SAN FRANCISCO BAY
RESTORATION AUTHORITY

San Francisco Bay Restoration Authority
Independent Citizens Oversight Committee
Annual Report FY 2023-2024
May X, 2025

Governing Board
San Francisco Bay Restoration Authority
1515 Clay Street, 10th Floor
Oakland, CA 94612

Dear Chair Gioia and Members of the Governing Board:

The Independent Citizens Oversight Committee (Oversight Committee) is pleased to provide its 7th annual report regarding the San Francisco Bay Restoration Authority's (Authority's) financial operations and conformance with the provisions of Measure AA for Fiscal Year (FY) 2023-2024. The six members of the Oversight Committee are:

Jim Fiedler, Chair, East Bay Representative, Contra Costa County
Garth Hall, Vice-Chair, South Bay Representative, Santa Clara County
Terry Young, Chair, At-Large Representative, Alameda County
Arthur Deicke, At-Large Representative, Sonoma County
Demece Garepis, West Bay Representative, San Francisco County
Susan Ives, North Bay Representative, Marin County

For this report, the Oversight Committee reviewed the Authority's FY2023-2024 financial statements, audit, budget, workplan, Annual Report, and individual project-related staff recommendations, as well as the BRRIT 2024 Annual Report, and other relevant documents. We thank the Authority staff for providing this information and associated briefings.

The Oversight Committee also recognizes that changes in federal policies and funding may have an impact on the Authority's progress. A summary of these potential impacts as well as other long-term issues is included at the end of our Report.

Item 6

Summary Finding: Based on our review, the Oversight Committee finds that Measure AA funds are being allocated appropriately for the purposes specified; that the Authority is managing its project portfolio well; and that its administrative services are well-organized.

1. FINANCIAL MANAGEMENT

The Oversight Committee review of the Authority's budget, financial statements and audit and find that the information is presented clearly in appropriate detail, and that it reflects sound management of the public's tax dollars. We congratulate the Authority for another "clean" audit.

a. Allocation of Funds

The Restoration Authority's budget is divided into two parts: the Project Based Budget that funds planning and implementation of on-the-ground restoration projects, and the Operating Budget that provides for the administration of the program. The latter is limited by Measure AA to 5% of the parcel tax plus any interest earned on the money that has been allocated to projects but not yet disbursed.

A measure of the Authority's financial management is the extent to which it is allocating the incoming property tax dollars to restoration projects in a timely manner. At the close of FY 2023-2024, only 2.4% ($4.0 million) of the money available to fund projects during the first seven years of Measure AA remained unallocated to projects, indicating that the Authority is proceeding with appropriate speed to approve grants on restoration projects. The Oversight Committee finds that the unallocated amount of 2.4% is acceptable and reflects well on the procedures that the Authority has created to review project proposals, and award grants to undertake these projects.

During the initial years of Measure AA, it appeared that reasonable year-over-year increases in administrative costs might outstrip the administrative revenues[1]. Since that time, the increase in interest rates for the Authority's investments, composed of US Treasury and Federal Home Loan Bank securities, resulted in a sharp increase in revenues available to fund the Operating Budget. Investment revenues that had averaged about $290,000 per year (from FY 2016-2017 to FY 2021-2022) rose to over $2.5 million in FY 2022-2023 and nearly $4.4 million in FY 2023-2024, resulting in an operating surplus that can be carried over from year to year.

It is the Oversight Committee's understanding that investment interest may be used to supplement the 5% annual income from Measure AA and/or to fund administrative costs that extend beyond the 2037 sunset of the property tax. Although this financial cushion is welcome, the Oversight Committee remains interested in reviewing the analysis we requested from the Authority projecting administrative costs up to and, as appropriate, beyond 2037. It is our understanding that this report will be presented to the Governing Committee in mid-2025. In addition, the Authority should also explore whether some of the investment income should be

[1] June 18, 2021, Memorandum from Sam Schuchat, Executive Officer to the Governing Board on the Adoption of Fiscal Year 2021-22 Budget. The Executive Officer Sam Schuchat noted that "as projects grow in the future it will be difficult to manage the growing project portfolio within the funding limits of the 5% administration take-down."

transferred to the project budget and, if so, what the trigger for such a transfer would be. Looking to the future, the Oversight Committee also supports the concept of reserving funds to cover post-Measure AA administrative costs.

