

Members of the Board

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**SAN FRANCISCO BAY AREA
WATER EMERGENCY TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS WORKSHOP**

Thursday, March 7, 2019 at 2:00 p.m.

Port of San Francisco

Pier 1

San Francisco, CA

AGENDA

The purpose of this workshop is to provide an overview of WETA's current work program of plans and projects, consider these in relation to WETA's financial status and receive input on program priorities for use in developing WETA's FY 2019/20 work program.

1. CALL TO ORDER/ ROLL CALL
2. OVERVIEW OF FINANCIAL STATUS
 - a) Five-Year Financial Projection
 - b) Overview of Agency Funding
3. WETA 20-YEAR OUTLOOK WITH RM3
4. DISCUSSION OF PROGRAM PRIORITIES FOR FY 2019/20 WORK PROGRAM
5. PUBLIC COMMENT

ADJOURNMENT

PUBLIC COMMENT: As this is a special meeting of the Board, public comments are limited to the listed agenda items. There will be no public comments taken for non-agenda items.

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AGENDA ITEM 1
CALL TO ORDER

NO MATERIALS

MEMORANDUM

TO: Board Members

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

SUBJECT: Overview of Financial Status

Recommendation

This is an informational item only.

Background/Discussion

The San Francisco Bay Area Water Emergency Transportation Authority (WETA) relies upon external grant funds to support its ongoing annual operation and capital rehabilitation and expansion program and projects. Funds utilized are available from a variety of ongoing and one-time grant programs, many of which are specific to the provision of public transit services, and secured through grant contracts with a number of local, regional, state and federal agencies.

With the passage of RM3, WETA is slated to receive an infusion of new funds including \$300 million in capital funds to support construction of WETA vessels, terminals and facilities and an operating subsidy of up to \$35 million annually to support WETA's growing regional ferry system. However, these funds are currently unavailable due to two lawsuits pending in the Superior Court in the City and County of San Francisco. On January 1, 2019 BATA began collecting the first dollar of the approved toll increase. Toll revenues collected will be placed into an escrow account and will not be allocated to project sponsors until the lawsuits are settled.

This item provides a baseline financial projection for existing services over the next five years, assuming no new RM3 funds, and an overview of the various grant funds WETA uses and/or is eligible to apply for to support its annual operating and capital programs.

MEMORANDUM

TO: Board Members

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

SUBJECT: Five-Year Financial Projection

FY 2018/19 BUDGET

WETA's FY 2018/19 budget includes an operating budget of \$49,314,500 and capital budget of \$109,712,000 to support WETA's program of services and capital construction projects.

Funds budgeted to support WETA's operating program in FY 2018/19 include \$23.3 million (49%) passenger fare revenues, \$21.2 million (44%) bridge toll funds administered by the Metropolitan Transportation Commission (MTC) and provided to WETA through annual grant application and award and \$3.3 million (7%) other local subsidies. Bridge toll funds budgeted in FY 2018/19 include \$19.5 million RM2 and \$1.6 million RM1 funds. Other subsidies include \$2.6 million Contra Costa County Measure J Sales Tax funds and \$728,000 Alameda Property Tax and Assessment funds.

Funds to support the FY 2018/19 capital program are a mix of \$58.1 million State funds including \$57.2 million Proposition 1B funds administered by California Office of Emergency Services (CalOES), \$35.2 million Federal funds administered by FTA, \$14.8 million Bridge Toll Revenues administered by MTC and \$1.6 million other Local funds including \$776,000 Alameda County Transportation Sales Tax Measure B/BB funds from the Alameda County Transportation Commission.

FINANCIAL PROJECTION

Using the FY 2018/19 Budget as Year 0, staff has prepared a five year financial outlook of WETA's operating and capital program required to support WETA's current fleet (vessels in operation and under construction), facilities and levels of service. The Five-Year Financial Projection is provided as **Attachment A** to this report. This projection assumes that current funds available to WETA remain unchanged and that there is no new increment of RM3 or other new operating funds. It assumes that ridership continues to grow at a moderate pace and that the Board approves continuation of WETA's annual fare increase program, scheduled to conclude June 2020, that provides for annual incremental fare increases to keep pace with cost inflation.

WETA's five-year program is estimated to cost \$413,277,700, including \$269,380,900 in operating and \$143,896,800 in capital expense. Based upon the financial projection, current revenues are estimated to be sufficient to cover projected costs over the five-year period and leave sufficient fund balances to address unforeseen expenses. While the delay in availability of RM3 funds will impact WETA's ability to aggressively pursue its system expansion and enhancement plans and projects, it will not have an immediate impact on WETA's ability to support operation and maintenance of its current services.

