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

Thursday January 7, 2010 at 1:00 P.M.
San Francisco Bay Area
Water Emergency Transportation Authority
Pier Nine, 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.

1. CALL TO ORDER – BOARD CHAIR — ***Information***

2. ROLL CALL/PLEDGE OF ALLEGIANCE — ***Information***

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

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

5. REPORTS OF STAFF — ***Information***
   a. Executive Director's Report
   b. Legislative Update

6. CONSENT CALENDAR — ***Action***
   a. Minutes December 3, 2009

7. ACCEPT THE INDEPENDENT AUDITOR'S REPORTS FOR FISCAL YEAR 2008/09 — ***Action***

8. APPROVE ACTIONS TO PREFUND OTHER POST-EMPLOYMENT BENEFITS USING CALPERS CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST (CERBT) — ***Resolution***

9. APPROVE AMENDMENT NO. 3 WITH WINZLER & KELLY FOR DESIGN SERVICES RELATED TO THE BERKELEY FERRY TERMINAL PROJECT — ***Resolution***

10. APPROVE AMENDMENT NO. 12 WITH NOSSAMAN, LLP FOR THE PROVISION OF LEGAL SERVICES — ***Resolution***

11. RECESS INTO CLOSED SESSION

    a. CONFERENCE WITH REAL PROPERTY NEGOTIATORS — ***Action***
       Property: City of Alameda ferry terminal related property/assets — ***To Be Determined***
       Agency Negotiators: Nina Rannells and John Sindzinski, San Francisco Bay Area Water Emergency Transportation Authority
       Negotiating Parties: City of Alameda
       Under Negotiation: Terms and conditions to the transfer of property with the City of Alameda for the Alameda Oakland and Harbor Bay Ferry Services

    b. CONFERENCE WITH REAL PROPERTY NEGOTIATORS — ***Action***
       Property: City of Vallejo ferry terminal related property/assets — ***To Be Determined***
       Agency Negotiators: Nina Rannells and John Sindzinski, San Francisco Bay Area Water Emergency Transportation Authority
       Negotiating Parties: City of Vallejo
       Under Negotiation: Terms and conditions to the transfer of property/assets with the City of Vallejo for the Vallejo Baylink Service

    c. CONFERENCE WITH REAL PROPERTY NEGOTIATORS — ***Action***
       Property: City of Berkeley ferry terminal related property — ***To Be Determined***
       Agency Negotiators: Nina Rannells and John Sindzinski, San Francisco Bay Area Water Emergency Transportation Authority
       Negotiating Parties: City of Berkeley
       Under Negotiation: Terms and conditions to the cooperative agreement/lease with the City of Berkeley for Berkeley service

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

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

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. 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 Gov't. Code sec. 84308 and to applicable regulations.

WATER EMERGENCY TRANSPORTATION AUTHORITY

WETA

M E M O R A N D U M

TO: WETA Board Members

FROM: Nina Rannells, Executive Director

DATE: January 7, 2010

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 the requirements of Senate Bills 976 and 1093.

In light of the Vallejo Transit bus service consolidation with the Solano County Transportation Authority scheduled for July 1, 2010, WETA and Vallejo are working to move forward the transfer of the Vallejo Baylink Ferry Service to WETA on July 1, 2010. On December 14th WETA met with Vallejo staff and legal counsel to review a draft schedule, term sheet, and due diligence checklist and to discuss how to expedite this process to coincide with the bus consolidation.

WETA met with City of Alameda staff on December 14, to review survey and title report documents for the Main Street and Harbor Bay ferry terminals. Due to the fact the Main Street terminal property is located on State Tidelands and that there have been several owners and lessees of this property, including the United States Navy and Military, there are over fifty years of complex title reports and survey information which has taken more time to understand than anticipated. Staff and legal counsel are working to resolve the remaining questions regarding the ownership of certain parcels of the terminal property and relevant easements and encumbrances. WETA and Alameda staff continue to work towards completing the Alameda/Oakland service transfers on July 1, 2010.

Emergency Water Transportation System Management Plan (EWTSMP) – This plan sets a framework for WETA coordination of emergency response and recovery efforts using passenger ferries and will provide a detailed definition of WETA's roles and responsibilities for incident planning, response, recovery and restoration of normal operations. The WETA Board of Directors adopted the final Emergency Water Transportation System Management Plan on June 18, 2009, in compliance with the requirements of Senate Bills 976 and 1093.

Preparation of the EWTSMP and the Emergency Operations Plan (agency's internal plan) are complete. WETA is currently working on setting up the communication system in the emergency operations center and continues to develop and implement a training program to staff and operate the center in the event of a disaster. Staff is also working on coordinating the agency's participation in the annual Golden Guardian emergency response exercise scheduled for May.

Spare Vessels - Two spare vessels, Gemini and Pisces, have been constructed by Nichols Brothers Boat Builders, Ice Floe DBA and Kvichak Marine Industries, that will be used to augment existing services and expand WETA's emergency response capabilities. Both of these vessels are chartered to the City of Alameda and are currently being utilized in Alameda-Oakland, Tiburon and Alameda Harbor Bay services.

As discussed at the December 2009, Board of Directors meeting, Pisces and Gemini will stay in service on the Harbor Bay and Alameda-Oakland routes, respectively.

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.

Construction of two new 199-passenger vessels for this service by Kvichak Marine Industries and Nichols Brothers Boat Builders, Ice Floe DBA is well underway. The first of the South San Francisco vessels, Scorpio, entered the San Francisco Bay in December, 2009. The vessel will be utilized on the Harbor Bay Ferry route and will be ready for service in January, 2010. The second vessel, Taurus, is scheduled to be completed in April, 2010.

On the terminal side, the dredging and demolition work was completed on December 15, 2009. The RFPs for terminal and float construction contracts were released on November 9 and a total of 12 proposals were received from six firms, each of which submitted a proposal for both contracts.

Berkeley Ferry Service – This service will provide an alternative transportation link between Berkeley and downtown San Francisco.

WETA completed a draft Environmental Impact Report/Statement (EIR/EIS), which evaluated the impacts of a proposed Berkeley Ferry Terminal at four potential sites. WETA received approximately 60 public comments on the Draft EIR. At the April 2, 2009 WETA Board of Directors meeting, the Board selected the "Berkeley Fishing Pier" as the locally preferred site for Berkeley-to-San Francisco service. The Berkeley City Council took action on the Berkeley ferry service and terminal on November 17, 2009, approving the plan with certain conditions, which will in part require additional work from the design firm for this project. Staff is recommending amending the design contract with Winzler & Kelly to include this additional work in another item on today's agenda.

Treasure Island Service – This project, implemented by 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.

The City of San Francisco is currently conducting the environmental assessment of the Treasure Island development and related new ferry services. A draft document is expected late this year. WETA is the lead agency for the design work of the ferry terminal and awarded a contract to Skidmore Owens & Merrill, LLP in January 2009. Consultants are currently finishing up the conceptual design, which will be completed in early 2010. In December 2009, the City of San Francisco announced that a deal has been reached with the U.S. Navy to purchase the Treasure Island development site for a guaranteed payment of $55 million, followed by an interim payment of another $50 million. The finalization of this deal represents a major project milestone in advancing the proposed development, which includes construction of a new ferry terminal.

Staff is working with the City and the developers to refine a conceptual plan for the terminal and vessels that is economically feasible and meets demands for ferry service to and from the Island in both the short and long term.

Downtown San Francisco Ferry Berthing Expansion - This project will expand ferry berthing capacity at the San Francisco Downtown Ferry Terminal to accommodate expanded regular and emergency response ferry services. The current capacity at this terminal can only sustain the addition of the Berkeley-to-San Francisco route; any other route will require further terminal capacity.

Staff has finalized the memorandum of understanding (MOU) with the Port of San Francisco to outline the working relationships and responsibilities for the design and environmental clearance work. Staff anticipates releasing the RFQs for this work in mid-January with the expectation that the award would be made at the March or April 2010 Board of Directors meeting.

Pier 9 Berthing Facility - This project would construct 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. In June 2008, the Board adopted a Final Mitigated Negative Declaration for the Pier 9 Layover Ferry Berth Facility and filed a Notice of Determination as provided in Section 15075 of the State CEQA guidelines, and has since worked to secure required permits and finalize project design. Staff is currently preparing an RFP for this project and hopes to release it within the next month.

Central Bay Operations and Maintenance Facility - This project will develop a site for WETA operations and maintenance to serve basic vessel fueling, maintenance, shop, warehouse, storage and emergency operations needs.

Staff has finalized a design contract with KPFF Consulting Engineers. Consultants are currently preparing a preliminary conceptual design that is scheduled for completion in April 2010

Hercules Environmental Review/Conceptual Design - WETA has worked cooperatively with the City of Hercules to prepare the necessary environmental documents to support new ferry service in coordination with a Capitol Corridor commuter train station (and local feeder bus service) in a new Water Transit Oriented Development (WaTOD) being built at the Hercules waterfront.

Impact Sciences has completed the Administrative draft environmental assessment. FTA is now requiring the document be a complete EIS and that will add significant time to complete, including the federally mandated review processes for this level of an environmental document. Therefore the analysis will not be complete until 2010. The City of Hercules advised WETA that it has decided to complete its own environmental assessment for the Capitol; Corridor station project as this is a "fast track" project for the City that needs to be in construction in 2010. The City will continue to work with WETA as we complete the ferry terminal portion of the EIR/EIS.

Miscellaneous Environmental Assessments/Conceptual Design – This project involves completing environmental and conceptual design documents for potential future ferry services in Antioch, Martinez, Redwood City and Richmond.

WETA has chosen 4 consultants to conduct environmental assessments for ferry terminals in the above cities. All four environmental assessments have been on hold since December 2008, due to the State's suspension of Proposition 1 B funds. Staff has been in regular contact with CalEMA to secure payment for prior work completed before the December 2008 funding freeze, and to discuss options for ensuring that once work is resumed, expense reimbursements will flow within a reasonable timeframe. Once funding cashflow issues are resolved with the State and consultants are staffed to resume work, each assessment should take approximately 18 months to complete. WETA will need to hire design firms for each project to support the EIRs.

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.

Design of Phase A of the parking structure is 100% complete and bid advertisement is planned for mid January 2010. All funding sources for the Parking Structure Phase A have been secured. The

My Café Property has been purchased and demolished making way for the construction of Phase A of the structure. The City is in the process of transferring title of the parking structure property from the Redevelopment Agency to the City. A purchase agreement to purchase the post office property is currently in escrow and meetings with USPS personnel regarding relocation are underway. Design of Phase B of the Parking Structure is in the final design stage with construction start date being dependent on the relocation of the post office property and full funding for this phase.

Mare Island Ferry Maintenance Facility – This project constructs 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 (2 week supply) and delivery system. Phase 2 includes construction of the waterfront infrastructure, 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 (including lead dust abatement), and security installations.

Winzler & Kelly finished the conceptual design for all three phases in August 2005. However, design work has been stopped until a Facilities Agreement (FA) with the City and Lennar (landlord) is complete, a draft of which has been sent to Vallejo City and WETA staff for final review and comment. The proposed FA with Lennar allows the City to berth six vessels at the site. The system of floats and piers will be designed in a modular fashion to accommodate future growth of the fleet.

