

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

*(December 11, 2014)*

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 Jody Breckenridge called the meeting to order at 1:05 p.m. and led the pledge of allegiance. Other directors present were Director Timothy Donovan and Director Anthony Intintoli.

**2. REPORT OF BOARD CHAIR**

Chair Breckenridge reported that she had been engaged in several outreach meetings. She noted a meeting she participated in along with Executive Director Nina Rannells with the Bay Area Council's Transportation Committee stating that it had been a good opportunity to engage with a key constituent involved in the founding of WTA and WETA and to learn the concerns of the commuting workforce served by WETA.

Chair Breckenridge then reported on a meeting with the director and key staff of CalOES, noting many opportunities for WETA to engage with them regarding WETA's emergency response role and as a support resource. She also noted a meeting with Ms. Rannells and Masters, Mates & Pilots, adding that their international representative had been present as well. Ms. Breckenridge closed her report stating that it was clear there was considerable interest in WETA and open doors on all fronts.

**3. REPORT OF DIRECTORS**

Director Donovan conveyed an appreciation to WETA staff, commending them for their work over the last year and noting that he appreciated the quality of work on WETA's various projects and on the reports delivered to the Board.

**4. REPORTS OF STAFF**

Executive Director Nina Rannells referred the Board to her written report and offered to respond to any questions. She also noted two additional items, firstly, that all services except for Vallejo had been cancelled for that morning due to severe weather, and secondly, that the Alameda Main Street terminal would be closed for the weekend for a scheduled capital project to move the float and gangway. She said that it was not anticipated that weather issues would delay the Alameda project.

Chair Breckenridge asked for details regarding the meeting with San Francisco's Lifelines Council as noted on page five of the Executive Director's Report. Ms. Rannells reported that it was a group composed of representatives from public agencies and a variety of other entities who are interested in looking at ways to respond to major emergencies in San Francisco and the greater Bay Area. She noted that there were many subcommittees focused on delivering specialized plans, such as one devoted to Market Street which considered not only access for first responders but also for utility personnel. Chair Breckenridge summarized that it was basically the Department of Emergency Management in a city-wide look at how to bucket things into both short-term and sustainable recovery efforts.

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Director Donovan noted that they appeared to be focused on the City of San Francisco but that WETA's role was regional. He asked if they were reaching out to other areas around the Bay. Chair Breckenridge replied that that particular group was looking at the City of San Francisco but that DEM's larger engagement effort acknowledged that there would be competition for resources around the Bay.

Ms. Rannells noted that there was a guest speaker at the meeting from the City of Napa fire department who spoke on the response efforts to the recent earthquake. She also said that there was a Lifelines group focused on regional response which seemed to be the appropriate group for WETA to engage.

Chair Breckenridge also asked for details regarding the kick-off meeting of the Bay Area Core Capacity Transit Study Executive Team. Ms. Rannells responded that it was very much a kick-off meeting and that the project had been inspired by a call for TIGER grants and that it was looking primarily at capacity issues in the Bay Bridge corridor and downtown San Francisco. She added that she saw it as a lead-in to a discussion regarding projects for future bridge toll funds.

Director Donovan asked for a report on the Oakland terminal closure on November 15 and 16. Manager of Public Information and Marketing Ernest Sanchez reported that work had gone smoothly and with a minimum of public disruption as a result of public outreach before the closure. He added that he anticipated that the upcoming weekend Alameda closure would proceed in a similar fashion. Ms. Rannells said that it would be good to have this work completed.

Chair Breckenridge commented on the legislative report, noting that until the lay of the land had been assessed with the new Congress that any discussion would be supposition.

Director Intintoli asked if Therese McMillan had been confirmed to lead the FTA. WETA counsel Stanley Taylor III of Nossaman LLP said that action had not yet been taken on the confirmation following the nomination process but that no issues were anticipated. Chair Breckenridge said she was always encouraged to see a West Coast perspective in DC.

#### **5. CONSENT CALENDAR**

Director Donovan made a motion to approve the consent calendar which included the Board of Directors meeting minutes of November 6, 2014.

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

Yeas: Breckenridge, Donovan, Intintoli. Nays: None.

#### **6. ACCEPT THE INDEPENDENT AUDITOR'S ANNUAL FINANCIAL REPORTS FOR THE FISCAL YEAR 2013/14**

Ms. Rannells presented this item recommending that the Board accept the Independent Auditor's Annual Financial Reports for the year ending June 30, 2014, as submitted by Maze & Associates, including The Memorandum on Internal Control, Basic Financial Statements, Single Audit Report and Measure B Compliance Report. Ms. Rannells reminded the Board that WETA contracted with ABAG to provide accounting services and that ABAG in turn hired Maze & Associates to provide auditing services.