Attachment A

Five-Year Financial Projection Baseline

	Year 1 FY2019/20	Year 2 FY2020/21	Year 3 FY2021/22	Year 4 FY2022/23	Year 5 FY2023/24	Total 5-Years
TOTAL EXPENSE	\$99,431,600	\$67,242,600	\$68,812,100	\$64,775,600	\$113,015,800	\$413,277,700
OPERATING EXPENSE	\$50,616,300	\$52,188,900	\$53,817,800	\$55,505,000	\$57,252,900	\$269,380,900
Planning & Administration	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
Ferry Service Operations	47,616,300	49,188,900	50,817,800	52,505,000	54,252,900	254,380,900
AOFS	14,469,272	14,950,408	15,448,836	15,965,210	16,500,208	77,333,933
AHBF	3,641,319	3,758,465	3,879,727	4,005,257	4,135,216	19,419,984
Vallejo	22,050,912	22,771,016	23,516,685	24,288,878	25,088,588	117,716,079
SSF	3,747,054	3,876,085	4,009,860	4,148,561	4,292,376	20,073,937
Richmond	3,707,711	3,832,907	3,962,649	4,097,109	4,236,467	19,836,844
CAPITAL EXPENSE	\$48,815,300	\$15,053,700	\$14,994,300	\$9,270,600	\$55,762,900	\$143,896,800
Terminal Construction - Downtown SF	18,628,000	-	-	-	-	18,628,000
Terminal Construction - Seaplane Lagoon	2,000,000	-	-	-	-	2,000,000
Terminals & Facilities Rehabilitation	-	5,485,500	109,000	1,921,000	-	7,515,500
Terminal Dredging	-	-	2,787,500	844,100	-	3,631,600
Vessel & Major Component Rehabilitation	13,564,300	1,954,200	4,467,900	5,942,700	20,731,300	46,660,400
Vessel Construction - Replacement	-	7,083,500	7,083,500	-	34,452,000	48,619,000
Vessel Construction - Expansion	14,108,000	-	-	-	-	14,108,000
Other Capital Project & Equipment	515,000	530,500	546,400	562,800	579,600	2,734,300
TOTAL REVENUES	\$99,431,600	\$67,242,600	\$68,812,100	\$64,775,600	\$113,015,800	\$413,277,700
Farebox Revenue	25,627,800	28,114,700	30,856,300	33,221,500	35,213,900	153,034,200
<i>Farebox Recovery %</i>	<i>54%</i>	<i>57%</i>	<i>61%</i>	<i>63%</i>	<i>65%</i>	<i>60%</i>
Bridge Tolls	22,571,600	20,000,000	20,000,000	20,000,000	20,000,000	102,571,600
County Transportation Sales Tax	3,062,400	2,808,000	2,748,600	2,659,100	2,539,000	13,817,100
State Capital Grant Revenues	28,332,500	1,248,200	721,000	300,000	842,000	31,443,700
Federal Capital Grant Revenues	10,851,500	10,452,500	11,558,400	7,416,500	43,746,600	84,025,500
Other - Flex Funds	8,985,800	4,619,200	2,927,800	1,178,500	10,674,300	28,385,600
NET INCOME / (DEFICIT)	\$0	\$0	\$0	\$0	\$0	\$0
CARRYOVER FUND BALANCE	\$24,884,400	\$28,793,200	\$34,393,400	\$41,742,900	\$39,596,600	

General Assumption:

- Purchased Transportation cost, including vessel operations, vessel maintenance and contractor fees and profits, is projected to increase 4% annually.
- Fuel cost is projected to increase 2% annually.
- Assumes annual fare increase of 3%, continuation of Fare Program.
- Ridership is projected to increase at rates between 2% and 15%, depending on the maturity and occupancy capacity of each individual route.

MEMORANDUM

TO: Board Members

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

SUBJECT: Overview of Agency Funding

The primary grant funding sources utilized to support the annual operating budget and capital program of projects and generally available to support WETA's projects through both formula allocation and competitive applications are described below and provided in summary matrix form in **Attachment A**.

OPERATING FUNDS

Regional Measure 2 Program

Regional Measure 2 (RM2) funds are the primary source of operating subsidy for WETA's regional ferry services. These funds are derived from an increase in tolls on the Bay Area's state-owned bridges that was approved by voters in 2004. Up to \$19.5 million in RM2 funds are available for annual allocation to WETA through MTC to support WETA's ferry operations that relieve traffic congestion in Bay Area bridge corridors. \$3 million of this amount is specifically available to support WETA planning and administration and \$16.5 million is available to support service operation, including \$1.2 million from the Bay Bridge Forward program. MTC policy requires that ferry services utilizing RM2 funds meet a minimum farebox recovery of 40% for peak-period only service and 30% for all day service. Additionally, MTC administers these as "use it or lose it" funds. As a result, any unused balances at year-end are returned for MTC and unavailable for WETA to use in future years.

Regional Measure 1 – 5% Program

These funds are derived from an increase in tolls on the Bay Area's state-owned bridges that was approved by the voters in November 1988. Approximately \$3 million in Regional Measure 1 operating funds are available annually for programming to WETA by MTC to support transbay transit service operations and capital projects that relieve traffic congestion in Bay Area bridge corridors. MTC policy requires that ferry services utilizing RM1 funds meet a minimum farebox recovery of 40% for peak-period only service and 30% for all day service. Funds not utilized in a given year are held by MTC and can be carried over for allocation to WETA in a future year.

Contra Costa Measure J

In November 1988, Contra Costa voters approved Measure C, a half-cent local transportation sales tax that would be in place for 20 years. In November 2004, Contra Costa voters approved Measure J. This measure provided for the continuation of the county's half-cent transportation sales tax for 25 more years beyond the original expiration date of 2009, to support a voter-approved Expenditure Plan of transportation programs and projects including Ferry Service in West County. On February 4, 2015, the Contra Costa Transportation Authority authorized the

execution of Cooperative Agreement 22W.01 with WETA establishing Measure J funds as the source of operating subsidy for new Richmond service. The term of the Agreement extends through the first ten years of the Richmond service operation.

FLEXIBLE FUNDS

Other funds generally available to support WETA's ferry services include State Transit Assistance (STA) funds, Alameda County Transportation Sales Tax Measure B/BB funds, Alameda Transportation Improvement Funds (TIF), Alameda Lighting and Landscape Assessment District (LLAD) funds and Alameda Harbor Bay Business Park Association (HBBPA) funds. These funds, which are described in more detail under the capital program, are flexible and can be used to support operating or capital needs (with Alameda funds limited to use to support Alameda projects) and can be carried over from year to year.

CAPITAL FUNDS

Funds to support WETA's capital program of projects come from a wide variety of sources and granting agencies. Each project is funded with its own unique mix of grant funds depending upon the project type (revenue vessel, major facility rehabilitation/replacement, service expansion, maintenance/operation facility, miscellaneous equipment), cost, timing and capital match requirements. Staff generally works to identify project needs years in advance of project implementation in order to have sufficient time to identify and secure grant funds to support project development and delivery.

