

**Members of the Board**

Jody Breckenridge, Chair  
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**SAN FRANCISCO BAY AREA  
WATER EMERGENCY TRANSPORTATION AUTHORITY  
BOARD OF DIRECTORS MEETING**

*Thursday, January 18, 2018 at 1:30 p.m.*

**San Francisco Bay Area  
Water Emergency Transportation Authority  
Pier 9, Suite 111  
San Francisco, CA**

**NOTE: New Location and Time**

*The full agenda packet is available for download at [sanfranciscobayferry.com/weta](http://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**

Directors are limited to providing information, asking clarifying questions about matters not on the agenda, responding to public comment, referring matters to committee or staff for information, or requesting a report to be made at another meeting.
5. REPORTS OF STAFF **Information**
  - a. Executive Director's Report on Agency Projects, Activities and Services
  - b. Monthly Review of Financial Statements
  - c. Legislative Update
6. CONSENT CALENDAR **Action**
  - a. Board Meeting Minutes – December 7, 2017
  - b. Approve Board of Directors Meeting Schedule for Calendar Year 2018
  - c. Authorize the Execution of the Certifications and Assurances for the California State of Good Repair Program
  - d. Authorize Filing an Application with the Metropolitan Transportation Commission for FY 2017/18 Regional Measure 1 Funds
  - e. Authorize Release of Request for Proposals for Dry Dock and Engine Replacement Work on the MV *Bay Breeze*
7. ACCEPT THE INDEPENDENT AUDITOR'S ANNUAL FINANCIAL REPORTS FOR THE FISCAL YEAR 2016/17 **Action**
8. APPROVE CONTRACT AWARD TO CLE ENGINEERING FOR TECHNICAL AND CONSTRUCTION MANAGEMENT SERVICES FOR TERMINAL DREDGING PROJECTS **Action**

**Water Emergency Transportation Authority**  
**January 18, 2018 Meeting of the Board of Directors**

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9. APPROVE CONTRACT AWARD TO AURORA MARINE DESIGN FOR MARINE ENGINEERING AND CONSTRUCTION MANAGEMENT SERVICES **Action**
10. APPROVE LIST OF ON-CALL MARKETING AND PUBLIC RELATIONS CONSULTS AND AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO WORK AGREEMENTS **Action**
11. STATUS REPORT ON REGIONAL MEASURE 3 **Information**
12. PUBLIC COMMENTS FOR NON-AGENDA ITEMS

ADJOURNMENT

***All items appearing on the agenda are subject to action by the Board of Directors. Staff recommendations are subject to action and change by the Board of Directors.***

**PUBLIC COMMENTS** WETA welcomes comments from the public. Each person wishing to address the Board of Directors is requested to complete a Speaker Card. Please forward completed Speaker Card and any reports/handouts to the Board Secretary. Speakers will be allotted no more than three (3) minutes to speak and will be heard in the order of sign-up. Said time frames may be extended only upon approval of the Board of Directors.

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.

Agenda Items: Speakers on individual agenda items will be called in order of sign-up after the discussion of each agenda item.

WETA meetings are wheelchair accessible. Upon request, WETA will provide written agenda materials in appropriate alternative formats to individuals with disabilities. In addition, WETA will arrange for disability-related modifications or accommodations including auxiliary aids or services to enable individuals with disabilities to participate in public meetings. Please send a written request including your name, mailing address, telephone number and brief description of the requested materials in preferred alternative format and/or auxiliary aid or service at least five (5) days before the meeting. Requests should be made by mail to: Board Secretary, WETA, 9 Pier, Suite 111, San Francisco, CA 94111; by e-mail to: [contactus@watertransit.org](mailto:contactus@watertransit.org); or by telephone: (415) 291-3377.

## MEMORANDUM

TO: WETA Board Members  
FROM: Nina Rannells, Executive Director  
DATE: January 11, 2018  
RE: Executive Director's Report

### **CAPITAL PROJECT IMPLEMENTATION UPDATE**

#### **4 New Vessels – Central Bay**

This project will construct four new high-speed propeller vessels; two to replace the *MV Encinal* and *MV Harbor Bay Express II* and two to support the growing demand for WETA services.

The Board of Directors approved a contract with Aurora Marine Design (AMD) for vessel construction management services in December 2013, and with Kvichak Marine Industries - now Vigor Kvichak (Vigor) - in April 2015 for the construction of two new replacement vessels. Vessel construction began in September 2015. The first of these vessels, the *MV Hydrus*, was completed in March and put into revenue service in April 2017. The second of these vessels, the *MV Cetus*, was placed into revenue service in August 2017.

On October 6, 2016 the Board of Directors approved a contract award to Vigor for construction of two additional vessels, and with Aurora Marine Design for construction management services. Progress to date; Vessel 3 is currently on schedule for completion in March 2018, and Vessel 4 is scheduled for completion in November 2018.

#### **3 New Vessels – North Bay**

This project will construct three new high-speed jet propulsion vessels; one to replace the *MV Vallejo* and two to support WETA's plans to meet Vallejo service demand and operate new Richmond ferry service. In December 2015, the Board of Directors approved a contract with Fast Ferry Management for vessel construction management services. On September 1, 2016 the Board of Directors approved a contract award to Dakota Creek Industries for vessel construction. Initial vessel construction is underway.

The design and engineering work for the three new vessels is over 90% complete and it is expected to wrap up by the end of this month. All major machinery and equipment has been ordered. The first shipset of waterjets has been delivered. The new generation EPA Tier 4 engines underwent factory testing in October and will be delivered to the shipyard in February 2018. The shipyard has laid keels for the first two vessels. The hulls for the first and second vessels are respectively 75% and 45% complete. All hull framing for the third vessel is also complete, and the first vessel is scheduled for delivery in December 2018.

#### **MV Peralta Mid-Life Project – Phase Two**

This project provides for a general refurbishment of the vessel. On December 7, 2017 the Board of Directors approved a contract award to Marine Group Boat Works. The Phase Two refurbishment includes: renovation of the passenger cabins, bathrooms and galley, exterior paint and coatings, navigation electronics, control systems upgrades, steering system replacement, and stern hull section module. The *Peralta* arrived safely in San Diego on December 18 and work is scheduled to be completed by June 2018.

### **Central Bay Operations and Maintenance Facility**

This project will construct a new ferry operations and maintenance facility at Alameda Point to serve as the base for WETA's existing and future Central Bay ferry fleet and operations. The project is being constructed by Overaa/Power, a Joint Venture, and construction management is being provided by 4Leaf, Inc. The building exterior skin was recently installed, and the waterside installation of floats and piles was completed last month. The project is scheduled for completion in the spring or summer of 2018.

### **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. The project also includes landside improvements needed to accommodate expected increases in ridership, and to support emergency response capabilities. Project construction is being provided by Power Engineering under a Guaranteed Maximum Price contract, and construction management is being provided by CH2M Hill Engineers.

Site work began in February 2017, including the installation of construction fencing, site demolition, and placement of seismic, noise, vibration, and settlement monitoring devices. Dredging and pile driving work planned for 2017 was successfully completed within the six month regulatory window for in-water construction. In December, the contractor started to pour concrete to construct the new promenade and pedestrian bridge which will provide access to future Gates F and G. This project is scheduled to be completed in late 2019.

### **Richmond Ferry Terminal and Service**

This project will construct a ferry terminal in Richmond to support new public transit ferry service between Richmond and San Francisco. Construction will consist of replacement of an existing facility (float and gangway) and a phased parking plan. Manson Construction is the main contractor and construction management is being provided by Ghiradelli Associates. New service will be operated with the support of Contra Costa County Measure J funds authorized by the Contra Costa County Transportation Authority in March 2015 and any remaining balance of RM2 operating funds not needed to support existing services.

Project dredging and pile removal was completed in October. The waterside pile installation was completed in November. Construction of the landside portion of the terminal is expected to begin in January 2018. The estimated start date for Richmond operations is currently September 2018.

## **SERVICE DEVELOPMENT UPDATE**

### **Mission Bay Ferry Landing**

The Port of San Francisco released an engineering feasibility and site selection study for a future Mission Bay ferry landing in March 2016. WETA staff participated in the study and provided input regarding ferry operations and potential service models. In December 2016, the Port of San Francisco awarded a contract to COWI/OLMM to complete preliminary design, permitting and entitlement activities, and began the process in partnership with WETA. To support the effort, the City and Port of San Francisco placed \$7 million in its capital budget. A project MOU between the Port and WETA was adopted by the WETA Board in January 2017. Staff has been working together with Port staff and their consultants on initial design and environmental testing activities. Port staff anticipates releasing an environmental document in the early part of 2018 along with public outreach to Mission Bay stakeholders.

### **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 anticipated start of operations would be 2023 given the current project schedule.

WETA staff is working with City of San Francisco staff to support development of this project. In that capacity, they are participating in regular meetings of the City's Technical Advisory Committee, convened to update and further develop the Treasure Island Mobility Management Program that will include a new ferry service to be provided in conjunction with the development project.

### **Alameda Seaplane Lagoon Ferry Terminal**

In April 2016, the Alameda City Council and WETA Board of Directors adopted a MOU defining a future service concept for western Alameda and identifying the terms and conditions under which a new Seaplane Lagoon Ferry Service would be implemented. The MOU defines roles and responsibilities for each party pertaining to the proposed construction of a new ferry terminal along Seaplane Lagoon on the former Naval Air Station at Alameda Point, future operation of the service, and the pursuit of funds necessary to support the new service. Staff will continue to work with the City to fulfill WETA's commitments under the MOU with the common goal of achieving the start of service by 2020.

### **Redwood City Ferry Terminal**

A Draft Redwood City Ferry Terminal site feasibility report was completed in 2012 in an effort to identify site opportunities, constraints and design requirements, and better understand project feasibility and costs associated with the development of a terminal and service to Redwood City. During the summer of 2016, staff from the Port, WETA and the City of Redwood City met to redefine the project, shifting the development toward a public facility available to multiple ferry operators in advance of formal WETA service given the lack of project funds for such service at this time. This alternative development model will allow the Port and City to move forward with construction of a terminal, allowing time for WETA and the City to advocate for operational and vessel funding for eventual WETA service. Staff is working with City and Port officials along with staff from the San Mateo Transportation Authority on a project MOU.

## **SYSTEM PLANS/STUDIES**

### **Passenger Intercept Survey**

This project is a systemwide survey of WETA riders that will provide staff with important information about how and why riders use the ferry, their demographic and socioeconomic characteristics, as well as their current satisfaction with WETA services. The Passenger Intercept Survey is administered on a triennial basis, and provides data required to meet FTA and Metropolitan Transportation Commission (MTC) reporting requirements, as well as information needed to effectively plan, market, and provide customer service for WETA services. Staff secured the on-call planning services of CDM Smith to administer the survey and prepare a final report summarizing the results. CDM Smith conducted the surveys on all WETA routes during the first two weeks of November. Initial counts show that the surveyors received upwards of 1,600 completed surveys. The final report is scheduled to be completed in March 2018.

### **Alameda Terminals Access Initiatives**

The City of Alameda City Council authorized a residential parking permit program for the Harbor Bay Ferry Terminal area in February 2017. City of Alameda staff coordinated with the Harbor Bay Master Homeowner's Association to develop a strategy for implementing the residential permit and enforcement program, including outreach to surrounding communities and ferry riders. On June 27, the City began the outreach effort with cooperation from WETA through the Bay Alerts system. The City continued its outreach process through the end of August and began active enforcement in September 2017. To make up for the loss of parking, WETA began working with the City to develop strategies to enhance alternative access to the terminal, and staff executed an agreement with AC Transit to offer a free transfer to ferry riders who take the bus to the ferry. In addition, bike lockers were upgraded and new bike racks were installed.

At the request of the Harbor Bay Homeowner's Association and the City of Alameda, WETA has been considering a parking fee at the Harbor Bay lot. WETA staff has engaged CDM Smith to evaluate potential parking fee programs, not just for Harbor Bay but for the entire WETA system. A program of systemwide parking fee program policy goals was approved by the WETA Board in November 2016 that will be used to guide the development of a specific paid parking program for the Harbor Bay Terminal site. Staff anticipates bringing a recommendation for a parking fee program in early 2018.

At Main Street, WETA worked with City of Alameda staff beginning in spring 2015 to open the Officer's Club parking lot as an overflow lot for the many riders who had been parking on dirt lots or on the shoulders of Main Street. WETA funded a new crosswalk and minor improvements to the lot, which opened to ferry riders on May 24, 2016. In addition to the parking improvements, 20 bicycle lockers at the Main Street terminal -- funded through a grant from the Bay Area Air Quality Management District -- were installed on February 22, 2016. Staff shifted focus to identify additional access improvement possibilities - such as buses, shuttles, bicycles, and pedestrian improvements - after the parking improvements were underway, and recently met with private companies like Lyft, Chariot and Scoop in an effort to explore alternative options for improving transportation options for ferry riders in Alameda and elsewhere.

### **Berkeley Environmental Studies**

The proposed Berkeley service will provide an alternative transportation link between Berkeley and downtown San Francisco. Staff has coordinated with Federal Transit Administration (FTA) staff to discuss the process for completion of the Final EIS/EIR. FTA has indicated 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 at this time. Staff will work with the new Mayor and City Council of Berkeley in the coming months to review the project work to date and discuss opportunities to move this project forward in the near future.

### **Solano County Water Transit Plan and Financial Feasibility Study**

The Solano Transportation Authority (STA) is preparing to conduct a feasibility study of potential ferry and water transit routes in Solano County. STA has asked WETA to partner on the study by serving on a Technical Advisory Committee and funding the necessary ridership forecasting tasks, similar to the role WETA played in the 2014 Ferry Feasibility Study in Contra Costa County. The STA study is expected to begin by January and be complete in the summer of 2018. Staff will provide the Board with updates as the study progresses.

### **EMERGENCY RESPONSE ACTIVITIES UPDATE**

WETA's enabling legislation, SB 976 as amended by SB 1093, directs the agency to provide comprehensive water transportation and emergency coordination services for the Bay Area region. Staff is currently working on the following emergency response related activities:

Operation Return & Evacuation Workshop:

On December 11, WETA participated in a workshop focused on implementing the City and County of San Francisco's (CCSF) Operation Return Plan which details the method in which the CCSF will recall to duty and transport Disaster Service Workers (DSWs) and emergency responders who work for CCSF but live outside of the city. The workshop consisted of a series of presentations from CCSF departments and outside agencies as to their roles, responsibilities, and plans to assist with the movement of emergency responders and disaster service workers. Presentations were provided from several CCSF departments, the Metropolitan Transportation Commission, California Department of Transportation, California Highway Patrol, California National Guard and WETA provided a presentation on the agency's Emergency Response Plan. The workshop discussed planning gaps and worked to develop a common understanding of a coordinated, tiered, multi-layered, multi-agency, and multi-discipline survivor and DSW movement coordination strategy. The CCSF will build on the understanding gained in this workshop by conducting a table top exercise on February 22, 2018 and additional opportunities for furthering this effort will be scheduled during Epicenter 2018, a two day emergency response conference that will be held on April 10 & 11.

Exercise and Training Program for 2018:

Staff will be working over the next month to establish a 2018 training schedule for WETA and Blue & Gold Staff on emergency response plans and procedures as well as setting a schedule for WETA's participation in regional exercises and training opportunities this year.

**OPERATIONS REPORT**

**Monthly Operating Statistics** - The Monthly Operating Statistics Report for November 2017 is provided as Attachment A.

**KEY BUSINESS MEETINGS AND EXTERNAL OUTREACH**

On December 11, Lauren Gularte provided a presentation on WETA's Emergency Response Plan at the City and County of San Francisco's Operation Return & Evacuation workshop.

On December 12, Lauren Gularte and Kevin Donnelly met with representatives from the Oakland Airport and the Alameda County Fire Department to discuss the coordination of efforts and planning in the event of a water landing of a plane.

On December 15, Kevin Connolly and Taylor Rutsch met with representatives from the City of Redwood City, the San Mateo County Transportation Authority and the Port of Redwood City to discuss potential next steps for establishing future ferry service to Redwood City.

On December 18, Nina Rannells attended the Clipper Executive Board meeting in Oakland.

On December 20, Nina Rannells attended the Bay Area Partnership Board meeting at MTC.

On December 20, WETA Planning and Development staff led City of Alameda staff on a tour to see the construction progress of the Central Bay Operations and Maintenance Facility.

On January 3, Mike Gougherty attended the City of Alameda and AC Transit Interliason Committee Meeting to review intermodal access initiatives at or near ferry facilities in Alameda.

On January 4, Mike Gougherty attended a kick-off meeting of the Technical Advisory Committee for the City of Oakland Bike Plan.

On January 5, WETA Planning and Development staff led the City of Berkeley on a tour to see the construction progress of the Downtown San Francisco Ferry Terminal Expansion and discuss potential next steps for establishing future ferry services to Berkeley.

### **OTHER BUSINESS**

#### **Assembly Bill 1121 (Chiu)**

Assemblymember David Chiu (D) San Francisco, introduced AB-1121 to make changes to WETA and enhance its ability to provide regional ferry services in the Bay Area. The bill, which passed to the Senate on May 18, 2017, includes language to increase the membership of the WETA Board of Directors to nine members, with five members to be appointed by the Governor, two members to be appointed by the Senate Committee on Rules and two members to be appointed by the Speaker of the Assembly. This has been made into a two-year bill that can be considered by the State Legislature in 2018.

#### **Regional Measure 3**

Senate Bill 595 (SB 595), signed by the Governor on October 19, 2017, was introduced by Senator Beall on February 17, 2017 to authorize a new bridge toll measure (Regional Measure 3) to raise the tolls on the state-owned bridges to fund a program of transportation improvements. The WETA Board adopted a Regional Measure 3 Principles and Investment Program at its June 2017 meeting and authorized staff to communicate a support position for the bill at its meeting in July 2017.

