

**SAN FRANCISCO BAY
RESTORATION AUTHORITY**

**Financial Statements
For the year ended June 30, 2024**

San Francisco Bay Restoration Authority

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For the Year Ended June 30, 2024

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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, 2024, 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, 2024, 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.

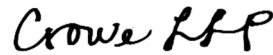
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.



Crowe LLP

San Francisco, California
October 28, 2024

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

The San Francisco Bay Restoration Authority (SFBRA) is a nine-county regional agency created to collect revenue and fund shoreline projects that will protect, restore, and enhance San Francisco Bay. Voters in the region 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, 2024. 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 2024 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 2024.

- Collected Measure AA special tax revenue of \$25,901,253.
- Total project expenditures in FY 2024 were \$17,501,756.
- Total project grants awarded in FY 2024 increased by \$24,288,378 compared to FY 2023.

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 2024 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 2024 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, 2024
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	
	2024	2023
Assets		
Cash and investments	\$ 97,034,071	\$ 85,860,590
Receivables	1,944,449	1,511,011
Prepaid items	186,640	482,998
Total Assets	99,165,160	87,854,599
Liabilities		
Accounts payable	5,163,062	5,348,759
Retention payable	5,888,043	5,019,244
Due to other governments	264,711	411,786
Total Liabilities	11,315,816	10,779,789
Net Position		
Unrestricted	87,849,344	77,074,810
Total	\$ 87,849,344	\$ 77,074,810

Total cash and investments increased by \$11.17 million in FY 2024. The increase is primarily due to timing of revenue collections and project allocations to other agencies. There is also a significant increase in investment income with a higher rate of return in the fiscal year. Refer to Note 3 in the Notes to Financial Statements for details of SFBRA investments.

The receivables increased by \$0.43 million mainly due to the interest receivable as of June 30, 2024, as a result of higher interest rates.

Accounts payable decreased by \$0.19 million as a result of timing in vendor invoice payments. The increase in retention payable by \$0.87 million is due to the growing number of restoration projects requiring retention withholdings on vendors’ invoices.

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
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	
	2024	2023
Revenues:		
Program Revenues		
Capital grants & contributions	\$ 275,000	\$ 375,000
General Revenues		
Measure AA special tax	25,901,253	25,853,508
Investment earnings	4,399,507	2,565,602
Miscellaneous	9,163	10,121
Total Revenues	<u>30,584,923</u>	<u>28,804,231</u>
Expenses:		
General Government	1,531,969	1,175,151
Restoration / Preservation	18,278,420	19,589,686
Total Expenses	<u>19,810,389</u>	<u>20,764,837</u>
Change in Net Position	10,774,534	8,039,394
Total Net Position - Beginning	<u>77,074,810</u>	<u>69,035,416</u>
Total Net Position - Ending	<u><u>\$ 87,849,344</u></u>	<u><u>\$ 77,074,810</u></u>

Total revenues increased by \$1.78 million or about 6.18 percent during FY 2024. The increase is a result of SFBRA's increased investment in of U.S. Treasury and government sponsored enterprise notes, which had a higher rate of return in FY 2024. 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 at \$12 per year per parcel.

Total expenses decreased by \$0.95 million in FY 2024. The decrease is primarily due to some slight delay in a few of the Restoration projects because of increases in costs of construction and materials. The winding down of some construction projects also contributed to the decrease in expenses. Refer to page 26 and 27 for a complete list of approved projects.

SFBRA ended FY 2024 with a surplus of \$10.77 million which increased the net position to \$87.85 million.

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
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 \$26,680,358 for fiscal year 2024 including a budget surplus of \$109,642. 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 23 and 24 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 Treasurer 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 2024 reflects a surplus of \$10,774,534. The expenditure variance of \$6,869,969 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 2025 budget. The following provides a condensed view of the final budget compared to actual for the year ended June 30, 2024.