Federal

Federal Formula Funds

The majority of federal funds received and utilized by WETA to support its annual capital program are Federal Section 5307 Urbanized Area Formula Grants and Section 5337 State of Good Repairs Grants programmed annually by MTC and secured through direct grant application and contract with FTA. These funds are currently available to support high priority capital rehabilitation and replacement projects in the MTC region and are generally programmed by MTC two to three years in advance and allocated annually to projects based upon funds available through the federal transportation budget and MTC's Transit Capital Priorities program. For WETA, this program provides up to 80% funding to support critical vessel replacement, rehabilitation and refurbishment work, float and gangway rehabilitation and replacement work and periodic dredging.

Federal Highway Administration Ferry Boat Program

Fixing America's Surface Transportation Act (FAST Act) authorized funds for the formula based Ferry Boat Program (FBP) for the construction of ferry boat and ferry terminal facilities. The FHWA Administrator currently distributes the Ferry Boat Program (FBP) funds, approximately \$60 million annually nationwide, to ferry boat operators based on the 2016 National Census of Ferry Operators. To date, WETA has been allocated a total of \$4 million for the first 6 years, FY2012/13 through FY2017/18, of the program for use to support its capital program needs.

Federal Transit Administration Discretionary Passenger Ferry Grant Program

The FAST Act authorizes FTA to award up to \$30 million annually nationwide through a competitive process for capital projects to improve the condition and quality of existing passenger ferry services, support the establishment of new passenger ferry services, and to repair and modernize ferry boats, terminals and related facilities and equipment. Projects are reviewed and evaluated by FTA staff under the project evaluation criteria. The FTA

Administrator determines the final selection and amount of funding for each project. This program requires a 20% non-federal match. WETA has received awards from each of the three bi-annual project award cycles, totaling \$12 million, to support the Central Bay Operations and Maintenance Facility, Downtown San Francisco Ferry Terminal Expansion and M/V Solano Rebuild projects.

State

State Proposition 1B – CTSGP/RPWT

In November 2006, California voters approved Proposition 1B (Prop 1B), the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Prop 1B provided almost \$20 billion in State general obligation bond proceeds for specified purposes, including grants for transit system safety, security and disaster response projects. Over a ten year period, the California Transit Security Grant Program/Regional Public Waterborne Transit (CTSGP/RPWT) has provided WETA with \$245 million in Prop 1B funds to support WETA's efforts to develop and expand regional ferry emergency response capacity in the San Francisco Bay Area. Funds from this program have been used to support preliminary studies for Redwood City, Richmond, Antioch, Berkeley and Hercules services, South San Francisco Terminal and Vessel Construction, Pier 9 Floats and Gangways, Emergency Spare Float, Central Bay and North Bay Maintenance and Operations Facilities, Downtown San Francisco Terminal Expansion Project, Richmond Ferry Terminal Construction and WETA Vessel Construction.

Senate Bill 1 (SB 1) – Road Repair and Accountability Act of 2017

Senate Bill 1 (SB 1) increases the fuel tax on gasoline by 12-cents per gallon and the diesel excise tax by 20-cents per gallon effective November 1, 2017. In addition, Section 31 of the bill created a new annual Transportation Improvement Fee (TIF), based on value of the vehicle, which went into effect on January 2018. SB 1 is expected to raise \$52.4 billion for transportation investments statewide over the next decade. MTC estimates SB 1 will generate more than \$365 million per year for transportation in the nine-county Bay Area. Most of that funding will be directed to tackling the backlog of maintenance and repairs for local streets, roads and public transit systems. SB 1 provides funding infusions for the State Transit Assistance (STA) program and the Transit and Intercity Rail Capital Program (TIRCP) that was created by California's Cap-and-Trade program. SB 1 also provides funding for the new State of Good Repair (SGR) Program.

State Transit Assistance

The State Transit Assistance (STA) funds are derived from the statewide sales tax on gasoline and diesel fuel and are for transportation planning and mass transportation purposes. STA funds are appropriated by the State Controller's Office (SCO) and allocated to WETA through grant agreement with MTC. The formula used by the SCO allocates 50% of the funds to population and the remaining 50% is allocated according to operator revenues from the prior fiscal year. With the additional revenues generated by Senate Bill 1, WETA receives about \$2 million revenue-based funds annually. These funds may be used for both capital projects and transit operations.

State of Good Repair

The State of Good Repair (SGR) Program provides funds to transit operators in California for eligible transit maintenance, rehabilitation and capital projects. The SGR Program is funded from a portion of a new Transportation Improvement Fee (TIF) on vehicle registrations due on or after January 1, 2018. A portion of this fee is transferred to the State Controller's Office (SCO) for the SGR Program. These funds are allocated under the State Transit Assistance (STA) Program formula to eligible agencies. Half of the funds are allocated according to population and half according to transit operator revenues. WETA used its FY2017/18 allocation of \$277,255 to support the Replacement Vessel – M/V Vallejo project and has programmed its FY2018/19 allocation of \$301,312 to support the M/V Solano Rebuild project.

California Air Resource Board's Cap and Trade Program

California's new Cap and Trade program for greenhouse gas emissions is an important source of transportation funding in the Bay Area and around the state. The Cap-and-Trade program reduces pollution by imposing limits on emissions. Major emitters must buy an allowance for every ton of carbon dioxide they release into the air. Sixty percent of the Cap-and-Trade program's ongoing revenues go for investment in sustainable communities and clean transportation programs include the Transit and Intercity Rail Capital Program (TIRCP) and the Low-Carbon Transit Operations Program (LCTOP).

