funds available to the Conservancy have already been appropriated. After the 2022-23 Budget, the Conservancy expects to receive a final appropriation of about \$19 million from Prop 68 in 2023-24, and about \$10 million from Prop 84 in future appropriations. The Conservancy has significant funds in the Violation Remediation Account and the Coastal Trust Fund. Most of these funds are for specific geographies or purposes. The Conservancy will also receive appropriations from the Habitat Conservation Fund until fiscal year 2029.

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. Actual future appropriations may be higher due to these reimbursements. The number for Propositions 84 is

an estimate 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.

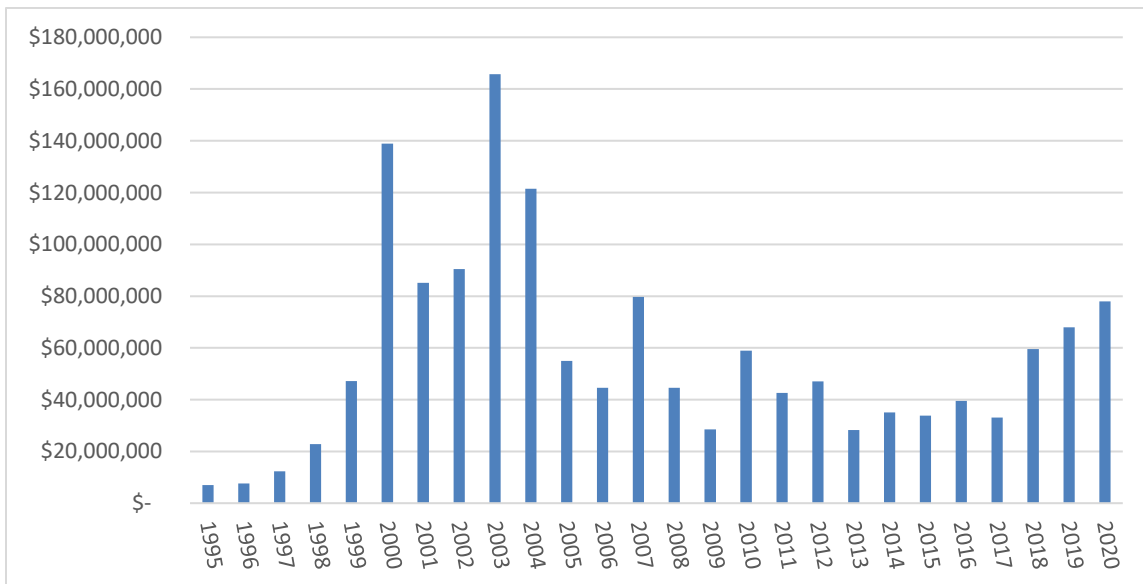
**Unappropriated Future Project Funds
(\$ in thousands)**

<u>Bond Funds</u>	
Proposition 68	\$19,000
Proposition 84	~\$10,000
<u>Other Funds</u>	
Habitat Conservation Fund (8 more years)	\$26,600
Violation Remediation Account	\$17,000
Coastal Trust Fund	<u>\$23,200</u>
TOTAL	<u>\$95,800</u>

Project Funding in Prior Years

Last fiscal year, the Conservancy authorized \$77.9 million for its projects, an increase from the nearly \$68 million authorized the year before. The chart below shows the total amount that the Conservancy has authorized each fiscal year for the past twenty-five years.

Total Board Authorizations 1995-2020



In FY 20/21, there were a few significant authorizations, including \$10 million from Prop 68 for Tijuana and \$13 million from Prop 68 for the South Bay Salt Ponds project. The Conservancy authorized more than \$11 million from the General Fund, primarily for early action wildfire reduction projects. The Conservancy also approved significant funding from the Coastal Trust

Fund last year, including settlement funds for Terminal Four Creosote Piling Removal and Once Through Cooling Mitigation funds. The table below shows authorizations by fund source for the past five years.

