



SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
SFCJPA.ORG

**Notice of Regular Meeting of the
BOARD OF DIRECTORS
City of Palo Alto Council Chambers
250 Hamilton Avenue, Palo Alto, California
March 26, 2015 at 4:00 p.m.**

AGENDA

- 1) ROLL CALL
- 2) APPROVAL OF AGENDA
- 3) APPROVAL OF MEETING MINUTES – February 26, 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) REGULAR BUSINESS – EXECUTIVE DIRECTOR'S REPORT
 - a) S.F. Bay-Highway 101 project construction planning
 - b) Resolution 15.3.26 of the Board of Directors increasing Public Employees' Retirement System member contributions paid by SFCJPA employees
 - c) Discuss the Fiscal Year 2011-12 Audited Financial Statements, audited by Grant & Smith, LLP
 - d) Approve the Fiscal Year 2015-16 Operating Budget
- 6) BOARD MEMBER MATTERS - *Non-agendized comments, requests, or announcements by Board members; no action may be taken.*
- 7) ADJOURNMENT

PLEASE NOTE: This Board meeting Agenda can be viewed online by 4:00 p.m. on March 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 March 24, 2015.

NEXT MEETING: Regular Board meeting, April 23, 2015 at 4:00 p.m., Menlo Park City Council Chambers.

San Francisquito Creek Joint Powers Authority

March 26, 2015 Regular Board Meeting

Agenda Item 3

February 26, 2015 Board Meeting Minutes

Director Burt called the meeting to order at 4:07 p.m. at the City of East Palo Alto Council Chambers, East Palo Alto, CA

DRAFT

1) ROLL CALL

Members Present: Director Keith, City of Menlo Park (not present at roll call)
Director Abrica, City of East Palo Alto
Director Burt, City of Palo Alto
Director Kremen, Santa Clara Valley Water District
Director Pine, San Mateo County Flood Control District (not present at roll call)

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

Legal Present: Greg Stepanicich

Others Present: Brian Schmidt, Palo Alto resident; Jerry Hearn, Portola Valley resident;
Dennis Parker, East Palo Alto resident; Trish Mulvey, Palo Alto resident;
Eileen McLaughlin, Citizens Committee to Complete the Refuge; Joe Teresi,
City of Palo Alto; Jeff Norris, San Mateo County Office of Emergency
Services; Kamal Fallaha, City of East Palo Alto; Kristen Yasukawa, Santa
Clara Valley Water District (SCVWD); Melanie Richardson; SCVWD; Saeid
Hosseini, SCVWD; Ann Stillman, San Mateo County Flood Control District

2) APPROVAL OF AGENDA

Director Abrica made a motion to approve the agenda. Director Kremen seconded. Agenda approved 3-0. Chairperson Keith not present at time of vote. Director Pine not present at time of vote.

3) APPROVAL OF MEETING MINUTES- January 22, 2015 Board Meeting

Item deferred until a quorum of Board members who were present at the January 22, 2015 Board Meeting were in attendance. Item considered after agenda item 6.a.
Director Burt made a motion to approve the January 22, 2015 Board meeting minutes. Director Abrica seconded. Minutes approved 4-0-1. Director Kremen abstained.

4) PUBLIC COMMENT

Trish Mulvey, Palo Alto resident; spoke about a conference call she participated in with SCVWD staff and all the municipalities in Santa Clara County who participate in the Community Rating System (CRS) for flood insurance, expressing her hope that the program will be established in the San Francisquito Creek Watershed and that as the SFCJPA is looking at staffing that this item is kept in mind and resources are made available for staff participation. Mrs. Mulvey commented that she hopes that when the Board renews the Purposes, Roles and Responsibilities Committee members that they will consider participation in the CRS, and that the committee begins discussion on the agency's purposes, roles and responsibilities soon.