Transit and Intercity Rail Capital Program

Auction proceeds from the Cap-and-Trade program are deposited in the Greenhouse Gas Reduction Fund. The Transit and Intercity Rail Capital Program (TIRCP) received \$200 million in 2015/16 and will receive 10 percent of annual state Cap-and-Trade auction proceeds as a continuous appropriation. Additional funding from Senate Bill 1 (SB 1) is estimated to generate about \$3 billion in the next ten years for TIRCP. Goals of the TIRCP include the reduction of greenhouse gas emissions, expanded and improved rail and transit service to increase ridership, the integration of different rail and transit systems, and improved transit safety. The California State Transportation Agency (CalSTA) works with the Department of Transportation (Caltrans), and the California Transportation Commission (CTC) to implement this program. From the 2018 TIRCP solicitation, CTC approved a five-year program of projects starting with FY2018/19 and ending with FY2022-23, as required by Senate Bill 9 (SB 9). SB 9 also requires subsequent programs of projects to be approved no later than April 1 of each even-numbered year thereafter. WETA requested a \$50 million placeholder in MTC's 2016 Regional Cap and Trade Framework for TIRCP program funds to support future green vessel initiatives. The next solicitation of projects is anticipated in Fall 2019 with award announcements on or before April 1, 2020. Workshops for the TIRCP Guidelines updates will be held in the coming months, May/June 2019. This could be a source of funds for a future green vessel initiative.

Low Carbon Transit Operations Program

The Low Carbon Transit Operations Program (LCTOP) is one of several programs funded by auction proceeds from the California Air Resource Board's Cap-and-Trade Program. LCTOP receives a five percent continuous appropriation of the annual auction proceeds beginning in FY2015/16. Funding is allocated annually to public transit operators in the State based on the existing State Transit Assistance revenue based formulas. The LCTOP provides operating and capital assistance for transit agencies to

reduce greenhouse gas (GHG) emissions and improve mobility, with a priority on serving disadvantaged communities. WETA has been allocated a total of \$631,879 for the first 3 years, FY2015/16 through FY2017/18, of the program. Funds were used to support the construction of two 445-Pax Expansion (Waterjet) Vessels. Additionally, WETA is slated to receive \$421,957 in FY 2018/19 funds from this program that will be used to support the upcoming Bay Breeze replacement project.

Carl Moyer Memorial Air Quality Standards Attainment Program

Administer by the Bay Area Air Quality Management District (Air District), the Carl Moyer Program is a state-funded program providing funding for projects to upgrade or replace on-road vehicles, school buses, off-road and agricultural equipment, marine equipment and locomotives to reduce air pollution (emissions). Eligible projects include marine engine replacement (repower) and installation of a CARB-verified diesel emission control strategy device or an EPA-verified hybrid system. Engine repower projects are required to have the new engines installed and operational at least three years prior to the compliance deadline specified by the CARB Commercial Harbor Craft Regulation.

Volkswagen Environmental Mitigation Trust for California

The Volkswagen (VW) Environmental Mitigation Trust (Trust) provides about \$423 million for California to mitigate the excess nitrogen oxide (NOx) emissions caused by VW's use of illegal emissions testing defeat devices in certain VW diesel vehicles. The Trust provides funding opportunities for specified eligible actions that are focused mostly on "scrap and replace" projects for the heavy-duty sector, including on-road freight trucks, transit and shuttle buses, school buses, forklifts and port cargo handling equipment, commercial marine vessels, and freight switcher locomotives. Categories of vehicles and equipment that are eligible for funding include Tier 4, hybrid or zero-emission ferry repowers. Implementation of the Plan is now underway, and funding is expected to be available beginning in spring 2019. WETA will continue to monitor the Plan progress and the release of competitive solicitation. This could be a source of funds for a green vessel initiative.

Regional Bridge Tolls

Regional Measure 1 – 2% Reserve Funds (RM1 - 2%)

In November 1988, Bay Area voters approved Regional Measure 1 (RM 1), authorizing a \$1.00 toll increase for all seven state-owned Bay Area toll bridges. Pursuant to Streets and Highways Code §§ 30913 and 30914, three percent of the revenue from the toll increase collected may be allocated by MTC for certain projects which are designed to reduce vehicular traffic congestion on the state owned bridges. Streets and Highways Code §§ 30913 and 30914 require that an additional two percent of those toll revenues be allocated by MTC for the planning, construction, and acquisition of rapid water transit systems. Approximately \$1 million RM 1 – 2% funds are available to WETA annually from this program, through MTC, to support capital expenses associated with transbay ferry services in the Carquinez and Bay Bridge corridors.

Assembly Bill 664 Funds

Assembly Bill 664 (AB664) toll bridge funds are programmed by MTC annually to provide partial local match to Federal Section 5307 and 5337 grant funds allocated for projects serving the Bay Bridge transbay corridor. WETA receives a portion of these funds to support its federally-funded capital rehabilitation and replacement projects.

Local

Alameda County Transportation Sales Tax Measure B/BB

In 2000, Alameda County voters approved Measure B, the half-cent transportation sales tax. The Alameda County Transportation Commission administers Measure B funds to deliver transportation improvements and services in Alameda County and to address congestion in every major commute corridor in the county. Measure B funds are allocated annually to support the Alameda ferry services (can be used for capital or operating) based upon a percentage share of tax revenues collected. The extension and expansion of Alameda Measure B approved by voters in November 2014 (Measure BB) increased the amount of funds available to WETA from this program from approximately \$900,000 to \$1.8 million annually.

Miscellaneous Local Funds

The City of Alameda has historically utilized Transportation Improvement Funds (TIF) and Lighting and Landscape Assessment District (LLAD) funds to support the annual expenses associated with the Alameda ferry services. As part of the Alameda Ferry Service Operations Transfer Agreement, the City of Alameda has agreed to pay WETA approximately \$500,000 in TIF and \$78,000 in LLAD funds annually to provide continued support for these ferry services. Harbor Bay Business Park Association provides a private subsidy, approximately \$150,000 annually to support the Alameda Harbor Bay ferry operations.

San Francisco Proposition K

San Francisco Proposition K (Prop K) is a half-cent local sales tax for transportation that was approved by San Francisco voters in November 2003. Eligible projects are identified in the Prop K Strategic Plan's associated 5-Year Prioritization Programs (5YPPs), which is updated every four years. The Downtown San Francisco Ferry Terminal Expansion project will receive \$1.4 million in Prop K funds through a grant agreement with the San Francisco County Transportation Authority.

