

SAN FRANCISCO BAY RESTORATION AUTHORITY

**Financial Statements
For the year ended June 30, 2023**

San Francisco Bay Restoration Authority

Table of Contents

For the Year Ended June 30, 2023

	Page
Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis (unaudited)	4 - 8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Governmental Financial Statements	
Balance Sheet – Governmental Fund – General Fund	11
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund – General Fund	12
Notes to the Financial Statements	
Summary of Significant Accounting Policies	13 - 18
Net Position	18
Cash and Investments	18 - 21
Due to Other Governments	21
Measure AA Special Assessment Tax	21
Risk Management	22
Commitments and Contingencies	22
Required Supplementary Information (unaudited)	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – SFBRA - Project	24
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – SFBRA - Operating	25
Other Supplementary Information	
Schedule of Approved Projects	27 - 28

INDEPENDENT AUDITOR'S REPORT

Governing Board
San Francisco Bay Restoration Authority
San Francisco, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and major fund of the San Francisco Bay Restoration (SFBRA), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SFBRA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the SFBRA, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SFBRA's, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SFBRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SFBRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SFBRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SFBRA's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, except for that portion marked "unaudited", is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

San Francisco, California
November 1, 2023

San Francisco Bay Restoration Authority

Financial Statements for the Year Ended June 30, 2023

Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

The San Francisco Bay Restoration Authority (SFBRA) is a regional agency created to collect revenue and fund shoreline projects that will protect, restore, and enhance San Francisco Bay. The voters approved the Measure AA special tax in June 2016. SFBRA began collecting tax levy on July 1, 2017. The special tax will expire on June 30, 2037. This section presents an overview of the financial activities of SFBRA for the year ended June 30, 2023. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow.

A. Financial Highlights

The majority of the activities in fiscal year 2023 were collecting the special tax assessment revenue, awarding grants and expansion of the restoration projects. The following are some of the highlights from fiscal year 2023.

- Collected Measure AA special tax revenue of \$25,853,508
- Total project expenditures in FY 2023 were \$18,796,536
- Total project grants awarded in FY 2023 increased by \$24,965,819 compared to FY 2022

B. Overview of the Government-Wide Financial Statements

The government-wide financial statements provide an overview of SFBRA. The government-wide financial statements comprise a Statement of Net Position, a Statement of Activities and accompanying notes. The Statement of Net Position presents financial information on the government-wide net position of SFBRA at the end of the 2023 fiscal year. The difference between the assets plus deferred outflows and liabilities plus deferred inflows is reported as "Net Position."

The Statement of Activities presents government-wide information showing the change in net position resulting from revenues earned and expenses incurred during the 2023 fiscal year. All changes in net position are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

C. Overview of the Fund Financial Statements

SFBRA is composed of one governmental fund which is presented as a general fund that is used to account for SFBRA activities and is supported by Measure AA special tax revenue sources.

Governmental fund financial statements provide additional information not provided in the government-wide statements in that they focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year-end rather than the longer-term focus of governmental activities as seen in the government-wide financial statements. The governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities. The financial statements of the governmental fund are prepared under the modified accrual basis of accounting.

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2023
Management's Discussion and Analysis (unaudited)

D. Government-Wide Financial Analysis

Statement of Net Position

The following table shows a summary of SFBRA's government-wide Statement of Net Position as of June 30 for the last two fiscal years:

	Governmental Activities	
	2023	2022
Assets		
Cash and investments	\$ 85,860,590	\$ 79,778,192
Receivables	1,511,011	656,212
Prepaid Items	482,998	-
Total	87,854,599	80,434,404
Liabilities		
Accounts payable and accrued liabilities	5,348,759	6,993,235
Retention payable	5,019,244	4,078,477
Due to other governments	411,786	327,276
Total Liability	10,779,789	11,398,988
NET POSITION		
Unrestricted	77,074,810	69,035,416
Total	\$ 77,074,810	\$ 69,035,416

Total cash and investments increased by \$6.08 million in FY 2023. The increase is primarily due to timing of revenue collections and project allocations. There is also a significant increase in investment with a higher rate of returns in the fiscal year. Refer to Note 3 in the Notes to Financial Statements for details of SFBRA investments.