Jerry Hearn, Portola Valley resident, welcomed Director Kremen to the SFCJPA Board. Mr. Hearn provided a brief update on Searsville and he voiced his agreement with Mrs. Mulvey's comments regarding the SFCJPA purposes, roles and responsibilities and hopes that there is a robust conversation on what the SFCJPA will take on in the future.

San Francisquito Creek Joint Powers Authority

March 26, 2015 Regular Board Meeting

Agenda Item 3

February 26, 2015 Board Meeting Minutes

Kamal Fahalla, City of East Palo Alto, gave the Board brief summary of the East Palo Alto groundwater management workshop, noting that it was very productive.

Director Pine arrived at 4:11 pm.

5) CONSENT CALENDAR – Accept the Fiscal Year 2011-12 Audited Financial Statements, audited by Grant & Smith, LLP

Director Kremen requested the item be removed from the consent calendar to allow for discussion of the deficiencies noted in the audited financial statements and accompanying management letter.

Chairperson Keith gave a brief report out of the Finance Committee review of the audited financial statements with the auditor and staff. Chairperson Keith noted that the next two audits would be worked on simultaneously which will bring us up to date and that the Finance Committee discussed with staff how to protect agency data. Director Kremen asked if the Finance Committee was aware of the deficiencies noted in the 2011-12 audit. Chairperson Keith said that the Finance Committee met with staff and the auditor, and is aware of the deficiencies, and suggested that discussion of the discrepancies be agendized for Board discussion.

Director Burt suggested moving the discussion of subsequent audit reports to the next Board meeting in the interest of time as he and other Board members had to leave at a set time.

Director Pine made a motion to approve the Fiscal Year 2011-2012 Audited Financial statements and to agendize discussion of the discrepancies to next month. Director Burt seconded. Motion to approve the Fiscal Year 2011-2012 Audited Financial statements and to agendize discussion of the deficiencies to next month approved unanimously 5-0.

6) REGULAR BUSINESS- Executive Director's Report

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

Mr. Materman provided a brief historical summary of the Board officer positions and committees, noting that former Director Schmidt served in several positions, and that his departure from the SFCJPA Board has left vacancies.

Chairperson Keith asked for nominations for officer positions and membership on SFCJPA Board committees.

Director Abrica nominated Director Pine for Vice-Chair of the Board. Director Burt seconded. Motion to appoint Director Pine Vice-Chair of the Board passed unanimously 5-0.

The Board engaged in discussion which led to informal consensus on the remaining officer positions and membership on committees as follows:

No change in Chair position; Chairperson Keith to remain as the Chair of the Board.

No change in Finance Committee; Chairperson Keith and Director Pine to remain on the Finance Committee.

San Francisquito Creek Joint Powers Authority

March 26, 2015 Regular Board Meeting

Agenda Item 3

February 26, 2015 Board Meeting Minutes

Director Burt to remain on the Personnel Committee. Director Abrica appointed to the Personnel Committee.

Director Abrica to remain on the Emergency Preparedness Committee. Director Kremen accepted the vacancy on the Emergency Preparedness Committee.

Director Burt suggested that the full Board participate in the discussion of purposes, roles and responsibilities in an informal setting, functioning like a committee without the formality of a full Board or committee meeting.

Mr. Materman informed the Board that SFCJPA alternate, Nai Hsueh, is the SCVWD ACWA and ACWAJPIA Member Director and that she had agreed to be the SFCJPA Member Director for ACWAJPIA, while Ms. Harris-Parker is currently the alternate Member Director.

Director Kremen made a motion to approve the Board committee appointments as outlined above. Director Burt seconded. Motion to approve the Board committee appointments passed unanimously 5-0. No change in alternate Member Director for ACWAJPIA; Ms. Harris-Parker will remain as alternate Member Director.

Chairperson Keith directed staff to poll the full Board on availability for discussion of the SFCJPA Purposes, Roles and Responsibilities.

Brian Schmidt, Palo Alto resident, thanked the Board for taking their actions regarding the Board assignments and committee appointments, commenting on the importance of the Personnel Committee continuing to be active.

