WETA WATER EMERGENCY TRANSPORTATION AUTHORITY

Members of the Board

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

BOARD OF DIRECTORS' MEETING
Thursday, December 8, 2016 at 2:00 p.m.
San Francisco Bay Area
Water Emergency Transportation Authority
Pier 9, Suite 111; San Francisco

NOTE: *LOCATION AND TIME CHANGE*

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

AGENDA

1. CALL TO ORDER – BOARD CHAIR

2. PLEDGE OF ALLEGIANCE/ROLL CALL

3. REPORT OF BOARD CHAIR — ***Information***

4. REPORTS OF DIRECTORS — ***Information***

5. REPORTS OF STAFF — ***Information***
   a. Executive Director's Report
   b. Monthly Review of Financial Statements
   c. Legislative Update

6. ADOPT A RESOLUTION OF APPRECIATION FOR CAROLYN HORGAN — ***Action***

7. CONSENT CALENDAR — ***Action***
   a. Board Meeting Minutes – November 10, 2016
   b. Authorize Release of a Request for Qualifications (RFQ) for Marketing and Public Information Services
   c. Approve Use of Brief Summary Style Minutes to Record WETA Board Meeting Proceedings

8. ACCEPT THE INDEPENDENT AUDITOR'S ANNUAL FINANCIAL REPORTS FOR THE FISCAL YEAR 2015/16 — ***Action***

9. APPROVE CONTRACT AWARD TO MANSFIELD OIL COMPANY FOR PURCHASE OF FUEL FOR NORTH BAY FERRY OPERATIONS — ***Action***

10. INFORMATIONAL PRESENTATION ON THE TRANSBAY/CORE CAPACITY STUDY — ***Information/Action***

11. CLOSED SESSION — ***Action***
    To Be Determined
    In the event of any urgent matter requiring immediate action which has come to the attention of WETA after the agenda has been issued and which is an item appropriately addressed in Closed Session, WETA may discuss and vote whether to conduct a Closed Session under Brown Act (California Government

Code Sections 54954.2(b)(2) and 54954.5).

If WETA enters into Closed Session under such circumstances, WETA will determine whether to disclose action taken or discussions held in Closed Session under the Brown Act (California Government Code Section 54957.1).

12. REPORT OF ACTIVITY IN CLOSED SESSION — ***Action To Be Determined***
Chair will report any action taken in closed session that is subject to reporting at this time. Action may be taken on matters discussed in closed session.

13. OPEN TIME FOR PUBLIC COMMENTS FOR NON-AGENDA ITEMS

ADJOURNMENT

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

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

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

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

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

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

Under California Government. Code Section 84308, Directors are reminded that they must disclose on the record of the proceeding any contributions received from any party or participant in the proceeding in the amount of more than $250 within the preceding 12 months. Further, no Director shall make, participate in making, or in any way attempt to influence the decision in the proceeding if the Director has willfully or knowingly received a contribution in an amount of more than $250 within the preceding 12 months from a party or such party's agent, or from any participant or his or her agent, provided, however, that the Director knows or has reason to know that the participant has a financial interest in the decision. For further information, Directors are referred to Government Code Section 84308 and to applicable regulations.

WETA WATER EMERGENCY TRANSPORTATION AUTHORITY

M E M O R A N D U M

TO: WETA Board Members

FROM: Nina Rannells, Executive Director

DATE: December 8, 2016

RE: Executive Director's Report

CAPITAL PROJECT IMPLEMENTATION UPDATE

Vessel Replacement – Central Bay

The MV *Encinal* and *Harbor Bay Express II* are included in the Capital Budget for replacement as they have reached the end of their useful lives (generally 25 years) and staff has secured funding commitments for replacement vessels. In December 2013, the Board of Directors approved a contract with Aurora Marine Design (AMD) for vessel construction management services and with Kvichak Marine Industries, now Vigor Kvichak (Vigor), in April 2015 for the construction of two new replacement vessels. Vessel construction began in early September 2015.

Vessel 1 MV *Hydrus* – The hull structure was launched on July 19 at Vigor in Seattle and transferred to Nichols Brothers Boat Builders for joining of the superstructure. The vessel was launched November 29 at Whidbey Island and towed to the Vigor Ballard dock for finishing work and outfitting. Commissioning and seatrials are to be conducted January 2017 and delivery of this vessel to San Francisco is anticipated in February 2017.

Vessel 2 MV *Cetus* - Fabrication of the hull structure is well underway. Delivery of this vessel is anticipated in late May 2017.

Vessel Replacement/New Construction - North Bay Vallejo and Richmond

This project will construct three new high-speed vessels including one to replace the MV *Vallejo* and two to support initiation of 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 the Board of Directors approved a contract award to Dakota Creek Industries for vessel construction, a Notice to Proceed was issued, and a project Kick-Off meeting was held on October 7. The first vessel is scheduled for delivery in December 2018.

New Vessel Construction – Central Bay Vessels 3 and 4

This project will construct two new 400-passenger vessels. On October 6, 2016 the Board of Directors approved a contract award to Vigor Kvichak for vessel construction. Progress to date has included purchase of main propulsion engines and material for hull construction. Hull construction is starting this month for both vessels.

MV *Pisces* Quarter-Life and Passenger Capacity Increase Project

This project provides for a general refurbishment of the vessel and will include the following components: refurbish shafts, propellers, rudders, replace bearings, replace and re-upholster seating, replace carpets, renew deck coatings, touch up interior finishes, overhaul main engines, HVAC, electrical, plumbing, emission, fire and lifesaving safety systems. In addition, the scope of work for this project includes increasing the passenger capacity from 149 to 225. On October 6 the Board of Directors approved a contract award to Marine Group Boat Works, a Notice to Proceed was issued, and a project Kick-Off meeting was held on November 11. The

MV *Pisces* was delivered to San Diego on November 14 and work has begun on this project which is scheduled for completion in Spring 2017.

MV *Mare Island* Propulsion Train Subcomponent Replacement Project
This project provides for replacement of the major propulsion train subcomponents of the MV *MARE ISLAND*. On November 10 the Board of Directors approved a contract award to Marine Group Boat Works. A Notice to Proceed has been issued and a project Kick-Off meeting was held on November 21. Work is expected to start in December and the project is scheduled for completion in early 2017.

North Bay Operations and Maintenance Facility
This project constructed a new ferry operations and maintenance facility located on Mare Island in Vallejo. The landside phase included site preparation and construction of a new fuel storage and delivery system along with warehouse and maintenance space. The waterside phase includes a system of modular floats and piers, gangways, and over-the-water utilities. The project team is working to complete the commissioning of utility and product delivery systems. The team is also working on a project close out punchlist with the construction contractors. A ribbon-cutting ceremony for the project was held on October 26, 2016. Operations and maintenance activities will begin transitioning into the new facility over the next two months.

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.

The Board of Directors awarded a construction contract to Overaa/Power, a Joint Venture, in July 2016. Last month, the contractor completed dredging and vibro compaction ground improvements, and has initiated the installation of soldier piles for construction of the new seawall. Alameda Municipal Power has completed removal of its Substation A facility from the project site without issue. This project is scheduled for completion in Spring 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 proposed project would also include landside improvements needed to accommodate expected increases in ridership and to support emergency response capabilities.

On November 9, WETA received submissions in response to its Request For Proposals to provide Construction Manager at Risk (CMAR) services for the project. Staff has completed interviews with each proposing team and anticipates presenting a recommendation for contract award to the Board at its January 2017 meeting. On November 17, the Bay Conservation and Development Commission (BCDC) unanimously approved a Major Permit authorizing construction of the project. A permit application has been submitted to the U.S. Army Corps of Engineers to authorize construction of the project. Staff is continuing its negotiation of long-term Lease and License Agreements for the project with the Port of San Francisco. Construction of this project is tentatively scheduled to start on June 1, 2017.

<u>SERVICE DEVELOPMENT UPDATE</u>

Richmond Ferry Service
This service will provide an alternative transportation link between Richmond and downtown San Francisco. The conceptual design includes plans for replacement of an existing facility (float and gangway) and a phased parking plan. The WETA Board adopted a Funding Agreement and MOU with the Contra Costa Transportation Authority at its March 2015 meeting that funds the operation for a minimum period of 10 years.

A contract was awarded to Ghirardelli Associates in September 2016 to provide construction management services. Staff anticipates moving forward with terminal construction activities in early 2017.

All resource agency permit applications have been submitted. A provisional Letter of Permission was received from the U.S. Army Corps of Engineers in June. The dredging approval process with the Dredged Material Management Office is near completion. The remaining resource agency approvals are anticipated to be received over the next few months. Staff continues to work on developing a final lease agreement with the City of Richmond for this site.

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 2021 given the current project schedule.

WETA staff is working with City of San Francisco staff to support development of this project, including participating in regular meetings of the City's Technical Advisory Committee convened to update and further develop the Treasure Island Mobility Management Program, which will include new ferry service provided in conjunction with the development project. Staff has begun negotiation of a MOU with the City that would set forth the terms and conditions under which WETA would operate the future Treasure Island ferry service. The finalization and execution of an MOU for the Treasure Island service would be subject to consideration by the WETA Board.

South San Francisco Service
The South San Francisco ferry service is currently in its fourth year of operation, averaging 541 daily boardings and 35 percent farebox recovery.

At its May meetings, the Metropolitan Transportation Commission (MTC) approved a program amendment allowing the South San Francisco Ferry service seven years to reach its threshold of 40 percent farebox recovery. The rationale for this revision in MTC's Regional Measure 2 requirements was that the service had demonstrated strong ridership growth and there were many letters of support received by stakeholders on both sides of the Bay. The service now has until 2019 to reach the 40 percent farebox standard.

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.

Mission Bay Ferry Terminal
The Port of San Francisco released an engineering feasibility and site selection study for a future Mission Bay ferry terminal in March 2016. WETA staff participated in the study and provided input regarding ferry operations and potential service models. The Port Commission authorized release of a Request for Proposals for design and permitting services at its July 2016

meeting. To support the effort, the City of San Francisco has placed $7 million in its capital budget. A project MOU between the Port and WETA has been developed for consideration by the Port Commission in December and the WETA Board in January 2017.

Redwood City Ferry Terminal
A Redwood City Ferry Terminal site feasibility report was completed in draft 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 had met to redefine the project, shifting the development towards 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. The next step in the project is to develop a project MOU.

SYSTEM PLANS/STUDIES
Alameda Terminals Access Study
WETA initiated work on an Alameda Terminals Access Study in 2014 as a means to identify immediate, medium and long-term solutions to improve customer access to these terminals. As an outgrowth of this work, the City of Alameda Transportation Commission formed an Ad Hoc Subcommittee, made up of Transportation Commission members and City of Alameda, WETA, AC Transit, and local community organization staff to investigate potential City improvements for ferry terminal access during Spring 2015.

Initial work identified through the study outreach and taken up by the Ad Hoc Subcommittee focused on parking improvements to the Harbor Bay Terminal area and restoring AC Transit feeder bus service to the Alameda Main Street Terminal.

City staff has coordinated with the Harbor Bay Master Homeowner's Association to develop a strategy for addressing overflow parking in the vicinity of the Harbor Bay Terminal. The strategy proposes to institute a residential parking permit program, thereby eliminating overflow parking on the surrounding arterial and residential streets. In addition, the Homeowner's Association requests that WETA consider a parking fee at the lot and that potential revenue from parking fees help fund a free shuttle program for Harbor Bay residents. WETA Staff has engaged a parking specialist consultant and will be evaluating 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 and these will be used to guide the development of a specific paid parking program for the Harbor Bay terminal site.

At Main Street, WETA staff has worked with City staff since spring 2015 to open the Officer's Club parking lot as an overflow lot for the many riders 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. Aside from parking, installation of 20 bicycle lockers at the Main Street terminal -- funded through a grant from the Bay Area Air Quality Management District -- occurred on February 22. Staff will shift its focus to additional improvements that can be made related to alternative terminal access modes such as buses, shuttles, bicycles, and pedestrian improvements after the parking improvements are underway.

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. After coordination between WETA staff and Berkeley elected officials, Berkeley Mayor Tom Bates recently submitted a letter supporting development of a ferry terminal in Berkeley, and has pledged to work cooperatively with WETA towards project implementation.

OTHER BUSINESS

CPUC Organizational Changes

Staff is monitoring CPUC reorganization efforts as they relate to transferring transportation related responsibilities to the California State Transportation Agency (CalSTA). Once initial plans are developed, staff, with the support of Directors Breckenridge and Wunderman, will engage in consultative discussions with state officials as warranted to help ensure that planning for a ferry regulatory oversight transition is done in a manner that supports WETA's legislative authority and ability to provide safe and effective public transit service.

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:

Maritime Transportation System Response and Recovery (MTSRR) Coalition:
In response to a gap identified in the Bay Area Earthquake Plan by the U.S. Army Corp of Engineers and the U.S. Coast Guard (USCG) during a 2015 exercise, both agencies partnered with the Port of San Francisco to create a workshop and a table top exercise as part of the 2016 San Francisco Fleet Week exercise to define the agencies involved, and the process for reopening the ports of the San Francisco bay following a catastrophic event. The exercise focused on estimating and validating the timeline of port reopening after such an event, through clarification of the roles and responsibilities of involved agencies. It also focused on a goal of receiving resources and moving people for response and recovery. The participating agencies agreed that the MTSRR coalition be created to continue these efforts.

In preparation for an event that could impact Northern California maritime transportation system infrastructure, navigable waterways and intermodal transportation system, the MTSRR Coalition will:

- Help clarify planning assumptions and enhance mitigation efforts through workshops and exercises
- Champion cohesive relationships within the maritime community
- Partner and synchronize response and recovery best practices
- Create playbooks to provide flexible options to respond to a catastrophic event

The MTSRR Coalition will include eight subcommittees based on capabilities identified. WETA will be leading the Emergency Ferry Transportation subcommittee.

