January 05, 2018

John Laird, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Mr. John Laird,

In accordance with the State Leadership Accountability Act (SLAA), the San Francisco Bay Conservation and Development Commission submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Steven Goldbeck, Chief Deputy Director, at (415) 352-3611, steve.goldbeck@bcdc.ca.gov.

BACKGROUND

The San Francisco Bay is a State-protected resource. BCDC was created in 1965 and is the Nation’s first coastal zone management agency. BCDC was charged to comprehensively manage the conservation and development of San Francisco Bay and its shoreline, and to protect and preserve the Suisun Marsh. The Commission carries out this responsibility under the provisions of the McAteer-Petris Act (California Government Code 66600 et seq) (MPA), the policies of the San Francisco Bay Plan (Bay Plan), the Suisun Marsh Preservation Act (California Public Resources Code Section 29000 et seq) (SMPA), the Suisun Marsh Protection Plan (Marsh Plan), and the Suisun Marsh Local Protection Program. BCDC has regulatory and planning authority to conserve and develop Bay resources both in the Bay and up to 100 feet inland. State law (McAteer-Petris Act, 1965) requires BCDC to determine whether locally approved development projects within its jurisdiction comply with State laws and policies that protect the Bay. The McAteer-Petris Act also mandates that BCDC’s headquarters be located in San Francisco. BCDC completed its most recent Strategic Plan update in June 2017, and actively implements its goals and objectives.

State law further requires the Commission to ensure that the Bay Plan reflects the latest scientific research on the Bay and addresses emerging issues. As such, the Commission amended the Bay Plan in 2011 to address climate change and rising sea level. It included a policy exhorting the region to “formulate a regional sea level rise adaptation strategy for protecting critical developed shoreline areas and natural ecosystems, enhancing the resilience of Bay and shoreline systems and increasing their adaptive capacity.” The policy recommends, in part, that: “…the strategy incorporate an adaptive management approach... be consistent with the goals of SB 375 and the principles of the California Climate Adaptation Strategy... be updated regularly to reflect changing conditions and scientific information and include maps of shoreline areas that are vulnerable to flooding based on projections of future sea level rise and shoreline flooding... particular attention be given to identifying and encouraging the development of long-term regional flood protection strategies...” and “[I]deally, the regional strategy will determine where and how existing development should be protected and infill development encouraged, where new development should be permitted, and where existing development should eventually be removed to allow the Bay to migrate inland.”

BCDC has recently initiated the process to amend the Bay Plan to address BCDC’s fill policies in light of rising sea level and also to address environmental justice.
BCDC is the State agency responsible for leading the development of Bay Area preparedness for, and resilience to, rising sea level and storm surge (AB 2094, 2008). BCDC is required by the Governor’s Executive Order B-30-15 to implement its climate change adaptation planning efforts. BCDC is leading a collaboration of State, regional, special district, and local government agencies that is preparing the Bay Area Regional Shoreline Resilience Strategy, which will be incorporated into BCDC’s laws and policies and the Bay Area’s 2021 Sustainable Communities Strategy (SB 375, 2008). As BCDC is mandated to develop and implement state policies on the regional level, BCDC must be an effective regional agency coordinator, collaborator, and partner. Developing and fulfilling relationships with local and regional governments and agencies are just as important for BCDC as working closely with its State partners. AB 2094 provides that BCDC be a member of BARC (formerly known as the Joint Policy Committee) along with MTC, ABAG, and BAAQMD, and is authorized by state law to successfully promote and fulfill government functions regionally. BARC has directed BCDC to lead the development of the Bay Area’s shoreline resilience strategy in collaboration with its BARC partners. The regional agencies collaborating with BCDC most directly are those that are now housed in the new MTC building located at 375 Beale Street in San Francisco.

As part of the FY2016 budget, the State Legislature directed BCDC to analyze the policy ramifications of BCDC relocating with the three other member agencies of BARC at the regional agencies’ new office building located at 375 Beale Street in San Francisco.

ON GOING MONITORING

As the head of San Francisco Bay Conservation and Development Commission, Lawrence Goldzband, Executive Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

EXECUTIVE MONITORING SPONSOR(S)
The executive monitoring sponsor responsibilities include facilitating and verifying that the San Francisco Bay Conservation and Development Commission internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Lawrence Goldzband, Executive Director, Steven Goldbeck, Chief Deputy Director, and Sharon Louie, Director Administrative and Technology Services.