The final bill provides \$300 million for WETA capital projects and an annual operating set-aside of \$10 million in the first year of allocation, \$15 million in the second year, \$20 million in the third year, \$25 million in the fourth year and \$35 million in the fifth year and thereafter. These amounts would be reduced by a pro-rata share in the event that something less than a three dollar toll is approved. Operating funds not allocated in a given year will be set aside in a reserve for use by WETA in future years. Staff will provide the Board with a status report on regional efforts to move forward to place Regional Measure 3 on the ballot as a part of the January meeting agenda.

#### **Federal Transit Administration Review**

WETA has received notification of the upcoming Federal Transit Administration (FTA) Comprehensive Review scheduled to take place in 2018. Recipients of FTA funds are required to undergo this review every three years, to assess management practices and program implementation, and ensure that the recipient programs are administered in accordance with FTA requirements and objectives. Staff is gathering the required pre-audit materials to transmit to FTA by January 31, 2018, and the on-site review is scheduled to take place on July 19-20.

#### **Organizational Review**

Staff has engaged the services of Koff & Associates, a local Human Resources consulting firm, to assist in a variety of general and specific human resources needs and projects. An early task will be to review position requirements and job descriptions and prepare a market compensation study consistent with the compensation policy included in WETA's Human Resources Guide. A draft of this initial work is expected to be received in mid January.

\*\*\*END\*\*\*



## Attachment A

### Monthly Operating Statistics Report November 2017

			Alameda/ Oakland	Harbor Bay	South San Francisco	Vallejo*	Systemwide	
<b>Boardings</b>	<i>vs. last month</i>	Total Passengers November 2017	88,675	26,421	11,428	75,058	201,582	
		Total Passengers October 2017	116,951	31,019	12,727	88,560	249,257	
		Percent change	-24.18%	-14.82%	-10.21%	-15.25%	-19.13%	
	<i>vs. same month last year</i>	Total Passengers November 2017	88,675	26,421	11,428	75,058	201,582	
		Total Passengers November 2016	78,403	25,264	11,148	71,099	185,914	
		Percent change	13.10%	4.58%	2.51%	5.57%	8.43%	
	<i>vs. prior FY to date</i>	Total Passengers Current FY To Date	601,322	140,753	60,063	469,442	1,271,580	
		Total Passengers Last FY To Date	557,389	133,622	56,723	445,639	1,193,373	
		Percent change	7.88%	5.34%	5.89%	5.34%	6.55%	
			Avg Weekday Ridership November 2017	3,391	1,321	571	3,168	8,451
	<b>Ops Stats</b>		Passengers Per Hour	127	203	74	124	127
			Revenue Hours	696	130	155	607	1,588
		Revenue Miles	9,339	2,873	2,470	18,433	33,115	
<b>Fuel</b>		Fuel Used (gallons)	42,820	14,293	10,118	148,191	215,422	
		Avg Cost per gallon	\$2.39	\$2.39	\$2.39	\$2.19	\$2.26	

\* Includes backup bus boardings. November bus ridership totaled 855 for Vallejo.

**MEMORANDUM**

**TO: Board Members**

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

**SUBJECT: Monthly Review of FY 2017/18 Financial Statements for Five Months  
Ending November 30, 2017**

**Recommendation**

There is no recommendation associated with this informational item.

**Summary**

This report provides the attached FY 2017/18 Financial Statements for five months ending November 30, 2017.

**Operating Budget vs. Actual**

	Prior Actual	Current Budget	Current Actual
<b>Revenues - Year To Date:</b>			
Fare Revenues	\$8,406,851	\$7,900,920	\$9,041,146
Bridge Toll Revenues	5,203,596	8,887,791	6,550,458
Other Revenues	1,050	305,162	600
<b>Total Operating Revenues</b>	<b>\$13,611,497</b>	<b>\$17,093,873</b>	<b>\$15,592,204</b>
<b>Expenses - Year To Date:</b>			
Planning & Administration	\$780,340	\$1,257,534	\$632,715
Ferry Services	12,831,156	15,836,338	14,959,489
<b>Total Operatings Expenses</b>	<b>\$13,611,497</b>	<b>\$17,093,873</b>	<b>\$15,592,204</b>
<b>System-Wide Farebox Recovery %</b>	<b>66%</b>	<b>50%</b>	<b>60%</b>

**Capital Actual and % of Total Budget**

	YTD Actual	% of FY 2017/18 Budget
<b>Revenues:</b>		
Federal Funds	\$10,554,322	40.91%
State Funds	29,700,444	33.59%
Bridge Toll Revenues	7,254,839	33.00%
Other Revenues	26,415	1.08%
<b>Total Capital Revenues</b>	<b>\$47,536,020</b>	<b>34.29%</b>
<b>Expenses:</b>		
<b>Total Capital Expenses</b>	<b>\$47,536,020</b>	<b>34.29%</b>

**Fiscal Impact**

There is no fiscal impact associated with this informational item.

\*\*\*END\*\*\*

**San Francisco Bay Area Water Emergency Transportation Authority**  
**FY 2017/18 Statement of Revenues and Expenses**  
**For Five Months Ending 11/30/2017**

% of Year Elapsed      42%

	Current Month	Year - To - Date			Total FY 2017/18 Budget	% of Total Budget
		FY2016/17 Actual	FY 2017/18 Budget	FY 2017/18 Actual		
<b>OPERATING EXPENSES</b>						
<b><u>PLANNING &amp; GENERAL ADMIN:</u></b>						
Wages and Fringe Benefits	\$98,859	\$382,284	\$595,023	\$414,901	1,419,500	29.2%
Services	51,543	429,751	694,578	320,290	1,657,000	19.3%
Materials and Supplies	751	6,931	36,133	9,164	86,200	10.6%
Utilities	3,358	6,518	11,947	13,313	28,500	46.7%
Insurance	-	1,178	10,899	1,201	26,000	4.6%
Miscellaneous	8,053	103,087	108,693	17,435	259,300	6.7%
Leases and Rentals	31,681	132,047	154,509	153,917	368,600	41.8%
Admin Overhead Expense Transfer	(59,363)	(281,455)	(354,247)	(297,506)	(845,100)	35.2%
<b>Sub-Total Planning &amp; Gen Admin</b>	<b>\$134,881</b>	<b>\$780,340</b>	<b>\$1,257,534</b>	<b>\$632,715</b>	<b>3,000,000</b>	<b>21.1%</b>
<b><u>FERRY OPERATIONS:</u></b>						
<b><u>Harbor Bay FerryService</u></b>						
Purchased Transportation	118,753	\$648,580	\$849,884	\$719,498	2,027,500	35.5%
Fuel - Diesel & Urea	32,411	111,627	214,577	154,910	511,900	30.3%
Other Direct Operating Expenses	30,507	144,442	236,123	149,246	563,300	26.5%
Admin Overhead Expense Transfer	7,487	35,910	44,936	37,622	107,200	35.1%
<b>Sub-Total Harbor Bay</b>	<b>\$189,159</b>	<b>\$940,559</b>	<b>\$1,345,520</b>	<b>\$1,061,276</b>	<b>3,209,900</b>	<b>33.1%</b>
<b>Farebox Recovery</b>	<b>64%</b>	<b>66%</b>	<b>49%</b>	<b>60%</b>	<b>49%</b>	
<b><u>Alameda/Oakland Ferry Service</u></b>						
Purchased Transportation	\$521,142	\$3,322,454	\$3,595,626	\$3,686,089	8,577,800	43.0%
Fuel - Diesel & Urea	119,093	465,053	852,608	634,946	2,034,000	31.2%
Other Direct Operating Expenses	110,069	410,056	741,023	491,108	1,767,800	27.8%
Admin Overhead Expense Transfer	25,667	116,636	152,916	128,874	364,800	35.3%
<b>Sub-Total Alameda/Oakland</b>	<b>\$775,971</b>	<b>\$4,314,199</b>	<b>\$5,342,173</b>	<b>\$4,941,017</b>	<b>12,744,400</b>	<b>38.8%</b>
<b>Farebox Recovery</b>	<b>61%</b>	<b>67%</b>	<b>47%</b>	<b>65%</b>	<b>47%</b>	
<b><u>Vallejo FerryService</u></b>						
Purchased Transportation	\$889,892	\$4,246,153	\$4,459,175	\$4,795,970	10,637,900	45.1%
Fuel - Diesel & Urea	324,485	1,620,298	2,239,291	1,784,935	5,342,100	33.4%
Other Direct Operating Expenses	127,049	482,388	665,781	883,159	1,588,300	55.6%
Admin Overhead Expense Transfer	22,009	108,380	131,790	110,672	314,400	35.2%
<b>Sub-Total Vallejo</b>	<b>\$1,363,436</b>	<b>\$6,457,218</b>	<b>\$7,496,036</b>	<b>\$7,574,736</b>	<b>17,882,700</b>	<b>42.4%</b>
<b>Farebox Recovery</b>	<b>50%</b>	<b>69%</b>	<b>57%</b>	<b>63%</b>	<b>57%</b>	
<b><u>South San Francisco FerryService</u></b>						
Purchased Transportation	\$293,558	\$797,590	\$1,131,404	\$1,046,083	2,699,100	38.8%
Fuel - Diesel & Urea	24,201	151,720	244,381	146,087	583,000	25.1%
Other Direct Operating Expenses	27,771	149,341	252,219	169,952	601,700	28.2%
Admin Overhead Expense Transfer	4,200	20,529	24,606	20,338	58,700	34.6%
<b>Sub-Total South San Francisco</b>	<b>\$349,729</b>	<b>\$1,119,180</b>	<b>\$1,652,610</b>	<b>\$1,382,460</b>	<b>3,942,500</b>	<b>35.1%</b>
<b>Farebox Recovery</b>	<b>24%</b>	<b>38%</b>	<b>26%</b>	<b>32%</b>	<b>26%</b>	
<b>Total Operating Expenses</b>	<b>\$2,813,177</b>	<b>\$13,611,497</b>	<b>\$17,093,873</b>	<b>\$15,592,204</b>	<b>\$40,779,500</b>	<b>38.2%</b>
<b>OPERATING REVENUES</b>						
Fare Revenue	\$1,359,842	\$8,406,851	\$7,900,920	\$9,041,146	18,848,600	48.0%
Regional - Bridge Toll	1,453,335	5,203,596	8,887,791	6,550,458	21,202,900	30.9%
Regional - Alameda Tax & Assessment	-	-	305,162	-	728,000	0%
Other Revenue	-	1,050	-	600	-	0%
<b>Total Operating Revenues</b>	<b>\$2,813,177</b>	<b>\$13,611,497</b>	<b>\$17,093,873</b>	<b>\$15,592,204</b>	<b>\$40,779,500</b>	<b>38.2%</b>

**San Francisco Bay Area Water Emergency Transportation Authority  
FY 2017/18 Statement of Revenues and Expenses  
For Five Months Ending 11/30/2017**

Project Description	Current Month	Project Budget	Prior Years Actual	FY2017/18 Budget	FY2017/18 Actual	Future Year	% of Total Project Budget
<b>CAPITAL EXPENSES:</b>							
<b>FACILITIES:</b>							
<b>Terminal Construction</b>							
Downtown Ferry Terminal Expansion - South Basin	2,074,063	\$97,965,000	\$15,787,480	\$36,792,520	\$11,392,266	\$45,385,000	28%
Richmond Ferry Terminal	1,579,677	20,000,000	2,590,699	12,409,301	\$3,130,629	5,000,000	29%
<b>Maintenance and Operations Facilities</b>							
North Bay Operations & Maintenance Facility	\$35,648	31,082,000	29,996,658	1,085,342	275,444	0	97%
Central Bay Operations & Maintenance Facility	3,436,176	69,500,000	31,431,761	37,068,239	\$18,189,176	1,000,000	71%
<b>FERRY VESSELS:</b>							
<b>Vessel Construction</b>							
400-Pax Replacement Vessels - M/V Hydrus & M/V Cetus	727,387	33,951,000	31,175,793	2,775,207	\$1,881,575	-	97%
445-Pax Replacement Vessel - M/V Vallejo	431,522	23,372,000	4,694,001	12,777,999	\$2,762,294	5,900,000	32%
445-Pax Expansion (Waterjet) Vessels - 2 vessels	431,897	46,745,000	7,619,930	11,000,070	\$3,732,170	28,125,000	24%
400-Pax Expansion (Propeller) Vessels - 2 vessels	11,489	33,400,000	17,552,573	10,847,427	\$2,965,551	5,000,000	61%
New High-Speed Vessel <sup>1</sup>	-	14,000,000	-	750,000	\$0	13,250,000	0%
<b>Vessel Rehabilitation and Refurbishment</b>							
Vessel Mid-Life Refurbishment Phase II - M/V Peralta	3,387	5,117,000	-	5,117,000	\$23,478	-	0%
Major Component Rehabilitation - M/V Solano	550,267	780,000	8,503	771,497	\$556,057	-	72%
Vessel Engine Overhaul - M/V Bay Breeze	-	850,000	-	850,000	\$345,630	-	41%
Vessel Qtr-Life Refurbishment - M/V Taurus	325,684	2,500,000	-	2,500,000	\$2,281,749	-	91%
Vessel Engine Overhaul - M/V Intintoli and M/V Mare Island	-	3,000,000	-	15,000	\$0	2,985,000	0%
Vessel Qtr-Life Refurbishment - M/V Scorpio	-	2,500,000	-	2,500,000	\$0	-	0%
<b>CAPITAL EQUIPMENT / OTHER:</b>							
CCTV and LCD Network Integration	-	400,000	-	400,000	\$0	-	0%
Purchase Lifesaving Equipment (IBAs)	-	90,000	-	90,000	\$0	-	0%
Purchase Spare Vessel Engine	-	400,000	-	400,000	\$0	-	0%
Purchase Service Vehicles	-	500,000	-	500,000	\$0	-	0%
<b>Total Capital Expenses</b>	<b>\$9,607,195</b>	<b>\$386,152,000</b>	<b>\$140,857,399</b>	<b>\$138,649,600</b>	<b>\$47,536,020</b>	<b>\$106,645,000</b>	
<b>CAPITAL REVENUES:</b>							
Federal Funds	\$2,873,064	82,324,816	\$35,497,889	25,799,701	\$10,554,322	\$21,027,226	56%
State Funds	5,261,728	234,349,000	81,530,443	88,410,720	29,700,444	64,407,836	47%
Regional - Bridge Toll	1,471,726	62,451,032	19,915,315	21,985,779	7,254,839	20,549,937	44%
Regional - Alameda Sales Tax Measure B / BB	678	5,437,152	3,913,752	1,523,400	26,415	-	72%
Regional - Alameda TIF / LLAD	-	490,000	-	490,000	-	-	0%
Regional - San Francisco Sales Tax Prop K	-	1,100,000	-	440,000	-	660,000	0%
<b>Total Capital Revenues</b>	<b>\$9,607,195</b>	<b>\$386,152,000</b>	<b>\$140,857,399</b>	<b>\$138,649,600</b>	<b>\$47,536,020</b>	<b>\$106,645,000</b>	

<sup>1</sup> Board approved in December 2017 to add the project to the FY2017/18 Capital Budget at a total project cost of \$14.0 million.

**TO: WETA Board Members**

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

**SUBJECT: WETA Federal Legislative Board Report – January 2018**

This report covers the following topics:

1. Tax Reform Legislation Maintains Employer Transit Benefit Deduction
2. Status of FTA Grant Program Application
3. Growing the Public Ferry Coalition On and Off Capitol Hill

### **Tax Reform Legislation Maintains Employer Transit Benefit Deduction**

Proving that nothing motivates members of Congress more than the prospect of being voted out of office for accomplishing nothing, Congress took up and passed a comprehensive tax reform bill in record speed and sent it to President Trump for his signature. While the original versions of the House and Senate tax reform bills terminated the deduction that employers can take for providing workers with transit benefits, the final version of the tax bill ensures that employees will continue to be exempt from income tax on transit benefits.

Note that while the tax treatment for employers that withhold money from an employee's salary (up to \$255 per month) to pay for transit will remain the same, the tax bill makes one minor change for companies that provide a subsidy to their employees, in addition to regular salary. Under the tax bill, employers can no longer deduct the value of subsidies provided to workers, and must pay corporate income taxes on the subsidy amount. Either way, employees will continue to be exempt from paying personal income tax on money provided by an employer for transit.

### **Status of FTA Grant Program Application**

Since our last report, Senator Kamala Harris has sent a letter to the Federal Transit Administration (FTA) supporting WETA's application for funding to upgrade and enhance the vessel Solano. Senator Harris joins Senator Dianne Feinstein and Representatives Nancy Pelosi, Mike Thompson, Jared Huffman, Jackie Speier, Zoe Lofgren, Anna Eshoo, Barbara Lee, Mark DeSaulnier, Eric Swalwell and John Garamendi in supporting the WETA application.

The FTA has not given any indication when it will award grants for FY17 under the agency's discretionary grant program. FTA generally takes several months to review grant applications. Applications were due to the agency on October 23.

### **Growing the Public Ferry Coalition On and Off Capitol Hill**

We continued working with members of the Public Ferry Coalition to generate support for increasing funding levels for the FHWA and FTA grant programs as part of any transportation infrastructure legislation that Congress may take up in 2018. While it is uncertain if the White House and Congress will be able to agree upon a mechanism to generate funding for new projects, two things are clear: 1) the Trump Administration wants to ensure that any new funding will benefit rural areas; and 2) Congressional Republicans will play a big role in deciding how any new funding is distributed. Given this reality, we are working to enhance the rural "profile" of

the Public Ferry Coalition by recruiting new, non-urban public ferry systems to participate, and we are working to increase our support amongst Republicans by ensuring that public ferry systems from more conservative states are actively engaged in our lobbying effort.

