



SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
SFCJPA.ORG

**Notice of Regular Meeting of the
BOARD OF DIRECTORS
City of East Palo Alto Council Chambers
2415 University Avenue, East Palo Alto, California
February 26, 2015 at 4:00 p.m.**

AGENDA

- 1) ROLL CALL
- 2) APPROVAL OF AGENDA
- 3) APPROVAL OF MEETING MINUTES – January 22, 2015 Board meeting
- 4) PUBLIC COMMENT – *Individuals may speak on any topic for up to three minutes; during any other Agenda item, individuals may speak for up to three minutes on the subject of that item.*
- 5) CONSENT CALENDAR – Accept the Fiscal Year 2011-12 Audited Financial Statements, audited by Grant & Smith, LLP
- 6) REGULAR BUSINESS – EXECUTIVE DIRECTOR'S REPORT
 - a) Board Organization: select officer positions and membership on committees
 - b) S.F. Bay-Highway 101 project construction planning
 - c) Authorize the Executive Director to execute Contract Amendment No. 4 with HDR, Inc. to complete design and permitting of the S.F. Bay-Highway 101 project
 - d) Discuss the Fiscal Year 2015-16 Operating Budget
 - e) Conflict of Interest Code update
- 7) BOARD MEMBER MATTERS - *Non-agendized comments, requests, or announcements by Board members; no action may be taken.*
- 8) ADJOURNMENT

PLEASE NOTE: This Board meeting Agenda can be viewed online by 4:00 p.m. on February 23, 2015 at sfcjpa.org -- click on the "Meetings" tab near the top. Supporting documents related to the Agenda items listed above will be available at the same online location by 6:00 p.m. on February 24, 2015.

NEXT MEETING: Regular Board meeting, March 26, 2015 at 4:00 p.m., Palo Alto City Council Chambers.

San Francisquito Creek Joint Powers Authority
February 26, 2015 Regular Board Meeting
Agenda Item 3
January 22, 2015 Board Meeting Minutes

Chairperson Keith called the meeting to order at 4:06 p.m. at the City of Menlo Park Council Chambers, Menlo Park, CA

DRAFT

1) ROLL CALL

Members Present: Director Keith, City of Menlo Park
Director Abrica, City of East Palo Alto
Director Burt, City of Palo Alto

Members Absent: Director Pine, San Mateo County Flood Control District
Director Kremen, Santa Clara Valley Water District (SCVWD)

Alternates Present: Nai Hsueh, Santa Clara Valley Water District (not present at roll call)

JPA Staff Present: Len Materman, Executive Director
Kevin Murray, Staff
Miyko Harris-Parker, Staff

Legal Present: Trish Ortiz

Others Present: Trish Mulvey, Palo Alto resident; Jerry Hearn, Portola Valley resident;
Eileen McLaughlin, CCCR; Joe Teresi, City of Palo Alto; Jeff Norris,
SMCOES; Melanie Richardson; SCVWD; Saeid Hosseini SCVWD; Rex
Lanson, MPFPD; Dennis Parker, East Palo Alto resident;

Pledge of Allegiance.

2) APPROVAL OF AGENDA

Director Abrica made a motion to approve the agenda with removal of items 5, 6.a and 6.b. Director Burt seconded. Agenda approved with changes 3-0.

3) APPROVAL OF MEETING MINUTES- December 18, 2014 Board Meeting

Approved out of order. Director Hsueh made a motion to approve the December 18, 2014 Board meeting minutes. Director Burt seconded. December 18, 2014 Board meeting minutes approved 4-0.

4) PUBLIC COMMENT

Trish Mulvey, Palo Alto resident, expressed gratitude for Sharon Jones who is leaving the City of East Palo Alto. Mrs. Mulvey asked about a plan to address issues in the audit Management Letter, and the SCVWD planned eminent domain at the auto body shop and it's denial of the International School request's for \$92,000 related to their summer school. Chairperson Keith noted that the Finance Committee will meet to discuss the audit and she encouraged Mrs. Mulvey to discuss the other two issues with Melanie Richardson of the SCVWD.

Jerry Hearn, Portola Valley resident, provided an update on Searsville noting that the steering committee appears to be to getting close to making a recommendation. Mr. Hearn suggested that it may be time for the Board to take another look at the agency's purposes. Chairperson Keith thanked Mr. Hearn, Director Burt and Director Abrica for their participation in the Searsville workgroup. Chairperson Keith reminded the Board and public that Mr. Materman will be speaking on the SAFER project Jan 28, 2015 at Arrillaga center in Menlo Park.

Dennis Parker, East Palo Alto resident, shared with the Board that the City of East Palo Alto produced a report regarding the December storm event. Mr. Parker noted that the City of East Palo Alto is going through major employee transitions.

Director Hsueh arrived at 4:20 pm.

San Francisquito Creek Joint Powers Authority
February 26, 2015 Regular Board Meeting
Agenda Item 3
January 22, 2015 Board Meeting Minutes

5) REGULAR BUSINESS- Executive Director's Report

S.F. Bay-Highway 101 project construction planning

Mr. Materman provided a brief update on the effort to secure permits. Chairperson Keith questioned when the issuance of the Water Quality Certification from the Regional Water Board will occur. Mr. Materman replied saying that the Regional Water Board staff has only said they have a draft of the Certification. Director Burt reflected on the comments made by Regional Water Board Executive Officer Bruce Wolfe in which Mr. Wolfe had indicated that the Certification would be issued a week after the Corps public notice, which occurred five weeks ago, and that now after management review it would seem that the Certification should take days and not weeks or months.

Authorize Executive Director to reimburse Pacific Gas & Electric for 40% of the total cost to design a modification to the gas transmission line to accommodate the S.F. Bay-Highway 101 project.

