



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
WETABOARD OF DIRECTORS**

Thursday, May 7, 2009, 1:00 P.M. to 4:00 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 COMMENT The Water Emergency Transportation Authority welcomes comments from the public. Speakers' cards and a sign-up sheet are available. Please forward completed speaker cards 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. <u>CALL TO ORDER – BOARD CHAIR</u> | Information |
| 2. <u>ROLL CALL/PLEDGE OF ALLEGIANCE</u> | Information |
| 3. <u>REPORT OF BOARD CHAIR</u> | Information |
| 4. <u>REPORTS OF DIRECTORS</u> | Information |
| 5. <u>REPORTS OF STAFF</u> | Information |
| a. Executive Director's Report | |
| 6. <u>CONSENT CALENDAR</u> | Action |
| a. Minutes of April 2, 2009 | |

**Water Emergency Transportation Authority
May 7, 2009 Meeting of the Board of Directors**

7. ACCEPT THE INDEPENDENT AUDITOR'S REPORTS FOR FY 2007/08 **Action**

8. AUTHORIZE FILING AN APPLICATION WITH THE METROPOLITAN TRANSPORTATION COMMISSION FOR \$3 MILLION FOR FY 2009/10 REGIONAL MEASURE 2 OPERATING FUNDS **Action**

9. APPROVAL OF AMENDMENT NUMBER 8 TO THE AGREEMENT WITH THE ASSOCIATION OF BAY AREA GOVERNMENTS FOR THE PROVISION OF SUPPORT SERVICES **Action**

10. APPROVAL OF AMENDMENT NUMBER 10 TO THE AGREEMENT WITH NOSSAMAN, LLP FOR THE PROVISION OF LEGAL SERVICES **Action**

11. APPROVAL OF AMENDMENT NUMBER 8 TO THE AGREEMENT WITH LINDSAY, HART, NEIL & WEIGLER, LLP FOR THE PROVISION OF FEDERAL LEGISLATIVE REPRESENTATION **Action**

12. APPROVAL OF AMENDMENT NUMBER 5 TO THE AGREEMENT WITH BROAD & GUSMAN, LLP FOR THE PROVISION OF STATE LEGISLATIVE REPRESENTATION **Action**

13. RECESS INTO CLOSED SESSION
 - a. CONFERENCE WITH REAL PROPERTY NEGOTIATORS **Action**

Property: San Mateo County Harbor District, South San Francisco Small Boat Harbor
Agency Negotiators: Nina Rannells and John Sindzinski, San Francisco Bay Area Water Emergency Transportation Authority
Negotiating Parties: San Mateo County Harbor District, City of South San Francisco and State Department of Boating and Waterways
Under Negotiation: Terms and conditions to the cooperative agreement/lease with the San Mateo County Harbor District for the South San Francisco service

To Be Determined

 - b. CONFERENCE WITH REAL PROPERTY NEGOTIATORS **Action**

Property: City of Alameda ferry terminal related property/assets
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

To Be Determined

 - c. CONFERENCE WITH REAL PROPERTY NEGOTIATORS **Action**

Property: City of Vallejo ferry terminal related property/assets
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

To Be Determined

Water Emergency Transportation Authority
May 7, 2009 Meeting of the Board of Directors

Service

14. REPORT OF ACTIVITY IN CLOSED SESSION

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.

***Action
To Be Determined***

15. OPEN TIME FOR PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

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.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

MINUTES OF THE BOARD OF DIRECTORS MEETING

(April 2, 2009)

The Board of Directors of the San Francisco Bay Area Water Emergency Transportation Authority met in regular session at the Port of San Francisco, Bayside Conference Room, Pier One on the Embarcadero, San Francisco, CA.

1. ROLL CALL AND CALL TO ORDER

Chair Charlene Haught Johnson called the meeting to order at 1:05 p.m. Directors present were Chair Johnson, Vice Chair Anthony Intintoli, Director Gerald Bellows, Director Beverly Johnson and Director John O'Rourke. Director Bellows led the Pledge of Allegiance.

2. REPORT OF BOARD CHAIR

Chair Johnson announced that an agreement with Nina Rannells, who had been appointed as WETA Executive Director at the March 5 meeting, had been negotiated and executed.

3. REPORT OF DIRECTORS

None.

4. REPORTS OF STAFF

Executive Director Nina Rannells updated the Board on the status of WETA's second vessel, *Pisces*. She reported that the vessel remained in Seattle due to gale warnings and would remain there until an adequate and safe weather window became available.

Ms. Rannells also noted a legislative update from WETA's federal representative Peter Friedmann of Lindsay, Hart, Neil & Weigler, confirming support for the \$60 million in ferry boat discretionary fund which would ideally be a source of funding for the South San Francisco terminal project.

5. CONSENT CALENDAR

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

6. AUTHORIZE APPLICATION TO MTC FOR \$3 MILLION REGIONAL MEASURE 2 FUNDS FOR SOUTH SAN FRANCISCO FERRY VESSELS PROJECT

Ms. Rannells introduced this item to authorize by resolution an application for \$3 million in Regional Measure 2 (RM2) funds for the South San Francisco Ferry Vessel project.