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

Mr. Materman and Mr. Murray provided an update on the S.F. Bay-Highway 101 project construction planning.

Jerry Hearn, Portola Valley resident, questioned if the Bay-101 project could be completed in two phases asking if the project can begin while the land disputes are being worked out. Melanie Richardson, SCVWD, responded saying that standard practice is to have permits and land secured prior to going out to bid and before awarding the contract.

Eileen McLaughlin, CCCR, asked if there was a construction schedule in place. Mr. Murray responded explaining that we hope to begin construction on utilities in 2015 and then use all of the available construction seasons in 2016 and 2017 to complete project construction. Director Burt questioned if the construction is now likely to spill into 2017. Mr. Materman responded saying it is extremely likely if construction beyond utilities does not start in 2015.

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

Mr. Murray and Mr. Materman provided the Board with a brief history of the existing contract with HDR, previous amendments to the contract, what Contract Amendment No. 4 would provide, and the inter-agency agreement that provides funding for the HDR contract noting that executing Contract Amendment No. 4 would not require the commitment of new funding.

San Francisquito Creek Joint Powers Authority

March 26, 2015 Regular Board Meeting

Agenda Item 3

February 26, 2015 Board Meeting Minutes

Mr. Materman asked the Board for authorization to execute Contract Amendment No. 4 with HDR, Inc. to complete design and permitting of the S.F. Bay-Highway 101 project.

Director Kremen made motion to 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. Director Burt seconded. Motion to 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 approved 4-0. Chairperson Keith not present at time of vote.

Joe Teresi, City of Palo Alto, provided a brief update on the Caltrans Highway 101 bridge project, noting that Caltrans has put the project out for construction bids.

d) Discuss the Fiscal Year 2015-16 Operating Budget

Mr. Materman provided the Board with a report on the status of the current fiscal year budget. Mr. Materman presented two scenarios, one maintaining existing staff and one adding an additional staff member, for the draft FY 2015-16 operational budget to be proposed for consideration at the March SFCJPA Board meeting.

Jerry Hearn, Portola Valley resident, voiced his support of the SFCJPA work and the hiring of new staff members. Mr. Hearn commented on the phenomenal job being done given the amount of staff and he thanked staff for providing a very realistic look of what the agency is doing and what the agency can and cannot do without additional staff. Mr. Hearn acknowledged that the agency is doing a lot and he expressed his hope that the agency becomes a leader in groundwater and recommended that the Board consider additional staff as an investment in the future.

Eileen McLaughlin, CCCR, concurred with Mr. Hearn's comments regarding the need for more staff noting that even with additional staff the agency is still pursuing a very aggressive workload. Ms. McLaughlin asked if there had been any thought about consulting with SCVWD as a partner on the SAFER project. Mr. Materman responded saying that Ms. McLaughlin's comments were timely as he and Mr. Teresi just had a meeting with SCVWD regarding the SAFER project.

Director Burt asked whether or not the salary for the proposed new full-time staff position would be covered by grant administration funds, or if there would be a need for additional member agency contributions. Director Burt also asked if there are funds allocated in the draft budget to address audit-related issues. Mr. Materman responded saying that there are substantial grant administration funds available, which are slated to make up the difference between current member agency funds and operating costs for this year and the following two fiscal years. Mr. Materman further explained that if there was an increase in member agency contributions to allow for an additional staff member, we should have enough grant funds to ensure there is no increase to member agency contributions for the following two fiscal years. Mr. Materman noted that the budget does include funds to cover audit-related issues.

Director Abrica commented on the importance of staff showing the Board and the public a breakdown of the pros and cons of the budget, detailing what tasks are currently being covered by member agency contributions at the current staff level and what tasks are not being covered.