Mr. Materman asked the Board for authorization to reimburse Pacific Gas & Electric for 40% of the total cost to design a modification to the gas transmission line to accommodate the S.F. Bay-Highway 101 project.

Chairperson Keith questioned if there was a way to negotiate the cost of the upgrade as the baseline costs are unknown. Mr. Materman responded saying that we consider 40% to be a reasonable cost share based on length of gas line to be replaced for our project vs. what PG&E plans to replace, and he noted that we are hoping to revisit the percentage breakdown as we engage PG&E with regards to the improvements PG&E is receiving outside of the needs of our project, which is known as betterment.

Director Burt made a motion to authorize the Executive Director to reimburse Pacific Gas & Electric for 40% of the total cost to design a modification to the gas transmission line to accommodate the S.F. Bay-Highway 101 project in the amount of \$115,560.00. Director Abrica seconded. Motion to authorize the Executive Director to reimburse Pacific Gas & Electric for 40% of the total cost to design a modification to the gas transmission line to accommodate the S.F. Bay-Highway 101 project in the amount of \$115,560.00 approved 4-0. Director Pine and Director Kremen not present.

Authorize the Executive Director to sign the no-cost Amendment 3 to the November 3, 2009 Agreement with the Santa Clara Valley Water District and San Mateo County Flood Control District, which moves funds between tasks in order to complete design and permitting of the S.F. Bay-Highway 101 project

Mr. Materman asked the Board for authorization to sign the no-cost Amendment 3 to the November 3, 2009 Agreement with the Santa Clara Valley Water District and San Mateo County Flood Control District, which moves funds between tasks in order to complete design and permitting of the S.F. Bay-Highway 101 project. Mr. Murray provided a brief summary of the funding agreement, previous amendments, and how funding would be moved by Amendment 3.

Director Abrica made a motion to authorize the Executive Director to sign the no-cost Amendment 3 to the November 3, 2009 Agreement with the Santa Clara Valley Water District and San Mateo County Flood Control District, which moves funds between tasks in order to complete design and permitting of the S.F. Bay-Highway 101 project. Director Burt seconded. Motion to authorize the Executive Director to sign the no-cost Amendment 3 to the November 3, 2009 Agreement with the Santa Clara Valley Water District and San Mateo County Flood Control District, which moves funds between tasks in order to complete design and permitting of the S.F. Bay-Highway 101 project approved 4-0. Director Pine and Director Kremen not present.

San Francisquito Creek Joint Powers Authority
February 26, 2015 Regular Board Meeting
Agenda Item 3
January 22, 2015 Board Meeting Minutes

Approve an amended Fiscal Year 2014-15 Operating Budget and amended FY14-15 Salary Schedule

Mr. Materman asked the Board approve an amended Fiscal Year 2014-15 Operating Budget and amended FY14-15 Salary Schedule. Mr. Materman provided the Board with an update on the agency's mid-year budget numbers compared to the approved FY budget. Mr. Materman also discussed his assessment of the salaries of the SFCJPA's project manager and finance and administration manager in comparison to similar positions at other joint powers authorities and at the SFCJPA's member agencies, which led to his conclusion that an increase to SFCJPA salaries is appropriate.

Chairperson Keith commented that the salary schedule changes seem very reasonable and she gave her appreciation for staff and thanked them for all of their hard work. Chairperson Keith also gave thanks to the City of Palo Alto for their work with the early warning system grant. Chairperson Keith commented on the budget noting that it looks good and that agency membership dues have not been raised in a few years.

Director Burt made a motion to approve the amended Fiscal Year 2014-15 Operating Budget and amended FY14-15 Salary Schedule. Director Hsueh seconded. Motion to approve amended Fiscal Year 2014-15 Operating Budget and amended FY14-15 Salary Schedule approved 4-0. Director Pine and Director Kremen not present.

Chair Keith asked staff to provide an update on the right of way acquisition issues at the next Board meeting.

6) BOARD MEMBER MATTERS- NON-AGENDIZED COMMENTS, REQUESTS OR ANNOUNCEMENTS BY BOARD MEMBERS; NO ACTION MAY BE TAKEN

Director Hsueh reported that Gary Kremen will be the SCVWD representative on the SFCJPA Board and that he could not attend today as his mother had passed away. Chairperson Keith asked that condolences be expressed to Mr. Kremen.

Chairperson Keith reminded everyone of the SAFER presentation to be held Jan 28 at the Arrillaga Center in Menlo Park on January 28, 2015 at 7:00 pm.

Director Abrica commented on the City of East Palo Alto staff transitioning and that he and Mr. Materman had a meeting with the interim City Manager to discuss things. Director Abrica will speak with the interim City Manager on getting the SFCJPA a copy of the storm report that Mr. Parker mentioned.

7) ADJOURNMENT

Chairperson Keith adjourned the meeting at 5:13 p.m.

Minutes Prepared by Clerk of the Board: Miyko Harris-Parker.

San Francisquito Creek Joint Powers Authority
February 26, 2015 Board Meeting
Agenda Item 5
Consent Calendar

Accept the Fiscal Year 2011-12 Audited Financial Statements

Conducted by Grant & Smith, LLP, the SFCJPA's 2011-12 Audited Financial Statements and Management Letters (attached) found that there were no difficulties with completing the audit, three "deficiencies" or areas of concern, and none of the more serious type of deficiency known as a "material weakness." The deficiencies related to the timing of adjustments to general ledger balances, the timing and accuracy of certain financial reports, and, regarding member agency contributions for capital projects, a lack of clear policies and lack of accounting resources. The Audited Financial Statements found that the net assets of the SFCJPA decreased in the 2011-12 Fiscal Year by \$5,873 from the prior year, to \$160,789. On February 23, 2015, the SFCJPA Board Finance Committee met with the SFCJPA Auditor and staff to review these findings. We intend to complete the 2012-13 Audit before the end of the current fiscal year.