The receivables increased by \$855 thousand mainly due to the interest receivable as of June 30, 2023 as result of higher interest rates.

Accounts payable and accrued liabilities decreased by \$1.64 million as a result of timing in vendor invoice payments. The increase in retention payable by \$941 thousand is due to the growing number of restoration projects requiring a 10 percent retention withholding on vendors' invoices.

SFBRA expects to commit the balance of the net position to future projects to restore the bay over time.

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2023
Management's Discussion and Analysis (unaudited)

Statement of Activities

The following table shows a summary of SFBRA's government-wide Statement of Activities for the last two fiscal years:

	Governmental Activities	
	2023	2022
Revenues:		
Program Revenues:		
Capital grants & contribution	\$ 375,000	\$ 375,000
General revenue:		
Measure AA special tax	25,853,508	25,762,786
Investment earnings	2,565,602	222,173
Miscellaneous	10,121	9,190
Total Revenues	28,804,231	26,369,149
Expenses:		
General Government	1,175,151	1,222,601
Restoration/Preservation	19,589,686	21,590,019
Total Expenses	20,764,837	22,812,620
Change in Net Position	8,039,394	3,556,529
Net Position - Beginning	69,035,416	65,478,887
Net Position - Ending	\$ 77,074,810	\$ 69,035,416

Total revenue increased by \$2.44 million or about 9.23 percent during FY 2023. The increase is a result of SFBRA's increased investment in U.S. Treasury and government sponsored enterprise notes, which had a higher rate of return in FY 2023. Generally, there should be very little change in general revenue because the Measure AA special tax revenue is based on the collection of special parcel tax which is assessed \$12 per year per parcel.

Total expenses decreased by \$2.05 million in FY 2023. The decrease is primarily due to some slight delay in a few of the Restoration projects because of increase in costs of construction and materials. The winding down of some construction projects also contributed to the decrease in expenses. Refer to page 27 and 28 for a complete list of approved projects.

SFBRA ended FY 2023 with a surplus of \$8.04 million which improved the net position to \$77.07 million.

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2023
Management's Discussion and Analysis (unaudited)

E. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

F. General Fund Budget

SFBRA adopted a budget of \$26,296,440 for fiscal year 2023 including a budget surplus of \$97,560. SFBRA is a single fund, two program entity. The main program is the project fund where the bay restoration projects are budgeted. The second program is the operating fund funded with a 5 percent transfer from the project fund as well as interest earnings on all invested funds. The project fund budgets bay restoration projects on a life-to-date basis where project expenses continue for the life of the project. Regardless of the fiscal year, the project continues until reduced, completed, or closed. The operating fund is budgeted and maintained on a fiscal year basis with all appropriations lapsing at fiscal year-end. Because budgeted projects exist on a life to date basis, it is not unusual for allocations to exceed annual revenue provided there is sufficient equity in the project fund balance to cover the allocation. Refer to page 24 and 25 for detail.

The legal limit for budget control purposes is the life-to-date total in the project budget and the annual total in the operating budget. While the CFO is authorized to carryover all unspent encumbrance balances and the Executive Director is authorized to reallocate project amounts from an existing project contingency, no other increase to an adopted budget is allowed without formal Board approval.

The actual revenues-to-expenditures balance for fiscal year 2023 reflects a surplus of \$8,039,394. The expenditure variance of \$5,531,603 was mainly due to the timing of awarded project grants. In addition, most projects are multi-year projects, so it takes several years to expend the full project budget. Unspent project balance will carry over to the fiscal year 2024 budget. The following provides a condensed view of the final budget compared to actual for the year ended June 30, 2023.

	General Fund			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 26,394,000	\$ 26,394,000	\$ 28,804,231	\$ 2,410,231
Expenditures	26,296,440	26,296,440	20,764,837	5,531,603
Net change in fund balance	97,560	97,560	8,039,394	7,941,834
Fund balance - beginning	69,035,416	69,035,416	69,035,416	-
Fund Balance - ending	\$ 69,132,976	\$ 69,132,976	\$ 77,074,810	\$ 7,941,834

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2023
Management's Discussion and Analysis (unaudited)

G. Economic Factors

While the general economic picture nationally and regionally has largely stabilized and recovered from the challenges posed by the COVID-19 pandemic, there are a number of headwinds to consider in FY 2023-24 and beyond.

