

Members of the Board

Jody Breckenridge, Chair
Jeffrey DelBono
Timothy Donovan
Anthony J. Intintoli, Jr

BOARD OF DIRECTORS' MEETING
Thursday, December 11, 2014, at 1:00 p.m.
San Francisco Bay Area
Water Emergency Transportation Authority
9 Pier, Suite 111; San Francisco

The full agenda packet is available for download at sanfranciscobayferry.com/weta.

AGENDA

1. CALL TO ORDER – BOARD CHAIR
2. PLEDGE OF ALLEGIANCE/ROLL CALL
3. REPORT OF BOARD CHAIR **Information**
4. REPORTS OF DIRECTORS **Information**
5. REPORTS OF STAFF **Information**
 - a. Executive Director's Report
 - b. Monthly Review of Financial Statements
 - c. Legislative Update
6. CONSENT CALENDAR **Action**
 - a. Minutes November 6, 2014
7. ACCEPT THE INDEPENDENT AUDITOR'S ANNUAL FINANCIAL REPORTS FOR THE FISCAL YEAR 2013/14 **Action**
8. OVERVIEW OF AGENCY ENABLING LEGISLATION AND ADMINISTRATIVE CODE **Information**
9. OVERVIEW OF AGENCY FUNDING **Information**
10. RECESS INTO CLOSED SESSION
 - a. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION **Action**

Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Government Code Section 54956.9: one case. For purposes of paragraphs (2) and (3) of subdivision (d), "existing facts and circumstances" consists of receipt of a claim pursuant to the Government Claims Act Division 3.6 (commencing with Section 810) of Title 1 of the Government Code or some other written communication from a potential plaintiff threatening litigation.

To Be Determined
11. REPORT OF ACTIVITY IN CLOSED SESSION **Action**

Chair will report any action taken in closed session that is subject to reporting at this time. Action may be taken on matters discussed in closed session.

To Be Determined
12. OPEN TIME FOR PUBLIC COMMENTS FOR NON-AGENDA ITEMS

ADJOURNMENT

Water Emergency Transportation Authority December 11, 2014 Meeting of the Board of Directors

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please contact the Board Secretary at least five (5) working days prior to the meeting to ensure availability.

PUBLIC COMMENTS The Water Emergency Transportation Authority welcomes comments from the public. Speakers' cards and a sign-up sheet are available. Please forward completed speaker cards and any reports/handouts to the Board Secretary.

Non-Agenda Items: A 15 minute period of public comment for non-agenda items will be held at the end of the meeting. Please indicate on your speaker card that you wish to speak on a non-agenda item. No action can be taken on any matter raised during the public comment period. Speakers will be allotted no more than three (3) minutes to speak and will be heard in the order of sign-up.

Agenda Items: Speakers on individual agenda items will be called in order of sign-up after the discussion of each agenda item and will be allotted no more than three (3) minutes to speak. You are encouraged to submit public comments in writing to be distributed to all Directors.

Water Emergency Transportation Authority (WETA) meetings are wheelchair accessible. Upon request WETA will provide written agenda materials in appropriate alternative formats to individuals with disabilities. Please send a written request to contactus@watertransit.org or call (415) 291-3377 at least five (5) days before the meeting.

Participation in a meeting may be available at one or more locations remote from the primary location of the meeting. See the header of this Agenda for possible teleconference locations. In such event, the teleconference location or locations will be fully accessible to members of the public. Members of the public who attend the meeting at a teleconference location will be able to hear the meeting and testify in accordance with applicable law and WETA policies.

Under Cal. Gov't. Code sec. 84308, Directors are reminded that they must disclose on the record of the proceeding any contributions received from any party or participant in the proceeding in the amount of more than \$250 within the preceding 12 months. Further, no Director shall make, participate in making, or in any way attempt to influence the decision in the proceeding if the Director has willfully or knowingly received a contribution in an amount of more than \$250 within the preceding 12 months from a party or such party's agent, or from any participant or his or her agent, provided, however, that the Director knows or has reason to know that the participant has a financial interest in the decision. For further information, Directors are referred to Government Code section 84308 and to applicable regulations.

M E M O R A N D U M

TO: WETA Board Members

FROM: Nina Rannells, Executive Director

DATE: December 11, 2014

RE: Executive Director's Report

CAPITAL PROJECT IMPLEMENTATION UPDATE

Vessel Replacement –The *Encinal* and *Harbor Bay Express II* are included in the FY 2013/14 Capital Budget for replacement as they have reached the end of their useful lives (generally 25 years) and staff has secured funding commitments for replacement vessels. In December 2013, the Board of Directors approved the contract award to Aurora Marine Design (AMD) for vessel construction management services. The Request For Proposal to construct two new passenger-only vessels was released on September 26, 2014. A Pre-Proposal bidder's conference was held on October 13, 2014. Step 1 Technical Proposals were due in November and are currently being evaluated. Interviews are planned for December and the bidders that are found to be in the competitive range will be invited to submit Step 2 Complete Technical and Price Proposals, which will be due in January 2015.

Ferry Terminal Refurbishment Projects – This effort includes gangway rehabilitation and minor terminal facility improvement projects that support the continued safe operation of East Bay ferry terminals (Alameda Main Street, Harbor Bay, and Oakland Clay Street Jack London Square) and includes a variety of work ranging from pier piling replacement to repairing and replacing walkways and awnings.

The Board awarded a contract to Ben C. Gerwick, Inc. on May 23, 2013 to assist staff with technical specifications, regulatory permitting and construction management services. The Board awarded a contract to Manson Construction Co. on March 31 to undertake the majority of the project work, including construction improvements at Harbor Bay and Clay Street. The Clay Street Project was completed the weekend of November 15 and 16. There are a few minor details outstanding; a final walk-through is tentatively scheduled for December 15. The Harbor Bay Project is well underway. We have requested an exception from the City of Alameda's Noise Ordinance to perform work later in the evening on the Saturday and Sunday when final installation of the ramps will be done. This work will be completed in late December or early January.

The Board awarded contracts to CS Marine Constructors, Inc. and Topper Industries, Inc. on August 20 and approved an agreement with Bay Ship & Yacht to relocate the passenger float 100 feet west of the current location. The Main Street project is scheduled to take place December 13 and 14.

North Bay Operations and Maintenance Facility – This project will construct a new ferry maintenance facility located at Building 165 on Mare Island in Vallejo in two phases. The landside phase includes site preparation and construction of a new fuel storage and delivery system along with warehouse and maintenance space. The waterside phase will construct a system of modular floats and piers, gangways, and over-the-water utilities. The existing ferry maintenance facility (Building 477) will be cleaned up as required prior to surrender to Lennar Mare Island, the property owner of the land portion of the project site.

The Board of Directors awarded a design-build contract for the landside phase to West Bay Builders in August 2013 and work is well underway. The NEPA environmental review work for the Navy waterside portion is underway on behalf of the Navy. The Navy must complete this documentation prior to entering

into a lease with WETA to use the waterside portion of the site. The Draft NEPA Environmental Assessment (EA) was published for a 15-day public and agency review on August 22, 2014. Staff is coordinating with the Navy to finalize the NEPA documentation. All required permits for the waterside construction phase of the project have been received. The Board of Directors awarded a design-build contract for the waterside construction phase to Dutra Construction in July 2014.

Regional Passenger Float Construction – This project will construct a new regional spare float that can be utilized as a backup for the Vallejo terminal float as well as other terminal sites such as downtown San Francisco when the permanent terminal floats must undergo periodic dry-dock, inspection, and repair. This spare would support ongoing daily services and would be a valuable asset to have available for use in unplanned or emergency conditions. Ghirardelli Associates Inc. was selected as the project construction manager. Procurement of the passenger float construction contract was combined with the North Bay Operations and Maintenance Facility Project construction contract. The Request for Proposals for the project was released on February 28 and the construction contract was awarded to Dutra Construction on July 10. The contract was executed in July 2014. Float design is 85% designed. Final design is expected in early December and float construction is anticipated to commence by mid-December 2014.

Central Bay Operations and Maintenance Facility – This project will develop an operations and maintenance facility at Alameda Point to serve as the base for WETA's existing and future central bay ferry fleet. The proposed project would provide running maintenance services such as fueling, engine oil changes, concession supply, and light repair work for WETA vessels. The new facility will also serve as WETA's Operations Control Center for day-to-day management and oversight of service, crew, and facilities. In the event of a regional emergency, the facility would function as an Emergency Operations Center, serving passengers and sustaining water transit service for emergency response and recovery.

Staff is working with BCDC, the US Army Corps of Engineers, and National Marine Fisheries Service (NMFS) to secure the remaining permits required for the project. On October 17, NMFS closed its public comment period concerning WETA's application for an Incidental Harassment Authorization under the Marine Mammal Protection Act. Staff is also working with the City of Alameda to finalize terms of a lease agreement for the project site, which will be presented to the Board for consideration at a future meeting.

Downtown San Francisco Ferry Terminal Expansion Project – This project will expand berthing capacity at the Downtown San Francisco Ferry Terminal in order to support new and existing ferry services to San Francisco as set forth in WETA's Implementation and Operations Plan. The proposed project would also include landside improvements needed to accommodate expected increases in ridership and to support emergency response capabilities. Upon request from the FTA, this project has been included in the Federal Infrastructure Projects Permitting Dashboard, an initiative of the Federal Transit Administration to expedite federal permitting processes for nationally or regionally significant projects.

A Notice of Availability for the Final EIS/EIR and FTA's Record of Decision were published in the Federal Register on September 5, 2014. The WETA Board certified the Final EIR in October 2014. Staff has initiated discussions with the Port of San Francisco concerning a project agreement to develop the first phase of terminal expansion.

SERVICE DEVELOPMENT UPDATE

Richmond Ferry Service – This service will provide an alternative transportation link between Richmond and downtown San Francisco. The conceptual design includes plans for replacement of an existing facility (float and gangway) and a phased parking plan.

The CEQA Initial Study/Mitigated Negative Declaration (IS/MND) was released on May 6. The Initial Study identified potentially significant effects; however, the implementation of mitigation measures identified in the IS/MND would reduce potentially significant effects to less-than-significant levels. In accordance with CEQA and the CEQA Guidelines, a 30-day public and agency review period for the IS/MND commenced

on May 6 and concluded on June 4. The WETA Board of Directors adopted the MND and Mitigation Monitoring and Reporting Program at the September 2014 Board meeting. Staff is working with the FTA on resource agency consultation and preparation of the NEPA environmental review. Staff is also working with City of Richmond and West Contra Costa County Transportation Advisory Committee (WCCTAC) staff to develop a Project Agreement that defines project service levels and identifies capital and operating funding through a project funding plan.

Treasure Island Service – This project, which will be implemented by the Treasure Island Development Authority (TIDA), the San Francisco County Transportation Authority (acting in its capacity as the Treasure Island Mobility Management Authority) and the prospective developer, will institute new ferry service to be operated by WETA between Treasure Island and downtown San Francisco in connection with the planned Treasure Island Development Project. The development agreement states that ferry operations would commence with the completion of the 50th residential unit.

WETA staff is working cooperatively with City staff on this City-led project and participating in regular meetings of the Technical Advisory Committee convened to update and further develop the Treasure Island Mobility Management Program. Staff expects to begin negotiation of a Memorandum of Agreement (MOA) with the City that would set forth the terms and conditions under which WETA would operate the future Treasure Island ferry service. The finalization and execution of an MOA for the Treasure Island service would be subject to future consideration by the WETA Board.

Berkeley Environmental Studies – This service will provide an alternative transportation link between Berkeley and downtown San Francisco. The environmental and conceptual design work includes plans for shared use of an existing City owned parking lot at the terminal site between ferry and local restaurant (H^s Lordships) patrons. City participation is required in order to move the project forward and reach agreement on a shared use concept. The project will require a conditional use permit reviewed by the City's Planning Commission, Zoning Adjustment Board, and City Council. Similar to Richmond, a Project Agreement defining the project and identifying funding sources will need to be developed for adoption by the City Council and WETA Board.

The Final EIS/EIR was submitted to FTA review in early October 2012. The remaining activities include resolution of Section 7 consultation and Essential Fish Habitat Assessment with NOAA and NMFS. NOAA and NMFS will issue a Biological Opinion (BiOp) on the project. The BiOp is required prior to completion of the Final EIS/EIR. During the NMFS consultation process an issue was identified with the proposed 42-acre dredging footprint. This dredging footprint was developed in order to accommodate the standard draft vessels in the WETA fleet during all tidal conditions and included a 5,000 foot long channel. During the consultation process, NMFS identified a mitigation ratio of 3:1 to offset the dredging impacts. This mitigation ratio presents significant scope and cost challenges for the project. After this issue was identified, WETA staff explored options to reduce the dredging footprint in order to reduce the mitigation requirements. It was determined that construction and operation of shallow draft vessels for the Berkeley service would substantially reduce the required dredging footprint and mitigation requirements.

Staff has coordinated with FTA staff to discuss the process for completion of the Final EIS/EIR. FTA has recently expressed that it will not be able to complete the NEPA process and issue a Record of Decision because a long-term operational funding source is not available for the service. Regional Measure 2 (RM2) funds were identified as an operating source when the environmental review process commenced in 2006. The funding picture changed since that time and the RM2 source is no longer available. Staff is evaluating a process to complete the CEQA process in the near term. The NEPA process could be completed at a later date if an operational funding source is identified.

SYSTEM STUDIES

Alameda Terminals Access Study – Both ferry terminals in Alameda have experienced a surge in ridership beginning with the first BART strike in July 2013. As a result, parking at both terminals typically

spills onto adjacent streets and informal parking lots. WETA will partner with the City of Alameda staff to prepare plans to address the immediate issue and identify mid- to long-term solutions. Staff has secured the consultant services of Nelson Nygaard through its on-call planning agreement with KPFF, Inc. to support the project.

Staff has concluded its initial public outreach efforts, including a series of public workshops, coordination with AC Transit, and an informational presentation to the City of Alameda's Transportation Commission. A subcommittee of Transportation Commission members, AC Transit staff, nearby non-profit organizations, and local transportation advocates was formed by the City of Alameda to review and advocate for future access improvements at both the Main Street and Harbor Bay terminals. A draft study including an action plan will be released in early 2015 for public comment. The study will include preliminary access improvement recommendations and funding strategies for each terminal. Pending public comments received on the draft study, a final draft will be prepared and presented to the Board at a future meeting.

Alameda Seaplane Lagoon Study - The City of Alameda has proposed a new ferry terminal located along Seaplane Lagoon at Alameda Point. Consistent with terms of the 2014 Transition Agreement executed between WETA and the City of Alameda, both parties are working together to explore the viability of a new ferry service connecting Seaplane Lagoon and San Francisco. WETA staff has met regularly with staff from the cities of Alameda and Oakland along with the Port of Oakland to prepare an operational evaluation of a Seaplane Lagoon ferry service. The goal of the evaluation is to identify the range of alternatives for ferry service in the central bay considering terminals at Seaplane Lagoon, Main Street and/or Clay Street in Oakland. The costs, service quality and ridership implications of each service scenario will be estimated. The results of the evaluation will ultimately feed into a concept engineering analysis that will estimate capital costs and permitting requirements for a new facility.