In anticipation of WETA taking over ferry operations from the City of Vallejo, WETA Staff reviewed the project in early 2009 and recommended that five specific areas of the plan be re-studied/amended including fuel tank storage options, modular construction of vessel berths, options to address BCDC global warming criteria, re-examining if continuing renovation of building 165 is optimal, and revising lead dust abatement cost estimates.

To date the City of Vallejo has accumulated grants totaling $16,258,106 for this project, which includes $9,300,000 in grants identified and earmarked, but pending formal award. The identified project shortfall currently stands at $7,490,000.

OUTREACH, PUBLIC INFORMATION, AND MARKETING EFFORTS

On December 1, John Sindzinski and Leamon Abrams held a widely attended pre-bid conference for the last two contracts to construct the South San Francisco Terminal.

On December 1, Nina Rannells attended the San Francisco Bay Area Partnership meeting with other Bay Area transportation officials.

From December 1 through 3, Keith Stahnke participated as the owner's representative during Scorpio's delivery to the San Francisco Bay from Langley WA.

On December 2, WETA's first vessel, *Gemini,* was named by WorkBoat magazine as one of the top 10 Most Significant Boats built in 2009.

On December 2, Lauren Duran attended a table top exercise held by the City and County of San Francisco to coordinate participation of various agencies in the 2010 Golden Guardian exercise scheduled for May.

On December 2, Leamon Abrams met with Ernest Sanchez and Robert Young, marketing consultants for Alameda/Oakland and Harbor Bay.

On December 8, Leamon Abrams participated in the DBE Bay Area Outreach Committee (the January meeting will be hosted at WETA offices).

On December 10, Leamon Abrams met with SF Business Times writer Eric Young.

On December 17, Leamon Abrams met with Gina Antonini, Director of the district office for Governor Schwarzenegger.

On December 18, Nina Rannells and John Sindzinski met with Senator DeSaulnier to discuss the status of the Antioch, and Martinez environmental studies associated with new ferry services.

OTHER ACTIVITIES / ITEMS

WETA Reserves/Regional Measure 2 Funds – Staff continued discussions with MTC staff and their Bond Counsel and Financial consultants to explore options for addressing WETA cash flow needs associated with implementing our capital program. This issue relates to the need to have access to cash reserves to support payment of capital invoices prior to receiving grant reimbursements for projects. This discussion has been ongoing with MTC for a number of months, and staff hopes to be in a position to bring forward a solution, or list of options, for Board discussion and action in February.

Proposition 1B Funds – On September 10, 2009, WETA received notice from CalEMA indicating that the Treasurer's Office has approved a loan that allows WETA projects approved under the FY2007/08 and FY2008/09 Prop 1B program can move forward. CalEMA also advised staff that grant expenditure reimbursement should be received within an 8 weeks timeframe. However, as of the end of December, no reimbursements have been received for prior expenses invoiced. As a result, staff has requested CalEMA provide WETA with an update on the status of project funding.

AB 1203 – This directs the State to provide Proposition 1B waterborne funds to WETA on an up-front, vs. reimbursement, basis similar to the way in which the majority of Proposition 1B safety/security funds are managed to other organizations throughout the state. AB 1203 was signed by the Governor on October 11, 2009. Staff is working with members of the State Legislature and CalEMA to ensure that the provisions included in this legislation are applied retroactively to all Proposition 1B funding commitments made to WETA, consistent with the intent of the legislation.

Prevailing Wage – On July 1, 2009 staff sent a letter to the Department of Industrial Relations (DIR) asking whether or not prevailing wage laws apply to passenger ferry operations on the San Francisco Bay and if DIR can conduct a special determination even if prevailing wage laws do not apply. On July 14 WETA received a letter from DIR stating that WETA is not required by state law to pay prevailing wage for ferry operations work. DIR issued a draft special determination for prevailing wages for regular ferry operations on the San Francisco Bay. DIR is still awaiting information from IBU on their members health care plan selection before they issue a final determination. Once DIR issues the final determination, WETA will analyze the potential impact of a prevailing wage policy on existing services for discussion at a future meeting.

ADMINISTRATION

November Financial Statements - Attached are the monthly financial statements for November 2009, including the Statement of Revenues and Expenses and the Capital Budget vs. Expenditures reports.

Water Emergency Transportation Authority
FY2009/10 Statement of Revenues and Expenses
November 2009

	Current Month	Prior Year Actual	FY 2009/10 Budget	FY 2009/10 Actual	% of Year Elapsed 42% % of Budget
Operating Revenues					
Operating Assistance					
RM 2 Planning	161,262	3,656,290	4,500,000	1,225,427	27.2%
SUASI		173,802	-	26,198	0.0%
Total Operating Assistance	161,262	3,830,092	4,500,000	1,251,625	27.8%
Other Revenues					
Interest Income	919	34,643	30,000	6,660	22.2%
Other	-	51,500	-	1,000	0.0%
Total Other Revenues	919	86,143	30,000	7,660	25.5%
Total Operating Revenues	162,181	3,916,235	4,530,000	1,259,285	27.8%
Total Capital Revenues	555,696	17,675,940	35,816,070	3,516,774	9.8%
Total Revenues	717,877	21,592,175	40,346,070	4,776,059	11.8%
Operating Expenses					
Operations					
Wages and Fringe Benefits	102,678	1,294,230	1,590,000	551,577	34.7%
Services	30,518	2,164,056	2,370,000	534,203	22.5%
Materials and Supplies	949	29,045	92,500	2,812	3.0%
Utilities	772	12,847	17,000	3,246	19.1%
Insurance	-	30,352	35,000	28,216	80.6%
Miscellaneous	2,818	41,170	95,500	17,018	17.8%
Leases and Rentals	23,527	295,942	300,000	114,553	38.2%
Total Operations	161,262	3,867,643	4,500,000	1,251,625	27.8%
Total Operating Expenses	161,262	3,867,643	4,500,000	1,251,625	27.8%
Total Capital Expenses	555,696	17,675,940	35,816,070	3,516,774	9.8%
Total Expenses	716,958	21,543,583	40,316,070	4,768,399	11.8%
Excess Revenues (Loss)	919	48,592	30,000	7,660	

Water Emergency Transportation Authority
FY 2009/10 Capital Budget vs Expenditures
November 2009

Project Description	Current Month	Project Budget	Prior Year Actual	2009/10 Budget*	2009/10 Actual	Future Year	% of Project
Expenses							
2 Spare Vessels	-	17,000,000	16,758,493	241,507	6,234	-	99%
SSF Vessels	32,362	20,500,000	11,441,898	7,000,000	2,780,305	2,058,102	69%
SSF Terminal Design	-	3,000,000	2,794,926	205,074	57,288	-	95%
SSF Mitigation Study	-	275,000	35,581	100,000	-	139,419	13%
SSF Terminal Construction	509,860	26,000,000		15,000,000	602,747	11,000,000	2%
Berkeley Environ/Conceptual Design	10,397	1,782,700	1,490,239	292,461	44,546	-	86%
Berkeley Terminal Design	-	3,200,000		1,500,000	-	1,700,000	0%
Hercules Environ/Conceptual Design	-	1,080,000	908,016	171,984	20,061	-	86%
Pier 9 Mooring/Floats	-	2,750,000	237,562	2,512,438	-	-	9%
Environmental Studies/Conceptual Design	-	3,000,000	56,000	1,500,000	-	1,444,000	2%
Central Bay Ops/Maintenance Facility	3,078	2,600,000	7,394	2,592,606	5,595	-	0%
Maintenance Barge, Floats & Ramps	-	5,000,000	-	3,500,000	-	1,500,000	0%
S.F. Berthing - Environ/Conceptual Design	-	2,500,000	-	1,200,000	-	1,300,000	0%
Total Capital Expenses	555,696	88,687,700	33,730,110	35,816,070	3,516,774	19,141,520	
Revenues							
RM 2	26,578	37,887,699	30,960,852	5,996,429	1,965,751	930,418	87%
San Mateo County Sales Tax	113,217	15,000,000	-	8,653,950	133,141	6,346,050	1%
Federal	377,900	9,480,002	2,705,864	4,174,100	448,620	2,600,038	33%
Proposition 1B	38,001	26,319,999	63,395	16,991,590	969,263	9,265,014	4%
Total Capital Revenues	555,696	88,687,700	33,730,110	35,816,070	3,516,775	19,141,520	

AGENDA ITEM 6a
MEETING: January 7, 2010

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

MINUTES OF THE BOARD OF DIRECTORS MEETING

(December 3, 2009)

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 1:35 p.m. Directors present were Vice Chair Anthony Intintoli and Director John O'Rourke. Vice Chair Intintoli led the Pledge of Allegiance.

2. REPORT OF BOARD CHAIR

None.

3. REPORT OF DIRECTORS

None.

4. REPORTS OF STAFF

Executive Director Nina Rannells reported the WETA's thirds vessel, *Scorpio*, had arrived from Seattle earlier in the day with Operations Manager Keith Stahnke onboard. She said that *Scorpio* was currently at Bay Ship & Yacht in Alameda and would be in drydock undergoing inspection on Friday.

Chair Johnson asked if *Scorpio* looked the same as the previous WETA vessels and when it would be put into service. Ms. Rannells replied that the new boat had a similar appearance to *Gemini* and *Pisces* but that because it was rated for a higher passenger capacity there was a slightly different structural design. She added that after inspections and any needed repair work, crew training would be required before the vessel could be placed in service in January.

Ms. Rannells then reported that dredging was proceeding at the South San Francisco terminal site and that the seasonal window for dredging work had been extended in order to allow the work to be completed. She added that two Request for Proposals related to South San Francisco project had been released, one for the Pier Structures and one for the Gangway and Float.

Manager of Planning and Development John Sindzinski elaborated, noting that over 30 firms had been represented at the pre-bid conference. He said that the proposals were due on December 18, and that those received would be narrowed down first by competitiveness and then by price proposal. Mr. Sindzinski said that he hoped to have recommendations before the board at the February or March board meeting.

Ms. Rannells said that on a parallel track, discussions were ongoing with MTC to resolve cash flow issues so that construction could proceed once the contracts had been awarded. Chair Johnson asked if MTC truly intended to assist WETA on this issue. Ms. Rannells said that discussions were ongoing, but that Anne Flemer at MTC had proposed a system that would essentially have MTC work as a bank for WETA and that she hoped to have something more concrete to report to the board in January.

Vice Chair Intintoli asked for an update regarding the timeline for implementation of the Vallejo service transition, noting that if it were not to be completed by July 1, 2010, there could be additional complexity added as a result of Vallejo and Benicia's transit systems merging into a Joint Powers Authority. He said that the Mare Island facility and parking concerns needed to be addressed soon, and also noted a concern that Blue & Gold Fleet's contract with Vallejo would end on June 30, 2010, coinciding with the scheduled date for the transition.

Ms. Rannells responded that she was aware of and appreciated the update on the Benicia transfer and that there may be some opportunities to share work efforts between the bus and ferry transitions in Vallejo.

Ms. Rannells then introduced Barry Broad of the firm Broad and Gusman in Sacramento, who presented a State Legislative update.