	General Fund			
	Adopted Budget	Final Budget	Actual	Variance
Revenue	\$ 26,790,000	\$ 26,790,000	\$ 30,584,923	\$ 3,794,923
Expenditures	26,680,358	26,680,358	19,810,389	6,869,969
Net change in fund balance	109,642	109,642	10,774,534	10,664,892
Fund balance - beginning	77,074,810	77,074,810	77,074,810	—
Fund balance - ending	<u>\$ 77,184,452</u>	<u>\$ 77,184,452</u>	<u>\$ 87,849,344</u>	<u>\$ 10,664,892</u>

G. Economic Factors

While the general economic picture nationally and regionally continues to perform well with meaningful growth in GDP and low unemployment, there are several headwinds that SFBRA must consider for FY 2024-25 and beyond.

These headwinds include:

- Inflation, which has run higher than desired for the past 3 ½ years.
- The risk associated with regional banks and their exposure to commercial real estate as regional and national markets continue to experience high vacancy rates and decreasing commercial property values.

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
Management's Discussion and Analysis (unaudited)

- Higher interest rates, partly driven by sustained short-term interest rates by the Federal Reserve, and partly by the market reaction to both inflation generally and the Federal Reserve's actions.
- Potentially weaker economic growth including potential slacking of consumer demand.

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, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 6,463,174
Investments	90,570,897
Accounts receivable	309,949
Interest receivable	1,634,500
Prepaid items	<u>186,640</u>
TOTAL ASSETS	<u>99,165,160</u>
LIABILITIES	
Accounts payable	5,163,062
Retention payable	5,888,043
Due to other governments	<u>264,711</u>
TOTAL LIABILITIES	<u>11,315,816</u>
NET POSITION	
Unrestricted	<u>87,849,344</u>
TOTAL NET POSITION	<u><u>\$ 87,849,344</u></u>

See accompanying notes to financial statements

San Francisco Bay Restoration Authority

Statement of Activities

For the Year Ended June 30, 2024

	<u>Program Revenues</u>				<u>Governmental Activities</u>	<u>Net (Expenses) Revenues and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Program Revenue</u>	<u>Total</u>
Functions:						
Government Activities:						
General Government	\$ 1,531,969	\$ —	\$ —	\$ —	\$ —	\$ (1,531,969)
Restoration / Preservation	18,278,420	—	—	275,000	275,000	(18,003,420)
Total Governmental Activities	<u>\$ 19,810,389</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ (19,535,389)</u>
 General Revenues:						
Measure AA special tax						25,901,253
Investment earnings						4,399,507
Miscellaneous						9,163
Total General Revenues						<u>30,309,923</u>
Change in Net Position						10,774,534
Net Position - Beginning						77,074,810
Net Position - Ending						<u>\$ 87,849,344</u>

See accompanying notes to financial statements

San Francisco Bay Restoration Authority

Balance Sheet

Governmental Fund - General Fund

June 30, 2024

ASSETS

Cash and cash equivalents	\$ 6,463,174
Investments	90,570,897
Accounts receivable	309,949
Interest receivable	1,634,500
Prepaid items	<u>186,640</u>
TOTAL ASSETS	<u><u>\$ 99,165,160</u></u>

LIABILITIES

Accounts payable	\$ 5,163,062
Retention payable	5,888,043
Due to other governments	<u>264,711</u>
TOTAL LIABILITIES	<u>11,315,816</u>

NET POSITION

Nonspendable:

Prepaid Items	186,640
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Committed to:

Restoration / preservation SF Bay Projects	56,205,173
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Assigned to:

Restoration / preservation SF Bay Projects	18,902,645
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Unassigned

	<u>12,554,886</u>
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TOTAL FUND BALANCE	<u>87,849,344</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 99,165,160</u></u>
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See accompanying notes to financial statements

San Francisco Bay Restoration Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund - General Fund
For the Year Ended June 30, 2024

REVENUES

Measure AA special tax	\$ 25,901,253
Revenue - local governments	275,000
Investment income	4,399,507
Miscellaneous	<u>9,163</u>
TOTAL REVENUES	<u><u>30,584,923</u></u>