Proposed Board action: Accept Fiscal Year 2011-12 Audited Financial Statements.

Submitted by:



Len Materman
Executive Director

**SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**



**SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY**

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
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INDEPENDENT AUDITORS' REPORT

San Francisquito Creek Joint Powers Authority
Menlo Park, California

We have audited the accompanying statement of net positions of San Francisquito Creek Joint Powers Authority (the "Authority") as of June 30, 2012, and the related statement of revenues, expenses and changes in net position and cash flow for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority at June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Oakland, California
December 29, 2014

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2012

This Management's Discussion and Analysis is intended to serve as a narrative overview and analysis of the financial activities of the San Francisquito Creek Joint Powers Authority (the "Authority") for the year ended June 30, 2012. The information presented here should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

Overview of the Financial Statements

The Authority's financial statements include the statement of net positions, statement of revenues, expenses and changes in net positions, and statement of cash flows. Also included are the notes to the financial statements.

The statement of net positions shows the difference between assets and liabilities. Net positions are classified into three categories: invested in capital assets (net of related debt), restricted, and unrestricted. The Authority had no capital assets nor any restricted net positions and related debt at June 30, 2012. All the Authority's assets and liabilities are current (generally within 12 months).

The statement of revenues, expenses and changes in net positions shows the revenues and expenses that contributed to the change in net positions during the year.

The statement of cash flows summarizes the cash inflows and outflows based on type of activity, including cash flows from operations, non-capital financing activities, capital and related financing activities, and investing activities. The Authority had no capital and related financing activity during the year ended June 30, 2012.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Financial Analysis

The most significant events affecting the comparability of the Authority's financial statements for the year ended June 30, 2012, to the prior year are highlighted below.

Statement of Net position

The net position of the Authority decreased by \$5,873 from the prior year. The composition of net position as of June 30, 2012 and 2011 is shown in the following table:

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2012

	<i>FY 11-12</i>	<i>FY 10-11</i>	<i>Change</i>
Cash	\$247,888	\$286,486	(\$38,598)
Other Government Receivables	76,232		76,232
Prepaid expenses	12,434	9,996	2,438
Total assets	<u>336,554</u>	<u>296,482</u>	<u>40,072</u>
Accounts payable	103,729	27,475	76,254
Advance	20,396	49,668	(29,272)
Accrued salaries and benefits	51,640	52,677	(1,037)
Total liabilities	<u>175,765</u>	<u>129,820</u>	<u>45,945</u>
Net Position	<u>\$160,789</u>	<u>\$166,662</u>	<u>(\$5,873)</u>

Other government receivables and accounts payable increased by \$76,232 and \$76,254, respectively are due to accrued expenses for capital projects.

The Authority pays member agencies portion of core project invoices after receiving payment from member agencies, for the year ended June 30, 2012, the Authority's non-operating revenue increased and advance decreased by \$29,272 for the prior year's advance payment from member agencies.

Deferred revenue decreased due to member entities not prepaying 2011-2012 Member Entity contributions.

Authority employees did not receive a salary increase during this fiscal year. Accrued salaries and benefits decreased by \$1,037 as a result of accrued vacation, personal leave and administrative leave for the Authority's three employees.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2012, the Authority's net position decreased by \$5,873 from the prior year. This change in net positions is shown in the following table:

	<i>FY 11-12</i>	<i>FY 10-11</i>	<i>Change</i>
Total operating revenues	\$490,000	\$490,000	
Total operating expenses	497,268	517,650	(\$20,382)
Operating profit (loss)	(7,268)	(27,650)	20,382
Net non-operating revenues	1,395	1,052	343
Change in net positions	(5,873)	(26,598)	20,598
Net position, beginning of year	166,662	193,260	(26,598)
Net position, end of year	<u>\$160,789</u>	<u>\$166,662</u>	<u>(\$5,873)</u>

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2012

Operating revenues are comprised of Member Entity contributions. Each member contributed \$98,000 in fiscal year 2010-2011 and \$98,000 in fiscal year 2011-2012.

Operating expenses are comprised of the personnel cost of the Authority's three employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2012, decreased by \$20,382 which is primarily due to the following:

- Approximate \$5,648 decrease in Personnel Costs is primarily due to decrease in benefit expense.
- Approximate \$5,142 decrease in Personnel Services is primarily due to decrease in membership dues.
- Approximate \$22,987 decrease in Legal services is due to the expense in legal services that is directly associated with the SFCJPA Bay – Highway 101 project; contract negotiations and reviews that were accrued in the prior year.
- Approximate \$6,277 increase in office expense is primarily due to the expense to relocate the office.
- Approximate \$8,130 increase in Consultant Services/Studies is due to the services expenses that were accrued in the current year.

Summary of Known Facts, Decisions or Conditions

The following are currently known facts decisions or conditions that are expected to have a significant impact on the financial position or changes in financial position of the Authority:

- The Authority's operational budget is funded by annual member agency contributions. The member agencies derive funding from different sources within their general budgets. Those budgets are dependent upon the State's economy and a future stable economic climate. The Authority members are only bound in a voluntary agreement, and make year-to-year decisions whether they will continue to participate in the Authority by contributing the amount requested by the Authority through its approved operating budget.
- The Authority is under contract with the U.S. Army Corps of Engineers for Phase II (Feasibility Phase) related to a multi-year flood control and ecosystem restoration project. The contract estimates total project cost to be \$7.5 million, of which the Authority, acting as the umbrella organization for its member agencies, is responsible for 50% local matching funds, including \$500,000 in-kind management contributions.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2012

Summary of Known Facts, Decisions or Conditions (Continued)

Two members of the Authority, the San Mateo County Flood Control District and the Santa Clara Valley Water District, have agreed through a resolution of the Authority Board, to provide \$1.5 million each for project completion through Phase II. The federal matching dollars are approved on a year-to-year basis through the Congressional/Presidential budget planning process and are subject to fluctuation in amounts.