The headwinds include:

- Inflation, which has been running very high for the past 2 ½ years.
- Higher interest rates, partly driven by increases in short-term interest rates by the Federal Reserve, and partly by the market reaction to both inflation generally and the Federal Reserve's actions
- The crisis in confidence associated with regional banks and their potential failure. This issue has already caused the failure of two banks in the Bay Area (Silicon Valley Bank and First Republic Bank).

The change in economic conditions had no appreciable effect on the operations and business results of the SFBRA business operations since the principal revenue source for SFBRA is a fixed parcel tax. Therefore, whether there is a recession or an expansion, it has relatively little impact on SFBRA revenue.

Requests for information

This financial report is designed to provide a general overview of the San Francisco Bay Restoration Authority's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Metropolitan Transportation Commission (MTC) Finance Department, at 375 Beale Street, Suite 800, San Francisco, California 94105.

San Francisco Bay Restoration Authority
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,470,723
Investments	77,389,867
Receivables - Measure AA special tax	502,282
Interest receivable	1,008,729
Prepaid Items	<u>482,998</u>
TOTAL ASSETS	<u><u>87,854,599</u></u>
LIABILITIES	
Accounts payable	5,348,759
Retention payable	5,019,244
Due to other governments	<u>411,786</u>
TOTAL LIABILITIES	<u><u>10,779,789</u></u>
NET POSITION	
Unrestricted	<u>77,074,810</u>
TOTAL NET POSITION	<u><u>\$ 77,074,810</u></u>

See accompanying notes to the financial statements

San Francisco Bay Restoration Authority
Statement of Activities
For the Year Ended June 30, 2023

	Program Revenues				Net (Expenses)
	Expenses	Charges for Services	Operating Grants and contributions	Capital Grants and Contributions	Revenues and Change in Net Position
				Total Program Revenue	Governmental Activities
					Total
Functions:					
Governmental Activities:					
General Government	\$ 1,175,151	\$ -	\$ -	\$ -	\$ (1,175,151)
Restoration / Preservation	19,589,686	-	-	375,000	(19,214,686)
Total Governmental Activities	<u>\$ 20,764,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,000</u>	<u>(20,389,837)</u>
General Revenue:					
Measure AA special tax					25,853,508
Investment earnings					2,565,602
Miscellaneous					10,121
Total General Revenue					<u>28,429,231</u>
Change in Net Position					8,039,394
Net Position - Beginning					69,035,416
Net Position - Ending					<u>\$ 77,074,810</u>

See accompanying notes to the financial statements

San Francisco Bay Restoration Authority
Balance Sheet
Governmental Fund - General Fund
June 30, 2023

ASSETS

Cash and cash equivalents	\$ 8,470,723
Investments	77,389,867
Receivables - Measure AA special tax	502,282
Interest receivable	1,008,729
Prepaid Items	<u>482,998</u>
TOTAL ASSETS	<u>\$ 87,854,599</u>

LIABILITIES

Accounts payable and accrued expenditures	\$ 5,348,759
Retention payable	5,019,244
Due to other governments ^(Note 4)	<u>411,786</u>
TOTAL LIABILITIES	<u>10,779,789</u>

FUND BALANCE

Nonspendable:	
Prepaid Items	482,998
Committed to:	
Restoration / preservation SF Bay Projects	55,832,598
Assigned to:	
Restoration / preservation SF Bay Projects	12,488,598
Unassigned	<u>8,270,616</u>
TOTAL FUND BALANCE	<u>77,074,810</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 87,854,599</u>

See accompanying notes to the financial statements

San Francisco Bay Restoration Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund - General Fund
For the Year Ended June 30, 2023

REVENUES

Measure AA special tax	\$ 25,853,508
Revenue - local governments	375,000
Investment income	2,565,602
Miscellaneous	<u>10,121</u>
TOTAL REVENUES	<u>28,804,231</u>

EXPENDITURES

Contracted salaries and benefits	909,246
Allocation to other agencies	18,796,536
Professional fees	51,125
County fees	742,574
Overhead	141,126
Other	<u>124,230</u>
TOTAL EXPENDITURES	<u>20,764,837</u>

NET CHANGE IN FUND BALANCE 8,039,394

Fund balance - beginning 69,035,416

Fund balance - ending \$ 77,074,810

See accompanying notes to basic financial statements

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Operations

The San Francisco Bay Restoration Authority (SFBRA) was established on September 30, 2008 by the San Francisco Bay Restoration Authority Act, Government Code section 66700 et seq. SFBRA is a regional entity and its purpose is to raise and allocate local resources for restoration, enhancement, protection, and enjoyment of wetlands and wildlife habitats in the San Francisco Bay and along its shoreline.