**Coastal Conservancy Authorizations by Fund
Fiscal Years 2016 – 2020 (\$ in thousands)**

Fund	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
General Fund	-	-	19,810	5,924	11,314
Proposition 1	21,902	19,828	4,605	12,863	11,442
Proposition 12	151	359	6,970	1,149	1,872
Proposition 19	-	889	-	-	-
Proposition 40	950	756	-	-	-
Proposition 50	175	-	-	-	-
Proposition 68	-	-	12,650	14,655	28,762
Proposition 84	7,214	7,664	3,725	8,610	8,800
Habitat Conservation Fund	4,276	2,157	2,573	19,205	3,411
Violation Remediation Acct	161	123	-	95	1,475
Access, Whale Tail & ELPF	1,131	648	825	1,137	779
California Sea Otter Fund	118	90	118	165	80
Climate Resilience Acct & GGRF	-	-	3,800	2,850	-
Coastal Trust Fund	1,600	2,960	4,462	1,336	10,047
TOTAL	37,678	35,474	59,539	67,989	77,982

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, 42% of all 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

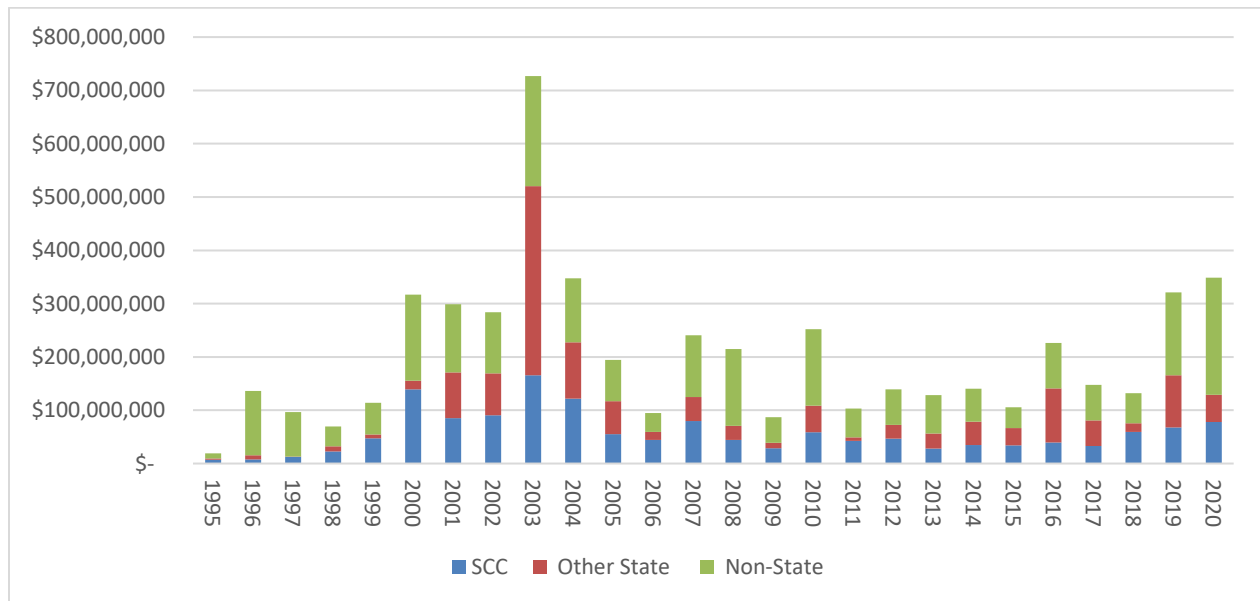
	Grants	Amount Awarded	% of #	% of \$
Projects in DAC*	96	\$ 41,647,786	60%	52%
Projects not in DAC	65	\$ 38,056,411	40%	48%
* includes partially in	161	\$ 79,704,198		

Matching Funds

Last year, the Conservancy’s \$77.9 million for projects leveraged \$51 million in other state funds and \$219.5 million in non-state funds. In aggregate, Conservancy funding was matched almost 3.5 to 1. Since 1985, the Conservancy has authorized about \$1.5 billion for its projects. Those funds were matched by a total of \$4 billion. Matching funds came from other state sources (\$1.3 billion) and non-state sources including local, federal, and private partners (\$2.7 billion). The chart below displays matching funds since 1995.

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.

**Matching Funds – Coastal Conservancy Authorizations
Fiscal Years 1995 – 2020**



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 \$9.7 million for our projects and staff. This includes several grants from the US Fish and Wildlife Service's National Coastal Wetland Conservation program. 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

As discussed in the next section, outside grants increase the resources available to Conservancy projects and also provide significant support for our operations. As shown in the table above, the Conservancy was awarded grants that will provide \$535,000 in support costs when those projects are completed.

Support Funding

The Conservancy's support budget in FY 21/22 is \$13.5 million. This is an increase from the FY 19/20 budget, due primarily to two new staff positions and adjustments to salaries and benefit. 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 16/17 20/21, and budgeted amounts for FY 21/22. 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.

