



Members of the Board

Charlene Haught Johnson, Chair
Anthony J. Intintoli, Jr., Vice Chair
Gerald Bellows
Beverly Johnson
John O'Rourke

**MEETING AGENDA FOR THE
WETA BOARD OF DIRECTORS**

BOARD OF DIRECTORS' MEETING

Thursday, February 16, 2012 at 1:00 P.M.

San Francisco Bay Area

Water Emergency Transportation Authority

9 Pier, Suite 111

San Francisco

The full agenda packet is available for download at www.watertransit.org.

AGENDA

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.

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| 1. <u>CALL TO ORDER – BOARD CHAIR</u> | Information |
| 2. <u>ROLL CALL/PLEDGE OF ALLEGIANCE</u> | Information |
| 3. <u>REPORT OF BOARD CHAIR</u> | Information |
| 4. <u>REPORTS OF DIRECTORS</u> | Information |
| 5. <u>REPORTS OF STAFF</u> | Information |
| a. Executive Director's Report | |
| b. Legislative Update | |
| 6. <u>CONSENT CALENDAR</u> | Action |
| a. Minutes January 5, 2012 | |

**Water Emergency Transportation Authority
February 16, 2012 Meeting of the Board of Directors**

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|---|-------------------------|
| b. Accept the Independent Auditor's Annual Financial Reports for the Fiscal Year 2010/11 | Action |
| c. Authorize the Executive Director to Execute a Master Programs Funding Agreement with Alameda County Transportation Commission | Action |
| | |
| 7. <u>APPROVE A SOLE SOURCE CONTRACT WITH VALLEY POWER SYSTEMS NORTH INC., FOR IN FRAME OVERHAUL OF THE ENCINAL'S MAIN ENGINES</u> | Action |
| | |
| 8. <u>APPROVE ON-CALL MARKETING AND PUBLIC INFORMATION SERVICES LIST AND AUTHORIZE THE EXECUTIVE DIRECTOR TO NEGOTIATE AND EXECUTE CONTRACTS</u> | Action |
| | |
| 9. <u>APPROVE CHANGES TO DIVERSITY PROGRAM FOR CONTRACTS AND SUBMITTAL OF THE REVISED PROGRAM TO THE U.S. DEPARTMENT OF TRANSPORTATION</u> | Action |
| | |
| 10. <u>APPROVE VESSEL BRANDING PLAN</u> | Action |
| | |
| 11. <u>AUTHORIZE RELEASE OF A REQUEST FOR QUALIFICATIONS (RFQ) FOR CONSTRUCTION MANAGEMENT SERVICES FOR DREDGING PROJECTS</u> | Action |
| | |
| 12. <u>PROVIDE DIRECTION TO STAFF REGARDING POTENTIAL LEGISLATION TO STAGGER BOARD TERMS</u> | Action |
| | |
| 13. <u>RECESS INTO CLOSED SESSION</u> | |
| a. <u>CONFERENCE WITH REAL PROPERTY NEGOTIATORS</u> | Action |
| Property: Mare Island Maintenance Facility at Building 477 and Building 165 sites, City of Vallejo | To Be Determined |
| Agency Negotiators: Nina Rannells | |
| San Francisco Bay Area Water Emergency Transportation Authority | |
| Negotiating Parties: City of Vallejo | |
| Under Negotiation: Terms and conditions of the Authority's proposed lease | |
| | |
| 14. <u>REPORT OF ACTIVITY IN CLOSED SESSION</u> | Action |
| Chair will report any action taken in closed session that is subject to reporting at this time. Action may be taken on matters discussed in closed session. | To Be Determined |
| | |
| 15. <u>OPEN TIME FOR PUBLIC COMMENTS FOR NON-AGENDA ITEMS</u> | |

ADJOURNMENT

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

Water Emergency Transportation Authority
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public. Members of the public who attend the meeting at a teleconference location will be able to hear the meeting and testify in accordance with applicable law and WETA policies.

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



MEMORANDUM

TO: WETA Board Members

FROM: Nina Rannells, Executive Director

DATE: February 16, 2012

RE: Executive Director's Report

PROJECT UPDATES

Service Transition Implementation – The Transition Plan guides the consolidation of the Vallejo, Alameda/Oakland and Harbor Bay ferry services under WETA and presents a five year financial outlook of WETA operating and expansion activities. The WETA Board of Directors adopted the final Transition Plan on June 18, 2009, in compliance with Senate Bills 976 and 1093 requirements.

All escrow requirements for the Alameda Transition were completed in April and the Alameda services were transferred to WETA on April 29, 2011. The WETA Board of Directors approved the Vallejo Transfer Agreement on October 6, and the Vallejo City Council approved it on October 11. WETA legal counsel and staff are working to finalize the document for execution and continue to work on necessary due diligence and pre-closing activities required prior to the close of escrow and transfer of the service to WETA. The system transfer is anticipated to be completed by June 30, 2012.

Vessels - Two 149-passenger vessels, *Gemini* and *Pisces*, and two 199-passenger vessels, *Scorpio* and *Taurus*, have been constructed by Nichols Brothers Boat Builders and Kvichak Marine Industries for use in WETA services and to expand WETA's emergency response capabilities. One of these vessels is currently chartered to the City of Vallejo for utilization in the Vallejo Baylink service while two of their ferries undergo midlife rehabilitation work.

South San Francisco Ferry Service - This service will provide access to biotech and other jobs in South San Francisco for East Bay commuters and expand the geographic reach of emergency ferry transportation response capabilities on the San Francisco Bay. Both contractors are completing their work at the site and beginning the clean-up process. Staff and the Owner's representative will be preparing the "punch lists" of items the contractors will need to address before both are released and the contracts can be closed out.

On February 8, Keith Stahnke and John Sindzinski met with representatives of the Harbor District and the Army Corps of Engineers to review plans to reconstruct portions of the recreational piers at Oyster Point. This construction will likely begin in June 2012, and will almost certainly block safe access to the SSF terminal for our vessels over a two month construction period. Staff has asked for more specific project and schedule information from the Army Corps of Engineers and its contractor so that we can determine how this might impact the launch and/or operation of the SSF ferry service. We will provide an update at the Board meeting.

Berkeley Ferry Service – This service will provide an alternative transportation link between Berkeley and downtown San Francisco. The environmental and conceptual design work includes plans for shared of an existing City owned parking lot at the terminal site between ferry and local restaurant (H^s Lordships) patrons. City participation is required in order to move the project forward and reach

agreement on a shared use concept. In early February, Staff met with the Interim Deputy City Manager to discuss the status and next steps for the project. Staff is continuing to work with the City to outline the entitlement process for the project.

The Draft EIS/EIR identified a mitigation measure requiring WETA to prepare a Parking Mitigation Plan to address potential parking impacts on nearby users. In the Fall of 2011, WETA engaged the services of a transportation consultant to develop a Parking Management Plan. The plan identifies a set of parking management strategies to be implemented by WETA, the City and H^s Lordships. The key strategies include organizational coordination, attendant parking, marketing and communications, enforcement and signage. Staff coordinated with the City and H^s Lordships throughout development of the plan. The plan was completed in January 2012 and will be included in the Final EIS/EIR and serve as a basis for future coordination and agreement between WETA, the City and H^s Lordships.

The Draft EIS/EIR was published in October 2008. Staff has been working with the environmental consultant to prepare a re-evaluation of the Draft EIS/EIR. The purpose of the re-evaluation is to demonstrate that conditions near the preferred terminal location have not changed enough since publication of the Draft EIS/EIR to warrant preparation of a supplemental environmental document. Staff submitted the re-evaluation to the FTA for review in early February.

Treasure Island Service – This project, implemented by the Treasure Island Development Authority (TIDA), the Mayor's Office of Economic and Workforce Development and the prospective developer, will institute new ferry service between Treasure Island and downtown San Francisco in connection with planned Island development.

Staff recently met with TIDA to review operating and budgeting scenarios for future Treasure Island ferry service. TIDA and WETA staff are working to prepare a draft Memorandum of Understanding (MOU) outlining each agencies' roles and responsibilities for moving forward with the project. The MOU will be subject to review and approval by the WETA Board.

Downtown San Francisco Ferry Berthing Expansion - This project will expand berthing capacity at the Downtown San Francisco Ferry Terminal in order to support new ferry services to San Francisco as set forth in WETA's Implementation and Operations Plan. The proposed project would also include landside improvements needed to accommodate expected increases in ridership and to support emergency response capabilities if a catastrophic event occurs.

The project team is in the process of preparing a Draft EIR/EIS based on scoping comments received to date that is scheduled to be completed and released for public review by mid-2012.

Pier 9 Berthing Facility - This project consists of two layover berths for mooring and access to ferry vessels on Pier 9 alongside the northern pier apron and adjacent to the WETA Administrative Offices. Guide piles, floats and gangways have been installed and final project work was completed in November 2011.

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

FTA recently initiated formal consultation with the National Marine Fisheries Service (NMFS) and informal consultation with the US Fish and Wildlife Service (USFWS) on behalf of WETA as required under Section 7 of Endangered Species Act. Pending completion of these consultation processes and

the anticipated issuance of a Biological Opinion by NMFS, WETA will be able to move forward with FTA to finalize environmental clearance of the project under NEPA.

Ridership Forecast Model Update – This project will update the existing ridership forecast model developed by WETA in 2002 to generate new ridership forecast projections based on the most recent transportation and demographic data available from ABAG, MTC and local land use jurisdictions. Staff has worked closely with representatives of various stakeholder cities to confirm model assumptions and review preliminary model results.

Hercules Environmental Review/Conceptual Design -This project is currently on hold awaiting clarification from the City as to its plans and ability to build the multimodal transportation center that is a necessary precondition to any ferry terminal. In early March, WETA staff met with City staff to discuss the City's phasing plans for building the adjacent multi-modal station. Based upon this discussion, it appears that in the event that sufficient funds are available to move this project forward, the work required to be done on the multi-modal facility prior to ferry terminal construction will not be completed until FY 2014/15 at the earliest. Staff met with the City of Hercules in early December to receive project status update.

Antioch, Martinez, Redwood City, and Richmond Ferry Service Expansion Projects – These projects involve conceptual design and environmental review for potential future ferry services to the cities of Antioch, Martinez, Redwood City and Richmond. WETA staff has coordinated with staff from each city throughout the respective planning processes. Concept designs for each proposed terminal are informed by projections of the ridership forecast model update currently in process. Ridership projections are used to determine appropriate capacity for terminal components such as, parking facilities, terminal access, passenger waiting areas, and passenger loading and unloading facilities. The updated ridership projections are also used to forecast appropriate service levels and related operational costs for the potential new services.

WETA staff has engaged in early consultation with applicable state and federal agencies for all of the expansion projects. Early consultation will help to identify concerns of the state and federal agencies to be addressed in the conceptual design and environmental review processes. The consultation will also help to streamline the permit processes after environmental review is complete.

Clipper Fare Media Implementation – WETA is coordinating with MTC to implement Clipper fare media on the future South San Francisco ferry service and its existing Alameda/Oakland and Alameda Harbor Bay ferry services.

WETA is preparing sites for the installation of Clipper fare collection equipment and is in the process of finalizing its design requirements and business rules for Clipper. The initial system programming and equipment installation is scheduled to be completed in Spring 2012 and the system will be launched to coincide with the start of the South San Francisco Ferry Service.

Short-Range Transit Plan – WETA is required to prepare a short-range transit plan (SRTP) now that the agency is a transit service operator. The main purpose of the SRTP is to serve as a management and policy document for the transit operator, as well as a means of annually providing FTA and MTC with information necessary to meet regional fund programming and planning requirements. Staff has started to prepare the draft SRTP in accordance with MTC guidelines. In the coming months, staff will be bringing informational items before the Board to provide updates on the draft SRTP and to obtain direction from the Board on policy-related decisions. WETA adoption of the SRTP is expected to be in the summer or fall of 2012, pending further details on the schedule from MTC.

UPDATE ON RELEVANT PROJECTS IMPLEMENTED BY OTHER AGENCIES

Vallejo Station - Vallejo Station is a compact, transit-oriented mixed-use project in the City of Vallejo that includes two major transit elements – a bus transfer facility that will consolidate local, regional and commuter bus services and a 1,200 space parking garage for ferry patrons and the general public.

The Bus Transfer Facility portion of the project has been operational since July 2011. Construction of Vallejo Station Parking Structure Phase A, which began in June 2010, is approximately 98% complete and is on schedule to be completed in March 2012. Street work was completed this past December 2011. Sidewalks, street lights and landscaping along Mare Island Way and Santa Clara Street have been installed. The sidewalk is now again open to the public. Various items inside the parking structure such as pavers at paseo, security camera installation and decorative tree arbors still need to be completed. Phase B of the Parking Structure is in the final design stage. Construction of this project phase is dependent upon relocation of the Post Office property and securing full project funding.

The City has hired a consultant develop a Parking Management Plan and recommend a revenue control system to be integrated into the parking structure and surrounding area in order to cover facility operating and maintenance costs. The Parking Management Plan along with a recommended fee will be presented to City Council this spring. Implementation of this plan is anticipated to occur later this summer.

Mare Island Ferry Maintenance Facility – This project will construct a new ferry maintenance facility located at Building 165 on Mare Island in Vallejo in three phases. Phase 1 constructs a 48,000 gallon fuel storage and delivery system. Phase 2 includes construction of a system of modular floats and piers, demolition of Building 855, and construction of a new warehouse/shop in its place. Phase 3 will renovate Building 165 into a permanent office and shop space.

The City issued an RFP for construction of Phases 1 and 2 of this project in October 2011 and bids were received on December 2. All bids and bid alternatives exceeded both the Engineer's Estimate and the City's project budget. The City and its consultants are involved in post-bid analysis and have been examining various land-side and water-side alternatives along with WETA and Lennar. The consultants prepared an alternatives matrix for a stakeholder group review and discussion on January 30, 2012. Following this meeting the consultant was tasked by the City to finalize a more detailed recommendation to the stakeholders during the week of February 13, 2012.

On December 15 the CTC approved the City's request for a 20 month extension for the \$4.2 million STIP grant allocated to the project in June 2011 to provide time to evaluate bids and potentially re-design and re-bid the project.

OPERATIONS

The San Francisco Bay Ferry will operate augmented service over the Presidents' Day holiday weekend on both the Alameda/Oakland/ San Francisco, and Harbor Bay/San Francisco routes. The special February 18, 19, and 20 service, which is funded by the Bay Area Toll Authority, will provide transit alternatives during the three-day closure of the Oakland Bay Bridge.

OUTREACH, PUBLIC INFORMATION, AND MARKETING EFFORTS

On January 6, in conjunction with the Mineta Transportation Institute of San Jose State University and the U.S. Department of Transportation, WETA hosted a delegation of Chinese and U.S. officials to provide an overview of our plans for ferry transportation disaster preparedness and response.

On January 6 and February 13, Nina Rannells attended MTC's Transit Sustainability Project (TSP) Project Steering Committee meeting.

On January 9, Nina Rannells, John Sindzinski and Chad Mason met with representatives of the City of Richmond to discuss options for the Richmond ferry terminal site.

On January 12, Nina Rannells, John Sindzinski and Chad Mason met with staff from the City of Antioch to discuss the Antioch ferry service work.

On January 26, Mike Gougherty attended the MTC Clipper Program Update meeting.

On January 28-30, Keith Stahnke, Ernest Sanchez and Lauren Duran attended the National Passenger Vessel Association annual conference in Portland, Oregon.

On February 2, Nina Rannells, John Sindzinski and Chad Mason met with City of Berkeley staff to discuss next steps on the Berkeley Ferry Terminal project.

On February 7, Keith Stahnke participated in the Port of San Francisco, Waterborne All-Hazard Response Plan, Steering Committee Meeting.

On February 8, WETA staff held a meeting of the Water Transit Advocates of San Mateo County to provide the group with an update on the SSF service launch and the Redwood City service planning and environmental studies.

On February 9, Keith Stahnke participated in the MTC Trans Response Plan (TRP) Steering Committee Meeting.

OTHER ACTIVITIES / ITEMS

America's Cup – The City of San Francisco will host the 34th America's Cup race and related events in 2012 and 2013. WETA staff is participating on the City's interagency task force for event transportation in order to support transportation planning and identify the role that WETA's ferry system might play in supporting this event. The City's Planning Commission approved the Final EIR in December 2011.

ADMINISTRATION

Attached are the monthly financial statements for FY 2011/12 through December 2011, including the Statement of Revenues and Expenses and the Capital Budget vs. Expenditures reports.

San Francisco Bay Area Water Emergency Transportation Authority
FY 2011/12 Statement of Revenues and Expenses
For Period Ending 12/31/2011

% of Year Elapsed 50.4%

	Current Month	Prior Year Actual	2011/12 Budget	2011/12 Actual	% of Budget
Operating Expenses:					
Planning & General Administration:					
Wages and Fringe Benefits	124,914	1,451,663	1,546,000	629,988	40.7%
Services	180,607	2,712,835	2,199,000	977,905	44.5%
Materials and Supplies	309	32,616	51,000	6,394	12.5%
Utilities	1,298	12,032	15,000	5,172	34.5%
Insurance	-	29,767	33,000	15,383	46.6%
Miscellaneous	5,967	42,390	128,000	13,930	10.9%
Leases and Rentals	21,597	290,944	298,000	139,769	46.9%
Sub-Total Planning & Gen Admin	334,692	4,572,247	4,270,000	1,788,542	41.9%
Ferry Operation:					
Vessel Operation	280,044		5,117,814	2,212,447	43.2%
Vessel Maintenance	121,212		1,385,185	631,899	45.6%
Facility Maintenance	80,800		419,144	175,293	41.8%
General & Administration	33,214		151,300	77,082	50.9%
Sub-Total Ferry Operation	515,270	-	7,073,443	3,096,722	43.8%
Total Operating Expenses	849,963	4,572,247	11,343,443	4,885,264	43.1%
Total Capital Expenses	1,026,320	21,835,930	24,392,774	7,850,170	32.2%
Total Expenses	1,876,282	26,408,177	35,736,217	12,735,434	35.6%

Operating Revenues

Fare Revenue	124,657		2,982,383	1,362,941	45.7%
Local - Bridge Toll	693,860	4,572,247	7,782,866	3,258,049	41.9%
Local - TIF	11,768		500,000	205,501	41.1%
Local - LLAD	19,548		78,194	58,644	75.0%
Local - Other Revenue	130		-	130	0.0%
Total Operating Revenues	849,963	4,572,247	11,343,443	4,885,264	43.1%
Total Capital Revenues	1,026,320	21,835,930	24,392,774	7,850,170	32.2%
Total Revenues	1,876,282	26,408,177	35,736,217	12,735,434	35.6%

San Francisco Bay Area Water Emergency Transportation Authority
FY 2011/12 Statement of Capital Revenues and Expenses
For Period Ending 12/31/2011

Project Description	Current Month	Project Budget	Prior Year Actual	2011/12 Budget	2011/12 Actual	Future Year	% of Project
Capital Expenses:							
SSF Mitigation Study	319	275,000	42,459	232,541	2,221	0	16%
SSF Terminal Construction	842,714	26,000,000	15,414,540	10,509,460	5,317,328	76,000	80%
Berkeley Environ/Conceptual Design	25,800	2,304,700	1,785,235	519,465	78,077	-	81%
Berkeley Terminal Final Design		3,200,000		500,000	-	2,700,000	0%
Hercules Environ/Conceptual Design	530	1,080,000	989,932	90,068	530	-	92%
Pier 9 Mooring/Floats	33,575	3,150,000	1,733,540	1,416,460	1,330,069	-	97%
Environmental Studies/Conceptual Design	21,002	3,250,000	251,465	2,998,535	89,925	-	11%
Central Bay Ops/Maint Fac - Environ/Design	2,869	2,600,000	362,872	2,237,128	33,008	-	15%
Central Bay Ops/Maint Fac - Construction		30,000,000	-	130,000	-	29,870,000	0%
Passenger / Emergency Float		2,500,000	90,000	1,500,000	10,793	910,000	4%
S.F. Berthing - Environ/Conceptual Design	2,168	3,300,000	950,349	1,861,651	445,612	488,000	42%
Vessel Engine Overhaul	97,342	1,103,564	-	1,103,564	97,342	-	9%
Vessel Mid-Life Overhaul - Bay Breeze	-	5,015,000	-	515,000	7,746	4,500,000	0%
Channel Dredging - Harbor Bay	-	250,000	-	250,000	-	-	0%
Infatable Boyancy Apparatus Purchase - 20	-	120,000	-	20,000	-	100,000	0%
Terminal Facility Improv - Harbor Bay	-	250,000	-	20,000	-	230,000	0%
Terminal Parking Lot Rehabilitation	-	475,000	-	475,000	435,879	-	92%
Emergency Repair - Harbor Bay Facilities	-	177,440	175,800	1,640	1,639	-	100%
Communications Equipment	-	52,000	39,737	12,263	-	-	76%
Total Capital Expenses	1,026,320	85,102,704	21,835,930	24,392,774	7,850,170	38,874,000	

Capital Revenues:							
Federal	77,874	23,233,404	8,839,892	7,794,447	2,129,777	6,599,065	47%
State	55,227	42,078,461	4,775,865	9,582,205	919,222	27,720,392	14%
Local - Bridge Toll	88,139	7,616,713	4,497,839	2,433,169	1,350,408	685,705	77%
Local - San Mateo Sales Tax Measure A	805,080	10,935,686	3,546,535	4,420,314	3,447,575	2,968,837	64%
Local - Alameda Sales Tax Measure B	-	1,238,440	175,800	162,640	3,188	900,000	14%
Total Capital Revenues	1,026,320	85,102,704	21,835,930	24,392,774	7,850,170	38,874,000	

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

MINUTES OF THE BOARD OF DIRECTORS MEETING

(January 5, 2012)

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

1. ROLL CALL AND CALL TO ORDER

Chair Charlene Haught Johnson called the meeting to order at 1:10 p.m. Directors present were Vice Chair Anthony Intintoli, Director Gerald Bellows and Director John O' Rourke. Director Beverly Johnson arrived at 1:30 p.m. WETA representative Stanley Taylor III of Nossaman LLP led the pledge of allegiance.

