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
December 12, 2019 at 3:30 p.m.

AGENDA

1. ROLL CALL

2. APPROVAL OF AGENDA

3. APPROVAL OF MEETING MINUTES: September 26, 2019 & November 14, 2019 Regular Board meetings

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. Discuss the status of potential updates and revisions to the May 18, 1999 Joint Powers Agreement that created the SFCJPA

   b. Upstream of Highway 101 Project update

   c. Accept Fiscal Year 2016-17 and Fiscal Year 2017-18 Audited Financial Statements and Management Letters from Grant & Smith, LLP

   d. Approve the 2020 schedule of Regular meetings of the Board of Directors

6. CLOSED SESSION: Conference with Legal Counsel — Existing Litigation
   Government Code Section 54956.9(d)(1)
   Name of case: Peter Joshua v. San Francisquito Creek Joint Powers Authority, et al.
   San Mateo County Superior Court Case No: 19-CIV-06305

7. ADJOURNMENT

PLEASE NOTE: This Board meeting Agenda and supporting documents related to items on the Agenda can be viewed online by 3:30 p.m. on December 9, 2019 at sfcjpa.org -- click on the "Meetings" tab near the top.

NEXT MEETING: Regular Board meeting, January 23, 2020 at 3:30 PM, City of Menlo Park Council Chambers

San Francisquito Creek Joint Powers Authority
December 12, 2019 Regular Meeting of the Board
Agenda Item 3
September 26, 2019 Board Meeting Minutes

Director Kremen called the meeting to order at 3:40 p.m. at the City of Palo Alto Council Chambers, Palo Alto, California.

DRAFT

1) **ROLL CALL**

Members Present:	Director Gary Kremen, Santa Clara Valley Water District (SCVWD) Director Drew Combs, City of Menlo Park Director Ruben Abrica, City of East Palo Alto, not present at roll call Director Dave Pine, San Mateo County Flood Control District Director Liz Kniss, City of Palo Alto
JPA Staff Present:	Len Materman, Executive Director Kevin Murray, Staff Tess Byler, Staff Miyko Harris-Parker, Staff
Legal Counsel Present:	Tricia Ortiz Casey Strong
Others Present:	SFCJPA Board Alternate Alison Cormack; Pat Burt, Palo Alto resident; Trish Mulvey, Palo Alto resident; Jerry Hearn, Portola Valley resident; Court Skinner, East Palo Alto resident; Steve Schmidt, Menlo Park resident; Hamilton Hitchings, Palo Alto resident; Mary & John Schaefer, Palo Alto residents; Jim Wiley, Menlo Park resident; Peter Joshua, Menlo Park resident; Tom Rindfleisch, Palo Alto resident; Jeff Shore, Palo Alto resident; Xenia Hammer, Palo Alto resident; Norman Beamer, Palo Alto resident; Aaron Carter, ICF; Kamal Fallaha, City of East Palo Alto; Chris Lamm, City of Menlo Park; Mike Sartor, City of Menlo Park; Michel Jeremias, City of Palo Alto; Ann Stillman, San Mateo County Flood Control District; Alec Nicholas, Valley Water; Mike Coleman, Valley Water; Albert Le, Valley Water; Kenneth Low

2) **APPROVAL OF AGENDA**

Director Abrica arrived at 3:42 pm. Director Pine made a motion to approve the agenda. Director Kremen seconded. Agenda approved 5-0.

3) **APPROVAL OF BOARD MEETING MINUTES: AUGUST 22, 2019 REGULAR BOARD MEETING**

Director Kremen made a motion to amend and approve the August 22, 2019 regular Board meeting minutes. Director Kniss moved the motion. Director Pine seconded. Motion to approve the August 22, 2019 Board meeting minutes with suggested amendments approved 5-0.

4) **PUBLIC COMMENT**

Jerry Hearn, Portola Valley resident, spoke about Coastal Cleanup Day which was held on September 21, 2019. Mr. Hearn stated that the event was well attended and there was not a lot of garbage to cleanup this year.

