



Memorandum

Date: June 30, 2023

To: Governing Board
San Francisco Bay Restoration Authority

From: Amy Hutzal, Executive Officer
Derek Hansel, Treasurer of the Authority and Chief Financial Officer of the
Metropolitan Transportation Commission

Subject: Adoption of the Fiscal Year 2023-24 Operating and Project Budget

Staff requests Authority review and approval of Resolution 109 adopting the Fiscal Year (FY) 2023-24 Operating and Project Budget.

The budget is divided into two distinct programmatic areas: the Project-Based Budget and the Operating Budget. Basic assumptions going into the FY 2023-24 budget are:

- Measure AA special parcel tax revenue will be approximately \$25.8 million.
- An administrative fee (5% or \$1.3 million) is taken from gross parcel tax revenue and transferred to the Operating Budget.
- The Operating Budget includes \$600,000 in interest earnings.
- Staff costs consist of both Metropolitan Transportation Commission (MTC) and State Coastal Conservancy (SCC) staff. MTC and SCC staff costs are proposed to increase by 23% and 10% respectively, as more staff resources are dedicated to project support and for cost-of-living increases.
- The operating contingency is 10% of administration fee revenue. In FY 2022-23 it was 5%.
- Project funding increases by \$23.8 million.
- Project contingency budget is \$3.6 million.

The budget reflects the San Francisco Bay Restoration Authority's practice of allowing all committed funds, including grants and contracts, to be budgeted and carried forward without further Authority approval until the project is completed or cancelled. Uncommitted or unencumbered funds from a prior year are added to the estimated balance for the FY 2023-24 budget and made available for future programming.

Project-Based Budget

The Measure AA special parcel tax is the main source of revenue for the Authority. The measure is a parcel tax of \$12 per year, raising approximately \$25.8 million annually for a total of twenty years from its commencement.

Projects are budgeted on a Life-to-Date (LTD) budget basis, compared to operating expenditures that expire on June 30th of each year. The FY 2023-24 project budget is an addition to the current adopted budget through FY 2022-23. The process follows this procedure:

- Life-to-Date project budget through FY 2022-23 \$ 142.2 million
- Proposed new project funding in FY 2023-24 \$ 23.8 million
- Final adopted Life-to-Date budget through FY 2023-24 \$ 166.0 million

This process allows us to track the total authorized project budget on an individual project basis until completion, adjustment, or cancellation, without the need for constant budget amendments.

Project commitments for FY 2023-24 are \$2.1 million, with \$21.7 million remaining uncommitted. FY 2023-24 project funding includes:

- Wetlands Regional Monitoring Program \$ 1.5 million
- Community Grants Program \$ 0.6 million
- Unallocated Project Funding \$21.7 million

The life-to-date budget for the Wetlands Regional Monitoring Program and Community Grants Program will increase to \$2.9 million and \$1.8 million, respectively. The life-to-date unallocated project funding increases to \$24.0 million and will be presented for approval at a later date. The FY 2023-24 proposed budget will bring total project funding to \$166.0 million, or 92% of the \$181.3 million revenue through FY 2023-24.

The project contingency can be used across all approved projects to accommodate changes in project scope and priorities. Resolution 109 authorizes the Executive Officer to use the project contingency without further approval or budget amendment but only up to the extent of the total budgeted project contingency. The project contingency will remain at \$3.6 million. Under Resolution 28, the Executive Officer has delegated authority to increase project grant amounts by 15%, not to exceed \$100,000.

Operating Program

Funding for Authority operations is provided by a 5% administrative fee taken from parcel tax revenue plus interest earnings on idle cash. The total revenue for the FY 2023-24 Operating Budget is \$1.9 million consisting of the \$1.3 million administration fee and \$600,000 interest earnings.

The proposed operating expense for FY 2023-24 is approximately \$1.8 million, including a budgeted contingency of \$129,075. Major changes from the FY 2022-23 budget include:

- MTC Staff costs increased by \$74,369 (23%) and SCC staff costs increased by \$75,000 (10%) for additional staff support for a growing number of projects and to account for a 4.5% cost-of-living adjustment which was approved by the Metropolitan Transportation Commission in May 2023.
- Operating contingency of \$129,075 has increased from 5% to 10% of the 5% Administrative Fee revenue. This is a \$64,538 increase in expenses from last year.
- Consultant costs are budgeted \$50,000 higher than FY 2022-23.
- Committee member stipends increased by \$17,000 to account for additional members, additional activities, and increased allotments for stipends.
- A new category for community member participation was included to allow for community participation at in-person events, which is part of the equity strategy.

Resolution 109 authorizes the Executive Officer to modify the FY 2023-24 expenses shown in the Operating Budget without approval of a budget amendment, but only if expenses do not exceed the total approved budget. The proposed operating budget has a projected operating surplus of \$72,893.

Recommendation: Staff recommends approval of Resolution 109, *Adopting the FY 2023-24 San Francisco Bay Restoration Authority Operating and Project Budget.*