San Francisquito Creek Joint Powers Authority

March 26, 2015 Regular Board Meeting

Agenda Item 3

February 26, 2015 Board Meeting Minutes

Chairperson Keith asked if the proposed new staff person's tasks will include looking for new grant funds. Mr. Materman replied saying that we haven't decided how tasks might be divided between the project management staff, but that having additional staff resources will greatly improve our ability to apply for funding for our capital projects.

e) Conflict of Interest Code update

Mr. Materman reminded the Board of the need to update the Conflict of Interest Code, and that we intend to soon begin the process of revising the Code.

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

None.

8) ADJOURNMENT

Chairperson Keith adjourned the meeting at 5:39 pm.

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

San Francisquito Creek Joint Powers Authority
March 26, 2015 Board Meeting
Agenda Item 5
Executive Director's Report

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

a. 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.

Permitting

As discussed at previous SFCJPA Board meetings, the Regional Water Quality Control Board indicated its intention to issue a water quality certification for the project once the U.S. Army Corps of Engineers issued its public notice for the project, which occurred in December 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 February 12 meeting, participants reached verbal agreement on several of the conditions and agreed to modify others. Since the last Board meeting, the SFCJPA has completed its work in this regard and the Regional Water Board is currently reviewing the suggestions that the SFCJPA provided.

Another necessary permit is from the U.S. Army Corps of Engineers. The Corps asked for detailed information to determine that the proposed project is the Least Environmentally Damaging Practicable Alternative, or LEDPA. In February, SFCJPA and SCVWD staff used information gathered for a similar request from the Regional Water Board in 2014 to now provide this information to federal regulatory staff. This material was submitted to the Corps of Engineers on March 2, 2015. Another step in securing this Corps permit involves the SFCJPA responding 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. SFCJPA and SCVWD staff have generated responses to many of these requests, and some required additional work from our design and environmental consultants. The passage of a consultant contract amendment by the Board last month provided for the additional technical documents required, which have now been completed and are being reviewed by staff. At the time of the writing of this report, it is anticipated that the necessary information will be sent on March 26.

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 have begun working on a revised application to be submitted soon.

Construction Management

Staff has developed a draft Construction Management Agreement for the project. The purpose of this Agreement is to define the roles and responsibilities of the SFCJPA and member agencies during construction. All the agencies involved in this project have a role to play in its success.

The agreement calls for the SCVWD to be responsible for the advertisement for construction bids, hiring of a construction contractor, management of construction activities, and hiring of the consultants needed to provide inspection, surveys, and testing during construction. In anticipation of this role, and with the SFCJPA project manager participating, the SCVWD recently interviewed potential construction management consultants to manage the selected construction contractor.

The draft Construction Management Agreement is now undergoing final legal review. I plan to bring the Construction Management Agreement to the Board for approval at the April 23, 2015 Board meeting.

San Francisquito Creek Joint Powers Authority
March 26, 2015 Board Meeting
Agenda Item 5
Executive Director's Report

b. Resolution 15.3.26 of the Board of Directors increasing Public Employees' Retirement System member contributions by SFCJPA employees

In July 2014, as part of its review of my performance, the SFCJPA Board reduced the amount the agency pays for the Executive Director's member (employee) contribution to the California Public Employees' Retirement System (CalPERS) and increased my salary. Consistent with recent efforts by many public agencies to reduce the CalPERS benefit for current employees, the SFCJPA Board established a 50/50 split of the 7% member contribution under the SFCJPA's plan, so that the SFCJPA and Executive Director would each contribute 3.5% towards the member contribution. Also at the July 2014 meeting, the Board asked that I propose adjustments to the salary and CalPERS member contribution of the two SFCJPA staff in the near future.

At the January 22, 2015 Board meeting, the Board approved salary adjustments for SFCJPA staff effective January 1, 2015. Also effective on January 1 – without specific Board action – the SFCJPA's share of the member contribution for these employees was reduced from approximately 5.5% of an employee's salary to 3.5% of salary. This contribution of approximately 2% of salary is now paid by our employees rather than by the SFCJPA. As with the Executive Director, employees and the agency now equally contribute to the 7% member contribution towards CalPERS under the SFCJPA's plan.