Mr. Broad reported that AB 1203, sponsored by Fiona Ma, had passed unanimously and had been signed by the Governor. He noted that while this bill had provided for Proposition 1B funds to be paid to WETA in advance and not in arrears, CalEMA's staff had preliminarily reported that the bill would only apply to funds for future year projects and Proposition 1B programs. Mr. Broad said that he had contacted Representative Ma's staff and that they were working to align the actions of CalEMA with the intent of the bill. He said that if this effort did not result in a retroactive application of the bill language a new bill would be required to clarify the retroactive intent of AB 1203.

Vice Chair Intintoli asked who wrote AB 1203 and why this issue had not been recognized earlier. Mr. Broad answered that it had been CalEMA. WETA Counsel Stanley Taylor III of Nossaman LLP noted that he had not reviewed the bill. Vice Chair Intintoli asked specifically what language would be needed. Mr. Broad said it only needed to be made clear that it would apply retroactively, and that in any case, it was premature to suggest that a new bill would be required.

Director O'Rourke asked if a new bill were to be required if it could be attached to other pending legislation. Mr. Broad said that there were lots of mechanisms available and that that would not be the most desirable way to move forward. He noted again that he hoped the issue would be resolved without requiring additional legislation and concluded his report.

5. <u>CONSENT CALENDAR</u>

Vice Chair Intintoli made a motion to approve the minutes from the November 5, 2009 Board of Directors meeting. Director O'Rourke seconded the motion and the item carried unanimously.

6. <u>AUTHORIZE EXECUTIVE DIRECTOR TO EXECUTE REIMBURSEMENT AGREEMENTS WITH THE CITY OF ALAMEDA, PORT OF OAKLAND AND CITY OF VALLEJO FOR TRANSITION EXPENSES</u>

Ms. Rannells presented this item requesting that the board authorize the Executive Director to execute agreements with the City of Alameda, Port of Oakland and City of Vallejo, as required, for reimbursement of reasonable and eligible costs associated with the transfer of existing ferry services to WETA.

Chair Johnson asked if expenses were being tracked and what costs were anticipated. Ms. Rannells said that expenses would be tracked and that $600,000 was included in the budget and allocated to WETA for expenses related to the transition. Vice Chair Intintoli asked if transition related expenses were only allowed, per SB 1093, in FY 2008/09. Ms. Rannells answered that they were capped in FY 2008/09, but also allowed in following years.

Vice Chair Intintoli suggested that working on transition issues with Alameda and Vallejo simultaneously could present opportunities savings, especially if the cities could share an attorney. Ms. Rannells agreed and said that this would be encouraged.

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

7. AUTHORIZE EXECUTIVE DIRECTOR TO AMEND THE VESSEL UTILIZATION PLAN

Ms. Rannells presented this item requesting board authorization for the Executive Director to amend the Vessel Utilization Plan and related agreements for WETA vessels chartered to the City of Alameda to support Alameda-Oakland and Alameda Harbor Bay ferry services.

Ms. Rannells noted that continuous and ongoing changes affecting the current services, such as elevated ridership on the Harbor Bay service since the Bay Bridge closure and a scheduled repower of the *Bay Breeze,* required flexibility on WETA's part to be able to assign chartered vessels to where they were most in need.

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

8. UPDATE ON BERKELEY FERRY SERVICE PROJECT

Mr. Sindzinski presented this informational update regarding the progress on the Berkeley project. He noted that at its November 17 meeting, the Berkeley City Council adopted a resolution supporting the proposed ferry terminal. He noted that the final vote supported the resolution 7 to 2, subject to several conditions, some of which would have near-term effects on the work and costs associated with completing the Final EIR/S, as well as longer term operational impacts. Mr. Sindzinski characterized overall Council support as strong, specifically noting the support of councilmember Laurie Capitelli. He then reviewed several of the Council's conditions revolving around issues such as parking, the mitigation of impacts on recreational windsurfing, bathrooms on site, and ensuring that access to the terminal meet essential structure standards.

Public Comment:
Ian Austin of URS said that he believed the pier road that provides access to the site would not be subject to liquefaction but that uneven sections would need to be filled in.

Ms. Rannells also noted one of the Council's conditions that would allow other operators access the terminal facilities during hours that WETA was not operating would be subject to WETA restrictions and requirements, as appropriate, as the owner of the facility.

Ms. Rannells then acknowledged and thanked those who wrote letters of support and spoke in support of the project at the meeting, specifically noting Director Jerry Bellows, Veronica Sanchez of Masters, Mates & Pilots, Marina Secchitano of Inland Boatman's Union and over 20 other ferry supporters including Berkeley Marina resident James McVaney and representatives from the Bay Area Council.

9. RECESS INTO CLOSED SESSION AND REPORT ON CLOSED SESSION

Chair Johnson called the meeting into closed session at 2:28 p.m. Upon reopening of the meeting at 3:08 p.m. she reported that no action had been taken.

10. ADJOURNMENT

All business having concluded, the meeting was adjourned at 3:10 p.m.

Respectfully Submitted,

Board Secretary

AGENDA ITEM 7
MEETING: January 7, 2010

MEMORANDUM

TO: Board Members

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

SUBJECT: Accept the Independent Auditor's Reports for Fiscal Year 2008/09

Recommendation
Accept the Independent Auditors' Reports for the year ending June 30, 2009, 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 Independent Auditors' Reports for the fiscal year ending June 30, 2009, 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 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 and timing 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, 2009. 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, 2009, 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.

<u>Single Audit Report</u>
The Single Audit Report, included as ***Attachment C*** to this report, is required of WETA in relation to the receipt of federal grant funds in FY 2008/09. This report includes a schedule of expenditures of federal awards and a report on internal controls and compliance related to these expenditures. Maze has audited the compliance of the Authority with respect to the types of compliance requirements described in the OMB Circular A-133 *(Compliance Supplement)* that are applicable to each of the major federal programs providing funding. The Authority's major federal programs for year ended June 30, 2009 included Department of Transportation – Federal Transit Administration and Department of Homeland Security – Transportation Security Administration. It is Maze's opinion that the Authority complied, in all material respects, with the requirements applicable to each major federal program for the year ended June 30, 2009.

<u>Fiscal Impact</u>
None.

END

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

MEMORANDUM ON INTERNAL CONTROL AND REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2009

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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, 2009

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MEMORANDUM ON INTERNAL CONTROL

October 9, 2009

To the Board of Directors of the
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 as of and for the year ended June 30, 2009, 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 opinion 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. As the Authority's administration and the majority of its internal controls are provided by the Association of Bay Area Government (the Association) staff we are repeating comments made to the Association's Executive Board as part of our audit of the Association in this Memorandum to inform you of relevant issues that pertain to internal controls provided by the Association.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

The written responses included in this report have not been subjected to the auditing 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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MEMORANDUM ON INTERNAL CONTROL

CURRENT STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES

2008-01 – Accounting Oversight & Review

The Association's former Assistant Finance Director left the Association's employment in fiscal 2007-08 and has not yet been replaced. This position was vacant during the period under audit and provides key oversight and controls over the accounting function. The absence of this position raises the potential that a significant error could occur and not be timely detected and corrected by existing staff.

The operations of ABAG and its affiliates are diversified, complex and very unusual which increases the need for a qualified Assistant Finance Director to oversee the accounting staff. Many of the oversight functions have been assumed by the incoming Finance Director on a temporary basis. However, both functions will be needed in the future to ensure that procedures are effective and efficient and controls do not deteriorate.

Current Status:

During FY 07-08, the former Finance Director announced his plan to retire after 25 years of service and the Association started recruiting for a new Finance Director. The recruitment was successful and a qualified and experienced successor took over the Finance Director position on July 2, 2008. The former Assistant Finance Director resigned from the Association in January 2008. Recognizing the increased risk in internal control due to the departure of the Assistant Finance Director, the former Finance Director agreed to stay on to support his successor until the Assistant Finance Director position is filled. During fiscal year 2008-09, the Assistant Finance Director was hired and the former Finance Director retired on June 30, 2009.

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MEMORANDUM ON INTERNAL CONTROL

CURRENT STATUS OF PRIOR YEAR OTHER MATERS

2008-02 – <u>Revenue and Receivable Records</u>

The Authority currently uses a spreadsheet to track revenues and receipts. While this simplistic approach worked sufficiently for the prior Authority, the expansion of revenue sources and the number of transactions indicates that a more sophisticated approach should be developed and implemented before transit operations commence. We recommend the use of a formal revenue and collections sub-ledger system to be managed by the Association, with billing and collection data being entered and tracked to ensure that funds due to the Authority are collected timely.

Current Status:

In its first six months of operation the Authority started to receive Federal funding, thereby increasing the complexity and number of the Authority's funding sources. As of June 30, 2008, the Association was in the process of setting up an Accounts Receivable sub-ledger system for Authority receivable tracking and revenue recognition. The setup of the Accounts Receivable sub-ledger system was completed and put into use during FY 08-09.

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REQUIRED COMMUNICATIONS

October 9, 2009

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 as of and for the year ended June 30, 2009 and have issued our report thereon dated October 9, 2009. 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 2009.

As described in notes to the financial statements, during the year, the Authority implemented the following new standard.

- Statement No. 45 - *Accounting And Financial Reporting By Employers For Postemployment Benefits Other Than Pensions*

  GASB 45 uses Pension Accounting (GASB 27) to change the accounting for Other Post Employment Benefits (OPEB) to full accrual at the Entity-wide and proprietary funds financial statement levels. Under the concepts in GASB 45 an actuarial study or simplified measurement method calculation is performed to determine an Annual Required Contribution (ARC). So long as employers contribute this amount every year, no accrual adjustment is needed in the financial statements. A summary of the impacts of this statement are presented below.

  As discussed in Note 9 to the financial statements, during the year ended June 30, 2009, the Authority paid retiree health care premiums but did not pay additional contributions to prefund these benefits due to current market uncertainties. The Board approved the participation in a separate irrevocable trust established for the sole purpose of pre-funding OPEB. This Trust is governed by a separate board, which is not appointed or controlled by the Board or management and it has therefore been excluded from the Department's financial statements. There was no cumulative effect of the accounting change as of the beginning of the year.

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 2009.

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

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 audit committee.

******

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.

Moss & Associates

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SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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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, 2009, 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, 2009, 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.

As described in Note 9, 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*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2009 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

October 9, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

California legislature terminated the San Francisco Bay Area Water Transit Authority (WTA) as of December 31, 2007, and created a new agency, the San Francisco Bay Area Water Emergency Transportation Authority (WETA) to begin operation on January 1, 2008, and to assume all assets and liabilities of WTA. This year, WETA issued the financial reports for fiscal year ending June 30, 2009 based on the provisions of Government Accounting Standards Board Statement 34, "Basic Financial Statements and Management's Discussion and & Analysis - for State and Local Govermnents", known as GASB 34. A significant requirement of GASB 34 is for government entities to prepare financial reports using the full accrual basis of accounting.

This section of the annual financial report presents a discussion of WETA's financial performance during the fiscal year ended June 30, 2009. These comments should be read 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 HIGHLIGHTS – FY 2008/2009

- WETA's total assets as of June 30, 2009 were $39.7 million, comparing to the $28.4 million as of June 30, 2008.

