



SAN FRANCISCO BAY
RESTORATION AUTHORITY

San Francisco Bay Restoration Authority
Independent Citizens Oversight Committee
Draft Annual Review Letter FY 2021-2022
(**Date**)

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

Dear Chair Pine and Members of the Governing Board,

This letter constitutes the annual report by the Independent Citizens Oversight Committee (Oversight Committee) of the San Francisco Bay Restoration Authority's (Authority's) conformance with the requirements of Measure AA, as well as the Authority's financial operations, from July 1, 2021 through June 30, 2022. As required by Measure AA, the Oversight Committee consists of six members from across the Bay area:

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

As a group, our expertise includes water quality, pollution reduction, habitat restoration, flood protection, finance, and public access to San Francisco Bay.

FINDING # 1: It is from this perspective that the Oversight Committee is pleased to report that the Authority is well-managed, and that it continues to utilize taxpayer funds effectively for the purposes defined by Measure AA. Our detailed comments follow.

FINANCIAL MANAGEMENT

The Oversight Committee reviewed the financial statements, audit, budget, and staff workplan for the year ending June 30, 2022 and has concluded that the Measure AA tax revenues were collected, held, and managed appropriately. In addition, the financial statements for the year received a clean and unmodified audit. While the financial statements, audit, and accompanying explanatory material are available to the public in a generally transparent form, the Oversight Committee found that additional explanation of the audit results on the website and/or in the Annual Report would be helpful.

Following the collapse of one of the Bay Area's major regional banks this year, members of the public may be interested in learning about the risk factors to the Authority's substantial (>\$79 million) cash and investments. As discussed in the audit report, financial management for the Authority is staffed by the Metropolitan Transportation Commission (MTC), utilizing the MTC's investment policy. A detailed description of the composition of the Authority's cash and cash equivalents (\$21,698,748) and its investments (\$58,079,444), as well as an explanation of the standard risk factors for cash and investments can be found in the "Financial Statements for the year ended June 30, 2022", (San Francisco Bay Restoration Resources, <https://www.sfbayrestore.org/restoration-resources> , pages 20-23 in the report)-audit report (December __?? Governing Board Agenda, Item 11, Attachment 2page 20ff). In particular, the audit discusses interest rate risk, stating that the weighted average maturity of the Authority's investments is 0.18 years.

The Oversight Committee notes that the allocation of resources to restoration projects is keeping pace with the inflows from property tax receipts so that: the Authority has sufficient income to pay for its approved grants on one hand; and on the other hand, it continues each year to approve enough projects to keep the money steadily flowing towards restoration. For example, \$23.2 million was allocated to restoration projects in FY2022 compared to tax revenue of about \$25.7 million (of which 95% or about \$24.4 million was available in the project-based budget). In our view, there is a benefit to implementing restoration projects as rapidly possible given the threat of accelerating sea level rise, so we appreciate the Authority's timely allocation of funds.

The budget for administering Measure AA funds and projects is limited to 5% of tax revenues plus the interest earned on money that has been allocated but not yet spent. The Authority can, if necessary, also tap \$1.8 million in funds that were available allocated but not used for administration in prior years. In his June 18, 2021 Memorandum to the Governing Board on the Adoption of Fiscal Year 2021-22 Budget, the Executive Officer indicated that "As projects grow in the future it will be difficult to manage the growing project portfolio within the funding limit of the 5% administrative take-down." The Oversight eCommittee shares the concern that the

5% budget limit could be inadequate to meet future staffing costs. We assume that staff workload will increase with increasing numbers of projects, each of which requires oversight and management. Even if workload does not increase substantially, we assume that costs for existing staffing levels will continue to increase due to changes in salaries and benefits. The track record for the past two years is instructive: the budgets included increases in staff costs of increased by 36% in FY 2020-2021 and by 9% in FY 2021-2022. For this reason, the Oversight Committee recommends that the Authority create a 10-year projection of future administrative costs in order to determine whether and/or when these costs will exceed the 5%-plus-interest income threshold. If there is a projected shortfall, the Oversight Committee requests a discussion of options for responding to the problem.