Finding #1a: The Oversight Committee's review of the audit, financial statements, and project-based budget demonstrates that the Authority's financial management remains sound. In addition, some of our concerns regarding the long-term viability of the administrative budget have been alleviated by the increase in investment income, which can be used to offset administrative and possibly project augmentation expenses.

Recommendation #1a: Consistent with the Oversight Committee's recommendations from the last two years, the Authority is developing a projection of staff costs up to the end of Measure AA, across multiple scenarios. We look forward to reviewing this analysis after it becomes available later in 2025. We recommend that the analysis include the following issues: the need to reserve administrative funds for use after Measure AA sunsets in 2037; and whether it may be advisable to shift interest income to the project-based budget prior to the Measure AA sunset.

b. County Collection Fees

"County Collection Fees" are paid by the Authority to the nine individual counties to pay the cost for them to levy and collect the parcel tax. In FY 23-24 fees charged for tax collection totaled $743,076. Since the special tax inception, a total of $4,395,891, or roughly 3% of Measure AA tax has been spent for county fees. While the Oversight Committee understands that this cost is necessary to levy and collect the parcel tax it would be advantageous to minimize this expense. Funds made available through reduced fees, as discussed below, could be redirected to Measure AA projects.

We understand that there is a cost to counties to levy and collect the parcel tax, the percentage charged varies widely and without explanation. Given the urgency to address climate impacts to Bay Area communities, it would be advantageous to reduce administrative fees, as discussed below, to maximize Measure AA funds for their intended purpose.

Fees vary widely across counties, ranging from 0.85% to 6.34% of the county's levy. (The Authority has negotiated reduced and flat fees with San Francisco and San Mateo, respectively).[2] There are currently no guidelines or restrictions for what counties can charge to collect parcel taxes. Authority staff have discussed this issue with the Governing Board multiple times. Staff will continue to work with the Governing Board to discuss potential solutions to this issue. However, these fees are determined by independently elected county department heads. We look forward to being informed of any future actions undertaken by the Governing Board to address this issue.

Finding #1b: The fees that the Authority pays to individual counties to levy and collect the Measure AA parcel tax vary widely among counties, ranging from 0.85% to 6.34% of the levy.

[2] SAN FRANCISCO BAY RESTORATION AUTHORITY REVISED 2024/25 Annual Levy Report For: Measure AA Special Parcel Tax. Prepared NBS, January 2025. https://www.sfbayrestore.org/sites/default/files/2025-02/Item15_SFBRA_MeasureAA_AnnualReport_24-25.pdf

Recommendation #1b: The Oversight Committee requests information the Authority can provide regarding the justification provided by Contra Costa and Marin for their higher-end collection fees. The Oversight Committee recommends that the Governing Board develop guidelines for what counties should charge for Measure AA administration fees.

2. PROJECT PORTFOLIO MANAGEMENT

a. Project Selection

The Authority's seventh Request for Proposals, issued in July 2023, netted 15 applications requesting $70 million dollars for restoration projects. In the FY 2023 - 2024 the Authority authorized $25.5 million to 11 returning projects, and two new Community Grant projects. Since the program inception a total of $164 million has been authorized to 41 projects. Those projects have included an additional $244 million from local, state, federal and other funding.

b. Landscape-Scale Attributes

As previously noted by the Oversight Committee, the Authority has implemented significant steps towards assessing its cumulative project portfolio and working to fill gaps with respect to landscape-scale attributes. In its previous annual reports to the Governing Board, the Oversight Committee recommended that the Authority work towards optimizing the group of projects it funds in order to maximize the region-wide, landscape-level benefits, such as increased complexity of the habitat matrix; improved connectivity and wildlife corridors; and transition zones that can be used as refugia as well as marsh migration as sea level rises.