- WETA's total revenues for fiscal year ending June 30, 2009 were $16 million, comprising program revenues of $3.9 million and capital revenues of $12.1 million.

- WETA's total program expenses for fiscal year ending June 30, 2009 were $4 million.

PROGRAM INITIATIVES AND OUTLOOK

In 2009, WETA released a draft Transition Plan which will guide the consolidation of the Vallejo, Alameda/Oakland and Harbor Bay ferry services under WETA. The plan also presents a five year financial outlook of WETA operating and expansion activities. After reviewing public comments and proposed changes to be incorporated into the final plan, WETA Board of Directors adopted the final Transition Plan on June 18, 2009, in compliance with the requirements of Senate Bills 976 and 1093.

The Emergency Water Transportation System Management Plan (EWTSMP) sets a framework for WETA's coordination of emergency response and recovery efforts using passenger ferries and provides a detail definition of WETA's roles and responsibilities for incident planning, response, recovery and restoration of normal operations. The WETA Board of Directors adopted the final EWTSMP on June 18, 2009, in compliance with the requirements of Senate Bills 976 and 1093.

The South San Francisco Ferry 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. In October 2007, WETA awarded a contract for $19.5 million to Kvichak Marine Industries to build two 199 passenger-only ferryboats for this service. These vessels are expected to join the fleet by November 2009 and February 2010. Environmentally, the new ferries will be ten times cleaner than existing ferries and 85% better than the EPA's 2007 Tier II emission standards for marine engines.

In 2010, WETA is expected to enter into contracts for the construction of the South San Francisco Ferry Terminal. Ferry service to and from the new ferry terminal is expected to begin Fall 2011.

WETA will continue work to develop several core infrastructure projects in 2010 including 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 WETA's planned ferry transportation services.

In 2010, WETA is also expected to resume work on the various environmental impact reports and conceptual design work for potential future ferry services in Antioch, Martinez, Redwood City and Richmond. This project was halted in December 2008 due to the state suspension of Proposition 1B funds. WETA will develop plans to resume work on these projects once State Proposition 1B reimbursements are flowing regularly.

CONTACTING WETA'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, creditors and interested parties with a general overview of WETA'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, The Embarcadero, San Francisco, CA 94111.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS	
Cash and cash equivalents (Note 3)	$1,270,253
Receivables:	
Accounts (Note 5)	3,475,991
Interest	4,762
Security deposit	46,489
Construction in progress (Note 4)	18,367,863
Capital assets, net of accumulated depreciation (Note 4)	16,563,585
Total Assets	39,728,943
LIABILITIES	
Accounts payable	2,215,118
Accrued liabilities	354,701
Unearned appropriation balance (Note 6)	2,213,728
Total Liabilities	4,783,547
NET ASSETS (Note 8)	
Invested in capital assets	34,931,448
Unrestricted	13,948
Total Net Assets	$34,945,396

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

PROGRAM REVENUES	
Intergovernmental	$3,838,341
Other	51,500
Total Revenues	3,889,841
PROGRAM OPERATING EXPENSES	
Personnel costs	1,800,068
Administrative expenses	515,168
Operating consultant fees	1,406,388
Insurance premiums	154,269
Depreciation (Note 4)	194,912
Total Program Operating Expenses	4,070,805
OPERATING LOSS	(180,964)
CAPITAL GRANTS	12,135,862
CHANGE IN NET ASSETS	11,954,898
BEGINNING NET ASSETS	22,990,498
ENDING NET ASSETS	$34,945,396

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from grantor agencies	$2,508,776
Payment for consultant costs	(1,024,975)
Payment for personnel costs	(1,960,535)
Net cash flows from operating activities	(476,734)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant receipts used for capital activities	13,837,176
Payments for construction in progress	(13,656,298)
Net cash flows from capital and related financing activities	180,878
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest proceeds	81,283
Net cash flows from investing activities	81,283
Net decrease in cash and cash equivalents	(214,573)
Cash and cash equivalents- beginning of year	1,484,826
Cash and cash equivalents - end of year	$1,270,253

Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	($180,964)
Depreciation	194,912
Change in assets and liabilities:	
Accounts receivable	(1,342,674)
Accounts payable	535,682
Accrued liabilities	354,701
Deferred revenue	(38,391)
Net cash flows from operating activities	($476,734)

See accompanying notes to financial statements

NOTE 1 – REPORTING ENTITY

The San Francisco Bay Area Water Emergency Transportation Authority (Authority) is the regional water transportation planning 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.

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.

The authority is in the planning and development stages of operations and has not assumed transit and operational activities. Expenses incurred are reimbursed with grant funds form 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.

As described in Note 9, 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.*

NOTE 3 - CASH AND CASH EQUIVALENTS

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, 2009:

Cash and Cash Equivalent	
LAIF	$1,239,012
Cash in Banks	31,241
Total Cash and Cash Equivalents	$1,270,253

B. 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 period end, the weighted average maturity of the investments in the LAIF investment pool is approximately 235 days.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

C. Credit Risk

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

D. 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 105% 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.

E. 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.

F. Statement of Cash Flows

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 4 – CAPITAL ASSETS

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

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation expense is calculated on the straight line method over the estimated useful lives of assets, which are as follows:

Ferries	25 years

NOTE 4 – CAPITAL ASSETS (Continued)

Capital Assets activity was as follows for the year ended June 30, 2009:

	June 30, 2008	Additions	Transfers	June 30, 2009
Capital assets not being depreciated:				
Construction in progress	$22,990,498	$12,135,862	($16,758,497)	$18,367,863
Total assets not being depreciated	22,990,498	12,135,862	(16,758,497)	18,367,863
Capital assets being depreciated:				
Ferries			16,758,497	16,758,497
Total assets being depreciated			16,758,497	16,758,497
Less accumulated depreciation for:				
Ferries		(194,912)		(194,912)
Total accumulated depreciation		(194,912)		(194,912)
Net capital assets being depreciated		(194,912)	16,758,497	16,563,585
Capital Assets, Net	$22,990,498	$11,940,950		$34,931,448

NOTE 5 – FUNDING SOURCES

A. *State Appropriation*

The Water Transit 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, 2009, the appropriation has a balance as follows:

Original appropriation	$12,000,000
Net expenses as of 6/30/08	(9,829,164)
Unearned appropriation as of beginning of period	2,170,836
Fiscal Period 2009:	
Interest income	81,283
Net expense	(38,391)
Unearned appropriation as of period end	$2,213,728

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 $4,350,000 to be used for operations and $20,344,007 to be used for capital projects in the year ended June 30, 2009. As of June 30, 2009, the Authority had expended total allocated funds of $14,577,342, had received $11,790,888 in cash and had a receivable balance of $2,786,454.

NOTE 6 – 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 7 – RISK MANAGEMENT

The Authority purchases a commercial insurance policy for general liability with a deductible of $2,500. This policy provides coverage up to $6,000,000 in the aggregate, except for fire damage which has coverage of $1,000,000 per occurrence. The Authority's liability for uninsured claims at June 30, 2009 is believed by management to be immaterial based on the absence of any asserted claims.

NOTE 8 – 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 is the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets.

NOTE 9 – 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). The provisions of this statement are applied prospectively and do not affect prior years' financial statements. Required disclosures are presented below.

NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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, 2009, one participant was eligible to receive benefits.

A. Funding Policy and Actuarial Assumptions

The estimated annual required contribution was based on the fiscal year 2009/2010 annual required contribution (ARC) as determined by the August 2009 actuarial valuation. This estimate assumed that the 2009/2010 pay-as-you-go cost was the same as the 2008/2009 pay-as-you-go cost and that this cost contributed to the 2009/2010 annual required contribution.

The August 2009 actuarial valuation uses 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 amortization period.

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

B. Funding Progress and Funded Status

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2009, the Authority did not contribute toward their OPEB cost. As a result, the Authority has recorded the Net OPEB Obligation, the difference between the estimated ARC, the amortization of the Net OPEB Obligation and actual contributions, as presented below:

	Amounts
Estimated annual required contribution	$46,000
Annual OPEB cost	46,000
Contributions made:	
Authority's portion of current year premiums paid	
Total contributions	-
Contributions less than the ARC	46,000
Increase in net OPEB obligations	46,000
Net OPEB Obligation June 30, 2008	
Net OPEB Obligation June 30, 2009	$46,000

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 $196,200.

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

Fiscal Year	Estimated Annual OPEC Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2009	$46,000	$0	0%	$46,000

NOTE 10 - 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, 2009, are summarized as follows:

	Miscellaneous
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	12.921%

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 2009, and 2008 were $190,261 and $114,470 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.

NOTE 10 - PENSION PLAN (Continued)

As required by State law, the Authority's employees participate in a State-wide cost-sharing pool. 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
2005	$579,276,103	$500,388,523	$78,887,580	86.4%	$129,379,492	61.0%
2006	912,988,585	787,758,909	125,229,676	86.3%	200,320,145	62.5%
2007	1,315,454,361	1,149,247,298	166,207,063	87.4%	289,090,187	57.5%

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

At June 30, 2009, the Authority had made commitments of approximately $12.8 million for construction work, legal and consulting fees, and purchases of supplies and equipment.

At June 30, 2009, the Authority had contracted with a major vendor to construct the South San Francisco Ferries Terminal. The total contracted amount is $18,407,366 and the remaining contract amount was $7,277,472 as of year end.

The Authority participates in Federal and State grant programs. These programs have been audited by the Authority's independent accountants through the fiscal year ended June 30, 2009, 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.

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SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY

SINGLE AUDIT REPORT
For The Year Ended June 30, 2009

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009**

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 that are not considered to be material weaknesses? ___ 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 that are not considered to be material weaknesses? ___ 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
97.111	FY 2007/2008 Regional Regional Catastrophic Preparedness Grant Program

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

Auditee qualified as low-risk auditee? ___ Yes _X_ 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 October 9, 2009 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.

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SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

Grantor Agency and Award Title	Identifying Pass-Through Grant #	Federal Catalog Number	Program Expenditures
Department of Transportation, Federal Transit Administration			
Federal Transit Cluster:			
Federal Transit Capital Investment Grants:			
CA-04-0050 - SSF Vessels and Terminal	not applicable	20.500	$501,014
Federal Transit Formula Grants:			
CA-70-X004 - SSF Vessels and Terminal	not applicable	20.507	658,650
Total Cluster Program			1,159,664
Department of Homeland Security, Transportation Security Administration			
(Passed through the City and County of San Francisco)			
FY2007/2008 Regional Catastrophic Preparedness Grant Program	2008-CP-T8-0018	97.111	173,803
Total Expenditures of Federal Awards			$1,333,467

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, 2009

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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ASSOCIATES

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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 as of and for the year ended June 30, 2009, and have issued our report thereon dated October 9, 2009. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 October 9, 2009 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 Authority Council, 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.

Mozer Associates

October 9, 2009

MAZE & ASSOCIATES

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 the 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 are applicable to each of its major federal programs for the year ended June 30, 2009. The Authority's major federal programs are identified in Section I - Summary of Auditor's Results included in 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 the 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal controls 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 in order to determine our 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 Authority's internal control over compliance.