Coastal Conservancy Support Budget 2016–2021
(\$ in thousands)

Budget Categories	16/17 Actual	17/18 Actual	18/19 Actual	19/20 Actuals	20/21 Actuals	21/22 BUDGET
Salaries	\$4,630	\$5,155	\$5,691	\$7,592	\$5,760	\$6,775
Benefits	\$2,258	\$2,206	\$2,531	\$652	\$2,339	\$4,163
Expenses	<u>\$1,655</u>	<u>\$1,937</u>	<u>\$2,142</u>	<u>\$1,969</u>	<u>\$1,675</u>	<u>2,621</u>
Total Budget	\$8,493	\$9,297	\$10,365	\$10,573	\$9,774	\$13,539

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. The table below shows the types of funding sources that make up the Conservancy’s support budget in FY 21/22.

Funding Sources	Percent
Bond Funds (Props 1, 12, 40, 50, 68 and 84)	54%
Environmental License Plate Fund	19%
Reimbursements and Federal Funds	12%
Coastal Conservancy Fund	6%
General Fund	6%
Other Funds (HCF, Coastal Access, Sea Otter)	3%

In FY 21/22, bond funds make up 54% 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. In FY 16/17, more than 70% of the Conservancy’s support funding came from bonds.

In FY 21/22, Conservancy received \$2.743 million from the Environmental License Plate Fund (ELPF) and \$900,000 from the General Fund. These appropriations make up 25% of the support budget and are 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. If the proposed General Fund appropriations for Coastal Resilience are approved in the FY 22/23 and 23/24 budgets, the Conservancy would rely on more General Fund for its support budget

over the next five to seven years.

Outside grants and reimbursements account for 13% 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 billed outside grants \$807K for its staff work; this includes a grant of \$367K to support staff work on coastal access projects. This grant is from the National Oceanic and Atmospheric Administration for California's Coastal Zone Management Program.

In addition to grants, the Conservancy also continues to staff the San Francisco Bay Restoration Authority (SFBRA). Through its agreement with the SFBRA, the Conservancy received \$644.8K for staff services in FY 20/21 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.

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 useful guide to track the resources available and identify potential challenges.

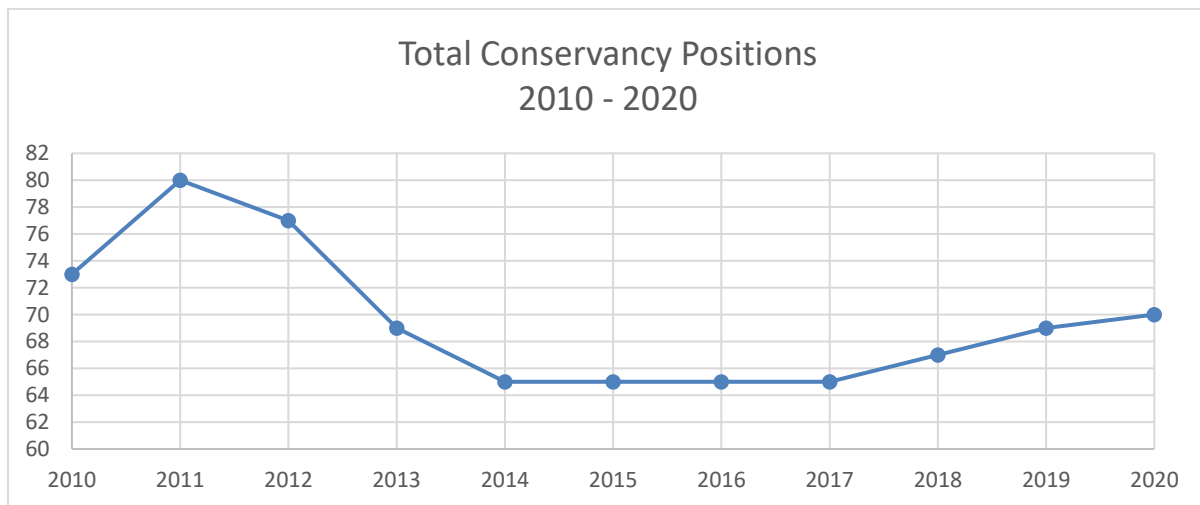
This year's plan assumes that the proposed General Fund appropriations are enacted over the next two years and that the Conservancy uses 5% of the funding for its administration of those funds over the following seven years. The plan also assumes that support budget increases over the next two years to manage the workload and then stays level. The plan shows how critical the General Fund is to the on-going funding of the agency. In addition, the plan includes bond funds consistent with the bond unit's affordability tables, the Conservancy's roll-out plans, and values entered in the state's Hyperion budget program. The plan anticipates that older bonds will be closed out during the next five years.