Ms. Rannells introduced Timothy Krisch and Cody Smith of Maze & Associates. Mr. Krisch presented the report to the Board. Mr. Krisch thanked Ms. Rannells and Lynne Yu, Manager of Finance and Grants, for their assistance during the audit process, noting that the work had gone very smoothly.

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Director Intintoli asked if the comment on page 10 of the audit beginning “We did not express an opinion...” was a cause for concern. Mr. Krisch replied absolutely not, noting that the auditor does not express an opinion on fluctuations.

Director Intintoli then asked if there was a list of what WETA could invest Proposition 1B funds in before they are utilized. Ms. Rannells responded that the last paragraph on page 25 provides a matrix of the types of investments WETA is allowed to make, but noted that investment of Proposition 1B funds were more limited and driven by guidance from CalEMA, the administering agency.

Director Donovan asked if the pension plan was under CalPERS. Mr. Krisch confirmed that this was correct. Director Intintoli asked if it was true that the CalPERS plan under which people are hired changed dramatically after January 2013, and if it would be the same for anyone hired after that date at WETA. Ms. Rannells said that was indeed the case for new employees who were not hired from another PERS covered entity.

Chair Breckenridge asked about WETA’s unfunded pension liability and asked if this was simply looked at as an incremental business expense that would be spread out over time until the debt was cleared. Ms. Yu confirmed that this was correct and further indicated that WETA has the opportunity to pre-pay the unfunded liability once CalPERS identifies WETA’s share. Mr. Krisch said CalPERS can identify the amount but that there was a timeline and that it could take up to a year from now.

Ms. Rannells said that Ms. Yu was already looking at ways for WETA to cover its unfunded liability with the hope to do this in the current fiscal year with the implementation of the new GASB requirement. Ms. Yu noted that she understood the number for WETA’s unfunded liability to be modest, at approximately \$49,000.

Chair Breckenridge asked for confirmation that the requirements for reporting pension liabilities would fall to CalPERS and not WETA. Mr. Krisch said that once GASB 68 was implemented that the figures in WETA’s annual financial report would only reflect WETA’s responsibility and not the full CalPERS plan liability as it did currently.

Director Donovan asked how long Maze & Associates had been performing WETA’s audit. Mr. Krisch replied that it had been since inception. Ms. Yu added that as WETA’s fiscal agent, ABAG had gone out to bid the prior year and Maze had been re-awarded the contract. Mr. Krisch noted that Maze & Associates was uniquely qualified as they also performed audits on the cities of Alameda and Vallejo and were familiar with the ferry system.

Director Intintoli made a motion to accept the auditor’s report. Director Donovan seconded the motion and the item carried unanimously.

Yeas: Breckenridge, Donovan, Intintoli. Nays: None.

## **7. OVERVIEW OF AGENCY ENABLING LEGISLATION AND ADMINISTRATIVE CODE**

Mr. Taylor introduced Danielle Gensch of Nossaman LLP who provided an informational overview of WETA’s enabling legislation and Administrative Code and provided Board members with a Public Officials Handbook containing background information.

Chair Breckenridge asked about competitive bids in a situation such as an engine taking a hit and the balance between fair and open competition and the need for urgency. Ms. Gensch replied that in some situations there may be an on-call contract for such service. Ms. Rannells added that engines typically required warranty repair but that there had been contracts awarded in emergency situations such as

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repair of the Harbor Bay float which had issues as the result of a storm when WETA first took over the service. Mr. Taylor added that everything starts from a default position of being competitively procured and that the emergency provision is used cautiously. Ms. Rannells noted that Blue & Gold Fleet may also take care of some urgent situations as the day-to-day contract operator. She added that each project may have additional procurement requirements depending on the source of funding.

Mr. Taylor noted that Chair Breckenridge has asked about following the Federal model of a contracting officer that authorizes all procurements and awards, stating that the California governments utilize a different model that typically gives the agency General Manager some level of authority to award contracts, which is up to \$100,000 in the case of WETA per the Administrative Code, and has the Board award contracts for amounts in excess of \$100,000. Chair Breckenridge said that it was very different from what she was accustomed to on the Federal side, but noted that it was consistent with California practice and existed for transparency and to serve the public.

Chair Breckenridge asked if anything was substantive coming up for review by the Board. Ms. Gensch said that the HR guide would be coming up for review but that it only applied to employees and not the Board.