As part of our effort to expand and diversify support for public ferries on Capitol Hill, we are working with other Public Ferry Coalition members to form a “Congressional Ferry Caucus”, which would be comprised of members of Congress that represent Congressional districts that are home to public ferry systems and that generally support additional funding for public ferry programs. There is a caucus for virtually everything on Capitol Hill, but not for ferries. The level of activity of any Congressional Caucus varies. In this case, we envision the Ferry Caucus, at minimum, would consist of members of Congress that put their name on fact-sheets and letters supporting funding for ferries. Given that 92 public ferry systems from 34 states receive FHWA funding, the potential for building a large contingent of support on the Hill is very good.

Respectfully Submitted,

Peter Friedmann and Ray Bucheger

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

*(December 7, 2017)*

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

**1. CALL TO ORDER – BOARD CHAIR**

Chair Jody Breckenridge called the meeting to order at 1:07 p.m.

**2. ROLL CALL**

Chair Breckenridge, Director Jeffrey DelBono, Director Timothy Donovan and Director Anthony Intintoli were in attendance.

**3. REPORT OF BOARD CHAIR**

Chair Breckenridge requested a moment of silence from attendees to remember victims of the attack on Pearl Harbor 76 years ago. She noted that 1,178 people had been wounded and 2,403 had died in the attack. She also reminded attendees that firefighters were currently battling the raging fires in southern California. She wished everyone a relaxing and safe holiday season, urging them to make time for their loved ones and to practice gratitude for every good fortune.

Chair Breckenridge also recommended that Directors and staff have a look at the numerous recent news articles about the advent of new public ferry operations in New York and other areas of the country with the objective of remaining informed about ferry service outside of the San Francisco Bay Area.

**4. REPORTS OF DIRECTORS**

There were no reports from Directors.

**5. REPORTS OF STAFF**

Executive Director Nina Rannells shared her written report with Directors and welcomed questions.

**6. ADOPT A RESOLUTION OF APPRECIATION FOR BOARD MEMBER TIM DONOVAN**

Ms. Rannells presented this item to adopt a Resolution of Appreciation for departing Director Donovan who, she explained, had served on the WETA Board for nearly six years. Chair Breckenridge read the resolution and thanked Director Donovan for his service and most especially for his efforts on the WETA Strategic Plan. Director Intintoli presented Director Donovan with a plaque thanking him for his many years of service to WETA. Director Donovan thanked Directors and staff, and noted that the agency had made great strides in the time he had served on the Board, most notably with the creation and adoption of the WETA Strategic Plan. He said that serving on the WETA Board had provided him with a wonderful opportunity to participate in San Francisco's waterfront history, and he said that he was especially proud of the work the Board and staff had done in the area of emergency response. Director Donovan added that he felt like the Bay Area has a much better chance of effectively responding to a disaster today than it did when he first joined the WETA Board. He extended a special thanks to his fellow Directors, and he said that he was grateful and appreciative of the work they were doing to secure funding for WETA's vital services. He also wished everyone a happy holiday season.

Director Intintoli made a motion to approve the resolution.

Director DelBono seconded the motion and the item carried.

Yeas: Breckenridge, DelBono, Intintoli. Nays: None. Abstain: Donovan. Absent: Wunderman.

**PUBLIC COMMENT**

Representing Masters, Mates & Pilots, Veronica Sanchez expressed her gratitude to Director Donovan and thanked him especially for his enduring support of the crews who work on WETA's vessels and of labor generally in the Bay Area. . She said that with Director Donovan's support of a prevailing wage in the region, employees can afford to stay in the Bay Area, purchase homes and raise their families here. Ms. Sanchez said she thanked Director Donovan on behalf of labor for his many years of service to WETA.

**7. CONSENT CALENDAR**

With an objective of assuring to the best of Directors' ability that the Board will have a quorum at as many 2018 meetings as possible, Chair Breckenridge suggested that the 2018 Board meeting schedule item vote include only the January 2018 meeting date at this time, with the understanding that the balance of the 2018 meeting dates will be agendized for a vote at the January 2018 meeting. This was agreed to by all.

With the change to Item 7b, Director DelBono made a motion to approve the consent calendar which included:

- a. Board Meeting Minutes – November 9, 2017
- b. Approve Board of Directors Meeting Schedule for Calendar Year 2018 (January only at this time)
- c. Authorize Release of a Request for Proposals for Information Technology Services

Director Intintoli seconded the motion and the amended consent calendar carried unanimously.

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

**8. APPROVE CONTRACT AWARD TO MARINE GROUP BOAT WORKS FOR PHASE TWO MID-LIFE REFURBISHMENT OF THE MV PERALTA**

Mr. Stahnke presented this item to approve contract award to Marine Group Boat Works for Phase Two of the Mid-Life Refurbishment of the MV *Peralta* Project in the amount of \$4,380,000 and authorize the Executive Director to negotiate and execute an agreement and take any other related actions as may be necessary to support this work.

Director Intintoli made a motion to approve the item.

Director Donovan seconded the motion and the item carried unanimously.

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

**9. AUTHORIZE ACTIONS ASSOCIATED WITH PROCUREMENT OF A NEW 250 PASSENGER FAST FERRY VESSEL**

Mr. Stahnke presented this item to approve the following actions associated with securing a new ferry vessel for use in WETA's ferry services:

1. Authorize staff to release a Request for Proposals for vessel construction;
2. Authorize staff to release a Request for Qualifications for vessel construction management services;
3. Add a new capital project to the FY 2017/18 Capital Budget entitled Purchase New



High-Speed Vessel at a total project cost of \$14,000,000 with \$750,000 budgeted for expense in FY 2017/18.

Chair Breckenridge noted that all WETA Vessels were running harder and more often and she asked if WETA's reserve funds would be completely depleted with the purchase of this vessel. Ms. Rannells said they would not.

Director Donovan made a motion to approve the item.

Director Intintoli seconded the motion and the item carried unanimously.

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

#### **10. REVIEW OF SPECIAL EVENT FARE FINANCIAL PERFORMANCE**

Senior Planner Mike Gougherty presented this informational item on 2017 special event fare financial performance. He said that WETA established current ballpark fare structure and rates for trips to AT&T Park in 2015. Mr. Gougherty explained that these rates covered all incremental costs to run the ballpark service in 2017 and that because next year's ridership was expected to closely mirror that of 2017, it was recommended that the fare structure and rates remain unchanged for the coming baseball season.

Chair Breckenridge asked what costs were included in the incremental operating costs used for the analysis and Mr. Gougherty explained that they included crew time for the required runs, vessel expenses such as the increased maintenance required on the vessels to support the additional hours required for the special event services, dedicated customer service representatives, Port of San Francisco landing fees, vessel fuel, and an allotment of WETA staff costs to administer the services.

Chair Breckenridge noted that special event service offerings were not part of WETA's primary mandate to provide public transit commuter service, and she recommended prudence in reviewing the continued offerings to assure they are not in competition for resources with those mandated services. She further noted that if any substantial changes occur in the future that increase vessel operating costs, such as increased fuel prices, that ballpark and any other special event service fares and viability will need to be revisited.

#### **11. CENTRAL BAY OPERATIONS AND MAINTENANCE FACILITY PROJECT UPDATE**

Senior Planner Chad Mason presented this update on the Central Bay Operations and Maintenance Facility Project and shared a slideshow presentation on the project's progress. He explained that since construction began, the contractor had completed dredging and waterside pile and float installation, and he noted that the majority of the utility improvements had also been completed. Mr. Mason explained that the structure of the building was completed in the summer of 2017, and said that the contractor was currently installing the building's exterior cladding and windows, and also finishing the installation of the interior improvements and building systems. He said the project remains on schedule with an anticipated completion date of sometime in May 2018.

#### **12. OPEN TIME FOR PUBLIC COMMENTS FOR NON-AGENDA ITEMS**

No additional public comments were shared.

All business having been concluded, the meeting was adjourned at 1:52 p.m.

- Board Secretary

\*\*\*END\*\*\*

MEMORANDUM

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**TO: Board Members**

**FROM: Nina Rannells, Executive Director  
Melanie Jann, Manager, Administration & Business Services**

**SUBJECT: Approve Board of Directors Meeting Schedule for Calendar Year 2018**

**Recommendation**

Approve WETA Board of Directors meeting schedule for the balance of Calendar Year 2018.

**Discussion**

The WETA Board of Directors generally meets on the first or second Thursday of the month at 1:15 p.m. at the Port of San Francisco's offices at Pier 1 in downtown San Francisco with exceptions made to address holidays, business conflicts or occasional travel meetings. Based upon a review of the 2018 calendar, staff proposes to establish the following meeting dates for the balance of the year:

<b>DATE:</b>	<b>TIME:</b>	<b>LOCATION/ADDRESS:</b>
Thursday, February 8	1:15 p.m.	Port of San Francisco
Thursday, March 1	1:15 p.m.	Port of San Francisco
Thursday, April 5	1:15 p.m.	Port of San Francisco
Thursday, May 10	1:15 p.m.	Port of San Francisco
Thursday, June 7	1:15 p.m.	Port of San Francisco
Thursday, July 12	1:15 p.m.	Port of San Francisco
Thursday, August 2	1:15 p.m.	Port of San Francisco
Thursday, September 6	1:15 p.m.	Port of San Francisco
Thursday, October 4	1:15 p.m.	Port of San Francisco
Thursday, November 8	1:15 p.m.	Port of San Francisco
Thursday, December 6	1:15 p.m.	Port of San Francisco

This schedule may be amended during the year to adjust the time, meeting place or number of meetings held in response to WETA's business needs. In addition, staff will work with the Board of Directors to identify and coordinate opportunities for travel meetings during the year that provide an opportunity to hold regularly scheduled or special Board meetings in various Bay Area communities that WETA serves or is developing services to support.

**Fiscal Impact**

There is no fiscal impact associated with setting the Board meeting calendar.

\*\*\*END\*\*\*

MEMORANDUM

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**TO:** Board Members

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

**SUBJECT:** Authorize the Execution of the Certifications and Assurances for the California State of Good Repair Program

**Recommendation**

Authorize the following actions related to securing funding from the State of Good Repair Program:

- 1) Authorize the Executive Director, Attorney, and Finance and Grants Manager to execute grant program documents, and to take all other actions as may be required to obtain State Transit Assistance (STA) funding from the State of Good Repair (SGR) Account.
- 2) Agree to comply with all conditions and requirements set forth in the Certification and Assurance document and applicable statutes, regulations and guidelines for all SGR funded transit projects.

**Background**

Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017, became law in April 2017. SB 1 established a new State of Good Repair (SGR) Program to be administered by the California Department of Transportation (Caltrans). The SGR Program will provide approximately \$105 million annually to transit operators in California for capital assistance to rehabilitate and modernize existing local transit systems.

The SGR Program is funded with a portion of the new Transportation Improvement Fee on vehicle registrations due on or after January 1, 2018. Half of the SGR funding is allocated according to population and half is allocated based on transit operator revenues consistent with the State Transit Assistance (STA) Program formula applied to eligible agencies pursuant to Public Utilities Code (PUC) section 99312.1. WETA is an eligible project sponsor and may receive STA funding from the SGR Program to support its capital program of projects.

**Discussion**

To receive SGR funding, eligible recipients must submit the following one-time programmatic documents to Caltrans:

**Authorized Agent Form**

The executive authority must submit a signed and dated form, provided as **Attachment A**, identifying the agents authorized to execute grant program documents on behalf of WETA.

Certifications and Assurances

Each eligible recipient must complete a set of Certifications and Assurances, authorized by the agency's Board of Directors, agreeing to comply with all conditions and requirements of the program, as set forth in **Attachment B**.

**Fiscal Impact**

This item supports actions necessary to secure State Transit Assistance funding from the State of Good Repair Account to support WETA's capital rehabilitation and replacement projects.

\*\*\*END\*\*\*

# Attachment A

STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

**Division of Rail and Mass Transportation**  
**State Transit Assistance State of Good Repair Program**  
**Authorized Agent Form**



## Authorized Agent

The following individual(s) are hereby authorized to execute for and on behalf of the named Regional Entity/Transit Operator, and to take any actions necessary for the purpose of obtaining State Transit Assistance State of Good Repair funds provided by the California Department of Transportation, Division of Rail and Mass Transportation. This form is valid at the beginning of Fiscal Year 2017-2018 until the end of the State of Good Repair Program. If there is a change in the authorized agent, the project sponsor must submit a new form. This form is required even when the authorized agent is the executive authority himself.

Nina Rannells, Executive Director *OR*  
(Name and Title of Authorized Agent)

Madeline Chun, Attorney *OR*  
(Name and Title of Authorized Agent)

Lynne Yu, Finance and Grants Manager .  
(Name and Title of Authorized Agent)

*AS THE* Executive Director  
(Chief Executive Officer / Director / President / Secretary)

*OF THE* San Francisco Bay Area Water Emergency Transportation Authority  
(Name of County/City Organization)

Nina Rannells Executive Director  
(Print Name) (Title)

\_\_\_\_\_  
(Signature)

Approved this 11 day of January, 2018

# Attachment B

## State Transit Assistance State of Good Repair Program

### Recipient Certifications and Assurances

**Recipient:** *San Francisco Bay Area Water Emergency Transportation Authority*

**Effective Date:** *January 11, 2018*

In order to receive State of Good Repair Program (SGR) funds from the California Department of Transportation (Department), recipients must agree to following terms and conditions:

#### **A. General**

- (1) The recipient agrees to abide by the State of Good Repair Guidelines as may be updated from time to time.
- (2) The potential recipient must submit to the Department a State of Good Repair Program Project List annually, listing all projects proposed to be funded by the SGR program. The project list should include the estimated SGR share assigned to each project along with the total estimated cost of each project..
- (3) The recipient must submit a signed Authorized Agent form designating the representative who can submit documents on behalf of the recipient and a copy of the board resolution authorizing the agent.

#### **B. Project Administration**

- (1) The recipient certifies that required environmental documentation will be completed prior to expending SGR funds. The recipient assures that each project approved for SGR funding comply with Public Resources Code § 21100 and § 21150.
- (2) The recipient certifies that SGR funds will be used for transit purposes and SGR funded projects will be completed and remain in operation for the estimated useful lives of the assets or improvements.
- (3) The recipient certifies that it has the legal, financial, and technical capacity to deliver the projects, including the safety and security aspects of each project.
- (4) The recipient certifies that there is no pending litigation, dispute, or negative audit findings related to any SGR project at the time an SGR project is submitted in the annual list.

- (5) Recipient agrees to notify the Department immediately if litigation is filed or disputes arise after submission of the annual project list and to notify the Department of any negative audit findings related to any project using SGR funds.
- (6) The recipient must maintain satisfactory continuing control over the use of project equipment and/or facilities and will adequately maintain project equipment and/or facilities for the estimated useful life of each project.
- (7) Any and all interest the recipient earns on SGR funds must be reported to the Department and may only be used on approved SGR projects or returned to the Department.
- (8) The recipient must notify the Department of any proposed changes to an approved project list by submitting an amended project list.
- (9) Funds will be expended in a timely manner.

### **C. Reporting**

- (1) Per Public Utilities Code § 99312.1 (e) and (f), the recipient must submit the following SGR reports:
  - a. Annual Expenditure Reports within six months of the close of the fiscal year (by December 31<sup>st</sup>) of each year.
  - b. The annual audit required under the Transportation Development Act (TDA), to verify receipt and appropriate expenditure of SGR funds. A copy of the audit report must be submitted to the Department within six months of the close of each fiscal year in which SGR funds have been received or expended.

### **D. Cost Principles**

- (1) The recipient agrees to comply with Title 2 of the Code of Federal Regulations Part 200, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.
- (2) The recipient agrees, and will assure that its contractors and subcontractors will be obligated to agree, that (a) Contract Cost Principles and Procedures, 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31, et seq., shall be used to determine the allowability of individual project cost items and (b) those parties shall comply with Federal administrative procedures in accordance with 2 CFR, Part 200, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

- (3) Any project cost for which the recipient has received payment that are determined by subsequent audit to be unallowable under 2 CFR, Part 200, are subject to repayment by the recipient to the State of California (State). Should the recipient fail to reimburse moneys due to the State within thirty (30) days of demand, or within such other period as may be agreed in writing between the Parties hereto, the State is authorized to intercept and withhold future payments due the recipient from the State or any third-party source, including but not limited to, the State Treasurer and the State Controller.

#### **E. Record Retention**

- (1) The recipient agrees, and will assure that its contractors and subcontractors shall establish and maintain an accounting system and records that properly accumulate and segregate incurred project costs and matching funds by line item for the project. The accounting system of the recipient, its contractors and all subcontractors shall conform to Generally Accepted Accounting Principles (GAAP), enable the determination of incurred costs at interim points of completion, and provide support for reimbursement payment vouchers or invoices. All accounting records and other supporting papers of the recipient, its contractors and subcontractors connected with SGR funding shall be maintained for a minimum of three (3) years from the date of final payment and shall be held open to inspection, copying, and audit by representatives of the State and the California State Auditor. Copies thereof will be furnished by the recipient, its contractors, and subcontractors upon receipt of any request made by the State or its agents. In conducting an audit of the costs claimed, the State will rely to the maximum extent possible on any prior audit of the recipient pursuant to the provisions of federal and State law. In the absence of such an audit, any acceptable audit work performed by the recipient's external and internal auditors may be relied upon and used by the State when planning and conducting additional audits.
- (2) For the purpose of determining compliance with Title 21, California Code of Regulations, Section 2500 et seq., when applicable, and other matters connected with the performance of the recipient's contracts with third parties pursuant to Government Code § 8546.7, the recipient, its contractors and subcontractors and the Department shall each maintain and make available for inspection all books, documents, papers, accounting records, and other evidence pertaining to the performance of such contracts, including, but not limited to, the costs of administering those various contracts. All of the above referenced parties shall make such materials available at their respective offices at all reasonable times during the entire project period and for three (3) years from the date of final payment. The State, the California State Auditor, or any duly authorized representative of the State, shall each have access to any books, records, and documents that are pertinent to a project for audits, examinations, excerpts, and transactions, and the recipient shall furnish copies thereof if requested.