The Oversight Committee is pleased that the Authority, in further efforts made towards enhancing landscape-wide project elements, includes in its 2023-2024 Annual Report an excellent methodology for characterizing specific incremental benefits of tidal marsh restoration projects. This methodology, provided by and adopted from the Wetlands Regional Monitoring Program, incorporates four new metrics (tidal marsh extent, patch size, patch shape and connectivity). In the 2023-2024 Annual Report, these metrics are applied, based on measurements made in 2020, to Authority-funded projects in the context of then-existing tidal marshes. We understand that updated measurements will be made in 2025. (For example, Authority projects, as of 2020, contributed to 16,600 acres of connected tidal marsh habitat. These are important performance measures that have not previously been reported by the Authority.)

Finding #2a: Authority staff continue to work with other restoration proponents to identify locations and projects that will have the largest landscape-scale ecological benefits, with the intention to include such projects in the Authority's overall project portfolio. The Authority made strides in FY2023-2024 to apply performance measures to tidal marsh restoration projects that enhance landscape-wide tidal marsh habitat. The Oversight Committee anticipates that these performance measures, among other tools, will help drive project selection and help advance landscape-wide tidal marsh benefits.

Recommendation #2a: The Oversight Committee encourages the Authority to continue applying landscape-wide attributes in its selection and implementation of tidal marsh restoration projects and recommends that the methodology developed for characterizing the benefits of incremental tidal marsh restoration projects also be used to measure other habitats in the Authority's program -- for example, in managed ponds, seasonal wetlands, and sandy beach habitats. For future annual reports, the Oversight Committee recommends that performance measures addressing landscape-wide habitat restoration be incorporated into the Performance Measure Table (which, in the FY2022-2023 Annual Report, begins on page 25).

c. Economically Disadvantaged Communities (EDCs)

Providing benefits to economically-disadvantaged communities (EDCs) is a high priority of Measure AA. [3] The Authority is committed to advancing justice, equity, diversity and inclusion through its grant programs and throughout its operations.

Over the past few years, the Authority has undertaken a series of initiatives to determine how best to engage with and benefit EDCs. These include developing Equity Guidelines and prioritizing eligible projects that offer benefits to EDC. As stated in this year's Annual Report: "A project's ability to provide benefits to these communities is determined by multiple factors, including the direct involvement of local community groups; ongoing community participation and support; the use of strategies to increase relevance of messaging and outreach; and the ability to alleviate multiple stressors within communities including, but not limited to, addressing the need for additional recreational amenities, resilience to climate change, reductions in pollution burden, greater civic engagement, workforce development, and enhanced leadership development opportunities."

The Authority's latest Annual Report devotes several pages to background and metrics on project benefits to EDCs. The information includes project type, habitat type and acres and functionality (public access facilities, trails, levees) likely to benefit the EDC. The Report includes examples of projects that staff and grantees have indicated as providing benefits to EDCs. The Oversight Committee appreciates the work undertaken by the Authority.

Last year the Oversight Committee inquired whether the Authority has supported training programs in EDCs to do permit-related or regional monitoring, which would address three Measure AA priorities: EDCs, workforce development, and monitoring. The Authority is currently supporting the Wetlands Regional Monitoring Program (WRMP), which has in its five-year outlook to evaluate the feasibility of workforce training for EDCs and Tribes to assist with regional monitoring. Authority staff will work with the WRMP to monitor progress in this effort.

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[3] The Grant Program Guidelines state that: "An economically disadvantaged community (EDC) is defined as a community with a median household income less than 80% of the area median income (AMI). Within this set of low-income communities, communities of particular concern include those that: are historically underrepresented in the environmental policymaking and/or projects, bear a disproportionate environmental and health burden, are most vulnerable to climate change impacts due to lack of resources required for community resilience, or are severely burdened by housing costs, increasing the risk of displacement."

Finding #2b: The Authority has taken important steps to bring economic and social benefits to EDC through Authority-funded projects. The two new Community Grant projects funded this year are examples of steps being taken: Sacred Spaces Planning Project and Shoreline Futures: Youth Visioning and Action project.