Staff is working with the City of Alameda to draft a Memorandum of Agreement (MOA) that would set forth the terms and conditions under which a Seaplane Lagoon Ferry Service would be implemented, including construction of new facilities and service operations. The finalization and execution of an MOA for the Seaplane Lagoon service would be subject to future consideration by the WETA Board and the City of Alameda.

Warriors Arena/Mission Bay Ferry Terminal – The Golden State Warriors basketball team has identified a preferred arena site at the foot of 16th Street in the Mission Bay neighborhood of San Francisco. A Mission Bay ferry terminal has been identified in both WETA and City of San Francisco planning documents as a potential future infrastructure investment but no significant planning or development work has been conducted to date and no funding exists to develop this as a terminal site. Staff will continue to coordinate with the Port of San Francisco, and the City of San Francisco along with other relevant stakeholders, including the Warriors, to consider how the agency may play a role in integrating the development of this project with existing and/or future WETA ferry services to San Francisco as opportunities present themselves.

Site Feasibility Studies – Site feasibility reports have been prepared in cooperation with the cities of Hercules, Martinez, Antioch and Redwood City in an effort to identify site constraints and design requirements and better understand project feasibility and costs associated with development of terminals and services to these cities. The Contra Costa County Transportation Authority, as the county transportation planning and funding authority, has utilized this information to develop a Financial Feasibility of Contra Costa Ferry Service Report (completed June 2014) to assess the feasibility of implementing ferry services in the county. The report concludes that of the candidate ferry terminals in Contra Costa County, only the Richmond project is financially feasible at this time.

MEETINGS AND OUTREACH

On November 13, Nina Rannells attended a Bay Area Council Transportation Committee meeting where Chair Breckenridge gave an overview of WETA's services, projects and activities and received input from Council members.

On November 20, Nina Rannells and Lauren Gularte attended the City and County of San Francisco's Lifelines Council meeting to learn about plans to coordinate emergency response and recovery efforts after a natural disaster in San Francisco.

On November 24, Nina Rannells participated in the monthly General Managers and Clipper 2 meetings with MTC centered around the development of the next generation Clipper fare payment system.

On November 24, Nina Rannells and Kevin Connolly participated in the kick-off meeting of the Bay Area Core Capacity Transit Study Executive Team, along with staff from MTC, BART, AC Transit, CalTrain, SFMTA and SFCTA.

OPERATIONS REPORT

The Monthly Operating Statistics Report for October 2014 is provided as Attachment A.

Attachment A

Monthly Operating Statistics Report October 2014

			Alameda/ Oakland	Harbor Bay	South San Francisco	Vallejo*	Systemwide
Ridership	vs. last month	Total Passengers October 2014	90,096	23,852	10,029	83,653	207,630
		Total Passengers September 2014	76,052	21,457	8,495	74,573	180,577
		Percent change	18.47%	11.16%	18.06%	12.18%	14.98%
	vs. same month last year	Total Passengers October 2014	90,096	23,852	10,029	83,653	207,630
		Total Passengers October 2013 **	77,698	24,721	8,663	69,617	180,699
		Percent change	15.96%	-3.52%	15.77%	20.16%	14.90%
	vs. prior FY to date	Total Passengers Current FY To Date	358,637	87,824	34,545	329,480	810,486
		Total Passengers Last FY To Date ***	367,391	92,705	29,894	322,039	812,029
		Percent change	-2.38%	-5.27%	15.56%	2.31%	-0.19%
			Avg Weekday Ridership October 2014	2,579	1,037	436	2,873
Ops Stats		Passengers Per Hour	191	173	66	121	143
		Revenue Hours	472	138	153	694	1,457
		Revenue Miles	6,005	3,111	2,348	19,078	30,542
Fuel		Fuel Used (gallons)	43,050	11,943	19,159	148,987	223,139
		Avg Cost per gallon	\$3.07	\$3.07	\$3.07	\$3.01	\$3.06

* Vallejo ridership includes ferry + 3364 Route 200 bus passengers.

** Includes ridership during October 2013 BART strike

*** Includes ridership during July and October 2013 BART strikes and Sept 2013 Bay Bridge closure.

MEMORANDUM

TO: Board Members

**FROM: Nina Rannells, Executive Director
Lynne Yu, Manager, Finance & Grants**

**SUBJECT: Monthly Review of FY 2014/15 Financial Statements for Four Months
Ending October 31, 2014**

Recommendation

There is no recommendation associated with this informational item.

Summary

This report provides the attached FY 2014/15 Financial Statements for four months ending October 31, 2014.

Operating Budget vs. Actual

	Prior Actual	Current Budget	Current Actual
Revenues - Year To Date:			
Fare Revenue	5,322,711	4,888,222	5,306,390
Local Bridge Toll Revenue	4,376,477	6,281,088	5,114,974
Other Revenue	847	-	500
Total Operating Revenues	9,700,035	11,169,310	10,421,865
Expenses - Year To Date:			
Planning & Administration	613,964	1,010,959	631,289
Ferry Services	9,086,071	10,158,351	9,790,576
Total Operatings Expenses	9,700,035	11,169,310	10,421,865
System-Wide Farebox Recovery %	59%	48%	54%

Capital Acutal and % of Total Budget

	YTD Acutal	% of FY 2014/15 Budget
Revenues:		
Federal Funds	1,235,098	7.05%
State Funds	3,865,162	17.63%
Bridge Toll Revenues	152,405	2.65%
Other Local Funds	48,974	1.32%
Total Capital Revenues	5,301,639	10.84%
Expenses:		
Total Capital Expenses	5,301,639	10.84%

Fiscal Impact

There is no fiscal impact associated with this informational item.

END

San Francisco Bay Area Water Emergency Transportation Authority
FY 2014/15 Statement of Revenues and Expenses
For Four Months Ending 10/31/2014

% of Year Elapsed 33.7%

	Current Month	Year - To - Date			Total	
		FY2013/14 Actual	FY 2014/15 Budget	FY 2014/15 Actual	FY 2014/15 Budget	% of Budget
OPERATING EXPENSES						
<u>PLANNING & GENERAL ADMIN:</u>						
Wages and Fringe Benefits	95,124	369,173	485,597	393,250	1,441,000	27.3%
Services	39,066	200,705	545,918	197,255	1,620,000	12.2%
Materials and Supplies	1,257	5,970	12,468	3,019	37,000	8.2%
Utilities	290	3,391	7,077	2,306	21,000	11.0%
Insurance	-	16,370	6,403	18,335	19,000	96.5%
Miscellaneous	771	24,065	37,068	18,460	110,000	16.8%
Leases and Rentals	22,904	88,616	96,378	91,822	286,000	32.1%
Admin Overhead Expense Transfer	(28,522)	(94,326)	(179,951)	(93,157)	(534,000)	17.4%
Sub-Total Planning & Gen Admin	130,888	613,964	1,010,959	631,289	3,000,000	21.0%
<u>FERRY OPERATIONS:</u>						
<u>Harbor Bay FerryService</u>						
Purchased Transportation	117,581	466,754	590,568	443,739	1,752,500	25.3%
Fuel - Diesel & Urea	36,621	185,301	199,361	149,382	591,600	25.3%
Other Direct Operating Expenses	30,343	111,984	213,548	120,874	633,700	19.1%
Admin Overhead Expense Transfer	5,969	20,884	39,427	17,742	117,000	15.2%
Sub-Total Harbor Bay	190,514	784,923	1,042,905	731,737	3,094,800	23.6%
Farebox Recovery	59%	54%	40%	54%	40%	
<u>Alameda/Oakland Ferry Service</u>						
Purchased Transportation	515,357	1,604,891	1,493,018	2,079,228	4,430,500	46.9%
Fuel - Diesel & Urea	132,008	549,323	622,447	528,416	1,847,100	28.6%
Other Direct Operating Expenses	52,008	345,357	416,852	235,703	1,237,000	19.1%
Admin Overhead Expense Transfer	11,068	35,343	70,430	35,637	209,000	17.1%
Sub-Total Alameda/Oakland	710,441	2,534,914	2,602,747	2,878,984	7,723,600	37.3%
Farebox Recovery	62%	69%	56%	58%	56%	
<u>Vallejo FerryService</u>						
Purchased Transportation	820,609	2,437,475	2,521,298	2,928,296	7,481,900	39.1%
Fuel - Diesel & Urea	448,664	1,900,558	2,148,288	1,796,658	6,375,000	28.2%
Other Direct Operating Expenses	98,251	337,942	535,707	308,188	1,589,700	19.4%
Admin Overhead Expense Transfer	4,578	17,098	24,600	17,764	73,000	24.3%
Sub-Total Vallejo	1,372,101	4,693,073	5,229,893	5,050,905	15,519,600	32.5%
Farebox Recovery	53%	63%	54%	59%	54%	
<u>South San Francisco FerryService</u>						
Purchased Transportation	281,051	705,198	732,541	748,838	2,173,800	34.4%
Fuel - Diesel & Urea	58,748	227,980	272,622	216,428	809,000	26.8%
Other Direct Operating Expenses	37,673	118,982	232,150	141,670	688,900	20.6%
Admin Overhead Expense Transfer	6,907	21,001	45,493	22,014	135,000	16.3%
Sub-Total South San Francisco	384,380	1,073,161	1,282,806	1,128,949	3,806,700	29.7%
Farebox Recovery	17%	18%	14%	20%	14%	
Total Operating Expenses	2,788,325	9,700,035	11,169,310	10,421,865	33,144,700	31.4%
OPERATING REVENUES						
Fare Revenue	1,348,156	5,322,711	4,888,222	5,306,390	14,505,700	36.6%
Local - Bridge Toll	1,440,169	4,376,477	6,281,088	5,114,974	18,639,000	27.4%
Local - Other Revenue	-	847	-	500	-	0%
Total Operating Revenues	2,788,325	9,700,035	11,169,310	10,421,865	33,144,700	31.4%

San Francisco Bay Area Water Emergency Transportation Authority
FY 2014/15 Statement of Revenues and Expenses
For Four Months Ending 10/31/2014

Project Description	Current Month	Project Budget	Prior Year Actual	FY 2014/15 Budget	FY 2014/15 Actual	Future Year	% of Total Project Budget
CAPITAL EXPENSES							
FACILITIES:							
Maintenance and Operations Facilities							
North Bay Operations & Maintenance Facility ¹	2,251,579	30,196,000	5,132,061	19,130,939	3,692,186	5,933,000	29%
Central Bay Operations & Maintenance Facility	32,244	38,000,000	1,228,371	5,750,629	106,634	31,021,000	4%
Float Rehabilitation							
Regional Spare Float Replacement	266,142	3,862,000	58,976	2,965,024	470,711	838,000	14%
Gangway, Pier & Terminal Improvement							
Clipper Site preparation - Vallejo	979	300,000	148,695	151,305	4,715	-	51%
East Bay Ferry Terminal Refurbishment	46,046	2,595,400	341,509	2,253,891	270,972	-	24%
Electronic Bicycle Lockers		79,500	-	79,500	-	-	0%
Channel Dredging - Vallejo	676	1,200,000	-	75,000	4,444	1,125,000	0%
FERRY VESSELS:							
Major Component Rehabilitation / Replacement							
Vessel Engine Overhaul - Gemini Class Vessels		1,320,000		1,320,000		-	0%
Vessel Engine Overhaul - Solano	507,866	2,000,000	699,042	1,240,958	567,866	60,000	63%
Major Component Rehab - Pisces	-	200,000	-	200,000	-	-	0%
Vessel Mid-Life Repower/Refurbishment							
Vessel Mid-Life Refurbishment - Bay Breeze	-	5,015,000	4,738,923	276,077	1,448	-	95%
Vessel Mid-Life Refurbishment - Peralta	2,509	5,260,000	-	1,010,000	3,282	4,250,000	0%
Vessel Expansion/Replacement							
Purchase Replacement Vessel - Express II & Encinal	3,702	33,500,000	50,568	9,949,432	22,233	23,500,000	0%
Purchase Replacement Vessel - Vallejo		20,000,000	-	200,000	-	19,800,000	0%
CAPITAL EQUIPMENT / OTHER:							
Purchase 18-Tone Crane Truck		175,000	-	175,000	-	-	0%
Purchase Work Skiff		100,000	-	100,000	-	-	0%
SERVICE EXPANSION:							
Future Expansion Service Studies							
Berkeley Terminal - Environ/Concept Design	-	2,335,000	2,183,016	151,984	2,290	-	94%
Antioch - Environ/Concept Design	-	812,500	146,198	25,002	218	641,300	18%
Martinez - Environ/Concept Design	-	812,500	164,894	25,006	-	622,600	20%
Downtown Ferry Terminal Expansion - Environ/Concept Design	17,540	3,300,000	2,581,846	718,154	73,227	-	80%
Terminal/Berthing Expansion Construction							
SSF Terminal Oyster Mitigation Study	-	275,000	83,330	191,670	29,854	-	41%
Downtown Ferry Terminal Expansion - Final Design	-	3,745,000	-	1,872,500	-	1,872,500	0%
Richmond Ferry Terminal	33,593	1,862,500	559,294	1,040,706	51,560	262,500	33%
Total Capital Expenses	3,162,877	156,945,400	18,116,723	48,902,777	5,301,639	89,925,900	
CAPITAL REVENUES							
Federal Funds	715,110	64,124,919	6,622,379	17,515,330	1,235,098	38,421,985	12%
State Funds	2,327,124	50,330,926	8,146,559	21,924,882	3,865,162	38,239,042	24%
Local - Bridge Toll	109,212	36,457,071	2,456,805	5,753,455	152,405	10,268,872	7%
Local - Alameda Sales Tax Measure B	11,430	4,682,484	890,980	3,659,111	48,974	-	20%
Local - San Francisco Sales Tax Prop K	-	1,300,000	-	-	-	1,300,000	0%
Local - Transportation Funds for Clean Air	-	50,000	-	50,000	-	-	0%
Total Capital Revenues	3,162,877	156,945,400	18,116,723	48,902,777	5,301,639	88,229,900	

¹ Board approved Project Budget increase of \$1.7 million, from \$28.5 million to \$30.2 million, in October 2014.

MEMORANDUM

TO: Board Members

FROM: Peter Friedmann, WETA Federal Legislative Representative
Ray Bucheger, WETA Federal Legislative Representative

SUBJECT: WETA Federal Legislative Board Report – December 4, 2014

Ferries over Partisanship

The midterm elections have passed, and frankly the results, while possibly having a dramatic impact on the national agenda – Keystone Pipeline, Affordable Care Act, immigration, tax policy – will have far less impact on WETA's mission to expand passenger ferry service on San Francisco Bay. While the issues mentioned just now are highly partisan, transportation and infrastructure (whether highways, bridges, rail, or water) typically are not.

The fact that the Senate has flipped – putting the Republicans in the Majority in both Chambers – will be a challenge to the President's agenda, but not to WETA's. The primary advocates for federal ferry programs have been Democratic Senators, for a simple reason – with one exception, the largest ferry systems, the ones receiving the lion's share of federal funding, are in firmly Democratic states, including CA, NJ, NY and WA. The one exception is Alaska, which receives more federal ferry funding than any other state, and which now has a completely Republican Delegation in the Senate and the House. But again, transportation is non-partisan, and ferries in particular tend to transcend politics.