Ms. Rannells reminded the Board that in December 2008 WETA had received notification from OHS that all Proposition 1B funds programmed to support WETA projects were suspended. This suspension caused a \$3 million funding shortfall for the South San Francisco vessel construction project currently underway which could potentially be covered with additional RM2 capital funds from MTC to support the project.

Chair Johnson asked how MTC would receive the request for funds. Ms. Rannells replied that staff had been working with MTC for several months on this item and that they were supportive of the request and added that in addition to RM2 funding, Economic Recovery funds through the ferry boat discretionary program may also become available to fill in the gap left by the suspension of Prop 1B funding.

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

7. SELECTION OF LOCALLY PREFERRED SITE FOR BERKELEY FERRY TERMINAL

Manager of Planning and Development John Sindzinski presented this item regarding approval of the selection of the Berkeley Pier/Hs Lordship's site (Site B) as the locally preferred alternative for the Berkeley ferry terminal and a request to direct staff to complete the EIR/EIS for this site.

Mr. Sindzinski reviewed the history of the Berkeley to San Francisco route originally identified in the WTA's Programmatic EIR and Implementation and Operations Plan and subsequent planning meetings and discussions with city representatives and other stakeholders from Berkeley and Albany. He reviewed the issues surrounding each of the four sites under consideration.

Mr. Sindzinski then outlined the draft EIR/EIS process and the comments received on the draft. He noted that while no site was without potential impacts, the analysis of the four sites led to a recommendation of Site B, located between the Berkeley Fishing Pier and Hs Lordship's restaurant. He requested that the board approve this site as the locally preferred alternative and noted that the RM2 funding deadline for pre-construction funds required a final site to be selected by the end of the year.

Vice Chair Intintoli asked if there was any chance that Site B would not be permit-able or was opposed by the Berkeley Planning Commission. Mr. Sindzinski responded that ultimately permits would be in the hands of the city but that he did not believe there were any fatal flaws with the site and that the Mayor supported the terminal.

Director Johnson asked if the Planning Commission had concerns regarding traffic to the site. Mr. Sindzinski stated that the commission had concerns regarding traffic and parking that will be addressed in final EIR document. Director Johnson asked if there was anyone in Berkeley supportive of the terminal. Mr. Sindzinski noted that Mayor Bates and councilmember Capitelli both supported Site B.

Director Johnson also asked about bus service to the marina. Mr. Sindzinski said that service existed but noted that in the current economic climate AC Transit was planning service cuts. He added that WETA planned to work with local providers and that the Mayor was envisioning more redevelopment of the marina in general. Director Johnson then asked about traffic and highway access. Mr. Sindzinski said that most of the ridership would come from the Berkeley area and that ridership North of University Ave would branch to Albany and Hercules.

Public Comment:

Jim McGrath of US Windsurfing and San Francisco Board Sailors noted that he was a former Port of Oakland employee and familiar with CEQA requirements. He stated that WETA had not followed the CEQA process properly and that the project would not be able to obtain permits from the city. He added that addressing the draft's shortcomings in the final document was not

the correct process and that all potential mitigation issues needed to be included at the draft stages of the document so that the public could comment on them. He stated that the marina was a recreational facility and that the Hs Lordship's site had significant recreational impacts not addressed in the draft EIR/EIS, and that parking spaces at Hs Lordship's were under lease and not available to WETA. He said that draft EIR was invalid and a new draft must be prepared.

Public Comment:

Paul Kamen of the Berkeley Waterfront Commission stated that although he liked the idea of the ferry, he believes it doesn't make sense for either public transit or emergency response. He said that the biggest problem in this case was parking. He said that it would not just be yachts and windsurfers displaced by parking demand but that many others who use the marina would also be impacted. He referenced his suggestions that appeared in the March 25 Berkeley Daily Planet including bus only transit to the marina for ferry passengers. He requested that the Board direct staff to meet with marina stakeholders with more substantive solutions for the impacts ferry service would have on the site.

Public Comment:

Doug Yamamoto, a long time resident of the East Bay and client of CalAdventures, noted his recreational use of the Berkeley Marina both windsurfing and ocean kayaking with his daughters and expressed concern regarding the impact of parking needed to support ferry service.

Public Comment:

James McVaney of Berkeley Marina Boaters said that many in the marina do support ferry service and that he agreed Site B was the preferable site. He stated that ferry service would be a good contribution and bring in increased revenue to the marina. He suggested that WETA consider contributing the \$1.5 million needed to complete the Bay Trail through the marina and that such action would help mitigate the concerns of some marina tenants.

Public Comment:

David Field, also a client of CalAdventures, stated that he had been at the Berkeley Planning Commission meeting and did not feel that they had been receptive to WETA. He said issues such as parking, traffic slowdown and breakwaters had not been sufficiently addressed and urged WETA to slow down the process and consider the issues raised by Mr. McGrath.