2. REPORT OF BOARD CHAIR

Chair Johnson reported on her visit to the South San Francisco ferry terminal site at Oyster Point, stating that the terminal was gorgeous and high tech. She said that she spoke to several members of the Oyster Point Yacht Club who appreciated the terminal and that the directors had requested a tour, adding that they were excited about the extra business the terminal may bring to the area. Chair Johnson noted that she was excited for the service launch event and offered a brochure that she thought could be a good format to consider for promoting the event.

3. REPORT OF DIRECTORS

None.

4. REPORTS OF STAFF

Executive Director Nina Rannells reported on two items in addition to her written report.

She announced to applause that the operations contract with Blue & Gold Fleet had been fully executed before the end of the year and that operation of the Harbor Bay Ferry under this contract had commenced at the beginning of January. She noted the efforts of WETA Operations Manager Keith Stahnke and Transportation Manager Ernest Sanchez in ensuring that the transition went as smoothly as possible.

Secondly, she updated the Board on ongoing discussions with the City of Vallejo regarding the higher than anticipated bids received by the City for the Mare Island maintenance facility. She noted that Vallejo staff had had a positive conversation with Lennar/Mare Island regarding the possible use of additional waterfront and landside property which would allow for a rescoping of the project. Ms. Rannells said that these changes could include placing fuel tanks above ground and reducing pile work; both of which could have an impact toward reducing costs. She said that even with these changes that the project could still face significant funding challenges. Ms. Rannells said that she anticipated bringing a more detailed picture to the Board at the next meeting.

Chair Johnson asked for an update regarding the South San Francisco ferry service. Ms. Rannells said that the service launch and a kick-off ceremony had been tentatively scheduled for April 30 and that the Board would be updated with launch plans.

Ms. Rannells then noted the report included in the Board packet from WETA state legislative representative Barry Broad of Broad & Gusman, LLP which addressed the issue of simultaneous term expirations for the Board members.

Vice Chair Intintoli suggested that discussion of this item should be limited as it was not agendized. Ms. Rannells noted that Mr. Broad's report was informational only and essentially a more detailed restatement of his recommendations to the Board from the previous meeting. She noted that the dates included were merely placeholders and that additional Board discussion would be required before any action was taken. Vice Chair Intintoli said that he felt the recommendation did not completely solve the issue. He added that Director Johnson would also want to be present before the issue was discussed any further. Chair Johnson asked that the item be put on the agenda for discussion at the February meeting.

5. CONSENT CALENDAR

Vice Chair Intintoli made a motion to approve minutes from the December 8, 2011 Board of Directors meeting. Director Bellows seconded the motion and the item carried unanimously.

6. ADOPTION OF FARE SCHEDULE FOR THE VALLEJO FERRY SERVICE

Policy Analyst Lauren Duran-Gularte presented this item recommending that the Board adopt a fare structure for the Vallejo Ferry Service consistent with the same rates currently charged by the City of Vallejo. She reviewed the WETA's commitment to ensuring continuity in programs during the system consolidation and transition, detailed the public notification process, and reviewed staff analysis on Title VI and CEQA impacts.

Vice Chair Intintoli made a motion to approve the item. Director O'Rourke seconded the motion and the item carried unanimously.

7. APPROVE THE PURCHASE OF INSURANCE FOR THE SOUTH SAN FRANCISCO FERRY TERMINAL

Mr. Keith Stahnke presented this item requesting Board approval for the purchase of property insurance for physical damage to the piers, gangways, floats, and pilings at the South San Francisco ferry terminal from Alliant Insurance Services, Inc. in an amount not to exceed \$30,000. Mr. Stahnke reviewed the need for this insurance as well as WETA's recent experience investigating various insurance options for terminals during the City of Alameda ferry service transition.

Vice Chair Intintoli asked if it was an error that the report stated \$5 million for each occurrence and \$5 million in aggregate. Mr. Stahnke said that it should state \$1 million for each occurrence and \$9 million "in excess". Mr. Taylor III noted that this was similar to what was generally referred to as a bumpershoot policy.

Ms. Rannells noted that WETA had reviewed several quotes for the terminal insurance, and that over the next year WETA would seek to get policies and dates inline for insurance system-wide. She also suggested that while WETA had contracted Wells Fargo as an insurance broker, it was not always clear if they were advising or selling. Vice Chair Intintoli suggested that having a risk manager on staff was typical for many agencies. Ms. Rannells agreed, adding that as WETA was a small agency contracting such work would likely make sense. She said that WETA had worked with Darrell Handy over the course of the transitions with the Cities of Alameda and Vallejo and that it had been suggested that WETA contact him for advice on the matter.

Mr. Stahnke noted that WETA had looked into pooling with other small operators for insurance but that they were generally bus agencies and not compatible with WETA's maritime needs. Mr.

Stahnke added that the South San Francisco terminal was a new facility with a high replacement cost, and that the recent tsunami in Japan had also caused rates for waterside structures to rise. He suggested that WETA would need to be creative with its insurance program going forward, noting that Washington State Ferry self-insured for their first \$1 million. Ms. Rannells added that WETA's insurance needs were also very different from the Cities of Alameda and Vallejo run ferry services, as the services were able to utilize high deductible, low cost policies held by the cities for all of their city assets, which were not available to WETA.

Director O'Rourke made a motion to approve the item. Vice Chair Intintoli seconded the motion and the item carried unanimously.

8. AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE A SUPPLEMENTAL AGREEMENT TO THE CLIPPER MEMORANDUM OF UNDERSTANDING WITH MTC AND OTHER TRANSIT OPERATORS

Planner/Analyst Michael Gougherty presented this item requesting that the Board authorize the Executive Director to execute a Supplemental Agreement to the Clipper Memorandum of Understanding with the Metropolitan Transportation Commission and other transit operators to implement the Clipper fare collection system at WETA.

Director Bellows noted that the price schedule attached to the Clipper contract referenced in the Board memo was not attached. Mr. Gougherty replied that it had been included in a change order brought to the Board the previous year, adding that these costs were specified in the contract between MTC and Cubic and that all operators using the Clipper system were subject to the same costs.

Chair Johnson asked where Cubic was from. Manager of Planning and Development John Sindzinski said that Cubic was headquartered in San Diego, adding that they had purchased the Australian firm ERG who had originally developed the system.

Director Bellows noted that the agreement stated that capital assets would belong to the operator but that his previous impression was that the equipment would be leased. Ms. Rannells responded that WETA would own the equipment. Mr. Gougherty elaborated that this would include stationary and handheld card readers and associated network-related equipment.

Director Bellows made a motion to approve the item. Vice Chair Intintoli seconded the motion and the item carried unanimously.

9. RECESS INTO CLOSED SESSION AND REPORT ON CLOSED SESSION

Chair Johnson called the meeting into closed session at 1:40 p.m. Upon reopening of the meeting at 2:40 p.m., she reported no action had been taken.

10. ADJOURNMENT

All business having concluded, the meeting was adjourned at 2:40 p.m.

Respectfully Submitted,
Board Secretary

MEMORANDUM

TO: Board Members

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

SUBJECT: Accept the Independent Auditor's Annual Financial Reports for the Fiscal Year 2010/11

Recommendation

Accept the Independent Auditor's Annual Financial Reports for the year ending June 30, 2011, as submitted by Maze & Associates, including the following:

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

Background

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

Discussion

The Annual Financial Reports for the fiscal year ending June 30, 2011, issued by Maze and provided for Board acceptance are comprised of 1) The Memorandum on Internal Control; 2) Basic Financial Statements; and 3) Single Audit and Measure B Compliance Report.

Memorandum on Internal Control

The Memorandum on Internal Control, provided as **Attachment A** to this report, 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 findings 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, 2011. The Independent Auditor's Report provides the opinion that the Authority's basic financial statements present fairly in all material respects the financial position of the Authority at June 30, 2011, and the respective results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Single Audit and Measure B Compliance Report

The Single Audit and Measure B Compliance Report, included as **Attachment C** to this report, is required of the Authority in relation to the receipt of federal grant funds and Alameda County Measure B 2000 Funds in FY 2010/11. This report includes a schedule of expenditures of federal awards, a report on internal controls and compliance related to the federal expenditures and a report on Measure B compliance. Maze has audited the compliance of the Authority with respect to the types of compliance requirements described in 1) OMB Circular A-133 (*Compliance Supplement*) that are applicable to each of the major federal programs providing funding, and 2) Alameda County Measure B 2000 Funds. It is Maze's opinion that the Authority complied, in all material respects, with the requirements applicable to the federal program and with the requirements applicable to Measure B 2000 Funds for the year ended June 30, 2011.

Fiscal Impact

None.

END

Attachment A

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

**FOR THE YEAR ENDED
JUNE 30, 2011**

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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, 2011

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MEMORANDUM ON INTERNAL CONTROL

December 17, 2011

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

In planning and performing our audit of the financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

The Authority'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, Authority Board, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

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

SCHEDULE OF OTHER MATTERS

2011 - 1: GASB 57 - OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans (Effective fiscal 2011-12)

The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible.

In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements.

Management Response:

The statement has no direct material effect on the financial statements in the near term, but instead affects actuarial study timing and methodology. We have had conversations with our actuary and auditors and are on track to address the effects of this pronouncement.

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REQUIRED COMMUNICATIONS

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December 17, 2011

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

We have audited the financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) as of and for the year ended June 30, 2011 and have issued our report thereon dated December 17, 2011. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Authority's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures is explained in our audit report.

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2011. During the year, the following pronouncements became effective without materially impacting the Authority's financial statements:

- **Statement No. 59 - Financial Instruments Omnibus**

The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This is a technical clean up pronouncement that had no material impact to the financial statements.

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during fiscal 2011.

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements is depreciation. As discussed in Note 5 to the financial statements, depreciation is calculated using estimated useful lives determined by management. Actual useful lives may vary from these estimates.

Disagreements with Management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as the Authority's auditors.

Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the Authority, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by the Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the Authority's financial reporting process.

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

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

Maze & Associates

Attachment B

**SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011**

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**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) as of and for the year ended June 30, 2011, as listed in the table of contents. These basic financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards for 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 as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the financial position of the Authority at June 30, 2011, and the respective results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2011 on our consideration of the Authority 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Maze & Associates

December 17, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the San Francisco Bay Area Water Emergency Transportation Authority (WETA) activities and financial performance provides an introduction to the financial statements of WETA for the fiscal year ended June 30, 2011. 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 Assets—presents the financial position of WETA, 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 with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

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

FINANCIAL POSITION SUMMARY

The Authority's assets exceeded liabilities by \$77.9 million at June 30, 2011, a \$30.2 million increase from June 30, 2010.

A condensed summary of WETA's net assets at June 30, 2011 is shown below:

	2011	2010
Assets:		
Current and other assets	\$ 83,193,915	\$ 48,823,475
Capital assets	72,291,935	47,674,071
Total assets	155,485,850	96,497,546
Liabilities:		
Current liabilities	7,735,924	2,619,634
Unearned/deferred revenue	66,419,485	46,188,883
Other noncurrent liabilities	3,435,351	-
Total liabilities	77,590,760	48,808,517
Net Assets:		
Invested in capital assets, net of debt	72,291,935	47,674,071
Restricted	5,348,484	-
Unrestricted reserves	254,671	14,958
Total net assets	\$ 77,895,090	\$ 47,689,029

The largest portion of the Authority's net assets (92.7% at June 30, 2011) represents its investment in capital assets, less the related debt outstanding used to acquire those capital assets.

An additional portion of the Authority's net asset (7.0% at June 30, 2011) represents resources that are subject to external restrictions imposed by grantors that restrict the use of net assets. The remaining unrestricted net assets (0.3% at June 30, 2011) may be used to meet the Authority's ongoing obligations.

FINANCIAL OPERATIONS HIGHLIGHTS

- WETA's total assets as of June 30, 2011 were \$155.5 million, comparing to the \$96.5 million as of June 30, 2010.
- WETA's total revenues for fiscal year ending June 30, 2011 were \$28.0 million, comprising capital grant revenues of \$17.8 million and program operating revenues of \$0.7 million and non operating revenues of \$9.5 million.
- WETA's total program operating expenses for fiscal year ending June 30, 2011 were \$7.7 million.

PROGRAM INITIATIVES AND OUTLOOK

The WETA Board of Directors adopted the final Transition Plan on June 18, 2009, in compliance with Senate Bills 976 and 1093 requirements. The plan guides the consolidation of the Vallejo, Alameda/Oakland and Harbor Bay ferry services under WETA, and presents a five year financial outlook of WETA operating and expansion activities.

In October 2010, Alameda City Council and the Authority's Board of Directors approved the Alameda Service Transfer Agreement. Over the next several months, legal counsel and staff continued to work on necessary due diligence and pre-closing activities. On April 29, 2011, all escrow requirements for the service transfer were completed and the Alameda ferry services were transferred to the Authority.

On March 8, 2011, the Vallejo City Council unanimously approved the terms and conditions for the transfer of the Vallejo Baylink ferry service from the City to the Authority. Authority's legal counsels completed the first draft of the Transition Agreement on April 13, 2011. Staff anticipates being in a position to bring forward a final Vallejo service transition agreement for consideration in early fiscal year 2012.

A Request for Proposal was released in 2011 for Water Transit System Operation and Maintenance to solicit proposals from private ferry service contractors to operate the Authority's consolidated regional ferry system including the operation of Alameda/Oakland and Harbor Bay ferry services beginning in January 2012 and the operation of the new South San Francisco ferry service under development beginning in Spring 2012. It also includes an option to operate Vallejo ferry service beginning in July 2012, once it is transitioned to the Authority and the current operating agreement expires. In total this represents our service routes covering approximately 50 nautical miles and providing 17,700 revenue hours of ferry transportation service and approximately 1.3 passenger trips annually.

On August 3, 2010, the Authority closed its first bond issue, San Francisco Bay Area Water Emergency Transportation Authority Revenue Bond Series 2010. This bond issue totaled \$10.1 million of taxable bonds purchased by MTC as a part of a private placement arrangement. These bonds will be repaid over a three year period utilizing Regional Measure 2 operating funds. The final interest rate established for these bonds was 4.632%, based upon the 3-Year Treasury rate at the time of pricing (.882%), and a total yield spread of 375 basis points to account for the market yield spread for similar transactions. This bond transaction will provide WETA with the working capital needed to implement the South San Francisco Terminal project.

During 2011, the Authority awarded a contract for the construction of the Pier 9 layover berthing facility at its headquarters in San Francisco. This project includes the floats, gangways, piles and other structures needed to moor two ferry vessels at Pier 9. The construction is anticipated to be completed late calendar year 2011.

The Authority continued work to develop several core infrastructure projects in 2011 including environmental and conceptual design work related to potential new services to the cities of Berkeley, Hercules Antioch, Martinez, Redwood City and Richmond, development of plans to expand berthing capacity in downtown San Francisco and development of a central bay maintenance and operations facility. Development of these projects will be important to support the long-term vision and sustainability of the Authority's planned ferry transportation services.

CONTACTING WETA'S FINANCIAL MANAGEMENT

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

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Current Assets

Cash and cash equivalents (Note 4)	\$68,342,551
Receivables:	
Accounts	4,714,581
Interest	1,526
Security deposit	51,489
Prepaid expenses	<u>119,028</u>
Total Current Assets	<u>73,229,175</u>

Noncurrent Assets

Restricted cash and investments (Note 4)	<u>9,964,740</u>
Capital assets, net of accumulated depreciation (Note 5):	
Construction in progress	26,007,892
Depreciable capital assets, net	
Ferries	42,667,896
Terminal development rights	3,526,955
Float	<u>89,192</u>
Total Capital Assets	<u>72,291,935</u>
Total Noncurrent Assets	<u>82,256,675</u>
Total Assets	<u>155,485,850</u>

LIABILITIES

Current Liabilities

Accounts payable	4,112,626
Other accrued liabilities	164,110
Accrue interest payable	25,989
Compensated absences (Note 2C)	66,199
Unearned revenue - Prop 1B (Note 6C)	9,000,000
Current portion of long term obligation (Note 7)	<u>3,367,000</u>
Total Current Liabilities	<u>16,735,924</u>

Noncurrent Liabilities

Compensated absences (Note 2C)	69,351
Unearned revenue - State Appropriation (Note 6A)	2,234,727
Unearned revenue - Prop 1B (Note 6C)	55,184,758
Non current portion of long term obligation (Note 7)	<u>3,366,000</u>
Total Noncurrent Liabilities	<u>60,854,836</u>
Total Liabilities	<u>77,590,760</u>

NET ASSETS (Note 10)

Invested in capital assets, net of related debt	72,291,935
Restricted	5,348,484
Unrestricted	<u>254,671</u>
Total Net Assets	<u>\$77,895,090</u>

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES

Fare Box Revenues	\$704,866
Other	1,740
	<hr/>
Total Revenues	706,606
	<hr/>

PROGRAM OPERATING EXPENSES

Personnel costs	1,731,481
Transit operators	1,409,964
Administrative expenses	793,478
Legal and consulting	2,067,319
Insurance premiums	218,326
Depreciation (Note 5)	1,526,640
	<hr/>
Total Program Operating Expenses	7,747,208
	<hr/>

OPERATING LOSS (7,040,602)

NONOPERATING REVENUES

Intergovernmental 9,470,773

CAPITAL GRANTS 17,742,414

SPECIAL ITEM- CONTRIBUTIONS FOR

TRANSFER OF OPERATIONS FROM ALAMEDA (Note 3) 10,033,476

CHANGE IN NET ASSETS 30,206,061

BEGINNING NET ASSETS 47,689,029

ENDING NET ASSETS \$77,895,090

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$706,606
Payments to vendors and consultants	(2,820,301)
Payments to or on behalf of employees	<u>(1,713,981)</u>
Net cash flows from operating activities	<u>(3,827,676)</u>

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Intergovernmental collections	6,750,838
Cash received from City of Alameda	<u>1,657,039</u>
Net cash flows from noncapital and related financing activities	<u>8,407,877</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grant receipts used for capital activities	37,991,027
Payments for capital assets	(17,380,806)
Proceeds of long term obligation	10,100,000
Repayment of long-term obligation	(3,367,000)
Interest on long term debt	<u>(387,261)</u>
Net cash flows from capital and related financing activities	<u>26,955,960</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest collections	<u>9,379</u>
Net cash flows from investing activities	<u>9,379</u>
Net cash flows	31,545,540
Cash and cash equivalents- beginning of year	<u>46,761,751</u>
Cash and cash equivalents - end of year	<u><u>\$78,307,291</u></u>

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

Operating loss	(\$7,040,602)
Depreciation	1,526,640
Change in assets and liabilities:	
Security deposits	(5,000)
Prepaid expenses	(101,366)
Accounts payable	1,611,042
Other accrued	164,110
Compensated absences	<u>17,500</u>
Net cash flows from operating activities	<u><u>(\$3,827,676)</u></u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Capital assets transferred from the City of Alameda	<u><u>\$8,376,437</u></u>
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See accompanying notes to financial statements

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**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 1 – REPORTING ENTITY

The San Francisco Bay Area Water Emergency Transportation Authority (Authority) is the regional water transportation planning 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 transit 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 Assets 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. Direct expenses are those that are specifically associated with a program or function. Program 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 program revenues are presented as general revenues.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

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.

On April 29, 2011 the Authority began commencement of transit operations (Note 3) of ferry operations. Expenses incurred are reimbursed with grant funds from a variety of sources including the Metropolitan Transportation Commission, which is the regional coordinating agency for State of California Transportation Development Act grants and the United States Department of Transportation with Federal Transit Administration grants.

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, 2010	\$118,050
Additions	192,150
Payments	<u>(174,650)</u>
Balance at June 30, 2011	<u><u>\$135,550</u></u>
Due within one year	<u><u>\$66,199</u></u>

D. Estimates

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

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 3 –COMMENCEMENT OF OPERATIONS

State of California Senate Bill 976 (Act) authorizes the consolidation of San Francisco Bay Area regional ferry services and established the San Francisco Bay Area Water Emergency Transportation Authority (Authority). The Act authorized implementation of the transition of the Alameda/Oakland Ferry Service and the Alameda/Harbor Bay Ferry Service from the City of Alameda (City) and the Alameda Reuse and Redevelopment Authority (ARRA) to WETA through the transfer and lease to WETA of the City's and ARRA's assets used in operating the Alameda/Oakland Ferry Service and the Alameda/Harbor Bay Ferry Service.

On February 25, 2011, the City of Alameda (the City), the Alameda Reuse and Redevelopment Authority (ARRA), and the San Francisco Bay Area Water Emergency Transportation Authority (WETA) entered into a Ferry Service Operations Transfer Agreement (the Agreement) in which the City and ARRA agreed to transfer the Alameda/Oakland Ferry Service and the Alameda/Harbor Bay Ferry Service to WETA. Under the Agreement, the City conveyed its unspent cash from Ferry operations and water side ferry operations assets; such as ferries, pilings, ramps, floats, and channel markers; assigned its grant, service and other contracts; assigned certain access rights and transferred obligations arising from Ferry operations to WETA. The City, ARRA and other entities retain landside assets such as rip-rap, shorelines and trails, parking lots and Ferry Terminals. On April 29, 2011 escrow closed and Ferry Services were transferred to WETA.

ARRA agreed to sell its title and interest in the YC Float, a barge, to WETA for \$90,000, plus closing costs. As of June, 30, 2011, title to the YC float was transferred to WETA for its use. However, escrow has not yet been closed due to pending certain improvements.

Both the City and WETA have post-transfer continuing obligations which are summarized below:

Post- transfer administrative costs: WETA is to reimburse the City for certain costs incurred after escrow closes.

Infrastructure Maintenance and Capital Program costs: WETA is obligated to reimburse the City for certain maintenance and capital costs of the landside assets; as well as maintenance expenses the City incurs on waterside assets. Costs associated with remediation of any environmental conditions are excluded.

During fiscal 2010-11, WETA reimbursed the City \$402,953 for the Alameda Ferry Service Spare Vessels capital project, \$152,638 for the transition plan, and \$76,513 for other eligible reimbursable capital projects and operating costs.