Carving Up a Small Pie

In the coming year, the effort to carve up the Federal ferry "pie" will not be partisan; rather, it will once again be geographic. There is only \$97 million available nationally each year for Federal support for ferries. Considering the cost of just one of the major car ferries in Washington State, or the huge ferries operated by Staten Island, that money could be used entirely to buy one or maybe two boats. Instead it must be spread nationwide.

The formula for spending \$67 million, managed by the Federal Highway Administration, places highest priority on service with long ferry routes (such as Alaska), and those that carry vehicles (such as Alaska and Washington state). Last, and least in terms of weight in the formula, are passengers. For this reason, anything that can be done by the passenger-only systems to tweak the formula is being pursued.

The real opportunity for passenger-only systems in congested urban areas is to address the \$30 million fund that is distributed by the Federal Transit Administration (FTA). Currently those monies are distributed by grant. WETA has done quite well, receiving \$3 million this past year to support the Central Bay Operations and Maintenance Facility. We will be pursuing additional grants in the coming year when FTA is expected to release another round of funding (reflecting the fact that MAP-21 is simply being extended by Congress, albeit in short spurts).

At the same time, passenger-only systems are exploring converting this fund to a formula program, one which, unlike the FHWA program, is more focused on passenger-only vessels in congested urban areas. Depending on how the formula is established, this could generate a regular source of federal funding for

WETA. Currently the negotiations are ongoing between Washington, DC representatives of the major ferry systems and with their elected representatives.

To achieve these goals, we will continue to marshal the support of WETA's partners, including the various maritime trades that are on the boats and at the terminals; the boatyards that are building WETA vessels; and other contractors who are building gangways, docks and other infrastructure.

Public Ferry Coalition

We work together as part of the Public Ferry Coalition, an informal group we created with Alaska, New Jersey, New York, North Carolina and Washington in order to present a unified face for ferry advocacy on Capitol Hill and at the Executive Branch agencies. We are acutely aware that, as described above, different systems have different needs and funding priorities. However, with voracious and growing demands for funds by other – and more powerful – transit interests, such as bus, rail and subway systems, we feel that the ferry systems must band together in order to protect our recent gains (\$100 million) from attacks by the much larger transit modes, and to propose additional funding for ferries.

Funding Still the Challenge

The existing "Highway Bill" (MAP-21), which funds all transportation infrastructure, including highways and transit, is set to expire in May of this coming year. One of the top priorities of the new Congress is to develop a means to fund transportation programs for the traditional six-year period of each highway bill. Thus far, no serious funding proposals have gained momentum. It is generally understood that the Highway gas tax needs to be increased, but Members of Congress lack the political will to do so, since most constituents really do not like the idea of a 10 cents per gallon (or more) gas hike at the pump. The other problem is that a gasoline tax is ultimately unsustainable as a funding source, given that more and more cars are getting better gas mileage, or do not burn gas at all (more electric, natural gas, hybrid cars are appearing on the road every year). Identifying a sustainable source of revenue that will serve as a dependable funding mechanism for highways and transit is near the top of the domestic policy agenda for the coming year.

The Gift That Keeps Giving

Fortunately, success in pursuing WETA funding through the earmark process several years ago will continue to pay dividends. Congress and the President decided several years ago to discontinue earmarks by which Members of Congress can allocate federal funding to specific projects and specific recipients. Before this practice was terminated, WETA had received approximately \$20 million in earmarked federal funds. Among the last of those earmarks were those sponsored by Sen. Barbara Lee. We are working to assure that those funds are still available for current WETA needs.

Local Girl Makes Good!

We are pleased that Therese McMillan, formerly of MTC, is now in line to officially become Administrator of the Federal Transit Administration. She is certainly familiar with ferry systems in the Bay. FTA will continue to play a significant role in administering and allocating federal funding. WETA has submitted a letter to the Senate Banking Committee in support of her confirmation.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
MINUTES OF THE BOARD OF DIRECTORS MEETING

(November 6, 2014)

The Board of Directors of the San Francisco Bay Area Water Emergency Transportation Authority met in regular session at the WETA offices at Pier 9, Suite 111, San Francisco, CA.

1. ROLL CALL AND CALL TO ORDER

Chair Jody Breckenridge called the meeting to order at 1:00 p.m. and led the pledge of allegiance. Other directors present were Director Jeff DelBono, Director Timothy Donovan and Director Anthony Intintoli.

2. REPORT OF BOARD CHAIR

Chair Breckenridge reported that she had several upcoming outreach meetings with local businesses and in Sacramento and that she would report further on these at the December Board meeting.

3. REPORT OF DIRECTORS

No reports.

4. REPORTS OF STAFF

Executive Director Nina Rannells referred the Board to her written report and offered to respond to any questions.

Director Donovan asked what the impact of the Oakland terminal closure on November 15 and 16 would be. Ms. Rannells said that in addition to an outreach program prior to the closure, signs and guest representatives would be at the Oakland terminal redirecting passengers to the Alameda Main St. terminal on those days. She said that during the Alameda Main St. terminal closure which would follow in several weeks later that the same procedure would be followed in reverse.

Regarding the implementation of Clipper in Vallejo, Director Intintoli passed along a public comment, asking that if a family were to ride together, would each family member would be required to have their own Clipper Card, and if that was the case could it be remedied. Ms. Rannells replied yes, that each rider needed to have their own Clipper card. She also noted that the popular "Friends and Family" promotion would once again be returning to the Vallejo with significantly discounted fares for groups and families.

Director Intintoli noted that the Vallejo schedule brochure stated that day passes would be discontinued on January 1, 2015. Ms. Rannells reminded the board that the fare program approved in September had discontinued several paper fare products in favor of the Clipper card.

Director Intintoli asked if there was a difference between a purchasing a round trip and a Day Pass. Chair Breckenridge noted that a day pass would typically allow unlimited travel rather than a single round trip. Ms. Rannells added that in the case of the Vallejo service, the Day Pass would allow travel on local and Rt 80 SolTrans buses as well. Chair Breckenridge suggested that this be made clear to

Vallejo passengers, also specifically noting that ferry tickets could be used interchangeably with Rt 200 bus service.

Director Intintoli asked for an update on the North Bay Operations and Maintenance Facility project. Senior Planner Chad Mason reported that the project was progressing quickly, noting that fuel tanks had been delivered the prior week, that the metal warehouse building had been erected, that most underground utility work had been completed, and that work on the waterside part of the project had commenced.

Chair Breckenridge asked if it was correct that the Treasure Island service was to begin upon completion of the 50th unit and if that was still projected for 2017. Manager of Planning and Development Kevin Connolly said that some details regarding initial service had been recently clarified, stating that service would be required to start service within 54 months after the completion of the 50th unit (approximately 2021).

Public Comment

Jerry Bellows of the Maritime Administration asked for information about recent public comments received by WETA regarding the Central Bay Operations and Maintenance Facility.

Mr. Connolly noted that WETA had completed its Section 7 National Marine Fisheries review, and reported that comments had been received from Alameda residents regarding harbor seals pulling out on dilapidated piers near the site of the future maintenance facility. Mr. Connolly stated that WETA has not been required to build a haul-out as a result of the review.

Chair Breckenridge asked if there was an update to the timeline regarding potential service to a Warriors Arena. Mr. Connolly said that he anticipated that the Warriors would release a Draft EIR for the arena in early 2015.

As the Board reviewed the September Operations Report, Ms. Rannells noted that ridership was still strong and that October showed continued increase of nearly 15% over the prior year.

Director Donovan asked if the \$33 million Vallejo Vessel Replacement project was on the backburner. Ms. Rannells replied that not all funding was in place yet but that construction was anticipated to start in 2015. She noted that the Vessel Replacement RFP for the Express II and Peralta had been released in September to solicit construction bids.

Chair Breckenridge asked if outcomes in the November elections were likely to impact WETA's funding. Director Intintoli said that his understanding of the legislative report was that there would be little change in the area of transportation.

Ms. Rannells said that she had received a federal legislative update earlier in the day from Peter Friedmann of Lindsay Hart, LLP, noting that he indicated there was a good chance that the federal transportation reauthorization bill would move forward in 2015. She also noted that Congressman Garamendi had expressed interest in sitting on the Transportation and Infrastructure Committee.

Director Intintoli asked who would chair the State Assembly Committee on Transportation. Ms. Rannells recalled that Barry Broad of Broad & Gusman LLP had said that a chair may be named in December, and that she had heard Assembly member Jim Frazier's name mentioned as likely candidate for chair.

Chair Breckenridge referred to the FHWA formula used to distribute federal ferry funding and noted that WETA was at a disadvantage in the formula compared to larger operators. She recommended that where feasible WETA partner with other small agencies to pursue funding formula changes and that WETA continue to look for new opportunities during the changeover in Congress.

5. CONSENT CALENDAR

Director DelBono made a motion to approve the consent calendar which included the Board of Directors meeting minutes of October 2, 2014.

Director Donovan seconded the motion and the consent calendar carried unanimously.

Yeas: Breckenridge, DelBono, Donovan, Intintoli. Nays: None.

6. MEETING SCHEDULE FOR CALENDAR YEAR 2015

Ms. Rannells presented this item requesting that the Board approve a WETA Board of Directors meeting schedule for Calendar Year 2015.

Chair Breckenridge confirmed a December 11, 2014 meeting with the Board and staff, and then recommended that that if the agenda was light that the Board consider meetings near WETA terminals and project sites as a way to become more familiar with them. She suggested that if December was not feasible that the Board consider dates beginning in early 2015. All Directors agreed with the idea.

WETA legal representative Stanley Taylor of Nossaman LLP said that staff had planned two additional installments of Board training beyond the ethics training on the present agenda. The first would be approximately 45 minutes to an hour which would address specific organic documents and relevant statutes that applied to the Board members, and a second session of approximately 30 minutes on the topic of immunity and potential liabilities resulting in the conduct of Board members' activities.

Ms. Rannells noted that the auditor would be presenting a report to the Board in December, and that Chair Breckenridge had also requested an overview of WETA's funding.

Chair Breckenridge suggested that the December meeting remain at WETA in order to address these items and asked the Directors bring back available dates in 2015 that they could commit to for future meetings at other WETA sites.

Chair Breckenridge requested an overview of WETA's capital project priorities for the January 2015 meeting as well as details on how those projects would be funded.

Director Intintoli said that having financial and project overviews as well as the ethics training session was not fair to the as-yet unappointed board member. Chair Breckenridge said that she would inquire on WETA's behalf with the Appointments Office for an update on the status of the vacant seat.

Director Donovan made a motion to adopt the item. Director DelBono seconded the motion and the item carried unanimously.

Yeas: Breckenridge, DelBono, Donovan, Intintoli. Nays: None.

7. PUBLIC COMMENTS

Veronica Sanchez of Masters, Mates & Pilots asked the Board to let her know what MM&P could do in the next year to support WETA's funding efforts, specifically regarding assistance with the funding gap for the Downtown San Francisco Ferry Terminal Expansion project. She said that she was ready to

deploy staff both locally and in Washington, DC, adding that MM&P would like to participate in WETA's funding strategy in a proactive way.

Mr. Bellows thanked WETA for providing additional service during Fleet Week reported that MARAD's demonstration had been successful in highlighting their added emergency response capability.

8. ETHICS TRAINING FOR LOCAL GOVERNMENT OFFICIALS

WETA legal representative Stanley Taylor of Nossaman LLP introduced this informational item which would include a training session in two parts on general ethics principles and specific laws concerning conflicts of interest, perquisites of office and government transparency.

Mr. Taylor noted that as most public agency boards were made up of elected officials that they would be likely to have received their mandated biennial training elsewhere, but as this was not the case for the WETA board, they would require a comprehensive training session every two years to meet this legal requirement. Mr. Taylor then introduced Amber Maltbie of Nossaman LLP, an expert on California political law and AB 1234 ethics training. Ms. Maltbie then presented the training session.

Upon conclusion of the training session, Ms. Maltbie presented each board member with a certificate of completion.

9. ADJOURNMENT

All business having concluded, the meeting was adjourned at 3:38 p.m.

Respectfully Submitted,

Board Secretary

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director
Lynne Yu, Manager, Finance & Grants

SUBJECT: Accept the Independent Auditor's Annual Financial Reports for the Fiscal Year 2013/14

Recommendation

Accept the Independent Auditor's Annual Financial Reports for the year ending June 30, 2014, as submitted by Maze & Associates, including the following:

- a. The Memorandum on Internal Control
- b. Basic Financial Statements
- c. Single Audit Report
- d. Measure B Compliance Report

Background

Section 106.6 of the WETA's Administrative Code requires preparation of an annual audit report by an independent auditor consistent with California Government Code Section 66540.54. WETA utilizes the services of Maze & Associates Accountancy Corporation (Maze) to perform this independent audit through its ongoing agreement with the Association of Bay Area Governments (ABAG) for financial services.

Discussion

The Annual Financial Reports for the fiscal year ending June 30, 2014, issued by Maze and provided for Board acceptance are comprised of the following:

- 1) The Memorandum on Internal Control
- 2) Basic Financial Statements
- 3) Single Audit Report
- 4) Measure B Compliance Report.

Memorandum on Internal Control

The Memorandum on Internal Control, provided as **Attachment A**, communicates such topics as the auditor's responsibilities under generally accepted auditing standards, overview of the planned scope of the audit, and significant findings from the audit. In accordance with Statement of Auditing Standards No. 114 (*The Auditor's Communication with Those Charged with Governance*), the independent auditors are required to communicate significant findings and issues related to an audit. No material deficiencies were identified as a result of the audit.

Basic Financial Statements

The Basic Financial Statements are provided as **Attachment B** to this report. These include an Independent Auditor's Report, Management Discussion and Analysis and Basic Financial Statements for the year ending June 30, 2014. The Independent Auditor's Report provides the opinion that WETA's basic financial statements present fairly in all material respects the financial position of the agency at June 30, 2014, and the respective results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Single Audit Report

The Single Audit, provided as **Attachment C**, is a required examination of an entity that expends \$500,000 or more of Federal awards in a single year. This report includes a schedule of expenditures of federal awards and a report on internal controls and compliance related to the federal expenditures. Maze has audited the compliance of WETA with respect to the types of compliance requirements described in OMB Circular A-133 (*Compliance Supplement*) that are applicable to each of the major federal programs providing funding. It is Maze's opinion that WETA complied, in all material respects, with the requirements applicable to the federal program for the year ended June 30, 2014

Measure B Compliance Report

The Measure B Compliance Report, provided as **Attachment D**, is required of WETA in relation to the receipt of Alameda County Measure B 2000 Funds in FY 2013/14. This report includes the financial statements for WETA's Measure B funds and a report on Measure B compliance. Maze has audited the compliance of WETA with respect to requirements described in the Alameda County Measure B 2000 Funds - Master Programs Funding Agreement. It is Maze's opinion that WETA complied, in all material respects, with the requirements applicable to Measure B 2000 Funds for the year ended June 30, 2014.

Mr. Timothy Krisch, Chief Executive Officer at Maze & Associates, will be in attendance at the meeting to present the financial reports.

Fiscal Impact

None.

END

Attachment A

**SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED
JUNE 30, 2014**

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**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2014

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors
San Francisco Bay Area Water Emergency Transportation Authority
San Francisco, California

In planning and performing our audit of the basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definition that we believe to be of potential benefit to the Authority.