Vice Chair Intintoli said that he would consider waiting an additional meeting if there was a significant reason to, but did not see any reason to not proceed with the selection of the site with the understanding that WETA would continue to examine ways to mitigate impacts to the marina. Director Johnson asked if there was any legal concern regarding the EIR process. WETA counsel Stanley Taylor of Nossaman said that there was not.

Director Johnson added that she believed the process had not been rushed and acknowledged that there would be no solution that everyone would be pleased with. Chair Johnson said that the process had not been rushed but had taken almost nine years.

Director Bellows expressed uncertainty that the staff clearly understood the permitting process in Berkeley. Chair Johnson suggested that the permits would be needed in any case and not a reason not to move ahead with the item at hand. Mr. Sindzinski noted that any local committee may add additional permitting requirements at their discretion as had occurred in South San Francisco, but that they could be worked though.

Director Bellows asked if Mr. Sindzinski thought there would be any obstacles that could not be overcome. Mr. Sindzinski replied that WETA had and would continue to work with all Berkeley stakeholders including the windsurfers and marina residents.

Director Johnson said that it was important to select the site first so that the permitting process could move forward. Mr. Sindzinski added that the site selection needed to happen first so that WETA could move ahead with the EIR final design, which had to precede terminal design, and that permitting issues were some ways off. He added that there would also be permitting processes with BCDC and the Bay Area Trail.

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

8. AMENDMENT TO THE AGREEMENT WITH WALTHER ENGINEERING SERVICES FOR VESSEL CONSTRUCTION MANAGEMENT SERVICES

Ms. Rannells presented this item regarding an amendment to the agreement with Walther Engineering Services. Ms. Rannells reviewed the history of the contract and services provided by Walther and recommended approving the amendment in the amount of \$50,000 to support continued vessel construction management services through April 30, 2010.

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

9. DRAFT TRANSITION PLAN AND DRAFT EMERGENCY WATER TRANSPORTATION SYSTEM MANAGEMENT PLAN FOR PUBLIC REVIEW AND COMMENT

Ms. Rannells presented this item regarding approval of the Draft Transition Plan and the Draft Emergency Water Transportation System Management (EWTSM) Plan for public comment and review. She reviewed the background of SB1093 and WETA's charge to develop a Transition Plan to facilitate the transfer of existing public transportation services operated by the City of Alameda and the City of Vallejo to WETA, and an EWTSM Plan to facilitate the coordination of water transportation services in the Bay Area region in the event of an emergency, both of which were required to be adopted by the WETA Board no later than July 1, 2009.

Ms. Rannells and Manager of Operations Keith Stahnke delivered PowerPoint presentations on the Draft Transition Plan and the Draft EWTSM Plan respectively.

Chair Johnson commented that these were being approved as drafts to distribute for comment prior to three upcoming public hearings. Ms. Rannells added that public comments and clarifications on the drafts would be brought back to the Board in early June and final versions of the plan would be brought to the board for approval at a special meeting on June 18th.

Vice Chair Intintoli congratulated staff for putting the drafts together during a period of transition. Director Johnson asked about addressing long-term feasibility of the services in the Transition Plan. Ms. Rannells said she anticipated ongoing dialogue with all involved and she acknowledged Alameda and Vallejo city staffs' assistance throughout the process. She added that the drafts would start a dialogue about feasibility issues once everyone had an opportunity to digest them, and that long-term viability issues would be addressed in the final version.

Public Comment:

Aimee Alden of the San Francisco Department of Emergency Management thanked WETA for its work on the EWTSM Plan and noted Mr. Stahnke's involvement on a recent response

exercise. She said that department staff would review the EWTSM Plan and would participate in the comment process. She said the department looked forward to continued partnership with WETA.

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

10. PUBLIC COMMENT

Jay Gardener of Adventure Cat reintroduced his ZOE ferry. He shared a wind chart showing wind through Altamont Pass and Travis AFB and said that Adventure Cat had been using wind for 18 years and that no one else was currently taking advantage of the wind resources entering the Golden Gate. He said that despite its appearance, ZOE is not a sailboat but a wind assisted hybrid electric ferry. He said that Berkeley, Richmond and Treasure Island services would all be ideal for his design. He urged the Board to consider his design and said ZOE could become as much a San Francisco icon as cable cars.

Director Johnson asked if he had built a prototype. Mr. Gardener replied that he had an excursion vessel in service that used a similar technology and that he had a PowerPoint presentation on ZOE. Director Johnson said she appreciated the concept. Mr. Gardener asked if he could give the Board a presentation. Chair Johnson said a brief presentation could be arranged for a future meeting and asked Mr. Gardener to discuss an appropriate time with staff.

11. ADJOURNMENT

All business having concluded, the meeting was adjourned at 2:55 p.m.

Respectfully Submitted,

Board Secretary

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director

SUBJECT: Accept the Independent Auditor's Reports for Fiscal Year 2007/08

Recommendation

Accept the Independent Auditor's Report and Memorandum on Internal Controls for the FY 2007/08, as submitted by Maze & Associates.