RESERVES

Carryover Fund Balance Reserve

This includes funds available to WETA on an annual basis that can be carried over if not spent, such as Regional Measure 1 and State Transit Assistance, which are flexible to be used for both capital and operating purposes, and Alameda Measure B/BB and miscellaneous local Alameda funds that are available to support Alameda services and projects. WETA has accumulated a reserve balance of these funds of approximately \$25 million to date which serves as a safety net for WETA's services and projects.

Cashflow Reserve

In 2010, WETA worked closely with MTC to create a cash reserve for use by WETA to meet its annual cashflow needs. To create this reserve, WETA issued and sold Revenue Allocation Bonds to MTC in August 2010. By utilizing the annual allocation of RM2 operating funds over a three year period to pay the debt service, WETA was able to establish a \$10.1 million operating reserve in June 2013 when the final payment of the debt service was made. This reserve is used as a bank of funds that supports WETA's ongoing cash needs to pay operating and capital commitments that may be due prior to reimbursement by WETA's grantors.

Attachment A

Summary of Grant Sources

SOURCE	ADMINISTRATOR	CYCLE	AVAILABLE / ANNUAL \$	NOTES
Operating Funds:				
Local:				
Regional Measure 2 (RM2) - Ferry Operations	Metropolitan Transportation Commission (MTC)	Annual	\$15.3 million	Use it or lose it
Regional Measure 2 (RM2) - Bay Bridge Forward - Ferry Operations	MTC	Annual	\$1.2 million	Use it or lose it
Regional Measure 2 (RM2) - Planning & Administration	MTC	Annual	\$3 million	Use it or lose it
Flexible Funds (Operating or Capital):				
State:				
State Transit Assistance (STA)	State Controller's Office / MTC	Annual	\$2 million	Unused funds can be carried over for future needs, held by MTC
Local:				
Regional Measure 1 - 5% Unrestricted Funds (RM1 - 5%)	MTC	Annual	\$3 million	Unused funds can be carried over for future needs, held by MTC
Contra Costa Transportation Sales Tax Measure J	Contra Costa Transportation Authority	Annual	\$4 million <i>(varies by annual budget)</i>	Subsidy for the Richmond Ferry Service, annual request based on approved budget, held by CCTA
Alameda Transportation Sales Tax Measure B/BB	Alameda County Transportation Commission	Annual	\$1.8 million	Unused funds can be carried over for future needs, held by WETA
Alameda Transportation Improvement Funds (TIF)	City of Alameda	Annual	\$500,000	Unused funds can be carried over for future needs, held by WETA
Alameda Lighting and Landscape Assessment District (LLAD)	City of Alameda	Annual	\$78,000	Unused funds can be carried over for future needs, held by WETA
Alameda Harbor Bay Business Park Assn (HBBPA) Subsidy	Harbor Bay Business Park Association	Annual	\$150,000	Unused funds can be carried over for future needs, held by WETA
Capital Funds:				
Federal:				
Federal Formula Funds	Program: MTC Administrator: FTA	Annual	\$7.0 million plus	Up to 80% of rehabilitation and replacement cost of high priority capital assets as determined by MTC's Capital Priorities Program
Federal Highway Administration Ferry Boat Program (FBP) ¹	Allocation: FHWA Administrator: FTA	Annual	\$950,000	Formula based distribution, WETA share
FTA Discretionary Passenger Ferry Grant Program ²	FTA	Annual Discretionary	\$30 million <i>(nationwide)</i>	Competitive grant program
State:				
Proposition 1B (Prop 1B)	California Office of Emergency Services (CalOES)	10 - Years <i>(FY08 to FY17)</i>	\$245 million	California Transit Security Grant Program-Regional Public Waterborne Transit (CTSGP-RPWT), WETA share
State of Good Repair Program (SGR)	State Controller's Office / MTC	Annual <i>(first year = FY18)</i>	\$277,255	Formula based distribution, WETA share
Transit and Intercity Rail Capital Program (TIRCP) ³	Caltrans and CalSTA	Bi-Annual Discretionary	\$2.4 billion <i>(multi-year funding agreement)</i>	Competitive grant program - award by April 1st of each even-numbered year
Low Carbon Transit Operations Program (LCTOP) ⁴	Caltrans	Annual	\$420,000	Formula based distribution, WETA share

Attachment A

Summary of Grant Sources

SOURCE	ADMINISTRATOR	CYCLE	AVAILABLE / ANNUAL \$	NOTES
Capital Funds (continue):				
State				
Carl Moyer Memorial Air Quality Standards Attainment Program	Bay Area Air Quality Management District	Annual Discretionary	\$60 million <i>(statewide)</i>	Competitive grant program
Volkswagen Environmental Mitigation Trust for California	California Air Resources Board	One-Time	\$423 million <i>(statewide)</i>	Competitive grant program - implementation being developed, funding expected to be available beginning in Spring 2019
Local:				
Regional Measure 1 - 2% Reserve Funds (RM1 - 2%)	MTC	Annual	\$1 million	WETA share - unused funds can be carried over for future needs, held by MTC - used as local match to federal \$ and small capital projects
Assembly Bill 664 Funds (AB664)	MTC	Annual	\$500,000 <i>(varies by annual TCP program)</i>	Programmed annual to provide partial local match to federal \$
San Francisco Proposition K	San Francisco County Transportation Commission	One-Time	\$1.4 million	Use to support the Downtown Ferry Terminal Expansion project

1 The distribution of FY2017/18 funds was released on 7/2/2018. Staff will submit request for allocation to Caltrans when eligible project is identified and ready for implementation. These funds are available through 6/30/2022.

2 Notice of Funding Availability (NOFA) for the FY2018/19 program was posted on 2/11/2019. Applications are due 4/15/2019.

3 Call for projects is expected Fall 2019 with award by 4/1/2020.

4 WETA's share of FY2018/19 LCTOP funds is \$421,957. Allocation request is due to Caltrans by 3/28/2019.

MEMORANDUM

TO: Board Members

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

SUBJECT: WETA 20-Year Outlook with RM3

Recommendation

This is an informational item only.