This communication is intended solely for the information and use of management, the Board, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Maze + Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
November 7, 2014

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SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We have cited them here to keep you abreast of developments:

EFFECTIVE FISCAL YEAR 2015:

2014-01: GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)

This Statement will have material impact on the Authority's financial statements. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net pension liability. The net pension liability is required to be measured as of a date no earlier than the end of the employer's prior fiscal year (the measurement date), consistently applied from period to period.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

The following are the major impacts:

- This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (**net pension liability**) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (**total pension liability**), less the amount of the pension plan's **fiduciary net position**.
- Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. If a valuation is not performed as of the measurement date, the total pension liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation (performed as of a date no more than 30 months and 1 day prior to the employer's most recent year-end).

**SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

- The actuarial present value of projected benefit payments is required to be attributed to periods of employee service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the period when the employee first accrues pensions through the period when the employee retires.

2014-02: GASB 69 - Government Combinations and Disposals of Government Operations

This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

2014-03: GASB 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF PRIOR YEAR OTHER MATTERS

2013-01: Bank reconciliation – prepare and review process

Criteria: Bank statements should be reconciled in a timely manner denoting who the preparer was, when the bank reconciliation was prepared, who the reviewer was, and when the review was performed.

Condition: During our testing of the Authority’s March 2013 bank reconciliations, we noted that although reconciliations are being performed, there were no physical indications of by whom and when the preparation and review process took place.

Effect: Without proper audit trail of said processes, timely reconciliation is questionable and no accountability is denoted.

Cause: Lack of audit trail processes was an oversight by staff.

Recommendation: We noted that staff corrected this internal control error when the June 2013, bank reconciliations were tested, however, we recommend the Authority continue to implement said process.

Management Response: Bank reconciliations were prepared by the accountants that are responsible for the entities. Reviewers were required to review and sign off on the bank reconciliations in the past. The practice was consistent and reviewed by the auditors as part of the annual audit. The new recommendation will enhance internal control, and we will continue to implement the process.

Current Status: Recommendation was implemented in FY 2013-14.

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REQUIRED COMMUNICATIONS

To the Board of Directors
San Francisco Bay Area Water Emergency Transportation Authority
San Francisco, California

We have audited the basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) for the year ended June 30, 2014. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and, *Government Auditing Standards* and OMB Circular A-133.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Francisco Bay Area Water Emergency Transportation Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows. The pronouncement became effective, but did not have a material effect on the financial statements.

GASB 65 - *Items Previously Reported as Assets and Liabilities*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

GASB 67 - *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*

This statement is applicable to the Authority's PERS pension plans and we understand they intend to implement the Statement in the fall of 2015 in order to have the applicable information available for the Authority to implement the provisions of Statement 68 in fiscal year 2015.

This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees

Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

The pronouncement became effective, but did not have a material effect on the financial statements.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Authority's financial statements was depreciation. As discussed in Note 5 to the financial statements, depreciation is calculated using estimated useful lives determined by management. Actual useful lives may vary from these estimates.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated November 7, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

Other Information Accompanying the Financial Statements

With respect to the required supplementary information accompanying the financial statements, we 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 did not express an opinion nor 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.

This information is intended solely for the use of the Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Mage + Associates

Pleasant Hill, California
November 7, 2014

Attachment B

**SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014**

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**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Francisco Bay Area Water Emergency Transportation Authority
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2014, but did not have material effects on the financial statements:

Statement 65 – *Items Previously Reported as Assets and Liabilities.*

Statement 67 – *Financial Reporting for Pension Plans.*

Statement 70 – *Accounting and Reporting for Non-exchange Financial Guarantees.*

The emphasis of these matters does not constitute a modification to our opinions.


Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


Pleasant Hill, California
November 7, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) activities and financial performance provides an introduction to the financial statements of the Authority for the fiscal year ended June 30, 2014. The information presented herein should be considered in conjunction with the accompanying financial statements.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

Statement of Net Position—presents the financial position of the Authority, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.

Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs from the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash in flows and out flows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

FINANCIAL POSITION SUMMARY

Total net position may serve as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$135.2 million at June 30, 2014, a \$4.2 million or 3% increase from June 30, 2013.

The following is a summary of the Authority's net position as of June 30, 2014 and 2013 along with a discussion of some of the most significant balances (in thousands):

	<u>2014</u>	<u>2013</u>
Assets:		
Current and other assets	\$130,607	\$132,406
Capital assets	118,626	115,490
Total assets	<u>\$249,233</u>	<u>\$247,896</u>
Liabilities:		
Current liabilities	\$6,147	\$3,561
Unearned/deferred revenue	107,856	113,031
Other noncurrent liabilities	77	393
Total liabilities	<u>\$114,080</u>	<u>\$116,986</u>
Net Assets:		
Invested in capital assets, net of related debt	\$118,626	\$115,490
Restricted	5,409	4,428
Unrestricted	11,118	10,993
Total net assets	<u>\$135,153</u>	<u>\$130,910</u>

The largest portion of the Authority's net position (88%) represents its investment in capital assets (i.e., ferries, terminals, improvements, and equipment). These capital assets are used to provide services to its passengers. Net assets invested in capital assets increased by 3% during the year.

An additional portion of the Authority's net position (4%), Restricted net position, represents resources that are subject to external restrictions imposed by grantors and contributors that restrict the use of net assets, increased \$1.0 million during the year. The remaining Unrestricted net position (8%) may be used to meet ongoing obligations.

FISCAL YEAR 2014 FINANCIAL HIGHLIGHTS

- Fare revenues increased by \$2.6 million or 25% (\$13.1 million in 2014 compared to \$10.5 million in 2013). This increase was attributed to the 27% increase in total ridership.
- Operating expenses, before depreciation, increased from \$24.6 million in 2013 to \$28.1 million in 2014, an increase of \$3.5 million. This increase was primarily attributed to the additional costs associated with providing enhanced transbay ferry services during the July 2013 and October 2013 BART service disruptions.
- Nonoperating revenues decreased to \$15.8 million in 2014 as compared to \$19.0 million in 2013. This decrease was primarily attributed to the reduction in RM2 operating funds received for debt service payments. In 2013, \$1.8 million was received for principal and interest payments compared to \$0 in 2014.
- Total Assets increased by \$1.3 million (\$249.2 million in 2014 compared to \$247.9 million in 2013) and total Liabilities decreased by \$3.0 million (\$114.0 million in 2014 compared to \$117.0 million in 2013), resulting in an increase of total Net Assets of \$4.3 million (\$135.2 million in 2014 compared to \$130.9 million in 2013).

PROGRAM INITIATIVES AND OUTLOOK

From July 1 through 3 PM July 5, 2013, the Bay Area Rapid Transit (BART) system, which carries close to 400,000 riders on an average weekday, went on strike for four and a half days. During the strike period, the Authority operated expanded ferry services, increasing the average weekday ridership by 268%.

From October 18 through October 22, 2013, BART workers again went on strike after the 60-day cooling off period between BART management and workers. The Authority offered augmented transbay ferry services beginning on Friday, October 18 and continuing through Tuesday, October 22, one day after the strike ended, to help ensure that all customers and transbay travelers could get to their destinations while BART re-started their system. The weekday passenger trips provided during this period were more than triple normal ridership.

On April 26, 2014, the Authority enhanced ferry service schedules to meet growing ridership demand. The changes made include adding peak period morning trips on the Alameda/Oakland ferry service and the Vallejo ferry service and the utilization of the larger-capacity vessel, Bay Breeze, in the Harbor Bay ferry service.

On May 8, 2014, the Authority's Board of Directors approved making permanent the peak period schedule implemented on the South San Francisco ferry service during the one year demonstration project. The South San Francisco ferry service offers three peak period morning departures from the East Bay and three peak period evening departures from South San Francisco.

On May 15, 2014, the Authority hosted the North Bay Operations and Maintenance Facility Project groundbreaking at the project site on Mare Island. This well-attended event featured special guest speakers Congressman Mike Thompson, Solano Supervisor Jim Spring and Vallejo Mayor Osby Davis who are all supporters of this important project.

During 2014, the Authority expended \$10.0 million on capital activities. This included the following major projects:

- North Bay Operations and Maintenance Facility (\$4.0 million).
- Refurbishment of the *Bay Breeze* (\$3.1 million).
- Central Bay Operations and Maintenance Facility (\$1.3 million).
- Engine overhaul of the *Solano* (\$700,000).
- Downtown S.F. Berthing Expansion – Environmental/conceptual design (\$243,000).

The Authority will continue its efforts to support the management, operation and marketing of the four San Francisco Bay Ferry Routes: Alameda/Oakland to San Francisco, Alameda Harbor Bay to San Francisco, Alameda/Oakland to South San Francisco and Vallejo to San Francisco. Planning and administrative work will include completing a comprehensive service review, establishing a system-wide fare program and further investigating, defining and prioritizing future expansion services. Effort will also be focused on implementing system rehabilitation and core capital infrastructure projects including the replacement of a number of key facilities and vessels necessary to support daily and emergency response ferry services. Development of plans to expand berthing capacity in downtown San Francisco and development of operations and maintenance facilities in the central bay and north bay will also continue. Development of these projects will be important to support the long-term vision and sustainability of the Authority's planned ferry transportation services.

CONTACTING WETA'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, creditors and interested parties with a general overview of the Authority's finances. Questions or additional information about these statements should be directed to San Francisco Bay Area Water Emergency Transportation Authority, at 9 Pier, Suite 111, San Francisco, CA 94111.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Current Assets

Cash and cash equivalents (Note 3)	\$123,293,686
Receivables:	
Accounts	3,664,374
Interest	7,531
Security deposit	57,338
Inventory	775,615
Prepaid expenses	<u>2,808,405</u>

Total Current Assets 130,606,949

Capital assets, net of accumulated depreciation (Note 4):

Construction in progress	24,240,987
Depreciable capital assets, net	
Ferries	55,225,268
Terminal development rights	3,327,318
Floats, piers and gangways	8,427,232
Ferry terminal and facilities	26,765,696
Equipment and service vehicles	<u>639,778</u>

Total Capital Assets 118,626,279

Total Noncurrent Assets 118,626,279

Total Assets 249,233,228

LIABILITIES

Current Liabilities

Accounts payable	5,138,915
Other accrued liabilities	914,355
Compensated absences (Note 2C)	<u>93,936</u>

Total Current Liabilities 6,147,206

Noncurrent Liabilities

Compensated absences (Note 2C)	77,049
Unearned revenue - State Appropriation (Note 5A)	2,258,604
Unearned revenue - Bridge Tolls (Note 5B)	43,332
Unearned revenue - Prop 1B (Note 5C)	<u>105,553,565</u>

Total Noncurrent Liabilities 107,932,550

Total Liabilities 114,079,756

NET POSITION (Note 8)

Net investment in capital assets	118,626,279
Restricted	5,408,750
Unrestricted	<u>11,118,443</u>

Total Net Position \$135,153,472

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES

Farebox revenue	\$13,117,524
Total Revenues	13,117,524

PROGRAM OPERATING EXPENSES

Personnel costs	1,773,593
Purchased transportation	17,936,349
Administrative expenses	6,357,490
Legal and consulting	1,524,408
Insurance premiums	471,892
Depreciation (Note 4)	6,647,325
Total Program Operating Expenses	34,711,057

OPERATING LOSS (21,593,533)

NONOPERATING REVENUES (EXPENSE)

Intergovernmental	15,923,611
Gain (Loss) on disposal of fixed assets	(103,310)
Local property tax/assessments	847
Interest income	25,437
Other revenue	2,950
Total Nonoperating Revenues	15,849,535

CAPITAL GRANTS 9,987,313

CHANGE IN NET POSITION 4,243,315

NET POSITION - BEGINNING 130,910,157

NET POSITION - ENDING \$135,153,472

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$13,117,524
Payments to vendors and consultants	(24,366,165)
Payments to or on behalf of employees	<u>(1,780,351)</u>
Net cash flows from operating activities	<u>(13,028,992)</u>

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Intergovernmental collections	16,328,597
Local Property Tax/Assessments	<u>847</u>
Net cash flows from noncapital and related financing activities	<u>16,329,444</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grant receipts used for capital activities	4,805,760
Payments for capital assets	<u>(9,887,313)</u>
Net cash flows from capital and related financing activities	<u>(5,081,553)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest collections	<u>27,207</u>
Net cash flows from investing activities	<u>27,207</u>
Net cash flows	(1,753,894)

Cash and cash equivalents- beginning of year	<u>125,047,580</u>
Cash and cash equivalents - end of year	<u><u>\$123,293,686</u></u>

Reconciliation of operating loss to net cash flows from operating activities:

Operating loss	(\$21,593,533)
Depreciation	6,647,325
Change in assets and liabilities:	
Security deposits	(1,778)
Inventory	77,033
Prepaid expenses	(427,802)
Accounts payable	3,305,586
Other accrued liabilities	(1,029,065)
Compensated absences	<u>(6,758)</u>

Net cash flows from operating activities	<u><u>(\$13,028,992)</u></u>
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See accompanying notes to financial statements

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**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 1 – REPORTING ENTITY

The San Francisco Bay Area Water Emergency Transportation Authority (Authority) is the regional water transportation planning and operating agency for the San Francisco Bay Area. It was established by the California State Legislature on October 14, 2007. The Authority was designated by the State Legislature to plan and operate new and existing Alameda and Vallejo ferry services and coordinate the emergency activities of all water transportation and related facilities within the Bay Area region.

The Authority is governed by a Board of Directors comprised of appointees from the California State Governor's Office, the State Assembly, and the State Senate subcommittees. The Board, consisting of 5 members, is responsible for general operations of the Authority, reviewing and approving the annual budget, approving future contractual agreements with vendors, and appointment of the Executive Director.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform with generally accepted accounting principles applicable to governments. The following is a summary of the significant policies:

A. *Basis of Presentation*

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government 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.

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

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary entity (the Authority). These statements include the financial activities of the overall Authority. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's business-type activities. Program Operating Expenses are those that are specifically associated with a program or function. Nonoperating Revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as Nonoperating Revenues are presented as Operating Revenues.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

The Authority uses an enterprise fund format to report its activities for financial statement purposes. The Authority's financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Grant reimbursements are recognized in the period the grant expenditures are made. Expenditures in excess of reimbursement are recorded as receivables if allowable under the grant, while excess reimbursements are recorded as deferred revenues.

C. Compensated Absences

Compensated absences comprise vacations and administration leave and are recorded as an expense when earned. The accrued liability for unused compensated absences is computed using current employee pay rates. Sick pay does not vest and is not accrued.

The changes in compensated absences were as follows:

Balance at June 30, 2013	\$177,743
Additions	181,047
Payments	<u>(187,805)</u>
Balance at June 30, 2014	<u>\$170,985</u>
Due within one year	<u>\$93,936</u>

D. Estimates

The Authority's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 3 - CASH AND INVESTMENTS

A. Carrying Amount and Fair Value

Cash and investments are recorded at fair value, which is the same as fair market value. The Authority's cash and investments were composed of cash in banks and the California Local Agency Investment Fund (LAIF), each of which is described below.