Recommendation # 2b: As Authority staff look for opportunities to implement actions to benefit EDCs, we recommend that they continue to evaluate the feasibility of training a workforce from EDCs to assist with permit-related and regional monitoring. It would also be beneficial for the Authority to provide opportunities for EDC members to intern or work for the Authority. In addition, we recommend that the Authority continue to routinely evaluate progress and the effectiveness of those actions when implemented.

d. The Bay Trail

Measure AA Campaign Goals included constructing 25 miles of the Bay Trail. According to the Authority's FY2023-2024 Annual Report, progress on constructing Bay Trail is at 13% (3.3 miles).

Authority staff recognize the need to accelerate project funding to achieve the goal of 25 miles of Bay Trail. In its October 18, 2024 memorandum to the Governing Board[4], staff indicate "If all the design projects were funded through the construction phase, this would result in 16.2 miles of Bay Trail, leaving a gap of 8.8 miles to reach the goal of 25 miles." According to the Metropolitan Transportation Commission's (MTC) Bay Trail Gap Closure Implementation Plan, as of 2024, 352 miles (70%) of the 500-mile envisaged length had been constructed.

The Oversight Committee acknowledges that to be eligible for Authority funding, a project to provide or improve public access or recreational amenities must be part of a Measure AA funded project to restore, enhance, or protect tidal wetlands, managed ponds, or natural habitats.

Finding #2c: To address the gap in current completion of only 13% of the 25 miles of Bay Trail identified in the campaign goals, Authority staff are collaborating with MTC Bay Trail staff and other parties to assess further trail projects that may be eligible for Measure AA funding.

Recommendation #2c: Authority staff should continue collaborating with MTC Bay Trail staff and other partners to assess further Bay Trail projects that may be eligible for Measure AA funding.

[4] October 18, 2024, Staff Memorandum to the Governing Board on *Plan to Achieve the Measure AA Campaign Goals and Distribution of Funding by Region*

e. Shellfish and Submerged Aquatic Vegetation

Measure AA campaign goals include increasing shellfish habitat and submerged aquatic vegetation (SAV) habitat. To date, Measure AA has funded projects that will restore 2% of the 500-acre goal for shellfish habitat and 2% of the 150-acre goal for SAV habitat. The limited progress to date is reportedly due to several issues including difficulty in addressing property ownership and a lack of habitat-restoration experience among potential grantees.

In its FY 2022-2023 report to the Governing Board, the Oversight Committee noted that the Authority increased attention to habitat restoration goals, noting that the Authority had initiated a "mini" strategic plan to accelerate progress.

The Oversight Committee is pleased that Authority staff, in collaboration with State Coastal Conservancy, the San Francisco Estuary Institute, and other agencies, are successfully expanding these target habitat types,[5] including sites targeted in the Regionally Advancing Living Shorelines project, (RALS). If funded, these projects could reach a total of 250 acres of shellfish enhancement and 75 acres of SAV habitat--approximately 50% of their respective Measure AA campaign goals.

Finding #2d: The Authority has made encouraging progress in advancing plans to enhance shellfish habitat and SAV habitat and is moving forward in partnership with others to identify additional specific shellfish and SAV project sites and develop specific plans for these sites. The Oversight Committee has learned that potential grantees with the necessary skills are now interested in submitting proposals to undertake this work.

Recommendation 2d: The Authority should proceed expeditiously in its efforts to restore habitats for shellfish and SAVs and achieve 50% or more of Measure AA campaign goals for these two habitat types.

3. PROJECT TRACKING

When the Authority authorizes a new project, the cost of that project is not paid up front, but rather is distributed over the lifetime of the project. The Authority regularly tracks and reports on the yearly grant amount, cumulative expenses and remaining grant balances for each of the Authority funded Projects.