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 66540.48. 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 audit reports issued by Maze and provided for Board acceptance are comprised of the Independent Auditor's Report, including the auditor's statement, basic financial statements and management's discussion and analysis, and a Memorandum of Internal Controls.

The Independent Auditor's Report for the year ending June 30, 2008 provides the opinion that the Authority's basic financial statements fairly present in all material respects the results of the operations and cash flows for the year and the financial position of the Authority on June 30, 2008, in conformity with the generally accepted accounting principles in the United States of America.

Maze does not express an opinion on the effectiveness of the Authority's internal controls as the Authority's accounting is performed by ABAG. However, Maze includes comments made to ABAG's Executive Board as part of the ABAG's audit to inform the Authority of relevant issues that pertain to internal controls provided by ABAG.

The Memorandum of Internal Controls finds that there are no matters that Maze consider to be a material deficiency; however they did note a significant deficiency in ABAG's internal controls. A significant deficiency is a "...a control deficiency or combination of control deficiencies that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls."

ABAG's independent audit report notes that ABAG's Assistant Finance Director left ABAG's employment in FY 2007/08 and has not yet been replaced. This position was vacant during this audit and provides key oversight and controls over the accounting function. ABAG responded to the stated deficiency noting that they have not yet filled the Assistant Finance Director position; however, the recently retired Finance Director has agreed to continue working with the newly hired

Finance Director to respond to the increased risk in internal control due to the departure of the Assistant Finance Director.

Financial Implications

None.

END

**SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE SIX-MONTHS ENDED JUNE 30, 2008**

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**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Six-Months Ended June 30, 2008**

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INDEPENDENT AUDITOR'S REPORT

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

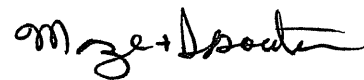
We have audited the basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) as of and for the six-months ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the management. Our responsibility 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the component unit financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and assessing significant estimates made by management, as well as evaluating the overall component unit 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, 2008, and the respective results of its operations and cash flows for the period then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008 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.



December 22, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As discussed in Note 3, the California legislature terminated the San Francisco Bay Area Water Transit (WTA) as of December 31, 2007, and created a new agency, the San Francisco Water Emergency Transportation Authority (the Authority) to begin operation on January 1, 2008, and to assume all assets and liabilities of WTA. The Authority issued the financial reports for the first six months of its operation ending June 30, 2008 based on the provisions of Government Accounting Standards Board Statement 34, "Basic Financial Statements and Management's Discussion and & Analysis - for State and Local Governments", 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 the Authority's financial performance during the six-month period ended June 30, 2008. 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 the Authority, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.

Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs 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 –SIX MONTHS ENDING June 30, 2008

- The Authority's total assets as of June 30, 2008 were \$28.4 million, comparing to the \$15.1 million transferred from the WTA as of December 31, 2007.

- The Authority's total revenues for the six-month period ending June 30, 2008 were \$12.8 million, comprising program revenues of \$1.6 million and operating revenues of \$11.2 million.
- The Authority's total program expenses for the six months ending June 30, 2008 were \$1.6 million.
- As explained in Note 3, the \$11.8 million "special item" in the Statement of Activities represents the total net assets transferred to the Authority from WTA.

PROGRAM INITIATIVES AND OUTLOOK

The WTA received \$12,000,000 of funding in a single appropriation from the California State Legislature as its inception funding in 1999. The Authority recognizes grant revenue, net of interest and other receipts, when qualifying expenditures are incurred. The unexpended amount of \$2.2 million as of June 30, 2008 is accounted for as unearned revenue.

In March 2004, Bay Area voters passed Regional Measure 2 (RM2), raising the toll on the seven State-owned toll bridges in the San Francisco Bay Area by \$1.00. The toll increase will fund a \$3 billion transportation-spending plan that provides a substantial investment in construction of eight new Bay Area ferryboats. The measure also includes funding for other transportation projects including BART, rail and bus projects. The RM2 funding took effect July 1, 2004. The Authority receives RM2 funding for both operating and capital expenses.

In FY 2006-07, the former entity WTA engaged Nichols Brothers Boat Builders to build the first two ferryboats costing approximately \$17.0 million. They were 80% complete as of June 30, 2008, and one of these vessels was completed in December 2008. The other one is expected to be delivered by April 2009. These boats are spare vessels to be used to support other Bay Area ferry transportation services. These vessels will initially be chartered to the City of Alameda for use to support their ferry services. Construction of the third and fourth ferryboats had started and they were about 20% complete as of June 30, 2008. The estimated total cost of these two vessels is about \$20.5 million, and they are expected to join the fleet by October 2009 and January 2010. Environmentally, the new ferries will be ten times cleaner than existing ferries and 85% better than the EPA's emission standards for 2007 marine engines.