2016 WETA Staff Training and Exercise: As a part of WETA's training and exercise program, staff completed an internal training session on November 29 in preparation for an emergency response exercise scheduled for December 6, 2016. Staff training consisted of an overview of WETA's Emergency Response Plan, procedures on how to activate the WETA Emergency Operations Center (EOC), and a primer on using two types of emergency communication equipment in the WETA EOC. The exercise on December 6 will be a communications drill to evaluate and validate WETA's procedures and processes in the Emergency Operations Plan to initiate and maintain communications during an emergency incident utilizing M-SAT Satellite Phones and P25

800Mhz radios. The communications drill will include confirming connectivity using this equipment with the North Bay Operations and Maintenance Facility EOC, Blue & Gold Fleet's Pier 41 Dispatch, the California Office of Emergency Services (Cal OES), and the Port of San Francisco. The exercise will also include a module requiring the preparation of an incident action plan to move survivors and/or first responders in response to a Cal OES request.

Coast Guard Manning Requirements
In response to a 2015 USCG initiative, staff worked closely with the USCG Inspections unit (San Francisco Sector) in 2015 to review and verify the current manning levels required on WETA's fleet of vessels. As a result of this work, the WETA vessels' current manning levels remain in place; this is noted in the vessel files and on each vessel Certificate of Inspection.

Hazard Mitigation Plan
WETA is preparing a new Hazard Mitigation Plan (HMP) in accordance with the Federal Disaster Mitigation Act of 2000 (DMA 2000), which 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. The essential steps of hazard mitigation are to identify and profile hazards that affect the local area surrounding existing facilities, analyze the people and facilities at risk from those hazards, and develop mitigation actions to lessen or reduce the impact of the profiled hazards. WETA staff is working with a consultant to prepare the HMP. The process includes coordination with stakeholder agencies with jurisdictions that might interface with WETA during a disaster response. The process also includes opportunity for public comment. The HMP was sent to the Governor's Office of Emergency Services (Cal OES) and the Federal Emergency Management Agency (FEMA) for review and approval in October. After those approvals are received, the HMP will be presented to the Board for adoption.

KEY BUSINESS MEETINGS AND EXTERNAL OUTREACH

On November 16, Lauren Gularte attended the Maritime Transportation System Response and Recovery Coalition meeting with Chair Breckenridge.

On November 17, Kevin Connolly and Mike Gougherty presented the Downtown San Francisco Ferry Terminal Expansion to the Bay Conservation and Development Commission for approval of a Major Permit.

On November 17, Mike Gougherty attended an open house forum sponsored by the San Francisco Municipal Transportation Agency for the Embarcadero Enhancement Project.

On November 17, Keith Stahnke attended the Red and White Fleet's Fuel Cell Ferry Project presentation, hosted by the Propeller Club of Northern California.

On November 18, Lauren Gularte attended the monthly Regional Business Outreach Committee meeting.

On November 28, Nina Rannells attended the Clipper2 Board of Directors meeting held in Oakland.

OPERATIONS REPORT

Monthly Operating Statistics - The Monthly Operating Statistics Report for October 2016 is provided as Attachment A.

Attachment A

Monthly Operating Statistics Report
October 2016

			Alameda/ Oakland	Harbor Bay	South San Francisco	Vallejo*	Systemwide
Boardings	vs. last month	Total Passengers October 2016	103,107	27,322	11,566	84,420	226,415
		Total Passengers September 2016	112,657	26,930	11,143	88,025	238,755
		Percent change	-8.48%	1.46%	3.80%	-4.10%	-5.17%
	vs. same month last year	Total Passengers October 2016	103,107	27,322	11,566	84,420	226,415
		Total Passengers October 2015	105,009	27,327	11,065	84,910	228,311
		Percent change	-1.81%	-0.02%	4.53%	-0.58%	-0.83%
	vs. prior FY to date	Total Passengers Current FY To Date	478,986	108,358	45,575	374,540	1,007,459
		Total Passengers Last FY To Date	465,584	105,505	42,064	361,156	974,309
		Percent change	2.88%	2.70%	8.35%	3.71%	3.40%
		Avg Weekday Ridership October 2016	3,401	1,301	551	3,092	8,345
Ops Stats		Passengers Per Hour	164	199	76	125	142
		Revenue Hours	630	137	152	675	1,594
		Revenue Miles	7,373	3,018	2,582	18,253	31,226
Fuel		Fuel Used (gallons)	52,272	13,090	17,089	203,677	286,129
		Avg Cost per gallon	$1.99	$1.99	$1.99	$2.26	$2.18

* *Vallejo ridership includes ferry + Route 200 bus passengers. October bus ridership totaled 5395.*

AGENDA ITEM 5b
MEETING December 8, 2016

MEMORANDUM

TO: Board Members

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

SUBJECT: Monthly Review of FY 2016/17 Financial Statements for Four Months Ending October 31, 2016

Recommendation

There is no recommendation associated with this informational item.

Summary

This report provides the attached FY 2016/17 Financial Statements for four months ending October 31, 2016.

Operating Budget vs. Actual

	Prior Actual	Current Budget	Current Actual
Revenues - Year To Date:			
Fare Revenue	6,381,436	6,129,242	7,156,596
Local Bridge Toll Revenue	3,895,700	6,628,521	4,067,683
Other Revenue	325	133,312	1,050
Total Operating Revenues	**10,277,462**	**12,891,074**	**11,225,329**
Expenses - Year To Date:			
Planning & Administration	877,364	1,010,959	596,385
Ferry Services	9,400,098	11,880,115	10,628,944
Total Operatings Expenses	**10,277,462**	**12,891,074**	**11,225,329**
System-Wide Farebox Recovery %	**68%**	**52%**	**67%**

Capital Acutal and % of Total Budget

	YTD Actual	% of FY 2016/17 Budget
Revenues:		
Federal Funds	7,757,179	21.83%
State Funds	6,549,359	12.86%
Bridge Toll Revenues	2,397,344	8.56%
Other Local Funds	749,284	28.94%
Total Capital Revenues	**17,453,166**	**14.91%**
Expenses:		
Total Capital Expenses	**17,453,166**	**14.91%**

Fiscal Impact

There is no fiscal impact associated with this informational item.

END

San Francisco Bay Area Water Emergency Transportation Authority
FY 2016/17 Statement of Revenues and Expenses
For Four Months Ending 10/31/2016

% of Year Elapsed of Year Elapsed 33.7%

	Current Month	Year - To - Date FY2015/16 Actual	FY 2016/17 Budget	FY 2016/17 Actual	% of Year FY 2016/17 Total	% of Total Budget
OPERATING EXPENSES						
PLANNING & GENERAL ADMIN:						
Wages and Fringe Benefits	$77,441	$394,906	$478,521	$294,201	1,420,000	20.7%
Services	51,404	467,441	574,056	364,813	1,703,500	21.4%
Materials and Supplies	3,092	5,302	22,241	4,680	66,000	7.1%
Utilities	1,935	5,897	9,099	4,690	27,000	17.4%
Insurance	-	-	9,436	1,178	28,000	4.2%
Miscellaneous	12,866	26,370	77,170	54,311	229,000	23.7%
Leases and Rentals	25,804	95,168	108,847	102,115	323,000	31.6%
Admin Overhead Expense Transfer	(65,266)	(117,720)	(268,410)	(229,604)	(796,500)	28.8%
Sub-Total Planning & Gen Admin	**$107,276**	**$877,364**	**$1,010,959**	**$596,385**	**3,000,000**	**19.9%**
FERRY OPERATIONS:						
Harbor Bay FerryService						
Purchased Transportation	$159,421	$523,963	$625,750	$534,871	1,856,900	28.8%
Fuel - Diesel & Urea	26,097	106,084	152,352	91,980	452,100	20.3%
Other Direct Operating Expenses	29,340	117,782	189,858	116,277	563,400	20.6%
Admin Overhead Expense Transfer	8,266	20,338	34,710	29,339	103,000	28.5%
Sub-Total Harbor Bay	**$223,124**	**$768,167**	**$1,002,669**	**$772,467**	**2,975,400**	**26.0%**
Farebox Recovery	***57%***	***63%***	***50%***	***65%***	***50%***	
Alameda/Oakland Ferry Service						
Purchased Transportation	$951,938	$2,071,902	$2,444,768	$2,815,667	7,254,800	38.8%
Fuel - Diesel & Urea	104,210	390,432	678,657	393,719	2,013,900	19.6%
Other Direct Operating Expenses	85,358	245,967	514,814	335,698	1,527,700	22.0%
Admin Overhead Expense Transfer	27,342	53,551	113,901	95,134	338,000	28.1%
Sub-Total Alameda/Oakland	**$1,168,847**	**$2,761,852**	**$3,752,140**	**$3,640,218**	**11,134,400**	**32.7%**
Farebox Recovery	***47%***	***76%***	***51%***	***68%***	***51%***	
Vallejo FerryService						
Purchased Transportation	$866,385	$3,450,997	$3,580,783	$3,443,905	10,625,900	32.4%
Fuel - Diesel & Urea	459,296	1,121,110	1,637,147	1,360,135	4,858,200	28.0%
Other Direct Operating Expenses	93,502	322,491	523,373	393,785	1,553,100	25.4%
Admin Overhead Expense Transfer	25,141	19,850	100,927	88,499	299,500	29.5%
Sub-Total Vallejo	**$1,444,324**	**$4,914,448**	**$5,842,230**	**$5,286,324**	**17,336,700**	**30.5%**
Farebox Recovery	***61%***	***72%***	***59%***	***72%***	***59%***	
South San Francisco FerryService						
Purchased Transportation	$175,573	$686,660	$888,633	$664,477	2,637,000	25.2%
Fuel - Diesel & Urea	34,069	134,948	194,205	123,736	576,300	21.5%
Other Direct Operating Expenses	35,817	110,042	181,366	125,090	538,200	23.2%
Admin Overhead Expense Transfer	4,517	23,982	18,871	16,632	56,000	29.7%
Sub-Total South San Francisco	**$249,976**	**$955,632**	**$1,283,075**	**$929,935**	**3,807,500**	**24.4%**
Farebox Recovery	***39%***	***29%***	***23%***	***37%***	***23%***	
Total Operating Expenses	**$3,193,547**	**$10,277,462**	**$12,891,074**	**$11,225,329**	**38,254,000**	**29.3%**
OPERATING REVENUES						
Fare Revenue	$1,656,159	$6,381,436	$6,129,242	$7,156,596	18,188,400	39.3%
Local - Bridge Toll	1,536,688	3,895,700	6,628,521	4,067,683	19,670,000	20.7%
Local - Alameda Tax & Assessment	-	-	133,312	-	395,600	0%
Local - Other Revenue	700	325	-	1,050	-	0%
Total Operating Revenues	**$3,193,547**	**$10,277,462**	**$12,891,074**	**$11,225,329**	**38,254,000**	**29.3%**

San Francisco Bay Area Water Emergency Transportation Authority
FY 2016/17 Statement of Revenues and Expenses
For Four Months Ending 10/31/2016

Project Description	Current Month	Project Budget	Prior Years Actual	FY2016/17 Budget	FY2016/17 Actual	Future Year	% of Total Project Budget
CAPITAL EXPENSES							
FACILITIES:							
Maintenance and Operations Facilities							
North Bay Operations & Maintenance Facility	$102,142	$31,082,000	$28,592,897	$2,489,103	$686,348	$0	94%
Central Bay Operations & Maintenance Facility	3,379,157	69,500,000	4,425,134	32,962,866	9,548,969	32,112,000	20%
Terminal Improvement							
Electronic Bicycle Lockers	-	79,500	46,661	32,839	-	-	59%
Terminal Access Improvement	-	250,000	67,528	182,472	2,318	-	28%
Replace Terminal Fendering - East Bay Terminals	-	92,000	-	92,000	-		0%
FERRY VESSELS:							
Major Component Rehabiliation / Replacement							
Selective Catalyst Reduction (SCR) System Overhaul	9,859	1,400,000	61,008	1,338,992	21,243	-	6%
Major Component Rehabiliation - Solano	1,256	430,000	-	430,000	3,916		1%
Vessel Engine Overhaul - Bay Breeze	-	650,000	-	650,000	-	-	0%
Vessel Engine Overhaul - Scorpio	439	625,000	-	625,000	930	-	0%
Major Component & Waterjets Rehab - Mare Island	2,047	3,600,000	-	3,600,000	28,320		1%
Vessel Mid-Life Repower/Refurbishment							
Vessel Qtr-Life Refurb & Capacity Increase - Gemini	-	3,507,000	2,053,446	1,453,554	1,276,742	-	95%
Vessel Qtr-Life Refurb & Capacity Increase - Pisces	858	4,100,000	-	4,100,000	3,422	-	0%
Vessel Qtr-Life Refurburbishment - Taurus	779	2,400,000	-	2,400,000	878	-	0%
Vessel Expansion/Replacement							
Purchase Replacement Vessel - Express II & Encinal	53,857	33,951,000	19,724,430	14,226,570	3,076,426	-	67%
Purchase Replacement Vessel - Vallejo [1]	4,827	23,372,000	56,940	8,447,060	35,202	14,868,000	0%
CAPITAL EQUIPMENT / OTHER:					-		
Purchase Heavy Duty Forklift	81,616	105,000	-	105,000	81,616	-	78%
Purchase Utility Vehicles	42,201	50,000	-	50,000	42,201	-	84%
CCTV and LCD Network Integration	-	400,000	-	300,000	-	100,000	0%
SERVICE EXPANSION:							
Terminal/Berthing Expansion Construction							
Downtown Ferry Terminal Expansion - South Basin	1,594,270	79,580,000	5,569,989	8,279,011	2,293,444	65,731,000	10%
Richmond Ferry Terminal	211,502	18,000,000	1,383,228	4,403,772	290,682	12,213,000	9%
Expansion Ferry Vessels							
Richmond Ferry Vessels - 2 each	8,966	46,745,000	105,789	16,897,211	60,510	29,742,000	0%
Two New 400-Passenger Vessels [1]	-	33,400,000	-	14,000,000	-	19,400,000	0%
Total Capital Expenses	**$5,493,774**	**$353,318,500**	**$62,087,050**	**117,065,450**	**$17,453,166**	**$174,166,000**	
CAPITAL REVENUES							
Federal Funds	$2,691,138	$67,154,384	$13,093,526	$35,539,068	$7,757,179	$18,521,790	31%
State Funds	2,474,050	221,811,825	37,429,974	50,946,164	6,549,359	133,435,687	20%
Local - Bridge Toll	321,854	58,233,891	8,584,455	27,990,913	2,397,344	21,658,523	19%
Local - Alameda Sales Tax Measure B / BB	6,732	4,950,000	2,949,095	2,000,905	749,284	-	75%
Local - Alameda TIF / LLAD	-	18,400	-	18,400	-	-	0%
Local - San Francisco Sales Tax Prop K	-	1,100,000	-	550,000	-	550,000	0%
Local - Transportation Funds for Clean Air	-	50,000	30,000	20,000	-	-	60%
Total Capital Revenues	**$5,493,774**	**$353,318,500**	**$62,087,050**	**$117,065,450**	**$17,453,166**	**$174,166,000**	