- (3) The recipient, its contractors and subcontractors will permit access to all records of employment, employment advertisements, employment application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission, or any other agency of the State of California designated by the State, for the purpose of any investigation to ascertain compliance with this document.

**F. Special Situations**

- (1) Recipient acknowledges that if a project list is not submitted timely, the recipient forfeits its apportionment for that fiscal year.
- (2) Recipients with delinquent expenditure reports may risk future eligibility for future SGR funding.
- (3) Recipient acknowledges that the Department shall have the right to perform an audit and/or request detailed project information of the recipient's SGR funded projects at the Department's discretion from SGR award through 3 years after the completion and final billing of any SGR funded project.. Recipient agrees to provide any requested project information.

I certify all of these conditions will be met.

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

**BY:** \_\_\_\_\_

*Nina Rannells, Executive Director*

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

**RESOLUTION NO. 2018-01**

**AUTHORIZATION FOR THE EXECUTION OF THE CERTIFICATIONS AND ASSURANCES  
FOR THE CALIFORNIA STATE OF GOOD REPAIR PROGRAM**

**WHEREAS**, the San Francisco Bay Area Water Emergency Transportation Authority (WETA) is an eligible project sponsor and may receive State Transit Assistance funding from the State of Good Repair Account (SGR) now or sometime in the future for transit projects; and

**WHEREAS**, the statutes related to state-funded transit projects require a local or regional implementing agency to abide by various regulations; and

**WHEREAS**, Senate Bill 1 (2017) named the California Department of Transportation (Caltrans) as the administrative agency for the SGR; and

**WHEREAS**, Caltrans has developed guidelines for the purpose of administering and distributing SGR funds to eligible project sponsors (local agencies); and

**WHEREAS**, Caltrans has developed a set of Certifications and Assurances required for approval by agencies participating in the program; and

**WHEREAS**, WETA wishes to delegate authority to execute program documents, certifications and assurances and any amendments thereto to the Executive Director, Attorney and Finance and Grants Manager; now, therefore, be it

**RESOLVED** by the Board of Directors of WETA, as the recipient of SGR funds, to comply with all conditions and requirements set forth in the Certification and Assurances document and applicable statutes, regulations and guidelines for all SGR funded transit projects; and be it further

**RESOLVED** that the Executive Director, Attorney and Finance and Grants Manager are authorized to execute all required documents of the SGR program and any Amendments thereto with the California Department of Transportation.

**CERTIFICATION**

The undersigned, the Board Secretary, does hereby certify that the foregoing is a full, true and correct copy of a resolution duly and regularly adopted at a meeting of the San Francisco Bay Area Water Emergency Transportation Authority held on January 11, 2018.

YEA:

NAY:

ABSTAIN:

ABSENT:

---

/s/ Board Secretary

2018-01

\*\*\*END\*\*\*

MEMORANDUM

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**TO:** Board Members

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

**SUBJECT:** Authorize Filing an Application with the Metropolitan Transportation Commission for FY 2017/18 Regional Measure 1 Funds

**Recommendation**

Approve the following actions relative to securing funds to support the *Purchase of a New High Speed Vessel*:

1. Authorize the Executive Director to file an application with the Metropolitan Transportation Commission (MTC) for a total of \$5.0 million FY 2017/18 Regional Measure 1 - 5% State General Fund Revenues (RM1 - 5%); and
2. Authorize the Executive Director to take any other related actions as may be required to secure these funds.

**Background**

In November 1989, voters approved Regional Measure 1 (RM1) authorizing a toll increase on all state-owned bridges in the Bay Area. Five percent of the revenue derived from this toll increase was made available for allocation by MTC for ferry transit operations and bicycle related planning. Senate Bill 976 stipulates that all RM1 funds for ferries are to be allocated to WETA as of January 1, 2008 to support operation of our regional ferry system.

MTC programs \$3.0 million RM1 – 5% funds annually to WETA to support ferry capital improvement projects and ferry operations. The balance of RM1 – 5% funds not allocated and spent in a given year are rolled forward by MTC for WETA's use in future years. WETA currently has \$12.5 million RM1 – 5% funds available in reserve.

**Discussion**

On December 7, 2017 the WETA Board of Directors approved moving forward to solicit proposals to construct a new 250-passenger fast ferry vessel to support WETA's current program of services and provide additional back-up capacity needed to efficiently maintain its overall fleet. Funds identified to support this new vessel included \$9 million Proposition 1B funds and \$5 million RM1 – 5% funds. This follow-up item authorizes the Executive Director to take actions necessary to secure the \$5 million RM 1 – 5% funds from MTC for this new vessel.

**Fiscal Impact**

This item supports securing \$5.0 RM1 – 5% funds for the *Purchase New High-Speed Vessel* project in the FY 2017/18 Capital Budget. Sufficient banked RM1 – 5% funds exist to support this allocation request.

\*\*\*END\*\*\*

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

**RESOLUTION NO. 2018-02**

**AUTHORIZE FILING AN APPLICATION WITH THE METROPOLITAN TRANSPORTATION COMMISSION FOR FY 2017/18 REGIONAL MEASURE 1 - 5% UNRESTRICTED STATE FUNDS**

**WHEREAS**, Bay Area voters approved Regional Measure 1 (RM1) in November 1988, which authorized a standard auto toll of \$1.00 for all seven State-owned Bay Area toll bridges; and

**WHEREAS**, up to three-percent (3%) of the revenue derived from the toll increase was made available for allocation by Metropolitan Transportation Commission (MTC) to transportation projects that reduce congestion in the bridge corridors; and

**WHEREAS**, the law was amended in 1997 to direct MTC to allocate an additional 2% of the RM1 toll increase solely for planning, construction, operation, and acquisition of a rapid water transit system; and

**WHEREAS**, the law was further amended in 2007 to name the San Francisco Bay Area Water Emergency Transportation Authority (WETA) as the eligible recipient of these funds; and

**WHEREAS**, as operator of various regional ferry services including the Alameda/Oakland (AOFS), Alameda Harbor Bay (AHBF), Vallejo and South San Francisco ferry services, WETA is eligible to receive an annual allocation of RM1 Bridge Toll Revenue funds; and

**WHEREAS**, staff has identified the need to utilize these funds to support WETA's purchase of one new vessel; now, therefore, be it

**RESOLVED**, that there is no pending or threatened litigation which might in any way adversely affect the proposed project, or the ability of WETA to deliver such project; and be it further

**RESOLVED**, that WETA agrees to comply with the requirements of MTC's Transit Coordination Implementation Plan as set forth in MTC Resolution 3866; and be it further

**RESOLVED**, that WETA's Board of Directors hereby approves the application and authorizes its Executive Director, or her designee, to execute and submit an allocation request with MTC for FY 2017/18 Regional Measure 1- 5% Unrestricted State Funds and to enter into all agreements necessary to secure these funds; and be it further

**RESOLVED**, that a copy of this resolution shall be transmitted to MTC in conjunction with the filing of WETA's applications referenced herein.

**CERTIFICATION**

The undersigned, Board Secretary, does hereby certify that the foregoing is a full, true and correct copy of a resolution duly and regularly adopted at a meeting of the San Francisco Bay Area Water Emergency Transportation Authority held on January 11, 2018.

YEA:

NAY:

ABSTAIN:

ABSENT:

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/s/ Board Secretary

2018-02

\*\*\*END\*\*\*

MEMORANDUM

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**TO:** Board Members

**FROM:** Nina Rannells, Executive Director  
Keith Stahnke, Manager, Operations

**SUBJECT:** Authorize Release of Request for Proposals for Dry Dock and Engine Replacement Work on the MV *Bay Breeze*

**Recommendation**

Authorize release of a Request for Proposals (RFP) for dry dock and engine replacement work on the MV *Bay Breeze*.

**Background/Discussion**

The MV *Bay Breeze* engine refit is planned for Spring 2018 and will be coordinated with the vessel's required periodic United States Coast Guard (USCG) dry-docking and inspection. WETA is currently under contract with Valley Power systems, through a contract awarded by the Board of Directors in May 2017, to complete the overhaul of the two main engines for the MV *Bay Breeze*. The port engine has been removed and rebuilt by Valley Power and is ready for re-installation into the vessel. This project will provide for shipyard services to remove and replace the starboard main engine with WETA's factory rebuilt swing engine and to complete required periodic dry dock inspections and services. Staff anticipates being in a position to return to the Board with a recommendation for contract award for this work in March.

**Fiscal Impact**

This work is included in the FY 2017/18 Capital Budget as a part of the *Vessel Engine Overhaul - MV Bay Breeze* project and is funded with Federal Transit Administration grant funds and Regional Measure 1 – 2% capital funds.

\*\*\*END\*\*\*

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 2016/17

**Recommendation**

Accept the Independent Auditor's Annual Financial Reports for the fiscal year ending June 30, 2017, as submitted by Maze & Associates, including the following:

- a. The Memorandum on Internal Control and Required Communications
- b. Basic Financial Statements
- c. Single Audit Report
- d. Measure B Fund Financial Statements
- e. Measure BB Fund Financial Statements

**Background**

Section 106.6 of the WETA Administrative Code requires the preparation of annual audit reports by an independent auditor consistent with California Government Code Section 66540.54. WETA utilizes the services of Maze & Associates (Maze) to perform this independent audit.

**Discussion**

The Annual Financial Reports for the fiscal year ending June 30, 2017, issued by Maze and provided for Board acceptance, are comprised of the following:

**Memorandum on Internal Control**

The Memorandum on Internal Control and Required Communications, 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, 2017. The Independent Auditor's Report provides the opinion that WETA's basic financial statements present fairly in all material respects the respective financial position of the business-type activities of the agency as of June 30, 2017, and the respective changes in financial position 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 Report, provided as **Attachment C**, is a required examination of an entity that expends \$750,000 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 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 types of compliance requirements applicable to the federal program for the year ended June 30, 2017.

**Measure B and Measure BB Compliance Reports**

The Measure B (MB) and Measure BB (MBB) Fund Financial Statements, provided as **Attachment D** and **Attachment E** respectively, are required of WETA in relation to the receipt of Alameda County MB and MBB funds in FY 2016/17. These reports include the financial statements for WETA's MB and MBB funds and compliance opinion of the funds received and used, including plans and reports of expenditures. Maze has audited the compliance of WETA with respect to requirements related to these funds as specified in the Master Programs Funding Agreements between WETA and the Alameda County Transportation Commission. It is Maze's opinion that WETA is in compliance with the laws and regulations, contracts, and grant requirements related to MB and MBB funds for the year ended June 30, 2017.

Representatives of Maze & Associates will be in attendance at the meeting to present the financial reports.

**Fiscal Impact**

There is no fiscal impact associated with this report.

\*\*\*END\*\*\*

# **Attachment A**

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

**FOR THE YEAR ENDED  
JUNE 30, 2017**



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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, 2017**

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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) as of and for the year ended June 30, 2017, 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 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 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 definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, Board of Directors, 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 blue ink that reads 'Maze & Associates'.

Pleasant Hill, California  
December 1, 2017

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## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **2017-01: Upcoming Governmental Standard Board (GASB) Pronouncements**

The following pronouncements will be effective in fiscal year 2017/18:

#### **GASB 75 - *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **GASB 81 - Irrevocable Split-Interest Agreements**

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

#### ***How the Changes in This Statement Improve Financial Reporting***

This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

## 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 for the year ended June 30, 2017. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance.

### **Significant Audit Findings**

#### ***Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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.

- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB 74 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*
- GASB 77 – *Tax Abatement Disclosures*
- GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*
- GASB 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

#### ***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.



### ***Accounting 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 estimates affecting the Authority's financial statements were:

*Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 9 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Authority. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Net OPEB Liability:* Management's estimate of the net OPEB liability is disclosed in Note 10 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the Authority. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Fair Value of Investments:* As of June 30, 2017, the Authority held approximately \$135 million of cash and investments as measured by fair value as disclosed in Note 3 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2017. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2017.

*Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 4 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### ***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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriated level of management. We have no such misstatements to report to the Board.

***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 December 1, 2017.

***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 Authority auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Information Accompanying the Financial Statements**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

\*\*\*\*\*

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

*Maze & Associates*

Pleasant Hill, California  
December 1, 2017

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# **Attachment B**

**SAN FRANCISCO  
BAY AREA WATER EMERGENCY  
TRANSPORTATION AUTHORITY  
  
BASIC FINANCIAL STATEMENTS  
  
FOR THE YEAR ENDED JUNE 30, 2017**

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**SAN FRANCISCO BAY AREA WATER  
EMERGENCY TRANSPORTATION AUTHORITY  
BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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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 basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2017, 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 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 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 opinion.



## ***Opinion***

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, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents 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 December 1, 2017, 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  
December 1, 2017

## 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, 2017. 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 inflows and outflows 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 and deferred outflows exceeded liabilities and deferred inflows by \$268.5 million at June 30, 2017, an \$80.5 million or 43% increase from June 30, 2016.

The following is a summary of the Authority's net position as of June 30, 2017 and 2016 along with a discussion of some of the most significant balances (in thousands):

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Current and other assets	\$154,805	\$154,615
Capital assets	252,195	171,261
Total assets	<u>\$407,000</u>	<u>\$325,876</u>
<b>Deferred Outflows of Resources:</b>		
Pension	\$1,214	\$930
Total deferred outflows of resources	<u>\$1,214</u>	<u>\$930</u>
<b>Liabilities:</b>		
Current liabilities	\$26,484	\$6,631
Unearned/deferred revenue	112,421	131,481
Other noncurrent liabilities	127	103
Collective net pension liability	386	440
Total liabilities	<u>\$139,418</u>	<u>\$138,655</u>
<b>Deferred Inflows of Resources:</b>		
Pension	\$326	\$215
Total deferred outflows of resources	<u>\$326</u>	<u>\$215</u>
<b>Net Position:</b>		
Invested in capital assets, net of related debt	\$252,195	\$171,261
Restricted	4,476	5,211
Unrestricted	11,801	11,464
Total net assets	<u>\$268,471</u>	<u>\$187,936</u>

The increase in assets is mainly attributed to increase in capital construction in progress and the addition of one new ferry vessel. Deferred outflows related to the Authority's pension activities have also increased as a result of the Authority's pension contributions subsequent to the pension valuation measurement date.

The increase in current liabilities is due to the increase in accounts payable invoices received but not yet paid as of June 30, 2017.

The largest portion of the Authority's net position (94%) 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 47% during the year.

An additional portion of the Authority's net position (2%), Restricted net position, represents resources that are subject to external restrictions imposed by grantors and contributors that restrict the use of net assets, decreased \$0.7 million during the year. The remaining Unrestricted net position (4%) may be used to meet ongoing obligations.

The Authority adopted the provisions of GASB Statement No. 68 (GASB 68) and Statement No. 71 (GASB 71), which became effective during the fiscal year ended June 30, 2015. The implementation of GASB 68 requires the recognition of the Authority's net pension liability measured as of June 30, 2016. Pension contributions made in FY2016/17 are recognized as a Deferred outflow of resources. GASB 68 also requires the recognition of deferred inflows of resources for changes in the Authority's net pension liability that arises from other types of events. As a result, certain June 30, 2017 balances, including Deferred outflow of resource and Deferred inflow of resources, at June 30, 2017 are not comparable to the balances at June 30, 2016.

## **FISCAL YEAR 2017 FINANCIAL HIGHLIGHTS**

- Fare revenues increased by \$1.9 million or 11% (\$18.6 million in 2017 compared to \$16.7 million in 2016). This was primarily due to the implementation of year two fare increase, in which single-ride fares are increased 3% on July 1, that was included in the five year fare program adopted by the Authority's Board of Directors in September 2014. The increase in fare revenues was also due to the 3.7% increase in system-wide ridership.
- Operating expenses, before depreciation, increased from \$28.9 million in 2016 to \$33.0 million in 2017, a change of \$4.1 million. This increase was mainly due to the additional costs to support the Bay Bridge Forward Ferry Enhancement Program, in which the enhanced summer service schedule for the Alameda/Oakland and Vallejo ferry services were extended through December 2017.
- Non-operating revenues increased to \$14.1 million in 2017 as compared to \$12.8 million in 2016, an increase of \$1.3 million. This increase was directly attributed to the additional operating subsidies need to implement the Bay Bridge Forward Ferry Enhancement Program.
- Capital contributions received in the form of grants and assistance from the Federal, State, and Local governments increased from \$40.7 million in 2016 to \$89.9 million in 2017. In 2017, the Authority was involved in major projects such as the *Purchase of Three Replacement Vessels, Purchase of Four Expansion Vessels, Major Component Rehabilitation and Quarter-Life Refurbishment of the M/V Mare Island, the M/V Gemini and the M/V Pisces, Construction of the North Bay and Central Bay Operations and Maintenance Facilities, Construction of the Downtown San Francisco Ferry Terminal Expansion and the preparation of bridging design documents for the Richmond Ferry Terminal.*

- Total Assets and Deferred Outflows increased by \$81.4 million (\$408.2 million in 2017 compared to \$326.8 million in 2016) and total Liabilities and Deferred Inflows increased by \$0.8 million (\$139.7 million in 2017 compared to \$138.9 million in 2016), resulting in an increase of total Net Assets of \$80.6 million (\$268.5 million in 2017 compared to \$187.9 million in 2016).