The agreements discussed above call for the Authority to manage the project with the Corps, coordinate all member agency participation, run a media and public participation campaign, and maintain accounting records.

Funding beyond Phase II has not yet been determined and is the subject of management discussions. The entire cost of project will not be known until sometime after Phase II is completed in about 2015.

Requests for Information

The annual financial report is designed to provide a general overview of the Authority's finances and operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. Len Materman
Executive Director
San Francisquito Creek Joint Powers Authority
615 B Menlo Ave.
Menlo Park, CA 94025

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2012**

ASSETS

CURRENT ASSETS

Cash and Equivalents	\$	247,888
Other Government Receivables		76,232
Prepaid Expenses		9,228
Total Assets		<u>333,348</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	100,523
Advance	20,396
Accrued Salaries and Benefits	51,640
Total Current Liabilities	<u>172,559</u>

NET POSITION-Unrestricted	<u>\$</u>	<u>160,789</u>
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See accompanying notes.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012**

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	\$ 98,000	\$ 98,000	\$ -
City of East Palo Alto	98,000	98,000	-
City of Menlo Park	98,000	98,000	-
Santa Clara Valley Water District	98,000	98,000	-
San Mateo County Flood Control District	98,000	98,000	-
Total Operating Revenues	<u>490,000</u>	<u>490,000</u>	<u>-</u>
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	248,025	248,025	-
Benefits	129,556	125,000	4,556
Payroll Taxes	20,740	18,500	2,240
Personnel Services	4,856	5,400	(544)
Auto Allowances	5,000	5,000	-
Legal	7,687	25,000	(17,313)
Financial/CPA	12,000	12,000	-
Office Expense	39,700	33,700	6,000
Consultant Services/Studies	29,225	60,000	(30,775)
Contingency	479	10,000	(9,521)
Total Operating Expenses	<u>497,268</u>	<u>542,625</u>	<u>(45,357)</u>
Operating Loss	<u>(7,268)</u>	<u>(52,625)</u>	<u>45,357</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest	1,395	1,500	(105)
Federal Contribution to Corps Project	209,655	-	209,655
Consultant Services/Corps Project	(209,655)	-	(209,655)
Total Non-Operating Revenues	<u>1,395</u>	<u>1,500</u>	<u>(105)</u>
CHANGES IN NET POSITION	(5,873)	(51,125)	45,252
NET POSITION, BEGINNING OF YEAR	166,662	-	166,662
NET POSITION, END OF YEAR	<u>\$ 160,789</u>	<u>\$ (51,125)</u>	<u>\$ 211,914</u>

See accompanying notes.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Member Entities	\$ 490,000
Cash Paid to Employees for Services	(399,358)
Cash Paid to Suppliers for Goods and Services	(130,635)
Cash Used to Operating Activities	<u>(39,993)</u>

CASH FLOWS FROM INVESTING ACTIVITY

Interest Received	<u>1,395</u>
Decrease in Cash	(38,598)

CASH, BEGINNING OF YEAR 286,486

CASH, END OF YEAR \$ 247,888

NON-CASH NON-CAPITAL FINANCING ACTIVITY

Project Costs Paid by U.S. Army Corps of Engineers	<u><u>\$ (209,655)</u></u>
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RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

TO OPERATING LOSS:

Cash Used by Operating Activities	\$ (39,993)
Increase in Other Government Receivables	76,232
Increase in Prepaid Expenses	(768)
Increase in Accounts Payable	(73,048)
Decrease in Advance	29,272
Decrease in Accrued Salaries and Benefits	1,037
Operating Loss	<u><u>\$ (7,268)</u></u>

See Accompanying Notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 1 – NATURE OF OPERATIONS

The San Francisquito Creek Joint Powers Authority (the “Authority”) was created in May 1999 as a joint powers authority by the City of Menlo Park, the City of Palo Alto, the City of East Palo Alto, the Santa Clara Valley Water District and the San Mateo Flood Control District (the “Member Entities”). The Authority was formed to manage the joint contribution of services and to provide policy direction on issues of mutual concern related to the San Francisquito Creek, including bank stabilization, channel clearing and other creek maintenance, planning of flood control measures, preserving and enhancing environmental values and instream uses, and emergency response coordination.

The Authority is governed by a five-member board, comprised of one director appointed by each Member Entity. The Authority is legally separate and fiscally independent from each of the Member Entities, which means it can incur debt, set and modify its own budgets and fees, enter into contracts, and sue or be sued in its own name. The accompanying financial statements reflect the financial activity of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

The accounts of the Authority are organized on the basis of an enterprise fund. Enterprise funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity’s cost of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues of the Authority are contributions from the Member Entities to cover operating costs of the Authority. Operating expenses include administrative salaries and consultant services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue and costs related to the Corps Project are classified as non-operating revenues and expenses. The Authority is reimbursed for the study costs that are related the Corps Project.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued)

Basis of Presentation (Continued)

The Authority follows Governmental Accounting Standards Board pronouncements.

Budget

The Board of Directors each year adopts an operating budget consistent with generally accepted accounting principles. This budget is not effective until approved by the governing body of each Member Entity. There were no significant revisions to the budget during the year.