TIF/LLAD Equivalents: The City has a continuing obligation to remit up to \$500,000 annually in certain Traffic Improvement Funds and up to \$78,194 in certain Lighting and Landscape District Funds to WETA for its use in subsidizing costs. During fiscal 2010-11, the City remitted \$115,514 to WETA for TIF moneys.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 3 –COMMENCEMENT OF OPERATIONS (Continued)

On April 29, 2011 the City and ARRA transferred assets associated with their ferry operations to WETA as shown below:

ASSETS	Transfers from Alameda
Current Assets	
Cash and cash equivalents	
Alameda/Oakland Operating Fund Balance of Measure B funds (Note 6D)	\$261,833
Reserve Measure B (Note 6D)	1,231,499
Alameda Harbor Bay Operating Fund Balance	48,193
Reserve Traffic Improvement Funds	<u>115,514</u>
Total Current Assets	<u>1,657,039</u>
Capital Assets	
Float (purchased by Authority from the City of Alameda)	90,000
Construction in progress (Note 5)	801,447
Ferries, net of accumulated depreciation (Note 5)	<u>7,574,990</u>
Total Capital Assets	<u>8,466,437</u>
Total Assets	<u><u>\$10,123,476</u></u>

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, 2011:

Cash and Investments:	
Cash in Banks	\$1,939,671
Cash in Banks for Prop 1B	65,772,663
LAIF	<u>630,217</u>
Total Cash and Investments	<u><u>\$68,342,551</u></u>
Restricted Cash and Investments:	
Commercial Paper	<u>\$9,964,740</u>
Restricted Cash and Investments:	<u><u>\$9,964,740</u></u>

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 4 - CASH AND INVESTMENTS

B. Investments Authorized by the Authority

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

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

C. Investments Authorized by Debt Agreements

The Authority must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Authority fails to meet obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute.

The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	N/A	N/A	No Limit	No Limit
U.S. Government Agency Securities and U.S. Government Sponsored Enterprise Agencies	N/A	AAA	No Limit	No Limit
Housing Authority Bonds	N/A	Highest	No Limit	No Limit
State Obligations	N/A	Highest	No Limit	No Limit
Corporate Bonds	3 years	Highest	No Limit	No Limit
Negotiable Certificates of Deposit	N/A	Highest	No Limit	No Limit
Money Market Mutual Funds	N/A	Highest	No Limit	No Limit
Bankers Acceptances	N/A	Highest	No Limit	No Limit
Commercial Paper	270 Days	Highest	No Limit	No Limit
Variable rate obligations	None	Highest	No Limit	No Limit
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$50,000,000 per account	\$50,000,000 per account

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 4 - CASH AND INVESTMENTS (Continued)

D. 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 commercial paper are approximately 237 days and 270 days, respectively.

E. Credit and Concentration 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. LAIF is not rated by a nationally recognized statistical rating organization. Commercial paper was rated A-1 at year end.

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment funds that represent 5% or more of total investments at June 30, 2011 were commercial paper held with the financial institution, U.S. Bank in the amount of \$9,964,740.

F. 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.

G. Local Agency Investment Fund

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

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 5 – 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
Terminal Development Rights	55 years

Capital Assets activity was as follows for the year ended June 30, 2011:

	June 30, 2010	Additions	Transfers	Additions from City of Alameda Ferry Operations Transfer	Adjustments	June 30, 2011
Capital assets not being depreciated:						
Construction in progress	\$8,910,041	\$17,768,067	(\$670,216)			\$26,007,892
Total assets not being depreciated	8,910,041	17,768,067	(670,216)			26,007,892
Capital assets being depreciated:						
Ferries	36,263,338		580,216	\$8,376,437		45,219,991
Terminal development rights	3,660,000					3,660,000
Float				90,000		90,000
Total assets being depreciated	39,923,338		580,216	8,466,437		48,969,991
Less accumulated depreciation for:						
Ferries	(1,092,808)	(1,495,287)			\$36,000	(2,552,095)
Terminal development rights	(66,500)	(66,545)				(133,045)
Float		(600)	(208)			(808)
Total accumulated depreciation	(1,159,308)	(1,562,432)	(208)		36,000	(2,685,948)
Net capital assets being depreciated	38,764,030	(1,562,432)	580,008	8,466,437	36,000	46,284,043
Capital Assets, Net	\$47,674,071	\$16,205,635	(90,208)	\$8,466,437	\$36,000	\$72,291,935

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 6 – MAJOR FUNDING SOURCES

A. State Appropriation

The Authority received a single \$12,000,000 appropriation as initial funding for the study and planning of water transportation services in the San Francisco Bay. On October 14, 2007, the Senate bill stated that the Water Transit Authority's funds will be transferred to the Authority. As of June 30, 2011, the appropriation has a balance as follows:

Original appropriation	\$12,000,000
Net expenses as of 6/30/10	<u>(9,773,251)</u>
Unearned appropriation as of beginning of period	2,226,749
 Fiscal year 2011:	
Interest income	<u>7,978</u>
Unearned appropriation as of period end	<u><u>\$2,234,727</u></u>

B. Regional Measure 2

On March 2, 2004, voters approved Regional Measure 2 (RM2), raising the tolls on the seven State-owned toll bridges in the San Francisco Bay Area by \$1. This toll increase is to fund various transportation projects within the region that have been determined to reduce congestion or to improve travel in the toll bridge corridors. The Authority is receiving the portion of RM2 funding intended for water transportation services, facilities and vessels. The Authority was allocated \$6,000,000 to be used for operations, \$4,000,000 to be used for debt service and \$1,120,727 to be used for capital projects in the year ended June 30, 2011. As of June 30, 2011, the Authority had expended total allocated funds of \$10,383,089, had received \$9,141,196 in cash and had a receivable balance of \$1,241,893.

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, 2011, the Authority had been awarded \$75 million in Proposition 1B allocations.

With the enactment of AB1203 on January 1, 2010, the Authority was entitled to receive all awarded Proposition 1B allocations not previously invoiced or paid and as of April 2010, the Authority received \$44,679,939. During fiscal 2010-11, the Authority received an additional \$25,000,000 in allocations. Unspent grant receipts have been reported as unearned revenue in the accompanying financial statements.

During fiscal 2010-11, the Authority received \$25,000,000 in additional Proposition 1B allocations.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 6 – MAJOR FUNDING SOURCES (Continued)

A summary of the Authority's Proposition 1B projects for the year ended June 30, 2011 are as follows:

Project Name	Grant Allocations	Expended in Fiscal Year		Unearned Revenue at 06/30/11
		Prior years	2010-2011	
Preliminary Investigation & Environmental Review of Redwood City, Richmond, Antioch and Martinez	\$3,250,000	(\$56,000)	(\$195,466)	\$2,998,534
Final Design for Berkeley and Hercules Terminals	5,500,000			5,500,000
Berkeley Terminal and Vessel Construction	5,000,000			5,000,000
South San Francisco Terminal and Vessel Construction	10,000,000	(5,867,784)	(3,306,022)	826,194
Maintenance Barge/Facility and Emergency Floats	15,250,000	(128,769)	(1,105,657)	14,015,574
Central Bay and North Bay Maintenance Facilities	27,000,000			27,000,000
San Francisco Berthing Expansion	9,000,000		(223,562)	8,776,438
Total	<u>\$75,000,000</u>	<u>(\$6,052,553)</u>	<u>(\$4,830,707)</u>	64,116,740
Add interest earned in prior years				14,687
Add interest earned in current year				<u>53,331</u>
Unearned Revenues				<u>\$64,184,758</u>

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 6 – MAJOR FUNDING SOURCES (Continued)

D. Measure B Program

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

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

Measure B Program Revenues:

Funds transferred from City of Alameda:

Alameda/Oakland Operating Fund Balance (Note 3)	\$261,833
Measure B reserve from City of Alameda transfer (Note 3)	1,231,499
Funds returned to source	232,539
Measure B Sales Tax Revenue - March - June 2011	275,215
Interest Earned (June 2011)	27
Total Measure B Revenues	<u>2,001,113</u>

Measure B Program Expenditures:

Ferry Service - Harbor Bay	(67)
Harbor Bay Pile Repair	(175,800)
Total Measure B Expenditures	<u>(175,867)</u>

Unspent Measure B Revenues:

\$1,825,246

NOTE 7 – LONG TERM OBLIGATION

On August 3, 2010, the Authority issued a \$10.1 million revenue bond to finance the construction of the South San Francisco ferry terminal. The bond bears interest at 4.632 percent and matures on June 1, 2013 with principal amounts due on June 1, and interest payments due on June 1 and December 1 of each year. The bond is payable from a pledge of RM2 Operating Revenues and Measure A Revenues.

	Balance June 30, 2010	Additions	Retirements	Balance at June 30, 2011	
				Current Portion	Long-term Portion
Revenue Bond, Series 2010		\$10,100,000	\$3,367,000	\$3,367,000	\$3,366,000
Total		<u>\$10,100,000</u>	<u>\$3,367,000</u>	<u>\$3,367,000</u>	<u>\$3,366,000</u>

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 7 – LONG TERM OBLIGATION (Continued)

The terms of the indenture state that following resources are pledged to repay the outstanding debt service on the bonds: Regional Measure 2 operating revenues and all Measure A revenues and reserve funds held by the trustee for the payment of principal and interest on the bonds.

	For The Year Ended June 30, 2011
Pledged Revenue:	
RM2 revenues	\$4,000,000
Measure A	1,348,450
Total Revenues	<u>\$5,348,450</u>
Debt service:	
Principal repayments	\$3,367,000
Interest expense	413,250
Debt Service	<u>\$3,780,250</u>
Coverage	<u>141%</u>
Restricted cash and investments	June 30, 2011
Interest Account	\$247,433
Measure A Holding Fund	1,348,450
	<u>\$1,595,883</u>

Annual debt service requirements are shown below with specified repayment terms:

For the Year Ending June 30	Principal	Interest	Total
2012	\$3,367,000	\$311,872	\$3,678,872
2013	3,366,000	155,914	3,521,914
Total	<u>\$6,733,000</u>	<u>\$467,786</u>	<u>\$7,200,786</u>

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 8 – LEASE OBLIGATION

The Authority and Port of San Francisco have entered into a lease agreement in December 1, 2006. The agreement allows the Authority to lease 2 parcels for office space and to use the berth space for ferry parking commencing December 1, 2007. The annual lease payment is \$253,781 and the amount is subject to a 3% adjustment annually. The lease expires in November 30, 2011.

NOTE 9 – RISK MANAGEMENT

The Authority purchased the following insurance policy covered at June 30, 2011:

Type of Coverage	Limit	Deductible
General liability	\$6,000,000	\$2,500
Employment practice	2,000,000	10,000
Direct physical loss or damage (excluding earthquake or flood)	350,000,000	1,000
 Type of Coverage (related to Ferry Services)		
Marine terminal commercial liability	\$1,000,000 to \$2,000,000	\$2,500
Docks, pilings & ramps	10,000 to 20,000	N/A
Excess marine liability	9,000,000	N/A

NOTE 10 – NET ASSETS

Net Assets are the excess of all the Authority's assets over all its liabilities, regardless of fund. The Authority's Net Assets are reported under the caption described below:

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

Restricted describes unexpended Measure B revenues and Measure A revenues. Measure A funds are pledged for repayment of debt, however once the debt has been repaid Measure A funds are available and can be used for any lawful purpose.

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

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 11 - PENSION PLAN

All Authority employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), a cost-sharing multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Authority's employees participate in the Miscellaneous Employee Plan. Benefit provisions under the Plan are established by State statute and Authority resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CALPERS. The Plan's provisions and benefits in effect at June 30, 2011, are summarized as follows:

	<u>Miscellaneous</u>
Benefits vesting schedule	5 years service
Benefits payments	Monthly for life
Retirement age	50
Monthly benefits, as a % of annual salary	2 % - 2.5%
Required employee contribution rate	8.00%
Required employer contribution rate	11.588%

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

CALPERS uses a market related value method of valuing the Plan's assets. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually. An investment rate of return of 7.75% is assumed, including inflation at 3%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years.

Actuarially required contributions for fiscal years 2011, 2010, and 2009 were \$235,117, \$210,310 and \$190,261 respectively. The Authority made these contributions as required, together with certain immaterial amounts required as the result of the payment of other additional employee compensation.

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

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 11 - PENSION PLAN (Continued)

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

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
2007	\$1,315,454,361	\$1,149,247,298	\$166,207,063	87.4%	\$289,090,187	57.5%
2008	1,537,909,933	1,337,707,835	200,202,098	87.0%	333,307,600	60.1%
2009	1,834,424,640	1,493,430,831	340,993,809	81.4%	355,150,151	96.0%

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

NOTE 12 – POSTEMPLOYMENT HEALTH CARE BENEFITS

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

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

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

As of June 30, 2011, one participant was eligible to receive benefits.

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of the August 2009 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) 4.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 3% health inflation increase. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The Authority's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year closed amortization period.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 12 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

B. Funding Progress and Funded Status

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2011, the Authority contributed the ARC amounting to \$41,081 to the plan which represented 3.7% of the \$1.1 million of covered payroll. The Authority also contributed additional funds to CERBT representing funds accumulated in prior years. As a result, the Authority did not have a Net OPEB Obligation at June 30, 2011, as presented below:

	<u>Amounts</u>
Net OPEB Obligation June 30, 2010	\$0
Annual required contribution (ARC)	41,081
Contributions to CERBT	<u>(41,081)</u>
Change in net OPEB Liability	<u>0</u>
Net OPEB Obligation June 30, 2011	<u><u>\$0</u></u>

The Net OPEB Obligation is included as an accrued liability in the Statement of Net Assets.

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated August, 2009, amounted to \$106,100 and was unfunded since no assets had been transferred into CERBT as of that date. However, as of June 30, 2011, the Authority transferred additional contributions to CERBT, which along with investment earnings totaled \$137,050 and reduced the unfunded actuarial accrued liability.

The Plan's estimated annual required contributions and actual contributions for the year ended June 30, 2009, 2010 and 2011 are set forth below:

<u>Fiscal Year</u>	<u>Estimated Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$4,600			(\$46,000)
6/30/2010	36,718	82,718	225%	
6/30/2011	41,081	41,081	100%	

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Authority participates in Federal and State and local grant programs. These programs have been audited by the Authority's independent accountants through the fiscal year ended June 30, 2011, in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 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, 2011, the Authority had made commitments for construction of the following projects:

<u>Project</u>	<u>Commitments at June 30, 2011</u>
Antioch Environmental	\$677,912
Berkeley/Albany Terminal	323,414
Central Bay Maintenance Facility	100,586
Hercules Ferry Terminal	17,742
Martinez Terminal	660,801
Pier 9 Berthing	2,802,305
Planning - Ridership Forecasting Study	122,883
Redwood City Environmental	555,836
Richmond Ferry Terminal	529,372
SF Ferry Terminal Expansion	1,803,518
SSF Ferry Terminal	7,804,655 *
Total	<u><u>\$15,399,024</u></u>

* Of this balance, \$6.9 million were committed to major vendors to complete the South San Francisco Ferries Terminal.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 14 – SUBSEQUENT EVENT

Baylink Ferry Service

On January 1, 2008, the State of California's Senate Bill 976 became law repealing prior legislation that created the San Francisco Bay Area Water Transportation Authority and established a new agency, the Water Emergency Transportation Authority (WETA). The WETA has specified powers and duties, including but not limited to, taking over the City of Vallejo's Baylink ferry service operation and facilities and coordinating the emergency activities of water transportation on the bay.

The impact of the law to the Fund's ferry service may include, but is not limited to the transfer of ownership of the City's ferries and ferry assets; transfer of grant funding for current and future transit operation and capital funding and financial impact to transit-oriented development projects currently underway and planned for the future.

"Clean up" legislation to this law, Senate Bill 1093 (Wiggins), was approved and enacted into law on September 27, 2008 clarifying the planning, management, and operations responsibilities of the water transportation services vested in the WETA.

The City of Vallejo and the WETA are working collaboratively as required by this legislation and the Transition Plan adopted by the WETA Board on June 8, 2009. Staff anticipates being in a position to bring forward a final Vallejo service transition agreement to the Board in the fall of 2011.

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Attachment C

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

**SINGLE AUDIT AND
MEASURE B COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2011**

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

**SINGLE AUDIT
For The Year Ended June 30, 2011**

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2011**

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

Internal control over major programs:

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

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

Identification of major programs:

CFDA#(s)	Name of Federal Program or Cluster
20.500 & 20.507	FEDERAL TRANSIT CLUSTER – CAPITAL INVESTMENT GRANTS & FEDERAL TRANSIT – FORMULA GRANTS

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

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 17, 2011 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

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

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, 2011

Federal Grantor/ Pass-Through Grantor/Program of Cluster Title	Federal CFDA Number	Identifying Number	Federal Expenditures
Federal Transit Cluster:			
Department of Transportation, Federal Transit Administration			
Federal Transit Capital Investment Grant:			
SSF Vessels and Terminal	20.500	CA-04-0050	\$5,519,789
SSF Ferry Terminal - 5309	20.500	CA-04-0111	1,742,145
SF Berthing - Environmental/Conceptual Design	20.500	CA-04-0160	<u>726,787</u>
Total Direct Program			<u>7,988,721</u>
Federal Transit Formula Grants:			
Passed through the San Francisco Municipal Transportation Agency			
Muni Section 5307 FY 2005 Formula Grant	20.507	CA-90-Y348	<u>13,801</u>
Total Department of Transportation, Federal Transit Administration			<u>8,002,522</u>
Department of Homeland Security			
Passed through the Marine Exchange of the San Francisco Bay Region			
FY 2010 Port Security Grant	97.056	2010-PU-T0-K050	<u>39,737</u>
Total Expenditures of Federal Awards			<u><u>\$8,042,259</u></u>

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, 2011**

NOTE 1-REPORTING ENTITY

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

NOTE 2-BASIS OF ACCOUNTING

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

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

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

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

We have audited the financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 17, 2011. We conducted our audit in accordance with generally accepted auditing standards 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.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above..

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 and other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated December 17, 2011, which is an integral part of our audits and should be read in conjunction with this report.

This report is intended solely for the information and use of the Authority's Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mare & Associates

December 17, 2011

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

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

Compliance

We have audited compliance of the San Francisco Bay Area Water Emergency Transportation with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

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

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated December 17, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of Authority's Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mare & Associates

December 17, 2011

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**INDEPENDENT AUDITOR'S
REPORT ON MEASURE B COMPLIANCE**

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

We have audited the financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) – Measure B 2000 Funds as of and for the year ended June 30, 2011, and have issued our report thereon dated December 17, 2011. 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.

Compliance

We have audited the Authority's compliance with the requirements of the Alameda County Measure B 2000 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Authority's management. Our responsibility is to express an opinion on Authority's compliance based on our audit.

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 of Alameda County Measure B 2000. Those standards and requirements of Alameda County Measure B 2000 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Measure B 2000 Funds. 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. Our audit does not provide a legal determination of the City of Alameda's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to Measure B 2000 Funds for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Authority's Board, Management, ACTIA, its Board and Committees, others within the entity, and members of the public that will examine compliance information and is not intended to be and should not be used by anyone other than these specified parties.

More & Associates

December 17, 2011

MEMORANDUM

TO: Board Members

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

SUBJECT: Authorize the Executive Director to Execute a Master Programs Funding Agreement with Alameda County Transportation Commission

Recommendation

Approve the 10-year Alameda County Transportation Commission Master Programs Funding Agreement (MPFA) with the Alameda County Transportation Commission and authorize the Executive Director to execute the agreement and take any other such actions necessary to receive funds.

Background

In November 2000, Alameda County voters approved the reauthorization of Measure B, a county transportation sales tax measure that is estimated to provide over \$11 million in sales tax funds over 20 years (between April 1, 2002 and March 31, 2022) to support the operation of Alameda ferry services. These funds are administered by the Alameda County Transportation Commission (Alameda CTC). As part of the transfer of the Alameda Ferry services to WETA these funds were re-directed from the City of Alameda to WETA. In January 2011, the Board of Directors approved a funding agreement with the Alameda CTC for receipt of Measure B sales tax funds for the Alameda ferry services. This agreement is set to expire on June 30, 2012.

Discussion

The Alameda CTC has developed a Master Programs Funding Agreement (MPFA) and related Implementation Guidelines, incorporated by reference in the MPFA, for the distribution of Measure B and Vehicle Registration Fee funds over the next ten years. This new agreement is provided as **Attachment 1** to this report. The MPFA and associated Implementation Guidelines specify program definitions, eligibility, compliance requirements and allowable use of funds. The Implementation Guidelines are incorporated by reference in the MPFA and will be updated by the Alameda CTC over time in order to any address policy, legislative, or other issues as they arise and to respond to changing transportation needs over the next 10-year period.

The new MPFA must be fully executed prior to March 31, 2012, to ensure that Measure B funds continue to flow to WETA to support the Alameda ferry services. If approved, this agreement would commence on April 1, 2012 and expire on June 30, 2022.

Fiscal Impact

Execution of the Master Program Funding Agreement prior to March 31, 2012, will allow an uninterrupted flow of Measure B transportation funds to WETA.

END

Attachment 1

**Master Programs Funding Agreement between the
Alameda County Transportation Commission
and the
San Francisco Bay Area Water Emergency Transportation Authority**

Contract Number A11-0083

This Master Programs Funding Agreement (“AGREEMENT”) is made this ____ day of _____, 2012, by and between the Alameda County Transportation Commission (“Alameda CTC”) and the San Francisco Bay Area Water Emergency Transportation Authority (“RECIPIENT”).

RECITALS

A. On November 7, 2000, the voters of Alameda County, pursuant to the provisions of the Local Transportation Authority and Improvement Act, California Public Utilities Code Section 180000 et seq., approved the reauthorization of Measure B, thereby authorizing Alameda County Transportation Improvement Authority (“ACTIA”) to administer the proceeds from a continued one-half cent transaction and use tax (“Measure B”).

B. The duration of the tax will be 20 years from the initial year of collection, which began April 1, 2002, with said tax to terminate/expire on March 31, 2022. The tax proceeds will be used to pay for the programs and projects outlined in Alameda County’s 20-Year Transportation Expenditure Plan (the “Measure B Expenditure Plan”), as it may be amended.

C. The Measure B Expenditure Plan authorizes the issuance of bonds to expedite delivery of transportation projects and programs. Costs associated with bonding will be borne only by the capital projects included in the Measure B Expenditure Plan and by any programs included in the Measure B Expenditure Plan that utilize the bond proceeds.

