



Memo

Date: November 30, 2023

To: State Coastal Conservancy Board

From: Amy Hutzler, 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 Coastal Conservancy's funding is episodic, the report provides an annual update on the Conservancy's financial situation.

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

Over the past three budgets, the Governor and Legislature have appropriated unprecedented resources to the Coastal Conservancy primarily to fund nature-based climate adaptation and to implement priority projects of the legislature. Because this year's budget (Fiscal Year (FY) 2023-24) modified some of the prior year appropriations and added significant new funding to the Conservancy, the table below shows the total appropriated to the Coastal Conservancy over the two budget years, divided by fund and purpose. The total funding appropriated to the Coastal Conservancy over the two fiscal years is \$1.1 billion.

Local Assistance Appropriations to the Coastal Conservancy
(\$ in thousands as of 7/1/2023)

Fund	FY 22-23	FY 2023-24	Total (\$K)
General Fund			
Climate Resilience & Sea Level Rise	\$175,000	\$548,000	\$723,000
Acquisition - Sea Level Rise (SLR)	\$50,000	-	\$50,000
Nature Based SLR Adaptation	\$40,000	-	\$40,000
SF Bay Wetlands	-	-	-
Santa Monica Bay	\$10,800	-	\$10,800
Conservancy Programs - Wildfire	\$10,000	\$27,000	\$37,000
Santa Ana River	\$5,000	-	\$5,000
Specific Legislative Priorities	\$70,300	\$6,500	\$76,800
Greenhouse Gas Reduction Fund			
Nature Based SLR Adaptation	\$80,000	-	\$80,000
Public Infrastructure SLR Adapt'n	\$37,500	-	\$37,500
Prop 68	\$19,873	\$14,723	\$34,596
Habitat Conservation Fund	\$3,800	\$3,800	\$7,600
Prop 40	\$2,359	-	\$2,359
Coastal Access	\$600	\$600	\$1,200
Environmental License Plate Fund	\$225	\$225	\$450
Sea Otter Fund	\$165	\$165	\$330
TOTAL	\$515,622	\$611,013	\$1,126,635

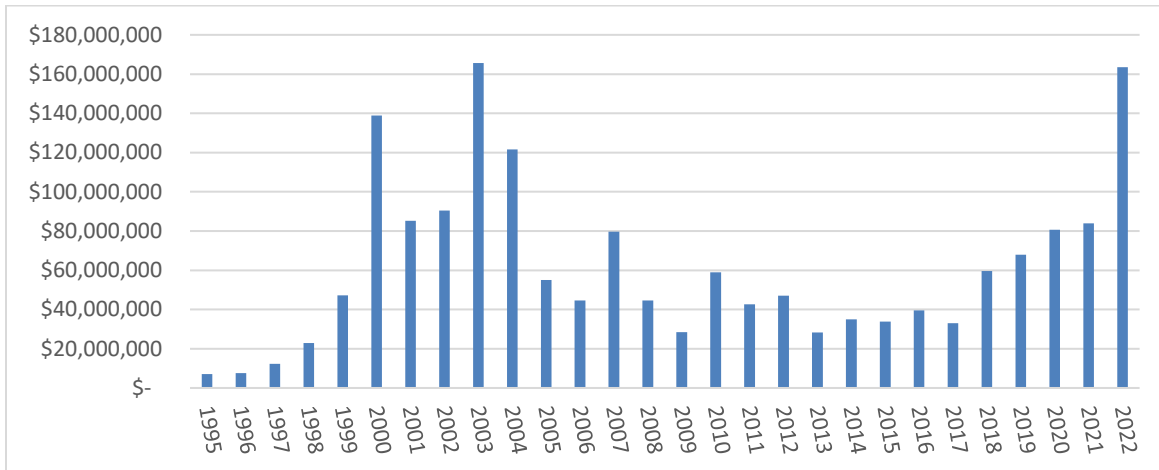
The Budget Act added provisional language to several sea level rise related appropriations that directs the Conservancy to prioritize projects that address sea-level rise adaptation and coastal resilience needs using nature-based solutions or other strategies. These allocations shall be informed by the State Coastal Conservancy's Strategic Plan, the State Agency Sea-Level Rise Action Plan and consideration of geographic areas of vulnerability and opportunities for federal financial support. The Conservancy is required to report to the Legislature on the expenditure of these sea level rise funds annually, beginning in January 2024. The annual report will include the following information:

- a) How the State Coastal Conservancy prioritized sea-level rise adaptation needs,
- b) How funds were allocated,
- c) The entity or community that received the funding,
- d) A description of projects funded, including the adaptation strategy employed, progress, and the urgent sea-level rise adaptation need addressed by the project.

Conservancy Authorizations

In FY 2022-23, the Conservancy authorized \$163.5 million for its projects, almost doubling the \$84 million authorized the year before. The chart below shows the total amount that the Conservancy authorized each fiscal year since 1995. The increased authorizations in FY 2022-23 reflect the significant appropriations for coastal resilience, sea level rise adaptation and the Explore the Coast program in recent budget.

Total Board Authorizations 1995-2022



**Coastal Conservancy Authorizations by Fund
Fiscal Years 2017 – 2022 (\$ in thousands)**

Fund	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
General Fund	-	19,810	5,924	11,314	35,533	100,351
Proposition 1	19,828	4,605	12,863	11,442	5,177	660
Proposition 12	359	6,970	1,149	1,872	297	-
Proposition 19	889	-	-	-	-	-
Proposition 40	756	-	-	-	-	-
Proposition 68	-	12,650	14,655	28,762	16,413	12,117
Proposition 84	7,664	3,725	8,610	8,800	5,712	8,226
HCF	2,157	2,573	19,205	3,411	9,808	1,008
VRA	123	-	95	1,475	1,491	223
Access & ELPF	648	825	1,137	779	734	149
Sea Otter	90	118	165	80	52	273
GGRF	-	3,800	2,850	-	-	38,208
Coastal Trust Fund	2,960	4,462	1,336	10,047	8,363	2,300
TOTAL	35,474	59,539	67,989	77,982	83,580	163,515

Recent Conservancy authorizations show a shift from bond funds to the General Fund and Greenhouse Gas Reduction Fund. More than 80% of the funding authorized last fiscal year was from the General Fund (60%) and the Greenhouse Gas Reduction Fund (20%).

Funds Benefiting Disadvantaged or Systemically Excluded 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. During *calendar year 2023*, the Conservancy has authorized \$264M (including recommended projects on the November agenda), with about 60% of that funding benefiting systemically excluded communities. We are refining our tracking system and will have updated numbers for the Board as part of our annual Strategic Plan progress report at the first meeting of 2024.

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. Over the past five calendar years 33% of the projects and 23% of funds were awarded to projects located in or benefiting Disadvantaged Communities.

	Projects	Amount Awarded	% of #	% of \$
Projects in/benefiting DAC*	369	\$ 168,635,000	33%	23%
TOTAL	1120	\$ 718,064,000		

Proposition 1 requires that its funds be awarded through competitive grant rounds that give priority to projects located in or benefiting 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