## **PROGRAM INITIATIVES AND OUTLOOK**

On August 4, 2016, the Authority's Board of Directors approved the implementation of the Bay Bridge Forward Ferry Enhancement Program (Program). This Program extended the enhanced summer service schedule for the Alameda/Oakland and the Vallejo ferry services through December 2017. The Metropolitan Transportation Commission provided additional Regional Measure 2 operating funds to support the additional ferry services.

On September 1, 2016, the Authority's Board of Directors approved a contract award to Dakota Creek Industries, Inc. (DCI) in an amount not to exceed \$62.1 million for the construction of three new 445-passenger, 34-knot ferry vessels.

On October 6, 2016, the Authority's Board of Directors adopted the 2016 WETA Strategic Plan which presents a vision for the next 20 years of ferry service in the San Francisco Bay Area. This plan will exist online on the WETA website as a resource for WETA staff, board members, community stakeholders and the general public.

On October 6, 2016, the Authority's Board of Directors approved a contract award to Vigor Kvichak, LLC for the design-build construction of two new 400-passenger vessels in an amount up to \$29.9 million.

On October 6, 2016, the Authority's Board of Directors also approved the release of the draft proposal to enhance the Vallejo ferry service and delete the scheduled Route 200 bus service for public and stakeholder review and comment.

On November 10, 2016, the Authority's Board of Directors approved the Vallejo ferry service enhancements and delete scheduled Route 200 bus service beginning January 2017.

On November 10, 2016, the Authority's Board of Directors also approved the WETA System-Wide Parking Fee Program Policy Goals.

On January 12, 2017, the Authority's Board of Directors approved a Construction Manager at Risk contract award to Power Engineering Construction for the Phase One Work of the Downtown San Francisco Ferry Terminal Expansion project. The amount awarded to support this work was \$14.8 million.

On February 16, 2017, the Authority's Board of Directors approved the initiation of ferry service to and from the North Bay Operations and Maintenance facility terminal site on Mare Island beginning on March 6, 2017. The Authority's Board of Directors also approved the use of WETA's standard short hop fare of \$1.60 for travel between Mare Island and the Vallejo ferry terminal.

On May 11, 2017, the Authority's Board of Directors approved a contract award to Manson Construction Co. (Manson) for the construction of the Richmond Ferry Terminal in the amount of \$16.1 million. Pursuant to requirements of the Request for Proposal, Manson is required to achieve final completion of the project by October 1, 2018.

On May 11, 2017, the Authority's Board of Directors adopted the San Francisco Bay Area Water Emergency Transportation Authority Local Hazard Mitigation Plan (HMP). The HMP was prepared in accordance with the Federal Disaster Mitigation Act of 2000 (DMA 2000). DMA 2000 requires local governments to develop and submit HMPs as a condition of receiving Hazard Mitigation Grant Program and other mitigation project grant funding. This includes pre-disaster mitigation funding and post-disaster mitigation funding for existing WETA facilities

On June 8, 2017, the Authority's Board of Directors approved a contract amendment with Power Engineering Construction for an amount of \$15.5 million to support a portion of the Phase Two Work of the Downtown San Francisco Ferry Terminal Expansion project. The approved contract amendment includes the fabrication and delivery of the float and gangway superstructures and pedestrian bridge.

During 2017, the Authority expended \$89.9 million on capital activities. (See Note 4 for further information.) This included the following major projects:

- Central Bay Operations and Maintenance Facility – Construction (\$27.0 million).
- Purchase of Four Expansion Vessels (\$25.1 million).
- Purchase of Three Replacement Vessels (\$16.1 million).
- San Francisco Berthing Expansion – Construction (\$10.2 million).
- Quarter-Life Refurbishment and Capacity Increase – M/V Pisces (\$4.1 million).
- Major Component and Waterjets Rehabilitation – M/V Mare Island (\$2.6 million).
- Richmond Ferry Terminal – Bridging Design (\$1.2 million).
- North Bay Operations and Maintenance Facility – Construction (\$1.4 million).

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 efforts in the coming year will focus on updating system ridership projections (including Mission Bay and Redwood City), completing the Alameda Terminal Access Study, preparing concept designs for improvements at the Alameda and Oakland ferry terminals, conducting the triennial on-board passenger survey and developing an integrated operations information database for monitoring service performance. Staff will also continue to facilitate and participate in emergency response meetings, planning and exercises.

## **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.

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SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2017

ASSETS

Current Assets	
Cash and cash equivalents (Note 3)	\$135,138,778
Receivables:	
Accounts	15,969,129
Interest	61,553
Security deposit	78,613
Inventory	325,983
Prepaid expenses	<u>3,231,436</u>
Total Current Assets	<u>154,805,492</u>
Capital assets, net of accumulated depreciation (Note 4):	
Construction in progress	131,690,503
Depreciable capital assets, net	
Ferries	79,321,377
Terminal development rights	3,127,683
Floats, piers and gangways	12,266,560
Ferry terminal and facilities	25,413,014
Equipment and service vehicles	<u>375,610</u>
Total Capital Assets	<u>252,194,747</u>
Total Noncurrent Assets	<u>252,194,747</u>
Total Assets	<u>407,000,239</u>

DEFERRED OUTFLOWS OF RESOURCES

Related to pensions (Note 9)	<u>1,214,011</u>
Total Deferred Outflows of Resources	<u>1,214,011</u>

LIABILITIES

Current Liabilities	
Accounts payable	25,653,284
Other accrued liabilities	635,896
Unearned revenue - fares	90,390
Compensated absences (Note 2C)	<u>104,546</u>
Total Current Liabilities	<u>26,484,116</u>
Noncurrent Liabilities	
Compensated absences (Note 2C)	126,550
Unearned revenue - State Appropriation (Note 5A)	2,291,847
Unearned revenue - Prop 1B (Note 5C)	109,864,398
Unearned revenue - LCTOP (Note 5E)	264,815
Collective net pension liability (Note 9)	<u>385,835</u>
Total Noncurrent Liabilities	<u>112,933,445</u>
Total Liabilities	<u>139,417,561</u>

DEFERRED INFLOWS OF RESOURCES

Related to pensions (Note 9)	<u>325,533</u>
Total Deferred Inflows of Resources	<u>325,533</u>

NET POSITION (Note 8)

Net investment in capital assets	252,194,747
Restricted	4,475,542
Unrestricted	<u>11,800,867</u>
Total Net Position	<u>\$268,471,156</u>

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

Farebox revenue	\$18,567,319
Total Operating Revenues	18,567,319

PROGRAM OPERATING EXPENSES

Personnel costs	1,934,318
Administrative expenses	5,929,064
Legal and consulting	1,674,487
Purchased transportation	22,806,828
Insurance premiums	671,497
Depreciation (Note 4)	8,934,346
Total Program Operating Expenses	41,950,540

OPERATING LOSS	(23,383,221)
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NONOPERATING REVENUES (EXPENSE)

Intergovernmental receipts	13,850,819
Other revenue	199,331
Total Nonoperating Revenues	14,050,150

CAPITAL GRANTS	89,867,960
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CHANGE IN NET POSITION	80,534,889
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NET POSITION - BEGINNING	187,936,267
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NET POSITION - ENDING	\$268,471,156
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See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$18,567,319
Payments to vendors and consultants	(11,779,475)
Payments to or on behalf of employees	<u>(2,140,547)</u>
Net cash flows from (used for) operating activities	<u>4,647,297</u>

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Intergovernmental collections	<u>4,071,908</u>
Net cash flows from noncapital and related financing activities	<u>4,071,908</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grant receipts used for capital activities	70,812,185
Payments for capital assets	<u>(89,867,961)</u>
Net cash flows from (used for) capital and related financing activities	<u>(19,055,776)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest payments	<u>(26,361)</u>
Net cash flows from (used for) investing activities	<u>(26,361)</u>
Net cash flows	(10,362,932)

Cash and cash equivalents- beginning of year	<u>145,501,710</u>
Cash and cash equivalents - end of year	<u><u>\$135,138,778</u></u>

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

Operating loss	(\$23,383,221)
Depreciation	8,934,346
Decrease (increase) in due to retirement liability	(227,474)
Change in assets and liabilities:	
Security deposits	(22,600)
Inventory	430,648
Prepaid expenses	(956,498)
Accounts payable	20,599,530
Other accrued liabilities	(748,679)
Compensated absences	<u>21,245</u>

Net cash flows used for operating activities	<u><u>\$4,647,297</u></u>
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See accompanying notes to financial statements

**SAN FRANCISCO BAY AREA WATER  
EMERGENCY TRANSPORTATION AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**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, 2017**

**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, 2016	\$209,851
Additions	287,157
Payments	<u>(265,912)</u>
Balance at June 30, 2017	231,096
Due within one year	<u>104,546</u>
Due in more than one year	<u><u>\$126,550</u></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, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**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, 2017:

Investment Type	Total
California Local Agency Investment Fund	\$8,745,820
<i>Held by Trustees:</i>	
Money Market Mutual Fund	123,311,318
Total Investments	132,057,138
Cash in banks and on hand	3,081,640
Total Cash and investments	\$135,138,778

The California Local Agency Investment Fund (LAIF) and money market mutual funds are exempt from the fair value hierarchy.

**SAN FRANCISCO BAY AREA WATER  
EMERGENCY TRANSPORTATION AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**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 U.S. Government Sponsored Enterprise Agencies	N/A	N/A	No Limit	No Limit
State Obligations	5 years	N/A	No Limit	No Limit
State Agency Obligations	5 years	N/A	No Limit	No Limit
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Non-negotiable Certificates of Deposit	5 years	N/A	No Limit	No Limit
Mutual Funds and Money Market Mutual Funds	N/A	Highest	20%	10%
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper - Pooled Funds	270 Days	A/A-1	40%	10%
Commercial Paper - Non-Pooled Funds	270 Days	A/A-1	25%	10%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$65,000,000 per account	\$65,000,000 per account
Local Agency Obligations	5 years	N/A	No Limit	No Limit
Placement Service Deposits	5 years	N/A	30%	No Limit
Placement Service Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 year	N/A	No Limit	No Limit
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	N/A	20%	No Limit
Medium-Term Notes	5 years	A	30%	No Limit
Collateralized Bank Deposits	5 years	N/A	No Limit	No Limit
Mortgage Pass-Through Securities	5 years	AA	20%	No Limit
County Pooled Investment Funds	N/A	N/A	No Limit	No Limit
Joint Powers Authority Pool	N/A	Multiple	No Limit	No Limit
Voluntary Investment Program Funds	N/A	N/A	No Limit	No Limit
Supranational Obligations	5 years	AA	30%	No Limit

**SAN FRANCISCO BAY AREA WATER  
EMERGENCY TRANSPORTATION AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**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, and the money market mutual funds, is approximately 194 and 50 days, respectively.

**D. *Credit Risk***

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. As of year end, the money market mutual funds were rated AAAM by S&P. 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.



**SAN FRANCISCO BAY AREA WATER  
EMERGENCY TRANSPORTATION AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**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

Capital assets activity was as follows for the year ended June 30, 2017:

	Balance as of June 30, 2016	Additions	Transfers/ Adjustments	Retirements	Balance as of June 30, 2017
Capital assets not being depreciated:					
Construction in progress	\$70,707,442	\$89,867,961	(\$28,884,900)		\$131,690,503
Total assets not being depreciated	<u>70,707,442</u>	<u>89,867,961</u>	<u>(28,884,900)</u>		<u>131,690,503</u>
Capital assets being depreciated:					
Ferries	83,221,512		28,773,195		111,994,707
Terminal development rights	3,660,000				3,660,000
Floats, piers and gangways	15,689,122		(12,132)		15,676,990
Ferry terminal and facilities	30,458,586				30,458,586
Equipment and service vehicles	1,570,510		123,837	(\$152,917)	1,541,430
Total assets being depreciated	<u>134,599,730</u>		<u>28,884,900</u>		<u>163,331,713</u>
Less accumulated depreciation for:					
Ferries	(26,277,882)	(6,395,448)			(32,673,330)
Terminal development rights	(465,772)	(66,545)			(532,317)
Floats, piers and gangways	(2,367,082)	(1,043,348)			(3,410,430)
Ferry terminal and facilities	(3,851,849)	(1,193,723)			(5,045,572)
Equipment and service vehicles	(1,083,455)	(235,282)		152,917	(1,165,820)
Total accumulated depreciation	<u>(34,046,040)</u>	<u>(8,934,346)</u>			<u>(42,827,469)</u>
Net capital assets being depreciated	<u>100,553,690</u>	<u>(8,934,346)</u>	<u>28,884,900</u>		<u>120,504,244</u>
Capital Assets, Net	<u>\$171,261,132</u>	<u>\$80,933,615</u>			<u>\$252,194,747</u>

**SAN FRANCISCO BAY AREA WATER  
EMERGENCY TRANSPORTATION AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 5 – MAJOR FUNDING SOURCES**

**A. State Appropriation**

In October 1999, the California State legislature formed the Water Transit Authority (WTA) and 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, Senate Bill stated that WTA funds will be transferred to the Authority. As of June 30, 2017, the appropriation has a balance as follows:

Original appropriation	\$12,000,000
Net expenses as of June 30, 2017	(9,725,830)
Unearned appropriation as of beginning of period	<u>2,274,170</u>
Fiscal year 2017:	
Interest income	<u>17,677</u>
Unearned appropriation as of period end	<u><u>\$2,291,847</u></u>

**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, 2017, the Authority expended a total of \$5,641,077 for capital. The Authority received \$845,409 in cash and had a receivable balance of \$4,615,668.

*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 \$18,300,000 to be used for operations in the fiscal year 2016-17 and \$20,095,710 to be used for capital. As of June 30, 2017, the Authority has expended total current allocated operating funds of \$14,587,148 and an additional \$8,865,348 of current and previously allocated capital funds. The Authority received \$21,367,722 in cash and had a receivable balance of \$2,084,774.

*AB664* is 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, 2017, the Authority had expended total allocated funds of \$1,171,957, had received \$890,389 in cash and had a receivable balance of \$281,568.

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**NOTE 5 – MAJOR FUNDING SOURCES (Continued)**

**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, 2017, the Authority had been awarded \$200 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, 2014, \$25 million in fiscal year June 30, 2016 and \$25 million in fiscal year ended June 30, 2017. Unspent grant receipts have been reported as unearned revenue in the accompanying financial statements.

A summary of the Authority's Proposition 1B projects for the fiscal year ended June 30, 2017 are as follows:

Project Name	Grant Allocations	Expended in Fiscal Year		Unearned Revenue at 06/30/17
		Prior years	2016-2017	
Preliminary Studies & Bridging Design of Redwood City, Richmond, Antioch and Martinez	\$2,299,792	(\$1,812,206)	(\$487,586)	
Final Design for Berkeley and Hercules Terminals	220,519	(220,519)		
South San Francisco Terminal and Vessel Construction	9,617,037	(9,617,037)		
Maintenance Barge/Facility and Emergency Floats	5,686,442	(5,698,052)	11,610	
Central Bay and North Bay Maintenance Facilities	66,676,210	(24,828,411)	(16,781,896)	\$25,065,903
San Francisco Berthing Expansion	57,500,000	(1,895,333)	(5,882,861)	49,721,806
WETA Ferry Vessels	48,000,000	(2,188,244)	(20,713,926)	25,097,830
East Bay Ferry Terminals	10,000,000		(695,021)	9,304,979
<b>Total</b>	<b>\$200,000,000</b>	<b>(\$46,259,802)</b>	<b>(\$44,549,680)</b>	109,190,518
Add interest earned in prior years				467,119
Add interest earned in current year				206,761
<b>Unearned Revenues</b>				<b>\$109,864,398</b>

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**NOTE 5 – MAJOR FUNDING SOURCES (Continued)**

**D. Measure B and Measure BB Programs**

Measure B was approved by the voters of Alameda County in 2000. This measure authorized a half-cent transportation sales tax to finance improvements to the County's mass transit and road improvements. Measure B funds are to be collected for a duration of 20 years; sales tax collection began on April 1, 2002 and will extend through March 31, 2022.

On November 4, 2014, the voters of Alameda County approved Measure BB, authorizing Alameda County Transportation Commission (CTC) to administer the proceeds from the extension of an existing one-half of one percent transaction and use tax scheduled to terminate on March 31, 2022 and the augmentation of the tax by one-half of one percent. The duration of the tax will be for 30 years from the initial year of collection, expiring on March 31, 2045. The tax proceeds will be used to pay for investments outlined in the 2014 Alameda County Transportation Expenditure Plan (2014 TEP).