D. On November 2, 2010, the voters of Alameda County approved Measure F, the Vehicle Registration Fee (“VRF”) Program, pursuant to Section 65089.20 of the Government Code, thereby authorizing the Alameda County Congestion Management Agency (“ACCMA”) to administer the proceeds from a \$10 per year vehicle registration fee on each annual motor-vehicle registration or renewal of registration in Alameda County, starting in May 2011, six months following approval of Measure F. Vehicles subject to the VRF include all motorized vehicles, including passenger cars, light-duty trucks, medium-duty trucks, heavy-duty trucks, buses of all sizes, motorcycles, and motorized camper homes, unless vehicles are expressly exempted from the payment of the VRF.

E. Funds raised by the VRF will be used exclusively for local transportation purposes in Alameda County that have a relationship or benefit to the owners of motor vehicles paying the VRF, including projects and programs identified in the expenditure plan approved by the voters as part of Measure F (the “VRF Expenditure Plan”).

F. On June 24, 2010, ACTIA and ACCMA took the final actions to create Alameda CTC, which has assumed the responsibilities of ACTIA and ACCMA, including duties related to Measure B and the VRF.

NOW, THEREFORE, it is mutually agreed by and between the parties as follows:

ARTICLE 1:FUNDING ALLOCATIONS

A. This AGREEMENT authorizes the Alameda CTC to allocate funds derived from both Measure B and the VRF as described in their respective voter-approved expenditure plans and as summarized and described below for different fund types. All fund distributions pursuant to this AGREEMENT shall be effective as of April 1, 2012.

Fund Type	Allocation Method
Bicycle and Pedestrian Safety	Measure B: 75% Pass-through Funds
	Measure B: 25% Grant Program
	VRF Funds: 100% Grant Program
Local Streets and Roads	Measure B: 100% Pass-through Funds
	VRF Funds: 100% Pass-through funds
Local Transportation Technology	VRF Funds: 100% Grant Program
Mass Transit	Measure B: 100% Pass-through Funds
	Measure B Express Bus: 100% Grant Program
	VRF Funds: 100% Grant Program; recipients may also use these funds for paratransit services
Paratransit	Measure B: 100% Pass-through Funds
	Measure B Gap Grant: 100% Grant Program
Transit Center Development	Measure B: 100% Grant Program

1. Bicycle and Pedestrian Safety:

a. Measure B bicycle and pedestrian safety pass-through funds within each geographic subarea are distributed pursuant to a formula weighted 100 percent by the population of the jurisdiction within the subarea. The Measure B Expenditure Plan designates 75 percent of Measure B funds as local pass-through funds. Each city and Alameda County shall receive up to their proportional share of the 75 percent of the funds based on population over the life of the Measure. Allocations may change in the future based on changes in population figures. Recipients agree to the formula distributions herein and are not required to enter into a separate agreement with Alameda CTC prior to receipt of such funds.

b. Measure B and VRF bicycle and pedestrian safety grant funds are awarded on a discretionary basis through competitive grant programs. Any recipient of such a grant award shall enter into a separate agreement with Alameda CTC in conformance with the Bicycle and Pedestrian Safety Program Implementation Guidelines prior to receipt of such funds.

c. The Bicycle and Pedestrian Safety Program Implementation Guidelines provide program eligibility and fund usage guidelines, definitions, additional requirements, and guideline adoption details. Said guidelines are hereby incorporated into this AGREEMENT by reference.

2. Local Streets and Roads:

a. Measure B local streets and roads pass-through funds within the geographic subarea are distributed pursuant to a formula weighted 50 percent by the population of the jurisdiction within the subarea and 50 percent by the number of road miles within the subarea. Allocations may change in the future based on changes in population and road mile figures. Recipients agree to the formula distributions herein and are not required to enter into a separate agreement with Alameda CTC prior to receipt of such funds.

b. VRF local streets and roads pass-through funds within the geographic planning area are based on a formula weighted 50 percent by the population of the jurisdiction within the planning area and 50 percent of the number of registered vehicles in the planning area. VRF local streets and roads funds will be distributed by population within a planning area. Allocations may change in the future based on changes in population and number of registered vehicle figures. Recipients are not required to enter into a separate agreement with Alameda CTC prior to receipt of such funds.

c. The Local Streets and Roads Program Implementation Guidelines provide, program eligibility and fund usage guidelines, definitions, additional requirements, and guideline adoption details. Said guidelines are hereby incorporated into this AGREEMENT by reference.

3. **Local Transportation Technology:**

a. VRF local transportation technology grant funds are awarded on a discretionary basis through a competitive grant program. Any recipient of such a grant award shall enter into a separate agreement with Alameda CTC prior to receipt of such funds.

b. The VRF Local Transportation Technology Program Implementation Guidelines provide program eligibility and fund usage guidelines, definitions, additional requirements, and guideline adoption details. Said guidelines are hereby incorporated into this AGREEMENT by reference.

4. **Mass Transit:**

a. Measure B pass-through funds are allocated to the transit operators based on a set of percentages of net revenues generated by the Measure B sales tax. These percentages are attached hereto as Exhibit A and by this reference made a part of this AGREEMENT. Allocations may change in the future based on transit service changes. Recipients are not required to enter into a separate agreement with Alameda CTC prior to receipt of such funds.

b. Measure B and VRF mass transit grant funds are awarded on a discretionary basis through competitive grant programs. Any recipient of such a grant award shall enter into a separate agreement with Alameda CTC in conformance with the Mass Transit Program Implementation Guidelines prior to receipt of such funds.

c. The Mass Transit Program Implementation Guidelines provide program eligibility and fund usage guidelines, definitions, additional requirements, and guideline adoption details. Said guidelines are hereby incorporated into this AGREEMENT by reference.

5. Paratransit:

a. Measure B pass-through funds for non-mandated paratransit services are distributed to each subarea of the County pursuant to the figures set forth in the Measure B Expenditure Plan, and mandated paratransit services are distributed by percentages set forth in the Measure B Expenditure Plan, attached hereto as Exhibit B and by this reference made a part of this AGREEMENT. Based on the plans prepared by the cities and the transit operators, and based on the provisions of the Measure B Expenditure Plan, the Paratransit Advisory and Planning Committee (“PAPCO”) annually recommends allocation factors for distribution of funds for non-mandated paratransit services within Alameda County, subject to the review and approval of the Alameda CTC Board. Recipients are not required to enter into a separate agreement with Alameda CTC prior to receipt of such funds.

b. Measure B paratransit gap grant funds, including stabilization funds, and base program and minimum service level funds, are awarded on a discretionary basis through competitive grant programs. Any recipient of such a grant award shall enter into a separate agreement with Alameda CTC in conformance with the Paratransit Program Implementation Guidelines prior to receipt of such funds.

c. The Paratransit Program Implementation Guidelines provide program eligibility and fund usage guidelines, definitions, additional requirements, and guideline adoption details. Said guidelines are hereby incorporated into this AGREEMENT by reference.

6. Transit Center Development funds are allocated on a grant basis. Any recipient of such a grant award shall enter into a separate agreement with Alameda CTC in conformance with the Transit Center Development Implementation Guidelines prior to receipt of such funds. The Transit Center Development Implementation Guidelines provide program eligibility and fund usage guidelines, definitions, additional requirements, and guideline adoption details. Said guidelines are hereby incorporated into this AGREEMENT by reference.

ARTICLE 2: PAYMENTS AND EXPENDITURES

A. Alameda CTC's Duties and Obligations

1. Within five working days of actual receipt of the monthly Measure B sales tax revenues and VRF revenues from the State Board of Equalization, Alameda CTC shall remit to the RECIPIENT its designated amount of pass-through funds disbursed on a monthly basis by a set formula for distribution.

2. Alameda CTC shall annually update the Measure B sales tax revenue and VRF revenue projections and the resulting funds allocation formulas to reflect the most current population using the California Department of Finance's annual population estimates (Report E-1 published in May); maintained road mileage from the Department of Transportation; and the number of registered vehicles in each Alameda County subarea, using registered vehicle data provided by the California Department of Motor Vehicles, as it is made available. Alameda CTC shall use the updated Measure B and VRF program allocation formulas in the allocations beginning July 1 of each new fiscal year, which is from July 1 to June 30 in the State of California.

3. Alameda CTC shall provide an annual projection of Measure B and VRF revenues passed through to each RECIPIENT by each type of fund at the beginning of each calendar year for the subsequent fiscal year.

4. Alameda CTC shall monthly report the amount of Measure B and VRF revenues passed through to RECIPIENT by each fund type for the fiscal year and for the total program to date.

5. Alameda CTC shall provide for an independent annual audit of its revenues and expenditures and also of its calculation of the allocation formula for distributing Measure B and VRF revenues to various RECIPIENTS and render an annual report to the Alameda CTC Board within 180 days following the close of the fiscal year. Alameda CTC shall render an annual report on Measure B funds to the Citizens Watchdog Committee as soon thereafter as practical.

6. Alameda CTC shall provide timely notice to RECIPIENT prior to conducting an audit of any expenditures made by RECIPIENT to determine whether such expenditures are in compliance with this AGREEMENT, the Measure B Expenditure Plan, the VRF Expenditure Plan, Measure B, or the VRF ballot measure.

B. RECIPIENT's Duties and Obligations

1. RECIPIENT shall expend all Measure B and VRF funds distributed to the RECIPIENT in compliance with the applicable guidelines and Plan(s), including the Implementation Guidelines, as they may be adopted or amended by Alameda CTC from time to time.

2. RECIPIENT shall set up and maintain an appropriate system of accounts to keep separate accounting and reporting for each type of Measure B and VRF fund to be received. RECIPIENT must account separately for Measure B and VRF funds, and accrue any interest from each fund source into each separate fund account. The accounting system shall provide adequate internal controls and audit trails to facilitate an annual compliance audit for each fund type and the respective usage and application of said funds. Alameda CTC and its representatives, agents and nominees shall have the absolute right at any reasonable time to inspect and copy any accounting records related to such funds, except to the extent specifically prohibited by applicable law.

3. RECIPIENT hereby agrees to and accepts the formulas used in the allocation of Measure B and VRF revenues as reflected in the ballot measures, the Measure B Expenditure Plan, and the VRF Expenditure Plan, and agrees to accept and utilize the California Department of Finance Estimates of Population figures (Report E-1, updated each May) for California cities and counties and registered vehicle data provided by the California Department of Motor Vehicles for the annual update of the allocation formulas to begin in each new fiscal year.

ARTICLE 3: POLICIES ON USE OF FUNDS

A. Timely Use of Funds Policy

1. Except for those funds properly placed into a reserve fund pursuant to **Section B** below, all Measure B and VRF funds received by RECIPIENT shall be spent expeditiously, and no unexpended funds beyond those included in reserves pursuant to Section B

below are allowed, unless a written request is submitted to the Alameda CTC and approved by the Board.

2. Any funds which are not spent in a timely manner in compliance with the above Timely Use of Funds Policy, unless such funds are properly placed in a reserve permitted by this AGREEMENT, shall be subject to rescission as set forth in **Section C** below. Further, any funds placed into a reserve fund which are not spent in a timely manner in compliance with the policies applicable to such reserve fund, shall be subject to rescission as set forth in **Section C** below.

B. **Reserve Fund Policy:** RECIPIENT may reserve funds for specified periods of time, as defined in each reserve program, which Alameda CTC will monitor through the annual compliance audit and reporting process described in **Article 4**. RECIPIENT may establish the following separate types of reserve funds:

1. **Capital Fund Reserve:** RECIPIENT may establish a specific capital fund reserve to fund specific large capital project(s) that could otherwise not be funded with a single year's worth of Measure B or VRF pass-through funds. If a capital fund reserve is established by RECIPIENT, it must be done as part of the Annual Program Compliance Reporting process as defined in Article 4.A.3.

a. RECIPIENT 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 (e.g., if a reserve is established at any time during fiscal year 2012-2013 (FY 12-13), RECIPIENT may collect

reserve funds during some or all of FY 12-13, FY 13-14 and FY 14-15, and must spend the reserve funds prior to the end of FY 15-16.

b. RECIPIENT shall report implementation schedules and funding plans for each proposed project to be funded from the reserve in RECIPIENT's annual program compliance report.

c. RECIPIENT may seek a single one-year extension for a given reserve fund if RECIPIENT demonstrates that unforeseen and extraordinary circumstances have occurred that would justify the extension. RECIPIENT shall submit a request for such an extension in writing to Alameda CTC's executive director. The Alameda CTC Board, in its sole discretion, will make a determination as to whether to approve or deny the extension request and will notify RECIPIENT of its action in writing.

2. **Operations Fund Reserve:** RECIPIENT 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 in such fund 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. If an operations fund reserve is established by RECIPIENT, it must be done as part of the Annual Program Compliance Reporting process as defined in Article 4.A.3.

3. **Undesignated Fund Reserve:** RECIPIENT 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,

unless an exception is requested in writing and approved by the Alameda CTC Board. If an undesignated fund reserve is established by RECIPIENT, it must be done as part of the Annual Program Compliance Reporting process as defined in Article 4.A.3.

a. RECIPIENT shall report the range of potential uses for the reserve funds in its annual audit and compliance report.

C. **Rescission of Funds Policy:** If RECIPIENT does not meet the timeliness requirements set forth in **Sections A and B**, Alameda CTC may determine that RECIPIENT does not need the unspent funds. In such case, unless the RECIPIENT requests and Alameda CTC approves an extension to the applicable deadline for the Capital Fund Reserve as described in Article 3, B, 1, RECIPIENT must return unspent funds and all interest earned thereon to Alameda CTC. All such funds returned to Alameda CTC shall be placed into an account for reallocation to the same programmatic type for transportation improvements in the county.

D. **Other Expenditure Restrictions:**

1. **Transportation Purposes Only:** RECIPIENT shall use all Measure B and VRF funds solely for transportation purposes as defined by the authorizing ballot measures. Any jurisdiction that violates this provision must fully reimburse all misspent funds, including all interest earned thereon.

2. **Non-Substitution of Funds:** RECIPIENT shall use Measure B, pursuant to PUC 180000 et seq., and VRF funds to supplement and not replace existing property taxes used for transportation purposes.

3. **Fund Exchange:** Any fund exchanges made using Measure B or VRF funds must be made for transportation purposes. Alameda CTC will consider exchange proposals on a case-by-case basis.

4. **Staff Cost Limitations:** Direct costs associated with the delivery of programs and projects associated with Measure B and VRF programs, including direct staff costs and consultant costs, are eligible uses of Measure B and VRF funds. Alameda CTC does not allow indirect costs, unless the RECIPIENT submits an independently audited/approved Indirect Cost Allocation Plan.

ARTICLE 4: REPORTING REQUIREMENTS

A. RECIPIENT shall comply with each of the reporting requirements set forth in this Article 4. If RECIPIENT fails to comply with one or more of these requirements, Alameda CTC may withhold payment of further Measure B and/or VRF funds to RECIPIENT until full compliance is achieved.

1. RECIPIENT shall follow all Implementation Guidelines established for each fund source, as the same may be changed from time to time by the Alameda CTC. Such Implementation Guidelines are intended to provide program eligibility and fund usage guidelines, definitions, additional requirements, and guideline adoption details.

2. RECIPIENT shall submit to Alameda CTC, on an annual basis and at the RECIPIENT's expense, an independent compliance audit of the funds received and used, including plans and reports of expenditures. RECIPIENT shall complete, certify, and provide the annual compliance audit to Alameda CTC within 180 days following the close of each fiscal year.

3. RECIPIENT shall, by December 31 of each year, submit to Alameda CTC, at the RECIPIENT's expense, a compliance report on programs and projects on which RECIPIENT expended Measure B and VRF funds. In such report, RECIPIENT shall state how the funds were used, the benefits derived from the funded programs and projects, and establishment of fund reserves and amounts remaining in reserves, and anticipated program and project expenditures. If RECIPIENT's expenditures in a fiscal year are less than the amount received during such year, RECIPIENT shall explain why revenues exceeded expenditures and RECIPIENT's plan for the unexpended funds.

4. To be eligible for receipt of Local Streets and Roads funds, RECIPIENT shall provide Alameda CTC with the certified number of maintained road miles within RECIPIENT's jurisdiction, which shall be consistent with the miles reported to state and federal agencies. Road miles shall be used in the updated Measure B sales tax revenue allocation formula for distributing Measure B funds and the new mileage shall be reflected in the distributions that start on July 1 of each new fiscal year. RECIPIENT shall provide Alameda CTC with the annual certified number of maintained road miles each fiscal year even if the number of miles for the fiscal year did not change.

5. RECIPIENT shall install or mount signage adjacent to VRF and Measure B funded construction projects and on vehicles funded with VRF and Measure B funds (e.g., RECIPIENT and Alameda CTC logos; "Your Transportation Tax Dollars Help Fund the Operation of This Vehicle!") where practical, so Alameda County taxpayers are informed as to how RECIPIENT is using Measure B and/or VRF funds. RECIPIENT shall include a description of signage and number of signs posted in the annual compliance report submitted to Alameda CTC.

6. RECIPIENT shall provide current and accurate information on RECIPIENT's website, to inform the public on how RECIPIENT is using Measure B and/or VRF funds, and shall also provide a link to Alameda CTC's website.

7. RECIPIENT shall, at least annually, publish an article either in RECIPIENT newsletter or in Alameda CTC's newsletter, highlighting a project or program in which RECIPIENT has used Measure B and/or VRF funds.

8. RECIPIENT shall actively participate in a Public Awareness Program, in partnership with Alameda CTC and/or its community advisory committees, as a means of ensuring that the public has access to and has the ability to know which projects and programs are funded through Measure B and/or the VRF.

9. RECIPIENT shall make its administrative officer or designated staff available on request from Alameda CTC or the Citizens Watchdog Committee to render a report or answer any and all inquiries in regard to RECIPIENT's receipt, usage, and compliance audit findings of its funds before Alameda CTC's governing board and/or the Citizens Watchdog Committee or community advisory committees, as applicable.

10. RECIPIENT agrees that Alameda CTC may review and/or evaluate the project(s) or program(s) funded pursuant to this AGREEMENT. This may include visits by representatives, agents or nominees of Alameda CTC to observe RECIPIENT's project or program operations, to review project or program data and financial records, and to discuss the project with RECIPIENT's staff or governing board.

ARTICLE 5: OTHER PROVISIONS

A. Geographic Breakdown: In all cases:

1. North Area refers to the Cities of Alameda, Albany, Berkeley, Emeryville, Oakland, and Piedmont.

2. Central Area includes the Cities of Hayward and San Leandro, and the unincorporated area of Castro Valley, as well as other unincorporated lands governed by Alameda County in the Central Area.

3. South Area includes the Cities of Fremont, Newark, and Union City.

4. East Area includes the Cities of Livermore, Dublin, and Pleasanton, and all unincorporated lands governed by Alameda County in the East Area.

B. Indemnity by RECIPIENT. Neither Alameda CTC, nor its governing body, elected officials, any officer, consultant, agent, or employee thereof shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by RECIPIENT in connection with the Measure B or VRF funds distributed to RECIPIENT pursuant to this AGREEMENT. It is also understood and agreed, pursuant to Government Code Section 895.4, RECIPIENT shall fully defend, indemnify and hold harmless Alameda CTC, its governing body, and all its officers, agents, and employees, from any liability imposed on Alameda CTC for injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by RECIPIENT in connection with the Measure B or VRF funds distributed to RECIPIENT pursuant to this AGREEMENT.

C. **Indemnity by Alameda CTC.** Neither RECIPIENT, nor its governing body, elected officials, any officer, consultant, agent, or employee thereof shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by Alameda CTC under or in connection with any work, authority or jurisdiction delegated to Alameda CTC under this AGREEMENT. It is also understood and agreed, pursuant to Government Code Section 895.4, Alameda CTC shall fully defend, indemnify, and hold harmless RECIPIENT, and its governing body, elected officials, all its officers, agents, and employees from any liability imposed on RECIPIENT for injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by Alameda CTC under or in connection with any work, authority or jurisdiction delegated to Alameda CTC under this AGREEMENT.

D. **Jurisdiction and Venue:** The laws of the State of California will govern the validity of this AGREEMENT, its interpretation and performance, and any other claims related to it. All legal actions arising out of this AGREEMENT shall be brought in a court of competent jurisdiction in Alameda County, California and the parties hereto hereby waive inconvenience of forum as an objection or defense to such venue.

E. **Attorneys' Fees:** Should it become necessary to enforce the terms of this AGREEMENT, the prevailing party shall be entitled to recover reasonable expenses and attorneys' fees from the other party.

F. **Term:** The term of this AGREEMENT shall be from April 1, 2012 to June 30, 2022.

G. **Severability:** If any provision of this AGREEMENT is found by a court of competent jurisdiction or, if applicable, an arbitrator, to be unenforceable, such provision shall

not affect the other provisions of the AGREEMENT, but such unenforceable provisions shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth in this AGREEMENT.

H. **Modification:** This AGREEMENT, and its Exhibits, as well as the referenced Implementation Guidelines and grant program guidelines, constitutes the entire AGREEMENT, supersedes all prior written or oral understandings regarding Measure B and VRF pass-through and program funds (but not project funding agreements), including but not limited to ACTIA Measure B pass-through funding agreement and ACTIA Measure B paratransit funding agreement, which former agreements are terminated as of the effective date hereof. This AGREEMENT may only be changed by a written amendment executed by both parties. Notwithstanding the foregoing, the Implementation Guidelines and grant program guidelines may be changed from time to time by the Alameda CTC.

EXHIBITS

The following Exhibits are hereby made part of this AGREEMENT:

Exhibit A: Mass Transit Fund Distribution by Agency

Exhibit B: Paratransit Services Fund Distribution

IN WITNESS WHEREOF, the parties have executed this AGREEMENT by their duly authorized officers as of the date first written below.

SAN FRANCISCO BAY AREA
WATER EMERGENCY
TRANSPORTATION AUTHORITY

ALAMEDA COUNTY TRANSPORTATION
COMMISSION

By: _____
Nina Rannells Date
Executive Director

By: _____
Arthur L. Dao Date
Executive Director

Approved as to Legal Form:

Recommended:

By: _____
Stanley S. Taylor Date
WETA Counsel

By: _____
Stewart D. Ng Date
Deputy Director of Programming
and Projects

Reviewed as to Budget/Financial Controls:

By: _____
Patricia Reavey Date
Director of Finance

Approved as to Legal Form:

By: _____
Wendel, Rosen, Black & Dean LLP Date
Alameda CTC Counsel

EXHIBIT A

MEASURE B MASS TRANSIT FUND DISTRIBUTION BY AGENCY

Alameda CTC distributes Measure B mass transit pass-through funds based on the distribution percentages for net Measure B revenues specified in the Measure B Expenditure Plan, as shown below.