In October 2007 Gov. Arnold Schwarzenegger signed Senate Bill 976, the bill that dissolved the San Francisco Bay Area Water Transit Authority (WTA) and replaced it with the San Francisco Bay Area Water Emergency Transportation Authority (the Authority), which would have expanded powers. The new body would have the ability to take possession by 2009 of the ferries, terminals and parking facilities used by the previous WTA as well as those used for the Vallejo and Alameda ferry operations. It would also have the authority to set fares and schedules and adopt budgets. It would

have access to state funding that is not available to the former water-transit body. Future ferry operations also would fall under the purview of the new authority. A new ferry service between South San Francisco and the East Bay is set to begin in 2010, and plans are under way for several more routes in coming years. The new Authority would receive \$250 million in state bond money. The proposed five-member governing board would be appointed by the governor and legislative leaders.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, creditors and interested parties with a general overview of The Authority's Finances. Questions or additional information about these statements should be directed to San Francisco Bay Area Water Emergency Transit 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, 2008

ASSETS

Cash and cash equivalents (Note 4)	\$1,484,826
Receivables:	
Accounts (Note 6)	3,826,407
Interest	12,986
Security deposit	46,489
Construction in progress (Note 5)	<u>22,990,498</u>
 Total Assets	 <u>28,361,206</u>

LIABILITIES

Accounts payable	3,199,872
Unearned appropriation balance (Note 6)	<u>2,170,836</u>
 Total Liabilities	 <u>5,370,708</u>

NET ASSETS (Note 9)

Invested in capital assets, net of related debt	<u>22,990,498</u>
 Total Net Assets	 <u><u>\$22,990,498</u></u>

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA
EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE SIX-MONTHS ENDED JUNE 30, 2008

PROGRAM REVENUE

Intergovernmental Operating	<u>\$1,636,086</u>
Total Revenue	<u>1,636,086</u>

PROGRAM OPERATING EXPENSES

Personnel costs	736,593
Administrative expenses	184,139
Operating consultant fees	<u>715,354</u>
Total Program Operating Expenses	<u>1,636,086</u>

OPERATING INCOME

CAPITAL GRANTS	<u>11,185,214</u>
SPECIAL ITEM: Transfer from WTA (Note 3)	11,805,284
CHANGE IN NET ASSETS	22,990,498
BEGINNING NET ASSETS	<u> </u>
ENDING NET ASSETS	<u><u>\$22,990,498</u></u>

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE SIX-MONTHS ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from grantor agencies	\$2,022,963
Payment for consultant costs	(460,723)
Payment for personnel costs	(736,593)
	<u>825,647</u>

Net Cash Provided (Used) by Operating Activities	<u>825,647</u>
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CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Transfer of Cash from WTA (Note 3)	<u>647,481</u>
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Cash flows from capital and related financing activities	<u>647,481</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grant receipts used for capital activities	9,638,996
Payments for construction in progress	(9,627,298)
	<u>11,698</u>

Cash flows from capital and related financing activities	11,698
--	--------

Net Decrease in Cash and Cash Equivalents	1,484,826
---	-----------

Cash and Cash Equivalents- Beginning of Year	<u> </u>
--	-----------------------------

Cash and Cash Equivalents - End of Year	<u>\$1,484,826</u>
---	--------------------

Reconciliation of Operating Income to
Net Cash Provided by Operating Activities:

Operating Income	
Change in Assets and Liabilities:	
Accounts receivable	\$314,272
Accounts payable	438,770
Deferred revenue	72,605
	<u>825,647</u>

Net Cash Provided (Used) by Operating Activities	<u>\$825,647</u>
--	------------------

See accompanying notes to financial statements

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Six-Months Ended June 30, 2008**

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. The operations of the Authority are conducted by a staff appointed by the Executive Director.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Basis of Presentation*

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

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

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

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

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Six-Months Ended June 30, 2008**

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.

NOTE 3 - COMMENCEMENT OF OPERATIONS

On October 14, 2007, State of California Senate Bill 976 was approved and become law on January 1, 2008. This legislation repeals prior legislation that created the San Francisco Bay Area Water Transit Authority (WTA) and established the San Francisco Bay Area Water Emergency Transportation Authority (Authority). Pursuant to this law the operations of WTA were terminated as of December 31, 2007 and all asset and liabilities were transferred to the Authority as shown below:

	<u>Balances Prior to Transfer</u>	<u>Transfer Balances to The Authority</u>	<u>January 1, 2009 Balances After Transfer</u>
ASSETS			
Cash and cash equivalents	\$0	\$647,481	\$647,481
Receivables:			
Accounts	0	2,592,296	2,592,296
Interest	0	15,151	15,151
Security deposit	0	46,489	46,489
Construction in progress	0	11,805,284	11,805,284
Total Assets	<u>0</u>	<u>15,106,701</u>	<u>15,106,701</u>
LIABILITIES			
Accounts payable	0	1,203,186	1,203,186
Unearned appropriation balance	0	2,098,231	2,098,231
Total Liabilities	<u>0</u>	<u>3,301,417</u>	<u>3,301,417</u>
NET ASSETS			
Invested in capital assets, net of related debt	0	11,805,284	11,805,284
Total Net Assets	<u>\$0</u>	<u>\$11,805,284</u>	<u>\$11,805,284</u>

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Six-Months Ended June 30, 2008**

NOTE 4 - CASH AND CASH EQUIVALENTS

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.