The Authority uses Measure B and Measure BB funds for the maintenance and operations of the Alameda ferry services. During the fiscal year ended June 30, 2017, the Measure B and Measure BB program activity was as follows:

	<u>Measure B</u>	<u>Measure BB</u>
<b>Program Revenues:</b>		
Direct Local Program Distribution Allocation	\$1,038,122	\$674,089
Interest Earned - Measure B Distribution	1,735	1,127
<b>Total Measure BB Revenues</b>	<u>1,039,857</u>	<u>675,216</u>
<b>Program Expenditures:</b>		
Construction / Capital:		
Vessel Replacement - Harbor Bay Express II	(1,689,917)	(670,280)
Terminal Access Improvements - Alameda	(182,472)	
Net Bank Fees	(1,898)	(1,233)
<b>Total Direct Local Distribution Program Expenditures</b>	<u>(1,874,287)</u>	<u>(671,513)</u>
<b>Revenue Over Expenditures/ Excess Net Change in Fund Balance</b>	<u>(834,430)</u>	<u>3,703</u>
<b>Fund Balance:</b>		
Beginning Fund Balance	1,777,126	100,576
<b>Ending Fund Balance</b>	<u>\$942,696</u>	<u>\$104,279</u>
<b>Reserves:</b>		
Capital Reserves	\$839,696	\$37,279
Undesignated Reserves	103,000	67,000
<b>Unspent Funds as of the End of the Year:</b>	<u>\$942,696</u>	<u>\$104,279</u>

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**NOTE 5 – MAJOR FUNDING SOURCES (Continued)**

*Measure B (MB) and Measure BB (MBB) Reserves* - Pursuant to its agreement with the Alameda County Transportation Commission, the Authority is to expend MB and MBB 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 follow:

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 MB and MBB 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, 2017, the Authority’s Capital Fund Reserve amounted to \$876,975 and has been retained to fund the following capital projects related to the Alameda ferry services:

- Mid-Life Refurbishment of the M/V Peralta

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 MB and MBB funds. This fund may be a revolving fund and is not subject to an expenditure timeframe. As of June 30, 2017, 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, 2017, the Authority has established an Undesignated Fund Reserve totaling \$170,000.

***E. Low Carbon Transit Program***

The Low Carbon Transit Operations Program (LCTOP) was created by California Senate Bill 862 to provide funding for operational or capital expansion projects to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. The LCTOP funds are derived from California’s Cap-and-Trade Program and are the results of quarterly auctions of emission credits for greenhouse gas emitters regulated under Assembly Bill 32. The State Controller’s Office allocates five percent of the annual auction proceeds to the LCTOP and distributes these funds to transit operators on a formula basis. As of June 30, 2017, the Authority received an allocation from the FY15/16 program to support the construction of two new Richmond ferry vessels.

Allocation - FY15/16 Program	\$264,976
Less bank fees as of 6/30/17	(161)
Unearned Revenues	\$264,815

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**NOTE 6 – LEASE OBLIGATION**

**A. *Port of San Francisco***

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). On September 29, 2016 the Authority and the Port of San Francisco entered into a new lease extending the original lease by 5 years. It expires November 30, 2021. The annual lease payment is \$341,517, and each parcel is subject to a 3% annual adjustment with a minimum adjustment

**B. *Lennar Mare Island, LLC***

The Authority and Lennar Mare Island entered into a lease agreement on April 22, 2013. The agreement allows the Authority to lease facilities for the purposes of continued ferry maintenance operations at the Temporary Ferry Facility Area and Permanent Ferry Facility Area. The Authority is obligated to make monthly payments for the Temporary Ferry Facility Area and Permanent Ferry Facility Area of \$9,000 and \$2,500, respectively. The Permanent Ferry Facility Area shall increase the monthly base rent by 2.5% over the prior year's base rent amount on an annual basis. The lease expires after 50 years.

**C. *City of Alameda***

The Authority and the City of Alameda entered into a lease agreement on February 15, 2015. The agreement allows the Authority to lease facilities for the Central Bay Operations and Maintenance Facility. The Authority is obligated to make monthly base rent payments equal to \$5,125, adjusted annually by the Consumer Price Index Rent Adjustment, and expires after 60 years.

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**NOTE 7 – RISK MANAGEMENT**

The Authority purchased the following insurance policy covered at June 30, 2017:

<u>Type of Coverage</u>	<u>Limit</u>	<u>Deductible</u>
General liability	\$1,000,000 to 3,000,000	\$2,500
Workers compensation	1,000,000	N/A
Public officials management & Employment practices liability	3,000,000	15,000 to 25,000
Crime Insurance	1,000,000	2,500
 <u>Type of Coverage (related to Ferry Services)</u>		
Marine commercial liability, Terminal operators liability and Auto liability	\$1,000,000 to 3,000,000	\$2,500
Docks, pilings & ramps Pier 9, Harbor Bay, Alameda Main Street, Vallejo, Vallejo Ferry Ticket Office, South San Francisco Terminal, North Bay Operations and Maintenance Facility, Mare Island Terminals and Oakland Clay Street	84,300,000	10,000 to 20,000
Excess marine liability	24,000,000	N/A

The Authority did not have any claims in fiscal year 2017.

**NOTE 8 – NET POSITION**

Net Position is the excess of all the Authority's assets and deferred outflows of resources over all its liabilities and deferred inflows, regardless of fund. The Authority's Net Position is reported under the captions 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, unexpended Measure BB revenues and Alameda Local Property Tax/Assessments.

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

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**NOTE 9 – PENSION PLAN**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**A. General Information about the Pension Plans**

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the Authority's Miscellaneous Employee Pension Rate Plan. The Authority's Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan, which is administered by the California Public Employees' Retirement System (CalPERS). The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.0% - 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	10.069%	6.555%



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**NOTE 9 – PENSION PLAN (Continued)**

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. In fiscal year 2017, the Authority made a lump sum payment totaling \$224,287 for the unfunded liability and side fund.

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority’s is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
	Tier I & Tier II
Contributions - employer	\$391,333
Contributions - employee (paid by employer)	124,673

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2017, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$385,835
Total Net Pension Liability	\$385,835

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**NOTE 9 – PENSION PLAN (Continued)**

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.0160%
Proportion - June 30, 2016	0.0111%
Change - Increase (Decrease)	<u><u>-0.004919%</u></u>

For the year ended June 30, 2017, the Authority recognized a negative pension expense of \$159,637. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made after the measurement date	\$391,333	
Differences between actual and expected experience	6,173	\$1,416
Changes in assumptions		58,398
Net differences in actual contributions and proportionate contributions	499,899	
Net differences between projected and actual earnings on pension plan investments	303,941	
Adjustments due to changes in proportion	<u>12,665</u>	<u>265,719</u>
Total	<u><u>\$1,214,011</u></u>	<u><u>\$325,533</u></u>

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**NOTE 9 – PENSION PLAN (Continued)**

Deferred outflows of \$391,333 related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous	
Year Ended	
June 30	
2018	\$167,791
2019	128,656
2020	121,975
2021	78,723

**Actuarial Assumptions** – For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS' website.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

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**NOTE 9 – PENSION PLAN (Continued)**

*Change of Assumptions* – There were no changes of assumptions.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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**NOTE 9 – PENSION PLAN (Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the Authority’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$999,120
Current Discount Rate	7.65%
Net Pension Liability	\$385,835
1% Increase	8.65%
Net Pension Asset	\$121,021

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

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**NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS**

The Authority follows 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 PERSC are single premium for single coverage only.

As of June 30, 2017, three participants were eligible to receive benefits.

**A. *Funding Policy and Actuarial Assumptions***

The annual required contribution (ARC) was determined as part of the June 2015 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%-7.2 % 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 23 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.

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**NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**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, 2017, the Authority contributed the ARC amounting to \$76,800 to the plan which represented 4.8% of the \$1.6 million of covered payroll. The Authority did not have a Net OPEB Obligation at June 30, 2017, as presented below:

	Amounts
Net OPEB Obligation June 30, 2016	\$0
Annual required contribution (ARC)	76,800
Contributions to CERBT	(76,800)
Change in net OPEB Liability	0
Net OPEB Obligation June 30, 2017	\$0

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated October 2015, amounted to \$525,400 and, as of June 30, 2017, the Authority has \$717,454 held in the CERBT trust.

The Plan's estimated annual required contributions and actual contributions for the last three fiscal years are set forth below:

Fiscal Year	Estimated Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2015	\$46,900	\$46,900	100%	\$0
6/30/2016	69,800	69,800	100%	0
6/30/2017	76,800	76,800	100%	0

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For the Year Ended June 30, 2017**

**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 auditors, 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.

At June 30, 2017, the Authority had made commitments for the following projects:

Ferry Vessel Replacement - MV Hydrus & MV Cetus	\$1,183,646
Purchase Replacement Vessel - MV Vallejo	15,759,113
Purchase New Vessels - Richmond Ferry Service	33,111,343
Vessel Engine Overhaul - MV Bay Breeze	538,209
Quarter-Life Refurbishment - MV Taurus	2,098,130
Purchase Two New 400-Passenger Vessels	12,175,965
Central Bay Operations & Maintenance Facility	34,143,305
North Bay Operations & Maintenance Facility	40,977
Richmond Ferry Terminal	17,272,674
San Francisco Berthing Expansion	14,225,753
	<hr/>
Total	<u><u>\$130,549,115</u></u>



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**REQUIRED SUPPLEMENTARY INFORMATION**

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

**REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017**

San Francisco Water Emergency Transportation Authority's Miscellaneous Plan,  
a Cost-Sharing Multiple-Employer Defined Pension Plan  
As of fiscal year ending June 30, 2017  
Last 10 Years\*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Measurement Date	6/30/2014	6/30/2015	6/30/2016
Plan's Proportion of the Net Pension Liability/Asset	0.010204%	0.016026%	0.011107%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$748,940	\$439,655	\$385,835
Plan's Covered Payroll	\$1,217,627	\$1,363,751	\$1,453,752
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	61.51%	32.24%	26.54%
Plan's Proportionate Share of the Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	80.87%	88.93%	91.53%

\* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

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

**REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017**

**San Francisco Water Emergency Transportation Authority's Miscellaneous Plan,  
a Cost-Sharing Multiple-Employer Defined Pension Plan  
As of fiscal year ending June 30, 2017  
Last 10 Years\***

**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ended :	6/30/2015	6/30/2016	6/30/2017
Actuarially determined contribution	\$222,396	\$434,477	\$391,333
Contributions in relation to the actuarially determined contributions	(222,396)	(434,477)	(391,333)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$1,363,751	\$1,453,752	\$1,597,597
Contributions as a percentage of covered payroll	16.31%	29.89%	24.50%
<b>Notes to Schedule</b>			
Valuation date:	6/30/2013	6/30/2014	6/30/2015
Methods and assumptions used to determine contribution rates:			
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment rate of return	7.5%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation
Retirement age	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale AA.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

\* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

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

**REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017**

Schedule of Funding Progress  
Other Post Employment Benefits

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, 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%
June 30, 2015	410,200	525,400	115,200	78.07%	1,453,330	7.93%

# **Attachment C**

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

**SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

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SAN FRANCISCO BAY AREA  
WATER EMERGENCY TRANSPORTATION AUTHORITY

SINGLE AUDIT REPORT  
For The Year Ended June 30, 2017

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SAN FRANCISCO BAY AREA  
WATER EMERGENCY TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2017

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP 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

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Identification of major programs:

CFDA#(s)	Name of Federal Program or Cluster
20.500, 20.507 & 20.525	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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 December 1, 2017 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 Uniform Guidance.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Department of Transportation, Federal Transit Administration Direct Programs				
Federal Transit Cluster				
Federal Transit Capital Investment Grants:				
Central Bay Operations and Maintenance Facility	20.500			\$4,801,602
Central Bay Operations and Maintenance Facility	20.500			2,500,000
Richmond Ferry Terminal	20.500			24,863
FY2012 - 5309 Capital	20.500			<u>453,497</u>
Subtotal FTA - Federal Transit Capital Investment Grants				<u>7,779,962</u>
Federal Transit Formula Grants:				
Ferry Replacement - Vallejo	20.507			749,345
FY2013 - 5307 Capital	20.507			3,039,953
Central Bay Operations and Maintenance Facility Construction	20.507			4,325,466
San Francisco Ferry Terminal/Berthing Facilities	20.507			<u>1,850,613</u>
Subtotal FTA - Federal Transit Formula Grants				<u>9,965,377</u>
State of Good Repair Grants Program				
FY2014 - 5337 Capital	20.525			2,942,538
FY2015 - 5337 Capital	20.525			3,347,794
FY2016 Ferry Capital Rehabilitation and Replacement	20.525			<u>2,611,146</u>
Subtotal FTA - State of Good Repair Grants				<u>8,901,478</u>
Total Federal Transit Cluster - Direct Programs				<u>26,646,817</u>
Total Expenditures of Federal Awards				<u>\$26,646,817</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2017**

**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, California (Authority).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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. The proprietary fund is accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

**NOTE 3 – INDIRECT COST ELECTION**

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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**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,  
San Francisco Bay Area Water Emergency Transportation 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 financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 1, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 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. 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*.

### ***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 result 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.

*Maze & Associates*

Pleasant Hill, California  
December 1, 2017

**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 THE UNIFORM GUIDANCE**

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

***Report on Compliance for Each Major Federal Program***

We have audited the San Francisco Bay Area Water Emergency Transportation Authority's (Authority) compliance with the types of compliance requirements described in the *OMB 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 program for the year ended June 30, 2017.

## *Report on Internal Control Over Compliance*

Management of the Authority 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 the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance*

We have audited the financial statements of the Authority as of and for the year ended June 30, 2017, and have issued our report thereon dated December 1, 2017 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 the Uniform Guidance 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.

*Maze & Associates*

Pleasant Hill, California  
December 15, 2017

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# **Attachment D**

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

**MEASURE B FUND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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**SAN FRANCISCO BAY AREA  
WATER EMERGENCY TRANSPORTATION AUTHORITY  
MEASURE B FUND  
Financial Statements  
For the Year Ended June 30, 2017**

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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 accompanying 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, 2017, and the related notes to the 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 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 statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure B Program as of June 30 2017, and the change in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

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.

The emphasis of this matter does not constitute a modification to our opinion.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 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.

*Maze & Associates*

Pleasant Hill, California  
December 1, 2017

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

BALANCE SHEET  
 JUNE 30, 2017

	Mass Transit
<b>ASSETS</b>	
Cash and Investments	\$1,208,675
Measure B Direct Local Distribution Program Receivable	160,401
Interest Receivable	437
Total Assets	\$1,369,513
<b>LIABILITIES</b>	
Account Payable	\$207,533
Accrued Liabilities	219,284
Total Liabilities	426,817
<b>FUND BALANCE</b>	
Restricted for Measure B Programs:	
Capital Reserve	839,696
Undesignated Reserve	103,000
Total Fund Balance	942,696
Total Liabilities and Fund Balance	\$1,369,513

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2017

	Mass Transit
REVENUES:	
Direct Local Distribution Funds Allocation	\$1,038,122
Interest Earned - Measure B Distribution	1,735
Total Revenues	1,039,857
EXPENDITURES:	
Construction:	
Vessel Replacement - Harbor Bay Express II	1,689,917
Terminal Access Improvements - Alameda	182,472
Bank Fees	1,898
Total Expenditures	1,874,287
NET CHANGE IN FUND BALANCE	(834,430)
FUND BALANCE:	
Beginning Fund Balance	1,777,126
Ending Fund Balance	\$942,696

See accompanying notes to financial statements.

**SAN FRANCISCO BAY AREA  
WATER EMERGENCY TRANSPORTATION AUTHORITY  
MEASURE B FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017**

**1. DESCRIPTION OF REPORTING ENTITY**

**Reporting Entity** – All transactions of the Alameda County Transportation Commission – 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.

**Fair Value Measurements** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**SAN FRANCISCO BAY AREA  
WATER EMERGENCY TRANSPORTATION AUTHORITY  
MEASURE B FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

**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.

**3. CASH AND INVESTMENTS**

Cash and investments consisted of \$1,208,675 in money market funds. Money market funds are reported at amortized cost as indicated in GASB 72 paragraph 69c.

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:

*Vessel Replacement – Harbor Bay Express II*

*Terminal Access Improvements - Alameda*

**SAN FRANCISCO BAY AREA  
WATER EMERGENCY TRANSPORTATION AUTHORITY  
MEASURE B FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017**

**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.

As of June 30, 2017, the Authority's Capital Fund Reserve amounted to \$839,696 and has been retained to fund the following capital projects related to the Alameda ferry services:

- Mid-Life Refurbishment of the M/V Peralta

*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 funds. This fund may be a revolving fund and is not subject to an expenditure timeframe. As of June 30, 2017, 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, 2017, the Authority has established an Undesignated Fund Reserve totaling \$103,000.



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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 Fund (Measure B Program) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2017 and the related notes to the financial statements, and have issued our report thereon date December 1, 2017.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants' requirements related to Measure B 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 laws and regulations, contracts, and grant requirements related to Measure B funds as specified in the agreement between the Authority and the Alameda County Transportation Commission.

### ***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.

We have also issued a separate Memorandum on Internal Control dated December 1, 2017 which is an integral part of our audit and should be read in conjunction with this report.

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.

*Maze & Associates*

Pleasant Hill, California  
December 1, 2017

# **Attachment E**

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

**MEASURE BB FUND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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**SAN FRANCISCO BAY AREA  
WATER EMERGENCY TRANSPORTATION AUTHORITY  
MEASURE BB FUND  
Financial Statements  
For the Year Ended June 30, 2017**

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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 accompanying financial statements of the Alameda County Transportation Commission-Measure BB Funds (Measure BB Program) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2017, and the related notes to the 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 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.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure BB Program as of June 30, 2017, and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 1, the financial statements present only the Measure BB 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.

The emphasis of this matter does not constitute a modification to our opinion.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 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.

*Maze & Associates*

Pleasant Hill, California  
December 1, 2017

SAN FRANCISCO BAY AREA  
 WATER EMERGENCY TRANSPORTATION AUTHORITY  
 ALAMEDA COUNTY TRANSPORTATION COMMISSION - MEASURE BB FUND

BALANCE SHEET  
 JUNE 30, 2017

	<u>Mass Transit</u>
<b>ASSETS</b>	
Measure BB Direct Distribution Program Receivable	<u>\$104,279</u>
Total Assets	<u><u>\$104,279</u></u>
<b>FUND BALANCE</b>	
Restricted for:	
Capital Reserve	\$37,279
Undesignated Reserves	<u>67,000</u>
Total Fund Balance	<u>104,279</u>
Total Liabilities and Fund Balance	<u><u>\$104,279</u></u>

See accompanying notes to financial statements.