Agency		Percentage of Net Revenues
AC Transit	North County	9.48%
	Central County	4.74%
	South County	1.61%
AC Transit Welfare to Work	North County	1.24%
AC Transit Welfare to Work	Central County	0.22%
LAVTA	East County	0.69%
Union City Transit	South County	0.34%
ACE	East County	1.05%
ACE	South County	1.07%
WETA Ferry Service	Alameda County	0.78%
Express Bus Service Grant		0.70%

Countywide Local and Feeder Bus Service: Provides funding for countywide local and feeder bus service in every region of the county to link neighborhoods and commuters to BART, rail, and express bus connections throughout the county. Welfare to Work programs dedicate 1.46 percent of overall net sales tax receipts to enhancing transportation opportunities for persons making the transition from welfare to work.

Other Mass Transit Programs: Provides funding to Water Emergency Transportation Authority (WETA) Transbay Ferry Service to expand transbay ferry service from Alameda. Provides funding to Altamont Commuter Express for capital and operating costs for operations in South and East Alameda County.

Express Bus Service Grant Program: Provides funding for public transit operators to provide express bus services within Alameda County. Refer to the Express Bus Service Grant Program Guidelines for eligibility requirements.

Transit Operations: Provides funding to transit operators for maintenance of transit services, restoration of service cuts, expansion of transit services, and passenger safety and security. The transit operators will determine the priorities for these funds through public processes and will submit an annual audit to Alameda CTC.

AC Transit agrees to allocate 1.46 percent of overall net sales tax receipts to enhancing transportation opportunities for persons making the transition from welfare to work. These

"welfare to work" funds can be used by AC Transit for service restoration and expansion or implementation of improved bus service to facilitate travel to and from work. AC Transit will prioritize the restoration and development of new services to meet the employment-related transit needs of low-income residents in northern and central Alameda County.

Additionally, these funds may be used, at the determination of AC Transit, to provide subsidies of regular bus fares for individuals living in northern and central Alameda County who are transferring from welfare to work as well as those who are economically disadvantaged. In the event that sufficient funds are otherwise available to AC Transit to meet these needs then "welfare to work" funds can be used for other general passenger service purposes in northern and central Alameda County.

AC Transit will work together with and actively seek input from bus riders, business leaders, mayors and other elected officials in San Leandro, Hayward, and the unincorporated areas in Central Alameda County to ensure that the additional transit funds in Central County are used for bus improvements such as night, weekend, and more frequent service, connections to residential growth areas, and access to major employment centers, including enhancement of east-west corridors.

AC Transit will continue to provide transit service similar to the Department of Labor-funded shuttle to and from job sites in East and West Oakland, as needed. AC Transit, the County, the City of Oakland, the Port of Oakland and other entities will look for additional money from outside sources to fund the service. If needed, a portion of the proceeds from the reauthorization of Measure B may be used.

Refer to Mass Transit Program Implementation Guidelines for program and project eligibility fund usage, and requirements.

EXHIBIT B

PARATRANSIT SERVICES FUND DISTRIBUTION

Alameda CTC distributes Measure B paratransit funds to County subareas/planning areas and to AC Transit and BART based on the distribution percentages in the Measure B Expenditure Plan, as shown below. Distributions to jurisdictions for non-mandated services within each subarea are based on allocation formulas recommended by PAPCO and approved by the Alameda CTC Board.

Area/City	Area Percentage (A)
Non-Mandated – North County	1.24%
Alameda	
Albany	
Berkeley	
Emeryville	
Oakland	
Non-Mandated – Central County	0.88%
Hayward	
San Leandro	
Non-Mandated – East County	0.21%
LAVTA	
Pleasanton	
South County	1.06%
Fremont	
Newark	
Union City	
ADA Mandated – North County	4.53%
AC Transit	
BART	
ADA Mandated – Central County	1.10%
AC Transit	
BART	
Discretionary Program	1.43%

1. Column A shows the percentage of 2000 Measure B funds required to be distributed to each area in the County. Funding for special transportation for seniors and people with disabilities is provided for services mandated by the ADA to fixed-route public transit operators who are required to provide that service. Funds for the South County are allocated between mandated and non-mandated programs on an annual basis by the cities in that part of the County.

2. Coordination/Gaps in Service Fund (1.43%) allocations are recommended by PAPCO and approved by the Alameda CTC Board.
3. Americans with Disabilities Act (ADA) mandated services are allocated to AC Transit and BART according to the percentages included in the Expenditure Plan.

Refer to Paratransit Program Implementation Guidelines for program and project eligibility fund usage, and requirements.

MEMORANDUM

TO: Board Members

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

**SUBJECT: Approve a Sole Source Contract with Valley Power Systems North Inc.,
for In Frame Overhaul of the Encinal's Main Engines**

Recommendation

Approve a sole source contract with Valley Power Systems North Inc., for the in-frame overhaul of the Encinal's main engines and authorize the Executive Director to negotiate and execute an agreement for this work in an amount not to exceed \$800,000.

Background/Discussion

The port and starboard main engines on the ferry Encinal have been in service since 2000 with approximately 19,000 hours of use and are in need of a regularly scheduled overhaul to ensure reliable operation of the engines. The scope of work required at this time includes the removal and replacement of the following engine sub-components:

- Turbo chargers
- Cylinder heads and kits
- Rod bearing sets and connecting rods
- Fuel pumps
- Sea and fresh water pumps
- Fuel injectors
- Fuel & Oil filters
- Oil & coolant
- Gaskets & seals

Additionally, during this work the contractor will inspect the cylinder block bores, the camshaft and the crankshaft rod journals and replace if necessary. Contingency funds are included in the project budget in the event any of these items need replacement.

Sole Source Discussion

Staff is recommending a sole source contract for this procurement in order to address the need to utilize MTU factory parts as well as the need for parts installation to be completed by a factory-authorized dealership in order to obtain a warranty on parts and labor. Given the costs involved, using a factory authorized dealership to install the manufacturer's parts significantly reduces financial risk to the Authority.

After researching the engine supply and parts industry, the Authority has concluded that there are no known aftermarket parts manufacturers for these engines and confirmed that MTU Detroit Diesel (MTU) factory parts are the only parts available for these engines. Additionally, because MTU does not allow competition between its factory authorized dealerships, Valley Power Systems North Incorporated (VPSNI) is the sole MTU factory authorized dealership for the sales, parts and service of MTU Series 4000 engines in the Bay Area region.

VPSNI is well qualified to complete this work as it installed the Encinal's main engines in 2000 and has provided on going service and repair. VPSNI performs engine service to the majority of the Authorities vessels and also provides sales and service to the City of Vallejo's Baylink and the Golden Gate Ferry vessels as well.

Staff has reviewed the price quote provided by VPSNI for this work and has determined that it is fair and reasonable compared to both the Authority's internal estimates and to similar work performed by other engine distributors.

In accordance with the above analysis, staff has determined that this procurement meets the requirement for a sole source procurement under federal regulations and as set forth in the Authority's Administrative Code Section 502.2(E), which authorizes the agency to procure goods and services without competition under limited circumstances. Subdivision (E) of this provision allows the agency to procure items non-competitively when there is only a single source of supply available, or only one contractor is qualified to provide the service or product. Because VPSNI is uniquely able to provide and warranty the necessary work, a competitive bidding process would serve no useful purpose for this procurement.

Fiscal Impact

This project is included in the FY 2011/12 Capital Budget and is funded with a mix of federal and local funds.

END

MEMORANDUM

TO: Board Members

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

SUBJECT: Approve On-Call Marketing and Public Information Services List and
Authorize the Executive Director to Negotiate and Execute Contracts

Recommendation

Approve the following actions associated with the On-Call Marketing Consulting Services:

- Approve the On-Call Marketing consulting list to be valid for up to five years; and
- Authorize the Executive Director to negotiate and execute individual agreements(s) on an as-needed, task order basis in an amount not to exceed \$150,000 per agreement per year.

Background

Over the next several months WETA will introduce the San Francisco Bay Ferry ("SFBF") brand to the region, launch the South San Francisco/East Bay route, and bring the Vallejo ferry service under the SFBF brand. Successful accomplishment of these tasks will require the implementation of a carefully designed advertising, public relations, and promotion campaign targeting potential and existing WETA customers, water-transit stakeholders, and WETA transit partners.

WETA's various advertising and public information needs require a wide range of specialized skills and services that are often needed on short notice or in intermittent intervals. Contracting with consultants to provide as needed marketing and public information services would allow full time WETA staff to access a variety of such services and to respond to requests to participate in special events on short notice, manage peak workloads, and ensure the continuous advertising and promotion of WETA's current and future services.

Discussion

On November 3, 2011, the Board authorized staff to release a Request for Qualifications (RFQ) for On-Call Marketing and Public Information Services. On January 13, 2012, staff issued an RFQ to over 410 firms on the WETA's technical consultant list through email and further solicited interest through notices on the website seeking qualified consultant(s) to provide on-call marketing and public information services related to the following subject areas:

- **Marketing Plans:** Develop and support implementation of San Francisco Bay Ferry marketing ("SFBF") plans for service lines and for the SFBF system.
- **Public Relations:** Develop plans and provide public relations service support for the South San Francisco/East Bay launch, SFBF system wide branding and marketing campaigns, and Water Emergency Transportation Authority functions. Plans will include consideration of the use of web-based social media.
- **Web Site Development/Enhancement:** Develop and implement web site creative and content designed to improved site functionality, improve customer web site use experience, and enable web site to function as critical marketing tool.

- Printing: Provide print job specifications, press checks, production, and delivery of printed materials.
- 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.

On January 24, staff held a pre-submittal conference at the WETA offices. On Thursday, February 9, WETA received a total of five Statements of Qualification (SOQs) in response to the RFQ.

An evaluation panel consisting of WETA staff reviewed the SOQs and determined whether the submittals were responsive and evaluated each firm's qualifications based upon the selection criteria established in the RFQ including education and experience related to the specific area(s) of consumer services marketing, staffing capacity and the range of marketing services offered, references, and ability to meet project deadlines. The SOQs submitted by two firms were deemed non-responsive.

Based upon the information submitted, the panel concluded that three firms that submitted responsive SOQs are qualified to undertake some or all of the types of marketing and public information services work identified in the RFQ as indicated in the matrix below.

<i>Areas of Marketing/Public Information Services</i>	<i>MacKenzie Communications</i>	<i>Robert Anthony Strategic Marketing & Design</i>	<i>The Thier Group</i>
Marketing Plans	x	x	x
Public Relations for Marketing of Customer Services	x		x
Website Development/Enhancement		x	x
Printing Services		x	
Creative	x	x	
Spot Production	x	x	
Design Services	x	x	
Media Planning & Purchases Services	x	x	x

Staff recommends selecting each of the three qualified firms to be included in the on-call marketing and public information list. As specific services are required, staff would utilize firms on this list based upon qualifications for the specific task and cost. Services would be acquired as needed and actual expenditures would be authorized on a task order basis within established annual budget limits.

Fiscal Impact

Funding for On-Call Marketing and Public Information consulting services is included in the FY 2011/2012 operating budget and will also be included in future year budgets to support this contract award.

END

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director
Lauren Duran Gularte, Administrative/Policy Analyst

SUBJECT: Approve Changes to Diversity Program for Contracts and Submittal of the Revised Program to the U.S. Department of Transportation

Recommendation

Approve the WETA's Diversity Program for Contracts and authorize submittal of the revised Program to the U.S. Department of Transportation (DOT) by February 28, 2012.

Background

Pursuant to 49 Code of Federal Regulations (CFR) Part 26, agencies that receive federal funds are required to have a plan for inclusion of Disadvantaged Business Enterprises (DBE) in contracting opportunities. The Authority approved a Diversity Program for Contracts on June 28, 2007 which sets forth the policies and procedures for the Authority's DBE Program. A DBE is a small business concern that is at least 51% owned and controlled by socially and economically disadvantaged individuals, which includes designated racial/ethnic minorities and women. The purpose of the DBE Program is to "level the playing field" for disadvantaged businesses by removing barriers to their participation in the bidding, award and administration of Authority's federally funded contracts.

On January 28, 2011, DOT published revisions to 49 CFR Part 26 to improve the administration of DBE programs. The revisions to the rule include:

- Increased accountability for grantees to meet overall DBE goals.
- Active oversight of contracts to ensure work committed to DBEs at contract award is actually performed by DBEs.
- Adjustment to the cap on the personal net worth (PNW) of DBE owners for inflation from \$75,000 to \$1.32 million.
- Providing a mechanism for expedited interstate DBE certifications.
- Requiring recipients of DOT funding take "all reasonable steps" to facilitate competition by small business concerns (not just DBEs). The DOT requires active implementation of this specific Small Business Enterprise (SBE) element as a means of increasing DBE participation on a race-neutral basis.

The effective date for this rule was February 28, 2011 and agencies are required to revise and submit their DBE program by February 28, 2012.

Discussion

Staff has revised the Authority's Diversity Program for Contracts consistent with the revisions to 49 CFR Part 26. In order to minimize administrative work associated with the requirement to include a SBE element (SBE Program), staff has developed the proposed SBE Program to be similar in concept and process with the Authority's already established DBE Program. The proposed SBE Program consists of the following:

- Defines a small business enterprise based upon the Small Business Administration SBE definitions by industry, subject to a cap for average annual gross receipts over the prior three years of \$22.41 million, as may be adjusted by the Secretary of the U.S. Department of Transportation.
- Details the following race neutral measure the Authority has selected to increase small business participation: Internally set, on a triennial basis, and annually achieve an overall SBE Goal based upon the Authority's history of attracting SBE participation and an evaluation of contracting opportunities for projects anticipated to receive federal funding during the next three fiscal years.
- Specifies that contracts for inclusion in the Authority's SBE Program are limited to federally funded contracts where race-neutral and gender-neutral methods are employed.
- Provides a list of factors that could exclude certain eligible contracts from inclusion in the Authority's SBE program, including consideration of the range of contract activities, availability of SBEs in the types of work involved, unique conditions of the project that might affect the ability of SBE participation, the effect that SBE participation may have on timing of completion, and any other relevant criteria.
- Defines the types of small Business enterprise certifications the Authority will accept and require to be in effect at the time of bid opening.
- Requires structuring contracting requirements to facilitate competition by small business concerns, taking all reasonable steps to eliminate obstacles to their participation.

Subject to Board approval, the proposed SBE Program will be included as Exhibit C to the Authority's Diversity Program for Contracts. The administration of the proposed SBE Program will be similar to, and conducted simultaneously with the procedures and processes of the Authority's DBE Program. To set the overall SBE goal, staff will analyze the type and number of the Authority's upcoming federal contracting opportunities, the Authority's history of attracting SBEs, as well as the availability of SBEs and will recommend an overall SBE goal in conjunction with the Board's action to adopt an overall DBE goal. Submitters for federally funded procurements will be required to solicit participation from SBEs for contracting opportunities and declare how much SBE participation they will be able to achieve should they be awarded the contract. The Authority will evaluate submittals for contracts included in its SBE program, based in part, on the level of SBE participation and the Authority's ability to achieve its overall SBE goal. Submittals that fail to document the solicitation of SBE participation, or good faith efforts to do so, will not be considered.

As the Authority has no history tracking SBE participation, the Authority will set its first overall SBE goal at the same level as the Authority's overall DBE goal for the remainder of the current reporting period FY 2010/11 through FY 2012/13, which is 2.0%. The Authority will adjust future overall SBE goals based upon the Authority's contracting history with SBEs during the remainder of this first triennial reporting period and the type and amount of federally funded contracts the Authority expects to release during the following reporting period. Should the Authority fail to meet the overall SBE goal, staff will analyze and document the reasons for the discrepancy with the SBE goal and actual participation and take steps to meet the goal for future years.

Since the Authority's Diversity Program for Contracts was prepared several years ago, staff has taken this opportunity to update and make the following non-substantial revisions to the Program:

- Streamlining the document by separating the determination of each triennial overall DBE goal adopted by the Board from the text of the Program.
- Revising the Program to reflect U.S. DOT's March 2010 changes to the DBE regulations requiring grantees to set and submit DBE overall goals on a three-year basis as opposed to on an annual basis.
- Updating the Program with the Authority's current staff structure and re-assigning the DBE program responsibilities to our Administrative/Policy Analyst.
- Removing from the Program the procedures for DBE certification as the Authority is not a certifying agency.

Fiscal Impact

There is no direct fiscal impact associated with this item. However, the administration of the SBE program element and other increased monitoring and accountability functions imposed by the revised federal requirements will increase the workload for Authority staff.

END

**The San Francisco Bay Area
Water Emergency Transportation
Authority**

Diversity Program for Contracts

Revised February 2012

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DIVERSITY PROGRAM FOR CONTRACTS

I. POLICY (Section 26.23)

The San Francisco Bay Area Water Emergency Transportation Authority ("The AUTHORITY") is committed to a Diversity Program for the participation of Disadvantaged Business Enterprises ("DBEs") and Small Business Enterprises ("SBEs") in the AUTHORITY's contracting opportunities in accordance with 49 Code of Federal Regulations (CFR) Part 26, effective March 4, 1999, as may be amended ("Regulations"). It is the policy of the AUTHORITY to ensure nondiscrimination on the basis of race, color, sex or national origin in the award and administration of the U.S. Department of Transportation ("U.S. DOT") assisted contracts. It is the intention of the AUTHORITY to create a level playing field on which DBEs and SBEs can compete fairly for contracts and subcontracts relating to the AUTHORITY's construction, procurement and professional services activities.

The Board of Directors is responsible for establishing the DBE policy of the AUTHORITY. The Executive Director of the AUTHORITY is responsible for ensuring adherence to this policy. The DBE Program Administrator, in coordination with AUTHORITY Managers, is responsible for the development, implementation and monitoring of the Diversity Program for Contracts in accordance with the AUTHORITY's nondiscrimination policy. It is the expectation of the Board of Directors and the Executive Director that all AUTHORITY personnel shall adhere to the provisions and procedures, as well as, the spirit of this Program.

This policy will be circulated to all AUTHORITY personnel and to members of the community that perform or are interested in performing work on AUTHORITY contracts. The complete Diversity Program for Contracts and the annual overall DBE goals analysis are available for review at the:

DBE Program Office
San Francisco Bay Area
Water Emergency Transportation Authority
Pier 9, Suite 111, The Embarcadero
San Francisco, CA 94111

If you have any questions or would like further information regarding this Program, please contact the DBE Program Administrator, by email duran@watertransit.org, by telephone at 415.364.3188 or by fax at 415.291.3388.

Date: _____

Nina Rannells
Executive Director

A. Applicability (Sections 26.3 and 26.21)

The AUTHORITY, a recipient of federal financial assistance from the Federal Transit Administration (“FTA”) and the Federal Highway Administration (“FHWA”) of the U.S. DOT, is required to implement a Disadvantaged Business Enterprise (DBE) Program in accordance with 49 CFR Part 26, which is incorporated herein by this reference. The Program outlined herein applies to all AUTHORITY contracts that are funded, in whole or in part, by U.S. DOT federal financial assistance. In the event of any conflicts or inconsistencies between the Regulations and this DBE Program with respect to U.S. DOT-assisted contracts, the Regulations shall prevail.

B. Objectives (Section 26.1)

The objectives of this Program are the following:

1. To remove barriers to DBE participation in the bidding, award and administration of AUTHORITY contracts;
2. To assist DBEs to develop and compete successfully outside of the Program;
3. To ensure that the Program is narrowly tailored in accordance with 49 CFR Part 26;
4. To ensure that only DBEs meeting the eligibility requirements are permitted to participate as DBEs;
5. To identify business enterprises that are eligible as DBEs to provide the AUTHORITY with required materials, equipment, supplies and services; and to develop a good rapport with the owners, managers and sales representatives of those enterprises;
6. To develop communication programs and procedures which will acquaint prospective DBEs with the AUTHORITY’s contract procedures, activities and requirements and allow DBEs to provide the AUTHORITY with feedback on existing barriers to participation and effective procedures to eliminate those barriers.
7. To administer the Program in close coordination with various managers and staff within the AUTHORITY so as to facilitate the successful implementation of this Program.

C. Prohibited Discrimination (Section 26.7)

The AUTHORITY shall not exclude persons from participation in, deny benefits to, or otherwise discriminate against any persons in connection with the award and performance of any contract governed by 49 CFR Part 26 on the basis of race, color, sex or national origin.

The AUTHORITY shall not directly or through contractual or other arrangements, use criteria or methods of administration that have the effect of defeating or substantially impairing accomplishment of the objectives of this Program with respect to individuals of a particular race, color, sex or national origin.

II. DEFINITIONS (Section 26.5)

Any terms used in this Program that are defined in 49 CFR § 26.5 or elsewhere in the Regulations shall have the meaning set forth in the Regulations. Some of the most common terms are defined below:

A. Disadvantaged Business Enterprise (DBE) (Section 26.5)

A DBE is a for-profit, small business concern; 1) that is at least fifty-one percent (51%) owned by one or more individuals who are both socially and economically disadvantaged, or, in the case of a corporation, in which fifty-one percent (51%) of the stock is owned by one or more socially and economically disadvantaged individuals; and 2) whose management and daily business operations are controlled by one or more of the socially and economically disadvantaged individuals who own it.

B. Small Business Concern (Section 26.5)

With respect to firms participating as DBEs in U.S. DOT assisted contracts, a small business concern is an existing small business, as defined by Section 3 of the Small Business Act and the Small Business Administration regulations implementing it (13 CFR Part 121), whose average annual gross receipts for the previous three (3) years does not exceed \$22.41million (or as adjusted for inflation by the Secretary of U.S. DOT) pursuant to 49 CFR § 26.65(b).