EXPENDITURES

Contracted salaries and benefits	786,175
Allocation to other agencies	17,501,756
Professional fees	117,170
County fees	743,076
Overhead	534,744
Other	<u>127,468</u>
TOTAL EXPENDITURES	<u><u>19,810,389</u></u>

NET CHANGE IN FUND BALANCE	10,774,534
Fund balance - beginning	<u>77,074,810</u>
Fund balance - ending	<u><u>\$ 87,849,344</u></u>

See accompanying 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 \$597,049 and \$459,159 to SCC and MTC, respectively, for the services provided, which is recorded in the contracted salaries and benefits and overhead at June 30, 2024. Refer to Note 4 for remaining balance SFBRA will pay for services provided by MTC and SCC during fiscal year 2024.

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, 2024
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. 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

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
Notes to Financial Statements

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 and paragraphs 4-10 in fiscal year 2024. The adoption of the above requirements has no impact 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. The adoption of the above requirements has no impact 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 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.

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
Notes to Financial Statements

- 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.

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 - Rated “A1” or “P1” or better
- 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.

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
Notes to Financial Statements

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.

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 \$87,849,344. 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, 2024 is as follows:

Cash and cash equivalents	\$ 6,463,174
Investments	90,570,897
Total Cash and Investments	<u>\$ 97,034,071</u>

B. The composition of cash and cash equivalents at June 30, 2024 is as follows:

Cash in Banks	\$ 6,241,810
Money Market mutual funds	191,518
Government Pools	
Local Agency Investment Fund	29,846
Total Cash and Cash Equivalents	<u>\$ 6,463,174</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

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
Notes to Financial Statements

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.

The mutual fund investments in SFBRA's investment portfolio are expressed as a percentage of SFBRA's total cash and investments at June 30, 2024 is as follows:

Money Market Mutual Funds
Morgan Stanley Government Portfolio 0.2%

The Morgan Stanley Government Portfolio is part of the overnight sweep fund utilized by the US 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, 2024:

Level 1 securities include U.S. Treasury that are traded on an active exchange or by dealers or brokers in active over-the-counter markets. The fair value of these securities is determined by quoted prices on an active exchange or over-the-counter market.

Level 2 Federal Home Loan Bank is a government- sponsored enterprise and its notes are valued on the basis of prices provided by ICE Data Pricing and Reference Data LLC. In determining the value of a

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
Notes to Financial Statements

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.

The composition of investments reported at fair value in accordance with GASB 72 fair value hierarchy at June 30, 2024:

Investments by fair value level at June 30, 2024	Level 1	Level 2	Level 3	Total
U.S. Treasury	\$ 81,303,848	\$ —	\$ —	\$ 81,303,848
Government Sponsored Enterprises:				
Federal Home Loan Bank	—	9,267,049	—	9,267,049
Total Investments Measured at Fair Value	\$ 81,303,848	\$ 9,267,049	\$ —	\$ 90,570,897

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, 2024 are as follows:

U.S. Treasury	90 %
Federal Home Loan Bank (FHLB)	10 %

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
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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, 2024 are as following:

U.S. Treasury	0.47
Government-Sponsored enterprises	
Federal Home Loan Bank	0.34

4. DUE TO OTHER GOVERNMENTS

Due to other governments includes the amount due to SCC and MTC for staff services in fiscal year 2024. A schedule of due to other governments is as follows:

<u>Agency</u>	<u>Amount</u>	<u>Notes</u>
Metropolitan Transportation Commission	\$ 68,139	FY24 financial service fees and June 2024 program staff services
State Coastal Conservancy	196,572	January to June 2024 services
Total	<u>\$ 264,711</u>	

5. MEASURE AA SPECIAL ASSESSMENT TAX

SFBRA Measure AA special assessment tax revenues for the fiscal year ended June 30, 2024 are noted as follows for each county:

<u>County</u>	<u>Fiscal Year Ending June 30, 2024</u>
Alameda	\$ 5,282,023
Contra Costa	4,337,778
Marin	1,084,866
Napa	577,459
San Francisco	2,425,752
San Mateo	2,590,788
Santa Clara	5,799,612
Solano	1,701,587
Sonoma	2,101,388
Total Measure AA Special Assessment Tax Revenues	<u><u>\$ 25,901,253</u></u>

San Francisco Bay Restoration Authority
Financial Statements for the year ended June 30, 2024
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, 2024, there are \$56,205,173 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, 2024

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Measure AA special tax	\$ 25,815,000	\$ 25,815,000	\$ 25,901,253	\$ 86,253
Revenue - local governments	375,000	375,000	275,000	(100,000)
Total Revenues	<u>26,190,000</u>	<u>26,190,000</u>	<u>26,176,253</u>	<u>(13,747)</u>
Expenditures				
Allocation to other agencies	23,757,501	23,757,501	17,501,756	6,255,745
Professional fees	355,000	355,000	33,588	321,412
County fees	750,000	750,000	743,076	6,924
Total Expenditures	<u>24,862,501</u>	<u>24,862,501</u>	<u>18,278,420</u>	<u>6,584,081</u>
Revenues Over / (Under) Expenditures	1,327,499	1,327,499	7,897,833	6,570,334
Other Financing Sources (Uses)				
Transfer out to Operating Fund	(1,290,750)	(1,290,750)	(1,295,063)	(4,313)
Net Change in Fund Balances	36,749	36,749	6,602,770	6,566,021
Fund balances - beginning	<u>72,549,119</u>	<u>72,549,119</u>	<u>72,549,119</u>	<u>—</u>
Fund balances - ending	<u>\$ 72,585,868</u>	<u>\$ 72,585,868</u>	<u>\$ 79,151,889</u>	<u>\$ 6,566,021</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, 2024

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Investment income	\$ 600,000	\$ 600,000	\$ 4,399,507	\$ 3,799,507
Other	—	—	9,163	9,163
Total Revenues	600,000	600,000	4,408,670	3,808,670
Expenditures				
Salaries & benefits	1,216,655	1,216,655	786,175	430,480
Professional fees	175,000	175,000	83,582	91,418
Operating contingency	129,075	129,075	—	129,075
Overhead	195,827	195,827	534,744	(338,917)
Other	101,300	101,300	127,468	(26,168)
Total Expenditures	1,817,857	1,817,857	1,531,969	285,888
Revenues (Under) Expenditures	(1,217,857)	(1,217,857)	2,876,701	4,094,558
Other Financing Sources (Uses)				
Transfer in from Project Fund	1,290,750	1,290,750	1,295,063	4,313
Net Change in Fund Balances	72,893	72,893	4,171,764	4,098,871
Fund balances - beginning	4,525,691	4,525,691	4,525,691	—
Fund balances - ending	\$ 4,598,584	\$ 4,598,584	\$ 8,697,455	\$ 4,098,871