Member Entity Contributions

Under terms of the joint powers agreement, the Authority's Board annually estimates the operating costs of the Authority for the coming fiscal year and proposes a formula for allocating the costs to the Member Entities. The Member Entities then make contributions representing their share of the needed operating costs to the Authority. Each Member Entity contributed \$98,000 during the year ended June 30, 2012, to cover Authority operating costs for the year.

Accumulated Vacation and Sick Leave

By Authority policy, employees earn 96 hours per year of personal leave as well as 112 to 160 hours of vacation, depending on years of service. Up to 180 hours of personal leave and up to 280 hours of vacation can be carried over from year to year until used. The Authority has accrued \$32,959 for this liability at June 30, 2012. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. In excess of forty (40) hours and up to one hundred twenty (120) hours of any combination of accrued vacation leave and accrued administrative leave may be converted to cash, payable to an employee once during each fiscal year at a time requested by the employee.

Grants Received

Grants are reported as non-operating revenue as soon as all eligibility requirements have been met.

Estimates

Management has made estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual values could differ from these estimates.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority does not report any deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Currently, the Authority does not report any deferred inflows.

Net Position

GASB No. 63 requires that the difference between assets, liabilities and deferred inflow of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued)

New Accounting Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 62

Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, incorporates into the GASB authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures which does not conflict with or contradict other GASB pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. As of July 1, 2012, the Authority adopted this standard, which did not have an impact on its financial statements.

Governmental Accounting Standards Board Statement No. 63

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resource, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the resulting measure as net position rather than net assets. The provisions of the Statement are effective for financial statements with periods beginning after December 31, 2011. As of July 1, 2012, the Authority adopted this standard, for which the only impact was the renaming of the financial statement.

Governmental Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2013. The Authority implemented this Statement as of June 30, 2012, which did not have an impact on its financial statements.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued)

New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 68

In June 30, 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27. The primary objective of the Statement is to improve accounting and financial reporting by state and local governments for pension. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pensions plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2014.

Governmental Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued)

New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement are effective for the Authority’s fiscal year ending June 30, 2014.

NOTE 3 - CASH AND INVESTMENTS

During the year ended June 30, 2012, all the Authority’s cash was maintained in bank accounts. Cash deposits that are entirely insured or collateralized are deposited in LAIF. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution, but is considered to be held in the Authority’s name and places the Authority ahead of general creditors of the institution.

Investments authorized by the California Government Code for Authority purchase include:

- Securities of the United States Government
- Securities of United States Government Agencies
- Bankers Acceptances
- Commercial Paper
- Certificates of Deposit
- Negotiable Certificates of Deposit
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Money Market Mutual Funds
- Savings Account
- Securities of the State of California

The cash balance as of June 30, 2012 consisted of:

LAIF		\$	207,305
Capital Project			20,015
Wells Fargo Bank			20,154
Petty Cash			414
Total			\$ 247,888

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

NOTE 4 - EMPLOYEE RETIREMENT PLAN

The Authority provides retirement benefits to its three employees through the California Public Employees Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. This plan acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Authority's employees participate in the Miscellaneous Employee Plan.

Benefit provisions under the plan are established by State statute. Benefits are based on years of service, age and final compensation, equal to the average of the employees' highest consecutive 12-month period. Funding requirements for the plan are determined as of each June 30 on an actuarial basis by CalPERS and the Authority must contribute these amounts. Benefits vest over five years, benefit payments are monthly for life and the retirement age is 50.

CalPERS determines contribution requirements using the Entry Age Normal method. Under this method, the Authority's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the Authority must pay annually to fund an employee's projected retirement benefit. The actuarial assumptions used to compute contribution requirements are also used to compute the pension benefit obligation. The Authority required contribution rate for the year ended June 30, 2012 was 13.358%. The actuarially required contribution for the years ended June 30, 2012, 2011 and 2010, and the amounts actually contributed by the Authority were \$34,008, \$21,476 and \$31,631, respectively.

CalPERS uses the market related value method of valuing the plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a closed 20-year period ending June 30, 2024.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

NOTE 4 - EMPLOYEE RETIREMENT PLAN (Continued)

The plan's actuarial value (which differs from market value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30, 2012 (dollars in thousands):

<i>Actuarial Valuation Date</i>	<i>Entry Age Accrued Liability</i>	<i>Actuarial Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>	<i>Unfunded Liability as % of Payroll</i>
2010	3,309,064,934	2,946,408,106	362,656,828	89.0%	748,401,352	48.5%
2011	3,619,835,876	3,203,214,899	416,620,977	88.5%	759,263,518	54.9%
2012	4,175,139,166	3,686,598,343	488,540,823	88.3%	757,045,663	64.5%

The most recently available actuarial report from CalPERS was as of June 30, 2012. Audited annual financial statements are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 5 – U. S. ARMY CORPS OF ENGINEERS PROJECT

In November 2005, the Authority entered into an agreement with the U.S. Army Corps of Engineers (the "Corps") to share in the cost of a study (the "Corps Project") to determine project alternatives for flood damage reduction and ecosystem restoration for the San Francisquito Creek Watershed. The study is estimated to cost approximately \$7.5 million with costs shared evenly between the Corps and the Authority (along with its Member Entities). The funding agreement shows that the Authority's share of project costs will be met by \$1.5 million contributions each from the Santa Clara Valley Water District and the San Mateo County Flood Control District, \$32,325 each from the City of East Palo Alto and City of Menlo Park, and approximately \$800,000 of in-kind contributions from Authority staff. After the study is complete in approximately 2015, the Authority and Corps will consider moving to a construction phase of the project. At the beginning of each year, the Santa Clara Valley Water District and the San Mateo County Flood Control District are required to deposit cash into an escrow account maintained by the Corps in the amount estimated by the Corps to be needed during the year. The Authority reports all Corps Project costs as non-operating consultant services/studies expenses and the Corps share of such costs as Federal contribution (\$209,655 for the year ended June 30, 2012) as the costs are incurred.