A *control deficiency* in a Authority's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider 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, 2009, and have issued our report thereon dated October 9, 2009. Our audit was performed for the purpose of forming opinions on the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of Authority Board, 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.

Moze + Associates

December 1, 2009

AGENDA ITEM 8
MEETING: January 7, 2010

MEMORANDUM

TO: Board Members

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

SUBJECT: Approve Actions to Pre-fund Other Post-Employment Benefits Using CalPERS California Employers' Retiree Benefit Trust

Recommendation

Approve, by resolution, actions to prefund Other Post-Employment Benefits through CalPERS California Employers' Retiree Benefit Trust and authorize the Executive Director to request disbursements from the Other Post-Employment Prefunding Plan.

Background

In 2004, the Governmental Accounting Standards Board (GASB), an independent body that establishes standards of financial accounting and reporting for state and local government entities, issued accounting statement 45 (GASB 45) requiring all public employers to recognize the cost of Other Post-Employment Benefits (OPEB) in periods when the related services are received and to provide information about the actuarial accrued liabilities for promised benefits associated with past services in their annual financial statements. Implementation of this requirement was staggered based on agency size (budget) and the first year that WETA was required to comply with this requirement was FY 2008/09.

Based upon WETA current benefit structure, the agency's OPEB liability is limited to medical retirement benefits which include: 1) The state-required minimum payment towards a PERS-health coverage premium ($105 per month in CY 2010) for any employee simultaneously retiring from WETA and PERS; and 2) A supplemental retirement amount (longevity stipend) for employees retiring with 10 years or more of service with the agency ($763.17 per month in CY 2010 – which is based upon the PERS Care premium for single coverage less the state-required minimum payment identified in item 1 above).

In preparation to meet the GASB 45 requirement, staff engaged the services of Bartel & Associates, LLC, in FY 2008/09 to develop an actuarial estimate of the agency's post-employment benefit liability. The results of this actuarial valuation, dated June 30, 2009, and provided as ***Attachment A*** to this report, indicate a net OPEB obligation as of June 30, 2009 of $47,600, which is reflected in WETA's audited FY 2008/09 Financial Statements (pages 13 through 15), as required by GASB 45. This report further indicates that pre-funding the OPEB obligation through an investment of $26,000 in FY 2008/09, or 3.7% of payroll, would reduce this liability to zero.

Discussion

The GASB 45 regulation effectively works as a mechanism to require public entities to regularly examine, evaluate and report their retirement benefit liabilities and is structured to encourage annual pre-funding of these obligations through a trust. While agencies are not required to pre-fund these liabilities, pre-funding allows an organization to plan for regular investments to meet its retirement benefit obligations over time. As a newer agency, with a limited OPEB obligation at this time, staff believes that pre-funding WETA's OPEB obligation now represents a smart approach to the long term financial health and management of WETA's operating expense.

Staff has investigated options for pre-funding OPEB obligations through discussion with Bartel & Associates, LLC, ABAG (WETA's financial and accounting consultants) and other Bay Area transportation agencies. Pre-funding WETA's OPEB liability can be done through a number of trust mechanisms, including establishing our own exclusive OPEB-compliant trust and investment structure or joining one of a variety of pre-established OPEB trusts. To be GASB and IRS compliant, this trust must, among other things, be irrevocable and dedicated to the purpose of pre-funding OPEB. Given the relatively small size of WETA staff and its OPEB obligation, staff recommends utilizing a pre-established trust for this activity.

More specifically, staff recommends that the Board elect to pre-fund WETA's OPEB obligation through participation in CalPERS' California Employers' Retiree Benefit Trust (CERBT). This is the largest OPEB trust in the State of California and is managed by CalPERS, with the following credentials:

- 75 years of experience in administering employer-sponsored plans;
- A history of exceptional risk-adjusted investment performance;
- A pre-existing structure to manage and administer the trust and related investments and reimbursements;
- Low administrative fees; and
- IRS and GASB compliant

Over 200 California public agencies have contracted with CERBT since its establishment in 2007. These agencies include such local entities as the Association of Bay Area Governments, Bay Area Air Quality Management District, Metropolitan Transportation Commission, Contra Costa Transportation Authority and County of San Mateo.

Specific Board actions required to join the CalPERS CERBT include adoption of the attached resolution, which effectively serves as a contract obligation, and authorization of an agency official to request agency disbursement.

Fiscal Impact

Sufficient funds are available in the current year's budget to fund the FY 2009/10 OPEB obligation of $27,400, and funds for FY 2008/09's obligation ($26,000) have been held in reserve.

END

Item 8 **ATTACHMENT A**

WATER EMERGENCY TRANSPORTATION AUTHORITY

WETA

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY RETIREE HEALTHCARE PLAN

June 30, 2009 GASB 45 Actuarial Valuation
Final Results

JOHN E. BARTEL

BARTEL ASSOCIATES, LLC

August 24, 2009

Contents

BENEFIT SUMMARY

■ Eligibility	■ Service (50 & 5 years CalPERS service) or Disability retirement directly from Authority under CalPERS
■ Active Medical Benefit	■ Cafeteria Plan ■ Medical contribution – PEMHCA minimum ■ Additional contribution: • Single – PERSCare single premium less PEMHCA minimum • 2-party – PERS Choice 2-party premium less PEMHCA minimum • Family – PERS Choice family premium less PEMHCA minimum ■ Cash – PERSCare single premium
■ Retiree Medical Benefit	■ PEMHCA minimum ($101/mo for 2009, $105/mo for 2010) ■ Longevity Stipend: • 10 or more years of combined LGS, WTA & WETA service • Single coverage only • Up to PERSCare single premium less PEMHCA minimum

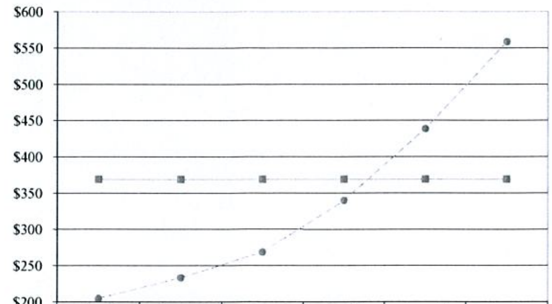
BENEFIT SUMMARY

■ Surviving Spouse Benefit	■ Retiree benefit continues to surviving spouse if retiree elects survivor annuity under CalPERS retirement plan
■ Dental, Vision & Life	■ None
■ Medicare Part B Reimbursement	■ None

Benefit Summary

- Implied Subsidy

- Participating retirees pay active rates vs. actual cost



	Age 35	Age 40	Age 45	Age 50	Age 55	Age 60
Premium Rate	$369	$369	$369	$369	$369	$369
Estimated Cost	$205	$233	$269	$339	$438	$558

- Community rated plans not required to value implied subsidy
- PEMHCA is, for most employers, community rated plan
- Not valuing implied subsidy

Premiums

2009 Monthly PEMHCA Premiums
Bay Area/Sacramento

	Non Medicare Eligible			Medicare Eligible		
Plan	**Single**	**2-Party**	**Family**	**Single**	**2-Party**	**Family**
Blue Shield	$560.57	$1,121.14	$1,457.48	$341.44	$682.88	$1,024.32
Blue Shield NetValue	495.50	991.00	1,288.30	304.66	609.32	913.98
Kaiser	508.30	1,016.60	1,321.58	280.16	560.32	840.48
PERS Choice	482.48	964.96	1,254.45	349.11	698.22	1,047.33
PERS Select	453.16	906.32	1,178.22	349.11	698.22	1,047.33
PERSCare	749.83	1,499.66	1,949.56	404.60	809.20	1,213.80

Participant Statistics
June 30, 2009

- **Actives**[1]
  - Count — 6
  - Average Age — 50.0
  - Average Service
    - CalPERS (excluding Air Time) — 9.5
    - LGS & WETA — 4.0
  - Salary
    - Average — $ 120,135
    - Total — 720,807
- **Retirees**
  - Count — 1
  - Average Age — 50.6
  - Average Retirement Age — 50.2

[1] 1 active has other retiree healthcare coverage and is assumed not to participate at retirement.

Active Medical Coverage

Plan	Single	2-Party	Family	Total
Kaiser	-	1	-	1
PERS Choice	-	1	-	1
Waived	-	-	-	4
Total	-	2	-	6

Retiree Medical Coverage

Plan	Single	2-Party	Family	Total
Kaiser	1	-	-	1

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation
■ Valuation Date	■ June 30, 2009 (Phase 3) ■ Fiscal Years 2009/10 and 2010/11 ■ Authority used ARC estimate for 2008/09
■ Discount Rate	■ 4.25% Not Pre-Funded - Assets in Investment Fund ■ 7.75% Pre-funded through CERBT (for sensitivity analysis)
■ General Inflation	■ 3.00%
■ Payroll Increases	■ Aggregate Increases – 3.25% ■ Merit Increases – CalPERS 1997-2002 Experience Study
■ Mortality, Withdrawal, Disability	■ CalPERS 1997-2002 Experience Study
■ Service Retirement	■ CalPERS 1997-2002 Experience Study Level 2.5%@55 ERA M ≈ 60.6 F ≈ 59.9

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation
■ Medical Trend	Increase from Prior Year

	Non-Medicare HMO	Non-Medicare PPO	Medicare HMO	Medicare PPO
2009	*Actual 2009 Premiums*			
2010	9.1%	9.8%	9.4%	10.1%
2011	8.4%	9.0%	8.7%	9.3%
↓	↓	↓	↓	↓
2017+	4.5%	4.5%	4.5%	4.5%

- 2009 PEMHCA premiums:
  - Kaiser increased based on experience
  - Blue Shield applied rollover credit (n/a)
  - PPOs applied reserves
- Adjustment to the above trend rates for:
  - Kaiser has no adjustment
  - Blue Shield increases 1% each year for 2010-2012 (n/a)
  - PPOs increase 1% each year for 2010 - 2013

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation
■ Participation at Retirement	■ Currently covered: 100% ■ Currently waived: 80% (1 active has other retiree healthcare coverage and is assumed not to participate at retirement.)
■ Medical Plan at Retirement	■ Currently covered: Same as current election ■ Currently waived: PERSCare
■ PEMHCA Minimum Increases	■ 2009: $101/month ■ 2010: $105/month ■ 2011+: 4.5%
■ Marital Status	■ Based on coverage election
■ Spouse Age	■ Males 3 years older than females
■ Surviving Spouse Participation	■ 100%
■ Medicare Eligible Rate	■ 100% ■ Everyone eligible for Medicare will elect Part B coverage

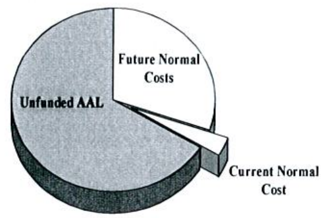
DEFINITIONS

GASB 45	Definition
■ Annual Required Contribution (ARC)	■ Actuarially determined contribution, using funding method, amortization period, assumptions, etc.
■ Annual Other Post Employment Benefit (OPEB) Cost (AOC)	■ Similar to GASB 27 Annual Pension Cost ■ ARC, adjusted for: • Interest on NOO and • Amortization of NOO
■ Net OPEB Obligation (NOO)	■ Historical difference between actual contribution and AOC ■ NOO (end of year) = • NOO (beginning of year) • + AOC (for year) • - actual contributions (made during year)