[1] *On 10/6/2016, Board approved adding the new project to the FY 2016/17 Capital Budget. Total expenditures in the current fiscal year is projected to be $14 million.*

AGENDA ITEM 5c
MEETING: December 8, 2016

MEMORANDUM

TO: Board Members

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

SUBJECT: WETA Federal Legislative Board Report – November 30, 2016

With the election behind us, and Congressional leaders poised to do very little during the lame duck session of Congress, there has been a lot of attention on the Trump transition, including what his policies will be, who he will nominate for various cabinet-level posts, and what his priorities will be for the first half of 2017. Here is a rundown of where these things stand, with the qualifier that Mr. Trump has been hard to pin down on any of the above.

What Does Donald Trump Mean for Federal Support for Transit?
You may recall that the Republican policy "platform", which was developed in advance of the Republican nominating convention, aimed to phase out the federal transit program. However, as we reported earlier this year, party platforms are important to party activists and are largely ignored by decision makers in Washington, D.C. Even if Mr. Trump held that position, it could change as he learns more about the inner workings of the Federal Government. And even if Trump held firm on such a position, he would have to fight Congress to get it done. In other words, we shouldn't worry about the federal transit program going away.

Where Does Transportation Fit Amongst Mr. Trump's Priorities?
Given that the federal transit program is most likely safe, the real question is: what level of funding can we expect for transit going forward? This question, at least in part, may be determined during the first half of 2017. If Mr. Trump makes infrastructure one of his key priorities, Congress could spend much of the next several months working on a legislative package that would increase funding for various Department of Transportation programs. We have been talking with members of the Bay Area Congressional delegation, federal representatives for other ferry programs, and our labor friends, to try to ensure that ferry funding is in the mix. We have specifically been discussing the possibility of working to increase the amount of money available through the Federal Transit Administration (FTA) Passenger Ferry Grant Program. Currently, only $30 million is available each year for all public ferry systems to compete over. WETA has received two FTA grants totaling $7 million since the program was created. Increasing the level of funding for this program would increase the potential for even more funding for WETA down the road.

Whether transportation funding is a priority in 2017 will depend in large part on where it fits on the list of other Trump priorities, which includes regulatory reform (many of Trump's ideas on this front require Congressional action), health care (repeal and replace the Affordable Care Act, aka, Obamacare), and getting his key cabinet secretaries confirmed, all of which takes time and resources.

Who Will Run the Department of Transportation and Federal Transit Administration in 2017?
Mr. Trump has announced that he will nominate Elaine Chao to be the next Secretary of Transportation. Chao has a lot of Federal Government experience having served as Secretary of Labor, Deputy Transportation Secretary, Federal Maritime Commission Chairwoman and MARAD Deputy

Administrator. As Secretary, Chao will have a lot of say about how the Department of Transportation prioritizes transit funding. She will also have a hand in choosing the next FTA Administrator. To date, there has been little discussion about staffing for the FTA – in fact, we should not expect the next FTA Administrator to be nominated and confirmed by the Senate until well into 2017. Whether or not this will impact the next Notice of Funding Availability (NOFA) for the Passenger Ferry Grant Program remains to be seen. Regardless, when that NOFA is released, we will work with the Congressional delegation to convey support to the FTA for whatever project or projects for which WETA is seeking funding.

The bottom line is that we are tracking the Trump transition and its implications for Congressional action in 2017 very closely, and because of the groundwork we have done over the past few months, we are in a good position to advocate for WETA priorities in the weeks and months ahead.

END

AGENDA ITEM 6
MEETING: December 8, 2016

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director

SUBJECT: Adopt a Resolution of Appreciation for Carolyn Horgan

Recommendation
Adopt a resolution of appreciation for Carolyn Horgan in recognition of her contribution to the development of ferry service on the San Francisco Bay.

Background/Discussion
Carolyn Horgan, President of Blue and Gold Fleet, is retiring this month after a 43-year career in the San Francisco Maritime industry. Carolyn's involvement with public transit ferry service began in the immediate aftermath of the 1989 Loma Prieta Earthquake when, as Dispatch Supervisor at Crowley Maritime's Red & White Fleet, she organized crews and boats to serve 15,000 East Bay commuters the night of the quake. This demonstration of the importance of Bay Area water transit contributed to the creation of the Alameda and Oakland Ferry Service, and to the expansion of the Vallejo ferry service.

Over the intervening years, Carolyn's knowledge, experience, and commitment to a first class ferry service proved invaluable to WETA as she has championed system operational programs and improvements within Blue & Gold Fleet and supported WETA's service expansion efforts.

We will miss Carolyn dearly and wish her much joy and happiness in her retirement.

END

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

RESOLUTION NO. 2016-34

BOARD RESOLUTION OF SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY IN RECOGNITION AND PROFOUND APPRECIATION OF DISTINGUISHED SERVICE BY CAROLYN HORGAN

WHEREAS, Carolyn Horgan will retire in December 2016, after providing outstanding service and leadership to the San Francisco Maritime industry for more than 43 years; and

WHEREAS, Carolyn Horgan is a nationally recognized pioneer in the development and success of water transit on San Francisco Bay, and a fierce advocate and role model for women in all professions; and

WHEREAS, Carolyn Horgan began her climb to the top of her industry as a receptionist at Crowley Maritime's Red & White Fleet in 1973; and

WHEREAS, Carolyn Horgan's capacity for hard work, dedication, loyalty, and creative problem-solving have been duly recognized by her colleagues along all stages of her career, resulting in ever-increasing responsibilities; and

WHEREAS, Carolyn Horgan, faithfully and with honor, integrity and great distinction has served Blue & Gold Fleet for nearly 20 years, including as its president since 2012; and

WHEREAS, Carolyn Horgan's leadership in mobilizing ferries after the 1989 Loma Prieta earthquake was key to establishment and expansion of SF Bay Ferry services and WETA's role in emergency response; and

WHEREAS, Carolyn Horgan and the Blue & Gold Fleet team have provided operations support for our vessels since 2011; and

WHEREAS, Carolyn Horgan has been a key leader and partner to the board and staff of WETA, including managing expansion of routes and increased passenger demand; and

WHEREAS, Carolyn Horgan's talent, maritime expertise, management and collaboration with key partners, including the MMP and IBU, have made SF Bay Ferry one of the most popular ways to cross the Bay; and

WHEREAS, Carolyn Horgan has earned the admiration and respect of her colleagues for her dedication, collegiality, enthusiasm, professionalism, sense of humor, and hard work;

NOW, THEREFORE, BE IT RESOLVED by the WETA Board of Directors, that we formally acknowledge and extend our profound appreciation to Carolyn Horgan for her many years of service to Blue & Gold Fleet and to WETA/SF Bay Ferry and our passengers, all in the cause of safe, reliable water transit for millions of passengers who rely on our services.

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 December 8, 2016.

YEA:
NAY:
ABSTAIN:
ABSENT:

/s/ Board Secretary
2016-34
END

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

(November 10, 2016)

The Board of Directors of the San Francisco Bay Area Water Emergency Transportation Authority met in regular session in the Port of San Francisco Commission Hearing Room at the Ferry Building in San Francisco, CA.

1. CALL TO ORDER – BOARD CHAIR

Chair Jody Breckenridge called the meeting to order at 1:06 p.m.

2. ROLL CALL

Chair Breckenridge welcomed WETA Directors, staff and guests to the meeting. Other Directors present were Vice Chair Jim Wunderman, Director Jeffrey DelBono, Director Timothy Donovan, and Director Anthony Intintoli.

3. REPORT OF BOARD CHAIR

Chair Breckenridge thanked staff for the ribbon cutting ceremony and celebration on Mare Island in Vallejo for the North Bay Operations and Maintenance Facility which, she said, had been a successful and well attended, wonderful event. She said it was great to see so many emergency response partners there, as well as many representatives from cities that were included in the future expansion plans of the WETA Strategic Plan.

4. REPORTS OF DIRECTORS

Vice Chair Wunderman said the Bay Area Council was planning to hold their next Water Transit Subcommittee meeting at Facebook in Menlo Park on November 15. He said PropSF would begin service to Redwood City soon and would be speaking at the meeting. Vice Chair Wunderman said he and Bay Area Council Policy Manager Emily Loper met with California State Assemblymember David Chiu to discuss water transportation. He said they had shared recent WETA news and that Assemblymember Chiu had requested more information about WETA because he was interested in supporting water transportation. Vice Chair Wunderman said he had also met with Bay Conservation and Development Commission (BCDC) Executive Director Larry Goldzband who, he emphasized, had requested to meet to discuss how his agency could speed up the permitting process for new water transportation related projects. Vice Chair Wunderman said that Chair Breckenridge should meet with Mr. Goldzband also, and that staff should make a presentation to the agency. Vice Chair Wunderman said that Mr. Goldzband had even committed BCDC staff resources to push new projects through the permitting process faster.

Director Donovan thanked staff for the wonderful Mare Island event. He said the facility was spotless and looked great, and added that there was a great recent report from KTVU that well laid out WETA's future as detailed in the Strategic Plan.

Director Intintoli said the Mare Island event was wonderful and he had heard so much excitement from people about the new facility and the new, additional Vallejo service that will begin in January with the Route 200 bus changes.

Director DelBono said he could not get a parking spot at the Alameda Main Street terminal in the O'Club parking lot now being used for ferry rider parking. He said he guessed that was a good thing, but expressed concern about someone who has been putting stickers on cars that are parked outside of lots around the terminal. He said the stickers instruct people to visit a website to learn how to remove the stickers and he has received a lot of emails and complaints from people who are really upset about this. Director DelBono also said that California State Assemblymember Rob Bonta wants to meet with WETA to learn more about WETA expansion plans. He added that he would set up a meeting to discuss where WETA was currently, and where it was going, with Assemblymember Bonta and WETA staff.

Chair Breckenridge said WETA should make a trip to Sacramento to meet with members of the transportation committees and bring them up to speed on current and future projects. Director DelBono said he believed all of the sudden interest in WETA was sparked by the new private ferry operators that had been in the news recently. He said people were wondering why these small, commercial companies were out on the water when WETA was the public ferry service provider on the Bay, and he added that people were confused about why WETA was not keeping up.

5. **REPORTS OF STAFF**

Executive Director Nina Rannells welcomed Directors to the meeting, referred them to her written report, and offered to answer any questions. She said she agreed that the North Bay Operations and Maintenance Facility event on Mare Island had been fantastic, and she thanked the Directors who attended for their participation and support. Ms. Rannells extended invitations to Vice Chair Wunderman and Director DelBono to see the facility, and said staff would be happy to give them a tour if they are able to make it out to Vallejo for a visit sometime. Ms. Rannells said Blue & Gold Fleet staff supporting WETA operations would begin moving into the facility, one boat at a time to further test and confirm systems, the week of December 5. She added that service from the Mare Island facility was expected to begin in March 2017.

Ms. Rannells referred Directors to the list of Key Business Meetings and External Outreach section of her written report and noted that fall was prime time for transportation conferences. She said staff had attended a variety of conferences and meetings and had also helped to facilitate some trips. Ms. Rannells noted that Director Intintoli and Senior Planner Chad Mason had made a presentation to RailVolution Conference during the Vallejo ferry arm of the attendees' multimodal trip. She said Public Information and Marketing Manager Ernest Sanchez made a presentation in the city of Richmond about the planned Richmond ferry service, and that she and Operations Manager Keith Stahnke had attended the Passenger Vessel Association Western Regional Conference in Alaska in October, as well as the Marine Log Ferry Conference in Seattle the prior week. Ms. Rannells said she and Mr. Stahnke had also visited the shipyard in Washington to see WETA boats under construction during their Seattle trip. She said the new MV *Hydrus* was scheduled to be delivered to the Bay Area in early 2017 with an objective to begin service in February or March. She added that the Seattle conference had provided insight into the shipbuilding industry and provided information on the SF-BREEZE project, the hydrogen fuel cell study done by MARAD, Sandia and Red & White Fleet. Ms. Rannells said further details on that study would be shared at the next Propeller Club meeting on Thursday, November 17 at noon in Oakland. Ms. Rannells said she and Mr. Stahnke would be attending a follow-up meeting with Sandia, Red & White Fleet and others to receive a more in-depth briefing on the initial study as well as the plans for further study in the coming months. Chair Breckenridge said she may be able to adjust her schedule so she can attend that meeting as well.