SAN FRANCISCO BAY AREA  
 WATER EMERGENCY TRANSPORTATION AUTHORITY  
 ALAMEDA COUNTY TRANSPORTATION COMMISSION - MEASURE BB FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2017

	Mass Transit
<b>REVENUES:</b>	
Direct Local Distribution Funds Allocation	\$674,089
Interest Earned - Measure B Distribution	1,127
Total Revenues	675,216
<b>EXPENDITURES:</b>	
Construction:	
Vessel Replacement - Harbor Bay Express II	670,280
Bank Fees	1,233
Total Expenditures	671,513
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,703</b>
<b>FUND BALANCE:</b>	
Beginning Fund Balance	100,576
Ending Fund Balance	<b>\$104,279</b>

See accompanying notes to financial statements.

**SAN FRANCISCO BAY AREA  
WATER EMERGENCY TRANSPORTATION AUTHORITY  
MEASURE BB PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017**

**1. DESCRIPTION OF REPORTING ENTITY**

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

The accompanying financial statements are for the Measure BB 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.

**Fair Value Measurements** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**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 BB PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017**

**3. MEASURE BB PROGRAM**

On November 4, 2014, the voters of Alameda County approved Measure BB, authorizing Alameda County Transportation Commission (CTC) to administer the proceeds from the extension of an existing one-half of one percent transaction and use tax scheduled to terminate on March 31, 2022 and the augmentation of the tax by one-half of one percent. The duration of the tax will be for 30 years from the initial year of collection, expiring on March 31, 2045. The tax proceeds will be used to pay for investments outlined in the 2014 Alameda County Transportation Expenditure Plan (2014 TEP).

**4. FUND BALANCE**

*Measure BB Reserves* – Pursuant to its agreement with the Alameda County Transportation Commission, the Authority is to expend Measure BB 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 BB 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, 2017, the Authority's Capital Fund Reserve amounted to \$37,279 and has been retained to fund the following capital project related to the Alameda ferry services:

- Mid-Life Refurbishment of the M/V Peralta

*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 BB funds. This fund may be a revolving fund and is not subject to an expenditure timeframe. As of June 30, 2017, 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, 2017, the Authority has established an Undesignated Fund Reserve totaling \$67,000.

## INDEPENDENT AUDITOR'S REPORT ON MEASURE BB COMPLIANCE

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

### ***Report on Compliance for Measure BB 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 BB Funds (Measure BB Program) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2017 and the related notes to the financial statements, and have issued our report thereon date December 1, 2017.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants' requirements related to Measure BB 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 BB 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 BB 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 BB Program. However, our audit does not provide a legal determination of the Authority's compliance.

### ***Opinion on Measure BB Program***

In our opinion, the Authority complied, in all material respects, with the laws and regulations, contracts, and grant requirements related to Measure BB funds as specified in the agreement between the Authority and the Alameda County Transportation Commission.

### ***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 BB to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Measure BB 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 BB 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.

We have also issued a separate Memorandum on Internal Control dated December 1, 2017 which is an integral part of our audit and should be read in conjunction with this report.

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.



Pleasant Hill, California  
December 1, 2017

MEMORANDUM

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**TO: Board Members**

**FROM: Nina Rannells, Executive Director  
Keith Stahnke, Manager, Operations**

**SUBJECT: Approve Contract Award to CLE Engineering for Technical and Construction Management Services for the Terminal Dredging Project**

**Recommendation**

Staff recommends that the Board of Directors approve the following actions associated with contract award for technical and construction management services to support WETA's upcoming terminal dredging project:

1. Approve contract award to CLE Engineering for technical and construction management (CM) services to support Vallejo and South San Francisco terminal dredging in an amount not to exceed \$230,000 and authorize the Executive Director to negotiate and execute a final contract and take any other such related actions to support this work; and
2. Advance a new capital project to the FY 2017/18 Capital Budget entitled *Terminal Dredging* with a total project budget of \$3,750,000, and \$75,000 budgeted for expenditure in FY 2017/18.

**Background**

**Vallejo Ferry Terminal Maintenance Dredging**

The Vallejo terminal ferry basin requires periodic maintenance dredging every three to four years to return the operating basin to its full depth. Due to record rainfall and exceptional runoff in early 2017, a small unplanned dredge project was completed last summer to address excessive silting that made the terminal inaccessible during extremely low tides. The volume of material removed in 2017 was limited by regulatory agencies and was only sufficient to last through to the full dredge project planned to occur in 2018.

**South San Francisco Ferry Terminal Maintenance Dredging**

The South San Francisco terminal area was originally dredged in 2009 coinciding with the terminal construction. Some siltation occurs at this location and a dredging cycle of 10 years was originally anticipated when the terminal was built. In December 2016 a hydrographic survey was completed with a follow up survey in June 2017. The results of the surveys indicate that maintenance dredging will be required in 2018, a year earlier than originally anticipated.

**Discussion**

On November 9, 2017 the Board authorized staff to release a Request for Qualifications (RFQ) to solicit qualified firms to provide expertise in design, engineering, permitting and construction management for WETA's upcoming terminal dredging projects in Vallejo and South San Francisco scheduled to take place in during the dredge window in Summer/Fall 2018. On December 6, 2017, staff issued an RFQ to firms on WETA's technical consultant list through



email and further solicited interest through notices on the WETA website and advertised in the San Francisco Chronicle newspaper seeking professional services for this project. On December 22, 2017, WETA received a total of three (3) Statements of Qualification (SOQs) in response to the RFQ.

Selection criteria for the contract award, as established within the RFQ, included the following:

**1. Understanding of Project Objectives**

Criteria - understanding of services required and significance to WETA; identification of additional tasks not listed in scope of services that may be required to complete the project.

**2. Technical and Management Approach**

Criteria - knowledge of reviewing agencies and the role they will play in process; potential impacts to cost, scope, and schedule based on lessons learned; recommendations to lower/control costs given proposed scope of project; approach to working with WETA staff and consultants.

**3. Capabilities and Experience of Proposed Staff**

Criteria - qualifications and experience of proposed team, emphasizing specific qualifications and experience acquired.

**4. Organization of the Team**

Criteria - completeness, efficiency, logic, availability.

An evaluation panel reviewed and scored the proposals based upon these criteria. The results of the review are summarized in Table 1 below.

<b>Table 1 - Combined Scoring</b>			
	<b>Firms</b>		
	<b>CLE</b>	<b>COWI</b>	<b>Haley Aldrich</b>
<b>Approach and Understanding</b>	9.0	9.0	9.0
<b>Technical and Management Approach</b>	22.5	21.3	21.3
<b>Capabilities and Experience</b>	57.0	48.0	45.0
<b>Team Organization</b>	5.0	4.3	4.0
<b>Total Score</b>	<b>93.5</b>	<b>82.6</b>	<b>79.3</b>

Based upon the submittal evaluation and scoring, the review panel has identified CLE Engineering as the best qualified firm to complete this work. The selection panel gave CLE Engineering the highest rating based on their proposed technical approach. CLE Engineering has extensive experience and has worked on similar projects for WETA in the past.

The work under this contract will include the engagement of professional engineering consultant services to obtain all necessary permits for the dredging; perform all requisite tests; perform all sampling, analyses, and surveys as required; preparation of contract documents to enable WETA to go out to bid for dredging. Construction management services include onsite inspection and safety monitoring personnel; quality assurance; ensure dredging contractor compliance with regulatory agencies; certified payroll collection and verification for the dredging work.

The recommended contract award is for an amount not to exceed \$230,000 with work to be managed based upon task orders issued by WETA staff within this overall contract limit. The selection of a contractor to perform the actual dredging work for this project will be procured separately. The dredging projects and associated work is expected to be complete by November 2018.

**DBE/SBE Participation:**

WETA's overall annual Disadvantaged Business Enterprise (DBE) goal and Small Business Enterprise (SBE) goal for Federal Fiscal Year 2017/18 is 1.78% and 5.04%, respectively, for all FTA assisted contracts. Staff has reviewed the DBE/SBE materials provided by CLE Engineering and has determined that they have complied with the DBE requirements for this contract. CLE Engineering has committed 0% DBE participation and 10% SBE participation.

**Fiscal Impact**

This item advances a new project to the FY 2017/18 Capital Budget for *Terminal Dredging* with a total project budget of \$3,750,000, including \$75,000 budgeted for expense in FY 2017/18. This project will be funded with Federal Transit Administration grant funds, AB664 Bridge Toll Revenues and RM 1 – 2% capital funds.

\*\*\*END\*\*\*

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

**RESOLUTION NO. 2018-03**

**APPROVE CONTRACT AWARD TO CLE ENGINEERING FOR TECHNICAL AND CONSTRUCTION MANAGEMENT SERVICES FOR THE TERMINAL DREDGING PROJECT**

**WHEREAS**, the San Francisco Bay Area Water Emergency Transportation Authority (WETA) authorized release of a Request for Qualifications (RFQ) for technical and construction management services at its November 9, 2017 meeting; and

**WHEREAS**, WETA has established procedures in its Administrative Code relating to the selection and contracting of consulting services, solicitation, and evaluation of qualifications; and

**WHEREAS**, WETA followed the procedures specified in its Administrative Code regarding solicitation and evaluation of qualifications; and

**WHEREAS**, as the result of the process, WETA staff recommends award of a contract to CLE Engineering in the amount of \$230,000, with actual expenditures to be authorized within this amount on a task order basis; and now, therefore, be it

**RESOLVED**, that the Board of Directors hereby approves entering into an agreement with CLE Engineering for Technical and Construction Management services for a total amount not to exceed \$230,000 and authorizes the Executive Director to negotiate and execute an agreement for these services and take any other such related actions to support this work; and be it further

**RESOLVED**, that the Board of Directors authorizes advancing a new capital project entitled *Terminal Dredging* to the FY2017/18 Capital Budget with a total project budget of \$3,750,000 and \$75,000 budgeted for expenditure in FY2017/18.

**CERTIFICATION**

The undersigned, Board Secretary, does hereby certify that the foregoing is a full, true and correct copy of a resolution duly and regularly adopted at a meeting of the San Francisco Bay Area Water Emergency Transportation Authority held on January 11, 2018.

YEA:

NAY:

ABSTAIN:

ABSENT:

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/s/ Board Secretary

2018-03

\*\*\*END\*\*\*

MEMORANDUM

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**TO: Board Members**

**FROM: Nina Rannells, Executive Director  
Keith Stahnke, Manager, Operations**

**SUBJECT: Approve Contract Award to Aurora Marine Design for Marine Engineering and Construction Management Services**

**Recommendation**

Staff recommends that the Board of Directors approve contract award to Aurora Marine Design for Marine Engineering and Construction Management Services in an amount not to exceed \$1,200,000 and authorize the Executive Director to negotiate and execute a final contract and take any other such related actions to support this work.

**Background**

Over the next three years WETA will implement several vessel rehabilitation and refurbishment projects and has a need to retain the services of an experienced marine engineering and construction management firm to support the development and management of these projects. The work required is varied and includes such items as preparing technical design and drawings, developing procurement specifications, managing procurement processes and providing onsite shipyard construction inspection and oversight. Planned vessel capital projects requiring engineering and construction management support services include:

- Vessel Mid-Life Refurbishment Phase II – MV *Peralta*
- Vessel Quarter-Life Refurbishment – MV *Scorpio*
- Vessel Mid-Life Refurbishment – MV *Solano*

**Discussion**

On November 9, 2017, the Board authorized staff to issue a Request for Qualifications (RFQ) for Marine Engineering and Construction Management Services to support the MV *Peralta*, MV *Scorpio* and MV *Solano* refurbishment projects. Staff issued the RFQ on December 6, 2017, to firms on WETA's technical consultant list through email and further solicited interest through notices on the WETA website and advertised in the San Francisco Chronicle newspaper seeking professional services for this project. On January 2, 2017, WETA received a total of four (4) Statements of Qualification (SOQs) in response to the RFQ.

Selection criteria for the contract award, as established within the RFQ, included the following:

**1. Understanding of Project Objectives**

Criteria - understanding of services required and significance to WETA; identification of additional tasks not listed in scope of services that may be required to complete the project.

## 2. Technical and Management Approach

Criteria - knowledge of reviewing agencies and the role they will play in process; potential impacts to cost, scope, and schedule based on lessons learned; recommendations to lower/control costs given proposed scope of project; approach to working with WETA staff and consultants.

## 3. Capabilities and Experience of Proposed Staff

Criteria - qualifications and experience of proposed team, emphasizing specific qualifications and experience acquired.

## 4. Organization of the Team

Criteria - completeness, efficiency, logic, availability.

An evaluation panel reviewed and scored the proposals based upon these criteria. The results of the review are summarized in Table 1 below.

	<b>Firms</b>			
	<b>Ashtonco</b>	<b>Elliott Bay</b>	<b>Aurora Marine Design</b>	<b>Glosten</b>
<b>Approach and Understanding</b>	6.5	8.5	9.0	9.0
<b>Technical and Management Approach</b>	8.8	22.5	23.8	22.5
<b>Capabilities and Experience</b>	24	51.0	54.0	54.0
<b>Team Organization</b>	1.8	3.5	4.3	4.1
<b>Total Score</b>	<b>41.1</b>	<b>85.5</b>	<b>91.1</b>	<b>89.6</b>

Based upon the submittal evaluation and scoring, the review panel has identified Aurora Marine Design as the most qualified firm to perform this work. Aurora Marine Design received the highest rating in all review areas and was especially strong in their proposed technical approach and team organization and references. Aurora Marine Design has extensive experience working on similar projects.

The work under this contract will include such items as preparation of technical specifications, vessel construction management and oversight, and warranty administration. The construction management tasks will include inspection and testing services throughout all phases of construction and compliance oversight of these Federal Transit Administration funded projects.

The recommended contract award is for an amount not to exceed \$1,200,000, which represents approximately 6% of the MV *Peralta*, MV *Scorpio*, and MV *Solano* vessel rehabilitation project amounts. This amount is consistent with that spent for construction management and engineering services of previous rehabilitation projects performed by WETA. The work under this contract will be managed by task orders issued by WETA staff within the overall contract limit.

**DBE/SBE Participation:**

WETA's overall annual Disadvantaged Business Enterprise (DBE) goal and Small Business Enterprise (SBE) goal for Federal Fiscal Year 2017/18 is 1.78% and 5.04%, respectively, for all FTA assisted contracts. Staff has reviewed the DBE/SBE materials provided by Aurora Marine Design and has determined that they have complied with the DBE requirements for this contract. Aurora Marine Design has committed 0% DBE participation and 0% SBE participation.

**Fiscal Impact**

The *Vessel Mid-Life Refurbishment Phase II – M/V Peralta* project is included in the FY 2017/18 Capital Budget at a total cost of \$5,117,000. The *Vessel Quarter-Life Refurbishment – M/V Scorpio* project is also included in the FY 2017/18 Capital Budget, at a total cost of \$2,500,000. Both projects are funded with a combination of Federal Transit Administration grant funds (80%) and Alameda Transportation Sales Tax Revenues (20%). Sufficient funds are included in the project costs to support the award of this contract.

The *Vessel Mid-Life Refurbishment – M/V Solano* project is planned to begin in FY 2018/19. This project will be included in the FY 2018/19 Capital Budget.

\*\*\*END\*\*\*

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

**RESOLUTION NO. 2018-04**

**APPROVE CONTRACT AWARD TO AURORA MARINE DESIGN FOR MARINE  
ENGINEERING AND CONSTRUCTION MANAGEMENT SERVICES**

**WHEREAS**, the San Francisco Bay Area Water Emergency Transportation Authority (WETA) authorized release of a Request for Qualifications (RFQ) for marine engineering and construction management services at its November 9, 2017 meeting; and

**WHEREAS**, WETA has established procedures in its Administrative Code relating to the selection and contracting of consulting services, solicitation, and evaluation of qualifications; and

**WHEREAS**, WETA followed the procedures specified in its Administrative Code regarding solicitation and evaluation of qualifications; and

**WHEREAS**, as the result of the process, WETA staff recommends award of a contract to Aurora Marine Design in the amount of \$1,200,000, with actual expenditures to be authorized within this amount on a task order basis now, therefore, be it

**RESOLVED**, that the Board of Directors hereby approves entering into an agreement with Aurora Marine Design for engineering and construction management services for a total amount not to exceed \$1,200,000 and authorizes the Executive Director to negotiate and execute an agreement for these services and take any other such related actions to support this work.

**CERTIFICATION**

The undersigned, Board Secretary, does hereby certify that the foregoing is a full, true and correct copy of a resolution duly and regularly adopted at a meeting of the San Francisco Bay Area Water Emergency Transportation Authority held on January 11, 2018.

YEA:

NAY:

ABSTAIN:

ABSENT:

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/s/ Board Secretary

2018-04

\*\*\*END\*\*\*

**MEMORANDUM**

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**TO: Board Members**

**FROM: Nina Rannells, Executive Director**  
**Ernest Sanchez, Manager, Transportation Services**

**SUBJECT: Approve List of On-Call Marketing and Public Relations Consults and**  
**Authorize the Executive Director to Enter into Work Agreements**

**Recommendation**

Staff recommends that the Board of Directors approve the following actions associated with establishing an on-call list of qualified consultants to provide marketing and public relations services:

1. Approve a list of on-call marketing and public relations consultants to be valid for up to five years, including MacKenzie, Robert Anthony Strategic Marketing & Design and Civic Edge Consulting; and
2. Authorize the Executive Director to negotiate and execute individual agreements with qualified firms on this list and secure services on an as-needed, task order basis in an amount not to exceed \$350,000 per agreement per year.