Cash and investments comprised of the following at June 30, 2014:

Cash and Investments:	
Cash in Bank	\$2,414,659
Cash in Bank for Prop 1B and Measure B	109,337,501
Local Agency Investment Fund	<u>11,541,526</u>
Total Cash and Investments	<u><u>\$123,293,686</u></u>

B. Investments Authorized by the Authority

The California Government Code allows the Authority to invest in the following types of investments.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	5 years	N/A	No Limit	No Limit
U.S. Government Agency Securities and Government Sponsored Enterprise Agencies	N/A	N/A	No Limit	No Limit
State Obligations	5 years	N/A	No Limit	No Limit
Local Agency Obligations	5 years	N/A	No Limit	No Limit
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Money Market Mutual Funds	N/A	Highest	20%	10%
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 Days	A-1	25%	10%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$50,000,000 per account	\$50,000,000 per account

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of the Authority's investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments in the LAIF investment pool is approximately 232 days.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Credit

Generally, credit risk is the risk that an issuer of an investment fails to fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF is not rated by a nationally recognized statistical rating organization.

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority may not be able to recover its deposits or may not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 110% to 150% of the Authority's cash on deposit. All of the Authority's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the Authority's name.

F. Local Agency Investment Fund

The Authority is a voluntary participant in LAIF. LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The carrying value of LAIF approximates fair value.

NOTE 4 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation expense is calculated on the straight line method over the estimated useful lives of assets, which are as follows:

Ferries	25 years
Ferry Terminal/Facilities	50 years
Terminal Development Rights	55 years

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity was as follows for the year ended June 30, 2014:

	Balance as of June 30, 2013	Additions	Adjustments	Retirements	Balance as of June 30, 2014
Capital assets not being depreciated:					
Construction in progress	\$15,415,178	\$9,987,313	(\$1,161,504)		\$24,240,987
Total assets not being depreciated	<u>15,415,178</u>	<u>9,987,313</u>	<u>(1,161,504)</u>		<u>24,240,987</u>
Capital assets being depreciated:					
Ferries	70,329,069				70,329,069
Terminal development rights	3,660,000				3,660,000
Floats, piers and gangways	6,096,314		3,291,363		9,387,677
Ferry terminal and facilities	31,727,200		(3,059,139)		28,668,061
Equipment and service vehicles	622,587		929,280	(\$304,967)	1,246,900
Total assets being depreciated	<u>112,435,170</u>		<u>1,161,504</u>	<u>(304,967)</u>	<u>113,291,707</u>
Less accumulated depreciation for:					
Ferries	(10,603,898)	(4,499,903)			(15,103,801)
Terminal development rights	(266,136)	(66,546)			(332,682)
Floats, piers and gangways	(261,228)	(699,217)			(960,445)
Ferry terminal and facilities	(1,051,118)	(851,247)			(1,902,365)
Equipment and service vehicles	(178,366)	(530,412)		101,656	(607,122)
Total accumulated depreciation	<u>(12,360,746)</u>	<u>(6,647,325)</u>		<u>101,656</u>	<u>(18,906,415)</u>
Net capital assets being depreciated	<u>100,074,424</u>	<u>(6,647,325)</u>	<u>1,161,504</u>	<u>(203,311)</u>	<u>94,385,292</u>
Capital Assets, Net	<u>\$115,489,602</u>	<u>\$3,339,988</u>		<u>(\$203,311)</u>	<u>\$118,626,279</u>

NOTE 5 – MAJOR FUNDING SOURCES

A. State Appropriation

The Authority received a single \$12,000,000 appropriation as initial funding for the study and planning of water transportation services in the San Francisco Bay. On October 14, 2007, the Senate bill stated that the Water Transit Authority's funds will be transferred to the Authority. As of June 30, 2014, the appropriation has a balance as follows:

Original appropriation	\$12,000,000
Net expenses as of June 30, 2014	<u>(9,747,043)</u>
Unearned appropriation as of beginning of period	2,252,957
Fiscal year 2014:	
Interest income	<u>5,647</u>
Unearned appropriation as of period end	<u>\$2,258,604</u>

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

B. Bridge Tolls

Regional Measure 1 (RM1) - In November 1988, Bay Area voters approved Regional Measure 1 (RM1), which authorized a standard auto toll of \$1 for all seven state-owned Bay Area toll bridges. The additional revenues generated by the toll increase were identified for use for congestion-relieving transit operations and capital projects in the bridge corridors. The Authority receives the portion of RM1 funding intended for transit operation and ferry capital projects. As of June 30, 2014, the Authority expended a total of \$160,364 for capital. The Authority received \$156,908 in cash and had a receivable balance of \$3,456.

Regional Measure 2 (RM2) - On March 2, 2004, voters passed Regional Measure 2 (RM2), raising the toll on the seven State-owned toll bridges in the San Francisco Bay Area by \$1.00. This extra dollar is to fund various transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in SB 916 (Chapter 715, Statutes of 2004). Specifically, RM2 establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM2 funding. The Authority was allocated \$18,213,600 to be used for operations in the fiscal year 2013-14 and \$12,175,000 to be used for capital. As of June 30, 2014, the Authority has expended total current allocated operating funds of \$14,842,409 and an additional \$136,479 of current and previously allocated capital funds. The Authority received \$13,730,904 in cash and had a receivable balance of \$1,247,984.

AB664 - The AB 664 Net Toll Revenue Reserves are named for the 1975 enabling legislation that established the reserves. Funds are collected from the Dumbarton, San Mateo-Hayward and San Francisco-Oakland Bay bridges and are used to fund capital projects that further the development of public transit in the vicinity of the bridges. Most AB 664 funding is programmed to various transit agencies as a match for federal funds to cover the cost of replacing buses and improving capital facilities. As of June 30, 2014, the Authority had expended total allocated funds of \$39,590, had received \$22,143 in cash and had a receivable balance of \$17,447.

C. Proposition 1B (CTSGP-RPWT) Projects

Pursuant to State Proposition 1B, the Authority is the eligible recipient of funds from the California Transit Grant Program, Regional Public Waterborne Transit (CTSGP-RPWT) for public transportation ferries and related facilities and services and emergency water transportation disaster recovery within the Bay Area region. As of June 30, 2014, the Authority had been awarded \$150 million in Proposition 1B allocations.

Assembly Bill 1203 (AB 1203), chaptered into law on October 11, 2009, provided clarifying language that allow the Authority to receive all awarded Proposition 1B allocations not previously invoiced or paid and as of April 2010, the Authority received \$44,679,939. The Authority received an additional \$25 million in fiscal year 2010-11 and \$50 million in the fiscal year ended June 30, 2013. Unspent grant receipts have been reported as unearned revenue in the accompanying financial statements.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

A summary of the Authority's Proposition 1B project for the fiscal year ended June 30, 2014 are as follows:

Project Name	Grant Allocations	Expended in Fiscal Year		Unearned Revenue at 06/30/14
		Prior years	2013-2014	
Preliminary Investigation & Environmental Review of Redwood City, Richmond, Antioch and Martinez	\$3,250,000	(\$893,096)	(\$94,958)	\$2,261,946
Final Design for Berkeley and Hercules Terminals	5,500,000	(198,210)	(18,526)	5,283,264
Berkeley Terminal and Vessel Construction	10,000,000			10,000,000
South San Francisco Terminal and Vessel Construction	10,000,000	(9,574,871)	(5,655)	419,474
Maintenance Barge/Facility and Emergency Floats	15,250,000	(4,746,955)	(263,376)	10,239,669
Central Bay and North Bay Maintenance Facilities	39,000,000	(953,017)	(2,300,668)	35,746,315
San Francisco Berthing Expansion	17,000,000	(584,773)	(48,575)	16,366,652
WETA Ferry Vessels	20,000,000		(19,893)	19,980,107
East Bay Ferry Terminals	5,000,000			5,000,000
Total	\$125,000,000	(\$16,950,922)	(\$2,751,651)	105,297,427
Add interest earned in prior years				183,840
Add interest earned in current year				72,298
Unearned Revenues				\$105,553,565

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

D. Measure B Program

Measure B, approved by the voters of Alameda County in 2000, accounts for a pro-rata share of the one-half sales tax, funds to be collected for a duration of 20 years. This measure was adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid for by property taxes, but rather, would be used for additional projects and programs.

In fiscal year 2011, the transfer of the Alameda/Oakland Ferry Service and the Alameda Harbor Bay Ferry Service from the City of Alameda and the Alameda Reuse and Redevelopment Authority to the Authority included Measure B monies. Measure B monies are used to finance the facilities and operations of the ferry services. During the year ended June 30, 2014, the Measure B program activity was as follows:

Measure B Program Revenues:	
Measure B Sales Tax Revenue	\$923,069
Interest Earned	2,015
	925,084
Total Measure B Revenues	925,084
 Measure B Program Expenditures:	
Vessel Mid-Life Refurbishment - Bay Breeze	(610,701)
Gangway and Pier Rehabilitation - Alameda Terminals	(51,190)
	(661,891)
Total Measure B Expenditures	(661,891)
 Net change in Net Position	 263,193
 Unspent Measure B Revenues as of Beginning of the Year:	 3,183,231
 Unspent Measure B funds as of the End of the Year:	 \$3,446,424
 Reserves:	
Capital Reserves	\$3,353,824
Undesignated Reserves	92,600
	3,446,424
 Unspent Measure B funds as of the End of the Year:	 \$3,446,424

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

Measure B Reserves - Pursuant to its agreement with the Alameda County Transportation Commission, the Authority is to expend Measure B funds expeditiously and no unexpended funds beyond those included in reserves as defined in the Agreement are allowed to be retained by the Authority. Specific reserves are described as follows:

Capital Fund Reserve – The Authority may establish a specific capital fund reserve to fund specific large capital projects that could otherwise not be funded with a single year worth of Measure B funds. The Authority may collect capital funds during not more than three fiscal years and shall expend all reserve funds prior to the end of the third fiscal year immediately following the fiscal year during which the reserve was established.

As of June 30, 2014, the Authority's Capital Fund Reserve amounted to \$3,353,824 and has been retained to fund capital projects relative to the following Alameda ferry services: Mid-Life Repower and Refurbishment of the Bay Breeze, Purchase Replacement Ferry Vessels and Gangway and Pier Rehabilitation of the Alameda Terminals.

Operations Fund Reserve - The Authority may establish and maintain a specific reserve to address operational issues including fluctuations in revenues and to help maintain transportation operations. The total amount retained may not exceed 50 percent of anticipated annual combined revenues from Measure B and VRF funds. This fund may be a revolving fund and is not subject to an expenditure timeframe. As of June 30, 2014, the Authority has not established an Operations Fund Reserve.

Undesignated Fund Reserve - The Authority may establish and maintain a specific reserve for transportation needs over a fiscal year such as matching funds for grants project development work studies for transportation purposes or contingency funds for a project or program. This fund may not contain more than 10 percent of annual pass-through revenues. As of June 30, 2014, the Authority has established an Undesignated Fund Reserve totaling \$92,600.

NOTE 6 – LEASE OBLIGATION

The Authority and Port of San Francisco entered into a lease agreement on December 1, 2011. The agreement allows the Authority to lease three parcels for office space, nonexclusive apron space and the exclusive use of lay berth area for ferry berthing. The annual lease payment is \$244,170 and each parcel amount is subject to a 3% annual adjustment with a minimum adjustment of \$0.01 (1 cent). The lease expires on November 30, 2016.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 7 – RISK MANAGEMENT

The Authority purchased the following insurance policy covered at June 30, 2014:

<u>Type of Coverage</u>	<u>Limit</u>	<u>Deductible</u>
	\$1,000,000 to	
General liability	2,000,000	\$2,500
Workers compensation	1,000,000	
Employment practice	3,000,000	15,000
Direct physical loss or damage (excluding earthquake or flood)	300,000	1,000
<u>Type of Coverage (related to Ferry Services)</u>		
	1,000,000 to	
Marine terminal commercial liability	2,000,000	2,500
Dock, pilings & ramps		
Pier 9, Harbor Bay, Main Street, Vallejo,		10,000 to
Mare Island Terminals and Clay Street Float	19,430,200	20,000
South San Francisco Terminal	18,973,405	1,000
Excess marine liability	9,000,000	

NOTE 8 – NET POSITION

Net Position is the excess of all the Authority's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. The Authority's Net Position is reported under the caption described below:

Net Investment in Capital Assets is the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes unexpended Measure B revenues and Alameda Local Property Tax/Assessments.

Unrestricted describes the portion of Net Position which may be used for any Authority purpose.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 9 - PENSION PLAN

All Authority employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), a cost-sharing multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Authority's employees participate in the Miscellaneous Employee Plan. Benefit provisions under the Plan are established by State statute and Authority resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CALPERS. The Plan's provisions and benefits in effect at June 30, 2014, are summarized as follows:

	<u>Miscellaneous</u>	<u>Miscellaneous New Tier</u>
Hire Date	Prior to January 1, 2013	After January 1, 2013
Benefits vesting schedule	5 years service	5 years service
Benefits payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits, as a % of annual salary	2.5%	2%
Required employee contribution rate	8.00%	6.25%
Required employer contribution rate	15.650%	6.25%

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Authority's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the Authority must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The Authority does not have a net pension obligation since it pays these actuarially required contributions monthly. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2012	\$288,828	100%
2013	300,368	100%
2014	304,062	100%

CALPERS uses a market related value method of valuing the Plan's assets. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 9 - PENSION PLAN (Continued)

As required by new State law, effective July 1, 2005, the Authority's Miscellaneous Plan was terminated, and the employees in the plan were required by CALPERS to join a new State-wide pool. One of the conditions of entry to the pool was that the Authority true-up any unfunded liabilities in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The Authority will fund the liability through increase future contribution rates.

The State-wide pool's actuarial value and funding progress over the past three years are set forth below at the actuarial valuation date of June 30:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
2010	\$1,972,910,641	\$1,603,482,152	\$369,428,489	81.3%	\$352,637,380	104.8%
2011	2,135,350,204	1,724,200,585	411,149,619	80.7%	350,121,750	117.4%
2012	2,254,622,362	1,837,489,422	417,132,940	81.5%	339,228,272	123.0%

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA, 94229-2709.

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS

During fiscal year 2009, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB).

By Board resolution, the Authority provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans.

The Authority pays the minimum of PEMHCA community rated plans for retired employees' medical premiums, in which the benefits continue to the surviving spouse. The Authority will also provide a longevity stipend for retired employees who have at least 10 years of service, by paying up to the PERSCare single premium for single coverage only.

As of June 30, 2014, three participants were eligible to receive benefits.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of the June 2013 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 5.0%-8.3 % health inflation increase. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The Authority's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 25 year closed amortization period.

In accordance with the Authority's budget, the annual required contribution (ARC) is to be funded throughout the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the Authority's Board passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of Authority Board. This Trust is not considered a component unit by the Authority and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

B. Funding Progress and Funded Status

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2014, the Authority contributed the ARC amounting to \$44,200 to the plan which represented 3.4% of the \$1.2 million of covered payroll. The Authority did not have a Net OPEB Obligation at June 30, 2014, as presented below:

	Amounts
Net OPEB Obligation June 30, 2013	\$0
Annual required contribution (ARC)	44,200
Contributions to CERBT	(44,200)
Change in net OPEB Liability	0
Net OPEB Obligation June 30, 2014	\$0

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 2013, amounted to \$271,000 and was unfunded since no assets had been transferred into CERBT as of that date. However, as of June 30, 2014, the Authority transferred additional contributions to CERBT, which along with investment earnings totaled \$377,330 and reduced the unfunded actuarial accrued liability.