MONITORING ACTIVITIES
the Executive Director and Chief Deputy Director hold regular check-ins every other week, both individually with senior staff, as well as group meetings with senior staff and the management team to evaluate program implementation and identify risks, issues or problems that need to be resolved. As part of all of these meetings, ongoing issues are tracked for resolution. Each of the three main sections, Regulatory, Planning and Administration hold regular meetings to flag, track and resolve issues and risks. In terms of budget, the Chief budget officer meets frequently with senior management to track budget aspects, such as preparing budget pro formas and comparing projected versus actual expenditures. BCDC has recently updated its strategic plan, and is preparing a workplan for implementation which will also track progress and flag issues requiring resolution.

ADDRESSING VULNERABILITIES
BCDC is a very small agency, with 42 employees and no fiscal ability to have an outside party undertake an independent risk assessment for the agency. Therefore, BCDC’s Executive Director, Chief Deputy Director and Director of Administrative and Technology Services meet both among themselves and with various staff to discuss risk-related topics. Each of the senior managers listed the top risks based
upon level of threat to the agency and potential of occurrence. The Executive Director, Chief Deputy and Director of Administration then reviewed the lists and quickly came to agreement on the listed risks. The process listed previously is used to assign responsibilities for addressing risks and for monitoring progress.

**Communication**

Each BCDC employee has a duty statement that describes their roles and responsibilities. The BCDC organizational chart provides the lines of control and communication from senior management down to line staff. In the various meetings described above, management and supervisors clarify and adjust responsibility for ongoing activities, as well as in one-on-one meetings as needed.

**Ongoing Monitoring Compliance**

The San Francisco Bay Conservation and Development Commission is in the process of implementing and documenting the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the San Francisco Bay Conservation and Development Commission systems of controls and monitoring.

---

**Risk Assessment Process**

The following personnel were involved in the San Francisco Bay Conservation and Development Commission risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

**Risk Identification**

As stated previously, BCDC is a very small agency, with 42 employees and no fiscal ability to have an outside party undertake an independent risk assessment for the agency. Therefore, BCDC’s Executive Director, Chief Deputy Director and Director of Administrative and Technology Services met both among themselves and with various staff to review the risks listed in the previous SLAA report and discuss risk-related topics such as new risks and changes in the risk environment.

**Risk Ranking**

Each of the senior managers listed the top risks based upon level of threat to the agency and potential of occurrence. The Executive Director, Chief Deputy and Director of Administration then reviewed the lists and agreed on the listed risks, most of which are the same risks as listed in the last report, though they have been updated to address changes since the last report.

---

**Risks and Controls**

**Risk: Operations - Internal - Workplace Environment**

Not co-locating BCDC in the new Bay Area regional headquarters, with its regional partners (Metropolitan Transportation Commission (MTC), Association of Bay Area Governments (ABAG), the Bay Area Air Quality Management District (BAAQMD), and the Bay Area Regional Collaborative (BARC) will complicate, hinder, and lessen collaboration required to fulfill BCDC’s mandate and would delay or otherwise diminish regional state policies - particularly addressing the challenge of regional climate resilience.

Under state law, BCDC and its partners (MTC, ABAG, BAAQMD, and BARC) “coordinate and improve the quality of land use, transportation, and air quality planning for the Bay Area” by “coordinating the
development and drafting of major planning documents prepared by “member agencies. BCDC leads the region’s efforts to adapt to climate change, is in charge of preparing the resiliency and sustainability section of the Bay Area’s next state-mandated Sustainable Communities Strategy, and works closely with its partners to harmonize important regional plans and strategies. Co-locating these efforts in one building in which all agency staffs can work together seamlessly – both physically and figuratively – to significantly increase regional integration uses state resources far more wisely than wasting them on unproductive travel, communication logistics, wasted time, etc. Indeed, not moving into the building will leave BCDC literally on the sidelines by being the only one of the partner agencies not located at the single site. Co-locating will enable BCDC to fulfill its state-legislated mandate of leading the Bay Area’s planning for rising sea level, which will protect state and other assets located in the Bay Area, and implement its climate change adaptation planning efforts as required by the Governor’s Executive Order B 30-15. The new regional center is an efficient and collaborative site in which the region’s policy makers together address the critical issues confronting the Bay Area, including the threats of rising sea level to state assets. Creative and groundbreaking policy solutions will flourish in this collaborative environment. There will be many more opportunities to have full discussions and make quicker informed policy decisions.