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

Fund	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
General Fund	900	3,100	3,750	4,000	4,750
ELPF	2,743	3,220	3,220	3,220	3,220
HCF	200	200	200	200	200
Coastal Conservancy Fund	894	881	800	800	800
Coastal Access	150	150	150	150	150
Federal Funds	590	600	600	600	600
Reimbursements	1,129	1,100	1,100	1,100	1,100
Prop 12	668	-	-	-	-
Prop 40	807	807	807	807	-
Prop 50	560	560	560	560	560
Prop 84	1,630	1,630	1,595	1,595	1,595
Prop 1	1,000	975	750	718	718
Prop 68	3,150	3,700	4,375	4,265	4,265
Sea Otter	18	18	18	18	18
Totals	14,439	16,941	17,925	18,033	17,976

Staffing and Workload

One new position was added to the Conservancy in the FY 21/22 budget, bringing us to a total of 70 permanent and two limited term positions. Conservancy management has been careful not to request new positions unless we are certain we have the long-term funding to support those positions. We are working with the administration to discuss whether additional positions could be approved if the \$500 million is appropriated to us. The chart below shows the total number of Conservancy positions for the past decade.



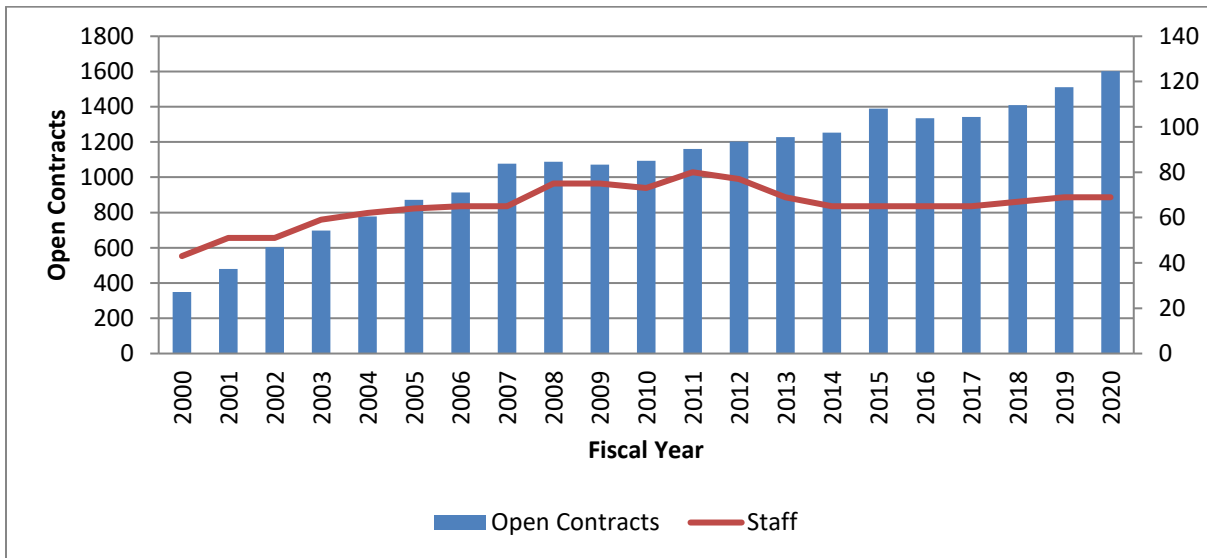
Workload

We have limited the number of new positions in recent years, but the workload for our staff is very high.

This past year, workload has been exacerbated by significant staff turnover, we lost nearly 15% of our staff, including 3 staff retirements, 5 staff moving to other state agencies, and other staff leaving state service or moving out of state. This has created significant work for the remaining staff and the hiring has created a lot of work for the Conservancy’s human resources staff and the hiring managers.

One workload metric we use is the total number of open agreements and total number of staff. The chart below shows actual numbers from 2000 through 2020. 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 2000-2020**



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 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. This work will continue, and implementing actions in support of the Justice, Equity, Diversity, and Inclusion Guidelines adds to overall workload. Over the past two years, staff have also adapted to the pandemic, with rapid and ongoing changes to how we accomplish our work, as well as increased reporting requirements.