SFBRA is governed by a board that was formed based on the California Government Code (CGC) Section 66703(a) which defined the composition of SFBRA's seven voting members. The Association of Bay Area Governments (ABAG) appoints SFBRA's members of the board based on the composition defined by CGC Section 66703 (a), but ABAG has no ability to remove the appointed members of the board. The composition of SFBRA's board members are different from ABAG's board. ABAG has no ability to modify or approve SFBRA's budget, approve the rate changes, appoint, hire, reassign or dismiss the management of SFBRA. In addition, there is no financial/ benefit burden relationship between ABAG and SFBRA that may result from legal entitlement or obligation. For the above reasons, SFBRA is not considered a component unit of ABAG.

On January 13, 2016, SFBRA's Board unanimously voted to place a funding measure (Measure AA) on the June 7, 2016 ballot in the nine-county Bay Area to generate funds to protect and restore San Francisco Bay. Measure AA was approved by the voters with a 70% affirmative vote. The annual tax levies commenced on July 1, 2017 with an ending date of June 30, 2037.

SFBRA, the State Coastal Conservancy (SCC) and ABAG desired to reduce redundancy and increase efficiency by jointly carrying out their common grant-making powers in the expenditure of Measure AA funds. On October 24, 2016, SCC, ABAG and SFBRA entered into joint powers agreement that provides for SCC and ABAG to perform staff functions for SFBRA ("JPA"). Subsequent to the execution of the JPA, on May 30, 2017 ABAG and Metropolitan Transportation Commission (MTC) entered into the Contract for Services under which MTC assumed staff functions for ABAG, commencing July 1, 2017. In November 2017, ABAG, SCC and SFBRA amended the JPA to acknowledge that MTC will fulfill the staffing responsibilities assigned to ABAG in the JPA. The primary staff functions that SCC provides to SFBRA include Executive Officer, Clerk of the Board, legal, and program services. The primary staff functions that MTC provides to SFBRA include Fiscal Agent/Treasurer and program services. SFBRA paid \$260,831 and \$377,755 to SCC and MTC, respectively, for the services provided, which is recorded in the contracted salaries and benefits and overhead at June 30, 2023. Refer to Note 4 for remaining balance SFBRA will pay for services provided by MTC and SCC during fiscal year 2023.

B. Basis of Presentation

SFBRA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

These standards require that the financial statements described below be presented.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display the overall financial activities of SFBRA. The Statement of Net Position reports the difference between SFBRA's total assets plus deferred outflows and total liabilities plus deferred inflows as "Net Position".

The Statement of Activities reports increases and decreases in SFBRA's net position. It is also prepared on the full accrual basis, which means it includes all of SFBRA's revenues and expenses, regardless of when cash changes hands.

General Fund Financial Statements

SFBRA presents a governmental fund, which consists of operating/administration and project funds. A fund is a separate set of self-balancing accounts that comprise assets, liabilities, net position, revenues and expenditures. The operating/administration fund represents five percent of measure AA tax revenue, which may be used for general government purposes. The project fund reports the activities of the restoration and preservation of the San Francisco Bay Wetland. Both activities are presented in a single column in the fund financial statements. The Fund Financial Statements report increases and decreases in SFBRA's fund balance.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Under the full accrual basis of accounting method, revenues are recognized when earned, rather than when cash changes hands, and expenses are recorded when the liability is incurred.

Fund Financial Statements

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting method, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay for liabilities of the current period. SFBRA considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when liabilities are incurred, as under the accrual basis of accounting.