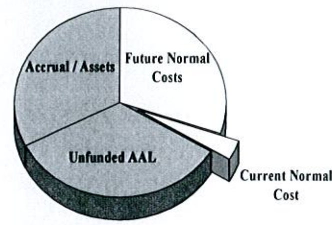
DEFINITIONS

Present Value of Projected Benefits (PVPB)

Without Assets



With Assets



- **PVPB - Present Value of all Projected Benefits**
  - Discounted value, at measurement (valuation date 6/30/09), of all future expected benefit payments.
  - Expected benefit payments based on various (actuarial) assumptions

DEFINITIONS

- **AAL – Actuarial Accrued Liability / Actuarial Obligation**
  - Discounted value, at measurement (valuation date 6/30/09), of benefits "earned" (based on actuarial cost method) through measurement.
  - Portion of PVPB "earned" at measurement.
- **NC - Normal Cost**
  - Value of benefits "earned" during current year.
  - Portion of PVPB allocated to current year.
- **Actuarial Cost Method**
  - Determines how benefits are "earned" (or allocated) to each year of service.
  - Has no effect on PVPB.
  - Has significant effect on Actuarial Obligations and Normal Cost
- **Pay-As-You-Go Cost (PayGo)**
  - Cash Subsidy – Actual cash benefit payments to retirees
  - PayGo is the expected retiree benefit payments for the year, while Normal Cost is the expense for benefits accrued by active employees during the year.

ACTUARIAL METHODS

Method	June 30, 2009 Valuation
■ Plan Assets	• None
■ Cost Method	• Entry Age Normal (same as CalPERS)
■ Amortization Period	• 30 years • 20 years (for sensitivity analysis)
■ Amortization Method	• Level percent of payroll (same as CalPERS)
■ Future New Entrants	• None – closed group
■ "Implied Subsidy"	• Employer cost for allowing retirees to participate irrespective of employer contribution. • Community rated plans not required to value implied subsidy. PEMHCA is, for most employers, a community rated plan.

RESULTS

Actuarial Obligations
June 30, 2009

■ **Discount Rate**	**4.25%[2]**	**7.75%**
■ **PVPB**		
• Actives	$ 561,900	$ 242,200
• Retirees	42,300	24,300
• Total	604,200	266,500
■ **AAL**		
• Actives	153,900	81,800
• Retirees	42,300	24,300
• Total	196,200	106,100
■ **2009/10 Normal Cost**	39,400	19,900
■ **2009/10 Pay-As-You-Go Cost**	1,200	1,200

2 The Authority's current contribution policy is to fund the Pay-As-You-Go Cost with valuation results determined using a discount rate of 4.25%.

Annual Required Contribution (ARC)
4.25% Discount Rate[3]

	2009/10	2010/11
■ **ARC - $**		
• Normal Cost	$ 39,400	$ 40,700
• UAAL Amortization[4]	7,800	8,100
• Total ARC	47,200	48,800
■ **Projected Payroll**	720,800	744,200
■ **ARC - %**		
• Normal Cost	5.5%	5.5%
• UAAL Amortization	1.1%	1.1%
• Total ARC	6.6%	6.6%

[3] The Authority's current contribution policy is to fund the Pay-As-You-Go Cost with valuation results determined using a discount rate of 4.25%.
[4] Amortized as a level percent of payroll over 30 years.

Annual Required Contribution (ARC)
7.75% Discount Rate[5]
(Sensitivity)

	2009/10	2010/11
■ **ARC - $**		
• Normal Cost	$ 19,900	$ 20,600
• UAAL Amortization[6]	6,700	6,800
• Total ARC	26,600	27,400
■ **Projected Payroll**	720,800	744,200
■ **ARC - %**		
• Normal Cost	2.8%	2.8%
• UAAL Amortization	0.9%	0.9%
• Total ARC	3.7%	3.7%

[5] The Authority's current contribution policy is to fund the Pay-As-You-Go Cost with valuation results determined using a discount rate of 4.25%.
[6] Amortized as a level percent of payroll over 30 years.

RESULTS

Discount Rate & Amortization Period Sensitivity
June 30, 2009

■ **Discount Rate**	**4.25%**		**7.75%**	
■ **Amortization Period**	**30 years**	**20 years**	**30 years**	**20 years**
■ **PVPB**	$ 604,200	$ 604,200	$ 266,500	$ 266,500
■ **Funded Status**				
• AAL	196,200	196,200	106,100	106,100
• Assets	-	-	-	-
• Unfunded AAL	196,200	196,200	106,100	106,100
■ **2009/10 ARC**				
• Normal Cost	39,400	39,400	19,900	19,900
• UAAL Amortization	7,800	11,200	6,700	8,400
• Total ARC	47,200	50,600	26,600	28,300
• ARC as % of payroll	6.6%	7.0%	3.7%	3.9%

RESULTS

Estimated Net OPEB Obligation Illustration[7]

	No Pre-Funding 4.25%[8]	Full ARC Pre-Funding 7.75%
■ **6/30/2009 NOO**	$ 0	$ 0
• 2009/10 ARC[9]	47,200	26,600
• Contributions[10]	(1,200)	(26,600)
■ **Estimated 6/30/2010 NOO**[11]	46,000	0

7 This illustration was prepared assuming that the Authority adopted GASB 45 for the 2009/10 fiscal year.

8 The Authority's current contribution policy is to fund the Pay-As-You-Go Cost with valuation results determined using a discount rate of 4.25%.

9 UAAL amortized as a level percent of payroll over 30 years.

10 Includes benefit payments.

11 Actual NOO will depend on actual benefit payments and contributions for 2009/10.

No Funding Projection
4.25% Discount Rate / 30-Year Amortization

FYE June 30	Beginning of Year Net OPEB Obligation	Benefit Payments	Annual OPEB Cost (AOC)	Payroll	Benefit Payments as % of Payroll
2010	$ -	$ 1,200	$ 47,200	$ 720,800	0.2%
2011	46,000	1,400	50,700	744,200	0.2%
2012	95,300	1,600	54,400	768,400	0.2%
2013	148,200	1,800	58,300	793,400	0.2%
2014	204,700	2,100	62,400	819,200	0.3%
2015	265,000	2,500	66,700	845,800	0.3%
2016	329,200	3,900	71,200	873,300	0.4%
2017	396,600	6,600	76,000	901,700	0.7%
2018	465,900	9,300	80,800	931,000	1.0%
2019	537,500	10,600	85,800	961,200	1.1%

Full ARC Pre-Funding Projection
7.75% Discount Rate / 30-Year Amortization
(Sensitivity)

FYE June 30	Beginning of Year Net OPEB Obligation	Contribution	Annual OPEB Cost (AOC)	Payroll	Contribution as % of Payroll
2010	$ -	$ 26,600	$ 26,600	$ 720,800	3.7%
2011	-	27,400	27,400	744,200	3.7%
2012	-	28,300	28,300	768,400	3.7%
2013	-	29,200	29,200	793,400	3.7%
2014	-	30,200	30,200	819,200	3.7%
2015	-	31,200	31,200	845,800	3.7%
2016	-	32,200	32,200	873,300	3.7%
2017	-	33,200	33,200	901,700	3.7%
2018	-	34,300	34,300	931,000	3.7%
2019	-	35,400	35,400	961,200	3.7%

ACTUARIAL CERTIFICATION

This report presents the San Francisco Bay Area Water Emergency Transportation Authority Retiree Healthcare Plan ("Plan") actuarial valuation as of June 30, 2009. The purpose of this valuation is to determine the Plan benefit obligations and funded status under Governmental Accounting Standards Board Statements Nos. 43 and 45 as of June 30, 2009 and calculate the 2009/10 and 20010/11 fiscal year Annual Required Contributions. The Authority implemented GASB 45 for the 2007/08 fiscal year and estimated the 2007/08 ARC.

The valuation is based on the Plan provisions, employee data and contribution policy provided by the Authority and summarized in this report. It assumes the Authority does not pre-fund the plan.

We reviewed the data for reasonableness but did not perform an audit. The valuation was prepared using generally accepted actuarial principles and practices and the actuarial methods and assumptions summarized in this report. The assumptions represent our best estimate of expected future experience.

This report presents Bartel Associates' best estimate of the Plan's liabilities, funded status, and costs in accordance with our understanding of GASB 43 and 45. The information presented in this report is intended to be used to satisfy the requirements of GASB 43 and GASB 45 and for no other purposes. The undersigned are members of the American Academy of Actuaries and meet the Academy's Qualification Standards to render the actuarial results and opinions in this report.

Respectfully submitted,

John E. Bartel, ASA, EA, MAAA, FCA
President, Bartel Associates, LLC
August 24, 2009

Joseph R. D'Onofrio, FSA, EA, MAAA, FCA
Assistant Vice President, Bartel Associates, LLC
August 24, 2009

AGENDA ITEM 9
MEETING: January 7, 2010

MEMORANDUM

TO: **Board Members**

FROM: **Nina Rannells, Executive Director**
John Sindzinski, Manager, Planning & Development

SUBJECT: **Approve Amendment No. 3 with Winzler & Kelly for Design Services Related to the Berkeley Ferry Terminal Project**

Recommendation
Approve Amendment No.3 to the contract with Winzler & Kelly to increase the not-to-exceed budget amount of $528,000 to $700,000 and authorize the Executive Director to execute the contract amendment.

Background
At the April 2006 meeting, the WTA Board approved a not-to-exceed consulting contract in the amount of $275,000 to Winzler & Kelly for preliminary design services for the Berkeley/Albany ferry terminal and service. This work was to complement the environmental assessment for the Berkeley/Albany ferry service conducted under a separate contract with URS. The contract value and work scope assumed the Winzler & Kelly design effort would be limited to two alternative sites.

In September 2006, the WTA Board directed staff to conduct a more detailed environmental review and conceptual design of four potential terminal sites for the Berkeley/Albany service and approved an amendment increasing the Winzler & Kelly design budget to $528,000 to cover the related additional work.

Discussion
In April 2009, the WETA Board identified the Seawall Drive site at the foot of University Avenue in Berkeley as the preferred site for the new Berkeley/Albany ferry terminal. Since then, Winzler & Kelly has worked to further develop preliminary design elements for the site and to provide design and urban planning assistance to respond to comments and concerns made by various stakeholder regarding the potential impacts of the project. Through this work, Winzler & Kelly and their architect, Marcy Wong of Marcy Wong Donn Logan Architects, provided a number of new designs for the required parking lot and for improvements to the Bay Trail that are now considered to be acceptable to the Berkeley City Council and others.

However, the conceptual design work is not complete and additional effort is required to complete the Final EIR/EIS and meet some of the conditions that the Berkeley City Council required of WETA in its support of the ferry project. This additional work includes an analysis of the seismic viability of the eastbound lanes of University Avenue just west of Frontage Road, consultation with City staff concerning parking lot details and Bay Trail improvements, and assisting WETA in developing a final conceptual design that will meet the needs of the ferry service and support the analysis required to prepare the Final EIR/EIS.