C. Socially and Economically Disadvantaged Individuals (Section 26.5)

There is a rebuttable presumption that an individual is both socially and economically disadvantaged if s/he is a citizen or lawfully admitted permanent resident of the United States and is:

1. African American (including persons having origins in any of the Black racial groups of Africa). This term has the same meaning as the term "Black American" as that term is used in 49 CFR Part 26;
2. Hispanic American (including persons of Central or South American, Cuban, Dominican, Mexican, Puerto Rican, or other Spanish or Portuguese culture or origin, regardless of race);
3. Native American (including persons who are Aleuts, American Indians, Eskimos, or Native Hawaiians);
4. Asian-Pacific American (including persons whose origins are from Brunei, Burma (Myanmar), Cambodia (Kampuchea), China, the Commonwealth of

the Northern Marianas Islands, the Federated States of Micronesia, Fiji, Guam, Hong Kong, Indonesia, Japan, Juvalu, Kirbati, Korea, Laos, Macao, Malaysia, Nauru, the Philippines, Samoa, Taiwan, Thailand, Tonga, the U.S. Trust Territories of the Pacific Islands (Republic of Palau), or Vietnam;

5. Subcontinent Asian American (including persons whose origins are from Bangladesh, Bhutan, India, the Maldives Islands, Nepal, Pakistan, or Sri Lanka);
6. A Woman; or
7. A member of any additional group that is designated as socially and economically disadvantaged by the Small Business Administration.

Additionally, any individual can demonstrate, by a preponderance of evidence, that he or she is socially and economically disadvantaged on a case-by-case basis. The AUTHORITY will follow the guidelines in 49 CFR Part 26, Appendix E for this determination.

An individual cannot be presumed or determined on a case-by-case basis to be economically disadvantaged if he or she has a personal net worth exceeding \$1.32 Million (excluding the individual's ownership interests in the small business concern and his or her primary residence).

D. Race-Neutral (Section 26.5)

A procedure or program that is used to assist all small businesses. For the purposes of this Program, race-neutral includes ethnic and gender neutrality.

E. Race-Conscious (Section 26.5)

A measure or program that is specifically focused on assisting only DBEs, including women-owned DBEs.

F. Personal Net Worth (Section 26.5)

The net value of the assets of an individual remaining after total liabilities are deducted. An individual's personal net worth does not include the individual's ownership interest in an applicant or participating DBE firm, or the individual's equity in his or her primary place of residence. An individual's personal net worth includes only his or her own share of community property with the individual's spouse.

III. RESPONSIBILITY FOR DBE PROGRAM IMPLEMENTATION

A. Duties of DBE Program Administrator (Section 26.25)

Pursuant to 49 CFR § 26.25 (www.fhwa.dot.gov/HEP/49cfr26.HTM), the Program shall be administered by the DBE Program Administrator ("Administrator"), who shall be appointed by and have direct, independent access to the Executive Director of the AUTHORITY. The Administrator will be the primary person responsible for implementing all aspects of this Program and will work closely with other departments and consultants of the AUTHORITY, including legal, procurement, insurance, marine engineering, planning and development and others who are responsible for making decisions relative to the AUTHORITY's construction, procurement and professional service contracts. The Administrator will assist relevant managers and staff participating in a review committee for the evaluation of submittals. The Administrator's specific duties and responsibilities are attached as Exhibit A and incorporated herein.

B. Regional Outreach (Section 26.51)

The Administrator is designated by the Executive Director to represent the AUTHORITY as a member of appropriate regional outreach consortia. The AUTHORITY will participate in such group programs, activities and efforts in the San Francisco Bay Area to create a level playing field on which DBEs can compete fairly; to enhance outreach and communication efforts with these firms; to provide appropriate assistance and information for participation in U.S. DOT-assisted contracts and other contracts; and to develop joint resources among recipients. To this end, the Administrator will attend scheduled meetings of such groups and will contribute to the achievement of their projects approved by the AUTHORITY's Executive Director.

C. California Unified Certification Program (Section 26.81)

The AUTHORITY is a signatory to the California Unified Certification Program ("CUCP") Memorandum of Agreement ("MOA"). The AUTHORITY will participate in CUCP activities to further the objectives of the DBE Program, consistent with the Regulations and the CUCP MOA, as approved by the U.S. Secretary of Transportation on March 13, 2002, and as may be amended from time to time.

IV. ADMINISTRATIVE REQUIREMENTS

A. DBE Financial Institutions (Section 26.27)

It is the policy of the AUTHORITY to investigate the full extent of services offered by financial institutions owned and controlled by socially and economically disadvantaged individuals in the community, to make reasonable efforts to use these institutions and to encourage prime contractors on U.S. DOT-assisted contracts to make use of these institutions.

The Administrator has researched the website for The Federal Reserve Board at www.federalreserve.gov/releases/mob/ to identify minority-owned banks derived from the Consolidated Reports of Condition and Income filed quarterly by banks (FFIEC 031 through 034) and from other information on the Board's National Information Center database. The Administrator will continue to use this source to continue to solicit minority-owned banks to participate in the AUTHORITY's DBE Program.

To date, the Administrator has identified the following minority-owned financial institutions that offer services in the San Francisco Bay Area (as of January 1, 2011):

Bank of Guam
Bank of the Orient
Circle Bank
Metropolitan Bank
Metro United Bank
Omni Bank NA

Information on the availability of these institutions can be obtained from the Administrator.

Together with the AUTHORITY's Manager, Finance and Grants, the Administrator shall explore the full extent of services offered by banks and other financial institutions that qualify as DBEs in the San Francisco Bay Area and determine areas in which the AUTHORITY may reasonably utilize their services. The AUTHORITY shall also encourage its prime contractors to use the services of DBE financial institutions.

B. DBE Database (Section 26.31)

The DBE Database is a consolidated and automated directory that identifies firms that have been certified as DBEs by the CUCP. The DBE Database is jointly maintained and updated by the CUCP certifying member agencies in coordination with the California Department of Transportation (Caltrans), and the CUCP DBE Database Manager. The DBE Database is available at Caltrans' website on the Internet, www.dot.ca.gov/hq/bep/find_certified.htm, and shall be distributed to contractors and made available to the public upon request. The AUTHORITY will use the DBE Database as a primary resource in developing overall goals and contract-specific goals, and conducting outreach and other activities to promote DBE participation in U.S. DOT contracts.

The DBE Database shall include the firm's name, address, telephone number, and types of work, utilizing the North American Industry Classification System (NAICS) codes for which the firm is certified as a DBE. Additionally, the DBE Database may include, whenever possible, the date the firm was established, the legal structure of the firm, the percentage owned by disadvantaged individuals, capacity, previous work experience and a contact person. The DBE Database shall not in any way prequalify the identified DBE firms with respect to licensing, bondability, competence or financial responsibility.

C. Bidders List (Section 26.11)

The Administrator has created and is maintaining a bidders list consisting of all firms bidding on prime contracts and bidding or quoting on subcontracts on U.S. DOT-assisted projects. The AUTHORITY will require all prime contractors bidding or proposing on U.S. DOT-assisted contracts to submit the following information about the prime contractor and all subcontractors who provide a bid, proposal or quote to the prime contractor: the firm's name, address, status as a DBE or non-DBE, number of years in business, annual gross receipts, scope of work to be performed, on the contract, and dollar amount of that work.

This information must be received by the AUTHORITY before a recommendation is made to the Board of Directors for award of contract. If the information is not received within the time specified, the bidder/proposer will be deemed non-responsive.

Data gathering will be conducted by requiring firms bidding on contracts with subcontracting opportunities to submit a form entitled, Prime Contractor and Subcontractor/Subconsultant/ Supplier Report. In the case of firms bidding on contracts without subcontracting opportunities, data gathering will be conducted by requesting firms to complete a survey entitled, Bidder Information Survey. The Administrator will maintain the confidentiality of any proprietary information in accordance with applicable California law. This information will be requested of all bidders as further described in Section VIII.

D. Over-Concentration (Section 26.33)

If the Administrator determines that DBE participation is so over-concentrated in certain types of work or contracting opportunities assisted by FTA or FHWA that it unduly burdens the participation of non-DBEs in that type of work, the Administrator will develop appropriate measures to address the over-concentration. The Administrator will seek approval of such measures from FTA or Caltrans on behalf of FHWA and, at that time, the measures will become a part of this Program. Currently, the AUTHORITY is unaware of any types of work that have a burdensome over-concentration of DBE participation.

E. Business Development Programs (Section 26.35)

The AUTHORITY may establish or participate in a DBE business development program to assist firms in gaining the ability to compete successfully in the marketplace outside the DBE Program. As a part of the business development program or separately, the AUTHORITY may establish or participate in a mentor-protégé program in which another DBE or non-DBE firm is the principal source of business development assistance. If the AUTHORITY determines such a program is beneficial, a proposed program will be developed and submitted to the U.S. DOT operating administrations for approval, after which it will become a part of this DBE Program. Guidelines outlined in Appendices C and D of 49 CFR Part 26 will be utilized in setting up the formal agreements and programs.

The AUTHORITY participates extensively in maritime and transit industry associations (Passenger Vessel Association, Interferry, America Public Transit Association, California Transit Association), and advertises contractor opportunities with the AUTHORITY through those venues. Through those associations, the AUTHORITY purchasing and project management staff will be available for and communicate with representatives of small businesses to become acquainted with the owners and to identify qualified businesses that may furnish services and products. AUTHORITY staff will provide information on how to do business with the AUTHORITY, technical assistance on specified contracts, and other topics of interest to small business concerns.

F. Dissemination of Policy Statement (Section 26.23)

The Administrator shall issue a signed and dated Policy Statement throughout the AUTHORITY and to the business community, including DBEs and non-DBEs that perform work on U.S. DOT-assisted contracts for the AUTHORITY. The Policy Statement shall be disseminated as follows:

1. Through interoffice mail to Managers, and buying staff; and
2. Through the AUTHORITY's website and upon request by the interested public, including the business community.

Additionally, to ensure that potential bidders are aware of the DBE policy, the AUTHORITY makes reference to this policy in its contract specifications and advertisements of all U.S. DOT-assisted contracts.

G. Monitoring Actual DBE Participation (Sections 26.37 and 26.55)

The Administrator shall monitor and track the actual DBE participation through contractor and subcontractor reports of payments. The Administrator will maintain a running tally of payments actually made to DBE firms and may require prime contractors and DBE subcontractors and suppliers to provide appropriate documentation to verify such payments. The AUTHORITY will monitor actual DBE participation and will include a written certification that the AUTHORITY has reviewed contracting records and monitored work sites in California for this purpose. Monitoring may be conducted in conjunction with monitoring of contract performance for other purposes (close out revisions for a contract).

The Administrator shall ensure that DBE participation is counted in accordance with the Regulations. Credit toward overall or contract goals, if applicable, will only be given upon satisfactory evidence that payments were actually made to DBEs.

H. Reporting to U.S. DOT (Section 26.11)

The AUTHORITY may perform interim audits of contract payments to DBEs. The audit will review payments to DBE subcontractors to ensure that the actual amount paid to

DBE subcontractors equals or exceeds the dollar amounts stated in the report of proposed DBE participation.

The Administrator will continue to provide the reports regarding DBE participation and annual overall goals required by the Regulations to FTA and Caltrans on behalf of FHWA, as required.

I. No Quotas or Set-Asides (Section 26.43)

The AUTHORITY does not, and will not, use quotas nor set-asides in any way in the administration of this Program.

V. ACHIEVING GOALS AND COUNTING DBE PARTICIPATION (Section 26.45)

The AUTHORITY receives U.S. DOT financial assistance as a direct recipient of such funds from Federal Transit Administration (FTA) and as a subrecipient of such funds from Federal Highway Administration through California Department of Transportation (Caltrans). The Board of Directors shall establish an overall goal for the participation of DBEs in all budgeted contracts utilizing U.S. DOT/FTA financial assistance. The overall goal shall be expressed as a percentage of the total amount of U.S. DOT funds the AUTHORITY anticipates expending in the three forthcoming fiscal years.

The AUTHORITY's overall goal represents the amount of ready, willing and able DBEs that are available to participate in contracting opportunities and is reflective of the amount of DBE participation the AUTHORITY would expect absent the effects of discrimination. The AUTHORITY intends to meet its goal to the maximum extent feasible through the race-neutral measures described in Section V.C. Where race-neutral measures are inadequate to meet the overall goal, the AUTHORITY may use race-conscious measures for particular contracts with subcontracting opportunities.

A. Methodology For Setting Overall DBE Goals (Section 26.45)

1. Projecting U.S. DOT-Assisted Contract Expenditures for Fiscal Years. In consultation with the appropriate AUTHORITY managers and staff responsible for contracting activities, the Administrator will conduct a thorough analysis of the projected number, types of work and dollar amounts of contracting opportunities that will be funded, in whole or in part, by U.S. DOT federal financial assistance for the three year reporting period.

2. Establishing a Base Figure. The AUTHORITY will develop a base figure for the relative availability of DBEs by determining the number of ready, willing and able DBEs relative to the number of all businesses ready, willing and able to participate in its U.S. DOT-assisted contracts. The AUTHORITY will follow one of the methodologies provided in the Regulations or develop an alternative methodology and provide the appropriate documentation in the Overall Goal Analysis Report described in Section V.B.

a. Analyzing Available Businesses in the AUTHORITY's Local Market Area. The Administrator, in conjunction with the appropriate AUTHORITY managers, will conduct a thorough analysis of its local market area in which the AUTHORITY will solicit participation from contractors, subcontractors, consultants, subconsultants, manufacturers, and suppliers for the fiscal year. This analysis will include a description of geographical boundaries of its local market area, the NAICS codes for the types of work to be contracted, and any other indicators that the AUTHORITY determines to be relevant in defining its local market area for the fiscal year. The Administrator will then determine the total available businesses according to its local market area. The Administrator will consider a variety of sources including, but not limited to, the U.S. Census Bureau's County Business Patterns Database, the AUTHORITY's Bidders List, and relevant disparity studies.

b. Analyzing Available DBEs in the AUTHORITY's Local Market Area. The Administrator will conduct a similar analysis to determine the total DBEs that are available to participate as contractors, subcontractors, consultants, subconsultants, manufacturers, and suppliers in the projected contracts for the fiscal year. This analysis will include a description of the available DBEs relative to the geographical boundaries of its local market area, the NAICS codes for the types of work to be contracted, and any other factors as described in Section V.A.2.a. The AUTHORITY will consider a variety of sources including, but not limited to, the CUCP DBE Database, its Bidders List, and any relevant disparity studies.

c. Calculating the Base Figure. The Administrator will compare the available DBEs in its local market area for the fiscal year to the available businesses in its local market area for the fiscal year. The calculation will include a weighting factor according to the contract expenditure patterns analyzed in Section V.A.1.

3. Adjusting the Base Figure. The AUTHORITY will adjust the base figure based on demonstrable evidence indicating that the availability of DBEs for U.S. DOT-assisted contracts for the fiscal year may be higher or lower than the base figure indicates. At minimum, the Administrator will analyze the results of DBE participation in the AUTHORITY's current and recent past contracts, any available and relevant disparity studies (to the extent that they are not accounted for in the base figure), and any available and relevant results of other and similar U.S. DOT recipients' efforts to contract with DBEs.

4. Projection of Percentage of Overall Goal to Be Achieved Through Race-Neutral and Race-Conscious Measures. The AUTHORITY proposes to meet 100% of its goals using race-neutral methods. The AUTHORITY will publish all of its contracting opportunities on its web site and in regional and minority newspapers and publications. In addition, the AUTHORITY will inform potential bidders of contracting opportunities through the regional DBE outreach committee and through active participation with industry contacts in organizations such as American Public Transit Association, California Public Transit Association, Passenger Vessel Association, and Interferry. If there is a need to use race conscious or contract specific goals the Administrator shall

analyze the progress toward achieving the annual overall goal and increase or reduce the use of contract-specific goals in accordance with 49 CFR § 26.51(f)..

B. Publishing and Adopting the Overall DBE Goals (Section 26.45(g))

1. Consultation with Various Groups, Organizations, and Officials.

The AUTHORITY will hold public participation sessions to obtain input in the goal-setting process, specifically on the availability of disadvantaged and non-disadvantaged businesses, the effects of discrimination on opportunities for DBEs, and efforts to establish a level playing field for the participation of DBEs. Members from the public that will be invited to attend the public participation sessions will include, but not be limited to, minority, women and general contractors groups, community organizations and other officials.

2. Overall Goal Analysis Report. Upon completion of the analysis described in Section V.A. and after consultation with various groups, organizations and other officials, unless otherwise directed, the Administrator will prepare an Overall Goal Analysis Report for DBE participation in FTA-assisted contracts. Each report shall document the analysis and methodology in arriving at the proposed goal and shall include a projection of the portion of the goal to be achieved through race-neutral and race-conscious measures.

3. Publication of the Proposed Overall DBE Goal. Pursuant to 49 CFR § 26.45(g), AUTHORITY will publish the proposed overall goal in general circulation and DBE-oriented media. The notice will include a statement that the methodology and proposed goal(s) are available for inspection by the public for thirty (30) days from the date of publication. The notice will also include a statement that the AUTHORITY will accept public comments to the proposed goal and methodology for a period of forty-five (45) days from the date of publication, and it will provide instructions for the submission of comments.

Upon receipt of any public comments, the Administrator will prepare a summary report analyzing the public comments and recommending any modifications to the overall DBE goal or methodology and will furnish it to the Executive Director for review and submission to the Board of Directors.

4. Adoption of the Overall DBE Goal. Following review of the DBE Report, the Board of Directors shall adopt an overall DBE goal for DBE participation which shall include a projection of portions of that goal that can be achieved through race-neutral and race-conscious measures. It will also consider authorization of the submission of the Overall Goal Analysis Report to FTA for review by August 1 or by a different submission date established by the concerned operating administration.

C. Achieving the Annual Overall Goal (Section 26.51)

The AUTHORITY shall achieve the overall goals for DBE participation through a combination of race-neutral and gender-neutral measures and contract goals for particular contracts with subcontracting opportunities.

1. Race-Neutral and Gender-Neutral Methods. The AUTHORITY intends to use race-neutral and gender-neutral methods to the maximum extent feasible to achieve its annual overall goals. DBE participation that is obtained on contracts that have no specific DBE goal, or where prime contractors use a strictly competitive bidding process that did not consider the DBE's status as a DBE in awarding a subcontract shall be considered race-neutral and gender-neutral DBE participation. In addition, the AUTHORITY will use the following measures as appropriate:

a. Configuring large contracts into smaller contracts, when feasible, when to do so would make contracts more accessible to small businesses and would not impose significant additional cost, delay or risk to the AUTHORITY;

b. Identifying components of the work that represent subcontracting opportunities and identifying the availability of DBE subcontractors. Contractors will be encouraged to consider small businesses for components of the work for which there is a known supply of ready, willing, and able small businesses, including DBEs, in preparing their bids;

c. Assisting in overcoming limitations in bonding and financing;

d. Providing technical assistance in orienting small businesses to public contract procedures, use of the Internet, and facilitating introductions to the AUTHORITY's and other U.S. DOT recipients' contracting activities;

e. Providing outreach and communication programs on contract procedures and contract opportunities to ensure the inclusion of DBEs which includes facilitating small business events that may be coordinated with other U.S. DOT grantees, federal agencies, or local organizations. These events will include procedures explaining how to do business with the AUTHORITY and explore best business practices, which may be used to market small businesses at the AUTHORITY;

f. Ensuring the distribution of the DBE Database to the widest feasible universe of potential prime contractors; and

g. Providing business development assistance.

h. Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways that facilitate participation by DBEs and other small businesses; and

i. Section (26.39) Establishing a race-neutral small business enterprise (SBE) element as part of its DBE program to facilitate competition by small

business concerns, taking all reasonable steps to eliminate obstacles to their participation in procurements as prime contractors or subcontractors. Details of the SBE element are included in Exhibit C and incorporated herein.

2. Contract-Specific Goals. The Board of Directors shall establish contract-specific DBE participation goals on particular prime contracts with subcontracting opportunities to the extent that the AUTHORITY cannot achieve its annual overall goal with race-neutral methods. Where a contract-specific DBE goal has been established, the bidder or proposer must meet the contract-specific goal or demonstrate that it made sufficient good faith efforts to do so. A bidder shall be ineligible for contract award if it does not meet the goal or demonstrate sufficient good faith efforts.

The contract-specific goal shall be established by the Board of Directors based upon a recommendation from the Executive Director substantiated by information furnished by the Administrator. The contract-specific goal shall apply to the percentage participation of DBEs in the total contract work and be set forth in the Special Provisions of the contract specifications. The AUTHORITY is not required to establish a contract-specific goal for every prime contract with subcontracting opportunities. For each contract involving subcontracting opportunities, the factors outlined below will be considered to determine whether a contract-specific goal should be established for the particular contract and, if so, what the percentage goal shall be:

- a. The projected portion of the AUTHORITY's overall goal that will be met by establishing contract-specific goals;
- b. The progress toward achieving the AUTHORITY's overall goal;
- c. The full range of activities in the proposed contract;
- d. The availability of DBEs as prime contractors or subcontractors in the types of work involved in the performance of the proposed contract;
- e. The unique conditions of the project that might affect the ability of the prime contractor to coordinate, utilize or incorporate subcontractors or suppliers into the project. (Projects consisting of only one or two subtrades may not be appropriate for a contract-specific goal due to the fact that establishing a goal could result in restrictive bidding.);
- f. The effect that the contract-specific goal might have on the time of completion; and
- g. Any other relevant criteria.