**Background**

WETA requires a wide range of specialized skills and services to support its various marketing, advertising and public information needs throughout the year. Contracting with consultants to provide on-call marketing and public relations services allows WETA staff to access a variety of such services on demand which is helpful in managing peak workloads, participating in special events and in ensure that we have sufficient resources to support our ongoing public information, communications, advertising and promotional efforts.

**Discussion**

On November 21, 2017, staff issued an RFP to firms on WETA's technical consultant list through email and further solicited interest through notices on the website seeking qualified consultant(s) to provide on-call marketing and/or public information services. Firms were invited to submit proposals to provide marketing services, public relations services or both. Broadly speaking subject areas were characterized as follows:

- Marketing: Develop marketing plans, creative (concept and design), pre-press services (final art, printer coordination), production of radio and video spots, and web site development.
- Public Relations: Develop PR plan, assist with event planning and execution, media monitoring (including social media), and develop press releases, media kits, presentations, etc.

On December 5, staff held a pre-submittal conference at the WETA offices that was attended by four firms.



On Monday, December 18, WETA received proposals from three agencies to be considered to provide marketing and/or public relations services as follows:

<b>Firms</b>	<b>Marketing</b>	<b>Public Relations</b>
Civic Edge Consulting	X	X
MacKenzie Communications	X	X
Robert Anthony Strategic Marketing and Design	X	---

An evaluation panel reviewed the submittals and determined that all proposers were responsive and that each firm met or exceeded the selection criteria established in the RFQ including project understanding and approach and experience and qualifications related to the specific area(s) of marketing and public relations. The panel concluded that all three firms are qualified to undertake the marketing and/or public relations work scopes identified in the RFQ.

Staff recommends that all three firms be included as a part of the Board-approved on-call list of marketing and public relations consultants. As specific services are required, staff would utilize firms on this list based upon qualifications for the specific task and cost. Services would be acquired as needed and actual expenditures would be authorized on a task order basis within established annual budget limits.

**Fiscal Impact**

Funding for marketing and public relations consulting services is included in the FY 2017/2018 operating budget and will also be included in future year budgets to fund these on-call contracts and related ongoing work.

\*\*\*END\*\*\*

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

**RESOLUTION NO. 2018-05**

**APPROVE LIST OF ON-CALL MARKETING AND PUBLIC RELATIONS CONSULTANTS AND AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO WORK AGREEMENTS**

**WHEREAS**, the San Francisco Bay Area Water Emergency Transportation Authority (WETA) authorized release of a Request for Qualifications (RFQ) for marketing and public information services at its December 8, 2016 meeting; and

**WHEREAS**, the WETA has established procedures in its Administrative Code relating to the selection and contracting of consulting services, solicitation, and evaluation of qualifications; and

**WHEREAS**, the WETA staff has followed these procedures in soliciting and reviewing bids, and recommends establishing a list of qualified consultants including MacKenzie, Robert Anthony Strategic Marketing & Design and Civic Edge Consulting, and establishing individual agreements with qualified firms with specific work to be managed on an as-needed task order basis; now, therefore, be it

**RESOLVED**, that the Board of Directors hereby approves a list of on-call marketing and public relations consultants to be valid for up to five years, including MacKenzie, Robert Anthony Strategic Marketing & Design and Civic Edge Consulting; and be it further

**RESOLVED**, that the Board of Directors authorizes the Executive Director to negotiate and execute individual agreements with qualified firms on this list and secure services on an as-needed, task order basis in an amount not to exceed \$350,000 per agreement per year.

**CERTIFICATION**

The undersigned, Board Secretary, does hereby certify that the foregoing is a full, true and correct copy of a resolution duly and regularly adopted at a meeting of the San Francisco Bay Area Water Emergency Transportation Authority held on January 11, 2018.

YEA:

NAY:

ABSTAIN:

ABSENT:

---

/s/ Board Secretary

2018-05

\*\*\*END\*\*\*

**MEMORANDUM**

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**TO: Board Members**

**FROM: Nina Rannells, Executive Director**

**SUBJECT: Status Report on Regional Measure 3**

**Recommendation**

There is no recommendation associated with this informational item.

**Background**

Senate Bill 595 (SB 595), signed by the Governor on October 19, 2017, authorizes the Bay Area Toll Authority (BATA) to place Regional Measure 3 - a bridge toll increase measure - on the ballot in the nine Bay Area counties to fund a program of projects to reduce regional traffic congestion and improve mobility in the Bay Area.

If approved by voters, Regional Measure 3 (RM3) would provide WETA with a long-term commitment of new operating and capital funds to maintain, sustain, enhance and expand our network of regional ferry services. As defined in SB 595, RM3 would provide WETA with \$300 million for capital projects and an annual operating set-aside of \$10 million in the first year of allocation, \$15 million in the second year, \$20 million in the third year, \$25 million in the fourth year and \$35 million in the fifth year and thereafter. These amounts would be reduced by a pro-rata share in the event that something less than a three dollar toll is approved or the toll increase is phased in over time. Operating dollars specified for ferry services not allocated in a given year will be set aside in a reserve for use by WETA in future years.

**Discussion**

The Bay Area Toll Authority (BATA) held a workshop on December 13, 2017, to discuss whether to place Regional Measure 3 on the June 2018 ballot and to consider the amount and timing of the proposed toll increase. As a part of this discussion, BATA board members received the results of a public opinion poll which indicated general public support for a bridge toll increase to support implementation of the RM3 program of projects. At the conclusion of the December workshop discussion, BATA board members signaled support for moving forward to place RM3 on the ballot in June 2018 and requested BATA staff to bring forward a recommendation for a specific program at their meeting in January 2018.

On January 3, BATA issued a staff report for the BATA Oversight Committee meeting on January 10. This report recommends that BATA move forward to place RM3 on the June 5, 2018 ballot for Bay Area voter consideration of a \$3 toll increase to be phased in over a six-year period with the first dollar increase in January 2019, the second dollar increase in January 2022 and the third dollar increase in January 2025. The BATA Committee memorandum is provided as **Attachment A** to this report. The full BATA Board is scheduled to meet on January 24, 2018.

WETA staff has been working to provide Metropolitan Transportation Commission/BATA staff with pertinent information about our Strategic Plan, services and the potential

benefits of the proposed toll increase on our ability to deliver new and enhanced Bay Area ferry services. Assuming that BATA will take action to place RM3 on the June ballot, staff will develop public information materials and identify outreach opportunities to help inform the public about the benefits of the proposed toll increase and how WETA projects will improve mobility within the Bay Area's state-owned bridge corridors. Additionally, staff will bring forward an item for the Board to consider endorsement of the RM3 in February.

\*\*\*END\*\*\*



BAY AREA TOLL AUTHORITY  
Bay Area Metro Center  
375 Beale Street  
San Francisco, CA 94105  
TEL 415.778.6700  
WEB [www.mtc.ca.gov](http://www.mtc.ca.gov)

## *Memorandum*

TO: BATA Oversight Committee

DATE: January 3, 2018

FR: Executive Director

W. I. 1254

RE: BATA Resolution No. 123 – Regional Measure 3: Placement on June 5, 2018 Ballot

### **Background**

Senate Bill 595 (Beall, 2017) authorizes the Bay Area Toll Authority (BATA) to place on the ballot a measure in the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma to increase the bridge toll rate on the seven state-owned bridges under BATA's jurisdiction. The bill provides that the measure shall be known as Regional Measure 3 (RM3) and gives BATA the authority to determine:

- The date when the toll increase is placed on the ballot
- The toll increase amount (no greater than a \$3 surcharge)
- The phase-in schedule for the toll increase
- The ballot question

### **Public Opinion Poll Demonstrates Support from Bay Area Residents**

At the RM 3 BATA Workshop held in December 2017, EMC Research presented the results of a telephone/web survey of 4,151 Bay Area voters from November 27 - December 11, 2017 regarding their support for specific projects funded in the RM3 expenditure plan (Plan) funded with a toll increase. The survey found that 54 percent of likely June 2018 voters were in favor of a toll increase that would be phased in with a \$1 increase effective in 2019, a \$1 increase in 2023 and a \$1 increase in 2027. The poll found that support for the "\$1+\$1+\$1" measure grew considerably to 60% after voters were told about specific projects that would be funded by RM3.

### **Staff Recommendations and Discussion**

Date of the Election: We recommend that BATA request that the nine counties place RM3 on the ballot at the June 5, 2018 statewide election. As mentioned above, the recently completed public opinion poll suggests that likely voters at that election would view RM3 favorably, the robust economy ensures that transportation and traffic congestion are top-of-mind issues for many voters, and as the old saying goes: there's no time like the present.

Toll Amount: SB 595 authorizes BATA to ask the voters to approve up to a \$3 increase in tolls on the seven state-owned bridges. We recommend BATA seek a "\$1+\$1+\$1" toll increase, with a phase-in as described below. The polling results suggest that there is majority voter support for that level of increase in tolls.

Phase-in Period: As BATA Chief Financial Officer Brian Mayhew stated at your December 2017 Workshop, we can deliver the project list in the RM3 Plan with up to an eight-year phase-in for the second and third dollars. Accordingly, we tested an eight-year phase-in schedule in the public opinion poll. At the Workshop, several commissioners noted the desirability of shortening that phase-in period in order to generate additional cash flow for earlier implementation of the RM3 program of projects. Accordingly, we recommend a six-year phase-in period as follows:

First dollar	January 1, 2019
Second dollar	January 1, 2022
Third dollar	January 1, 2025

Ballot Question: BATA must determine the 75-word ballot question that will appear in identical terms on all nine Bay Area county ballots. Staff proposes the following language, which closely tracks the sample ballot language that was tested in the public opinion poll:

BAY AREA TRAFFIC RELIEF PLAN. Shall voters authorize a plan to reduce auto and truck traffic, relieve crowding on BART, unlog freeway bottlenecks, and improve bus, ferry, BART and commuter rail service as specified in the plan in this voter pamphlet, with a \$1 toll increase effective in 2019, a \$1 increase in 2022, and a \$1 increase in 2025, on all Bay Area toll bridges except the Golden Gate Bridge, with independent oversight of all funds?

The above described recommendations have been incorporated into the attached BATA Resolution No. 123, for your consideration.

#### **Updated Toll Schedule and Resolution**

If the voters approve RM3, BATA would need to adopt a revised toll schedule to codify the toll rate for all types of vehicles. At that time, as required by SB 595, BATA would incorporate into that toll schedule a 50 percent discount on the RM3 toll increase for those commuters who traverse two toll bridges during a single workday and who either pay tolls electronically or through other non-cash methods – i.e. FasTrak<sup>®</sup> account holders. This most commonly occurs for commuters who cross the Carquinez and San Francisco-Oakland Bay bridges as part of their commute to and from work. The statute requires BATA to develop the specific parameters for implementing this discount.

#### **Independent Oversight Committee**

Additionally, if the voters approve RM3, the statute requires that BATA establish an independent oversight committee within six months of the effective date of the RM3 toll increase. The oversight committee would be comprised of 18 members, with two members appointed by each county board of supervisors in the region.

#### **Recommendation**

Staff recommends that the committee forward BATA Resolution No. 123 to the full Authority for approval.



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Steve Heminger

Attachment: BATA Resolution No. 123  
SH:rl

Date: January 24, 2018  
W.I.: 1254  
Referred by: BATA Oversight

ABSTRACT

BATA Resolution No. 123

This resolution calls for a ballot measure, known as Regional Measure 3 (RM3), to be placed on the ballot of an election to be held on June 5, 2018, concurrent and consolidated with the statewide election to be held on the same date, establishes the RM3 ballot language to be used in all nine counties of the Bay Area and directs staff to work with the registrars and county clerks in each of the nine counties to place RM3 on the ballot.

Further discussion of this resolution is contained in the Executive Director's memorandum to the BATA Oversight Committee dated January 3, 2018.

Date: January 24, 2018  
W.I.: 1254  
Referred by: BATA Oversight

Re: Calling Regional Measure 3 Election

BAY AREA TOLL AUTHORITY  
RESOLUTION NO. 123

WHEREAS, the Bay Area Toll Authority (“Authority”) is established pursuant to Section 30950 of the California Streets and Highways Code (“Code”) and is responsible for the administration of all toll revenues from state-owned toll bridges within the geographic jurisdiction of the Metropolitan Transportation Commission; the geographic jurisdiction being comprised of the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma (individually, “County” and collectively, “Counties”), and the cities located in said Counties; and

WHEREAS, the Authority is authorized pursuant to subdivision (a) of Section 30923 of the Code to select a toll increase amount, of up to three dollars (\$3), to be placed on the ballot in the City and County of San Francisco and each of the Counties; and

WHEREAS, the Authority is authorized pursuant to paragraph (1) of subdivision (c) of Section 30923 of the Code to select the date of the election for voters to consider such toll increase, which shall be consolidated with a statewide primary or general election; and

WHEREAS, paragraph (2) of subdivision (c) of Section 30923 of the Code provides that the ballot question addressing such toll increase shall be submitted to voters as “Regional Measure 3” and shall be stated separately in the ballot from state and local measures; and

WHEREAS, paragraph (1) of subdivision (c) of Section 30916 of the Code provides that the Authority may phase in such toll increase over a period of time with the first rate increase to commence not sooner than six months after the election approving such toll increase; and

WHEREAS, pursuant to paragraph (1) of subdivision (g) of Section 30923 of the Code, each County and the City and County of San Francisco is required to share translation services



for the ballot pamphlet and shall provide the Authority a certified invoice that details the incremental cost of including the measure on the ballot as well as the total costs associated with the election; and

WHEREAS, pursuant to paragraph (2) of subdivision (g) of Section 30923 of the Code, the Authority is required to reimburse each County and the City and County of San Francisco participating in the election for the incremental cost of submitting the measure to the voters and such costs shall be paid from bridge toll revenue administered by the Authority; and

WHEREAS, pursuant to subdivision (d) of Section 30923 of the Code, the Metropolitan Transportation Commission shall prepare a summary of the Regional Measure 3 expenditure plan, now, therefore, be it

RESOLVED, that the Authority specifically finds and declares that the statements, findings and determinations of the Authority set forth in the preambles above are true and correct; and be it further

RESOLVED, that the Authority hereby calls upon each Board of Supervisors in the City and County of San Francisco and each of the Counties to call a special election on June 5, 2018 to be conducted in the City and County of San Francisco and each of the Counties and place on the ballot as a measure separate from state and local measures the following question as Regional Measure 3:

*BAY AREA TRAFFIC RELIEF PLAN. Shall voters authorize a plan to reduce auto and truck traffic, relieve crowding on BART, unclog freeway bottlenecks, and improve bus, ferry, BART and commuter rail service as specified in the plan in this voter pamphlet, with a \$1 toll increase effective in 2019, a \$1 increase in 2022, and a \$1 increase in 2025, on all Bay Area toll bridges except the Golden Gate Bridge, with independent oversight of all funds?*

and,be it further

RESOLVED, that the Registrars of Voters for the City and County of San Francisco and each of the Counties are hereby requested to reprint Regional Measure 3, together with the summary of the Regional Measure 3 expenditure plan to be prepared by the Metropolitan Transportation Commission regarding the eligible projects and programs to be funded pursuant to Section 30914.7 of the Code, in the voter information pamphlet to be distributed to voters pursuant applicable law; and be it further

RESOLVED, that Authority staff is directed to work with the City and County of San Francisco and each of the Counties, including their respective Registrars of Voters and County Clerks to facilitate the placing of Regional Measure 3 on the ballot; and be it further

RESOLVED, that the election shall be consolidated with the statewide direct primary election to be held on June 5, 2018, and pursuant to paragraph (1) of subdivision (c) of Section 30923 of the Code and all applicable law, the Boards of Supervisors in the City and County of San Francisco and in each of the Counties are hereby requested to direct the Registrar of Voters in the City and County of San Francisco and in each of the respective Counties and to order consolidation of the election with such other elections as may be held on the same day in the same territory or in territory that is in part the same. The Authority hereby acknowledges that the consolidated election will be held and conducted in the manner prescribed by all applicable law, including, where applicable, the California Elections Code; and be it further

RESOLVED, that pursuant to paragraph (2) of subdivision (g) of Section 30923 of the Code, the Authority shall reimburse the City and County of San Francisco and each of the Counties participating in the election for the incremental cost of submitting the measure to the voters, with such costs to be paid from bridge toll revenue administered by the Authority; and be it further

RESOLVED, that the Secretary of the Authority is hereby directed to cause to be filed as soon as practicable, and in any event no later than March 9, 2018 (which date is not fewer than 88 days prior to the date set for the election), one copy of this Resolution to each of the

Registrars of Voters, and shall file a copy of this Resolution with the Clerk of the Board of Supervisors of the City and County of San Francisco and of each of the Counties; and be it further

RESOLVED, that the Commissioners of the Authority, the Executive Director, any officer and all other staff of the Authority, are hereby authorized and directed, individually and collectively, to do any and all things that they deem necessary or advisable in order to effectuate the purposes of this Resolution in accordance with the terms hereof and of applicable provisions of law; and be it further

RESOLVED, that this Resolution shall take effect from and after its adoption.

BAY AREA TOLL AUTHORITY

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Jake Mackenzie, Chair

The above resolution was first entered into by the Bay Area Toll Authority at a regular meeting of the Authority held in San Francisco, California, on January 24, 2018.