Background

Regional Measure 3 (RM3), approved by a majority of voters in the nine Bay Area counties during the June 5, 2018 election, authorized a three dollar bridge toll increase on the Bay Area's state-owned bridges to fund a comprehensive program of regional transportation improvements. The measure authorized the bridge toll increase to take place in \$1 increments over a six-year period starting with a \$1 increase on January 1, 2019, and followed by additional \$1 increases in January 2022 and January 2025.

RM 3 will provide WETA with \$300 million in capital funds to support construction of WETA vessels, terminals and facilities and up to \$35 million in annual operating subsidy to support WETA's growing regional system of ferry services. These funds will all be administered by the Metropolitan Transportation Commission (MTC) and allocated annually for WETA's use. Operating funds not utilized in a given year will be set aside in a reserve by the MTC for use by WETA in future years.

This measure has been challenged by two lawsuits that are currently pending in the Superior Court in the City and County of San Francisco. On January 1, 2019, BATA began collecting the first dollar of the approved toll increase. Toll revenues collected will be placed into an escrow account and will not be allocated to project sponsors until the lawsuits are settled.

Discussion

In order to provide guidance and input to the development of the RM3 program as it was under development by the state legislature, the WETA Board of Directors developed and adopted a Regional Measure 3 Principles and Investment Plan in June 2017. The RM 3 program principles focused on delivering the following policy objectives:

1. Enhance Existing Ferry Services
2. Add Key Expansion Terminals
3. Create Fiscal Stability
4. Pursue Implementation-Ready Projects
5. Continue Partner Development

Key projects included in the companion investment program, which called for a total of \$600 million in capital funds and \$41 million in annual operating funds, included enhancing existing services to achieve 15 and 30 minute service frequencies in the peak, purchasing vessels to support planned service levels, maintaining system assets in a state of good repair, enhancing key terminals and supporting the development of new terminals and services at Seaplane Lagoon, Mission Bay, Berkeley and Redwood City.

With the passage of RM3 in June 2018, staff began a consultative process with MTC to identify work products and requirements necessary to meet RM3 requirements and secure funds at the earliest date possible. A key program requirement is the development of an RM3 capital program and expenditure plan. While the pending lawsuits have delayed the allocation of any RM3 program funds, staff has continued to advance the work necessary to complete the required RM 3 plans in order to ensure that WETA is ready to go when funds are ultimately made available. As a part of this effort, staff has worked to develop a system cost model for forecasting the full cost of proposed new assets and services throughout their lifecycle to help ensure that the proposed program is sustainable.

Staff prepared draft RM3 plan concepts for discussion at the August 2018 and October 2018 WETA Board of Directors meetings that identified proposed project activities in the first five years of the RM3 program. These draft proposals were developed consistent with WETA's Strategic Plan and WETA's RM3 Principles and Investment Plans and focused on early procurement of new vessels, enhancements to existing services to meet growing demand on the weekend and weekdays, opening two new terminals and beginning service at Seaplane Lagoon and Mission Bay, design and permitting activities for new terminals in Redwood City and Berkeley and maintaining assets in a state of good repair. Since then, WETA has completed a draft Small Vessel Concept Study and the Board of Directors has expressed interest in studying the use of Hovercraft vessels to open up the potential for new services to areas inaccessible by traditional ferry vessels. Additionally, there has been discussion about creating a green vessel initiative to identify a path towards alternative propulsion vessels for WETA's fast ferry services and, potentially, Treasure Island working in partnership with the City of San Francisco.

As a part of the workshop, staff will provide the Board with an overview of this program in the context of WETA's project development process and identify potential opportunities to continue to move portions of this program forward - through system enhancements and project study and development activities - in the coming years while the RM3 program is on hold. A brief description of expansion services and other initiatives is provided in **Attachment A** as background information for this discussion.

Attachment A

Project Descriptions

SERVICE EXPANSION

Alameda Seaplane Lagoon Ferry Service

Overview: The Seaplane Lagoon Ferry Terminal is located on the southern shore of Alameda's main island, at the former Naval Air Station. The terminal has been identified since 2010 as a key improvement by the City of Alameda to help in the redevelopment of the former Navy base. The City of Alameda and WETA – together with the City and Port of Oakland -- engaged in a planning effort in 2014 to develop a plan to construct the new terminal and enhance service to both Alameda and Oakland. The result was a Project Agreement that lays out a new operating vision for Alameda and Oakland service that enhances service for both cities while addressing the capacity constraints currently experienced on the Alameda/Oakland service. Without the Seaplane Lagoon terminal, the AOSF ferry service is projected to reach capacity limits by 2022 or 2023.

Current Status: The transfer of property from the City to the development team - Alameda Point Partners - included a \$10 million contribution toward the Seaplane Lagoon Ferry Terminal. The City has also secured \$8.2 million from the Alameda County Transportation Commission for the terminal and committed \$2 million from City general funds. In August 2018, the WETA Board of Directors authorized a commitment of \$2 million to the project to close a funding gap and keep the project on schedule for an early 2020 opening. Alameda Point Partners (APP) has begun construction on the overall Site A project, including the Seaplane Lagoon terminal. The new terminal float will be constructed by Bay Ship and Yacht, with oversight from Power Engineering. WETA staff is working with APP and City staff to support the construction effort and to plan for the anticipated service enhancement for Seaplane Lagoon and related restructuring of Alameda/Oakland service between the Alameda Main Street Terminal, Oakland Jack London Square and San Francisco in early 2020.