Ms. Rannells added that generally WETA contracts had a project manager who would develop a work scope with a boilerplate agreement and that they typically would be reviewed through the Nossaman office.

Mr. Taylor invited the Board to contact Ms. Gensch or him with any questions. Chair Breckenridge thanked Ms. Gensch and Mr. Taylor for the clear breakdown of the process.

## **8. OVERVIEW OF AGENCY FUNDING**

Ms. Rannells presented this informational overview of agency funding.

Chair Breckenridge said that she appreciated the clarity and thoroughness of the report.

Director Intintoli commented that information about the fares on the Vallejo service should be clearly noted so that it put the higher operational costs of the service into perspective. Ms. Rannells said that she had prepared some additional documents that demonstrate this point.

Ms. Rannells noted that although WETA's enabling legislation greatly emphasized WETA's emergency response role, the budget and the SRTP clarifies that WETA is largely funded as a public transit operation, and that when WETA transitioned to take over Vallejo and Alameda services, it received the public transit funds available to support continued operation of these services and that this is what staff spends the majority of its time on.. Chair Breckinridge added that many did not understand the complexity of WETA's work scope.

Director Intintoli asked if there was anything that could be done regarding the "use it or lose it" requirement for RM2 funds. Ms. Rannells responded that these were MTC's rules, and not necessarily in the RM2 legislation. She noted another issue with RM2 is that it does not escalate from year to year, leaving no room to cover cost escalation over time for existing services. She indicated that this is why it is so important for WETA to be included in any new conversations regarding future bridge toll funds for transit.

Chair Breckenridge asked if details were available in MTC's financials regarding the RM2 funding that is returned. Ms. Rannells said that it was very difficult to get this level of response from MTC, saying

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that she had asked MTC staff various times what happened to RM2 funding WETA had been required to return but had never received a response.

Chair Breckenridge asked what could be done to make MTC understand what kind of reserve WETA needed to have in place to be adequately funded. Mr. Taylor said that this was exactly why WETA needed to be involved in the discussion of a future bridge toll funds, noting that it was likely to be on the ballot as soon as 2016. Chair Breckenridge emphasized the need to have a rainy day fund before a catastrophic operation scenario impacted day-to-day operations, noting that WETA, as a ferry operator, had compliance requirements that were unique to water transit.

Ms. Rannells agreed and said that the conversation was taking place at many levels. She added that it was important that staff and Board work together to identify what this would look like. Ms. Rannells added that it was a risk to the agency that WETA does not have direct control of any of its funding sources, either for operations or capital, as all funds are subject to allocation by external agencies.

Director Intintoli noted that it was always easier to secure capital funding but difficult to obtain sustainable funding for operations and that it was important to secure operations funding for expansion service that would not impact existing services and referenced WETA's experience with building the South San Francisco service. He stated that more operational funds needed to be identified before moving forward with the political pressures to expand. Ms. Rannells agreed that more operational funds were needed.

Chair Breckenridge expressed a more expanded definition of operational money recognizing the need to continue operations but also the money required for emergency response which includes participating in drills and having response plans.

Ms. Rannells noted that when the E was added to the WTA name that MTC staff had indicated that funds received from MTC were not to be used for emergency response but from a practical standpoint stated that all transit agencies were expected to help move people in response to a catastrophic event.

Director Intintoli pointed out that WETA, through its enabling legislation, was unique in its responsibility by having to coordinate emergency response without a specific funding source. Chair Breckenridge suggested that emergency response be added to the budget. She further explained that the operating budget needs to be clear and comprehensive so that all stakeholders understand the realities of WETA's dual roles and limitations on funding.

Director Donovan asked for clarification on the emergency response budget. Chair Breckenridge stated that there were costs on several levels which include planning functions and associated costs of putting the plan together, contractors, staff time and responsibilities of exercising the plan hands on and linking to the national and state response plans. Ms. Rannells added that WETA participated with Coast Guard through Blue & Gold, as our operating agent, but with no emergency response-specific operating funding source.

Director Donovan suggested setting aside a certain percent of the budget in the future. Director Intintoli recommended talking to MTC about the possibility of applying "use it or lose it" funds for emergency response. Director Breckenridge stated that she thought that WETA could receive support from Bay Area Council and CalOES. Director Intintoli asked that these groups join WETA in its efforts to obtain funding.

Ms. Rannells recognized the major gap in funding with the added responsibility. Chair Breckenridge added that part of operations is staffing and if WETA has a role, there is a need to have someone who

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has the expertise in this area that enables WETA to meet responsibility which will be discussed when the plan is reviewed.