BCDC will be far less efficient and will be less able to fulfill its mandate to protect billions of dollars of state-owned and operated assets that are at risk due to rising sea level without moving to the new regional headquarters building that it will share with the Bay Area’s regional agencies, which are BCDC’s coordinators, collaborators, and partners in this monumental effort.

CONTROL A
BCDC is working with the DOF and DGS to assess whether and how to move to the new regional headquarters.

RISK: OPERATIONS - EXTERNAL STAFF—RECRUITMENT, RETENTION, STAFFING LEVELS
It is now almost impossible, and soon it will be impossible, to recruit and/or retain competent and adequate staff, especially staff at the middle- and senior management levels, in the Bay Area due to the State’s inadequate pay scales.

BCDC’s experience in recruiting new staff demonstrate the difficulties posed by the agency’s current and upcoming staff turnover (see Risk 4, Staff–Key Person Dependence, Succession Planning). In 2015 BCDC’s senior permit analyst and Chief Planner each left BCDC after 15-20 years of service to take comparable positions with much higher-paying local governments. In 2017, the new Chief Planner also left to join a higher paying local government. BCDC was able to hire a new chief counsel only because he wanted to retire from the private sector after 20+ years as a partner in law firms; he could not have afforded the position at an earlier age. And, incredibly, the entering pay scale offered to office assistants by the State next fiscal year will be below the minimum wage required by the City and County of San Francisco (and likely by other municipalities in the Bay Area).

Simply put, BCDC will not be able to hire competent staff, much less retain them, during the next few years (and perhaps longer) because they can’t afford to live and work in the Bay Area at the pay scale BCDC can offer. Given BCDC’s small staff, this exacerbates Risk 4, Staff–Key Person Dependence, Succession Planning; the staff turnover undermines BCDC’s efforts to meet its state mandates because a large percentage of the staff is undertrained and does not have the experience to prepare work expeditiously at a high level of skill.
CONTROL A
BCDC is considering other job classifications for its analyst series that are appropriate and receive higher remuneration.

RISK: OPERATIONS—INTERNAL—TECHNOLOGY—SUPPORT, TOOLS, DESIGN, OR MAINTENANCE
Lack of IT funding and capability put BCDC’s current permits and planning documents at risk.

BCDC has been issuing permits and amendments and conducting groundbreaking planning and natural resource studies for fifty years. Yet, BCDC does not have a data management system to store and access most of this information beyond Excel spreadsheets, and much critical information is stored in BCDC’s office on paper in files that can be retrieved only by using paper index cards. The relatively small amount of information that has been digitized resides on individual PDF files without any software program to relate, search, or access the data.

Risks include: (A) the paper index cards or the paper files, per se, could be damaged or destroyed by accident, by fire, or by vandalism, resulting in a substantial and permanent loss of documentation of state permitting requirements and approvals; (B) access to the information at risk is becoming increasingly difficult due to increased staff turnover and a lack of methodical and institutionalized training (see Risk 4); and (C) as planning and permitting decisions become more difficult due to the pressures of rising sea level, it is likely that BCDC’s decisions will be increasingly scrutinized, yet most all of the information that resides at BCDC is not at all easily accessible to the staff, public or other government agencies.

CONTROL A
BCDC internal technology has moved from outdated and Incompatible to current and compatible. We are now using mainstream technology such as a Microsoft Active Directory environment, O365 Services such as One Drive for cloud storage, most current versions of Microsoft Office, Share Point Online as a potential document management system and collaboration tool, ability to use resources at CNRA’s tier 3 data center (redundant domain controllers, file servers, database server, etc.).

BCDC continues to digitize key permit files as small amounts of funds become available.

BCDC is looking into Sharepoint Online and Filemaker Pro to provide interim solutions, while we look into longterm solutions.

RISK: OPERATIONS—EXTERNAL—FI$CAL IMPLEMENTATION, MAINTENANCE, FUNCTIONALITY, OR SUPPORT
FI$CAL is unable to provide necessary accounting services to BCDC, thus putting the agency at risk of a deficiency due to BCDC’s participation in Wave 1.