To the Board of Directors
and Management of San Francisquito Creek Joint Powers Authority

In planning and performing our audit of the financial statements of San Francisquito Creek Joint Powers Authority (The Authority) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered San Francisquito Creek Joint Powers Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Francisquito Creek Joint Powers Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of San Francisquito Creek Joint Powers Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

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

Prior Year's Comments

We made several comments in prior years' management letter where matters deemed to be reportable conditions were cited. San Francisquito Creek Joint Powers Authority has made none of the recommended changes. We believe that the following year audit comments, which are substantially a continuation of the prior year comments, continue to deserve consideration.

The following are the prior year's comments that are repeated in the current year:

Deficiency 1

During our audit, we noted that certain general ledger balances were not adjusted prior to year end. These included the adjustments to reconcile revenues, and other adjustments. These corrections were posted after the year-end close.

Deficiency 2

We noted that The Authority's financial reporting processes are being significantly delayed. Constant problems in receiving timely and accurate financial information can significantly impact management's ability to effectively guide an organization. Critical areas such as financial analysis, budgetary control, and cash flow can all be negatively impacted. Delayed and inaccurate financial reports also limit access to financial information used by government officials, the public, state and federal agencies and other interested parties. In addition, it can delay the audit process and increase the audit costs. We strongly suggest The Authority should take whatever steps necessary to ensure that management receives current and accurate financial information on a timely basis. This may require that the accounting staff provide extra effort to bring the current books and records up to date. Once up-to-date, the accounting staff must consistently provide management with the accurate financial reports and information necessary to effectively manage The Authority's operations.

In response to Deficiencies 1 & 2

The SFCJPA accounting and financial software and other programs have been hit with several viruses resulting in loss of information and hardware several times in the last three-four years. The SFCJPA does not have a dedicated Information Systems staff and therefore has to rely on outside assistance for fixing/recovery/replacement of necessary items. As indicated at the completion of the previous audit, due to loss of information and hardware the annual audits from 2010/2011-2013/2014 would/are delayed due in part to the loss of information and reprogramming that has needed to occur which has had a major affect on the timing of posting entries as well. The accounting and financial software is now in a more secure and updated machine which is allowing us to move forward and get these past due audits complete.

Deficiency 3

Our audit procedures revealed that amounts billed to the member agencies for the cost of Capital project are not recorded until money is received, and not received by member agencies in the order they are billed, and both of these have contributed to not recording revenue in a timely and accurate manner. Member agencies are invoiced for the services without the invoice going through a review and recording process by accounting, the frequent result is that revenue is received without appropriate information for processing. We suggest that a formal policy and procedure be adopted so that accounting has clear responsibility for, and that it has appropriate resources for, involvement in the invoices sent to the member agencies.

In response to Deficiency 3

SFCJPA staff is working on developing an accounting process and appropriate resources for the Capital projects accounts in order to address this deficiency.

The Authority's written response to the significant deficiencies identified during our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Directors, and others within San Francisquito Creek Joint Powers Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Grant & Smith LLP

Oakland, California
December 29, 2014



December 29, 2014

To the Board of Directors
and Management of San Francisquito Creek Joint Powers Authority

We have audited the financial statements of the San Francisquito Creek Joint Powers Authority (The Authority) as of and for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 29, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by The Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

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

Very truly yours,



Grant & Smith, LLP
Oakland, California

San Francisquito Creek Joint Powers Authority
February 26, 2015 Board Meeting
Agenda Item 6
Executive Director's Report

With the help of Kevin Murray and Miyko Harris-Parker, I am pleased to submit the following:

a. Board Organization: select officer positions and membership on committees

Early in each calendar year, the Board appoints individual Board members to fill officer positions and membership on committees. The terms of Chair and Vice Chair have historically been two years, and in January 2014, Kirsten Keith began serving as Chair and Brian Schmidt as Vice Chair. Mr. Schmidt is no longer on the SFCJPA Board, and therefore the Board needs to choose a new Vice Chair. Board service on committees is a one-year renewable term, and thus committee assignments should be reaffirmed or changed at this time. Mr. Schmidt also served as the SFCJPA representative (known as a "Member Director") to the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA). Because SFCJPA employees receive benefits from the ACWA JPIA, we are required to appoint a representative and an alternate to that agency. In 2014, Board Committee membership was as follows:

Committee and membership

Finance Committee: Kirsten Keith and Dave Pine

Personnel Committee: Pat Burt and Brian Schmidt

Emergency Preparedness Committee: Brian Schmidt and Ruben Abrica

Purposes, Roles and Responsibilities Committee: Brian Schmidt and Kirsten Keith

ACWA JPIA Board: Brian Schmidt (Member Director) and Miyko Harris-Parker (Alternate Member Dir.)

The role of the Finance Committee is to hear, comment on, and then present to the full Board the operating budget and financial audit. The role of the Personnel Committee is to initiate and lead the review of the Executive Director. The role of the Emergency Preparedness Committee is to provide policy direction on this issue, and the Purposes, Roles and Responsibilities Committee will discuss and recommend changes to the agency's mission or founding Joint Powers Agreement. The ACWA JPIA Member Director and Alternate Member Director attend ACWA JPIA Board of Directors meetings at ACWA statewide conferences, which occur twice a year. The Santa Clara Valley Water District Board appointed Director Nai Hsueh as its representative to the ACWA JPIA, and she can represent both the SFCJPA and SCVWD on the ACWA JPIA Board. The SFCJPA Board must appoint a Member Director and an Alternate Member Director. The Alternate Member Director can be a member of the staff but the Member Director has to be an elected official representing the SFCJPA.