FINDING # 2: The Oversight Committee finds that the tax revenues collected pursuant to Measure AA are managed and expended appropriately, and we appreciate the receipt of yet another clean and unmodified audit.

RECOMMENDATION # 1: While the financial statements, audit, and accompanying explanatory material are available to the public in a generally transparent form, the Oversight Committee recommends that the Authority provide a summary statement of the audit results in layperson terms either additional explanation of the audit results on the website and/or in the Annual Report.

RECOMMENDATION # 2: We recommend that the Governing Board direct the Executive Officer to Authority provide a 10-year projection of administrative costs to determine whether there is a structural problem with the 5%-plus-interest funding limit. If a potential shortfall is projected, we recommend that the Executive Officer Authority analyze the options for responding to the issue and include that analysis with the report on administrative costs. brief the Oversight Committee accordingly.

PROJECT SELECTION

The Oversight Committee reviewed the projects that were awarded funding in FY 2021-2022 and found that each was consistent with the programs and criteria included in Measure AA. Many of the projects also respond to the coming challenge of sea level rise by, for example, re-engineering an existing marsh so that it can better grow in elevation (Evolving Shorelines at Bothin Marsh), planning new wetland habitat designed to evolve with rising seas (De-Pave Park), and using green infrastructure to provide flood control (SAFER Bay Planning Project).

One of the specific criteria for project selection that were set out in Measure AA is to “increase impact value by leveraging state and federal resources and public/private partnerships”. At the end of the first five years of Measure AA implementation, the FY 2021-2022 Annual Report states that over \$175 million in Federal, State, and other funds have been leveraged. This number is an initial estimate and may grow as some of the projects mature and attract more funding. For comparison, more than \$125 million of Measure AA funds have been awarded to projects during the same time period.

In recent years, additional Federal and State funds that could be used for purposes consistent with Measure AA have become available. For example, \$54.5 million was allocated to San Francisco Bay by Congress at the close of 2022. Accordingly, the Oversight Committee briefly reviewed the Authority's strategy for ~~increasing the leveraging of~~ Federal and State funds. It is our understanding that the Authority seeks to maximize leveraged dollars by: maintaining thorough knowledge of potential funding sources and developing lines of communication with the relevant agencies and organizations; providing this information to the community at large (as in the recent Funding Forum webinar); and helping project applicants to identify and seek funding from sources in addition to, and occasionally in lieu of, the Restoration Authority. Based on the Authority's track record, this approach has been effective. In this context, it is also important to note that the funding provided by the passage of Measure AA has allowed the Bay Area to attract state and federal funds that may not have been available but for the presence of these local funds.

Another way to look at leveraging resources is utilizing the knowledge and expertise of the Bay Area's public and private entities. Many of this year's grants illustrate this form of leveraging. For example, the "Regionally Advancing Living Shorelines in San Francisco Bay Project" will be implemented by the San Francisco Estuary Institute (SFEI), which is a nonprofit entity with deep scientific expertise that has designed and carried out research, monitoring, and data evaluation for San Francisco Bay for many decades. Similarly, the "Science Elements of the Wetlands Regional Monitoring Program for San Francisco Bay" project will be implemented by the Aquatic Science Center -- a related joint powers authority staffed by the scientists of SFEI -- and will also draw upon the extensive scientific expertise of the state and federal agencies that have been involved in wetland restoration. Another example of effectively leveraging knowledge and experience is the "Evolving Shorelines Project at Bothin Marsh" project, which takes advantage of the ~~past~~ experience of the Golden Gate National Parks Conservancy with respect to restoring shoreline habitat. These are only a few examples of how the Authority incorporates expertise from a network of Bay Area technical and scientific experts to effectively uses the Bay area's infrastructure of expertise to design and implement projects. ~~that would be far more expensive without this built-in technical foundation.~~

We also note that the Authority stretches its administrative dollars by utilizing the experienced project managers, financial managers, and offices of existing entities, including the Coastal Conservancy and the San Francisco Estuary Partnership. Via its Advisory Committee the Authority also makes use of the expertise of more than a dozen science-based Federal, State, and local agencies to review individual project proposals.