The Plan's estimated annual required contributions and actual contributions for the years ended June 30, 2012, 2013 and 2014 are set forth below:

Fiscal Year	Estimated Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2012	\$55,871	\$55,871	100%	\$0
6/30/2013	58,356	58,356	100%	0
6/30/2014	44,200	44,200	100%	0

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial study is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A - B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
June 30, 2009	\$0	\$196,200	\$196,200	0.00%	\$720,807	27.22%
June 30, 2011	131,500	254,200	122,700	51.73%	1,242,000	9.88%
June 30, 2013	269,200	271,000	1,800	99.34%	1,244,500	0.14%

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Authority participates in Federal and State and local grant programs. These programs have been audited by the Authority's independent accountants through the fiscal year ended June 30, 2014, in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Authority expects such amounts, if any, to be immaterial.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

At June 30, 2014, the Authority had made commitments for the following projects:

<u>Project</u>	
Gangway & Pier Rehabilitation - Alameda Terminals	\$1,763,019
Ferry Vessel Replacement - Encinal & Express II	1,381,364
Regional Spare Float Replacement	279,300
Clipper Site Preparation - Vallejo	20,087
Vessel Engine Overhaul - Solano	564,544
Antioch - Environ/Conceptual Design	486,224
Martinez - Environ/Conceptual Design	568,334
Central Bay Operations & Maint. Facility	2,902,101
North Bay Operations & Maint Facility	8,203,057
Berkeley - Environ/Conceptual Design	88,760
Richmond - Environ/Conceptual Design	38,792
South San Francisco Ferry Terminal / Oyster Monitoring	134,628
San Francisco Berthing Expansion	79,924
Redwood City - Environ/Conceptual Design	495,849
Total	<u><u>\$17,005,982</u></u>

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Attachment C

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION
AUTHORITY**

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

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**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY**

**SINGLE AUDIT REPORT
For The Year Ended June 30, 2014**

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**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500 & 20.507	Federal Transit Cluster – Capital Investment Grants & Formula Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 7, 2014 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –

Prepared by Management

Federal Award Prior Year Findings and Questioned Costs

Finding 2013-01: Signed Grant Agreement

CFDA Number: 20.507

CFDA Title: Federal Transit Formula Grants

Name of Federal Agency: Department of Transportation, Federal Transit Administration

Name of pass-through Entity: City of Vallejo

Criteria: Agreements between the San Francisco Bay Area Water Transportation Authority (Authority) and a second party should be signed to indicate that both parties agree to the terms outlined in the agreement.

Condition: While testing the Department of Transportation grant agreement passed through from the City of Vallejo to the Authority, it was noted that the grant agreement, effective July 1, 2012 through June 30, 2013, was not signed by both parties. It should be noted that the City of Vallejo and the Authority continue to operate under the terms of the unsigned agreement.

Effect: Unsigned agreements may potentially result in unreimbursed expenses incurred by the Authority.

Cause: Oversight by both parties.

Recommendation: It is recommended that the Authority review all its active agreements, follow up on any unsigned agreements and have both parties sign the said agreements.

Current Status: The Authority and the City of Vallejo signed the agreement in January 2014.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Federal Transit Cluster			
Department of Transportation, Federal Transit Administration Direct Programs			
Federal Transit Capital Investment Grant:			
SF Berthing - Environ/Conceptual Design	20.500	CA-04-0160	\$194,294
Central Bay Ops & Maintenance Facility	20.500	CA-04-0209	4,680
Federal Fixed Guideway Modernization:			
FY09 - 5309 Capital	20.500	CA-05-0256	41,332
FY12- 5309 Capital	20.500	CA-05-0278	158,364
Subtotal Federal Transit Capital Investment Grant Direct Programs			<u>398,670</u>
Federal Transit Formula Grants:			
FY09 & FY10 5307 Capital	20.507	CA-90-Y859	1,761,613
FY2011 5307 Capital	20.507	CA-90-Y923	767,822
FY2013 5307 Capital	20.507	CA-90-Z066	581,296
Subtotal Federal Transit Formula Grant Direct Programs			<u>3,110,731</u>
Total Federal Transit Cluster			<u>3,509,401</u>
Total Expenditures of Federal Awards			<u><u>\$3,509,401</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2014**

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the San Francisco Bay Area Water Emergency Transportation Authority (Authority), California.

NOTE 2-BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the Authority by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Authority. The Schedule includes both of these types of Federal award programs when they occur.

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the Board of Directors of the
San Francisco Bay Area Water Emergency Transportation Authority (Authority)
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2014. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 7, 2014 which is an integral part of our audits and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mage & Associates

Pleasant Hill, California
November 7, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Honorable Members of the Board of Directors of the
San Francisco Bay Area Water Emergency Transportation Authority
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited San Francisco Bay Area Water Emergency Transportation's (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2014, and have issued our report thereon dated November 7, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mage & Associates

Pleasant Hill, California
November 7, 2014

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Attachment D

**SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY**

**MEASURE B FUNDS
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

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**SAN FRANCISCO BAY AREA
WATER EMERGENCY TRANSPORTATION AUTHORITY
MEASURE B PROGRAM
Financial Statements
For the year ended June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Francisco Bay Area Water Emergency Transportation Authority
San Francisco, California

Report on Financial Statements

We have audited the financial statements of the Alameda County Transportation Commission-Measure B Funds (Measure B Program) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

As discussed in Note 1, the financial statements present only the Measure B Program and are not intended to present fairly the financial position and results of operations of the San Francisco Bay Area Water Emergency Transportation Authority, in conformity with generally accepted accounting principles in the United States of America.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing such an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly in all material respects the financial position of the project at June 30, 2014 and the results of operations and changes in fund balance for the year then in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mage + Associates

Pleasant Hill, California
November 7, 2014

SAN FRANCISCO BAY AREA
 WATER EMERGENCY TRANSPORTATION AUTHORITY
 ALAMEDA COUNTY TRANSPORTATION COMMISSION - MEASURE B FUNDS

BALANCE SHEET
 JUNE 30, 2014

	Mass Transit
ASSETS	
Cash and Investments	\$3,521,755
Intergovernmental Receivables	149,134
Total Assets	\$3,670,889
LIABILITIES	
Accounts Payable	\$140,501
Accrued Liabilities	83,964
Total Liabilities	224,465
FUND BALANCE	
Restricted for:	
Capital Reserve	3,353,824
Undesignated Reserve	92,600
Total Fund Balance	3,446,424
Total Liabilities and Fund Balance	\$3,670,889

See accompanying notes to financial statements.

SAN FRANCISCO BAY AREA
 WATER EMERGENCY TRANSPORTATION AUTHORITY
 ALAMEDA COUNTY TRANSPORTATION COMMISSION - MEASURE B FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2014

	Mass Transit
REVENUES:	
Intergovernmental - Measure B:	
Pass-through Allocations	\$923,069
Interest Income	2,015
Total Revenues	925,084
 EXPENDITURES:	
Construction/Capital:	
Vessel Mid-Life Refurbishment - Bay Breeze	610,701
Gangway and Pier Rehabilitation - Alameda Terminals	51,190
Total Expenditures	661,891
 REVENUES OVER/UNDER EXPENDITURES:	 263,193
 FUND BALANCE:	
Beginning Fund Balance	3,183,231
Ending Fund Balance	\$3,446,424

See accompanying notes to financial statements.

**SAN FRANCISCO BAY AREA
WATER EMERGENCY TRANSPORTATION AUTHORITY
MEASURE B PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

1. DESCRIPTION OF REPORTING ENTITY

Reporting Entity – All transactions of the Alameda County Transportation Improvement Authority – Measure B Funds (Measure B Program) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), are included in the basic financial statements of the Authority. Measure B Program is used to account for the Authority's share of the net revenues generated by the Measure B sales tax and expenditures incurred under the Authority's mass transit program.

In fiscal year 2011, the transfer of the Alameda/Oakland Ferry Service and the Alameda Harbor Bay Ferry Service from the City of Alameda and the Alameda Reuse and Redevelopment Authority to the Authority included Measure B monies. Measure B monies are used to finance the facilities and operations of the Alameda ferry services.

The accompanying financial statements are for the Measure B Program only and are not intended to fairly present the financial position, results of operations and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Accounting – The Authority uses an enterprise fund format to report its activities for financial statement purposes. The Authority's financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Use of Estimates - Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**SAN FRANCISCO BAY AREA
WATER EMERGENCY TRANSPORTATION AUTHORITY
MEASURE B PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

3. CASH AND INVESTMENTS

Cash and investments consist of deposits with banks and participation in the California Local Agency Investment Fund. All investments are stated at fair value.

See the Authority's Basic Financial Statements (BFS) for disclosures related to cash and investments as prescribed by Governmental Accounting Standards Board Statement No. 40. The BFS may be obtained from the San Francisco Bay Area Water Emergency Transportation Authority Pier 9, Suite 111, The Embarcadero, San Francisco, CA 94111.

4. MEASURE B PROGRAM

On November 7, 2000, the voters of Alameda County approved the reauthorization of Measure B. The Authority receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation – related expenditures. This measure was adopted with the intention that the funds generated by the additional sales tax would not fund expenditures previously paid for by property taxes but, rather, would be used for additional projects and programs.

Projects funded by Measure B were as follows:

Mid-Life Repower and Refurbishment of the Bay Breeze

Vessel Replacement - Harbor Bay Express II

East Bay Passenger Terminal Improvements

5. FUND BALANCE

Measure B Reserves – Pursuant to its agreement with the Alameda County Transportation Commission, the Authority is to expend Measure B funds expeditiously and no unexpended funds beyond those included in reserves as defined in the Agreement are allowed to be retained by the authority. Specific reserves are described as follows:

Capital Fund Reserve – The Authority may establish a specific capital fund reserve to fund specific large capital projects that could otherwise not be funded with a single year worth of Measure B funds. The Authority may collect capital funds during not more than three fiscal years and shall expend all reserve funds prior to the end of the third fiscal year immediately following the fiscal year during which the reserve was established.

**SAN FRANCISCO BAY AREA
WATER EMERGENCY TRANSPORTATION AUTHORITY
MEASURE B PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

5. FUND BALANCE (Continued)

As of June 30, 2014, the Authority's Capital Fund Reserve amounted to \$3,353,824 and has been retained to fund the following capital projects related to the Alameda ferry services:

- Mid-Life Repower and Refurbishment of the Bay Breeze
- Vessel Replacement - Harbor Bay Express II
- East Bay Passenger Terminal Improvements

Operations Fund Reserve – The Authority may establish and maintain a specific reserve to address operational issues including fluctuations in revenues and to help maintain transportation operations. The total amount retained may not exceed 50 percent of anticipated annual combined revenues from Measure B and VRF funds. This fund may be a revolving fund and is not subject to an expenditure timeframe. As of June 30, 2014, the Authority has not established an Operations Fund Reserve.

Undesignated Fund Reserve – The Authority may establish and maintain a specific reserve for transportation needs over a fiscal year such as matching funds for grants project development work studies for transportation purposes or contingency funds for a project or program. This fund may not contain more than 10 percent of annual pass-through revenues. As of June 30, 2014, the Authority has established an Undesignated Fund Reserve totaling \$92,600.

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INDEPENDENT AUDITOR'S REPORT ON MEASURE B COMPLIANCE

To the Board of Directors
San Francisco Bay Area Water Emergency Transportation Authority
San Francisco, California

Report on Compliance for Measure B Program

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Alameda County Transportation Commission - Measure B Funds (Measure B Program) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2014 and the related notes to the financial statements, and have issued our report thereon date November 7, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants' requirements related to 2000 Measure B/VRF funds as specified in the *Master Programs Funding Agreement* between the Authority and the Alameda County Transportation Commission.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Measure B funds based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and requirements specified in the *Master Programs Funding Agreement* between the Authority and the Alameda County Transportation Commission. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure B Program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Measure B Program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Measure B Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Measure B Program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on Measure B to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Measure B Program and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of Measure B on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements, specified in the *Master Programs Funding Agreement* between the Authority and the Alameda County Transportation Commission. Accordingly, this report is not suitable for any other purpose.

Mage & Associates

Pleasant Hill, California
November 7, 2014

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director

SUBJECT: Overview of Agency Enabling Legislation and Administrative Code

Recommendation

This is an informational item only.

Background/Discussion

This training session, to be provided Nossaman LLP attorneys Danielle Gensch and Jill Jaffe, will provide an overview of WETA's enabling legislation and Administrative Code with an emphasis on contracting provisions. WETA's attorneys will provide Board members with a Public Officials Handbook containing background information on these subjects as well as the topics covered at the November 6 ethics training session at the meeting.

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director
Lynne Yu, Manager, Finance & Grants

SUBJECT: Overview of Agency Funding

Recommendation

This is an informational item only.

Background/Discussion

The San Francisco Bay Area Water Emergency Transportation Authority (WETA) relies upon external grant funds to support its ongoing annual operation and capital rehabilitation and expansion program and projects. Funds utilized are available from a variety of ongoing and one-time grant programs, many of which are specific to the provision of public transit services, and secured through grant contracts with a number of local, regional, state and federal agencies. This item provides an overview of WETA's FY 2014/15 operating and capital budget and the various grant funds used to support delivery of this program.

ANNUAL OPERATING BUDGET

Overview

WETA's Fiscal Year (FY) 2014/15 operating budget (July 1, 2014 through June 30, 2015), adopted by the Board in May 2014, totals \$33.1, including \$30.1 million to directly support service operation and \$3 million to support service planning and administration. Through our contract operator, Blue and Gold Fleet, this budget supports the daily operation of San Francisco Bay Ferry service routes as summarized below and provided in more detail in **Attachment 1**:

Route	Budget		Projected Ridership	
	Total	% of Total	Total	% of Total
AOFS	\$7,723,600	25.6%	939,700	42.4%
AHBF	3,094,800	10.3%	275,100	12.4%
Vallejo	15,519,600	51.5%	915,300	41.3%
SSF	3,806,700	12.6%	83,650	3.8%
Total	\$30,144,700	100.0%	2,213,750	100.0%

Funding

Funds budgeted to support WETA's operating program in FY 2014/15 include \$14.5 million (44%) passenger fare revenues and \$18.6 million (56%) bridge toll funds administered by the Metropolitan Transportation Commission (MTC) and provided to WETA through annual grant application and award. Bridge toll funds budgeted in FY 2014/15 include \$18.3 million RM2 and \$.3 million RM1 funds.

Regional Measure 2 Program

These funds are derived from an increase in tolls on the Bay Area's state-owned bridges that was approved by voters in 2004. Up to \$18.3 million in RM2 funds are available for annual allocation to WETA through MTC to support WETA's transbay ferry operations that relieve traffic congestion on Bay Area bridges. \$3 million of this amount is specifically available to support WETA planning and administration and \$15.3 million is available to support service operation. The \$15.3 million for service operation was originally intended to support new ferry services, but the project definition was amended to allow funds to be used to support all WETA services when WETA was directed by the State Legislature to take over the Alameda and Vallejo ferry systems in 2008. MTC policy requires that ferry services utilizing RM2 funds meet a minimum farebox recovery of 40% for peak-period only service and 30% for all day service. Additionally, MTC administers these as "use it or lose it" funds. As a result, any unused balances at year-end are returned for MTC and unavailable for WETA to use in future years.