Accordingly, staff proposes to increase the Winzler & Kelly contract budget to a new not-to-exceed amount of $700,000, which should be sufficient to provide the environmental consultant with work products in support of the Final EIR/EIS and to respond to continued interest in and concern over this project by Berkeley staff and residents. Actual expenditures will be authorized and managed by staff on a Task Order basis.

Fiscal Impact
RM2 and/or Proposition 1B funding is available to cover the costs of the requested action.

END

AGENDA ITEM 10
MEETING: January 7, 2010

MEMORANDUM

TO: **Board Members**

FROM: **Nina Rannells, Executive Director**

SUBJECT: **Approve Amendment No. 12 with Nossaman, LLP for the Provision of Legal Services**

Recommendation
Approve Amendment No. 12, in the amount of $400,000, to the agreement with Nossaman, LLP for the provision of legal services and authorize the Executive Director to execute the amendment.

Background
The Authority's enabling statute requires the employment of general counsel to manage its legal affairs. In August 2004, the San Francisco Bay Area Water Transit Authority authorized Nossaman, LLP to serve as its general counsel and established a process for bringing forward annual budget amendments to cover services anticipated each fiscal year. In January 2008, this contract transferred to the San Francisco Bay Area Water Emergency Transportation Authority upon its creation. Annual legal expenses have ranged from $140,000 in FY 2004/05 to $550,000 in FY 2007/08, based upon the volume and complexity of legal issues facing the agency.

In addition to general agency and Board oversight, Nossaman LLP provides legal advice and support in a wide range of specialty areas including contract development, procurement process and document development, employment law and policy development, insurance requirements and real property transactions and provides research on special subjects as required.

Discussion
On June 4, 2009, the Board authorized contract Amendment 11 with Nossaman, LLP for $400,000 to cover legal services for FY 2009/10. This amount, which was consistent with FY 2008/09 legal expenses, was anticipated to be sufficient to cover an average amount of general oversight work ($200,000) and capital program support ($100,000) and provide a moderate amount of assistance toward completing the Alameda and Vallejo service transitions ($100,000). Based upon legal activities through November, staff believes that an additional $400,000 will be required to support these work activities and provide assistance with several key construction contracts this year. Staff anticipates that the total budget of $800,000 would be spent to support activities in approximately the following amounts:

General Oversight	$200,000
Capital Program	$250,000
Transition Activities	$350,000
Total	$800,000

These major work activities and associated legal support activities are described further below.

General Oversight
This includes counsel for such ongoing items as general agency and Board governance, meeting attendance, legislative review, personnel matters and research of special subjects of

interest or concern. At this juncture, staff believes that expenses for these general support activities are within the anticipated budgeted amount of $200,000.

Capital Program Support
FY 2009/10 has become a significant year for WETA, as we have moved forward with four construction contracts, including three to support the South San Francisco Terminal construction and one to support construction of berthing facilities at the Pier 9 office site. As we have moved these projects forward to bid and contract award, Nossaman has provided support services in a number of areas such as procurement process and proposal development, contract development, review of insurance requirements, review of protest procedures and assistance in meeting Measure A funding requirements. These efforts have been significant, as these are “first time” contracts and issues for WETA, as a new organization.

Based upon the level of legal support activities on these projects to date, staff anticipates that additional budget will be needed to move these projects through their full bid and contract cycles and under construction ($250,000 total estimate). A large portion of expenses for the South San Francisco and Pier 9 projects are due to creating template RFP and contract documents for both large and small design-build projects, with South San Francisco serving as the template for a large design-build project, and Pier 9 serving as the template for small design-build projects. Since these are the first design-build projects for the agency, establishing RFP and contract templates has required an upfront investment that should serve to minimize RFP expenses for similar WETA projects in the future.

Service Transition Activities
Since the development of the FY 2009/10 legal budget, significant work has been done to further define the specific transactional details associated with the Alameda and Vallejo service transfers. These transfers will ultimately require assumption of a number of operating, capital and finance contracts and permits that WETA is still in the process of securing from the Cities, as well as development of new lease and/or use agreements with the City of Alameda, Port of Oakland and City of Vallejo and all related due diligence investigations and documentation associated with such transactions. These transactions have an added level of complexity due to the waterside location of the ferry facilities and assets and generally involve complex multi-agency title issues that are not necessarily all clear or known to City staff. As we have proceeded to move through the service transfer work, staff has relied on Nossaman’s legal and real estate expertise to identify an approach and execute detailed work to support the transition. Based upon the level of work effort on this project through November, it has become clear that additional funds will be needed to support this complex and important activity this year ($350,000 estimate).

In light of the proposed contract amendment, staff has worked with Nossaman to develop a revised rate structure for Nossaman’s services that reflects a more favorable discount to WETA for the balance of services this year. Staff will work with Nossaman to closely monitor the work activity and expenditures to help ensure that this budget augment will be sufficient to meet WETA’s requirements for legal support this year.

Fiscal Impact
The award of these services would commit the Authority to an amount up to $800,000 for legal services for FY 2009/10, to be funded with approximately $550,000 operating and $250,000 capital funds.

END

San Francisco Business Times - December 21, 2009
/sanfrancisco/stories/2009/12/21/story6.html

SAN FRANCISCO Business Times
Friday, December 18, 2009 | Modified: Tuesday, December 22, 2009

Ferry authority to start building S.S.F. terminal

San Francisco Business Times - by Eric Young

Spencer Brown
"We're excited to finally be building something," said Rannells, of the WETA.
View Larger

A plan to triple ferry ridership on the San Francisco Bay is taking a major step forward with the construction of a new terminal in South San Francisco.

With the $26 million South San Francisco project getting underway, the region's ferry agency finally is able to foresee the first of seven new ferry routes expected to crisscross the bay in coming years.

"We're excited to finally be building something," said Nina Rannells, executive director of the **Water Emergency Transportation Authority**, which is charged with expanding the region's ferry service.

The authority has been in planning mode since its creation in 1999. Over the years the agency has had planning slowed or stopped because of its high dependency on volatile state funding. If it can complete the buildout of seven new ferry terminals around the bay, the authority estimates about 10 million commuters a year will use the new routes, up from about 3.3 million now.

Much work remains for the authority, which faces opposition by some water users to its plans for new terminals. In Berkeley, for example, windsurfers and environmentalists objected to plans there for a new ferry terminal.

The Berkeley City Council eventually approved preliminary plans this month.

Other cities where ferry terminal planning is underway include Hercules, Redwood City and Richmond.

Funding also remains a challenge for the transportation authority. The authority gets the bulk of its $18.3 million budget from bridge tolls. Another major source that has been promised but not consistently delivered is $25 million annually from Proposition 1B, the 2006 California infrastructure bond.

Ferry service backers are worried that the ferry authority, which will operate the new ferries, does not have enough money to follow through on its goals.

"We've always felt that more public financial support for the ferry system was going to be needed," said Michael Cunningham, who studies transportation issues for the **Bay Area Council**, a business-backed policy group. Cunningham said he planned to meet with Rannells to discuss funding ideas, such as striking deals with private developers to generate more money for terminal construction.

In the meantime, South San Francisco officials are glad that new ferry service is moving ahead. Water transportation authority officials will pick contractors to build the new ferry terminal this month. The project is being paid for with bridge tolls, San Mateo County sales tax and state money.

New ferry service between South San Francisco and Jack London Square in Oakland is projected to start in 2011. The harbor site at Oyster Point is meant to appeal to commuters who work at South San Francisco companies like **Genentech Inc.**, **Hitachi Ltd.**, **Toshiba Corp.** and **United Parcel Service Inc.**

"It will be a boon" to South San Francisco, said Karyl Matsumoto, a City Council member. She said she hoped the new terminal would help make the Oyster Point area more appealing to developers, restaurateurs and others.

Full speed ahead

Ferry route moving forward with terminal construction:
Route: South San Francisco to Oakland.
What: Terminal construction, 2010-2011.
When: Initial ferry service projected for 2011.

Other planned ferry routes:

- Antioch/Pittsburg to Martinez to San Francisco.
- Berkeley to San Francisco.
- Hercules to San Francisco.
- Redwood City to San Francisco.

- Richmond to San Francisco.
- Treasure Island to San Francisco.

Source: Water Emergency Transportation Authority.

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Foes fail to sink Berkeley's ferry plans

Carolyn Jones, Chronicle Staff Writer
Monday, December 7, 2009

Berkeley is moving full-steam ahead with plans for a new ferry terminal, despite howls from windsurfers and environmentalists that the ferries will bring the marina more harm than good.

The City Council recently approved preliminary plans for a $57 million terminal at the waterfront, just south of the Berkeley Pier. Two ferries, which will run primarily during commute hours, are expected to bring 1,700 people a day to San Francisco via a 30-minute trek across the bay.

"Long-term, this will be one of the spines of our transportation system," said City Councilman Laurie Capitelli, who put forth the measure. "When, not if, the Hayward Fault lets loose, this will be an ideal way to get people around the bay."

The terminal will be built, operated and paid for by the Water Emergency Transportation Authority, which also runs ferry terminals in Oakland, Alameda and Vallejo. The money comes from bridge tolls, federal funds and state bonds.

The final environmental impact report will be complete in early 2010 and, if approved by the authority board and federal transportation officials, construction would start later in the year.

The terminal is slated for Seawall Drive, adjacent to Hs Lordships restaurant. Parking will be available for 400 cars after the existing parking areas are reconfigured.

But windsurfers have been fighting the project, saying the terminal will block their favorite launching spot and commuters will take all the available parking at the marina.

They're also mad because the city agreed to lease the land to the ferry authority for $1 a year, but is attempting to raise the rent for the Cal Sailing Club, which serves about 900 windsurfers and sailors, from $5,000 to $15,000 a year.

"I think it sucks, personally," said Peter Kuhn, club treasurer. "The city is providing free space for ferries to take 50 people to the Financial District in comfort. It's a big boondoggle. We all laughed at it."

The club has raised its dues, from $276 to $300 a year, and required members to volunteer to maintain the dock and 225-square-foot clubhouse.

The City Council asked the ferry authority to save room along the waterfront for windsurfers, but that's not enough, Kuhn said.

Windsurfers and sailors deserve equal treatment by the city, he said.

"What we really want is to take over the ferry building as soon as they go bankrupt," he said.

City Councilman Kriss Worthington opposed the terminal for environmental reasons, saying the ferries create too much greenhouse gas.

"If everyone's so gung-ho about our climate action plan, then why are we not telling WETA (the Water Emergency Transportation Authority) to make their ferries more ecological?" he said, adding that the ferries could save energy by traveling at a slower speed.

The council added 15 suggestions to its approval, including charging for parking, using low-emissions ferries and allowing other ferry services to operate at the terminal on the weekends.

The ferry authority is considering the suggestions, said spokesman Leamon Abrams.

Capitelli said the windsurfers' and environmental concerns can be easily worked out in the next few months. The city's priority should be creating transit options for its residents.

"The Bay Area is in the process of building water transit infrastructure," he said. "Berkeley can either be a part of it or not be a part of it."