Seaplane Lagoon Ferry Terminal	
Estimated terminal cost	\$22 million
Secured terminal funding	\$22 million
Needed terminal funding	--
Estimated annual operating cost	\$2.4 million (net increase)
Development partner	City of Alameda, Alameda Point Partners
Ridership equivalent	Main Street, Alameda
Plans, programs	Plan Bay Area, Transbay/Core Capacity Plan, Alameda Countywide Transportation Plan, Alameda Point Master Plan, WETA Strategic Plan, WETA RM3 Plan
Travel time	20-minute trip to SF Ferry Building

Attachment A

Project Descriptions

Mission Bay Ferry Landing

Overview: The Mission Bay Ferry Landing (MBFL) project would construct a new terminal at the foot of 16th Street in the Mission Bay neighborhood of San Francisco. The new terminal would be served during the peak periods, offering connecting trips to the Ferry Building for commuters destined to this secondary job center from origins throughout the WETA system. WETA envisions utilizing small vessels as the appropriate level of capacity to connect services from the Ferry Building to the new Mission Bay Ferry Landing. In addition, ferry service to events at the new Chase Center would be possible, which is scheduled to open in September 2019. The project is being led by the Port of San Francisco in partnership with WETA. The Port will lead the project through construction and WETA will operate the facility. It is anticipated that Golden Gate Ferry will also use the new terminal for special events at the Chase Center. Ridership at the new terminal is anticipated to be equivalent to South San Francisco, as a commuter-only terminal serving a secondary employment center. For Chase Center events, ridership will likely be about half of what WETA experiences for Oracle Ballpark as Chase Center is roughly half the capacity. Development of the Mission Bay Ferry Landing has been a long-standing goal of the City of San Francisco, as the project has been included in Countywide Transportation Plans and Mission Bay Redevelopment Plans for close to 20 years.

Current Status: The Port of San Francisco released an engineering feasibility and site selection study for a future Mission Bay ferry landing in March 2016. WETA staff participated in the study and provided input regarding ferry operations and potential service models. In December 2016, the Port of San Francisco awarded a contract to COWI/OLMM to complete preliminary design, permitting and entitlement activities, and began the process in partnership with WETA. To support the effort, the City and Port of San Francisco placed \$7 million in its capital budget. A project Memorandum of Understanding (MOU) between the Port and WETA was adopted by the WETA Board in January 2017. Staff has been working together with Port staff and their consultants on initial design and environmental testing activities. The CEQA environmental document is complete. The Port is working to identify funds to move the project forward to construction and has submitted a request for WETA to program \$25 million in Regional Measure 3 (RM3) funding to support project construction, estimated to cost approximately \$46 million.

Mission Bay Ferry Landing	
Estimated terminal cost	\$46 million
Secured terminal funding	\$21 million
Needed terminal funding	\$25 million
Estimated annual operating cost	\$3 million
Development partner	Port of San Francisco
Ridership equivalent	South San Francisco
Plans, programs	Plan Bay Area, Transbay/Core Capacity Plan, SF Countywide Transportation Plan, Mission Bay Redevelopment Plan, WETA Strategic Plan, WETA RM3 Plan
Travel time	15-minute trip from SF Ferry Building

Attachment A

Project Descriptions

Redwood City Ferry Service

Overview: The Redwood City Ferry Terminal project has appeared in Countywide Transportation Plans for San Mateo as a regional priority since 2008. It is also included in Plan Bay Area and WETA's Strategic Plan. The project could introduce ferry service to the mid-Peninsula region of Silicon Valley, providing north-south commute service along the congested Highway 101 and Caltrain corridors. There is also interest in exploring the possibility of service between Redwood City and the east bay.

In an effort to re-start discussions on the Redwood Ferry service, Board Chair Breckenridge, Vice Chair Wunderman and WETA staff participated in a site visit to the Port on May 25, 2018 that also included Port Commissioners, the Mayor of Redwood City, and Councilmembers from Redwood City and Burlingame. In addition, staff from multiple agencies and private sector stakeholders such as Google and Prop SF was in attendance. The two-hour site event consisted of a visit to an adjacent property to view a potential ferry terminal location and an hour of presentations and discussion among the group.

Current Status: Redwood City is now leading an effort to prepare a Financial Feasibility Study and Cost Benefit Analysis Report for the Redwood City Ferry Terminal Construction and Service utilizing \$450,000 in San Mateo County Measure A transportation sales tax funds. The City has entered into an agreement with the San Mateo County Transportation Authority to develop and adopt the Feasibility Study and Business Plan. The feasibility will be completed in approximately 12-14 months and kicked off on February 19 with a meeting that included a consultant team and staff from the City and Port of Redwood City along with WETA. Concurrent with this activity, Redwood City, Port of Redwood City and WETA staff are working to develop a draft MOU for future Board consideration that defines agency roles and responsibilities for working together to advance the terminal planning and development.

Redwood City Ferry Terminal	
Estimated terminal cost	~\$30 million
Secured terminal funding	~\$15 million
Needed terminal funding	~\$15 million
Estimated annual operating cost	TBD
Development partner	City of Redwood City, Port of Redwood City
Ridership equivalent	South San Francisco
Plans, programs	Plan Bay Area, San Mateo Countywide Transportation Plan, City of Redwood City General Plan, WETA Strategic Plan, WETA RM3 Plan
Travel time	55-minute trip to SF Ferry Building

Attachment A

Project Descriptions

Berkeley Ferry Service

Overview: The proposed Berkeley service will provide an alternative transportation link between Berkeley and downtown San Francisco. In past years, staff worked to develop a draft environmental assessment for a project to build a new ferry terminal and service in Berkeley at a site just south of the Berkeley Fishing Pier. This work was ultimately suspended due to extraordinary mitigation measures required by National Marine Fisheries related to project dredging and due to the lack of full funding for project construction and operation; a prerequisite to Federal Transit Administration (FTA) completion of the federal environmental process (NEPA).