We have learned that CalPERS requires a separate Board resolution for this change. Our general counsel's office used a template provided by CalPERS to draft the attached resolution for the consideration and vote of the Board at this meeting.

Proposed Board Action: Approve the attached Resolution 15.3.26 increasing Public Employees' Retirement System member contributions by SFCJPA employees.

c. Discuss the Fiscal Year 2011-12 Audited Financial Statements, audited by Grant & Smith, LLP

At its February 26, 2015 meeting, the Board accepted the Fiscal Year 2011-2012 Audited Financial statements. At that meeting, the Board also directed staff to place a discussion of this audit on the agenda of the March 26 Board meeting. 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, that there were three areas of concern or "deficiencies," none of which were the serious type of deficiency known as a "material weakness." The focus of the discussion at this Board meeting will be deficiencies identified and the steps the SFCJPA has taken or is taking to correct these deficiencies. No action is requested of the Board related to this item.

d. Approve the Fiscal Year 2015-16 Operating Budget

At the January 22, 2015 Board meeting, the SFCJPA Board voted to approve an amended Fiscal Year 2014-15 Operating Budget, that included mid-year updates regarding two key items: 1) our hiring of a part-time grant finance administrator to assist with the accounting and reporting of project funds, and not the securing of new grant funds, and 2) an adjustment to the salaries of our agency's Project Manager and Finance and Administration Manager.

At the February 26, 2015 Board meeting, we turned our attention to next year's Operating Budget with a discussion of anticipated revenues and expenses, including a scenario of hiring an additional full-time project manager. At that time, I mentioned that at the next Board meeting on March 26, I planned to propose a FY2015-16 Operating Budget that balances expenses and revenues. Attached to this Executive Director's Report is a document with side by side columns of the FY14-15 Budget approved in January, and the two scenarios – A and B – discussed in February. At the March 26 Board meeting, I propose that the Board adopt the third column in this document – Scenario B – which includes the necessary revenues and associated expenses related to the hiring of a second project manager. This Proposed FY 2015-16 Operating Budget is also separately included as the final page attached to this Executive Director's Report.

San Francisquito Creek Joint Powers Authority
March 26, 2015 Board Meeting
Agenda Item 5
Executive Director's Report

This fiscal year, we received \$590,000 in income from Member Agency annual contributions, equaling \$118,000 per agency. The last increase to Member Agency contributions, for the 2013-14 Fiscal Year, raised each contribution by \$10,000. For the current fiscal year, the total of Member Agency contributions is about \$30,000 below our expenses for the year, an amount that will be made up from the administrative costs built into several of the grants we have secured in recent years. Next year, without any additional staff, we anticipate that the discrepancy between the operating budget and the total of Member Agency contributions will increase to \$110,000, an amount that can also be backfilled by grant administration costs. I anticipate that our grant overhead can sustain us one additional year – through FY2016-17 – without an increase to Member Agency contributions or operating deficit. At that point, in July of 2017, we would be almost out of grant funds that could be used for operations and we would be looking at a sizeable deficit.

As we discussed at the February 26, 2015 Board meeting, with these grant overhead funds and a continuation of the current member agency annual contribution of \$118,000, we can maintain for the next year four key efforts: completing permitting and land acquisition for the Bay-Highway 101 project, moving forward with an EIR upstream of Highway 101 and the SAFER Bay project design and EIR, and completing the new early warning system as it currently exists. As we also discussed last month, current SFCJPA staff are involved with many additional project efforts, including the Corps of Engineers feasibility study, writing grant proposals, completing inter-agency agreements, coordinating creek maintenance, working with Stanford and other landowners, further enhancing the early warning system, emergency response coordination, and others. And still other items, such as groundwater and interpretive signage, are requested of us, but cannot be part of our portfolio with current staffing.