Of the total funds granted by the Authority in its first seven years ($162,927,162), 54% ($87,819,344) was disbursed as of the end of FY 2023-24, leaving 46% ($75,107,818) that amount has been set aside to pay for the completion of the already-approved projects. This is a sensible approach. It indicates, however, that a substantial amount of work remains to be completed on the Authority's approved projects, suggesting that some of this work may be

[5] Staff memo to Governing Board on Plan to Achieve the Measure AA Campaign Goals and Distribution of Funding by Region, October 18, 2024.

subject to cost increases due to changes in scope, inflation, and other factors. Such increases have occurred already for at least two projects, to which the Authority granted additional funds to cover the increases[6]. Given this recent experience, the Oversight Committee is concerned that similar cost increases for the Authority's current project portfolio may occur.

a. Forecasting and Budgeting

The Authority has been assessing the need for augmentations on a project-by-project basis each year. Although this may be a workable approach for now, it will entail more risk as we get closer to the sunset of Measure AA revenues in 2037, particularly for projects whose implementation will last beyond that date.

It would be helpful for the Authority to ensure that the process of reviewing and approving augmentations is understood by grantees.

It would be helpful for Authority staff to communicate both the cost and the implementation schedule for each project. Knowing both the percentage expended and percentage completed will aid the Authority as to whether a project may need fund augmentation. It will also inform whether a project will extend beyond the sunset of Measure AA, thereby affecting the need to budget for project management following Measure AA sunset.

Authority staff may also benefit from tracking not only past project invoices but anticipated future project expenditures. This will aid in better forecasting project fund drawdown and investment income balance available for augmentation.

Devising a benchmark dashboard report would provide a quick overview of progress on each project in the portfolio and enable Authority staff to view in one report the implementation status of the entire project portfolio, note the expenditure rate, and possibly flagging potential project delays and need for funding augmentations.

Such a report would not only serve as a reference tool for staff but would be integral to the Oversight Committee's understanding of the portfolio and rate of dispersal of funds. To our knowledge this overview is not available in report form.

Finding #3a: The Authority tracks and reports on each project's yearly grant amount, cumulative expenses and remaining grant balance for each of the Authority funded Projects. The anticipated future yearly expenditures and project schedule for the projects is not reported.

Recommendation #3a: To better assess project status the Authority Staff should consider utilizing a dashboard that would track and report on potential future yearly expenditures and provide a forward-looking project schedule for each project.

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[6] The Terminal Four Wharf Removal Project received a $2,300,000 augmentation grant in FY 2022–23 to cover increased construction costs and inflation. In FY 2023–24, the Lower Walnut Creek Restoration Project received a $3,000,000 augmentation grant to cover both design changes and inflation; the staff report notes that, "since 2020, energy costs have increased by 40%, craning costs have increased by 30%, and material costs for bridges and other components have increased at varying levels."

b. Lessons Learned

When a project is completed, staff provides the grantee with a report template to capture lessons learned, and other critical information. The questions include in what ways the project was successful and what advice the grantee might offer to a similar project. Grantees are also encouraged to complete a Grantee Feedback Survey to help improve the grantmaking process. The Authority's work is groundbreaking and holds important lessons for future restoration initiatives.

Finding #3b: The Authority staff provides a feedback mechanism for grantees to give input for improving the grant process.

Recommendation #3b. It would be beneficial for the Authority to capture and communicate lessons learned, including for project augmentations, with other grantees so that the need for such augmentations is better understood and minimized.

4. BRRIT

The Oversight Committee reiterates its strong support for the Bay Restoration Regulatory Integration Team (BRRIT). In the last five years, 32 multi-benefit restoration projects have come to BRRIT, ten of which have been fully permitted.

We reviewed the BRRIT 2024 Report and noted these accomplishments and progress: 1) adoption of definitions and an interim framework for permitting projects with artificial reefs elements; 2) establishing a path for regular engagement with Pacific Gas & Electric (PG&E), which has substantial infrastructure on the Bay's edge and 3) agreeing that the State of California Sea Level Rise Guidance 2024 Science & Policy Update was the appropriate projection when designing projects such as horizontal levees.

The Oversight Committee applauds the continuation of BRRIT funding and note that we would support increasing BRRIT's budget in the future if it would enhance both the Authority's capacity to fund and implement projects.