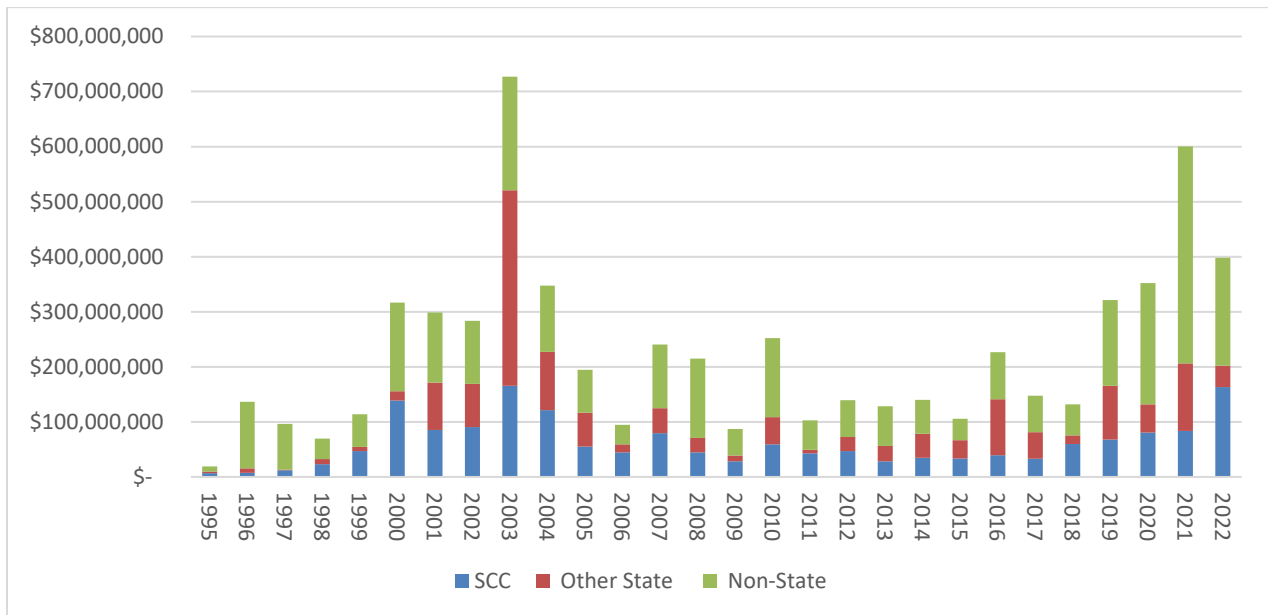
	Grants	Amount Awarded	% of #	% of \$
Projects in or partially in DAC	96	\$ 41,647,786	60%	52%
TOTAL	161	\$ 79,704,198		

Matching Funds

Last year, the Conservancy’s \$163.5 million for projects leveraged \$38.4 million in other state funds and \$195.9 million in non-state funds. Since 1985, the Conservancy has authorized about \$1.8 billion for its projects. Those funds were matched by a total of \$4.8 billion. Matching funds came from other state sources (\$1.5 billion) and non-state sources including local, federal, and private partners (\$3.3 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 Prop 1 grants, the Conservancy projects have leveraged \$1.77 for every dollar awarded.

Matching Funds – Coastal Conservancy Authorizations Fiscal Years 1995 – 2022



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. In FY 2021/22, the Conservancy was awarded \$21 million from State Parks for the restoration of the Crystal Cove Cottages. Last fiscal year, staff successfully applied for almost \$30 million in outside grants from a variety of sources, primarily state and federal grant programs. Grant awards are typically expended over multiple years.

As discussed in the next section, grant funds are an important part of our long-term financial strategy and help pay for our support costs. Over the past 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, we were awarded \$4.6 million for support costs. The table shows the steady increase in grant awards for support costs over the past ten years.

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

FY	Project	Support	Total
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	\$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

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. Conservancy staff have been and will continue to apply for federal grant programs as they become available. Our staff submitted five letters of intent to NOAA grant programs over the summer and were invited to submit full proposals for four of the projects.

Use of Delegated Authority to Accept and Disburse External Grant Funds

The Executive Officer has delegated authority to add external 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 uses of that authority in the past year:

Project Name	Grant Amount	Source
South San Francisco Bay Shoreline Project Phase 1	\$5,142,235	Wildlife Conservation Board
Pine Creek Acquisition	\$2,125,000	California Natural Resource Agency

Future Project Funding

The recent appropriations from the General Fund and Greenhouse Gas fund were fortunate, as most of the bond funds available to the Conservancy have already been appropriated. After the 2023-24 Budget, the Conservancy expects to receive about \$10 million from Prop 84 in future appropriations. The Conservancy will also receive appropriations from the Habitat Conservation Fund until fiscal year 2029. The Conservancy will also continue to spend funds from the Violation Remediation Account and the Coastal Trust Fund. Most of those funds are for specific

geographies or purposes. The table below shows the approximate balances of funds available for future appropriation, it does not include the approximately \$1 million in annual appropriations from special funds for the Explore the Coast program and the Sea Otter grants.