Regional Measure 1 – 5% Program

These funds are derived from an increase in tolls on the Bay Area's state-owned bridges that was approved by the voters in November 1988. Approximately \$3 million in Regional Measure 1 operating funds are available annually for programming to WETA by MTC to support transbay transit service operations that relieve traffic congestion on Bay Area bridges. MTC policy requires that ferry services utilizing RM1 funds meet a minimum farebox recovery of 40% for peak-period only service and 30% for all day service. Funds not utilized in a given year can be held by MTC and carried over for allocation to WETA in a future year.

Other funds generally available to WETA for use to support ferry transit operations include State Transit Assistance funds, Alameda County Transportation Sales Tax Measure B funds, Alameda Transportation Improvement Funds, Alameda Lighting and Landscape Assessment District funds and Alameda Harbor Bay Business Park Association funds. These funds, which are described in more detail under the capital program, are flexible and can be used to support operating or capital needs (with Alameda funds limited to use to support Alameda projects) and can be carried over from year to year.

In August 2010, WETA issued and sold Revenue Allocation Bond to MTC. By utilizing the annual allocation of RM2 operating funds to pay the debt service, WETA was able to establish a \$10.1 million operating reserve in June 2013, when the final payment of the debt service was made. This reserve is used to support WETA's ongoing operating cashflow needs and can be partially utilized in the event of an emergency where services need to be ramped up beyond budgeted resources.

ANNUAL CAPITAL BUDGET AND PROGRAM OF PROJECTS

WETA's FY 2014/15 capital budget (July 1, 2014 through June 30, 2015), as adopted by the Board in May 2014, includes a program of 20 projects budgeted to cost a total of \$147.8 million with \$46.5 million budgeted for expenditure in FY 2014/15. Budgeted expenditures in FY 2014/15 include \$30 million to support facilities projects, \$12.3 million to support vessel projects, \$3.9 million to support expansion facilities and \$275,000 to support miscellaneous equipment needs. A copy of the FY 2014/15 Capital Budget, including a summary description of each project, is provided as **Attachment 2** to this report.

Funding

Funds to support WETA's capital program of projects come from a wide variety of sources and granting agencies. Each project is funded with its own unique mix of grant funds depending upon the project type (revenue vessel, major facility rehabilitation/replacement, service expansion, maintenance/operation facility, miscellaneous equipment), cost, timing and capital match requirements. Staff generally works to identify project needs years in advance of project implementation in order to have sufficient time to identify and secure grant funds to support project development and delivery.

Funds to support the FY 2014/15 capital program include a mix of \$15.7 million Federal Transit Administration (FTA) funds secured through federal earmarks of Capital Investment Grant funds or programmed by MTC and administered by FTA, \$20.2 million State Proposition 1B funds administered by CalOES and Caltrans, \$1.7 million State Transportation Improvement Program (STIP) funds administered by Caltrans, \$.7 million Regional Measure 1, \$4.3 million Regional Measure 2 and \$.3 million AB 664 bridge toll funds administered by MTC, \$3.6 million Alameda County Transportation Sales Tax Measure B funds administered by Alameda County Transportation Commission and \$50,000 Transportation Fund for Clean Air funds administered by Bay Area Air Quality Management District.

The primary funding sources utilized to support the FY 2014/15 capital budget and program of projects and generally available to WETA are described below and provided in summary matrix form in **Attachment 3** to this report.

Federal Formula and Capital Investment Grants

The majority of federal funds received and utilized to fund the FY 2014/15 capital program are Federal Section 5307 and 5309 formula grant program funds programmed annually by MTC and secured through direct grant application and contract with FTA. These funds are currently available to support high priority capital rehabilitation and replacement projects in the MTC region are generally programmed by MTC two to three years in advance and allocated annually to projects based upon funds available through the federal transportation budget and MTC's Transit Capital Priorities program rules and criteria. For WETA, this program provides up to 80% funding to support critical vessel replacement, rehabilitation and midlife refurbishment work, float and gangway rehabilitation and replacement work and periodic dredging. Additional federal funds secured and available include federal earmarks of Capital Investment Grant funds authorized through Public Laws. These funds are programmed to support the Central Bay Operations and Maintenance Facility, Richmond Terminal and the Downtown San Francisco Ferry Terminal Expansion projects.

Federal Highway Administration Ferry Boat Program

The Moving Ahead for Progress in the 21st Century Act (MAP-21) is a funding and authorization bill to govern United States federal surface transportation spending. It was passed by Congress in June 2012 and officially went into effect on October 1, 2012. MAP-21 created a new FHWA formula based program for the construction of ferry boat and ferry terminal facilities. The FHWA Administrator currently distributes the Ferry Boat Program (FBP) funds, approximately \$60 million annually, to ferry boat operators based on the 2010 National Census of Ferry Operators. To date, WETA has been allocated a total of \$900,000 for the first 2 years, FY2012/13 and FY2013/14, of the program.

Federal Transit Administration Discretionary Passenger Ferry Grant Program

MAP-21 also created a passenger ferry discretionary program under FTA that provides up to \$30 million annually for capital ferry projects. The FTA Discretionary Passenger Ferry Grant program is a competitive program requiring the submission of capital project applications. Projects are reviewed and evaluated by FTA staff under the project evaluation criteria. FTA Administrator determines the final selection and amount of funding for each project. This program requires a 20% non-federal match. In June 2014, FTA announced the first round of awards under the FTA Discretionary Passenger Ferry Grant program, including \$3 million to WETA for the construction of the Central Bay Operations and Maintenance Facility.

State Proposition 1B – CTSGP/RPWT

In November 2006, California voters approved Proposition 1B (Prop 1B), the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Prop 1B provides almost \$20 billion in State general obligation bond proceeds for specified purposes, including grants for transit system safety, security and disaster response projects. California Government Code Section 8879.23 created the Highway Safety, Traffic Reduction, Air Quality and Port Security Fund of 2006 in the State Treasury and Section 8879.23(h) directs that \$1 billion be deposited in the Transit System Safety, Security and Disaster Response Account. California Government Code Section 8879.57(b)(1) allocates twenty-five percent of available funds, or \$250 million, for capital expenditures to WETA. Over a ten year period, the California Transit Security Grant Program/Regional Public Waterborne Transit (CTSGP/RPWT) will provide WETA with \$250 million in Prop 1B funds to support WETA's efforts to develop and expand regional ferry emergency response capacity in the San Francisco Bay Area.

The first six years of program funds, FY2007/08 through FY2012/13, have been programmed (\$150 million – with \$125 million received to date) by CalOES to support the construction of various terminal, float and gangway access projects, system maintenance and operations facilities and new vessels.

State Proposition 1B - PTMISEA

Approximately \$1.6 million Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds previously available to the City of Vallejo for ferry service projects has been made available to WETA by way of pass-through agreement with the Solano County Transit (SolTrans) to support the construction of the North Bay Operations and Maintenance Facility.

State Transportation Improvement Program Funds

The State Transportation Improvement Program (STIP) is a multi-year capital improvement program of transportation projects on and off the State Highway System, funded with revenues from the State Highway Account and other funding sources. \$4.3 million STIP funds previously programmed to the City of Vallejo were transferred to WETA with the service for use in constructing the North Bay Operations and Maintenance Facility project contained in the FY 2013/14 capital program of projects. These funds have been secured in a grant agreement with Caltrans.

State Transit Assistance

The State Transit Assistance (STA) funds are derived from the statewide sales tax on gasoline and diesel fuel and are for transportation planning and mass transportation purposes. STA funds are appropriated by the State Controller's Office (SCO) and allocated to WETA through grant agreement with MTC. The formula used by the SCO allocates 50% of the funds to population and the remaining 50% is allocated according to operator revenues from the prior fiscal year. WETA receives about \$1 million revenue-based funds annually.

Regional Measure 1 – 2% Program

In November 1988, Bay Area voters approved Regional Measure 1 (RM 1), authorizing a \$1.00 toll increase for all seven state-owned Bay Area toll bridges. Approximately \$1 million RM 1 – 2% funds are available annually from this program, through MTC, to support capital expenses associated with transbay ferry services in the Carquinez and Bay Bridge corridors. The FY 2014/15 capital program of projects includes RM1 – 2% program funds to provide local match to support federal funds for terminal improvements, vessel engine overhaul and midlife refurbishment work and to fully fund small equipment purchase projects.

Regional Measure 2 Program

In 2004, voters passed Regional Measure 2 (RM2), raising the toll on the seven state-owned toll bridges in the San Francisco Bay Area by \$1.00. RM2 capital funds totaling \$84 million were made available to WETA to support specific capital projects. Projects completed to date include system environmental and design studies and construction of 2 Spare and 2 South San Francisco service vessels. Funds remaining and included in the FY 2014/15 capital program of projects include \$12 million to support ferry vessel replacements, \$12 million to support new Berkeley/Richmond ferry vessels and \$22 million to support construction of expanded berthing capacity in San Francisco.

Assembly Bill 664 Funds

Assembly Bill 664 toll bridge funds are programmed by MTC annually to provide partial local match to Federal Section 5307 and 5309 formula grant funds allocated for projects serving the Bay Bridge transbay corridor. The FY 2014/15 capital program of projects includes \$825,000 in AB 664 capital match project funding support.

Alameda County Transportation Sales Tax Measure B

In 2000, Alameda County voters approved Measure B, the half-cent transportation sales tax. The Alameda County Transportation Commission administers Measure B funds to deliver transportation improvements and services in Alameda County and to address congestion in every major commute corridor in the county. Measure B funds are allocated annually to support the Alameda ferry services (can be used for capital or operating) based upon a percentage share of tax revenues collected. The extension and expansion of Alameda Measure B approved by voters in November 2014 will increase the amount of annual funds available to WETA, bringing them from approximately \$900,000 to \$1.3 million.

Miscellaneous Alameda Funds

The City of Alameda has historically utilized Transportation Improvement Funds (TIF) and Lighting and Landscape Assessment District (LLAD) monies to support the annual expenses associated with the Alameda ferry services. As part of the Alameda Ferry Service Operations Transfer Agreement, the City of Alameda has agreed to pay WETA approximately \$500,000 in TIF and \$78,000 in LLAD funds annually to provide continued support for these ferry services.

Harbor Bay Business Park Association provides a private subsidy, approximately \$360,000 in FY2013/14, to support the Alameda Harbor Bay ferry operations.

San Francisco Proposition K

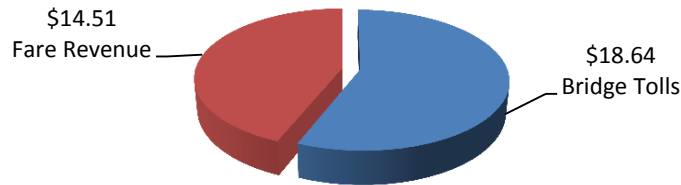
San Francisco Proposition K (Prop K) is a half-cent local sales tax for transportation that was approved by San Francisco voters in November 2003. Eligible projects are identified in the Prop K Strategic Plan's associated 5-Year Prioritization Programs (5YPPs), which is updated every four years. The San Francisco Berthing Expansion project is included in the 2014 5YPPs. WETA will receive \$1.1 million to support this project through grant agreement with the San Francisco County Transportation Authority.

Attachment 1

San Francisco Bay Area Water Emergency Transportation Authority FY 2014/15 Operating Budget *(figures in millions)*

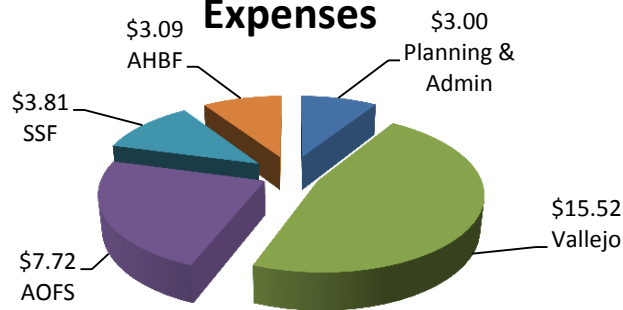
	Total FY 2014/15	Percentage (%) of Total
Revenues		
Bridge Tolls	\$18.64	56%
Fare Revenue	14.51	44%
Total Revenues	\$33.14	100%

Revenues



	Total FY 2014/15	Percentage (%) of Total
Expenses		
Planning and Administrations	\$3.00	9%
Ferry Service:		
- Vallejo Ferry Service (Vallejo)	15.52	47%
- Alameda/Oakland Ferry Service (AOFS)	7.72	23%
- South San Francisco Ferry Service (SSF)	3.81	11%
- Alameda Harbor Bay Ferry Service (AHBF)	3.09	9%
Total Expenses	\$33.14	100%

Expenses



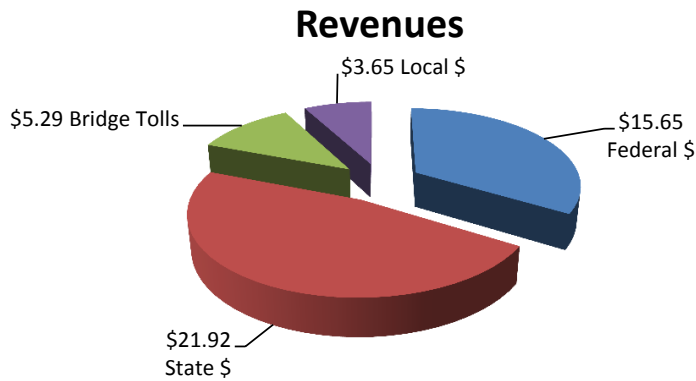
San Francisco Bay Area Water Emergency Transportation Authority
FY 2014/15 Operating Budget

	Planning & Administration	Ferry Services	Total
Revenues			
Fare Revenue	-	14,505,700	14,505,700
Local - Bridge Toll Revenue	3,000,000	15,639,000	18,639,000
- Regional Measure 1 - 5%	-	339,000	339,000
- Regional Measure 2	3,000,000	15,300,000	18,300,000
Local - Property Tax and Assessments	-	-	-
Other Revenue	-	-	-
Total Revenues	3,000,000	30,144,700	33,144,700
Expenses			
Salaries & Wages	886,000	385,700	1,271,700
Fringe Benefits	555,000	213,800	768,800
Professional Services	1,620,000	1,978,000	3,598,000
Purchased Transportation	-	15,838,700	15,838,700
- BGF: Vessel Expense - Crew	-	8,012,200	8,012,200
- BGF: Vessel Expense - Maintenance	-	5,219,500	5,219,500
- BGF: Non-Vessel Expenses	-	424,500	424,500
- BGF: Fixed Fees and Profit	-	1,674,400	1,674,400
- SolTrans: Route 200 / Backup Buses	-	508,100	508,100
Fuel - Diesel & Urea	-	9,622,700	9,622,700
- # of gallons	-	2,264,100	2,264,100
- Per gallon cost	-	\$4.25	\$4.25
Repair & Operating Supplies	37,000	147,400	184,400
Utilities	21,000	131,500	152,500
Casualty & Liability	19,000	738,900	757,900
Dues, Subscriptions & Other Expenses	110,000	186,500	296,500
Leases, Rentals and Docking Fees	286,000	367,500	653,500
Admin Overhead Expense Transfer	(534,000)	534,000	-
Total Expenses	3,000,000	30,144,700	33,144,700
# of Passengers	-	2,213,750	
Average Fare		\$6.55	
Farebox Recovery - Combined		48%	