A. Carrying Amount and Fair Value

Cash and investments comprised of the following at June 30, 2008:

Cash Equivalent	
LAIF	\$1,374,171
Cash in Banks	110,155
Cash on hand	<u>500</u>
Total Cash and Cash Equivalents	<u><u>\$1,484,826</u></u>

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 212 days.

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.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Six-Months Ended June 30, 2008**

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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.

NOTE 5 - CONSTRUCTION IN PROGRESS

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. During the six-months ended June 30, 2008, the Authority expended \$11,185,214 for capital outlay which has been recorded as Construction in Progress. From inception to June 30, 2008, the Authority had expended \$22,990,498.

NOTE 6 - FUNDING SOURCES

Update with new legislation

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, 2008, the appropriation has a balance as follows:

Original appropriation	\$12,000,000
Net expenses transferred from WTA (See Note 3)	<u>(9,867,556)</u>
Unearned appropriation as of beginning of period	2,132,444
Fiscal Period 2008:	
Interest income	<u>38,392</u>
Unearned appropriation as of period end	<u><u>\$2,170,836</u></u>

B. Regional Measure 2

On March 2, 2004, voters approved Regional Measure 2 (RM2), raising the tolls on the seven State-owned toll bridges in the San Francisco Bay Area by \$1. This toll increase is to fund various transportation projects within the region that have been determined to reduce congestion or to improve travel in the toll bridge corridors. The Authority is receiving the portion of RM2 funding intended for water transportation services, facilities and vessels. The Authority was allocated \$1,636,086, to be used for operations and \$9,638,996 to be used for capital projects in the six-months ending December 31, 2008. As of June 30, 2008, the Authority had expended total allocated funds of \$24,006,514, had received \$20,180,107 in cash and had a receivable balance of \$3,826,407.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Six-Months Ended June 30, 2008**

NOTE 7 – 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 8 – 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, 2008 is believed by management to be immaterial based on the absence of any asserted claims.

NOTE 9 – NET ASSETS

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

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

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

**SINGLE AUDIT REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

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

**SINGLE AUDIT REPORT
For The Six Months Ended June 30, 2008**

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Six Months Ended June 30, 2008**

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? X Yes 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:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	South San Francisco Vessel and Terminal

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 disclosed significant deficiencies but no material weaknesses or instances of noncompliance material to the basic financial statements which has been included in our separately issued Memorandum on Internal Control (Memorandum) dated December 22, 2008. This Memorandum 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 or Questioned Costs reported.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Six Months Ended June 30, 2008

<u>Federal Agency & Program Name</u>	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
Department of Transportation Federal Transit Administration South San Francisco Vessels and Terminal	20.507	<u>\$1,546,218</u>
Total Federal Expenditures		<u><u>\$1,546,218</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Six Months Ended June 30, 2008**

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 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 Federal award programs when they occur.

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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 six months ended June 30, 2008, and have issued our report thereon dated December 22, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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.

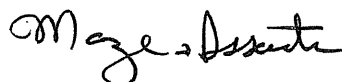
Our audit disclosed significant deficiencies but no material weaknesses or instances of noncompliance material to the basic financial statements which has been included in our separately issued Memorandum on Internal Control (Memorandum) dated December 22, 2008. This Memorandum is an integral part of our audits and should be read in conjunction with this report.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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*.

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.

A handwritten signature in black ink, appearing to read "Mage, Assante". The signature is written in a cursive style with a large initial 'M' and 'A'.

December 22, 2008

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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 Authority 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 six months ended June 30, 2008. 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 six months ended June 30, 2008.

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 an 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.

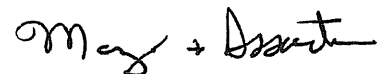
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

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 six months ended June 30, 2008, and have issued our report thereon dated December 22, 2008. 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.



December 22, 2009

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director

SUBJECT: Authorize Filing an Application with the Metropolitan Transportation Commission for \$3 Million FY 2009/10 Regional Measure 2 Operating Funds

Recommendation

Authorize filing an application with the Metropolitan Transportation Commission (MTC) for \$3 million for FY 2009/10 Regional Measure 2 (RM2) operating funds.

Background

MTC requires agencies receiving RM2 operating funds to formally authorize application for these funds.