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

Proposition 84	~\$10,000
Habitat Conservation Fund (6 more years)	\$22,800
Violation Remediation Account	\$20,000
Coastal Trust Fund	<u>\$18,360</u>
TOTAL	\$71,160

With our success obtaining outside grants, the Conservancy has used some bond funds to front reimbursements. When the grants are repaid, we repay the bond fund. In addition, some prior bond balances may have reverted without encumbrance. Actual future appropriations may be higher due to these reimbursements and reversions. The number for Propositions 84 is an estimate as we reconcile past year expenditures and reversions.

Support Funding

The Conservancy’s support budget in FY 23/24 is \$14.7 million. The support budget increased between FY 20/21 and FY 21/22 when the Conservancy added eleven new positions, the first significant increase in staffing since 2010. 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 18/19 through 22/23 and budgeted amounts for FY 23/24.

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

Budget Categories	18/19 Actual	19/20 Actuals	20/21 Actuals	21/22 Actuals	22/23 Actuals	23/24 BUDGET
Salaries	\$5,691	\$7,592	\$5,760	\$6,353	\$6,619	\$6,864
Benefits	\$2,531	\$652	\$2,339	\$4,340	\$4,490	\$4,373
Expenses	\$2,142	\$1,969	\$1,675	\$3,987*	\$5,213	\$3,527
Total Budget	\$10,365	\$10,573	\$9,774	\$14,680	\$16,322	\$14,764

The Conservancy’s budget decreased in FY 20/21 due to the unpaid leave program and vacancies. Expenditure to support the Great Redwood Trail is one of the reasons the Conservancy’s expenses increased in FY 21/22. The table above does not match the Governor’s Budget exactly, because the \$10.3 million appropriated to the Conservancy for the Great Redwood Trail is shown as expenses in FY 21/22 Governor’s Budget, however those funds will be expended over several years.

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 General Fund and Greenhouse Gas Reduction Fund support funds have allowed the Conservancy to shift away from bond funds to use these other sources.

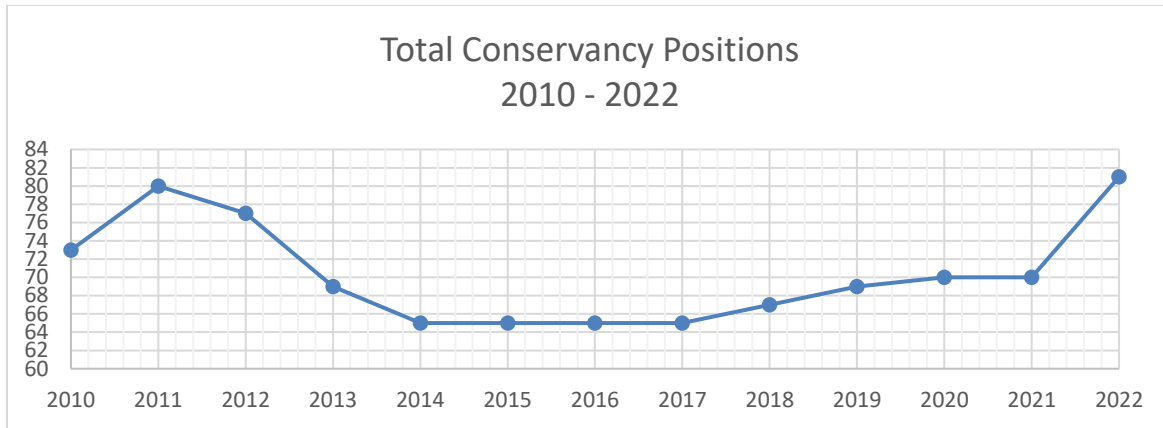
Bond funds are still a significant source of funding in the Conservancy's support budget. This includes the planning and monitoring and the administrative allocations in Propositions 1, 68, and 84. The planning and monitoring funds need to be spent on project-related costs, so the Conservancy uses them to pay for staff working on project planning, project development, project management and monitoring. The bond funds are finite and will run out over the next few 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, was awarded \$4.6 million for support costs from all incoming grants. Most grants are billed over multiple years.