New Accounting Pronouncements

GASB Statement No. 91, *Conduit Debt Obligations*, provides single method of reporting conduit debt obligations. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. SFBRA

San Francisco Bay Restoration Authority

Financial Statements for the year ended June 30, 2023

Notes to Financial Statements

adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on SFBRA's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. SFBRA adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on SFBRA's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. SFBRA adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on SFBRA's financial statements.

GASB Statement No. 99, *Omnibus 2022*, enhances comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement are effective as follows: (a) The requirements in paragraph 26-32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by the pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. (b) The requirements in paragraphs 11-25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (c) The requirements in paragraphs 4-10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. SFBRA adopted paragraphs 26-32 in fiscal year 2022, and paragraphs 11-25 in fiscal year 2023. The adoption of the above requirements has no impact on SFBRA's financial statements. Management is currently evaluating the effect of the remaining paragraphs of this statement on SFBRA's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and errors corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on SFBRA's financial statements.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statements are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on SFBRA's financial statements.

D. Net Position

The government-wide financial statements utilize a net position presentation. Net Position is the excess of an entity's assets and deferred outflows of resources over its liabilities and deferred inflows of resources and is

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

categorized as follows:

- Net Investment in Capital Assets groups all capital assets into one component of net position. Accumulated depreciation and any outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. There is no net investment in capital assets at year end.
- Restricted Net Position reflects net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. There is no restricted net position at year end.
- Unrestricted Net Position represents net position of SFBRA that is not included in the determination of net investment in capital assets or the restricted component of net position.

Sometimes SFBRA will fund outlays for a particular purpose from both restricted and unrestricted resources. To determine the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. SFBRA considers restricted net position to have been depleted before unrestricted net position is applied.

E. Fund Balance

Fund balance of governmental funds is reported in the following categories based on the nature of limitations confining the use of resources for specific purposes:

- Nonspendable Fund Balance – includes amounts that are (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid amounts, and long-term interfund advances and receivables.
- Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. There is no restricted fund balance at year end.
- Committed Fund Balance – represents amounts that can only be used for specific purposes through resolutions authorized by SFBRA’s Board of Directors. Commitments can only be modified or lifted through Board resolutions.
- Assigned Fund Balance – comprises amounts that are constrained by the SFBRA Governing Board’s intended to be used for specific purposes that are neither restricted nor committed.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in other classifications.

Sometimes SFBRA will fund outlays for a particular purpose from both restricted and unrestricted resources (committed, assigned, and unassigned fund balances). To determine the amounts to report as restricted, committed, assigned, and unassigned fund balances in the fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. SFBRA fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

F. Cash and Investments

SFBRA has assigned its management of cash and investments to MTC under the contract for services and adopted MTC's investment policy. Accordingly MTC, on behalf of SFBRA invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that "in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs." This policy affords SFBRA a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq.

Investments allowed under MTC's investment policy adopted by SFBRA include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated "A1" or "P1"
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "AAA"
- Other investment types authorized by State law and not prohibited in MTC's investment policy.

SFBRA applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72, *Fair Value Measurement and Application*), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. SFBRA reports its money market securities and short-term investments at cost. This is permissible under this standard provided those investments have a remaining maturity at the time of purchase of one year or less and that the fair value of those investments are not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenditures and Changes in Fund Balance as investment income.

SFBRA considers all balances in demand deposit accounts and the Local Agency Investment Fund (LAIF) to be cash, and classifies all other highly liquid short-term investments as cash equivalents. Highly liquid short-term investment are cash equivalents that meet the following definitions:

- Readily convertible to known amounts of cash.
- So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

G. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumption method.

H. Revenue Recognition

Revenue will primarily be comprised of special assessments from Measure AA secured through property taxes, which are recognized in the year of levy if their receipt occurs within 60 days after year-end.

I. Allocation to Other Agencies

Allocation to other agencies consists of the project costs of the restoration / preservation of the San Francisco Bay. Expenses are recorded or accrued related to the period to the extent the invoices are received by SFBRA through 90 days after the end of the fiscal year.

2. NET POSITION

SFBRA has a positive net position of \$77,074,810. The positive position is mainly the result of the collection of special assessments from Measure AA.