Discussion

The Water Emergency Transportation Authority (Authority) is eligible to receive up to \$3 million annual RM2 operating funds to support general agency planning, management and administration activities. These funds will be required in FY 2009/10 to support general office functions associated with WETA's ferry transportation expansion program. The Authority's FY 2009/10 RM2 application for these funds is attached, including the general application and required certifications and Board resolution. The Board resolution contains the following key items:

- Grants the Executive Director, or her designee, authority to execute the allocation request and transmit it to MTC;
- Assures MTC that there is no legal impediment for the Authority to make this request and that there is no pending or threatened litigation;
- Commits the Authority to follow MTC's procedures for seeking allocation and reimbursement of funds; and
- Indemnifies MTC against claims resulting from performance of services funded with this allocation. This is consistent with language required of other grant agreements and does not shift any new risk to our agency.

As a part of the overall budget development, staff is working on a budget plan for additional FY 2009/10 work activities including support of spare vessel operations, transition plan implementation costs, agency cashflow and reserve requirements and Vallejo and/or Alameda operating needs which would be funded with the additional \$15.3 million annual RM2 funds available to WETA. An additional RM2 operating application for these funds will be brought forward next month along with the annual budget item.

Financial Implications

This item supports application and receipt of \$3 million grant funds to support agency planning and administrative operating activities for FY 2009/10.

END

MEMORANDUM

TO: Board Members

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

SUBJECT: Approval of Amendment Number 8 to the Agreement with the Association of Bay Area Governments for the Provision of Accounting Services

Recommendation

Approve by resolution Amendment Number 8 to the agreement with the Association of Bay Area Governments (ABAG) in the amount of \$90,000 for the provision of accounting support services for FY 2009/10 and authorize the Executive Director to execute the amendment.

Background

On March 22, 2001, the Water Transit Authority (WTA) Board approved an agreement with ABAG to manage its fiscal affairs in conformance with accepted State government accounting practices. This agreement transferred over to the Water Emergency Transportation Authority (WETA) upon its creation on January 1, 2008.

Discussion

The annual ABAG agreement includes fiscal services to process and pay invoices, keep WETA's accounting records, provide advice on financial accounting matters and provide for required independent financial audit work. In FY 2009/10, this will include the services of independent auditor Maze & Associates Accountancy Corporation to conduct WETA's annual fiscal audit for FY 2008/09.

The advantages of this continued arrangement with ABAG include their knowledge of governmental accounting practices, their professional staff to manage audits, use of their accounting software system, independent review of invoices and check processing services. This also provides a cost saving over direct hiring of accounting personnel and implementation of financial software and provides for continuity of service.

Staff and ABAG have estimated that \$90,000 will be required for these services next fiscal year and staff is requesting an amendment in this amount for services to be provided through June 30, 2010. WETA will only be charged for the actual use of these services.

Financial Implications

The award of these services would commit WETA to up to \$90,000 for FY 2009/10. These funds will be reflected in the upcoming budget.

END

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director

SUBJECT: Approve Amendment Number 10 to the Agreement with Nossaman, LLP for the Provision of Legal Services

Recommendation

Approve Amendment Number 10 to the agreement with Nossaman, LLP for the provision of legal services and authorize the Executive Director to execute the amendment.

Background

On August 26, 2004, WTA approved an initial agreement for legal services with Nossaman, LLP. This contract was transferred over to WETA upon its creation on January 1, 2008, and has been renewed periodically to include funds required to support legal services each fiscal year as follows:

	Date	Amount	FY Expenditures
Original Agreement	8/26/04	\$70,000	
Amendment No. 1	5/26/05	\$50,000	FY 2004/05 \$120,000
Amendment No. 2	5/26/05	\$120,000	
Amendment No. 3	2/23/06	\$60,000	FY 2005/06 \$180,000
Amendment No. 4	5/25/06	\$200,000	
Amendment No. 5	1/25/07	\$250,000	FY 2006/07 \$450,000
Amendment No. 6	5/24/07	\$300,000	
Amendment No. 7	12/20/07	\$100,000	
Amendment No. 8	5/08/08	\$150,000	FY 2007/08 \$550,000
Amendment No. 9	5/15/08	\$300,000	
Amendment No. 10	Pending	\$100,000	FY 2008/09 \$400,000

Discussion

On May 15, 2008, the Board authorized contract Amendment 9 with Nossaman for \$300,000 to cover legal services for FY 2008/09. Since that time, Nossaman costs have been greater than anticipated. To date, services required to support the multiple issues related to the South San Francisco lease agreement and the three-party funding agreement between WETA, South San Francisco, and the San Mateo County Transportation Authority for Measure A sales tax funds have required a higher level of service than was originally anticipated. Staff anticipates that further work will be required this year on the SSF lease details and that legal services will be required to support up-coming discussions related to asset and real property transfer and lease agreements associated with the City of Vallejo and City of Alameda/Port of Oakland service transition discussions.

Staff recommends Board approval of an additional \$100,000 for FY 2008/09, bringing the total contract amount for the fiscal year to \$400,000. WETA will only be charged for the actual use of these services.

Financial Implications

This amendment would commit the Authority to a total not-to-exceed amount of \$400,000 for legal services through FY 2008/09. Sufficient operating funds are available in the FY 2008/09 budget to support this increase.