Ms. Rannells said staff had contracted with Elliott Bay Design to prepare an update on alternative propulsion systems for ferry vessels. She said they will identify some opportunities for use of alternative propulsion technologies as applicable in current or planned WETA service routes and that Directors should expect to hear information on those findings at the January or February Board meeting.

Chair Breckenridge asked if there had been any new developments in planning for Treasure Island service. Planning and Development Manager Kevin Connolly said that planning discussions were ongoing and that the most urgent focus for planners at the moment was the potential of George Lucas choosing Treasure Island as the site of his planned museum. Mr. Connolly said the current plan for the commencement of ferry service for the island was 2022 or 2023 and that this date was dependent on residential development on the island. He explained that the ferry operations commencement would be much more aggressive if it was decided that the museum was to be on the island because it would be a critical component of the museum's success. Mr. Connolly said a final decision on whether the museum would be in Los Angeles or San Francisco was expected by the end of the year. Ms. Rannells reminded Directors that a big part of the Treasure Island ferry service puzzle was funding. She said there were a lot of ideas about how funding for vessels and operations might be tackled but there were no solid plans for how to secure that funding at this time.

Chair Breckenridge asked for an update on ferry service plans for Mission Bay. Mr. Connolly said he had attended several meetings about Mission Bay and the most recent news was that a contract had been awarded to COWI for engineering, permitting and environmental services by the Port of San Francisco, the lead on the project. He added that this work was expected to begin by January, and said that WETA staff had been working toward solidifying a Memo of Understanding (MOU) to clarify management of the project during the development phase. He said the MOU was expected to be taken to the Port Commission in December with an objective of bringing it to the WETA Board at the January meeting. Mr. Connolly said that work would begin in earnest in December or January and that soon thereafter public outreach efforts were expected to commence.

Chair Breckenridge said that now that the election was over, she wanted to be proactive rather than reactive with regard to the potential legislative changes with the California Public Utilities Commission (CPUC), and added that this would be particularly important because of the CPUC limited involvement and experience with maritime matters. She asked that a Director join her to work with staff in reviewing the potential changes to assure that WETA would have the opportunity to weigh in on those changes before they were put in place permanently. Vice Chair Wunderman volunteered to work on the project with Chair Breckenridge who said she wanted to offer how WETA would like to see the relationship between WETA and the CPUC could work.

Chair Breckenridge asked for further details on where emergency response staff was expected to report if the primary place was not available as defined in the Metropolitan Transportation Commission (MTC) 2016 Table Top Exercise. Program Manager/Analyst Lauren Gularte said she expected to learn that in an upcoming call with Coastal Regional Administrator Jodi Traversaro. She said the Regional Emergency Operations Center in Walnut Creek was a temporary location, and that a new facility was being built in Fairfield. Ms. Gularte explained that once the new facility was finished and up and running, the Emergency Function #1 group would meet at the new facility. Chair Breckenridge said that given the unpredictable geography of a disaster or emergency, it would be important to have multiple location options for gathering.

Chair Breckenridge reminded Directors that staff has been working on the first WETA Hazard Mitigation Plan. She said Directors should expect to see that plan draft for their comments soon.

PUBLIC COMMENT

Veronica Sanchez, representing Masters, Mates and Pilots, thanked staff on behalf of the maintenance and engineering facility employees in Vallejo who, she said, were very grateful to be able to move into the brand new facility. Ms. Sanchez said WETA brings employment benefits to its employees as evidenced by one of those employees in the new facility being able to purchase his first home in Vallejo. She said this 39 year old gentleman said he would not have good benefits and not be able to purchase a house if he did not have a union job. Ms. Sanchez said she would like to build a larger union membership. She further noted that she would like to see WETA build the ferry terminal at Mission Bay because the Port does not have the same experience as WETA. Vice Chair Wunderman asked what WETA did that was better than the Port with regard to building terminals. Ms. Sanchez said that the major projects undertaken by the Port had been done by developers and that the Port did not have the resources and experience that WETA did to manage such projects. She said the work would be contracted out instead of handled in-house. She added that there remained a $30 million funding gap for the project but it was her hope that in the negotiations for the MOU, the possibility of WETA managing the construction phase of the terminal project would remain open.

Director Intintoli said the systemwide farebox return was quite high and he expected it would go down as new services were added. He said his concerns about WETA not having any reserves remained. Chair Breckenridge said the farebox recovery could change at any time and it was important to continue the conversations about the ability to build and retain a reserve.

Ms. Rannells referred Directors to the written legislative report and said that there had been talk of a Federal Stimulus bill that could result in funds for transportation projects. She noted that she would be working closely with WETA's legislative team in Washington to learn more about the potential opportunities for new funding in the coming months. Chair Breckenridge said even if there was new legislation and funding, that wouldn't guarantee it would be directed to ferry service and said Directors needed to be thinking very broadly about creative funding pursuits. Vice Chair Wunderman said it was his hope that Assemblymember Chiu may be open to the idea of a state bill that would focus on water transportation for the Bay Area. Chair Breckenridge said funding for emergency response needed to be included as well since there was basically no funding coming to WETA for that at this time. She suggested that staff put together a plan for meeting with State Assembly members and key partners to discuss WETA's plans and opportunities for funding, and noted that Board participation would be important and would need to be clarified as part of cohesive and concerted strategic efforts.

6. CONSENT CALENDAR

Chair Breckenridge asked if the Directors had any questions or items for discussion about anything in the Consent Calendar.

Director Intintoli made a motion to approve the consent calendar which included:

a. Board Meeting Minutes – October 6, 2016
b. Approve Amendment No. 5 to Agreement with KPFF, Inc. for Design and Engineering Services for the Central Bay Operations and Maintenance Facility Project

Chair Breckenridge noted that one of the Consent Calendar items was an action item and asked the Directors if they wanted to consider the items individually or together as presented. Director DelBono said together was fine, as did Director Donovan. The other Directors agreed and Director Donovan asked whether the extension of the KPFF Agreement through September 2018 would be the final extension for the contract. Ms. Rannells said that she expected it would be, and said that construction on the facility was already underway. Chair Breckenridge noted that the changes that had been required were primarily to support the relocation of the facility's fuel farm.

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

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

7. AWARD CONTRACT TO MARINE GROUP BOAT WORKS FOR MV *MARE ISLAND* PROPULSION TRAIN SUBCOMPONENT REPLACEMENT PROJECT

Mr. Stahnke presented this item to approve a contract award to Marine Group Boat Works for the MV *Mare Island* propulsion train subcomponent replacement project in the amount of $2,260,000 and authorize the Executive Director to negotiate and execute an agreement and take other related actions as may be necessary to support this work. He explained that the Request for Proposals (RFP) was released on August 29, 2016 and a mandatory Proposers' conference was held at Pier 9 on September 15, 2016 which was attended by three individuals representing three shipyards. Mr. Stahnke said WETA staff issued three addenda to the original RFP clarifying the specifications set forth in the RFP and response to pre-bid questions, and that proposals were then due to WETA on or before October 21, 2016.

Mr. Stahnke said that one proposal, that from Marine Group Boat Works, had been received. Director Donovan asked if WETA was presently under contract with the two other pre-bid contractors who did not submit final bids, and Mr. Stahnke said yes. Director Donovan asked if those other two contractors were already busy with other work and if that was why they did not submit proposals for this work. Mr. Stahnke said yes, that was the reason the other two firms had cited as why they did not submit proposals for the project.

Chair Breckenridge asked if the budget for the project was exclusive of parts and materials. Mr. Stahnke said the shipyard would be providing the majority of those items with the exception of some things that had required long lead times and had therefore been purchased in advance.

Director Donovan made a motion to approve the item.

Director Intintoli seconded the motion and the item carried unanimously.

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

8. <u>APPROVE VALLEJO FERRY SERVICE ENHANCEMENTS AND DELETION OF SCHEDULED ROUTE 200 BUS SERVICE BEGINNING JANUARY 2017</u>

Mr. Connolly presented this item to approve Vallejo ferry service enhancements and deletion of scheduled Route 200 bus service beginning January 2017. He explained that riders and other stakeholders had contributed nearly 300 comments overwhelmingly in support of the changes. Mr. Connolly explained that some of the concerns that had been raised by comment contributors included a loss of late night and weekend bus service, as well as the safety and efficiency of late night bus service. He said SolTrans and the Solano Transportation Authority (STA) both supported the changes and agreed that there may be a good opportunity for enhanced late night and weekend service that would complement the ferry service. Mr. Connolly said SolTrans, STA and WETA all agreed that such service was best left to the bus operators. He said there was still a bus in place that serviced Vallejo out of the Del Norte BART station at night and on the weekends, and that this bus schedule met BART trains for more efficient connections and shorter waits at the station.

Mr. Connolly said an overwhelming number of riders who provided comments were in favor of the enhanced ferry service which, if adopted, would begin January 2, 2017. Chair Breckenridge asked if there was any information about the growth of ferry ridership from the city of Napa. Mr. Connolly said there was a regular schedule of on-board surveys to be done every three years, but at this time there was only anecdotal information about Napa ridership. He said with the rapid growth of the ferry ridership at 30 to 40 percent annually, it was difficult to know for sure since the last survey was about three years ago. He said that the next survey would provide more insight into growth from Napa riders.

Director Intintoli said he was very much in favor of redirecting WETA resources into ferry service rather than into bus service, and he added that nearly all of the many comments he received about the changes were positive and supportive. He said he had attended the STA meeting and awards night the prior evening and had learned that they were working on the late night and weekend bus questions, and added that the single concern he had heard about the changes was about the late night and weekend service.

PUBLIC COMMENT
STA Transit Program Manager Philip Kamhi said he had just received an initial ballpark estimate of $30,000 from SolTrans for them to extend late night Route 80 service. He said the two agencies were working together on a solution for the late night service.

Chair Breckenridge reminded Directors that if the additional ferry service was adopted, they could expect to possibly see some impact on system reliability as well as increased maintenance costs for the vessels and terminals. Director Intintoli said he hoped the impact would not be noticeable to the public because while people were keen on getting more service, it took very little time for them to become very upset about service disruptions of any sort. Ms. Rannells said buses were contracted as a back-up for operations in the event that vessel capacities were expected to be exceeded, and when service was interrupted due to mechanical breakdowns, and added that this option would remain in place.

PUBLIC COMMENT
Hans Korve, a frequent traveler between Napa and San Francisco, said the changes proposed were positive and he was in favor of them. He agreed that maintaining a late night bus service would be a good idea, and said that instead of using buses, WETA should contract with private ferry operators when there are mechanical challenges with WETA vessels.

Vice Chair Wunderman made a motion to approve the item.

Director Donovan seconded the motion and the item carried unanimously.

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

9. APPROVE SYSTEMWIDE PARKING FEE PROGRAM POLICY GOALS
Mr. Connolly introduced this item to adopt system-wide parking fee program policy goals. He introduced Senior Planner Mike Gougherty who presented a slideshow clarifying the proposed seven policy goals:

1. Develop a program that helps to increase the share of passengers who access the system on foot, bike, transit, or other alternatives to single-occupancy vehicles.

2. Develop a parking management system that helps to balance passenger loads and ensure parking availability.

3. Develop fees that strike a balance between managing parking resources, covering system costs, and maintaining transit affordability.

4. Invest any surplus revenue generated from parking fees into the WETA system.

5. Ensure that all elements of the parking program are scalable to terminals across the system.

6. Aim for ease of operations, maintenance, and enforcement in order to minimize capital costs and staffing requirements.

7. Implement parking programs in partnership with local communities.

Director DelBono asked what would happen with surplus parking revenues if WETA had to give some of the money to another entity to improve terminal access. He asked if WETA would be willing to invest in subsidizing rides, with AC Transit or some other entity, for riders. Mr. Connolly said that was a possibility and that putting the revenue back into the WETA system would help assure that the revenues were supporting the WETA system and its riders. Director DelBono said it would be important to not restrict where the revenue would go other than being used specifically for the origin terminal and its riders in the WETA system.

Chair Breckenridge asked if WETA charged for parking if WETA would then be responsible for maintenance of the parking lots. She said she was concerned that WETA would want to keep costs down, and that the revenue stream generated by the parking charges may not be enough to maintain parking lots. Mr. Connolly said there will be sharing of costs for the parking lots and there already were costs for maintenance and improvements for lots with no revenue stream at all right now. He added that one of the primary objectives of adopting the recommended goals for the parking charges plans was to assure that the concern shared by Chair Breckenridge was considered in the process. Director Intintoli suggested staff discuss the process with the City of Vallejo who went through the same process.

Director DelBono said the objective was to change people's behavior and get them out of cars when they take the ferry. He said he would prefer the word "exclusively" be removed from the first sentence of the description of the fourth goal because it conflicted with the word "flexible" in the second sentence. Mr. Connolly suggested a revision of "Surplus revenue, consisting of any fees collected above and beyond the revenues required to offset the cost of administering the parking fee program, should be invested exclusively and directly into the WETA system ensuring flexibility in the direction of such revenues." Director DelBono said that rewording was good.