FI$CAL is still not fully functional with several complexities surrounding the system, which causes deadlines to be extended. As mentioned in Risk 4, Staff–Key Person Dependence, succession Planning, BCDC has only single staff members assigned to the accounting, procurement, contracting and budgeting units. Staff attempting to work with FI$CAL are both overwhelmed with learning the new system (which, itself, is neither thriving nor complete) and lack basic information to conduct their required duties.

There are no additional staff resources within the Natural Resources Agency to assist BCDC with these issues.

The three major sub-risks associated with FI$CAL’s implementation are: (A) the inefficiencies caused by the increasing staff workload due to FI$CAL without comparable benefits, as FI$CAL reports are neither
accessible nor complete; (B) BCDC’s own “workarounds” leave the agency at risk for greater mistakes; (C) resolving open ticket(s) with FI$CAL may take several days, which prolong deadlines; and (D) the potential for resulting deficiencies.

**Control A**

BCDC has prepared its own new supplemental spreadsheets and database applications to provide required budget and accounting information that is not available from FI$CAL. Taking a proactive approach to meet accounting and budgeting deadlines, BCDC hired DGS to assist with generating and submitting mandated reports. BCDC is working diligently with DOF and DGS to ensure that BCDC is inputting accurate accounting information, and is timely in submitting reports and meeting deadlines.

**Risk: Operations -Internal-Staff—Key Person Dependence, Workforce Planning**

Key staff turnover has increased dramatically without suitable replacements, thus placing at risk the performance of key agency functions. The administrative functions are particularly at risk.

BCDC’s small size (less than 50 staff) severely limits its ability to create staff redundancies and backups, which places key tasks at risk as there are inadequate staff whenever a staffer takes leave, is sick or leaves the agency. Administrative tasks (e.g., IT, accounting, budgeting, business services, contracting) are especially at great risk should a staff member retire or take extended leave, as there is only one staff in each Admin unit. This risk is compounded because BCDC’s tremendous success as a state agency (both externally as the agency that has “saved San Francisco Bay” and internally as a great place to work) has limited turnover during the past 15-20 years. This combination places a great deal of knowledge within few staff members. Now, key staff are nearing retirement age or have retired without suitable replacements.

This causes several types of sub-risk: (A) there is no chance for the experienced retiring staff to train new staff because BCDC does not have the budget required to hire replacements prior to another’s retirement, thus increasing the chances of mistakes; (B) major gaps in time between retirement and replacement will be the norm because accounting for accrued leave severely affects BCDC’s budget and there is no slack in BCDC’s small budget; (C) BCDC does not have sufficient funds to create a full-scale training program for any of its staff — training is handled on an ad hoc basis by current staff; and, (D) it will become even more difficult to hire any experienced staff in the Bay Area due to the State’s low pay scale.

Sub-risks (A-C) put administrative functions at far greater risk than policy-related functions because the Admin units have no backup at all and the talent pool for policy staff from which to draw new staff is far larger than that of administrative functions. However, sub-risk (D) affects both talent pools equally.

BCDC will have decreased efficiency, take longer to process regulatory approvals and planning initiatives. Undertained staff will make more mistakes that could impede protection of Bay resources. Administrative work may not be completed as there are no backups to cover during transition periods and serious administrative errors may be made by new and undertrained staff.

**Control A**

BCDC is training new staff using its available resources.

**Risk: Operations -External-Funding—Sources, Levels**

The federal government could sharply reduce or cut off funding to BCDC under the federal Coastal Zone Management Act.

BCDC does not have adequate General Fund to support its operations and relies on various funding sources to cover the shortfall, including funding pursuant to the federal Coastal Zone Management Act (CZMA) from
the Office for Coastal Management in NOAA. These funds are provided to BCDC to help support its core program for coastal management of San Francisco Bay. BCDC has received CZMA funding continuously for over 40 years. However, in the present federal climate, there is a strong possibility that the Republican Congress and the Trump administration could seriously cut or end funding pursuant to the program.

BCDC would have to lay off staff and would not be able to accomplish its mandated mission of protecting San Francisco Bay.

**CONTROL A**

BCDC is pursuing additional sources of funding that can help it fulfill its state mandate to protect San Francisco Bay and plan for rising sea level.

**CONCLUSION**

The San Francisco Bay Conservation and Development Commission strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

**Lawrence Goldzband, Executive Director**

CC: California Legislature [Senate (2), Assembly (1)]
- California State Auditor
- California State Library
- California State Controller
- Director of California Department of Finance
- Secretary of California Government Operations Agency