Proposed Board action: Select a Vice Chair and membership on committees.

b. S.F. Bay-Highway 101 project construction planning

At SFCJPA Board meetings for over the past year, we have discussed our efforts to prepare for construction, including the relocation of utilities, in order to improve public safety and increase marsh habitat in the Creek between S.F. Bay and Highway 101. Below is a summary of construction planning activities since the last Board meeting in regards to regulatory permits and land/easement acquisition.

As discussed at the previous SFCJPA Board meeting, the Regional Water Quality Control Board committed to issuing water quality certification for the project once the U.S. Army Corps of Engineers issued its public notice for the project, which occurred on December 18, 2014. On February 12, 2015, Regional Water Board staff met with staff and legal counsel from the SFCJPA and Santa Clara Valley Water District (SCVWD) to discuss specific permit conditions drafted by the Regional Water Board. At the time of this Executive Director's Report, most issues seem to have been resolved and we are working to resolve a few remaining issues.

San Francisquito Creek Joint Powers Authority
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The next step in securing the Corps permit is to respond to requests from the U.S. Fish and Wildlife Service and National Marine Fisheries Service for information they requested in order to complete their Biological Opinions regarding potential project impacts and mitigation related to sensitive species. While SFCJPA and SCVWD staff have generated responses to many of these requests, some require additional work from our design and environmental consultants, and are subject to the passage of the consultant contract amendment in Item 6.c. The other two agencies providing permits are the California Department of Fish and Wildlife, which is now reviewing the revised application materials we submitted to them last month, and BCDC, for which we will soon begin working on a revised application.

Regarding land acquisition, on the Palo Alto side of the creek, the SCVWD is working to secure the necessary land and easements. On February 10, 2015, the SCVWD Board of Directors passed a Resolution of Necessity, the first step in the eminent domain process, for the acquisition of a portion of the property that abuts the creek at East Bayshore Road in Palo Alto. This process will move forward at the same time that SCVWD staff continue to negotiate with the property owner to reach a successful agreement.

Regarding land on the San Mateo County side of the creek, on March 4, 2014 the East Palo Alto City Council passed a resolution authorizing the City Manager to accept conveyances and offers of dedication to the City of interests in real property. This resolution provides for the City of East Palo Alto to obtain or accept the required easements on the East Palo Alto side without taking each easement agreement or transfer of interest to the City Council for approval. The SFCJPA and San Mateo County have developed easement agreements for two of the three easements needed. The third easement to be held by the City, which is along the property that abuts the Creek on East Bayshore Road in East Palo Alto, is currently under negotiation. In addition to the three easements to be held by the City of East Palo Alto, there is property on the East Palo Alto side of the Creek that is owned by the City of Palo Alto that will be needed for construction, and thus a temporary construction easement between the City of Palo Alto and the SCVWD is being developed. San Mateo County is looking into the availability of their internal resources for the preparation of plats and legal descriptions of those lands.

c. Authorize the Executive Director to execute Contract Amendment No. 4 with HDR, Inc. to complete design and permitting of the S.F. Bay-Highway 101 project

The SFCJPA entered into a consultant contract with HDR, Inc. on November 3, 2009 to conduct design services for the S.F. Bay-Highway 101 Project. The costs of this contract, CEQA documentation and the preparation of permit applications for this project, have been provided to the SFCJPA by the Santa Clara Valley Water District (SCVWD) and the San Mateo County Flood Control District (SMCFCD) through a funding Agreement. At its January 22, 2015 meeting, the SFCJPA Board voted to amend this Agreement to reallocate funds from an unnecessary task to cover the costs of design and permit application tasks necessitated by previous and current requests from the Regional Water Quality Control Board, US Fish and Wildlife Service and National Marine Fisheries Service for additional technical information regarding design alternatives and hydraulic analysis.

Responding to these requests led to significant work by HDR, and modifications to the Project design and to permit application materials led to significant work by HDR and its sub-contractors. This volume of work was not included in the consultant contract or previous amendments to it, and thus the enclosed Amendment 4 to the consultant contract has been prepared in order to secure regulatory permits and finalize Plans, Specifications and Cost Estimates. In order to provide reasonable time for these modifications to the design and associated permitting work to take place, Amendment 4 will also change the term of the contract, extending it to December 1, 2015. Exhibits and attachments to Amendment 4 will be provided at the Board meeting.

Proposed Board Action: Authorize the Executive Director to execute a Contract Amendment with HDR, Inc. to complete design and permitting of the S.F. Bay-Highway 101 project.

San Francisquito Creek Joint Powers Authority
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d. Discuss the Fiscal Year 2015-16 Operating Budget

At the previous Board meeting on January 22, 2015, the SFCJPA Board voted to approve an amended Fiscal Year 2014-15 Operating Budget and amended Fiscal Year 2014-15 Salary Schedule. That agenda item gave Board members and the public an overview of the SFCJPA's budget picture at the halfway point of the 2014-15 Fiscal Year. This budget included two important developments: funds to hire a grant finance administrator to assist with the accounting and reporting of project funds, and an adjustment to the salaries of our agency's Project Manager and Finance and Administration Manager.

At this Board meeting, we turn our attention to the development of next year's budget. This is a discussion item to introduce the topic; I anticipate asking the Board to approve the Fiscal Year 2015-16 Operating Budget at our next Board meeting on March 26, 2015.

At that time, I plan to submit a budget that balances expenses and revenues. To achieve a balanced budget, we will have to take advantage of the administrative costs built into several of the grants we have secured in recent years, including for S.F. Bay-Highway 101 project construction and mitigation, the SAFER Bay project, Flood Control 2.0, and our funding agreement with the SCVWD to fund the EIR upstream of Highway 101. With these grant funds for overhead, and a continuation of the current member agency annual contribution of \$118,000, we can maintain our commitments to complete permitting and land acquisition for the Bay-Highway 101 project, complete an EIR upstream of Highway 101, complete the design and EIR for the SAFER Bay project, and complete the early warning system as it currently exists.