3. CASH AND INVESTMENTS

A. A summary of Cash and Investments as shown on the Statement of Net Position at June 30, 2023 is as follows:

Cash and Cash Equivalents	\$ 8,470,723
Investments	<u>77,389,867</u>
Total Cash and Investments	<u>\$ 85,860,590</u>

B. The composition of cash and cash equivalents at June 30, 2023 is as follows:

Cash in Banks	\$ 4,592,616
Money Market mutual funds	3,849,357
Government Pools	
Local Agency Investment Fund	<u>28,750</u>
Total Cash and Cash Equivalents	<u>\$ 8,470,723</u>

The California State Local Agency Investment Fund (LAIF) is a program created by state statute as an investment alternative for California’s local governments and special districts. Deposits in LAIF are presented as cash as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is minimal risk of principal. LAIF is unrated.

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

The mutual fund investments in SFBRA’s investment portfolio are expressed as a percentage of SFBRA’s total cash and investments at June 30, 2023 is as follows:

Money Market Mutual Funds	
Morgan Stanley Government Portfolio	4%

The Morgan Stanley Government Portfolio is part of the overnight sweep fund utilized by the Union Bank custodial account. The fund invests in obligations issued or guaranteed by the U.S. Government and its agencies and instrumentalities and in repurchase agreements collateralized by such securities. The fund is rated “AAA/Aaa” by Standard and Poor’s and Moody’s, respectively.

Investments

GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2023:

U.S. Treasury securities and government-sponsored enterprises notes are valued on the basis of prices provided by ICE Data Pricing and Reference Data LLC. In determining the value of a particular investment at bid, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments.

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

The composition of investments reported at fair value in accordance with GASB 72 fair value hierarchy at June 30, 2023:

Investments by fair value level at June 30, 2023	Level 1	Level 2	Level 3	Total
U.S. Treasury	\$ 48,822,466	\$ -	\$ -	\$ 48,822,466
Government Sponsored Enterprises:				
Federal Home Loan Bank	-	28,567,401	-	28,567,401
Total investments measured at fair value	<u>\$ 48,822,466</u>	<u>\$ 28,567,401</u>	<u>\$ -</u>	<u>\$ 77,389,867</u>

C. Deposit and Investment Risk Factors

There are many factors that can affect the value of deposits and investments such as credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

i. Credit Risk

The U.S. Treasury and Government-Sponsored Enterprise (GSE) holdings carry “AA+/Aaa/AAA” ratings from Standard & Poor’s, Moody’s and Fitch, respectively.

ii. Custodial Credit Risk

Custodial credit risk is the risk that securities held by the custodian and in the custodian’s name may be lost and not be recovered.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SFBRA may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to the limit of \$250,000.

Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent having a fair value of 110% to 150% of SFBRA’s cash on deposit.

iii. Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments. Investments in issuers that represent 5 percent or more of total investments at June 30, 2023 are as follows:

U.S. Treasury	63 %
Federal Home Loan Bank (FHLB)	37 %

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

iv. Interest Rate Risk

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The weighted average maturity of SFBRA’s U.S. Treasury securities and GSE Securities (expressed in number of years) at June 30, 2023 are as following:

U.S. Treasury	0.50
Government Sponsored Enterprises:	
Federal Home Loan Bank	0.39

4. DUE TO OTHER GOVERNMENTS

Due to other governments includes the amount due to SCC and MTC for staff services in fiscal year 2023. A schedule of due to other governments is as follows:

Agency	Amount	Notes
Metropolitan Transportation Commission	\$ 44,527	FY23 financial service fees and June 2023 program staff services
State Coastal Conservancy	367,259	January to June 2023 services
Total as of June 30, 2023	\$ 411,786	

5. MEASURE AA SPECIAL ASSESSMENT TAX

SFBRA Measure AA special assessment tax revenues for the fiscal year ended June 30, 2023 are noted as follows for each county:

County	Fiscal Year Ending June 30, 2023
Alameda	\$ 5,272,384
Contra Costa	4,327,452
Marin	1,085,132
Napa	576,620
San Francisco	2,425,511
San Mateo	2,588,610
Santa Clara	5,785,056
Solano	1,697,124
Sonoma	2,095,619
Total Measure AA Special Assessment Tax Revenues	\$ 25,853,508

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

6. RISK MANAGEMENT

SFBRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. SFBRA transfers its risks by purchasing commercial insurance through an insurance broker, who obtains the appropriate insurance coverage needed by SFBRA from insurance companies. No settlement amounts have exceeded commercial insurance coverage for the past three years. Insurance coverage is subject to market volatility. Therefore, where it makes financial sense, SFBRA retains part or all of its risk but only after diligent executive review of any risk retention decision.