Chair Breckenridge questioned whether WETA would be able to manage the State's needs of WETA from an emergency response coordination perspective while continuing to keep daily operations going in an emergency setup and wanted to understand the risk and vulnerabilities and long term financial needs.

Ms. Rannells noted for the Board that operating funds RM 1 and 2 do not have a sunset clause, but that they also do not escalate over time and that, as administered by MTC, are for regular transit operations only.

Ms. Rannells continued her presentation on the capital program broken out by facilities, vessels, general equipment, and service expansion; a majority of which is associated with what is needed to maintain and sustain what exist today.

Director Donovan asked about current maintenance work. Ms. Rannells replied that most was handled by Blue & Gold under the current operations and maintenance contract. She explained that the new facilities being designed and built allowed WETA to own and control the maintenance facilities for its vessels independent of the contract operator, which will help ensure system sustainability over time, noting that space on the waterfront was difficult to obtain for maritime operations.

Ms. Rannells stated that WETA's capital program for rehabilitation and replacement projects are included in the SRTP/ten year plan and that it's important to plan ahead for these projects because WETA is generally required to submit applications for funds two to four years in advance of project construction. The type of grant funds used for each project is dependent on the specific type of project and its eligibility for funding.

Ms. Rannells confirmed Director Intintoli's statement that no federal operating funds existed. She noted, though, that federal funds administered by MTC play a large role in funding WETA's rehabilitation and replacement needs. These funds come through MTC's Capital Projects Priority Process. She noted that WETA has also received over \$30 million federal ferry boat discretionary funds and federal transit ferry grant funds over time, secured with the help of WETA's federal lobbyist Peter Friedmann and the support of our federal legislative delegation.

Director Intintoli asked about the farebox recovery for buses, noting that the farebox recovery for ferries was significantly more than many other transit systems. Ms. Rannells noted that MTC's requirement for farebox recovery for ferry services to receive bridge toll funds is greater than any other system, including BART. She indicated that the South San Francisco service is nearing MTC's three-year mark to reach its farebox recovery requirement of 40%, and that staff is working with MTC staff to encourage their continued commitment to fund this service with RM2 bridge toll funds approved by voters for ferries. She further stated that, in her opinion, three years is not a realistic timeframe under which to fully establish a new ferry service.

Ms. Rannells stated that staff has developed a project agreement template for use in developing agreements with interested parties in developing new and expansion services. This agreement seeks to recognize that operating funds are an important component of expansion services, and to establish a basic project outline and roles and responsibilities of interested parties and partners. She noted the importance of identifying up front how WETA would work with local agencies and entities to partner to develop, fund and support new services and allow time for growth. She further indicated that several project specific agreements were under development, as noted in her monthly Executive Director's

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Report, and that staff would be bringing forward a discussion regarding these agreements at future meetings.

Ms. Rannells added that Proposition 1B promises \$250 million over ten years with four years remaining. Ms. Yu stated that WETA is allowed to submit \$25 million worth of programming per year, subject to annual state budget appropriation and CalOES program guidance, and that CalOES has two years from approval of each grant year program to sell bonds and disburse funds to WETA.

Chair Breckenridge asked about Treasure Island service, and if the City of San Francisco/developer would be funding the vessels for the service. Manager of Planning and Development Kevin Connolly said that their funding assumption had been that they would lease a vessel for the service, which WETA staff had cautioned would likely prove problematic, but that they have come to the conclusion that that scenario was unlikely. Ms. Rannells noted that staff was working with them to help develop a full picture of the capital and operating and capital needs, and that they also needed to consider the cost of utilization of a maintenance/mooring facility and a backup boat. Director Donovan asked if it was possible for WETA to lease a boat to the Treasure Island service. Ms. Rannells noted that staff would explore all options for working to support delivery of this service.

#### **9. RECESS INTO CLOSED SESSION AND REPORT OF ACTIVITY IN CLOSED SESSION**

Chair Breckenridge called the meeting into closed session at 3:05 p.m. Upon reopening of the meeting at 3:15 p.m. she reported the Board considered a claim that was a matter of record and that the Board rejected the claim on a vote of 3-0.

#### **10. PUBLIC COMMENT**

Jerry Bellows of the Maritime Administration thanked WETA staff for the financial overview and added that he felt WETA was a great, dynamic organization.

Chair Breckenridge thanked staff for the work and wished all happy and safe holidays.

#### **11. ADJOURNMENT**

All business having concluded, the meeting was adjourned at 3:18 p.m.

Respectfully Submitted,

Board Secretary

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