Director Intintoli asked if parking would be free at Mare Island when that service begins. Mr. Connolly said the parking for Mare Island riders would initially be free. Director Intintoli said he was concerned that riders from the Vallejo Terminal would shift to taking the ferry from Mare Island to be able to park free and then there would be no parking at Mare Island. Mr. Connolly said staff was working with Lennar on a parking plan, and there would be more information once staff had an idea of what ridership from the island will look like.

Vice Chair Wunderman said WETA should probably be charging for parking but he cautioned Directors and staff that the public does not like to be charged for parking and parking fees will likely not be received positively. He said he agreed with Director DelBono's suggestion that any surplus revenue generated by parking fees at a particular terminal should be reinvested in that terminal to improve access and generally improve the experience for riders at that terminal. He added that the wide availability of last mile services was something that didn't exist last year and there will never be enough parking for all of the people who want to park. Vice Chair Wunderman asked how staff was actively working to take advantage of the technology available today in first and last mile ride companies. Mr. Connolly said staff sees Uber and Lyft cars dropping riders off and picking them up at the terminals consistently and organically without any formalized prompting.

Vice Chair Wunderman said he would like staff to add an item to a future agenda to figure out how to get ahead of the first and last mile technology offerings available today. He said one of the members of the Bay Area Council has a company that offers these kinds of services and added that perhaps WETA could charge people to park, and give them a break on the cost if they drive to the terminal with multiple people in their cars.

Chair Breckenridge said the real behavior change objective was to get people out of cars and take cars off the roads. She emphasized that Uber and Lyft rides required a single person adding another car to the roads, and she asked that staff add the item to a future agenda for further discussion by the Board.

Directors agreed that goal #4 wording should be rewritten as suggested by Director DelBono and as expressed by Mr. Connolly.

PUBLIC COMMENT

Alameda Point Chief Operating Officer Jennifer Ott said the City of Alameda supported the changes in wording to the fourth goal. She said the City looked forward to working with WETA in instituting what will likely be the first parking fee implementation at the Harbor Bay terminal. Ms. Ott further noted that the City continued to pursue its three-pronged plan to address the parking challenges at the Harbor Bay terminal, and was expected to take action on an item on December 6 to create the residential parking permit program through the Homeowners Associations around the Harbor Bay terminal. She further explained that the third prong was improving the free transit service to the terminal, and said that AC Transit had worked very hard to improve their Line 21 service which now met all arrivals and departures at the terminal. She said there was even enough scheduling cushion on the Line 21 route now to assure that if the bus was running late, it would still meet all ferry departures and arrivals.

Chair Breckenridge said the AC Transit news was wonderful and that she hoped it would increase bus ridership to and from the terminal.

Vice Chair Wunderman made a motion to approve the item as amended.

Director Donovan seconded the motion and the item carried unanimously.

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

10. APPROVE MEETING SCHEDULE FOR CALENDAR YEAR 2017

Chair Breckenridge said the February meeting would likely be moved to an evening meeting to be held in Richmond, and that the date for a meeting to be held out in Redwood City would also need to be determined. She added that she had asked staff to distribute a list of potential ferry-related industry meetings that they might attend. She said it was important for the Board to be aware of key issues in the industry and remain informed about what was going on with other maritime and transportation entities. She said that as a point of order, any travel for Directors must be approved by the Board, and added that there were opportunities to increase expertise that existed outside of the WETA Board meetings. Chair Breckenridge said she would provide a list of opportunities for the Directors to consider.

Vice Chair Wunderman asked if it would be possible to hold a Board meeting in the city of Oakland because there were people asking him about ferry service in Oakland. Chair Breckenridge said yes, and that it would also be good to use new vessel deliveries as opportunities for education about what was involved in putting new vessels into service.

Director DelBono asked if there would be a Christmas party for the Directors and said he would like to have an event that Directors can invite people to. Ms. Rannells said whatever the Directors wanted to do for a celebration this year was a possibility. She added that with facility groundbreakings, openings and new vessel deliveries, many events would be happening in the coming year throughout the Bay Area. Chair Breckenridge said that with all of the important accomplishments in the last year with new facilities, the Strategic Plan, the Emergency Response Plan and soon the Hazard Mitigation Plan, that it would be nice to celebrate with an event in December that Directors can invite people to that could take place after the Board meeting on December 8. Ms. Rannells said staff would make that happen.

Director Intintoli made a motion to approve the item with the changes of moving the February meeting to an evening meeting in Richmond and adding location changes for two, as yet undetermined meeting dates in the cities of Redwood City and Oakland.

PUBLIC COMMENT

Jerry Bellows of MARAD reminded Directors that the October meeting was scheduled for Fleet Week.

Chair Breckenridge thanked Mr. Bellows for the reminder and added that the main Fleet Week events that drew crowds to San Francisco would take place on the Friday and weekend following the proposed WETA Board meeting on Thursday, October 5, 2017.

Director DelBono seconded the motion and the item carried unanimously.

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

11. OPEN TIME FOR PUBLIC COMMENTS FOR NON-AGENDA ITEMS

There were no additional public comments.

Chair Breckenridge said the Board had received a lovely letter from the Vallejo Suburban Kiwanis which expressed great appreciation of the crews and captain aboard their recent ferry ride to and from San Francisco. She asked that staff forward the letter and a thank you to the Blue & Gold Fleet staff responsible.

All business having been concluded, the meeting was adjourned at 3:03 p.m.

Respectfully Submitted,
Board Secretary

AGENDA ITEM 7b
MEETING: December 8, 2016

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director
Ernest Sanchez, Manager, Public Information & Marketing

SUBJECT: Authorize Release of a Request for Qualifications (RFQ) for Marketing and Public Information Services

Recommendation
Authorize the release of a Request for Qualification (RFQ) for Consulting Services to provide various marketing and public information services.

Background/Discussion
This authorizes the release of an RFQ for consultants to provide marketing and public information services on an as-needed basis. Contracted consultants would provide a variety of specialized skills and services not available in-house thereby enabling WETA staff to respond to events on short notice, manage peak workloads, and ensure the continuous marketing of WETA's current and future services. Selected consultant(s) would provide support to WETA in such areas as:

- Marketing Plans: Develop and support implementation of San Francisco Bay Ferry (SFBF) marketing plans.
- Public Relations: Develop plans and provide public relations service in support of new service launch, SFBF branding, marketing campaigns, and WETA events. Plans will include development and implementation of a social media plan.
- Website Development/Enhancement: Develop and implement website creative and content designed to improved site functionality, improve customer experience, and enable website to function as an effective marketing tool.
- Printing: Provide print job specifications, press checks, and delivery of printed materials. Must be able to arrange for production if requested by WETA.
- Creative: Develop creative concepts for SFBF campaigns, promotions, and special events including print ads, television storyboards, and/or radio scripts.
- Production: Produce radio, television, and web-based spots.
- Design Services: Develop design concepts and final art for premium items, ads, brochures, pocket schedules, dock signs, rack cards, and ferry tickets.

Consultant proposals will be reviewed by an evaluation committee and a recommendation for contract award(s) will be based upon the following selection criteria:

- Experience with similar projects
- References
- Qualifications
- Availability

Staff will return to the Board with a recommendation to establish a list of qualified on-call marketing and public information services and authorize contract award(s) in March 2017.

Fiscal Impact
There is no fiscal impact associated with this item.

END

AGENDA ITEM 7c
MEETING: December 8, 2016

MEMORANDUM

TO: **Board Members**

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

SUBJECT: **Approve Use of Brief Summary Style Minutes to Record WETA Board Meeting Proceedings**

Recommendation
Approve the use of brief summary style minutes, as outlined in the City Clerks Association of California Guidelines for Preparing Minutes for Governmental Agencies, to record WETA Board meeting proceedings.

Background/Discussion
In October 2015, the City Clerks Association of California (CCAC) adopted guidelines recommending preparing minutes in action or brief summary format that are efficient, succinct, logical, and cost-effective in a manner consistent with the intent of the Government Code. Minutes serve as the official record of business transacted and testify that the correct procedures for decision making were followed. A copy of the guidelines is provided in ***Attachment A.***

Since these guidelines were developed, many government agencies have transitioned to use action style or brief summary minutes. Below is a summary of the main features and benefits of action and brief summary style minutes.

Features of Action Style Minutes
- Records final decisions made
- For public hearings – lists speaker's name and position on each issue raised

Features of Brief Summary Style Minutes
- Records final decisions made
- For public hearings – lists speaker's name and position on each issue raised
- Records only fully developed points in final form that lead to a final decision
- Consolidates points made by several speakers into one sentence or short paragraph
- Attributes views and points to the collective group and not to individuals
- May record key advice given in making final decision
- May note brief reason for dissention of one or more members

Benefits of Both Action and Brief Summary Style Minutes

- Removes staff interpretation of statements and determination of what comments should be included
- Eliminates ambiguity by omitting discussion not relevant to final decision
- Places emphasis on collective group thoughts and eliminates individual opinions
- Reduces staff time

WTA/WETA Board meeting minutes have historically been prepared using a long-form style format. The long-form details meeting agenda items and related actions and includes detailed discussion and comments that may not be relevant to final decisions. Additionally, development of the long-form style minutes requires a significant investment of staff time to prepare, review and edit.

Staff recommends transitioning to utilize brief summary style minutes consistent with CCAC guidelines in order to most effectively record WETA Board meeting proceedings and meet the intent of the Government Code. Audio recordings and packets of Board meetings will continue to be retained and archived for further reference as needed.

Fiscal Impact

There is no fiscal impact associated with this item.

END

Attachment A

CITY CLERKS ASSOCIATION OF CALIFORNIA
GUIDELINES FOR
PREPARING MINUTES FOR GOVERNMENTAL AGENCIES

PURPOSE

The City Clerks Association of California issues these guidelines as a tool for government agencies to transition to minutes styles that are efficient, succinct, cost-effective for staff to prepare, and more appropriately aligned with the intent of the Government Code.

FINDINGS

- Legislative bodies must act, and must be *seen* to act, within the laws of the State of California and local charters, if applicable. Being *seen* to act within the law is important, because the legislative body's decisions may be subject to external scrutiny by the public, auditors, or judicial inquiry. Minutes *testify* that the correct procedures for decision-making were followed.
- Legislative body minutes shall be prepared in a manner consistent with the intent of the Government Code. Relevant Government Codes are as follows:
    - Government Code 40801. The city clerk shall keep an accurate record of the proceeding of the legislative body and the board of equalization in books bearing appropriate titles and devoted exclusively to such purposes, respectively. The books shall have a comprehensive general index.
    - Government Code 36814. The council shall cause the clerk to keep a correct record of its proceedings. At the request of a member, the city clerk shall enter the ayes and noes in the journal.
    - Government Code 54953(c)(2). The legislative body of a local agency shall publicly report any action taken and the vote or abstention on that action of each member present for the action.
    - Government Code 53232.3(d). Members of a legislative body shall provide brief reports on meetings attended at the expense of the local agency at the next regular meeting of the legislative body.
- All components of minutes shall be for the primary purpose of memorializing decisions made by the *legislative body*. Any minute component that does not serve this primary purpose should be minimized or eliminated; this includes comments made by *individual* body members and members of the *public*.

GUIDELINES

- Minutes should provide a record of a) when and where a meeting took place, and who was present (including member absences, late arrivals, departures, adjournment time); b) type of meeting (Regular/Special/Adjourned Regular); c) what was considered; d) what was decided; and e) agreed upon follow-up action. Pursuant to Government Code 54953(c)(2), minutes shall report any action taken and the vote or abstention on that action of each member present for the action.
- Appropriate styles are *action* minutes or *brief summary* minutes. Verbatim style minutes should not be used, because verbatim or lengthy summary minutes do not serve the intent of the Government Code, which is to record the proceedings of the *legislative body*.
- *Action* minutes merely record final decisions made.

- *Brief summary* minutes, at a minimum, record the final decisions made; and, at a maximum, may record what advice the body was given to enable it to make its decisions, the body's thought process in making the decision, and the final decisions made. Emphasis is given on the body's thought process, not individual members' thought processes. The minutes should summarize only the main points which arose in discussion if and only if they are relevant to the decision.
- Comments made by members such as "for the record" or "for the minutes" have no bearing on the content of minutes and are given no greater and no lesser consideration than other comments made at the public meeting. Members seeking to memorialize comments should incorporate such verbiage into the language of the motion. As an alternative, members may submit written statements to be retained with the agenda item.
- Since the main purpose of minutes is to record the legislative body's decision, summary minutes should be brief. By concentrating on the legislative body's decision, brief summary minutes will provide only a select recording of what was discussed at the meeting. Brief summary minutes should not attempt to reproduce, however summarily, what every speaker said. It should only record the essence of the discussion and include the main threads that lead to the body's conclusion.
- To the fullest extent possible, brief summary minutes should be impersonal and should not attribute views to individual persons. Only the positions and decisions taken by the whole legislative body are relevant, not those of individual members. The passive voice is favored i.e. "It was suggested that…," "It was generally felt that...," "It was questioned whether…," "During discussion, it was clarified…"
- There are reasons for not attributing comments to specific speakers. First, it makes for brevity--a point can be recorded more concisely in impersonal form. Second, a point raised by one speaker will often be further developed by others—in impersonal brief summary minutes, only the fully-developed point is recorded in its final form. Third, points by several speakers can be consolidated into a single paragraph. Fourth, the impersonal style averts future corrections to minutes.
- While the primary purpose of minutes is to memorialize decisions made by the legislative body as a whole, under limited circumstances it is necessary and/or appropriate to attribute comments to individual members including:
    - Individual member's reports pursuant to Government Code 53232.3(d) (enacted by AB 1234, 2005). The minute record shall include the type of meeting attended at the expense of the local agency and the subject matter.
    - Individual member's reports on intergovernmental agencies. Brief summary minutes should include the type of meeting at a minimum, and, at the maximum, include the subject matter.
    - Individuals speaking under public comment. Brief summary minutes shall, at a minimum, list the public member's name (if provided); and, at a maximum, include the overall topic and stance/position. Such as Mr. Jones spoke in opposition to the Project X. Being mindful that the minutes are recordings of the legislative body's proceedings, it is not appropriate to include detail of individual comments. There is an exception for public testimony provided during public hearings, for which the minutes shall include the speaker's name (if provided) and a summary position of the speaker (i.e., supported or opposed).
- For purposes of meeting Government Code 36814 and/or 54953(c)(2), the city clerk should enter the ayes and noes in the minutes. For informal consensus (i.e. providing staff direction), it is appropriate to note the dissention of one or more members by, at a minimum, stating the dissenting member's name and dissention, such as "Mr. Jones dissented," and at a maximum to also include a brief reason, such as "Mr. Jones dissented citing budget concerns."
- While the primary purpose of legislative body meetings is for the legislative body to take legislative action and make decisions to advance agency business, it is acknowledged that agency meetings also

serve as platforms for ceremonial presentations and reports on social and community events. At a minimum, brief summary minutes should identify that presentations were made and event reports were given; and, at a maximum, report only the subject matter of the presentation or event.