Measure AA also included in its list of funding criteria the capacity of projects to engage youth and young adults, thereby helping them to gain skills relevant to natural resource management. Several of this year's grants illustrate how the Authority is implementing this priority: the Bothin Marsh project involves Conservation Corps North Bay and the "Linking Individuals to their Natural Community" summer internship program; the "Baylands Habitat Restoration and Community Engagement in East Palo Alto" project will provide paid internships to local youth in

a training program run by Grassroots Ecology; and the “De-Pave Park” project includes extensive outreach to local youth during the envisioning and planning phases.

For the past two years, the Oversight Committee has highlighted the need for the Authority to begin to optimize the group of projects it funds in order to maximize the region-wide, landscape-level benefits. This will require shifting gears from ~~passively~~ evaluating what comes in the door to assessing what is needed where and then actively soliciting projects that will meet those broader criteria. If we look at this objective from an ecological perspective, it means emphasizing projects that improve landscape-level characteristics such as: increased complexity of the habitat matrix; improved habitat connectivity and wildlife corridors, and transition zones that can be used as refugia for wildlife as well as marsh migration as sea level rises. Many individual projects have contributed to improving these characteristics, but we think it is crucial to begin a more focused effort to seek out and nurture projects that enhance system-wide, spatially-relevant characteristics across the region. (We note that the Wetlands Regional Monitoring Program will help to track changes in landscape-level characteristics, and we support the long-term maintenance of the regional data collection and analysis for this purpose.)

Although this is a long-term effort, ~~it is crucial to begin and~~ useful short-term steps can be implemented. We offer the following suggestions: First, the Authority can more explicitly incorporate the landscape-scale ecological characteristics into the ~~list of~~ scoring criteria currently used to assess new project proposals; ~~these new criteria will fit~~ (under the umbrella of “greatest positive impact”). To the extent that these characteristics are already being considered, we recommend that the process be more clearly defined and communicated. Second, the Authority should more aggressively mine new reports or tools that incorporate landscape-scale analyses in order to identify priority gaps, and then explicitly seek projects that fill those gaps. The updated (2022) Implementation Strategy of the San Francisco Bay Joint Venture (SFBJV) is a case in point. Working with other members of the SFBJV, the Authority could use the underlying analyses to target specific areas where projects would enhance the functionality of the ecological system (for example, by providing connectivity between habitats or filling gaps in a habitat mosaic).

This transition from project-by-project analysis to a more focused strategy of filling gaps can also be applied to community benefits. Accordingly, we also recommend that the Authority begin to scope out the types of projects that ~~the process of determining which projects~~ could be added to the overall portfolio in order to maximize public access, flood control, and the like.

FINDING #3: The Oversight Committee reviewed the projects that were awarded funding in FY 2021 – 2022 and found that each was consistent with the programs and criteria included in Measure AA. We also ~~RECOMMENDATION # 3: The Oversight Committee~~ **applauds the Authority’s many forward-looking projects that incorporate plans for responding to sea level rise.**

With respect to the requirement of Measure AA that projects leverage Federal and State funds and public/private partnerships, we find that **the Authority is successfully identifying funding sources and actively facilitating such leveraging.** In this context it is important to acknowledge that the Bay Area’s rich community of restoration and environmental experts enhances the Authority’s capacity to spend Measure AA funds efficiently. In addition, the Authority stretches its administrative dollars by utilizing experienced staff from sister agencies.

RECOMMENDATION #3: The Oversight Committee considers it crucial for the Authority to **accelerate the ~~begin to~~ shift from opportunistic funding of individual projects to a more focused effort to fund a group of projects that fills functional gaps in the ecological system.** We recommend that the Authority **initiate more aggressively implement that shift that ~~process~~ this year, and we have provided specific examples of short-term, achievable steps that can be undertaken to that end. We also recommend that the Authority take steps to communicate this strategy more effectively.**

PROJECT MANAGEMENT AND IMPLEMENTATION

As in past years, the Oversight Committee finds that the management structure for the Project Budget is sound. We note that project managers are a key component of this process, and we appreciate the fact that most managers have in-depth knowledge of the relevant subject areas due to their ~~past~~ experience with their parent agencies (e.g., the State Coastal Conservancy and the San Francisco Estuary Partnership).