The result of having so few staff working with our Member Agencies on so many projects, including large and complex ones, is that none of the projects move forward at the pace and with the attention that we find acceptable. This is why I am asking the Board to support a \$27,000 increase to the annual contribution of each Member Agency, from \$118,000 to \$145,000, beginning July 1, 2015 so that we may hire an additional project manager. Without this additional funding, it is only prudent that we limit our project activities to what we are contractually committed to complete and what we can succeed at: namely the four items listed in the first sentence of the preceding paragraph.

At this Board meeting, we'll discuss the budget scenarios outlined last month and discussed above in greater detail, including the role of Member Agency contributions and grant overhead funding, and the pros and cons of each scenario in terms of project activities. At the end of the discussion, I'll ask the Board to approve a balanced Fiscal Year 2015-16 Operating Budget that we may then send to our Member Agencies for inclusion in their budgets for the next fiscal year.

Proposed Board Action: Approve the Proposed Fiscal Year 2015-16 Operating Budget (attached).

Submitted by:



Len Materman
Executive Director

Agenda Item 5.b.

Resolution 15.3.26 of the Board of Directors
increasing Public Employees' Retirement System
member contributions paid by SFCJPA employees



SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
SFCJPA.ORG

RESOLUTION NUMBER 15.3.26

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
ESTABLISHING THE ALLOCATION OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
MEMBER CONTRIBUTION RATES FOR EMPLOYEES AND THE AUTHORITY**

WHEREAS, the governing body of the San Francisquito Creek Joint Powers Authority has the authority to implement Government Code Section 20691;

WHEREAS, the governing body of the San Francisquito Creek Joint Powers Authority has a labor policy or agreement which specifically provides for the normal member contributions to be paid by the employer;

WHEREAS, one of the steps in the procedure to implement Section 20691 is the adoption by the governing body of the San Francisquito Creek Joint Powers Authority of a Resolution to commence said Employer Paid Member Contributions (EPMC);

WHEREAS, the governing body of the San Francisquito Creek Joint Powers Authority has identified the following conditions for the purpose of its election to pay EPMC:

- This benefit shall apply to all employees of Full-Time Exempt Employee category.
- This benefit shall consist of paying 3.5% of the normal member contributions as EPMC.
- This Resolution shall be effective on March 26, 2015, or as soon thereafter as it may legally be implemented.
- No EPMC shall be paid for New Members, as defined by Government Code section 7522.30(c).

NOW, THEREFORE, BE IT RESOLVED that the governing body of the San Francisquito Creek Joint Powers Authority elects to pay EPMC, as set forth above.

Approved and adopted March 26, 2015. I, the undersigned, hereby certify that the foregoing Resolution Number 15.3.26 was duly adopted by the Board of Directors of the San Francisquito Creek Joint Powers Authority.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Date: 3/26/15
Director

Date: 3/26/15
Chairperson

APPROVED AS TO FORM:



Legal Counsel Date: 3/24/15

Agenda Item 5.c.

Fiscal Year 2011-12 Audited Financial Statements

**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
TABLE OF CONTENTS
JUNE 30, 2012

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements	
Statement of Net Positions	7
Statement of Revenues, Expenses and Changes in Net Positions	8
Statement of Cash Flows	9
Notes to Financial Statements	10



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	<u>\$ 247,888</u>

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

Agenda Item 5.d.

Fiscal Year 2015-16 Operating Budget scenarios
with current and additional revenue and staff,
as compared with the FY 2014-15 Operating Budget

and

Proposed FY 2015-16 Operating Budget

San Francisquito Creek Joint Powers Authority Operating Budget
FY15-16 scenarios with current and additional revenue and staff, compared with FY14-15

REVENUES	FY14-15 Approved Budget	FY15-16 Budget Scenarios	
Contribution scenarios per member agency: \$118K or \$145K	590,000	590,000	725,000
Grant funding: S.F. Bay-Hwy. 101 project	0	35,000	35,000
Grant funding: SAFER Bay project	3,596	37,500	37,500
Upstream of Highway 101 EIR legal	0	20,000	20,000
Flood Control 2.0	15,000	25,000	25,000
Early Warning System	20,000	0	0
Interest	1,000	1,000	1,000
Total Revenues	\$629,596	\$708,500	\$843,500