- For community workshops and town hall meetings subject to the Brown Act, brief summary minutes, at a maximum, record the overall topic, provided that no legislative actions were taken. It is advisable to note in the minutes that no legislative action was taken.
- The guidelines contained herein are applicable to committees and commissions subject to the Brown Act. It is acknowledged that many boards and commissions take few legislative actions, and the tendency is to include more detail in the minutes on event reports and planning. At a maximum, brief summary minutes may include key points of the final reports or determinations, and all comments shall be attributable to the entire body and not attributable to individual members.
- Brief summary minutes shall serve to clarify decisions taken and who is expected to execute the decisions. It is not necessary to write down all action points or all tasks identified. Minutes shall not serve as a substitute for task lists, and the focus shall remain on the final decisions made by the *legislative body*.
- The language of brief summary minutes should be relatively restrained and neutral, however impassioned the discussion. Brief summary minutes will record the substance of the point in an intemperate way.
- To the fullest extent possible, minutes should be self-contained to be intelligible without reference to other documents.
- As a general rule, individual member comments are not identified in the brief summary minutes of discussions, and minutes should concentrate on the collective body's thought process and the collective decisions made by the majority, not individuals.
- Brief summary minutes should concentrate on central issues germane to the final decision. The record of the discussion should be presented in a logical sequence, rather than reproduced in the actual order they were made in discussion.
- The legislative body may wish to choose more, substantive (summary) minutes if there's no archival audio/video backup recording available of its proceedings. If audio/video recording is available for future reference, minute notations can be more limited (action).

AGENDA ITEM 8
MEETING: December 8, 2016

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 2015/16

Recommendation

Accept the Independent Auditor's Annual Financial Reports for the fiscal year ending June 30, 2016, as submitted by Maze & Associates, including the following:

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

Background

Section 106.6 of the WETA Administrative Code requires 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 through its ongoing agreement with the Association of Bay Area Governments (ABAG) for financial services.

Discussion

The Annual Financial Reports for the fiscal year ending June 30, 2016, issued by Maze and provided for Board acceptance, are comprised of the following:

Memorandum on Internal Control

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

Basic Financial Statements

The Basic Financial Statements are provided as ***Attachment B*** to this report. These include an Independent Auditor's Report, Management Discussion and Analysis and Basic Financial Statements for the year ending June 30, 2016. 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, 2016, 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, 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 requirements applicable to the federal program for the year ended June 30, 2016.

Measure B and Measure BB Compliance Reports
The Measure B (MB) and Measure BB (MBB) Compliance Reports, 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 2015/16. 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, 2016.

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, 2016

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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, 2016

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MAZE & ASSOCIATES

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, 2016, 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.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Maze & Associates

Pleasant Hill, California
November 14, 2016

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

FS2016-01 Upcoming Governmental Accounting Standards Board Pronouncements

The following pronouncements will be effective in fiscal year 2016/17:

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*

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported

2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions

3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

GASB 74 - *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—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, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB 77 - *Tax Abatement Disclosures*

This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period

GASB 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

SCHEDULE OF OTHER MATTERS

GASB 80 - *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

How the Changes in This Statement Improve Financial Reporting

The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability.

GASB 82 - *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Presentation of Payroll-Related Measures in Required Supplementary Information

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

SCHEDULE OF OTHER MATTERS

Selection of Assumptions

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

Classification of Employer-Paid Member Contributions

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

SCHEDULE OF OTHER MATTERS

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.

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.

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REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority for the year ended June 30, 2016. 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, except as follows:

GASB Statement No. 72 – *Fair Value Measurement and Application*

The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

See Notes 2E and 3A of the Notes to Basic Financial Statements for related disclosures.

GASB 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

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

GASB 79 – *Certain External Investment Pools and Pool Participants*

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

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

Unusual Transactions, Controversial or Emerging Areas

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

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, 2016, the Authority held approximately $3.9 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, 2016. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2016.
>
> *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.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in a management representation letter dated November 14, 2016.

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.

We were engaged to report on the supplementary information, which accompanying the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

******

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
November 14, 2016

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Attachment B

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

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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Table of Contents

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MAZE & ASSOCIATES

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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 that changed fair value disclosures as discussed in Note 2E to the financial statements.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 November 14, 2016, 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
November 14, 2016

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, 2016. 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 exceeded liabilities by $187.2 million at June 30, 2016, a $32.9 million or 21% increase from June 30, 2015.

The following is a summary of the Authority's net position as of June 30, 2016 and 2015 along with a discussion of some of the most significant balances (in thousands):

	2016	2015
Assets:		
Current and other assets	$154,615	$143,436
Capital assets	171,261	138,763
Total assets	$325,876	$282,199
Deferred Outflows of Resources:		
Pension	$930	$794
Total deferred outflows of resources	$930	$794
Liabilities:		
Current liabilities	$6,545	$5,544
Unearned/deferred revenue	131,567	121,542
Other noncurrent liabilities	103	93
Collective net pension liability	440	749
Total liabilities	$138,655	$127,928
Deferred Inflows of Resources:		$10,727
Pension	$215	$220
Total deferred iutflows of resources	$215	$220
Net Position:		
Invested in capital assets, net of related debt	$171,261	$138,763
Restricted	5,211	5,112
Unrestricted	11,464	10,971
Total net assets	$187,936	$154,846

The largest portion of the Authority's net position (91%) 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 23% during the year.

An additional portion of the Authority's net position (3%), Restricted net position, represents resources that are subject to external restrictions imposed by grantors and contributors that restrict the use of net assets, increased $0.1 million during the year. The remaining Unrestricted net position (6%) 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, 2015. Pension contributions made in FY2015/16 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, 2016 balances, including Deferred outflow of resource and Deferred inflow of resources, at June 30, 2016 are not comparable to the balances at June 30, 2015.

FISCAL YEAR 2016 FINANCIAL HIGHLIGHTS

- Fare revenues increased by $2.8 million or 20% ($16.7 million in 2016 compared to $13.9 million in 2015). This increase was mainly attributed to the 19% increase in system-wide ridership. This increase was also attributed to the implementation of year one fare increase that was included in the five-year fare program adopted by the Authority's Board of Directors in September 2014.

- Operating expenses, before depreciation, increased slightly from $28.7 million in 2015 to $28.9 million in 2016, a change of $0.2 million. The small increase was due to the additional costs associated with providing enhanced ferry service schedules to meet growing ridership demands while realizing the benefits of decreased fuel costs.

- Non-operating revenues decreased to $12.8 million in 2016 as compared to $15.1 million in 2015, a decrease of $2.3 million. This decrease was due to decreased need for operating subsidy from Regional Measure 2.

- Capital contributions received in the form of grants and assistance from the Federal, State, and Local governments increased from $27.3 million in 2015 to $40.7 million in 2016. In 2016, the Authority was involved in major projects such as the *Purchase of Two Replacement Vessels, Regional Spare Float Replacement Purchase, Major Refurbishment of the Intintoli and Gemini, Construction of the North Bay Operations and Maintenance Facility, and the preparation of bridging design documents for the San Francisco Berthing Expansion.*

- Total Assets increased by $43.7 million ($325.9 million in 2016 compared to $282.2 million in 2015) and total Liabilities increased by $10.8 million ($138.7 million in 2016 compared to $127.9 million in 2015), resulting in an increase of total Net Assets of $33.1 million ($187.9 million in 2016 compared to $154.8 million in 2015).

PROGRAM INITIATIVES AND OUTLOOK

On August 24, 2015, the Authority's Board of Directors approved the implementation of service enhancements to address capacity shortfalls experienced on San Francisco Bay Ferry services. Changes to the ferry service schedules included direct peak period departure from Pier 41 to Oakland and Alameda and a new peak period departure from the San Francisco to Vallejo in the afternoons.

On March 3, 2016, the Authority's Board of Directors adopted the 2016 Short Range Transit Plan (SRTP) for FY 2015/16 through FY 2024/15. The 2016 SRTP provides an overview of the Authority's public transit ferry services and recent system performance, as well as a 10-year projection of transit capital and operating expenses and revenues for FY 2015-16 to FY 2024-25.

On March 3, 2016, the Authority's Board of Directors also approved the Authority's Emergency Response Plan (ERP). The ERP describes how the Authority will coordinate with local, regional, state and federal partners to provide emergency water transportation in a catastrophic emergency requiring activation of the State Operations Center. The ERP addresses planning assumptions, roles and responsibilities, emergency water transportation operations, and incident communications.

On April 7, 2016, the Authority's Board of Directors approved a contract award for the construction of the Central Bay Operations and Maintenance Facility in an amount not-to-exceed $54.7 million.

On April 7, 2016, the Authority's Board of Directors approved a Memorandum of Understanding (MOU) with the City of Alameda for the future Seaplane Lagoon ferry service (Project). The MOU formalizes the partnership between the City of Alameda and the Authority and provides a common understanding of the Project and the future service at the conceptual level.

On June 2, 2016, the Authority's Board of Directors adopted the Authority's revised Mission Statement and Vision Statement as developed by the Strategic Plan working group. Revised statements are needed to better capture the current strategic direction of the agency.

During 2016, the Authority expended $40.7 million on capital activities. (See Note 4 for further information.) This included the following major projects:

- Purchase of Two Replacement Vessels ($16.5 million).
- North Bay Operations and Maintenance Facility – Construction ($10.6 million).
- Major Refurbishment of the *Intintoli* and *Gemini* ($4.3 million).
- San Francisco Berthing Expansion – Bridging Design ($2.3 million).
- Regional Spare Float Replacement Purchase ($2.0 million).
- Channel Dredging – Vallejo Ferry Terminal ($1.7 million).
- Central Bay Operations and Maintenance Facility – Bridging Design ($1.2 million).
- Replace Mooring Piles at the Harbor Bay Ferry Terminal ($440,000).

The Authority will continue its efforts to support the management, operation and marketing of the four San Francisco Bay Ferry Routes: Alameda/Oakland to San Francisco, Alameda Harbor Bay to San Francisco, Alameda/Oakland to South San Francisco and Vallejo to San Francisco. Planning and administrative efforts in the coming year will focus on completing the agency's Strategic Plan and initiating follow-up activities such as service feasibility studies, completing the Alameda Terminal Access Study and identifying next steps, updating system ridership projections, and development an integrated operations information database for monitoring service performance. The Authority will also continue with recently expanded efforts 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.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	
Current Assets	
Cash and cash equivalents (Note 3)	$145,501,710
Receivables:	
Accounts	5,990,887
Interest	35,192
Security deposit	56,013
Inventory	756,631
Prepaid expenses	2,274,938
Total Current Assets	154,615,371
Capital assets, net of accumulated depreciation (Note 4):	
Construction in progress	70,707,442
Depreciable capital assets, net	
Ferries	56,943,630
Terminal development rights	3,194,228
Floats, piers and gangways	13,322,040
Ferry terminal and facilities	26,606,737
Equipment and service vehicles	487,055
Total Capital Assets	171,261,132
Total Noncurrent Assets	171,261,132
Total Assets	325,876,503
DEFERRED OUTFLOWS	
Deferred outflows related to pensions (Note 9)	929,959
Total Deferred Outflows	929,959
LIABILITIES	
Current Liabilities	
Accounts payable	5,053,754
Other accrued liabilities	1,384,575
Unearned revenue - fares	85,738
Compensated absences (Note 2C)	106,499
Total Current Liabilities	6,630,566
Noncurrent Liabilities	
Compensated absences (Note 2C)	103,352
Unearned revenue - Prop 1B (Note 5C)	129,207,317
Unearned revenue - State Appropriation (Note 5A)	2,274,170
Collective net pension liability (Note 9)	439,655
Total Noncurrent Liabilities	132,024,494
Total Liabilities	138,655,060
DEFERRED INFLOWS	
Deferred inflows related to pensions (Note 9)	215,135
Total Deferred Inflows	215,135
NET POSITION (Note 8)	
Net investment in capital assets	171,261,132
Restricted	5,210,872
Unrestricted	11,464,263
Total Net Position	$187,936,267

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Farebox revenue	$16,681,858
Total Operating Revenues	16,681,858
PROGRAM OPERATING EXPENSES	
Personnel costs	1,742,468
Purchased transportation	20,375,851
Administrative expenses	4,203,320
Legal and consulting	2,109,868
Insurance premiums	481,781
Depreciation (Note 4)	8,233,676
Total Program Operating Expenses	37,146,964
OPERATING LOSS	(20,465,106)
NONOPERATING REVENUES (EXPENSE)	
Intergovernmental receipts	12,778,939
Interest income	43,788
Other revenue	1,384
Total Nonoperating Revenues	12,824,111
CAPITAL GRANTS	40,731,343
CHANGE IN NET POSITION	33,090,348
NET POSITION - BEGINNING	154,845,919
NET POSITION - ENDING	$187,936,267

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$16,681,858
Payments to vendors and consultants	(26,386,703)
Payments to or on behalf of employees	(2,165,522)
Net cash flows from (used for) operating activities	(11,870,367)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Intergovernmental collections	14,341,803
Net cash flows from noncapital and related financing activities	14,341,803
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant receipts used for capital activities	50,757,060
Payments for capital assets	(40,731,344)
Net cash flows from capital and related financing activities	10,025,716
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest collections	25,335
Net cash flows from investing activities	25,335
Net cash flows	12,522,487
Cash and cash equivalents- beginning of year	132,979,223
Cash and cash equivalents - end of year	$145,501,710
Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	($20,465,106)
Depreciation	8,233,676
Decrease (increase) in due to retirement liability	(449,880)
Change in assets and liabilities:	
Security deposits	539
Inventory	
Prepaid expenses	(200,499)
Accounts payable	1,415,332
Other accrued liabilities	(431,255)
Compensated absences	26,826
Net cash flows used for operating activities	($11,870,367)

See accompanying notes to financial statements

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.