Current Status: City of Berkeley staff recently initiated a study to explore strategies for rebuilding the city's Municipal Fishing Pier, including a concept for a dual-use pier facility that would serve as both a ferry terminal and public access space. This study seeks to address issues related to not only the City's loss of public access to waterfront, but also conflicts that have emerged with the operation of private ferry service within the Berkeley Marina. The study was not originally scoped to consider WETA as the primary ferry service operator; however, both City and WETA staff have expressed a mutual interest in expanding the study to do so. Staff has met periodically over the last year and has developed a draft MOU that would define a partnership between the parties for expanding the City's ferry study and pursuing further development of the project, should a feasible concept be identified. Execution of the MOU would require approval by both the WETA Board and the Berkeley City Council. The Berkeley City Council is scheduled to take this subject up at its March 12, 2019 meeting and staff is prepared to bring forward a discussion on this matter at the April WETA Board meeting.

Berkeley Ferry Terminal	
Estimated terminal cost	~\$30 million
Secured terminal funding	TBD
Needed terminal funding	TBD
Estimated annual operating cost	TBD
Development partner	City of Berkeley
Ridership equivalent	Richmond, Oakland
Plans, programs	Plan Bay Area, Transbay/Core Capacity Plan, Alameda Countywide Transportation Plan, City of Berkeley General Plan, Berkeley Marina Master Plan, WETA Strategic Plan, WETA RM 3 Plan
Travel time	25-minute trip to SF Ferry Building

Attachment A

Project Descriptions

Treasure Island Service

Overview: The proposed Treasure Island ferry service is being developed and implemented by the Treasure Island Mobility Management Agency (TIMMA) in conjunction with a large-scale proposed development project on Treasure Island that will include up to 6,000 new housing units, restaurants, retail and entertainment venues that is being overseen by the Treasure Island Development Authority (TIDA). The new ferry service between Treasure Island and the San Francisco Ferry Building is required as a condition of approval for the project to address transportation impacts created by locating thousands of new residents and other uses on the island. The Treasure Island Transportation Improvement Plan states that TIMMA will underwrite the operating costs necessary to provide the required level of ferry service. The operating costs for this service will be paid for through homeowners' dues, monthly passes for all residents on the new development, bridge tolls, and other TIMMA operating subsidies. SFCTA recently announced that it is hoping to advance the opening of the new ferry service from 2023 to 2021.

Current Status: WETA staff has worked in partnership with City of San Francisco staff for over ten years to support development of this project. Staff from SFCTA/TIMMA provided an update on the project and the transportation plan at the February 7 Board meeting. SFCTA staff indicated at that meeting that the planned transportation program funds to be provided through a new Treasure Island toll program, parking fees, fare revenues and developer subsidy would not be sufficient to fully cover the cost of needed ferry vessels and operating subsidy – especially in the early years with an anticipated start date of 2021. As a result, they indicated that they were looking for additional funding and that they had reached out to private operators about operating service. WETA staff has ramped up meetings with SFCTA to better understand the cost proposals provided by private operators and identify a path forward to work together to deliver this project. In addition, both agencies are exploring the possibility of pursuing grant funds for the purchase of a vessel for the service.

Treasure Island Ferry Terminal	
Estimated terminal cost	\$30 million
Secured terminal funding	\$30 million (developer-funded)
Needed funding	\$0
Estimated annual operating cost	~\$3.5 million
Development partner	Treasure Island Mobility Management Agency
Plans, programs	Plan Bay Area, San Francisco Countywide Transportation Plan, Treasure Island Transportation Improvement Plan, WETA Strategic Plan
Travel time	15-minute trip to SF Ferry Building

Attachment A

Project Descriptions

OTHER INITIATIVES

Small Vessel Exploratory Study: WETA initiated an exploratory study of small vessel service in March 2018 with the formation of an Advisory Committee of Board Members Josefowitz and Intintoli. The study conducted analysis of small vessels and how best they could support WETA's existing service and expansion needs. A set of recommendations were developed by the consultant and presented to the Board in early 2019. The recommendation is to develop a fleet of up to eight small vessels for use primarily in the central bay region as a start with the opportunity to use small vessels to test pilot services in emerging markets in future years. The vision is that small vessels can be the right solution for specific service profiles, such as Treasure Island and Mission Bay. Also, small vessels can provide a cost-effective way to supplement or replace service at existing terminals during periods of low demand. Staff will return to the Board in April 2019 to outline the next steps towards program development and implementation.

Hovercraft Study: At the February 2019 meeting, the WETA Board of Directors considered a request from Vice Chair Wunderman for WETA to investigate hovercraft vessel technology as a possible complement to existing WETA high speed catamaran service on the San Francisco Bay. There was general agreement that a study of hovercraft could help inform WETA's future service plans. Staff was asked to bring forward a proposed approach to conducting a focused study on the concept at a future meeting.

Green Vessel Initiative: The development of new propulsion technologies has advanced rapidly over the past three years. Zero emission electric vessels, utilized primarily in Norway, have been in service for over two years now and many more hybrid vessels are in service including on San Francisco Bay. These systems are being applied to low speed vessels with limited endurance designed to meet very specific mission requirements. No alternative propulsion system can meet the requirements for high speed passenger vessels operations at this time due to the weight of energy storage. However, new possibilities are on the horizon as the result of the continued development and advancement of energy technology.

At the November 2017 meeting, the Board of Directors received presentations regarding developments in hydrogen fuel cell and battery propulsion technology in the passenger vessel industry. Golden Gate Zero Emission Marine recently received a grant from the California Air Resources Board to build the first hydrogen fuel cell vessel in North America. Named *Water-Go-Round*, the 70-foot aluminum catamaran will be capable of carrying 84 passengers and reaching speeds up to 22 knots. The vessel will be built locally at Bay Ship & Yacht in Alameda, and operated in a pilot phase starting in the Fall of 2019. WETA has offered to test this vessel the Alameda/Oakland service run as a part of the required pilot testing in order to learn more about this vessel and technology. In addition, based upon Board feedback in November, staff is working to identify opportunities to test battery propulsion technology in future vessel builds, including the option for hybrid-electric or all electric vessels for Treasure Island service.

AGENDA ITEM 4
DISCUSSION OF PROGRAM PRIORITIES
FOR FY 2019/20 WORK PROGRAM

AGENDA ITEM 5
PUBLIC COMMENT

NO MATERIALS