7. COMMITMENTS AND CONTINGENCIES

As of June 30, 2023, there are approximately \$55,832,598 in future expenditure commitments.

REQUIRED SUPPLEMENTARY INFORMATION

San Francisco Bay Restoration Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
SFBRA - Project (unaudited)
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Measure AA special tax	\$ 25,815,000	\$ 25,815,000	\$ 25,853,508	\$ 38,508
Revenue - local governments	375,000	375,000	375,000	-
Total revenues	<u>26,190,000</u>	<u>26,190,000</u>	<u>26,228,508</u>	<u>38,508</u>
Expenditures				
Allocation to other agencies	24,001,673	24,001,673	18,796,536	5,205,137
Professional fees	55,000	55,000	50,576	4,424
County fees	750,000	750,000	742,574	7,426
Other	-	-	70	(70)
Total expenditures	<u>24,806,673</u>	<u>24,806,673</u>	<u>19,589,756</u>	<u>5,216,917</u>
REVENUES OVER/(UNDER) EXPENDITURES	1,383,327	1,383,327	6,638,752	5,255,425
OTHER FINANCING SOURCES (USES)				
Transfers out to Operating Fund	<u>(1,290,750)</u>	<u>(1,290,750)</u>	<u>(1,292,675)</u>	<u>(1,925)</u>
Net change in fund balance	92,577	92,577	5,346,077	5,253,500
Fund balance - beginning	<u>67,203,042</u>	<u>67,203,042</u>	<u>67,203,042</u>	<u>-</u>
Fund balance - ending	<u>\$ 67,295,619</u>	<u>\$ 67,295,619</u>	<u>\$ 72,549,119</u>	<u>\$ 5,253,500</u>

Note: No difference between budgetary basis of accounting and GAAP.

San Francisco Bay Restoration Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
SFBRA - Operating (unaudited)
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Investment Income	\$ 204,000	\$ 204,000	\$ 2,565,602	\$ 2,361,602
Other	-	-	10,121	10,121
Total revenues	204,000	204,000	2,575,723	2,371,723
Expenditures				
Contracted salaries and benefits	317,286	317,286	909,246	(591,960)
Professional fees	875,000	875,000	549	874,451
Operating contingency	64,538	64,538	-	64,538
Overhead	158,643	158,643	141,126	17,517
Other	74,300	74,300	124,160	(49,860)
Total expenditures	1,489,767	1,489,767	1,175,081	314,686
REVENUES OVER/(UNDER) EXPENDITURES	(1,285,767)	(1,285,767)	1,400,642	2,686,409
OTHER FINANCING SOURCES				
Transfer in from Project Fund	1,290,750	1,290,750	1,292,675	1,925
Net change in fund balance	4,983	4,983	2,693,317	2,688,334
Fund balance - beginning	1,832,374	1,832,374	1,832,374	-
Fund balance - ending	\$ 1,837,357	\$ 1,837,357	\$ 4,525,691	\$ 2,688,334

Note: No difference between budgetary basis of accounting and GAAP.