We also wish to highlight three ways that the Authority is building new tools for project management to maximize the efficient use of Measure AA funds. First, the Authority created the Bay Restoration Regulatory Integration Team (BRRIT) to minimize the time and cost of regulatory compliance for restoration projects. To judge its own effectiveness, BRRIT established a list of performance metrics that measure response times for various regulatory deadlines (see BRRIT 2022 Annual Report), and the initial results are promising. The BRRIT has also achieved some success using another approach: working backwards from construction schedules to the permitting timelines necessary to meet these schedules. We note, however, that it is difficult to quantitatively assess the improvements BRRIT has achieved due to the absence of a suitable baseline; we encourage BRRIT to continue its efforts to address this issue.

BRRIT funding at current levels is available through 2024. The Oversight Committee strongly supports the work of the BRRIT, and we recommend that funding be continued at or above the current level post-2024. We also recommend that funds be made available for consultants (such as Southern California Coastal Water Research Project and SFEI) to assist with science questions raised by regulatory issues, as was done with the “type conversion” issue earlier.

A second example of the Authority’s efforts to maximize efficient use of funds involves creating tools that can be used by multiple future projects to streamline planning and implementation. Specifically, the objective of the “Regionally Advancing Living Shorelines in San Francisco Bay”

project is to create a programmatic permitting framework for using living shorelines to adapt to climate change. A closely associated effort (not funded by Measure AA ~~funds~~) will undertake the substantial foundational science and engineering work required to produce design and construction guidance for this type of project. By providing these templates, the project will help to reduce design and permitting time for future nature-based shoreline restoration and adaptation projects.

A third example is the creation of tools that can underpin future efforts to analyze gaps and target projects that improve landscape-scale ecological integrity. The “Science Elements of the Wetlands Regional Monitoring Program for San Francisco Bay” project will help operationalize the Wetlands Regional Monitoring Program’s strategy for answering critical management questions. Ultimately, this work will populate indicators that show where various habitat types are located, how they are changing, characteristics that support important habitat functions, the presence of indicator species, and other parameters. Along the way, the project may help regulatory agencies eliminate ~~some extraneous superfluous~~ permit-related monitoring.

FINDING # 4: The Oversight Committee finds that the management structure for project oversight is sound, and that the Authority is taking creative steps to maximize the efficient use of Measure AA funds by minimizing the time required for project planning and permitting. We strongly support all of these efforts, as exemplified by the BRRIT and projects such as “Regionally Advancing Living Shorelines in San Francisco Bay” and “Science Elements of the Wetlands Regional Monitoring Program in San Francisco Bay”.

RECOMMENDATION # 45: We recommend that the Authority continue to support and fund the work of the BRRIT at or above current levels after 2024, and that it also support funds for additional consultants as needed to address complicated science questions raised by certain regulatory issues. We also recommend that the Authority advocate for and support BRRIT’s continued ~~its~~ efforts to identify a baseline against which its improvements can be assessed, including with quantitative measures.

PROJECT TRACKING AND COMMUNICATIONS

The Annual Report tracks the Authority’s progress towards achieving the 20-year goals set out in the campaign for Measure AA. As of FY 2021-2022, the five-year point, the record shows progress commensurate with all the goals except those for shellfish habitat and habitat for submerged aquatic vegetation. The Authority is working to improve this record with planning grants, and it intends ~~is planning~~ to use a habitat suitability model that will aid the targeting of submerged aquatic vegetation once the new model becomes available.