EXPENSES		Scenario A	Scenario B
Acct. Field Description		Current Staff	1 Added Staff
Personnel			
1 Executive Director Salary	138,000	138,000	138,000
2 Executive Director Auto Allowance	5,000	5,000	5,000
3 Finance Administrator Salary	78,928	80,250	80,250
4 Project Manager Salary	86,493	92,900	92,900
5 Project Manager Salary	0	0	85,000
6 Salaries Adjustments	0	0	0
7 COLA	0	0	0
8 Employee Benefits	133,000	150,000	200,000
9 Membership Dues for benefits	4,700	4,700	4,700
10 Payroll Administration/fees	1,604	2,100	2,500
11 Employer Taxes	22,000	26,000	32,000
Subtotal Personnel	\$469,725	\$498,950	\$640,350
Contract Services			
12 Legal Counsel	40,000	40,000	40,000
13 Auditor	15,000	15,000	15,000
14 Grant Finance Administrator: Bay-Hwy. 101 project	12,000	29,000	29,000
15 Grant Finance Administrator: SAFER Bay Project	6,000	14,000	14,000
16 Project Consultant	25,000	20,000	20,000
Subtotal Contract Services	\$98,000	\$118,000	\$118,000
Administrative			
17 Computers/Software/Support	3,500	3,000	3,000
18 Meeting Supplies	600	1,200	1,200
19 Travel/Training	3,100	3,500	3,500
20 Office Supplies	1,000	1,000	1,200
21 Telecommunication	2,500	2,000	2,000
22 Postage	150	300	300
23 Printing/Design	350	400	400
24 Website	3,000	3,000	3,000
25 Liability Insurance	4,600	4,600	5,000
26 Office Lease	27,300	32,000	32,000
27 Utilities	6,500	6,500	6,500
28 Office furniture/maintenance	500	500	500
Subtotal Administrative	\$53,100	\$58,000	\$58,600
General contingency			
29 General Contingency	\$0	\$25,000	\$25,000
Total Expenses	\$620,825	\$699,950	\$841,950

San Francisquito Creek Joint Powers Authority
Proposed Fiscal Year 2015-16 Operating Budget

REVENUES

Contribution per member agency: \$145,000	725,000
Grant funding: S.F. Bay-Hwy. 101 project	35,000
Grant funding: SAFER Bay project	37,500
Upstream of Highway 101 EIR legal	20,000
Flood Control 2.0	25,000
Interest	1,000
Total Revenues	\$843,500

EXPENSES

Acct. Description	Amount
Personnel	
1 Executive Director Salary	138,000
2 E.D. Transportation Allowance	5,000
3 Finance & Office Manager Salary	80,250
4 Project Manager Salary	92,900
5 Project Manager Salary	85,000
6 Salaries Adjustments	0
7 COLA	0
8 Employee Benefits	200,000
9 Membership Dues	4,700
10 Payroll Administration/Fees	2,500
11 Employer Taxes	32,000
Subtotal Personnel	\$640,350
Contract Services	
12 Legal Counsel	40,000
13 Auditor	15,000
14 Grant Finance Administrator: Bay-Hwy. 101 project	29,000
15 Grant Finance Administrator:SAFER Bay project	14,000
16 Project Consultants	20,000
Subtotal Contract Services	\$118,000
Administrative	
17 Computers/Software/Support	3,000
18 Meeting Supplies	1,200
19 Travel/Training	3,500
20 Office Supplies	1,200
21 Telecommunication	2,000
22 Postage	300
23 Printing/Design	400
24 Website	3,000
25 Liability Insurance	5,000
26 Office Lease	32,000
27 Utilities	6,500
28 Office furniture/maintenance	500
Subtotal Administrative	\$58,600
General Contingency	
29 General Contingency	25,000
Total Expenses	\$841,950