OTHER SUPPLEMENTARY INFORMATION

**SAN FRANCISCO BAY RESTORATION AUTHORITY
SCHEDULE OF APPROVED PROJECTS
FOR THE YEAR ENDED JUNE 30, 2023**

Project	Grant Amount	Expenditures Through 6/30/22 (Unaudited)	CY Expenditures During FY23	Cumulative Expenditures Through 6/30/23 (Unaudited)	Remaining Balance (Unaudited)
South Bay Salt Ponds Restoration Project, Phase 2	\$ 8,021,730	\$ 2,043,744	\$ 265,004	\$ 2,308,748	\$ 5,712,982
South San Francisco Bay Shoreline Project	61,466,079	29,026,513	6,572,912	35,599,425	25,866,654
Restoring wetland-upland transition zone habitat	2,661,264	2,199,656	396,725	2,596,381	64,883
Montezuma Tidal and Seasonal Wetlands Restoration Project	3,710,000	1,512,412	97,588	1,610,000	2,100,000
Deer Island Basin Phase 1 Tidal Wetlands Restoration Project	630,000	394,171	125,829	520,000	110,000
San Leandro Treatment Wetland	539,000	529,109	3,996	533,105	5,895
Encinal Dune Restoration and Public Access	450,000	450,000	-	450,000	-
Sonoma Creek Baylands Strategy	172,500	172,500	-	172,500	-
Bay Restoration Regulatory Integration Team	4,292,396	1,555,352	740,207	2,295,559	1,996,837
900 Innes	4,998,600	4,998,600	-	4,998,600	-
Tiscornia Marsh Restoration and Sea Level Rise Adaptation	4,507,763	1,039,763	-	1,039,763	3,468,000
Coyote Hills Restoration and Public Access	3,950,000	450,000	2,645,254	3,095,254	854,746
Lower Walnut Creek Restoration	7,929,855	2,777,144	1,661,611	4,438,755	3,491,100
North Richmond Shoreline Living Levee	694,709	372,253	305,091	677,344	17,365
San Pablo Baylands Collaborative Protection and Restoration Project	4,267,000	233,127	88,765	321,892	3,945,108
Rehabilitating Fish Screens of Suisun Marsh	1,717,925	414,245	40,361	454,606	1,263,319
Heron's Head Park Shoreline Resilience	1,092,222	195,114	100,853	295,967	796,255
American Canyon Wetlands Restoration Plan	517,500	46,101	266,205	312,306	205,194
Oakland Shoreline Leadership Academy	174,026	174,026	-	174,026	-
Invasive Spartina Removal and Tidal Marsh Restoration Project	4,000,000	2,119,448	1,805,559	3,925,007	74,993
Long Beach Restoration Design Project w/City of San Leandro	514,500	14,007	211,505	225,512	288,988
Hayward Marsh Restoration Project w/East Bay Regional Parks District	575,000	193,163	223,755	416,918	158,082
Community Grants Program	600,287	73,463	186,039	259,502	340,785
Marin City Wetlands Restoration	100,000	-	-	-	100,000
Candlestick Point Stewardship/Sunrise Point	300,000	-	-	-	300,000
Cert Reso Adopted 2.25.22	99,713	-	-	-	99,713
San Leandro Creek (Lisjan) community Project	100,000	-	-	-	100,000
Greenwood Gravel Beach Design Project (Blackies)	380,000	24,097	100,736	124,833	255,167
Terminal Four Wharf Removal Project	4,600,000	-	-	-	4,600,000
Burlingame Shoreline Park Project	1,491,499	337,599	306,690	644,289	847,210

**SAN FRANCISCO BAY RESTORATION AUTHORITY
SCHEDULE OF APPROVED PROJECTS
FOR THE YEAR ENDED JUNE 30, 2023**

Project	Grant Amount	Expenditures Through 6/30/22 (Unaudited)	CY Expenditures During FY23	Cumulative Expenditures Through 6/30/23 (Unaudited)	Remaining Balance (Unaudited)
Colma Creek Restoration and Adaptation Project	595,000	151,462	382,091	533,553	61,447
Calabazas/San Tomas Aquino Creek - Marsh Connection	3,370,000	-	807,940	807,940	2,562,060
Evolving Shorelines Bothin Marsh	255,000	23,983	231,017	255,000	-
Wetlands Regional Monitoring	1,457,500	-	629,592	629,592	827,908
De-Pave Park	800,000	-	175,343	175,343	624,657
Baylands Habitat Rest. & CE in E Palo Alto	688,016	-	74,160	74,160	613,856
SAFER Bay	4,980,000	-	238,768	238,768	4,741,232
Regionally Advancing Living Shorelines	500,000	-	112,940	112,940	387,060
Goat Island Tidal Marsh Restoration	839,700	-	-	-	839,700
Berkeley North Basin	600,000	-	-	-	600,000
Grand Total	\$ 138,638,784	\$ 51,521,052	\$ 18,796,536	\$ 70,317,588	\$ 68,321,196