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, 2024

Project	Grant Amount	Expenditures Through 6/30/23 (Unaudited)	CY Expenditures During FY24	Cumulative Expenditures Through 6/30/24 (Unaudited)	Remaining Balance (Unaudited)
South Bay Salt Ponds Restoration Project, Phase 2	\$ 9,176,730	\$ 2,308,748	\$ 2,561,479	\$ 4,870,227	\$ 4,306,503
South San Francisco Bay Shoreline Project	61,466,079	35,599,425	—	35,599,425	25,866,654
Restoring Wetland-Upland transition Zone Habitat - Phase 1 & 2	4,597,264	2,596,381	64,883	2,661,264	1,936,000
Montezuma Tidal and Seasonal Wetlands Restoration Project - Phase 1 & 2	3,710,000	1,610,000	—	1,610,000	2,100,000
Deer Island Basin Tidal Wetlands Restoration Project - Phase 1 & 2	3,053,000	520,000	74,011	594,011	2,458,989
San Leandro Treatment Wetland Phase 1 & 2	4,273,415	533,105	5,821	538,926	3,734,489
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	2,295,559	1,195,755	3,491,314	801,082
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	92,418	1,132,181	3,375,582
Coyote Hills Restoration and Public Access	4,050,000	3,095,254	854,746	3,950,000	100,000
Lower Walnut Creek Restoration	10,929,855	4,438,755	354,874	4,793,629	6,136,226
North Richmond Shoreline Living Levee - Phase 1 & 2	2,547,459	677,344	17,365	694,709	1,852,750
San Pablo Baylands Collaborative Protection & Restoration Project - Phase 1, 2 & 3	9,997,000	321,892	1,298,031	1,619,923	8,377,077
Rehabilitating Fish Screens of Suisun Marsh - Phase 1 & 2	1,717,925	454,606	83,525	538,131	1,179,794
Heron's Head Park Shoreline Resilience - Phase 1 & 2	1,092,067	295,967	45,974	341,941	750,126
American Canyon Wetlands Restoration Plan	517,500	312,306	190,067	502,373	15,127
Oakland Shoreline Leadership Academy	174,026	174,026	—	174,026	—
Invasive Spartina Removal and Tidal Marsh Restoration Project	3,999,963	3,925,007	74,956	3,999,963	—
Long Beach Restoration Design Project w/ City of San Leandro	514,500	225,512	136,168	361,680	152,820
Hayward Marsh Restoration Project - Phase 1 & 2	1,175,000	416,918	244,571	661,489	513,511
Community Grants Program	700,287	—	—	—	700,287
Marin City Wetlands Restoration	100,000	100,000	—	100,000	—
Candlestick Point Stewardship/Sunrise Point	300,000	124,312	93,370	217,682	82,318
Bay Restoration: Youth Engagement & Service Learning in Oakland	99,713	21,560	78,153	99,713	—
San Leandro Creek (Lisjan) community Project	100,000	13,630	39,888	53,518	46,482
Sacred Spaces Project	200,000	—	—	—	200,000

San Francisco Bay Restoration Authority
Schedule of Approved Projects
For the Year Ended June 30, 2024

Project	Grant Amount	Expenditures Through 6/30/23 (Unaudited)	CY Expenditures During FY24	Cumulative Expenditures Through 6/30/24 (Unaudited)	Remaining Balance (Unaudited)
Storytelling Shoreline Futures: MLK Regional Shoreline	300,000	—	—	—	300,000
Greenwood Gravel Beach Design Project	380,000	124,833	78,896	203,729	176,271
Terminal Four Wharf Removal Project	4,600,000	—	4,600,000	4,600,000	—
Burlingame Shoreline Park Project	1,491,499	644,289	643,528	1,287,817	203,682
Colma Creek Restoration and Adaptation Project	594,905	533,553	61,352	594,905	—
Calabazas/San Tomas Aquino Creek - Marsh Connection Project	3,370,000	807,940	1,248,296	2,056,236	1,313,764
Evolving Shorelines Bothin Marsh	1,955,000	255,000	—	255,000	1,700,000
Wetlands Regional Monitoring Program	2,915,000	629,592	939,520	1,569,112	1,345,888
De-Pave Park	800,000	175,343	487,666	663,009	136,991
Baylands Habitat Restoration and Community Engagement in East Palo Alto	688,016	74,160	145,766	219,926	468,090
SAFER Bay Planning Project	4,980,000	238,768	1,449,955	1,688,723	3,291,277
Regionally Advancing Living Shorelines in San Francisco Bay	500,000	112,940	270,290	383,230	116,770
Goat Island Tidal Marsh Restoration and Public Access Project	839,700	—	42,625	42,625	797,075
Berkeley North Basin Project	600,000	—	27,807	27,807	572,193
Grand Total	\$ 162,927,162	\$ 70,317,588	\$ 17,501,756	\$ 87,819,344	\$ 75,107,818