Yet, there are other efforts that we, or members of the community, desire to be involved in, in addition to those items. These include:

- continuing the Corps of Engineers federal study to maintain the possibility of federal construction funding of projects upstream of Highway 101 and to realize earlier input by federal resources agencies,
- working with Stanford on potential projects that involve their interests,
- writing new grant proposals,
- developing interpretive signage along the Bay-Highway 101 project,
- supporting the SCVWD with public outreach on both sides during Bay-Highway 101 construction,
- advancing conversations around land, utilities, and permitting of the SAFER Bay project,
- calibrating and improving the early warning system,
- coordinating groundwater basin resources, and
- supporting bank stabilization efforts.

With current staffing, we do not have the capacity to successfully complete the efforts in the bulleted list above in addition to those items in the previous paragraph. At this Board meeting, I'll present two budget scenarios that assume: 1) a continuation of the current member agency annual contributions and SFCJPA staffing, and 2) an increase in the member agency contributions next fiscal year to fund an additional project-related position that will enable us to move forward on the bulleted items. Through this discussion, I'll seek direction from Board members so that I can formulate a specific, balanced Fiscal Year 2015-16 Operating Budget proposal for approval at the March 26, 2014 Board meeting.

e. Conflict of Interest Code update

The California Political Reform Act (Government Code Section 81000 et seq.) requires state and local government agencies to adopt and update conflict of interest codes every two years. A conflict of interest code designates positions required to file Statements of Economic Interests (Form 700), and assigns disclosure categories specifying the types of interests to be reported. The Form 700 is a public document intended to alert public officials and members of the public to the types of financial interests that may create conflicts of interests.

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Over the past several months, our legal counsel has worked with the Technical Assistance Division of the Fair Political Practices Commission (FPPC) to update the Authority's conflict of interest code to reflect the current staff positions and changes to the Political Reform Act. We are in the process of finalizing revisions to the conflict of interest code and expect to publish the Notice of Intention to amend the conflict of interest code within the next week.

Publishing the Notice of Intention will commence a 45-day public comment period on the proposed Conflict of Interest Code amendments. A member of the public may request that the Authority hold a public hearing; if none is requested, the Board can adopt the amended Code at a future Board meeting (likely in April). Because the Authority consists of member agencies from more than one county, the final proposed Code must be submitted to the FPPC Executive Director for approval. The Conflict of Interest Code amendments will become effective the thirtieth day following approval by the FPPC Executive Director.

Submitted by:



Len Materman
Executive Director

**AMENDMENT NO. 4 TO AGREEMENT FOR DESIGN SERVICES FOR
FLOODWATER CONVEYANCE IMPROVEMENTS ON SAN FRANCISQUITO CREEK**

**BETWEEN THE SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
AND
HDR ENGINEERING, INC.**

This Amendment No. 4 (“Amendment”), effective as of the date it is fully executed by the parties, amends the terms of the Consultant Agreement (“Agreement”) between the SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY (“Authority”) and HDR Engineering, INC. [a Nebraska corporation] (“Consultant”), dated November 3, 2009, amended on August 9, 2011, through the execution of Amendment No. 1 and again on October 24, 2013, through the execution of Amendment No. 2, and again on November 27, 2013 through the execution of Amendment No. 3. Capitalized terms not otherwise defined will have the meaning set forth in the Agreement.

WHEREAS, since the execution of Amendment No. 3 to the Agreement, requests have been made to Authority to provide additional design alternatives and hydraulic analysis by State and Federal Regulatory Agencies in order to secure permits for the Project; and

WHEREAS, the requests by State and Federal Regulatory Agencies have required modifications to the Project design and repeated preparation of permit application materials, resulting in significant work by Consultant and Consultant’s sub-contractors on the Project; and

WHEREAS, work related to the requests by State and Federal Regulatory Agencies was not provided for in the Agreement or previous Amendments to the Agreement; and

WHEREAS, the parties desire to amend the Agreement to modify the Project budget in order to finalize Plans, Specifications and Cost Estimates, and to complete necessary tasks related to securing regulatory permits for the Project; and

WHEREAS, the modification to the Project budget will change the Not to Exceed amounts of certain tasks within Exhibit C, Compensation and will change the total Not to Exceed amount of the Agreement; and

WHEREAS, the parties desire to amend the term of the Agreement, extending it to December 1, 2015.

NOW, THEREFORE, in consideration for the mutual promises and agreements contained herein and notwithstanding anything to the contrary in the Agreement or Amendments No. 1, No. 2, or No. 3, Consultant and Authority hereby agree as follows:

1. Exhibit A, Scope of Services, is amended to include services described in ATTACHMENT 1, Modifications to Exhibit A, attached hereto and incorporated herein by this reference as though set forth in full.
2. Exhibit B, Schedule of Performance, is amended to extend the Agreement to December 1, 2015.
3. Exhibit C, Compensation, is amended to add a total of \$150,000 to Tasks 4 and 5 as shown in ATTACHMENT 2, Modifications to the Project Budget, attached hereto and incorporated herein by this reference as though set forth in full.
4. All other terms and conditions stated in the original Agreement and Amendments No. 1 and No. 2 and No. 3 remain in full force and effect.

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IN WITNESS WHEREOF, the parties have set forth below their consent to the terms and conditions of this amendment No. 4 through the signatures of their duly authorized representatives.

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY

HDR Engineering, Inc.,
[a Nebraska corporation]

Len Materman
Executive Director

Amy Gilleran
Senior Vice President

Date

Date