Not all windsurfers are opposed to the new terminal. Sofien Sehiri, a Cal Sailing Club member who lives in Berkeley, said he welcomes the club's new neighbors at the marina.

"As a windsurfer, I love ferry wakes," he said. "They're great to jump. I'm very, very happy."

E-mail Carolyn Jones at carolynjones@sfchronicle.com.

http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/12/07/BAD51AVC6E.DTL

This article appeared on page **C - 1** of the San Francisco Chronicle

SHIPYARD DAY SIGNIFICANT BOATS OF 2009

SHIPYARD DAY

Each year, *WorkBoat* magazine recognizes new boats with coverage in the December *WorkBoat* Show issue. Editors review the scores of boats tha thave appeared in the pages of *WorkBoat* during the previous twelve months and choose 10 that deserve special recognition. Some vessels are chosen for design or technological advances, while other are selected for speed, style, etc.

Again this year, *WorkBoat* Editor-in-Cheif, David Krapf, Senior Editor, Ken Hocke, and Technical Editor Bruce Buls presented awards to the winners, Congratulations to all!

Vessel Name	Who	Company Name
BERTHOLF	Builder & Designer	Integrated Coast Guard Systems
	Owner	U.S. Cost Guard
CAROLYN DOROTHY	Builder & Owner	Foss Maritime Company
	Designer	Robert Allan Ltd.
DANNY L. WHITFORD	Builder	Gulf Island Marine Fabricators
	Designer	CT Marine
	Owner	Hunter Marine Transport
GEMINI	Builders	Nichols Brothers Boat Builders Kvichak Marine Industries
	Designer	Incat Crowther
	Owners	San Francisco Bay Area Water Emergency Transportation Authority
GRANT CANDIES	Builder	Dakota Creek Industries Inc.
	Designer & Owner	Otto Candies LLC
HORNBLOWER HYBRID	Builder	Bayside Boatworks
	Designer & Owner	Hornblower Cruises & Events
MANHATTAN	Builders	Gladding-Hearn Shipbuilding Duclos Corp.
	Designer	DeJong & Lebel Inc.
	Owner	Circle Line Sightseeing Yachts
NACHIK & SESOK	Builder	Diversified Marine Inc.

	Designers	BMT Fleet Technology Crowley Maritime Corp. Diversified Marine Inc.
	Owner	Crowley Maritime Corp.
RUTH M. REINAUER & LAURIE ANN REINAUER	Builder	Senesco Marine
	Designer	Ocean Tug & Barge Engineering
	Owner	Reinauer Transportation Companies LLC
THREE FORTY THREE	Builder	Eastern Shipbuilding Group Inc.
	Designer	Robert Allan Ltd.
	Owner	Fire Department City of New York

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Email: peterd@gladding-hearn.com
gladding-hearn.com

Gladding-Hearn Shipbuilding, Duclos Corporation, Somerset, MA, has completed construction of the last of three new sightseeing vessels for **Circle Line Sightseeing Yachts, Inc.**, in New York City.

Circle Line Sightseeing's three new vessels are the first in more than 60 years. The company's fleet of eight steel, 165-foot sightseeing boats consists of converted LCIs (Landing Craft Infantries) and Coast Guard cutters, built between 1930 and 1943.

Like its two sisterships, the new 600-passenger all-steel vessel, designed by **Dejong and Lebet, N.A.**, in Jacksonville, Fla., measures 165 feet in length. The *M/V Brooklyn* has a 34-foot beam and a 22.6-foot air-draft, enabling the boat to pass under the low bridges on the Harlem River.

With a top speed of 15 knots, the vessel is powered by twin **Cummins** KTA38-M1 diesels, delivering a total of 2200 hp and connected to **ZF** W3350 gear boxes, spinning 60-inch, 5-bladed bronze Rolls Royce propellers. For dockside maneuvering, the vessel is equipped with a 125 hp Wesmar V2-20 bow thruster, powered by an electric motor. Two 137 kW **Cummins**/Newage generators supply the ship's service power.

Additional features include port and starboard wing stations, in addition to the center console, in the pilothouse. Passenger seating is inside the main cabin and upper cabin. Heating and air-conditioning is supplied by a 210,000 Btu diesel-fired boiler and six 10-ton water-cooled chillers.

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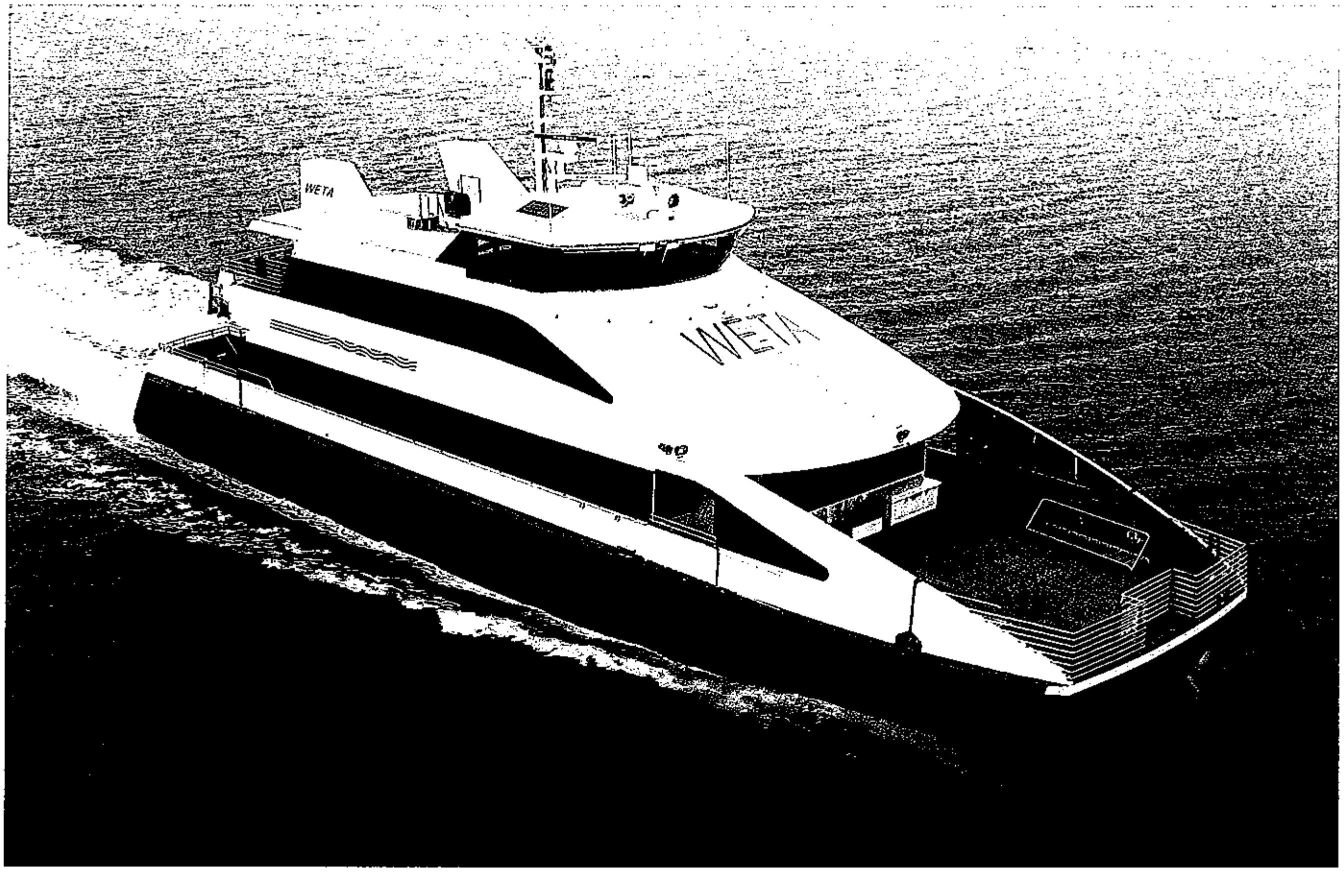
Kvichak Marine Industries and **Nichols Brothers Boat Builders** recently delivered the third of four high-speed, environmentally friendly ferries to the Water Emergency Transportation Authority (WETA) located in San Francisco.



WETA, the Water Emergency Transportation Authority, took delivery of their newest vessel which was built jointly by Kvichak Marine and Nichols Brothers Boat Builders. The San Francisco-based operator has had three vessels built like this.

The *M/V Scorpio* is a 118'-0" x 28'-8" x 6'-0" high speed catamaran with a cruise speed of 25 knots at 85% of engine MCR. The all aluminum vessel has an interior seating capacity for 159 passengers and additional exterior seating for 49 passengers. The vessel will also carry 34 bicycles, which is 20% more than similar vessels in the San Francisco Bay area. Scorpio will join the fleet of two vessels delivered earlier this year, the *M/V Gemini* and *M/V Pisces.*

The vessel incorporates many environmentally friendly features, including low wake wash and shallow draft hulls to reduce the vessels impact on the shoreline and ocean bottom, and an emissions reduction system for the diesel engines.

The vessels exhaust emissions have been reduced by 85% of the current EPA Tier II requirements. This was accomplished by incorporating a selective catalytic reduction

(SCR) system into the diesel exhaust. The vessel will also use ultra low sulfur diesel fuel.

The vessel incorporates enhanced safety and security measures such as a CCTV system, voyage data recorder, added CEDs onboard and additional life saving apparatus that surpasses USCG T-Boat requirements.

In an effort to draw commuters off the highways, roads and bridges, the interiors of the vessels have many upgrades. In addition to multiple seating arrangements, all the seats have been enlarged to give a first class feel to entire vessel. Power outlets have been conveniently located throughout the vessel for commuters to charge portable electronics. The vessel is also outfitted with a Wi-Fi system.

Scorpio's sister ship, the *M/V*

The cockpit of the WETA ferry, M/V Scorpio features state-of-art technology that helps make the vessel environmentally responsible.

Taurus, will be delivered to WETA in spring 2010.

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Bold type indicates PVA member. ■

Andy Lebet on the State of the Passenger Vessel Industry's Ship Building

Andy Lebet, President of DeJong & Lebet, Inc., Jacksonville, FL, a naval architectural firm and long-time PVA member, spoke to FOGHORN about the state of the passenger vessel industry's shipbuilding in 2009 and 2010.

FOGHORN: *How has 2009 been for building vessels?*

Andy Lebet: It's been a little slower than usual this year. We usually have five to six vessels on the drawing board each year, but this year, we really only designed a couple of new passenger vessels.

FOGHORN: *If operators aren't building a lot of new vessels, then what else is going on?*

Andy Lebet: Environmental issues have become very hot this year. We get lots of calls from vessel operators who are asking about programs and products that will make their vessel more environmentally friendly.

For example, repowering vessels has become a priority for many operators for a couple reasons. One, federal and in some cases, state, government regulations are demanding that engines are cleaner and less harmful to the environment. And, in the process of hauling out the old engines to replace them with the newer engines, many operators are finding that these propulsion systems offer better fuel economy. In some cases, there are significant savings in fuel consumption, which is very appealing to operators who are closely watching their bottom line.