3. Awarding Contracts with Contract-Specific Goals. The AUTHORITY shall award contracts to the lowest responsible bidder as required by the

California Public Contracts Code Sections 20914 and 20916, where applicable. For such contracts, as well as for contracts awarded pursuant to a Request for Proposal procedure where the lowest responsible bidder standard does not apply, a bidder that fails to demonstrate that it achieved the contract-specific DBE participation goal and fails to demonstrate that it made sufficient good faith efforts to do so shall not be deemed "responsive" and, therefore, shall be ineligible for award of the contract.

a. Evaluation of Bids or Proposals: After the bid opening, or submission deadline for proposals, the Administrator shall evaluate all bids/proposals to determine whether the bidders/proposers submitted all of the information required by 49 CFR § 26.53(b). The responsible bidder with the lowest apparent bid price, or the most highly ranked proposer, who also meets the contract-specific DBE goal or demonstrates sufficient good faith efforts shall be recommended for the contract award. In the event that the bidder with the lowest monetary bid price fails to meet the contract-specific goal or fails to demonstrate sufficient good faith efforts, or is otherwise unresponsive or not responsible, the Administrator shall evaluate the bidder with the next lowest bid price. Should the Administrator determine that additional information is needed to evaluate a bidder's or proposer's submission with regard to the DBE requirements, the Administrator shall request said bidder or proposer to submit the required information, or may contact the listed DBEs directly.

b. Evaluation of DBE Certification Status: The AUTHORITY shall require that any DBEs listed by bidders for participation in the contract be certified DBEs as of the time of bid opening. The Administrator shall review the Bidder's DBE Report to confirm each DBE firm's certification status. The AUTHORITY shall accept current certifications by any recipients of U.S. DOT funds acceptable to the AUTHORITY in accordance with 49 CFR Part 26.

c. Determination of Amount of DBE Participation: The Administrator shall review the total dollar value of the work to be performed by DBEs and the total contract bid price reported on the Prime Contractor and Subcontractor/Subconsultant/Supplier Report for accuracy and shall compare it to the contract-specific goal established for the contract.

d. Determination of Good Faith Efforts: If the amount of DBE participation does not meet the contract-specific goal, the Administrator shall review the good faith efforts report submitted by the bidder. The Administrator shall determine whether the bidder has performed the quality, quantity and intensity of efforts that demonstrates a reasonably active and aggressive attempt to meet the contract-specific goal in accordance with 49 CFR Part 26, Appendix A.

e. Bidder's Right to Administrative Reconsideration: In the event that the Administrator determines that the apparent low bidder has not met the contract-specific goal and has not demonstrated good faith efforts, the Administrator will notify the bidder in writing. The notification shall include the reasons for the determination and that the bidder has the right to submit further written documentation or appear before the review committee for reconsideration prior to the time that a

recommendation for award of contract is presented to the Board of Directors or the Executive Director, depending on the size of the contract.

Within two (2) working days of being informed by the AUTHORITY that it is not responsive/responsible because it has not met the contract-specific goal or has not documented sufficient good faith efforts, a bidder may request administrative reconsideration. Bidder should make this request in writing to the following reconsideration official: Administrative Policy Analyst, San Francisco Bay Area Water Emergency Transportation Authority Pier 9, Suite 111, The Embarcadero, San Francisco, CA 94111, telephone number (415) 291-3377. The review committee shall provide the bidder with a written decision on reconsideration, explaining the basis for its determination. In the event that the review committee finds that the bidder has not met the contract goal or demonstrated good faith efforts, the Administrator will deem said bidder not responsive and evaluate the bidder submitting the next lowest bid.

f. Recommendation for Award: Following the determination of the lowest responsive and responsible bidder, the Administrator shall prepare a report on the lowest responsive and responsible bidder's compliance with the DBE requirements for review by the Executive Director and for presentation to the Board of Directors, if applicable, at the time the contract award is considered. If the Board or the Executive Director disagrees with the recommendation, it shall reject all bids or refer the matter back to staff for further evaluation and recommendation. The decision of the Board of Directors or the Executive Director on the award of contract, if such a decision is made, shall be final and binding on all parties, subject to compliance with the AUTHORITY's bid protest procedures.

D. Counting and Tracking DBE Participation (Section 26.55)

Only the work actually performed by a DBE will be counted towards the DBE goal. The cost of supplies and materials obtained by the DBE or equipment leased (except from the prime contractor or its affiliate) may also be counted.

Work that a DBE subcontracts to a non-DBE firm does not count toward DBE goals. Expenditures may only be counted if the DBE is performing a commercially useful function. A DBE should perform at least thirty percent (30%) of the total cost of its contract with its own work force.

If materials or supplies are obtained from a DBE manufacturer, 100 percent (100%) of the cost will be counted. If the materials and supplies are purchased from a DBE regular dealer, 60 percent (60%) of the cost will be counted.

DBE achievement will not be counted toward the overall goal until the DBE has been paid. If contract-specific goals are set, the Administrator will track the participation of DBEs in contract-specific goal contracts separately from the participation of DBEs that is considered race-neutral. Additionally, the Administrator will not count that portion of a

DBE's participation that is achieved after the certification of the DBE has been removed during the performance of a contract.

A DBE subcontractor may not be terminated (or an approved substitute DBE firm) without prior written AUTHORITY consent. This includes, but is not limited to, instances in which a prime contractor seeks to perform work originally designated for a DBE subcontractor with its own forces or those of an affiliate, a non-DBE firm, or with another DBE firm.

E. Failing to Meet Overall Goals (Section 26.47)

If the awards and commitments shown on the AUTHORITY's Uniform Report of Awards or Commitments and Payments at the end of any fiscal year are less than the overall goal applicable to that fiscal year, the Administrator will analyze in detail the reasons for the difference between the overall goal and awards and commitments. Specific steps and milestones to correct the problems identified and to meet overall goals for future fiscal years will be established. Analysis and corrective actions will be retained for three years and made available to FTA on request for their review.

VI. REQUIRED CONTRACT PROVISIONS (Sections 26.13, 26.23, 26.27, 26.29, 26.31, 26.37, 26.55, Appendix E)

Each financial assistance agreement the AUTHORITY signs with FTA or Caltrans on behalf of FHWA will include a nondiscrimination assurance from the AUTHORITY. U.S. DOT-assisted contracts that the AUTHORITY lets will include, as appropriate, the model contract provisions that are set forth in the current edition of the AUTHORITY's Federal Solicitation and Contract Templates, available from the Administrator. The Administrator shall have discretion to modify the provisions for particular contracts as needed, in consultation with Legal Counsel. These required contract provisions consist of:

- ◆ The AUTHORITY's DBE Program policy.
- ◆ A nondiscrimination assurance from the contractor (and each subcontract the prime contractor signs with a subcontractor). The contractor or subcontractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. The contractor shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of DOT-assisted contracts. Failure by the contractor to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as recipient deems appropriate.
- ◆ A statement that encourages prime contractors to use financial institutions owned and controlled by socially and economically disadvantaged individuals in the community.

- ◆ A clause that requires prime contractors to pay subcontractors for satisfactory performance of their contracts no later than 10 days from receipt of each payment the AUTHORITY makes to the prime contractor. This clause also requires the prompt return of retainage payments from the prime contractor to the subcontractor within 30 days after the subcontractor's work is satisfactorily completed.
- ◆ U.S. DOT requires recipients to use one of the following methods to ensure prompt and full payment of any retainage kept by the prime contractor or subcontractor to a subcontractor:
 1. Decline to hold retainage from prime contractors and prohibit prime contractors and subcontractors from holding retainage from subcontractors.
 2. Decline to hold retainage from prime contractors and include a contract clause obligating the prime contractor and subcontractors to make prompt and full payment of any retainage kept by the prime contractor to the subcontractor within 30 days after the subcontractor's work is satisfactorily completed.
 3. Hold retainage from the prime contractors and provide for prompt and regular incremental acceptances of portions of the contract, pay retainage to prime contractors based on the acceptances, and include a contract clause obligating the prime contractor and subcontractors to pay all retainage owed to the subcontractor for satisfactory completion of the accepted work within 30 days after payment to the prime contractor.

The AUTHORITY will use Method No. 3 above to comply with the Prompt Payment requirement.

- ◆ The website address for the DBE directory identifying all firms eligible to participate as DBEs in the AUTHORITY's program.
- ◆ The DBE participation goal (where applicable).
- ◆ A section that provides the DBE certification standards.
- ◆ A section that provides how DBE participation is counted toward goal.
- ◆ A section on reporting requirements, including a provision ensuring that DBE participation is credited toward overall or contract goals only when payments are actually made to DBE firms.
- ◆ A section on administrative remedies to ensure compliance with the DBE program.

VII. CERTIFICATION STANDARDS (Subpart D and Appendix E)

The AUTHORITY is a participant of the CUCP, which follows U.S. DOT directives and guidance concerning certification matters. The CUCP MOA provides U.S. DOT recipients the option to be either a certifying member or a non-certifying member. The AUTHORITY has elected to be a non-certifying member. The CUCP makes all DBE certification decisions on behalf of U.S. DOT recipients in the state. The AUTHORITY relies upon the CUCP for the certification of DBE firms and ensures that only firms certified as eligible DBEs participate in the Program. Should the AUTHORITY decide to change its non-certifying status and elect to become a certifying member, the AUTHORITY will apply the standards of Subpart D and Appendix E of the Regulations.

VIII. MONITORING AND RECORDKEEPING (Sections 26.11 and 26.37)

A. Bidders List (Section 26.11)

The AUTHORITY will require all prime contractors bidding on U.S. DOT-assisted contracts to return, at the time of bid opening (options apply as to the time this information is required so long as it is prior to the award of the contract), the following information about the prime contractor and all subcontractors who provided a bid:

- Firm name
- Firm address
- Firm's status as a DBE or non-DBE
- Age of the firm
- Type of work

The AUTHORITY will use this information to maintain and update its Bidders List.

B. Monitoring Payments to DBEs (Section 26.37)

The contractor shall maintain records of all DBE participation in the performance of the contract, including subcontracts entered into with certified DBEs and all materials purchased from certified DBEs.

It is the contractor's responsibility to maintain records and documents for three (3) years following the performance of the contract. These records will be made available for inspection upon request by any authorized representative of the AUTHORITY or U.S. DOT. This reporting requirement is also extended to any certified DBE subcontractor.

The AUTHORITY will maintain a running tally of payments actually made to DBE firms and may require prime contractors and DBE subcontractors and suppliers to provide appropriate documentation to verify such payments. Credit toward overall or contract goals will only be given upon satisfactory evidence that payments were actually made to DBEs.

The AUTHORITY may perform interim audits of contract payments to DBEs. The audit will review payments to DBE subcontractors to ensure that the actual amount paid to DBE subcontractors equals or exceeds the dollar amounts stated in the report of proposed DBE participation.

C. Reporting to U.S. DOT (Section 26.11)

The AUTHORITY will continue to report DBE participation and overall goal setting methods to FTA and Caltrans on behalf of FHWA as directed. Statistical data will be maintained as prescribed on a semi-annual basis to provide reports to U.S. DOT administrations reflecting the DBE participation on the AUTHORITY's federally-assisted procurement activities. These reports will provide DBE participation information on the AUTHORITY's race-neutral contracts; race-conscious contracts, if any; and the combined DBE participation on all federally-assisted procurement activities.

D. Contract Remedies (Section 26.37)

The AUTHORITY will monitor compliance of its contractors on federally-assisted contracts with the requirements of the Regulations and the DBE Program. The AUTHORITY may impose such contract remedies as are available under federal, state and local law and regulations for non-compliance. Such remedies may include, but are not limited to, withholding of progress payments and contract retentions, imposition of liquidated damages, and termination of the contract in whole or in part.

**IX. PUBLIC PARTICIPATION AND OUTREACH EFFORTS
(Sections 26.45 and 26.51)**

The AUTHORITY's activities, managing public participation and outreach efforts, are directed at assisting the AUTHORITY to solicit public input to set overall DBE participation goals and to widen public awareness of the AUTHORITY's Diversity Program for Contracts to meet AUTHORITY overall DBE goals.

In establishing overall DBE goals, the AUTHORITY will provide for public participation. This will include:

- Prior to finalizing the Overall Goals Analysis Report, the AUTHORITY will consult with U.S. DOT agencies, other U.S. DOT grantees, minority, women's and general contractor groups, community organizations, or other officials or organizations which could be expected to have information concerning the availability of disadvantaged and non-disadvantaged businesses, the effects of discrimination on opportunities for DBEs, and the AUTHORITY's efforts to establish a level playing field for the participation of DBEs.
- Every three years, or more often if an overall goal is adjusted, the AUTHORITY will publish a notice announcing its proposed overall goal, informing the public that the AUTHORITY's Overall Goal Analysis Report

is available for inspection during normal business hours at the DBE Program Office for a period of thirty (30) days, and that the AUTHORITY and the U.S. DOT will accept comments on the proposed goals for forty-five (45) days from the date of the notice. The notice will be distributed in general circulation media, local minority-focused media, and trade association publications.

- In conjunction with the AUTHORITY's activities to meet its overall DBE goal, the AUTHORITY will implement various public participation and outreach activities designed to broaden awareness of the AUTHORITY's Diversity Program for Contracts. The measures described in 49 CFR § 26.51 focusing on race-neutral means will be actively pursued, and the AUTHORITY will also encourage its contractors to make similar outreach efforts to include DBE participation in subcontracting opportunities. In conjunction with regional outreach consortia and CUCP, the AUTHORITY will continue to participate and help organize and offer training programs for meeting DBE eligibility requirements, familiarize potential contractors with AUTHORITY procurement procedures and requirements, and otherwise develop effective programs to further the inclusion of DBEs in the AUTHORITY's contracting activities.

The recipient shall not discriminate on the basis of race, color, national origin, or sex in the award and performance of any DOT-assisted contract or in the administration of its DBE Program or the requirements of 49 CFR Part 26. The recipient shall take all necessary and reasonable steps under 49 CFR Part 26 to ensure nondiscrimination in the award and administration of DOT-assisted contracts. The recipient's DBE Program, as required by 49 CFR Part 26 and as approved by DOT, is incorporated by reference in this agreement. Implementation of this program is a legal obligation and failure to carry out its terms shall be treated as a violation of this agreement. Upon notification to the recipient of its failure to carry out its approved program, the Department may impose sanctions as provided for under Part 26 and may, in appropriate cases, refer the matter for enforcement under 18 U.S.C. 1001 and / or the Program Fraud Civil Remedies Act of 1986 (31 U.S.C. 3801 et seq.).

Exhibit A

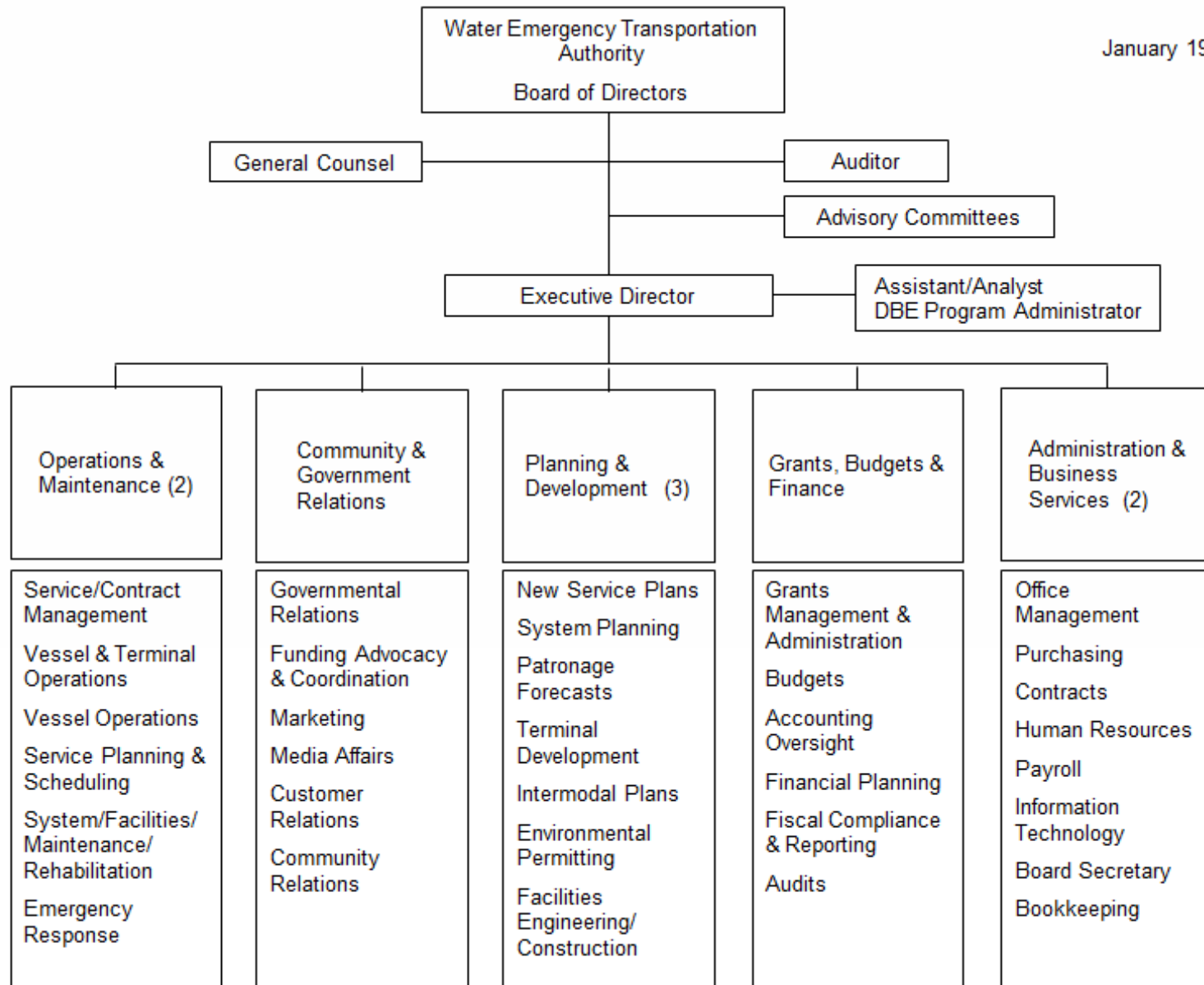
DBE Program Administrator's Duties and Responsibilities (Section 26.25)

1. Analyzing and assessing the available resources and evidence for the establishment, achievement, and further improvement of annual overall DBE goals for U.S. DOT-assisted contracts each fiscal year;
2. Developing, monitoring and evaluating the Diversity Program for Contracts, and preparing supplemental written procedures and guidelines to implement the Program;
3. If the AUTHORITY is a certifying member of the CUCP, maintaining and updating the DBE Database in accordance with 49 CFR § 26.31;
4. Maintaining and updating the Bidders List in accordance with 49 CFR § 26.11;
5. Conducting race-neutral and gender-neutral measures to facilitate the participation of small business concerns, including DBEs, through outreach and other community programs, training and business development programs, restructuring contracting opportunities, informing and assisting with preparing bids, simplifying bonding, surety and insurance requirements or other race-neutral means;
6. Participating in the contract bid and award process, including recommending specific contract goals where appropriate, reviewing contract specifications, attending pre-bid conferences and evaluating bids for contractor responsiveness, responsibility and good faith efforts;
7. Monitoring specific contract performance, actual DBE participation, contract payments, and purchase requisitions;
8. Monitoring overall DBE participation, adjusting overall goals and means of achievement, assessing areas of over-concentration of DBE participation, and reporting to the Executive Director, the AUTHORITY Board of Directors, FTA and Caltrans on behalf of FHWA, as needed;
9. If the AUTHORITY is a certifying member of the CUCP, determining all certification actions including initial certifications, recertifications, denials and removals;
10. Participating in the statewide Unified Certification Program in accordance with 49 CFR § 26.81, and CUCP MOA;
11. Assisting the AUTHORITY's Managers and Staff in the review committee for the evaluation of submittals;
12. Participating in regional outreach activities;
13. Participating in other transit organizations on common issues pertaining to diversity programs for contracts; and
14. Maintaining all appropriate records and documentation of the Program.

Exhibit B

Organization Chart

January 19, 2012



DRAFT EXHIBIT C

Small Business Enterprise Element (Section 26.39)

The AUTHORITY has established a Small Business Enterprise element (SBE Program) as one of its race-neutral methods of achieving small business participation, including disadvantaged business participation, on particular contracts with subcontracting opportunities. This SBE element applies to all federally funded AUTHORITY contracts where race-neutral and gender-neutral methods are employed. The AUTHORITY will take all reasonable steps to eliminate obstacles for SBEs to participate as prime contractors or subcontractors in the AUTHORITY's procurement activities. AUTHORITY staff will fully implement this SBE Program by July 1, 2012.

A. Definition of Small Business Enterprise

To participate as an eligible small business in programs administered by the AUTHORITY, a firm must meet both of the following requirements:

a. A firm (including affiliates) must be an existing small business as defined by Small Business Administration (SBA) regulations, 13 CFR Part 121, for the appropriate type(s) of work that a firm performs. The firm must hold one of the acceptable certifications listed in Section C below.

b. Even if a firm meets the above requirement, the firm's (including affiliates') average annual gross receipts over the previous three years cannot exceed a maximum cap of \$22.41 million (or as adjusted for inflation by the Secretary of U.S. DOT). SBA size standards vary by industry, and for certain industries may be higher than the \$22.41 million cap. For example, the SBA size standard for a general construction contractor is \$33.5 million. If a general construction contractor's average annual gross receipts over the previous three years is \$25 million, while it is below \$33.5 million and meets the SBA size standard, it would be ineligible to participate as a small business for AUTHORITY purposes as it exceeds \$22.41 million.

For information on SBA size standards, visit: <http://www.sba.gov/content/determining-size-standards>. Affiliates are defined in SBA regulations 13 CFR Part 121.103.

B. Race-Neutral SBE Measures

The AUTHORITY will continue its efforts to enhance small business participation through outreach and other community programs, training and business development programs, restructuring contracting opportunities, simplifying bonding, surety and insurance requirements or other race-neutral means.

The AUTHORITY will establish an overall SBE goal on a triennial basis for participation by Small Business Enterprises in all federally funded contracts the AUTHORITY expects to award during the triennial goal period. The AUTHORITY will set its overall

SBE goal on the same three year cycle as the overall DBE goal. The overall SBE goal will be determined based on the number and type of contracts the AUTHORITY expects to let in the reporting period, as well as the availability of and prior AUTHORITY utilization of Small Businesses in federally funded contracts.

The award of contracts included in the AUTHORITY's SBE Program will be evaluated based, in part, on the level of SBE utilization and the AUTHORITY's ability to meet its overall SBE goal. Submittals that fail to document the solicitation of SBE participation, or good faith efforts to do so, will not be considered.

C. Acceptable Comparable Small Business Enterprise Certifications

The AUTHORITY will accept the small business enterprise certifications performed by other agencies, provided that the size standards described in Section A1a and A1b above are met. If a firm is certified in one or more of the following programs, and meets AUTHORITY size standards, the firm is automatically deemed a small business for AUTHORITY purposes. The term "SBE" will be used collectively for qualified SBEs, WBEs, MBES and other approved certifications. As indicated below, the AUTHORITY may require an affidavit of size for each SBE prime contractor or subcontractor. Certifications from self-certification programs are not acceptable. Firms must be certified as of the time of bid submittal.

1. Disadvantaged Business Enterprise (DBE) certification pursuant to U.S. Department of Transportation regulations, 49 CFR Part 26. This includes DBE certifications performed by the California Unified Certification Program or by the Unified Certification Program of any other state.