In addition to tracking the Campaign Goals and the existing Performance Measures, the Oversight Committee recommends that the Authority track supplemental metrics that are important to the public and/or to the functioning of the Bay ecological system. We have two suggestions. First, the metrics included in the Campaign Goals (e.g., restore 500 acres of shellfish habitat) should be compared to reassessed in light of the updated ~~8,000-acre~~ targets

~~for both habitats~~ that have been identified to restore the Bay system and make it more resilient to climate change. ~~If so, the~~ new numbers should be presented alongside the original goals in the bar graphs. ~~In addition, it would be useful for the public to know what the maximum feasible number might be for the Campaign Goals metrics.~~ Much of this information is now available in the updated “Implementation Strategy of the San Francisco Bay Joint Venture” (https://sfbayjv.org/wp-content/uploads/2023/02/SFBJV_IS_r1_FINAL_reduced.pdf). The Oversight Committee has concluded that it is important to provide the public with the most recent scientific assessment of restoration needs, so that both the importance and the limitations of Measure AA funding are clear.

Our second suggestion is to augment the existing Performance Measures with additional indicators that show cumulative progress due to Measure AA grants. Here are some potential examples:

- cumulative changes in landscape pattern or structure (which would include connectivity between habitat patches);
- ~~changes in habitat extent for habitats not currently listed in the Campaign Goals (such as transition zones);~~
- changes in habitat available to support special-status or indicator species;
- construction of new features that will provide resiliency against sea-level rise;
- A cumulative measure of the benefits that people derive from wetlands, such as flood protection, people and communities protected from flooding, with special reference to economically disadvantaged communities; ~~and~~
- ~~A cumulative count of the job training opportunities generated for youth and young adults.~~

Although some of these indicators are being developed by the Wetland Regional Monitoring Program, they will not be quantified in the near future. In the meantime, the Authority can qualitatively discuss these attributes, list the relevant projects, and illustrate the cumulative improvements pictorially. As with our previous suggestion, the Oversight Committee recommends that this information be conveyed to the public to report on, and provide future support for, the accomplishments of Measure AA.

FINDING # 5: At the five-year point, the Authority has made adequate progress towards most of the Measure AA Campaign Goals, and it has focused plans for adding to the two habitats currently lagging.

RECOMMENDATION #5-6: The Oversight Committee recommends that the Authority track a more robust set of indicators and provide that information to the public. In particular, we recommend:

- a) Presenting the updated scientific assessments of restoration needs alongside the Measure AA Campaign Goals.

- b) ~~RECOMMENATION # 7: In addition, we recommend~~ Adding more measures of cumulative progress to the Performance Measures (and we have listed several potential additions as examples); and
- c) For those cumulative indicators that cannot be quantified in the near future, provide updates as a qualitative or pictorial discussion.

The impetus for these recommendations is to provide the public with a better picture of the accomplishments of Measure AA, as well as the magnitude of the future needs for restoration and nature-based adaptations to climate change.

RESPONSE TO ANNUAL REVIEW LETTER

In order to facilitate the review process, the Oversight Committee respectfully requests that the Authority staff provide a brief written response to each of the above recommendations prior to the Oversight Committee's first meeting next year.

LOOKING TO THE FUTURE

The members of the Oversight Committee, like so many other citizens of the Bay Area, feel the urgency to accelerate our efforts to adapt to climate change, and to preferentially use nature-based solutions such as those supported by Measure AA. The Bay Conservation and Development Commission (BCDC) and the Metropolitan Transportation Commission (MTC) recently released an updated price tag of \$110 billion for shoreline infrastructure projects related to climate change. Notably, doing nothing is projected to cost more. We urge the regional political leadership to continue its strategic planning for meeting the future financial needs for climate change adaptation.

It is with this urgency in mind that the Oversight Committee has focused both on the need to make the most of Measure AA funding as rapidly as possible, and on the need to convey to the public the benefits of Measure AA funding. If, as appears likely, the citizens of the Bay Area will be asked to continue their commitment to funding climate change adaptation, it will be important to have this public understanding of the many benefits of past funding as well as the magnitude of the future challenge.

This report was approved by the Independent Citizens Oversight Committee at its meeting held on [date].

Respectfully submitted,

Dr. Terry F. Young
On behalf of the Independent Citizens Oversight Committee