Given that many Bay Area climate change adaptation projects (nature-based or not) are not eligible for Authority funding and not eligible to be added to the BRRIT 's project list, we recognize that the BRRIT model could benefit projects outside the scope of the Authority.

Finding #4a: The Oversight Committee reiterates its strong support for the BRRIT and the improvements it continues to achieve in the permitting process, and we applaud the continued funding of the BRRIT for an additional five years.

Recommendation #4a: If, in the future, the Authority finds that increasing the capacity of the BRRIT would enable more projects to be funded and implemented on shorter timelines, the Oversight Committee would support increasing the funding of the BRRIT accordingly.

5. COMMUNICATIONS

The Authority's Annual Report summarizes the Authority's work largely through metrics (number of projects, costs, number of people involved, etc.). While this provides a helpful snapshot of the Authority's overall portfolio, it cannot fully convey the value of this work to the health of the Bay and the Bay Area. These values cannot be captured by metrics alone.

As Authority-funded projects come to fruition, we hope the Authority's outreach will also include representative stories and photos to communicate the purpose and importance of this work; those who perform it and the ways the Bay Area benefits from it.

Finding #5a: The Authority's communications can be both informative and inspirational. In its outreach to target audiences— taxpayers, elected officials, agencies and media—it is important that the Authority convey not only what the Authority is doing, but why.

Recommendation #5a: The Authority's website is a premier resource for information about the Authority's work and the projects it has funded. It's our understanding that the platform and content of the website are soon to be refreshed. We see this as an opportunity to restate the Authority's public mission, describe not only the What, but the Why the work being done through Measure AA funds, and to celebrate the grantees and the taxpayers whose commitment to the Bay is making possible many important benefits to Bay Area communities: climate resilience, wildlife habitat, recreational access, education and environmental equity.

Recommendation #5b: We note that the Authority is approaching its ten-year anniversary, which we see as an opportunity to develop a communications plan, perhaps in collaboration with grantees, partner agencies and local governments, to raise awareness of the work going on around the Bay and to strengthen people's understanding of and connection to the Bay that connects us.

6. LOOKING TO THE FUTURE

The Oversight Committee's Report reflects discussions related to the changing operating environment and possible impacts on the Authority's capacity, project selection, monitoring and reporting. We believe it's important to bring such long-term considerations to the attention of staff and the Governing Board.

Among the long-term considerations we encourage the Authority to assess are:

- Long-term sea level rise impact on Measure AA projects –Rising ocean waters will likely impact some projects. Principles adopted in the South San Francisco Bay Shoreline Project, for example, explicitly recognized the project's role in adapting to rising sea levels. Whether the life spans of other Measure AA projects may be eventually affected by rising seas and whether remedial work may be needed to sustain their benefits deserves the Authority's attention.

- In financial forecasting, it's important to anticipate whether funding available to agencies from Proposition 4 (the California Climate Bond), may contribute to some projects funded under Measure AA.

- In addressing concerns about future funding of Measure AA projects, it would be helpful to consider scenarios in which federal policy changes, including budget and staffing cuts, could impact Authority funded projects, including BRRIT.

Recommendation #6a: The Oversight Committee recommends that the Authority undertake an assessment of long-term issues including: 1) sea level rise affecting Measure AA projects, 2) an assessment on the availability of Proposition 4 funding for future Measure AA projects, and 3) consideration of whether recent federal funding and policy changes may affect Measure AA projects.

Recommendation #6b: Consideration of sea level rise should be included in the FY2024-2025 Annual Report. Assessments of potential Proposition 4 funding and of potential federal budget cuts affecting Measure AA could be included in forthcoming Annual Reports or in Staff memoranda to the Governing Board.

In our view, the passage of Measure AA in 2016 remains visionary, and the work of the Authority since then has helped to pave the way for an accelerating pace of adaptation and restoration. We look forward to continuing to work with the Authority and the Governing Board to achieve the regional goals we all share.

Respectfully submitted,

Jim Fiedler
Chair, Independent Citizens Oversight Committee