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, 2015	$183,025
Additions	262,721
Payments	(235,895)
Balance at June 30, 2016	209,851
Due within one year	106,499
Due in more that one year	$103,352

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.

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, 2016:

Investment Type	Level 2	Exempt	Total
California Local Agency Investment Fund	$11,941,386		$11,941,386
Held by Trustees:			
Money Market Mutual Fund		$133,211,136	133,211,136
Total Investments	$11,941,386	$133,211,136	145,152,522
Cash in banks and on hand			349,188
Total Cash and investments			$145,501,710

The California Local Agency Investment Fund (LAIF) classified in Level 2 of the fair value hierarchy, is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

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 Government Sponsored Enterprise Agencies	N/A	N/A	No Limit	No Limit
State Obligations	5 years	N/A	No Limit	No Limit
Local Agency Obligations	5 years	N/A	No Limit	No Limit
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Non-negotiable Certificates of Deposit	5 years	N/A	No Limit	No Limit
Money Market Mutual Funds	N/A	Highest	20%	10%
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 Days	A-1	25%	10%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	$65,000,000 per account	$65,000,000 per account
Local Agency Bonds	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
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

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 167 and 24 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.

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, 2016:

	Balance as of June 30, 2015	Additions	Transfers	Retirements	Balance as of June 30, 2016
Capital assets not being depreciated:					
Construction in progress	$42,277,694	$40,731,344	($12,301,596)		$70,707,442
Total assets not being depreciated	42,277,694	40,731,344	(12,301,596)		70,707,442
Capital assets being depreciated:					
Ferries	76,935,412		6,580,907	($294,807)	83,221,512
Terminal development rights	3,660,000				3,660,000
Floats, piers and gangways	11,752,114		3,937,008		15,689,122
Ferry terminal and facilities	28,736,566		1,722,020		30,458,586
Equipment and service vehicles	1,508,849		61,661		1,570,510
Total assets being depreciated	122,592,941		12,301,596	(294,807)	134,599,730
Less accumulated depreciation for:					
Ferries	(20,554,312)	(6,018,377)		294,807	(26,277,882)
Terminal development rights	(399,227)	(66,545)			(465,772)
Floats, piers and gangways	(1,438,503)	(928,579)			(2,367,082)
Ferry terminal and facilities	(2,880,162)	(971,687)			(3,851,849)
Equipment and service vehicles	(834,967)	(248,488)			(1,083,455)
Total accumulated depreciation	(26,107,171)	(8,233,676)		294,807	(34,046,040)
Net capital assets being depreciated	96,485,770	(8,233,676)	12,301,596		100,553,690
Capital Assets, Net	$138,763,464	$32,497,668			$171,261,132

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, 2016, the appropriation has a balance as follows:

Original appropriation	$12,000,000
Net expenses as of June 30, 2016	(9,734,892)
Unearned appropriation as of beginning of period	2,265,108
Fiscal year 2016:	
Interest income	9,062
Unearned appropriation as of period end	$2,274,170

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, 2016, the Authority expended a total of $484,194 for capital. The Authority received $0 in cash and had a receivable balance of $484,194.

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 2015-16 and $12,000,000 to be used for capital. As of June 30, 2016, the Authority has expended total current allocated operating funds of $12,538,628 and an additional $6,921,003 of current and previously allocated capital funds. The Authority received $17,001,372 in cash and had a receivable balance of $2,458,258.

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, 2016, the Authority had expended total allocated funds of $840,061, had received $291,191 in cash and had a receivable balance of $548,870.

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, 2016, the Authority had been awarded $175 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, and $25 million in fiscal year ended June 30, 2016. Unspent grant receipts have been reported as unearned revenue in the accompanying financial statements.

A summary of the Authority's Proposition 1B project for the fiscal year ended June 30, 2016 are as follows:

		Expended in Fiscal Year		Unearned
Project Name	Grant Allocations	Prior years	2015-2016	Revenue at 06/30/16
Preliminary Studies & Bridging Design of Redwood City, Richmond, Antioch and Martinez	$2,299,792	($1,220,909)	($591,297)	$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	5,800,000	(5,290,025)	(408,027)	101,948
Central Bay and North Bay Maintenance Facilities	66,562,652	(13,982,440)	(10,845,971)	41,734,241
San Francisco Berthing Expansion	45,500,000	(692,257)	(1,203,076)	43,604,667
WETA Ferry Vessels	35,000,000	(24,574)	(2,163,670)	32,811,756
East Bay Ferry Terminals	10,000,000			10,000,000
Total	$175,000,000	($31,047,761)	($15,212,041)	128,740,198
Add interest earned in prior years				324,160
Add interest earned in current year				142,959
Unearned Revenues				$129,207,317

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, 2016, the Measure B and Measure BB program activity was as follows:

	Measure B	Measure BB
Program Revenues:		
Direct Local Program Distribution Allocation	$997,106	$652,432
Total Measure BB Revenues	997,106	652,432
Program Expenditures:		
Construction / Capital:		
Vessel Replacement - Express II	1,391,599	677,247
Terminal Access Improvements - Alameda	67,528	
Vessel Engine Overhaul - Taurus	59,093	
Net Bank Fees	416	
Total Direct Local Distribution Program Expenditures	1,518,636	677247
Revenue Over Expenditures/		
Excess Net Change in Fund Balance	(521,530)	(24,815)
Fund Balance:		
Beginning Fund Balance	2,298,655	125,391
Ending Fund Balance	$1,777,125	$100,576
Reserves:		
Capital Reserves	$1,682,125	$35,576
Undesignated Reserves	95,000	65,000
Unspent Funds as of the End of the Year:	$1,777,125	$100,576

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, 2016, the Authority's Capital Fund Reserve amounted to $1,717,701 and has been retained to fund the following capital projects related to the Alameda ferry services:

- Purchase Replacement Ferry Vessels

- Alameda Terminals Access Improvements

Operations Fund Reserve - The Authority may establish and maintain a specific reserve to address operational issues including fluctuations in revenues and to help maintain transportation operations. The total amount retained may not exceed 50 percent of anticipated annual combined revenues from MB and MBB funds. This fund may be a revolving fund and is not subject to an expenditure timeframe. As of June 30, 2016, 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, 2016, the Authority has established an Undesignated Fund Reserve totaling $160,000.

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). The lease expires on November 30, 2016.

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.

NOTE 6 – LEASE OBLIGATION (Continued)

C. *City of Alameda*

The Authority and 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, plus annual Consumer Price Index Rent Adjustment, and expires after 60 years.

NOTE 7 – RISK MANAGEMENT

The Authority purchased the following insurance policy covered at June 30, 2016:

Type of Coverage	Limit	Deductible
General liability	$1,000,000 to 2,000,000	$2,500
Workers compensation	1,000,000	N/A
Public officials management & Employment practices liability	3,000,000	15,000 to 20000
Property - Direct physical loss or damage (excluding earthquake or flood)	350,000	1,000
Type of Coverage (related to Ferry Services)		
Marine commercial liability, Terminal operators liability and Auto liability	$1,000,000 to 2,000,000	$2,500
Docks, pilings & ramps		
Pier 9, Harbor Bay, Main Street, Vallejo, Mare Island Terminals and Clay Street Float	19,430,200	10,000 to 20000
South San Francisco Terminal	20,680,853	1,000
North Bay Operations and Maintenance Facility	11,970,000	1,000
Excess marine liability	9,000,000	N/A

The Authority did not have any claims in fiscal year 2016.

NOTE 8 – NET POSITION

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

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

Restricted describes unexpended Measure B revenues, 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.

NOTE 9 – PENSION PLANS

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 are part of the public agency cost-sharing multiple-employer, 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, 2016, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
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	9.067%	6.179%

NOTE 9 – PENSION PLANS (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. The Authority's required contribution for the unfunded liability and side fund was $491,374 in fiscal year 2016.

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, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
	Tier I & Tier II
Contributions - employer	$434,477
Contributions - employee (paid by employer)	112,639

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 positon 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, 2016, 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 Tier I & Tier II	$439,655
Total Collective Net Pension Liability	$439,655

NOTE 9 – PENSION PLANS (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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

	Miscellaneous Tier I & Tier II
Proportion - June 30, 2014	0.0303%
Proportion - June 30, 2015	0.0160%
Change - Increase (Decrease)	-0.0143%

For the year ended June 30, 2016, the Authority recognized a negative pension expense of $15,403. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Tier 1 & Tier 2	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	$434,477	$0
Differences between actual and expected experience	15,146	0
Changes in assumptions	0	(143,298)
Net differences in actual contributions and proportionate contributions	460,683	0
Net differences between projected and actual earnings on pension plan investments	0	(71,837)
Adjustments due to differences in proportion	19,653	0
Total	$929,959	($215,135)

NOTE 9 – PENSION PLANS (Continued)

Deferred outflows of $434,477 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Miscellaneous Tier 1 & Tier 2
2017	$76,881
2018	73,714
2019	37,928
2020	91,824
Thereafter	

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous Tier I & Tier II
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Depending on age, service and type of employment
Investment Rate of Return	7.5% (1)
Retirement Age	Based on CalPERS 2010 Experience Study for period 1997 to 2007
Mortality	Derived using CalPERS Membership Data for all Funds (2)

(1) Net of pension plan investment and administrative expenses, including inflation

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2007 experience study report available on CalPERS' website.

NOTE 9 – PENSION PLANS (Continued)

All other actuarial assumptions used in the June 30, 2014 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.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

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.

NOTE 9 – PENSION PLANS (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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51%	5.25%	5.71%
Private Equity	19%	0.99%	2.43%
Global Fixed Income	6%	0.45%	3.36%
Liquidity	10%	6.83%	6.95%
Real Assets	10%	4.50%	5.13%
Inflation Sensitive Assets	2%	4.50%	5.09%
Absolute Return Strategy (ARS)	2%	-0.55%	-1.05%
Total	100%		

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:

	Miscellaneous Tier I
1% Decrease	6.65%
Net Pension Liability	$980,565
Current Discount Rate	7.65%
Net Pension Liability	$439,655
1% Increase	8.65%
Net Pension Liability	($6,928)

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

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, 2016, 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.

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, 2016, the Authority contributed the ARC amounting to $69,800 to the plan which represented 4.8% of the $1.45 million of covered payroll. The Authority did not have a Net OPEB Obligation at June 30, 2016, as presented below:

	Amounts
Net OPEB Obligation June 30, 2015	$0
Annual required contribution (ARC)	69,800
Contributions to CERBT	(69,800)
Change in net OPEB Liability	0
Net OPEB Obligation June 30, 2016	$0

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated October 2015, amounted to $617,300 and was unfunded since no assets had been transferred into CERBT as of that date. However, as of June 30, 2016, the Authority has $530,086 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
6/30/2014	$44,200	$44,200	100%	$0
6/30/2015	46,900	46,900	100%	0
6/30/2016	69,800	69,800	100%	0

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, 2016, the Authority had made commitments for the following projects:

Ferry Vessel Replacement - Encinal & Express II	$13,868,202
Purchase Replacement Vessel - MV Vallejo	587,472
Vessel Quarter-Life Refurbishment - Gemini	1,040,474
Purchase Maintenance Equipment	123,817
Purchase New Vessels - Richmond Ferry Service	1,174,944
Central Bay Operations & Maintenance Facility	52,451,362
North Bay Operations & Maintenance Facility	810,047
Richmond Ferry Terminal	345,687
San Francisco Berthing Expansion	1,590,354
Total	$71,992,359

REQUIRED SUPPLEMENTARY INFORMATION

San Francisco Water Emergency Transportation Authority, a Cost-Sharing Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	Miscellaneous Plan Tier 1 & Tier II 6/30/2014	Miscellaneous Plan Tier 1 & Tier II 6/30/2015
Plan's Proportion of the Net Pension Liability/Asset	0.010204%	0.016026%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$748,940	$439,655
Plan's Covered-Employee Payroll	$1,363,751	$1,453,752
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of it's Covered-Employee Payroll	54.92%	30.24%
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	0.024151%	0.025897%

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

San Francisco Water Emergency Transportation Authority, a Cost-Sharing Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	Miscellaneous Plan Tier 1 & Tier 2 6/30/2015	Miscellaneous Plan Tier 1 & Tier 2 6/30/2016
Actuarially determined contribution	$222,396	$434,477
Contributions in relation to the actuarially determined contributions	(222,396)	(434,477)
Contribution deficiency (excess)	$0	$0
Covered-employee payroll	$1,363,751	$1,453,752
Contributions as a percentage of covered-employee payroll	16.31%	29.89%
Notes to Schedule		
Valuation date:	6/30/2013	6/30/2014
Methods and assumptions used to determine contribution rates:		
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	2.75%	2.75%
Salary increases	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
Retirement age	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 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 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale AA.