END

MEMORANDUM

TO: Board Members

**FROM: Nina Rannells, Executive Director
Shirley Douglas, Manager, Community Relations**

SUBJECT: Approval of Amendment Number 8 to the Agreement with Lindsay, Hart, Neil & Weigler, LLP for the Provision of Federal Legislative Representation

Recommendation

Approve Amendment Number 8 to the agreement with Lindsay, Hart, Neil & Weigler, LLP (LHNW) to extend the term of their contract through FY 2009/10 for an amount of \$160,000 and to authorize the Executive Director to execute the amendment.

Background

The Water Transit Authority first approved the Lindsay contract on November 29, 2001 after a competitive selection process. This contract was transferred over to WETA upon its creation on January 1, 2008, and has been renewed annually to provide funding to continue this ongoing work. Over the years, LHNW has been successful at securing over \$20 million in federal funding commitments toward WETA projects and in working to increase overall federal transportation funding for ferry programs.

Discussion

Mr. Peter Friedman and his staff will continue working on funding and other legislative issues in FY 2009/10, focusing on the following programs and priorities:

- Expanding programs/funds for ferry systems in the Federal Transportation Reauthorization legislation and securing high priority funding for WETA expansion, rehabilitation and replacement projects (currently in-process);
- Securing funding in the FY 2009/10 Transportation Appropriations programs for Berkeley terminal/vessels and other WETA projects;
- Monitoring security regulations impacting ferry and transit industries and identifying opportunities for federal funding to support emergency response projects, training and other activities; and
- Keeping staff apprised of significant events related to federal transportation funding.

Financial Implications

The award of these services would commit the Authority to contract expenses in an amount up to \$160,000 in FY 2009/10. This is the same amount proposed in FY 2008/09.

END

MEMORANDUM

TO: Board Members

**FROM: Nina Rannells, Executive Director
Shirley Douglas, Manager, Community Relations**

SUBJECT: Approval of Amendment Number 5 to the Agreement with Broad & Gusman, LLP for the Provision of State Legislative Representation

Recommendation

Approve Amendment Number 5 to the agreement with Broad & Gusman, LLP to extend the term of their contract for FY 2009/10 in an amount not to exceed \$60,000 and authorize the Executive Director to execute the amendment.

Background

On October 28, 2004, the Water Transit Authority Board approved an agreement with Broad & Gusman to represent the Authority until June 30, 2005. This agreement has since been renewed annually for the same amount each year.

Discussion

The scope and amount of Mr. Broad's contract will remain largely the same for FY 2009/2010. His priorities include:

- Providing legislative advocacy to increase WETA's visibility in Sacramento;
- Working to preserve and expand State and Regional funds for capital and operating expenses in order to increase WETA's financial viability;
- Promoting the role of ferries in Emergency Response; and
- Informing legislative and administrative offices regarding WETA's progress in delivering the state-mandated Transition Plan and Water Emergency System Management Plan.

Financial Implications

The award of these services would commit the Authority to up to \$60,000 for FY 2009/10. This expenditure is the same as the amount proposed in FY 2008/09 budget.

END

MEMORANDUM

TO: Authority Members

FROM: Nina Rannells, Executive Director

SUBJECT: Accept the Independent Auditor's Reports for Fiscal Year 2007/08

Recommendation

Accept the Independent Auditor's Report and Single Audit Report for the FY 2007/08, as submitted by Maze & Associates.

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 66540.48. The Authority utilizes the services of Maze & Associates Accountancy Corporation to perform this independent audit through its ongoing agreement with the Association of Bay Area Governments (ABAG) for financial services.

Discussion

The audit reports issued by Maze & Associates and provided for Board acceptance are comprised of the Independent Auditor's Report on WETA's basic financial statements and the Single Audit Report required in conjunction with receipt of Federal funds.

The Independent Auditor's Report for the six months ended June 30, 2008, provides the opinion that the Authority's basic financial statements fairly present in all material respects the results of the operations and cash flows for the year and the financial position of the Authority on June 30, 2008, in conformity with the generally accepted accounting principles in the United States.

The Single Audit Report for the six months ended June 30, 2008, provides a schedule of expenditures of federal awards, report on internal controls and report on compliance with grant requirements. While Maze & Associates does not express an opinion on the effectiveness of the Authority's internal controls as the Authority's accounting is performed by ABAG, they have included comments made to ABAG's Executive Board as part of the ABAG's audit to inform the Authority of relevant issues that pertain to internal controls provided by ABAG.

The Memorandum of Internal Controls noted a significant deficiency in ABAG's internal controls. ABAG's independent audit report notes that ABAG's Assistant Finance Director left the Association's employment in FY 2007/08 and had not yet been replaced by June 30, 2008. This position provides key oversight and controls over the accounting function and was vacant during this audit. ABAG responded to the stated deficiency noting that while they had not yet filled the Assistant Finance Director position, the recently retired Finance Director had continued working with the newly hired Finance Director to respond to the increased risk in internal control due to the departure of the Assistant Finance Director.

Financial Implications

None.

END