There are a few 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 \$394K 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

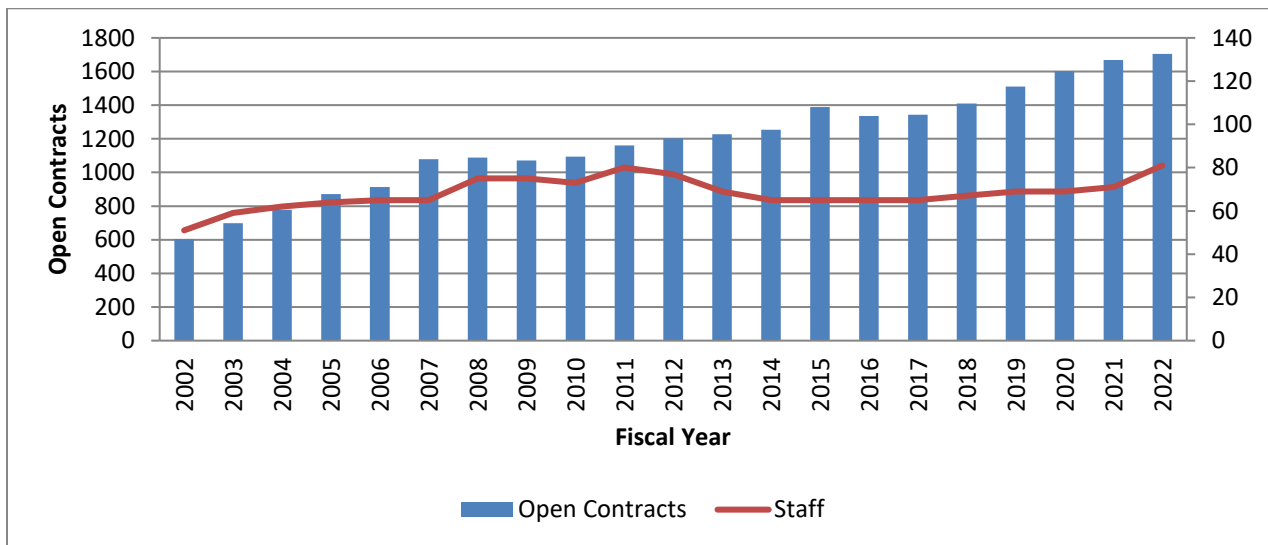
In FY 22/23, we added eleven new positions, bringing the total staff to 81. This represents the first major increase in staffing since 2011. Conservancy management has been careful not to request new positions unless we have the long-term funding to support those positions. The new positions allowed us to create one specialist position focused on Justice Equity Diversity Inclusion and Tribal Engagement, increased the number of project managers, and increased staff in administration. The chart below shows the total number of Conservancy positions for between 2010 and 2022.



Workload

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 2022. 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 2002-2022



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. 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.

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 plan assumes that the support budget remains largely flat, however the plan includes approximately 5% annual increase to account for increased costs of salaries, benefits, and expenses. This year’s plan allocates the recent General Fund and Greenhouse Gas support appropriations over the next seven years. These funds are critical to the on-going funding of the agency as the bond funds that have made up the bulk of our support budget will run out in the next few years. Finally, the plan assumes that the Conservancy continues to receive annual support funds from the Environmental Licenses Plate Fund, with a 5% increase every year.

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

Fund	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29
General Fund	3,600	5,000	4,500	5,200	7,000	7,500
GGRF	1,000	1,200	1,500	1,600	500	
ELPF	3,770	3,960	4,160	4,380	4,600	4,830
HCF	200	200	200	200	200	200
Coastal Conservancy Fund	-	-	550	550	550	750
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	800	-	-	-	-	-
Prop 50	530	560	560	380	-	-
Prop 84	1,500	1,500	1,500	1,500	-	-
Prop 1	750	720	718	700	-	-
Prop 68	1,000	760	1,000	1,000	3,500	4,000
Totals	15,000	15,750	16,538	17,360	18,200	19,130