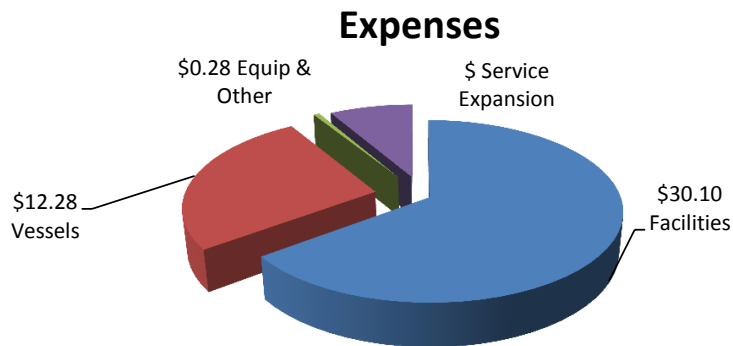
Attachment 2

San Francisco Bay Area Water Emergency Transportation Authority FY 2014/15 Capital Budget (figures in millions)

	Total FY 2014/15	Percentage (%) of Total
Revenues		
Federal Funds	\$15.65	34%
State Funds	21.92	47%
Bridget Toll Revenues	5.29	11%
Local Funds	3.65	8%
Total Revenues	\$46.52	100%



	Total FY 2014/15	Percentage (%) of Total
Expenses		
Facilities	\$30.10	65%
Ferry Vessels	12.28	26%
Capital Equipment & Other Projects	0.28	1%
Service Expansion	3.87	8%
Total Expenses	\$46.52	100%



**San Francisco Bay Area Water Emergency Transportation Authority
FY 2014/15 Capital Budget**

	Total Project	Prior Year	FY 2014/15 Budget	Future Years
CAPITAL FUND SOURCES				
Federal Funds	58,607,320	3,032,360	15,654,640	39,920,320
State Funds	48,289,982	7,002,417	21,921,810	19,365,755
- Proposition 1B	44,034,931	4,387,110	20,237,117	19,365,755
- STIP	4,300,000	2,615,307	1,684,693	-
Bridge Toll Revenues	35,850,613	2,206,638	5,292,050	28,351,925
- Regional Measure 1 2%	1,756,500	218,000	688,500	850,000
- Regional Measure 2	33,266,280	1,966,280	4,327,850	26,972,150
- AB 664	827,832	22,359	275,700	529,775
Local Funds	5,029,484	76,985	3,652,499	1,300,000
- Alameda County Sales Tax (Measure B)	3,679,484	76,985	3,602,499	-
- TIF / LLAD	-	-	-	-
- TFCA - Transportation Fund for Clean Air	50,000	-	50,000	-
- Proposition K	1,300,000	-	-	1,300,000
Total Capital Funding	147,777,400	12,318,400	46,521,000	88,938,000
CAPITAL EXPENDITURES				
<u>FACILITIES:</u>				
Operations and Maintenance Facilities				
North Bay Operations & Maintenance Facility	28,500,000	4,693,000	19,424,000	4,383,000
Central Bay Ops & Maint Facility	38,000,000	596,000	5,750,000	31,654,000
Float Rehabilitation				
Regional Spare Float Replacement	3,300,000	71,000	2,403,000	826,000
Terminal Improvement				
East Bay Ferry Terminal Refurbishment	2,595,400	227,400	2,368,000	-
Electronic Bicycle Lockers	79,500	-	79,500	-
Channel Dredging - Vallejo	1,200,000	-	75,000	1,125,000
<u>FERRY VESSELS:</u>				
Major Component Rehab/Replacement				
Vessel Engine Overhaul - Solano	2,000,000	1,090,000	910,000	-
Major Component Rehabilitation - Pisces	200,000	-	200,000	-
Vessel Mid-Life Repower/Refurbishment				
Vessel Mid-Life Refurbishment - Peralta	5,260,000	-	1,010,000	4,250,000
Vessel Expansion/Replacement				
Vessel Replacement - Express II & Encinal	33,500,000	42,000	9,958,000	23,500,000
Vessel Replacement - Vallejo	20,000,000	-	200,000	19,800,000
<u>CAPITAL EQUIPMENT/OTHER:</u>				
18-Ton Crane Truck	175,000	-	175,000	-
Work Skiff	100,000	-	100,000	-
<u>SERVICE EXPANSION:</u>				
Future Expansion Service Studies				
Berkeley Terminal - Environmental/Conceptual Design	2,335,000	2,189,500	145,500	-
Richmond Terminal - Environmental/Conceptual Design	812,500	551,500	261,000	-
Antioch - Environmental/Conceptual Design	812,500	144,500	25,000	643,000
Martinez - Environmental/Conceptual Design	812,500	165,500	25,000	622,000
S.F. Berthing Expansion - Environmental/Conceptual Design	3,300,000	2,548,000	752,000	-
Terminal/Berthing Expansion Construction				
S.F. Berthing Expansion (Phase IIB) - Final Design	3,745,000	-	1,872,500	1,872,500
Richmond Terminal - Final Design	1,050,000	-	787,500	262,500
Total Capital Expenditures	147,777,400	12,318,400	46,521,000	88,938,000

FY 2014/15 Capital Project Detail

FACILITIES:

Operations and Maintenance Facilities

North Bay Operations and Maintenance Facility

This project will construct a permanent operations and maintenance facility on Mare Island in Vallejo to handle routine servicing and maintenance work to serve WETA's North Bay vessels and to accommodate passenger service on Mare Island. The budget has been updated to reflect the most current project cost estimate. The first of two construction contracts was awarded to West Bay Builders in Summer 2013 for landside construction. A contract for waterside construction was awarded in Summer 2014. Construction of the facility is expected to take two years.

Central Bay Operations and Maintenance Facility

This project supports the development of a central bay operations and maintenance facility at Alameda Point to support existing East Bay services as well as future expansion services. This facility would support light maintenance, mooring, basic fueling, dispatch and operations, and will house an emergency operations center and provide access to a 19-day supply of fuel. This budget has been expanded to include the construction phase of the project. Final design of the project is underway and is expected to be completed in FY 2014/15. Staff anticipates construction to begin in Summer 2015.

Float Rehabilitation

Regional Spare Float Replacement

This project will replace a 70-year old float currently used as a temporary passenger float during dredging episodes at the Vallejo ferry terminal and on a daily basis for mooring vessels at the North Bay maintenance facility. The new float will be utilized as a back-up for the Vallejo terminal float as well as at other terminal sites when needed. A construction contract was awarded in Summer 2014 as a part of the North Bay Operations and Maintenance Facility project and staff anticipates that the project will be completed in 2015.

Terminal Improvements

East Bay Ferry Terminal Refurbishment

This project combines three previously separate projects into one that will serve to replace and rehabilitate the existing pier and terminal structures at the Main Street, Harbor Bay and Clay Street ferry terminals. This project will support the continued safe operation of East Bay ferry terminals and includes a variety of work ranging from pier piling replacement to repairing walkways and awnings. Construction contracts have been awarded and project work is expected to be completed in 2015.

Electronic Bicycle Lockers

This project will purchase and install 20 bicycle lockers at the Main Street and Vallejo ferry terminals. Providing the additional bicycle lockers proposed by this project will alleviate the shortage of secure bicycle parking at each terminal and enhance the ability of ferry passengers to access regional ferry services via non-driving modes.

Channel Dredging – Vallejo Ferry Terminal

The project will support the periodic maintenance dredging of the area in and around the Vallejo ferry terminal. This work is essential to ensure ferry service between the City of Vallejo and San Francisco continues.

FERRY VESSELS:

Major Component Rehabilitation/Replacement

Vessel Engine Overhaul – Solano

The project will provide for the complete overhaul of the Solano's main engines and the replacement of all navigation and communication electronics.

Major Component Rehabilitation – Pisces

This project has been reduced to exclude Gemini as no rehabilitation work is required at time. This project will replace shafts, bearings and propellers on the Pisces. Exterior seats and life lines on the roof deck will also be replaced.

Vessel Mid-Life Repower/Refurbishment

Vessel Mid-Life Refurbishment – Peralta

This project will include extensive dry-dock and engine overhaul of the 13-year old Peralta. The proposed work will also include replacing seats and carpets as well as interior and exterior painting.

Vessel Expansion/Replacement

Replacements Vessels – Express II & Encinal

This project will design and construct two replacement vessels in place of the Harbor Bay Express II and Encinal vessels, transferred to the Authority by City of Alameda, and used to support the Alameda ferry services. A contract for construction management services was awarded to Aurora Marine Design in December 2013 to support development of vessel specifications and bid documents and construction management support. Project specifications and bid documents were developed and an RFQ/P for vessel construction was released in Summer 2014. Proposals received are currently under review.

Vessel Replacement - Vallejo

This project will design and construct a replacement vessel for the Vallejo, currently utilized in service between the City of Vallejo and San Francisco. Staff anticipates issuing an RFP for project development and construction management services for this project in Winter 2014.

CAPITAL EQUIPMENT/OTHER:

18-Ton Crane Truck

This project will purchase an 18-ton crane truck to facilitate ferry maintenance at the operations and maintenance facilities.

Work Skiff

The work skiff will be capable to deploying and retrieving oil spill boom at the North Bay Operations and Maintenance Facility. It can also be used to transport personnel to the Vallejo ferry terminal and assist with in-water waterjet changes as well as moving work floats around the facility.

SERVICE EXPANSION:

Future Expansion Service Environmental/Studies

Berkeley Terminal – Environmental / Conceptual Design

This project includes environmental studies and conceptual design work for the Berkeley ferry terminal and service. Conceptual design for the landside facilities, including parking, has been substantially completed. Remaining activities include resolution of Section 7 consultation and Essential Fish Habitat Assessment with NOAA and NMFS.

Richmond, Antioch and Martinez – Environmental / Conceptual Design

This project supports environmental studies and related conceptual design work for the development of new ferry terminals and services from the cities of Richmond, Antioch and Martinez, consistent with the Water Transit Authority's IOP developed in 2003. This work involves examining the physical, environmental, social, transportation, air and energy impacts of locating ferry terminals at specific locations. The FY 2014/15 budget will support ongoing contracts for this work, as warranted.

S.F Berthing Expansion – Environmental / Conceptual Design

This project supports the environmental and conceptual design work associated with expanding the berthing capacity at the downtown San Francisco ferry terminal to serve expansion routes and to provide additional emergency response capacity. This project is being developed and implemented as a joint effort between WETA and the Port of San Francisco, as the property owner. This work is expected to be completed in Winter 2014/15.

Terminal/Berthing Expansion Construction

S.F. Berthing Expansion - Final Design

This project will expand berthing capacity at the Downtown San Francisco Ferry Terminal to ensure that adequate facilities are available in downtown San Francisco to accommodate current and future planned ferry services and support emergency response. The overall project includes the construction of up to three new ferry berths, installation of amenities such as weather-protected areas for queuing, improvements to pedestrian circulation and covering of current "lagoon" area south of the Ferry Building. Funds included in the FY 2014/15 capital budget are to support final design work for construction of a first phase of this facility once environmental/conceptual design work and associated approvals are completed.

Richmond Terminal – Final Design

The final environmental document and FTA certification for the Richmond terminal/service is expected to be completed during 2014. This project represents a placeholder to support the final design of new terminal facilities at the Richmond site under environmental study. Once environmental work is completed, and prior to commencing work on final design, Board action and stakeholder agreements will need to be in place to support the construction, shared use, funding and operation of new Richmond facilities and services.

Attachment 3

Summary of Grant Sources

SOURCE	ADMINISTRATOR	CYCLE	ANNUAL \$	NOTE
Operating Funds:				
Local: Regional Measure 2 (RM2)	Metropolitan Transportation Commission (MTC)	Annual	\$15,300,000	Use it or lose it
Regional Measure 2 (RM2)	MTC	Annual	\$3,000,000	Use it or lose it
Flexible Funds (Operating or Capital):				
Local: Regional Measure 1 (RM1) 5% Unrestricted Funds	MTC	Annual	\$3,000,000	Can be carried over for future needs, held by MTC
Alameda Transportation Sales Tax Measure B	Alameda CTC	Annual	\$900,000	Can be carried over for future needs, held by WETA
Alameda Transportation Improvement Funds (TIF)	City of Alameda	Annual	\$500,000	Can be carried over for future needs, held by WETA
Alameda Lighting and Landscape Assessment District (LLAD)	City of Alameda	Annual	\$78,000	Can be carried over for future needs, held by WETA
Alameda Harbor Bay Business Park Assn (HBBPA) Subsidy	Harbor Bay Business Park Association	Annual	\$360,000	Can be carried over for future needs, held by WETA
State: State Transit Assistance (STA)	State Controller / MTC	Annual <i>(first year FY13)</i>	\$1,000,000	Can be carried over for future needs, held by MTC
Capital Funds:				
Local: Regional Measure 2 (RM2) Proj #25 - Transbay Ferry	MTC	One Time	\$12,000,000	For replacement of 2 ferry vessels (Encinal & Express II)
Regional Measure 2 (RM2) Proj #26 - Commute Ferry Service for Berkeley/Richmond	MTC	One Time	\$12,000,000	For 2 Berkeley / Richmond ferry vessels
Regional Measure 2 (RM2) Proj #28 - SF Downtown Berthing	MTC	One Time	\$22,000,000	For SF Downtown Berthing Expansion project

Attachment 3

Summary of Grant Sources

SOURCE	ADMINISTRATOR	CYCLE	ANNUAL \$	NOTE
Regional Measure 1 (RM1) 2% Reserved Funds	MTC	Annual	\$1,000,000	Used as local match to FTA \$ and small capital projects
State: Proposition 1B (Prop 1B) CTSGP-RPWT	Cal OES	10 - Years <i>(FY08 to FY17)</i>	\$25,000,000 per year	Awarded 6 years (FY08 to FY13) Received 5 years of funds (\$125 million)
Proposition 1B (Prop 1B) PTMISEA	Caltrans	One Time	\$2,539,753	North Bay Operations and Maintenance Facility
State Transportation Improvement Program (STIP)	Caltrans	One Time	\$4,300,000	North Bay Operations and Maintenance Facility
Federal: Transit Capital Priority	Program by MTC / Administer by FTA	Annual	Varies by year and projects	For rehabilitation and replacement of high priority capital assets as determined by MTC's Capital Priorities Program.
Capital Investment Grant	FTA	Annual <i>(final year=FY12)</i>	\$2,500,000	Earmarked funds for ferry boats or ferry terminal facilities.
Passenger Ferry Grant Program	FTA	Annual Discretionary	Varies by year	Competitive grant program - received award for the Central Bay Operations and Maintenance Facility
Ferryboat Program (FBP)	FHWA	Annual	\$450,000	Formula based distribution