2. State Minority Business Enterprise (SMBE) State Women Business Enterprise (SWBE) certification by the State of California or by any other state provided that their certification complies with Section A1a and A1b above. In addition to copies of SMBE/SWBE certifications, bidders certified out-of-state must submit an affidavit of size for each SMBE/SWBE prime contractor or SMBE/SWBE subcontractor at the time of bid submittal.

3. Small Business (SB) certification by the California Department of General Services (DGS) provided that their certification complies with Section A1a and A1b above. In addition to copies of SB certifications, bidders must submit an affidavit of size for each SB prime contractor or subcontractor at the time of bid submittal.

4. Microbusiness (MB) certification by the California Department of General Services for ALL industries.

5. SBA 8(a) by the Small Business Administration provided that their certification complies with Section A1a and A1b above. In addition to copies of SBA 8(a) certifications, bidders must submit an affidavit of size for each SBA 8(a) prime contractor or SBA 8(a) subcontractor at the time of bid submittal.

6. SBE/MBE/WBE certification from other state, county, or local government-certifying agency provided that their certification complies with Section A1a and A1b above. In addition to copies of certifications, bidders must submit an affidavit of size for each certified prime contractor or subcontractor at the time of bid submittal.

D. Determining and Adopting the Overall SBE Goal

The AUTHORITY will set its overall SBE goal on the same three year cycle as the overall DBE goal. The overall SBE goal will be determined based on an analysis of the number and type of federally funded contracting opportunities the AUTHORITY expects to release in the next three year reporting period, the AUTHORITY's history of attracting SBEs, as well as the availability of SBEs in the types of work involved in upcoming opportunities. As part of this analysis staff will consult the Central Contractors Registry database (<https://www.bpn.gov/CCRSearch/Search.aspx>) for information on the availability of SBEs for various types of work. The overall SBE goal will be expressed as a percentage of the total amount of U.S. DOT funds the AUTHORITY anticipates expending in the three forthcoming fiscal years. As the AUTHORITY has no history tracking SBE participation, the AUTHORITY will set its first overall SBE goal at the same level as the AUTHORITY's overall DBE goal for the remainder of the current reporting period. The AUTHORITY will determine the overall SBE goal in conjunction with the establishment of the overall DBE goal. Following the review of the board report, the Board of Directors shall adopt an overall SBE goal which will subsequently be published in solicitations for federally funded contracts (that are not excluded from the AUTHORITY's SBE Program) and will also be published on the AUTHORITY's website.

The AUTHORITY may choose to exclude certain eligible contracts from the AUTHORITY's SBE Program after consideration of the following factors:

1. The full range of activities in the proposed contract
2. The availability of SBEs as prime contractors or subcontractors in the types of work involved in the performance of the proposed contract;
3. The unique conditions of the project that might affect the ability of the prime contractor to coordinate, utilize, or incorporate subcontractors or suppliers into the project. (Projects consisting of only one or two sub-trades may not be appropriate for inclusion in the AUTHORITY's SBE program.)
4. The effect that SBE participation may have on timing for the completion of the contract.
5. Any other relevant criteria.

E. Achieving The Overall SBE Goal

The AUTHORITY will seek to achieve the overall SBE goal for each year in the three year reporting period. Although the AUTHORITY will not set contract specific goals, submitters are strongly encouraged to obtain SBE participation, including DBEs, in their bid or proposal. The bidder or proposer is required to include a Goal Declaration Form in their submittal notifying the AUTHORITY of the bidder's or proposer's SBE goal attainment for that contract. The Administrator shall review the Goal Declaration form and will confirm each SBE firm's certification status. The AUTHORITY shall require that any SBEs listed by bidders for participation in the contract be certified SBEs as of the time of bid opening. Acceptable comparable Small Business Enterprise certifications are listed in Section C of this document. Certain certifications require completion of a SBE Affidavit Form in a form designated by the AUTHORITY, and submitted at the time of bid opening.

Submittals that fail to document the solicitation of SBE participation, or good faith efforts to do so, will not be considered. The Administrator shall determine whether the bidder/proposer has performed the quality, quantity and intensity of efforts that demonstrates a reasonably active and aggressive attempt to attain SBE participation and in accordance with 49 CFR Part 26, Appendix A. All bidders/proposers must submit Good Faith Efforts documentation. The AUTHORITY will consider SBE utilization, and the AUTHORITY's ability to meet its overall SBE goal in the evaluation of submittals of federally funded contracts included in the AUTHORITY's SBE Program.

Work that a SBE subcontracts to a non-SBE firm does not count toward the overall SBE goal. Expenditures may only be counted if the SBE is performing a commercially useful function. Only the work actually performed by a SBE will be counted toward the AUTHORITY's overall SBE goal. The cost of supplies and materials obtained by the SBE or equipment leased (except from the prime contractor or its affiliate) may also be counted. The Administrator will not count that portion of a SBE's participation that is achieved after the certification of the SBE had been removed during the performance of a contract.

If the amount of SBE participation at the end of any fiscal year is less than the overall SBE goal, the Administrator will analyze the reasons for the difference between the goal and actual participation in contract awards and commitments and take reasonable steps to increase SBE participation.

SBE GOAL DECLARATION FORM

Prime Contractor

Contract/RFP Name

Select one:

- _____ The bidder/proposer is a certified SBE in accordance with AUTHORITY standards. A copy of our certification is enclosed.
- _____ The bidder/proposer commits to subcontract at least _____% of its Net Bid Price with one or more certified SBEs for a Commercially Useful Function in the performance of the contract. **Note:** Please list SBEs in the Prime Contractor and Subcontractor/ Subconsultant/Supplier Report.

The bidder/proposer hereby submits documentation of a verifiable Good Faith Effort.

Signature

Date

Documents to Be Included with Bids or Proposals with SBE Goal

1. Goal Declaration
2. Prime contractor and subcontractor/ subconsultant/supplier report
3. Copies of SBE Certifications
4. SBE Affidavits (as required; see list of acceptable certifications)
5. Good Faith Efforts Documentation

PRIME CONSULTANT AND SUBCONTRACTOR/SUBCONSULTANT/SUPPLIER REPORT

RFQ # and Name: _____
 Offeror's Name: _____
 Address: _____
 Phone: _____ Fax: _____
 Owner or Contact Person: _____ Title: _____
 Is your firm a Small Business Enterprise (SBE): Yes _____ No _____
 If your firm is a DBE or SBE please list certification type: _____

Offerors MUST provide the following information on ALL subcontractors/subconsultants/suppliers that provided Offeror a bid, quote, or proposal for work, services or supplies associated with this RFQ pursuant to the Authority's sub-proposal reporting requirements. This information shall be provided for all sub-proposers regardless of tier for DBEs, SBEs, non-DBEs and non-SBEs alike. Include all sub-proposal acceptance(s) AND rejection(s). Signature is required on page two of this form.

Subcontractor/Subconsultant/Supplier Firm Name/Address/Contact Info		Contractor's License No. (if applicable)	DBE (Yes*/No)	SBE (Yes*/No)	Portion of Work or Type of Materials/Supplies	Dollar Amount of Work/ Materials/Supplies	Proposal Accepted (Yes**/No)	DBE/SBE Amount***
1	Name:							
	Address:							
	Contact Person:							
	Phone & Fax:							
2	Name:							
	Address:							
	Contact Person:							
	Phone & Fax:							
3	Name:							
	Address:							
	Contact Person:							
	Phone & Fax:							

Subcontractor/Subconsultant/Supplier Firm Name/Address/Contact Info		Contractor's License No. (if applicable)	DBE (Yes*/No)	SBE (Yes*/No)	Portion of Work or Type of Materials/Supplies	Dollar Amount of Work/ Materials/Supplies	Proposal Accepted (Yes**/No)	DBE/SBE Amount***
4	Name:							
	Address:							
	Contact Person:							
	Phone & Fax:							
5	Name:							
	Address:							
	Contact Person:							
	Phone & Fax:							
6	Name:							
	Address:							
	Contact Person:							
	Phone & Fax:							

Attach additional sheets as necessary.

* If Yes: For DBE please also provide the Unified Certification Program certification number in box. For SBE, please provide the type of SBE certification (for example, SDBE/SWBE, SB, SBA, SBE/MBE/WBE). Proposers need to be aware that state and local governments may have other types of certifications with different requirements.

** Do not indicate more than one "Yes" for alternative subcontractors/subconsultants for the same work.

*** DBE/SBE participation includes that portion of the work actually performed by a certified DBE/SBE with its own forces. For example, for DBE supplier, count 60% of the costs of materials and supplies.

The undersigned will enter into a formal agreement with the subcontractor(s), subconsultant(s) and/or supplier(s) whose sub-proposal was accepted conditioned upon execution of a contract with the San Francisco Bay Area Water Emergency Transportation Authority. I certify under penalty of perjury that the information included on this form is accurate and true.

Name: _____

Title: _____

Date: _____

GOOD FAITH EFFORTS DOCUMENTATION

RFQ # and Name: _____

Offeror's Name: _____

Address: _____

Phone: _____ Fax: _____

Owner or Contact Person: _____ Title: _____

Is your firm a Disadvantaged Business Enterprise: Yes _____ No _____

Is your firm a Small Business Enterprise: Yes _____ No _____

Provide a narrative description of how the proposer selected its subcontractors/ subconsultants/suppliers, including the following elements: (Please attach additional sheets as necessary.)

1. Soliciting small businesses, including DBEs, to participate through all reasonable and available means.

Example: Include attendance at pre-bid meeting, advertisements, written notices and agencies, organizations or groups contacted to provide assistance in contacting, recruiting and using small business concerns.

2. Selecting portions of the work that are economically feasible for small businesses, including DBEs.

Example: List items of work which the Offeror made available to small business concerns, including, where appropriate, any breaking down of the scope of Services (including those items normally performed by the Offeror with its own forces) into economically feasible units to facilitate DBE/SBE participation.

3. Providing adequate information about the scope of Services in a timely manner to DBEs/SBEs.

Example: List dates of written notices soliciting bids from DBEs/SBEs and the dates and methods used for following up initial solicitations to determine with certainty whether the DBEs/SBEs were interested.

4. Negotiating in good faith with DBEs/SBEs.

5. Not rejecting DBEs/SBEs as unqualified without sound business reasons.

Example: Explain reasons for rejecting bids from DBEs/SBEs and accepting proposals from selected firms.

6. Making efforts to assist DBEs/SBEs in obtaining required insurance.

7. Making efforts to assist DBEs/SBEs in obtaining necessary equipment, supplies or materials.

8. Describe any other steps that the Offeror used to select its subcontractors/
subconsultants/suppliers.

The undersigned certifies that the above narrative description is true and accurate, and may be relied upon by WETA in evaluating the Offeror's compliance with the RFQ requirements.

Name: _____

Title: _____

Date: _____

SMALL BUSINESS ENTERPRISE AFFIDAVIT OF SIZE

If your business was certified by any of the following, please complete and submit this form with a copy of your certification. This form may be used for Prime Contractors, Subcontractors, Subconsultants, and Suppliers. See Exhibit C, section A1a and A1b for further information.

- SMBE/SWBE Certification by state other than California, provided that your firm's average annual gross receipts fall below the SBA industry-specific size cap and in no case exceed \$22.41 million.
- SB Certification by the California DGS, provided that your firm's average annual gross receipts fall below the SBA industry-specific size cap and in no case exceed \$22.41 million.
- SBA 8(a) Certification by the Small Business Administration provided that your firm's average annual gross receipts fall below the SBA industry-specific size cap and in no case exceed \$22.41 million.
- SBE/MBE/WBE Certification by any California county or local government-certifying agency or out-of-state government-certifying agency, provided that your firm's average annual gross receipts fall below the SBA industry-specific size cap and in no case exceed \$22.41 million.

I HEREBY DECLARE AND AFFIRM that I am the _____ (Title)

and duly authorized representative of

(Name of Firm)

whose address is

and whose phone number is _____

I HEREBY DECLARE AND AFFIRM that the firm is a Small Business Enterprise (SBE) in accordance with the Water Emergency Transportation Authority (AUTHORITY) standards as defined in its Diversity Program for Contracts. The firm is certified as of the date that the AUTHORITY receives the bid/proposal for:

_____ and I will
(RFP/RFQ Name)

provide the certification to document this fact with this enclosure.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THE FOREGOING STATEMENTS ARE TRUE AND CORRECT, AND THAT I AM AUTHORIZED, ON BEHALF OF THE ABOVE FIRM, TO MAKE THIS AFFIDAVIT.

(Date)

(Affiant)

(Title)

MEMORANDUM

TO: Board Members

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

SUBJECT: Approve Vessel Branding Plan

Recommendation

Approve Vessel Branding Plan for staged implementation beginning in FY 2011/12

Background/Discussion

Over the next year, WETA will introduce the public to the San Francisco Bay Ferry (SFBF) brand through advertising, public relations efforts, promotions, and the launch of the South San Francisco/East Bay route (SSF). The Vessel Branding Plan (Plan) is an essential component of this outreach effort. The Plan calls for the creation and application to the boats of an external graphic that provides a distinctive look for the SFBF fleet. For SFBF, branded vessels will serve as billboards on the bay, reinforcing advertising efforts in other media (print, web, radio, etc), and will clearly distinguish the SFBF from the Golden Gate ferry and private sector water transit operators. All major transit companies include fleet vehicle branding as a critical component of their marketing efforts as company vehicles are the most public reminder of the company, the service it provides, and the company's brand promise.

The WETA's active fleet now consists of 7 vessels. Four of these (Gemini, Pisces, Scorpio, Taurus) were purchased by WETA while the remaining three (Bay Breeze, Encinal, Peralta) were transferred to WETA along with the Alameda ferry services. The fleet will expand to 11 boats with the incorporation of the Vallejo BayLink service. The Plan calls for branding all 11 vessels over the next several years as vessel availability and funding permits.

The cost of vessel branding will vary from boat to boat as some boats require dry-docking while others could be branded in the water. Staff is working with Blue and Gold Fleet and graphics application companies to determine the most cost effective way to proceed. For example, the Taurus has a scheduled dry-dock within the next two months. A significant portion of dry-dock expense is the creation of "blocks" needed to support the vessel when it is out of the water. The Taurus could be branded at that time, and the blocks reused for the dry-docking and branding of the Gemini and Pisces. Staff estimates that the cost per vessel could be up to \$30,000 depending upon the boat profile, condition of the vessel's surface, and whether the boat must be dry-docked. The actual branding work will be implemented by Blue and Gold Fleet, our contract operator.

Staff proposes to implement the Plan in stages as determined by funding availability and vessel scheduling. Staff is working to define and implement a first phase of this program this fiscal year that focuses on branding, at a minimum, the boats that will serve as the primary and back up vessels for the SSF route. These vessels will likely include the Taurus, Gemini, Pisces and Peralta. This work would be funded with a FY 2011/12 Regional Measure 2 marketing grant made available through MTC.

Fiscal Impact

Funds to complete an initial phase of vessel branding are included in the approved FY 2011/2012 budget. The cost for branding additional vessels will be included in future year marketing program budgets as funds permit.

END

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director
Keith Stahnke, Manager, Operations
John Sindzinski, Manager, Planning & Development

SUBJECT: Authorize Release of a Request for Qualifications (RFQ) for Construction Management Services for Dredging Projects

Recommendation

Authorize the release of a Request for Qualifications (RFQ) for Construction Management (CM) services for dredging projects.

Background/Discussion

Staff anticipates needing to implement a number of dredging projects over the next five years including:

- Harbor Bay (maintenance)
- Vallejo (maintenance)
- Central Bay Operations and Maintenance Facility (new)
- North Bay Operations and Maintenance Facility (new)
- Berkeley Terminal (new)

In order to streamline the process for identifying and hiring construction management firms to support the work necessary to implement these projects, staff proposes to issue an RFQ for construction management services in order to identify qualified firms to complete this work on our behalf over the next several years.

This RFQ will identify qualified firms to provide expertise in design, engineering, permitting and construction management for upcoming dredging projects. The identification of qualified firms will be based upon contractor experience and staff expertise and the procurement process will follow State and federal requirements. The selection of a contractor to perform the actual dredging work for each of these anticipated projects will be procured through separate Invitations for Bids (IFBs) issued at future dates. Staff anticipates being in a position to return to the Board with a recommended list of qualified contractors to provide dredging construction management services in May.

2012 Harbor Bay Maintenance Dredging

Maintenance dredging of the Harbor Bay channel and turning basin would be the first project covered under the new CM contracts. Dredging was conducted by the City of Alameda in 2009, this work removed part of an offshore shoal and increased the channel width from 100 feet to 150 feet. However, due to funding limitations the city did not complete all aspects of the dredging project. Dredging is also needed at the Harbor Bay ferry landing to create a deeper basin. The deepened basin will improve maneuvering for existing vessels around the terminal and allow for larger ferries if needed. All permits for this dredging project are in place at this time. A CM firm with technical expertise in regulatory compliance will be needed for required

material sampling and dredging surveys as well as monitoring performance of the dredging contractor.

Should the Board approve this item, staff would release the RFQ for CM services for various upcoming dredging projects. The selection of a contractor to perform the actual dredging at the Harbor Bay ferry landing will be procured via an Invitation for Bids Solicitation this summer. The Harbor Bay ferry landing dredging project is expected to be complete by December 2012.

Fiscal Impact

The release of these documents does not commit the agency to make an award, which will be the matter of subsequent Board actions in the spring and summer. The Harbor Bay Channel Dredging project is included in the FY 2011/12 Capital Budget, funded with federal and Regional Measure 1 funds. Other anticipated dredging projects will be included in future year budgets.

END

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director

SUBJECT: Provide Direction to Staff Regarding Legislative Language to Create Staggered WETA Director Terms

Recommendation

This is an informational item for discussion purposes.

Background

The terms of the members of most boards and commissions in state government are staggered to keep continuity of board policy, maintain institutional memory and expertise among board members, and to make transitions when there is a change in administration more gradual. This applies to both appointed and elected boards. Examples of Boards with staggered terms are the San Francisco Bay Area Rapid Transit District (Pub. Util. Code section 28748.2), Los Angeles County Metropolitan Transportation Authority (Pub. Util. Code section 30201), San Diego Transit District (Pub. Util. Code section 90193), San Mateo County Transit District (Pub. Util. Code section 103108), Alameda-Contra Cost County Transit District (Pub. Util. Code section 24862). There are, of course, many other examples.

Typically, members of the first board to be appointed would have either a short or long term and then be subject to reappointment for a fixed length of term. This was not done when WETA was created, resulting in a situation where all Board members terms will expire at the same time indefinitely. Government Code Section 66540.12 provides that members of the WETA Board are appointed to six-year terms, commencing on January 11, 2008. Three members are appointed by the Governor, and one each is appointed by the Assembly Speaker and Senate President Pro Tem. As a result of these identical terms, the current board members' terms will all expire in January 2014, and every six years thereafter unless the statute is modified.

Discussion

WETA's state legislative consultant, Barry Broad, of Broad & Gusman LLP, has previously provided background information and discussion at recent meetings with regard to options for achieving a staggered Board appointment schedule through legislative changes to WETA's enabling statute. At this juncture, staff recommends moving forward to seek support for bill language to create a staggering of board appointments by changing the length of several board seats during the second term appointment. More specifically, during the second board term (starting January 2014) two of the three members appointed by the Governor would serve two year terms and one would serve a regular six year term. At the same time, the two legislative appointees would serve four year terms. At the conclusion of this staggered second term all subsequent terms would be for a six year period as originally defined in WETA's enabling legislation.

Draft language developed to achieve staggering in this manner, and as developed in draft for Legislative Counsel's review, is provided as **Attachment 1** to this report. The purpose of this language is strictly to achieve a staggered board appointment schedule in order to keep

continuity of board policy, maintain institutional memory and expertise among board members, and to make transitions when there is a change in administration more gradual.

Provided that this language is acceptable, staff would instruct Broad & Gusman LLP to seek an author and bill for this legislative language.

Fiscal Impact

There is no fiscal impact associated with this item.

END

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RN 12 00040 PAGE 1

An act to amend Section 66540.12 of the Government Code, relating to
the San Francisco Bay Area Water Emergency Transportation Authority.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 66540.12 of the Government Code is amended to read:

66540.12. (a) The authority shall be governed by a board composed of five members, as follows:

(1) Three members shall be appointed by the Governor, subject to confirmation by the Senate. The Governor shall make the initial appointment of these members of the board no later than January 11, 2008.

(2) One member shall be appointed by the Senate Committee on Rules.

(3) One member shall be appointed by the Speaker of the Assembly.

(b) Each member of the board shall be a resident of a county in the bay area region.

(c) Public officers associated with an area of government, including planning or water, whether elected or appointed, may be appointed to serve contemporaneously as members of the board. A public agency shall not have more than one representative on the board of the authority.

(d) The Governor shall designate one member as the chairperson of the board and one member as the vice chairperson of the board.

(e) ~~The~~ Except as provided in subdivision (f), the term of a member of the board shall be six years.

(f) (1) The appointments next following the expiration of the terms of the initial appointments shall be for the following terms:

(A) Two of the members appointed by the Governor shall serve terms of two years and one shall serve a term of six years.



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(B) The member appointed by the Senate Committee on Rules shall serve a term of four years.

(C) The member appointed by the Speaker of the Assembly shall serve a term of four years.

(2) Each member appointed after the expiration of the terms set forth in subparagraphs (A) to (C), inclusive, of paragraph (1) shall serve a term of six years.

(f)

(g) Vacancies shall be filled immediately by the appointing power for the unexpired portion of the terms in which they occur.



LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: San Francisco Bay Area Water Emergency Transportation Authority:
terms of board members.

Existing law establishes the San Francisco Bay Area Water Emergency Transportation Authority (WETA) with specified powers and duties, including, but not limited to, the authority to, coordinate the emergency activities of all water transportation and related facilities within the bay area region, as defined.

Existing law provides for a board of directors, 3 members of which are appointed by the Governor and one each by the Senate Committee on Rules and the Speaker of the Assembly. Directors serve 6-year terms.

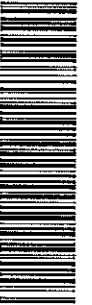
This bill would change the terms of directors appointed by the Governor and the Legislature, with respect to the appointments next following the expiration of the initial terms, to between 2 and 6 years, as specified, in order to stagger the expiration dates. Directors appointed to the board thereafter would serve 6-year terms.



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Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local
program: no.



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