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

Schedule of Funding Progress
Authority 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, 2016

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SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

SINGLE AUDIT REPORT
For The Year Ended June 30, 2016

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SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements 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

Type of auditor's report issued on compliance for major programs:	Unmodified			
Internal control over major programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

Identification of major programs:

CFDA#(s)	Name of Federal 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 November 14, 2016 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.

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

Prepared by Management

Financial Statement Prior Year Findings

There were no prior year Financial Statement Findings reported.

Federal Award Prior Year Findings and Questioned Costs

There were no prior year Federal Award Findings and Questioned Costs reported.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Identifying Number	Federal Expenditures
Department of Transportation, Federal Transit Administration **Direct** Programs			
Federal Transit Cluster			
Federal Fixed Guideway Modernization:			
SF Berthing - Environ/Conceptual Design	20.500	CA-04-0160	$9,296
Central Bay Ops & Maint. Facility	20.500	CA-04-0209	144,920
FY09 - 5309 Capital	20.500	CA-05-0256	26,510
FY2012 - 5309 Capital	20.500	CA-05-0278	610,632
Subtotal Federal Fixed Guideway Modernization Grants			791,358
Federal Transit Formula Grants:			
FY2011 - 5307 Capital	20.507	CA-90-Y923	1,801,000
FY2013 - 5307 Capital	20.507	CA-90-Z066	8,946,760
Subtotal Federal Transit Formula Grants			10,747,760
State of Good Repair Grants:			
FY2014 - 5337 Capital	20.525	CA-54-0024	1,342,551
FY2015 - 5337 Capital	20.525	CA-54-0044	1,213,442
Subtotal State of Good Repair Grants			2,555,993
Total Federal Transit Cluster - Direct Programs			14,095,111
Total Expenditures of Federal Awards			$14,095,111

See Accompanying Notes to 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, 2016

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the San Francisco Bay Area Water Emergency Transportation Authority (Authority), California as disclosed in the notes to the Basic Financial Statements

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

NOTE 3 – 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 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 basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2016 and the related notes to the financial statements, and have issued our report thereon dated November 14, 2016. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Authority's Response to Findings

We have also issued a separate Memorandum on Internal Control dated November 14, 2016 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze & Associates

Pleasant Hill, California
November 14, 2016

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 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 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, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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 business-type activities of the Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 14, 2016 which contained unmodified opinions 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 basic financial statements as a whole.

Maze & Associates

Pleasant Hill, California
November 14, 2016

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Attachment D

SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY

MEASURE B FUNDS
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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SAN FRANCISCO BAY AREA
WATER EMERGENCY TRANSPORTATION AUTHORITY
MEASURE B PROGRAM
Financial Statements
For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the financial statements of the Alameda County Transportation Commission-Measure B Funds (Measure B Program) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2016, 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 of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinions

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 2016, 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 opinions.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 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
November 14, 2016

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

BALANCE SHEET
JUNE 30, 2016

	Mass Transit
ASSETS	
Cash and Investments	$1,735,225
Intergovernmental Receivables	156,968
Total Assets	$1,892,193
LIABILITIES	
Accrued Liabilities	$115,067
Total Liabilities	115,067
FUND BALANCE	
Restricted for:	
Capital Reserve	1,682,126
Undesignated Reserve	95,000
Total Fund Balance	1,777,126
Total Liabilities and Fund Balance	$1,892,193

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Mass Transit
REVENUES:	
Direct Local Distribution Funds Allocation	$997,106
Total Revenues	997,106
EXPENDITURES:	
Construction:	
Vessel Replacement - Express II	1,391,598
Terminal Access Improvement - Alameda	67,528
Vessel Engine Overhaul - Taurus	59,093
Bank Fees	416
Total Expenditures	1,518,635
CHANGE IN NET POSITION	(521,529)
FUND BALANCE:	
Beginning Fund Balance	2,298,655
Ending Fund Balance	$1,777,126

See accompanying notes to financial statements.

1. DESCRIPTION OF REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

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.

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 $1,735,225 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 Improvement - Alameda

Vessel Engine Overhaul - Taurus

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, 2016, the Authority's Capital Fund Reserve amounted to $1,682,126 and has been retained to fund the following capital projects related to the Alameda ferry services:

- Vessel Replacement - Harbor Bay Express II

- Terminal Access Improvement - Alameda

Operations Fund Reserve – The Authority may establish and maintain a specific reserve to address operational issues including fluctuations in revenues and to help maintain transportation operations. The total amount retained may not exceed 50 percent of anticipated annual combined revenues from Measure B and VRF funds. This fund may be a revolving fund and is not subject to an expenditure timeframe. As of June 30, 2016, 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, 2016, the Authority has established an Undesignated Fund Reserve totaling $95,000.

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT ON MEASURE B COMPLIANCE

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

Report on Compliance for Measure B Program

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Alameda County Transportation Commission - Measure B Funds (Measure B Program) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2016 and the related notes to the financial statements, and have issued our report thereon date November 14, 2016.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Measure B Program

In our opinion, the Authority is in compliance 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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 November 14, 2016, 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
November 14, 2016

Attachment E

SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY

MEASURE BB FUNDS
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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SAN FRANCISCO BAY AREA
WATER EMERGENCY TRANSPORTATION AUTHORITY
MEASURE BB PROGRAM
Financial Statements
For the Year Ended June 30, 2016

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the financial statements of the Alameda County Transportation Commission-Measure 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, 2016, 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 of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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, 2016, 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 opinions.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 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
November 14, 2016

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

BALANCE SHEET
JUNE 30, 2016

	Mass Transit
ASSETS	
Intergovernmental Receivables	$100,576
Total Assets	$100,576
FUND BALANCE	
Capital Reserve	$35,576
Undesignated Reserves	65,000
Total Fund Balance	100,576
Total Liabilities and Fund Balance	$100,576

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Mass Transit
REVENUES:	
Direct Local Distribution Funds Allocation	$652,432
Total Revenues	652,432
EXPENDITURES:	
Construction	677,247
Total Expenditures	677,247
CHANGE IN NET POSITION	(24,815)
FUND BALANCE:	
Beginning Fund Balance	125,391
Ending Fund Balance	$100,576

See accompanying notes to financial statements.

1. DESCRIPTION OF REPORTING ENTITY

Reporting Entity – All transactions of the Alameda County Transportation Improvement Authority – 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.

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. 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, 2016, the Authority's Capital Fund Reserve amounted to $35,576 and has been retained to fund the following capital projects related to the Alameda ferry services:

- Vessel Replacement – Harbor Bay Express II

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 and VRF funds. This fund may be a revolving fund and is not subject to an expenditure timeframe. As of June 30, 2016, 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, 2016, the Authority has established an Undesignated Fund Reserve totaling $65,000.

MAZE & ASSOCIATES

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, 2016 and the related notes to the financial statements, and have issued our report thereon date November 14, 2016.

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 is in compliance 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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 November 14, 2016 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
November 14, 2016

MEMORANDUM

TO: Board Members

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

SUBJECT: Approve Contract Award to Mansfield Oil Company for Purchase of Fuel for North Bay Ferry Operations

Recommendation
Approve contract award to Mansfield Oil Company for the purchase and delivery of diesel fuel for North Bay Ferry Operations for up to five years and authorize the Executive Director to negotiate and execute an agreement and take other related actions as may be necessary to support this effort.

Background
The City of Vallejo directly operated Baylink ferry service prior to the transition of Vallejo ferry operations to WETA in 2012. All City contracts related to the ferry service were transferred to WETA. This included a contract with Pinnacle Petroleum for the purchase and delivery of Ultra Low Sulfur Diesel fuel for North Bay ferry operations. This contract expires on December 31, 2016 at the close of business.

The North Bay Ferry service currently requires a daily delivery of approximately 4,500 gallons of fuel delivered to a single 6,000 gallon tank. With the opening of the new 48,000 gallon fueling facility, the daily delivery will change to a bi-weekly delivery of approximately 30,000 gallons. North Bay fuel purchases for FY 2015/16 were 1,462,545 gallons at an average price per gallon of $1.93 totaling $2,823,446. The current contract rate for fuel with Pinnacle Petroleum is the Oil Price Information Service (OPIS) Rack Rate plus an add-on fee of $.0562 per gallon for transportation costs and profit plus external taxes and fees.

With the volatile nature of fuel prices it is hard to predict what the impact of a fuel contract will have on the ferry operation budget. The method used in this bid is an economic price adjustment based on the OPIS Rack Rate plus a fixed fee per gallon. OPIS Rack Rates are the industry standard for these types of contracts. Suppliers offer a fixed per gallon add-on from this industry standard price benchmark.

Discussion
The Invitation for Bids (IFB) was released on October 21, 2016. Notice of this IFB was sent to WETA's mailing list, posted on the Agency's website, and advertised with the San Francisco Chronicle. WETA staff issued one addenda to the IFB clarifying the specifications set forth in the IFB, and responding to submitted questions. Bids were due to WETA on or before November 10, 2016.

The IFB required proposers to submit a Base Bid Price for delivery to the North Bay Operations and Maintenance Facility based upon an estimated Rack Rate price of $2.00 per gallon for 7,500 gallons of fuel to allow for a full and fair comparison of proposals. A total of three firms submitted bids including Mansfield Oil Company, TAC Energy and Pinnacle Petroleum Inc.

A summary of the bid prices received is as follows:

Table 1: Bid Results

	Mansfield Oil	**Pinnacle Petroleum**	**TAC Energy**
Total Base Bid Price:	$17,527.17	$17,663.39	$17,869.36

The proposal submitted by Mansfield Oil offers the lowest bid price, and equates to the OPIS Rack Rate plus $.0016 per gallon for fuel delivery to the North Bay facility, plus external taxes and fees. The IFB also establishes pricing for WETA options for delivery of fuel to the new Central Bay Operations and Maintenance Facility (CBOMF) and for delivery of alternate fuels should they be used at a future date. Mansfield had the lowest pricing for the option to deliver fuel to the CBOMF as well.

References for Mansfield Oil Company included public transit agencies and school districts in Northern California, as well as from out of state in Denver and Kansas City. The references described Mansfield Oil Company as very responsive, excellent to work with, and very reliable in delivery of fuel products.

Accordingly, staff recommends that the Board approve contract award to Mansfield Oil Company for North Bay fuel delivery for a period of up to five years, including an initial two-year contract period with three successive one-year options. These options will automatically take effect at the end of each contract period, unless Mansfield Oil is notified in writing by WETA (not less than ninety [90] days before the end of the applicable contract period) of its decision not to extend the contract. If approved, staff will issue the Notice to Proceed as soon as possible with deliveries to begin in January 2017.

<u>Fiscal Impact</u>

The cost for fuel purchases is included in the FY 2016/17 Operating Budget and will also be included in subsequent fiscal year budgets.

END

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

RESOLUTION NO. 2016-36

APPROVE THE AWARD OF A CONTRACT WITH MANSFIELD OIL COMPANY FOR PURCHASE OF FUEL FOR NORTH BAY FERRY OPERATIONS AND OPTIONS

WHEREAS, San Francisco Bay Area Water Emergency Transportation Authority (WETA) has established procedures in its Administrative Code relating to the selection and contracting of Materials and Supplies; and,

WHEREAS, on October 21, 2016, WETA issued an Invitation for Bids (IFB) for the purchase and delivery of diesel fuel for its North Bay ferry operations for a period up to five years, with options to add delivery to its Central Bay Operations and Maintenance facility once constructed and to deliver alternative fuels; and,

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

WHEREAS, staff recommends award to Mansfield Oil Company (Mansfield), as WETA's supplier of diesel fuel, in recognition that Mansfield was the low bidder; now, therefore, be it

RESOLVED, that the Board of Directors hereby approves an agreement with Mansfield Oil Company for the supplying and delivery of diesel fuel for a period up to five years with options to include fuel delivery to the Central Bay Maintenance and Operations Facility and for delivery of alternative fuels; and be it further

RESOLVED, that the Board of Directors authorizes the Executive Director to negotiate and execute an agreement and take any other related actions as may be necessary 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 December 8, 2016.

YEA:
NAY:
ABSTAIN:
ABSENT:

____

/s/ Board Secretary
2016-36
END

AGENDA ITEM 10
MEETING: December 8, 2016

MEMORANDUM

TO: **Board Members**

FROM: **Nina Rannells, Executive Director**
Kevin Connolly, Manager, Planning & Development

SUBJECT: **Informational Presentation on the Transbay/Core Capacity Study**

Recommendation
There is no recommendation with this informational item.

Background
In 2014, the Federal Transportation Administration awarded a grant in response to an application jointly sponsored by the Metropolitan Transportation Commission (MTC), BART and the San Francisco Metropolitan Transportation Authority to study the increasing crowding affecting transit operators in both the Transbay/Bay Bridge corridor as well as the intra-San Francisco market. The study, led by MTC with funding and technical support from San Francisco, BART, AC Transit and WETA, kicked off in 2015 and is currently two-thirds complete. WETA staff will present a high-level summary of the study's findings to date, along with future areas of study and implications for WETA's Strategic Plan.

Fiscal Impact
There is no fiscal impact associated with this informational item.

END