5) **REGULAR BUSINESS**

Certify the Final Environmental Impact Report for the Upstream of Highway 101 Project:

Consider approving Resolution #19-9-26-A, certifying the Final Environmental Impact Report for the San Francisquito Creek Flood Protection, Ecosystem Restoration, and Recreation Project Upstream of Highway 101; making findings pursuant to the California Environmental Quality Act; adopting a Statement of Overriding Considerations; and adopting a Mitigation Monitoring and Reporting Program

Mr. Materman presented to the Board for approval Resolution #19-9-26-A, certifying the Final Environmental Impact Report for the San Francisquito Creek Flood Protection, Ecosystem Restoration, and Recreation Project Upstream of Highway 101; making findings pursuant to the California Environmental Quality Act; adopting a Statement of Overriding Considerations; and adopting a Mitigation Monitoring and Reporting Program.

Director Kremen opened the public comment session by first mentioning the submission of written communications from Crescent Park Neighborhood Association and Mr. Parkin.

Jim Wiley, Menlo Park resident, said the proposed project should not be rushed, and referred to previous comments by Mr. Materman that the Pope-Chaucer Bridge could not be replaced before the Newell Road Bridge is replaced. Mr. Wiley stated the City of Palo Alto website says the Newell Bridge project cannot start until 2020, and if the bridges were removed simultaneously there would be a significant traffic on University Ave. and Willow Road. Mr. Wiley suggested the Board delay voting on this EIR and close the Pope Chaucer Bridge for one week to evaluate the traffic impact.

Peter Joshua; Menlo Park resident; read comments from the letter sent by Mr. Parkin. Mr. Joshua stated that the three days given to the public to review the responses to the public comments made on the draft EIR was not a sufficient amount of time. Mr. Joshua asked the Board to defer the vote and allow the public more time to review the responses.

Mary Schaffer, Palo Alto resident, expressed her concern that people do not understand how disastrous the 1998 flood was, and she spoke about having 14 inches of water in her house, her neighbors having over 20 inches of water, and that no one wants to relive that.

Tom Rindfleisch, Palo Alto resident; commented on the urgency of this project. Mr. Rindfleisch stated that its been 21 years since 1998 and we have to get this project done. Mr. Rindfleisch congratulated Mr. Materman for the professionalism used in moving this project forward. Mr. Rindfleisch stated that this is the best proposed project as it also considers climate change, and he urged the Board to approve the project and continue to move forward with maximum pace.

Hamilton Hitchings, Palo Alto resident, commented that the EIR is a well thought out and well written report. While referring to the recent floods that occurred in Houston, Mr. Hitchings pointed out that with climate change flooding is getting worse. Mr. Hitchings asked the Board to certify the EIR today and replace the outdated Pope-Chaucer Bridge.

Norm Beamer, Crescent Park Neighborhood Association President, spoke about a presentation given to the Palo Alto City Council by the Crescent Park Neighborhood Association in 2003. Mr. Beamer explained how Crescent Park residents have been waiting for a long time to see the Pope-Chaucer Bridge replaced. Mr. Beamer commented that former Crescent Park Neighborhood Association President, Art Kramer, use to joke that he (Mr. Kramer) may not be able to see the Bridge replaced in his lifetime, and that Mr. Kramer has passed away, and that Mr. Beamer would like to see the project done before his own passing. Mr. Beamer encouraged the Board to pass the EIR and move forward with the project.

Steve Schmidt, Menlo Park resident and former Mayor of the City of Menlo Park, expressed his concern that there are only two mitigatable issues listed in the EIR. Mr. Schmidt stated that the deforestation of the area around Pope Chaucer Bridge is a big issue. Mr. Schmidt questioned the status of 100-year flood protection after both the Pope-Chaucer Bridge and the Newell Road Bridge are completed. Mr. Schmidt suggested that the Board stop the process until a solution for 100-year flood protection that includes participation from Stanford is finalized.

Jeffery Shore, Palo Alto resident; asked when the SFCJPA plans to engage its geotechnical resources to examine the upstream detention basins. Mr. Shore, referring to language in the EIR asked how one determines when and how will the SFCJPA implement a detention basin project.

Pat Burt, Palo Alto resident and former SFCJPA Board chair and Mayor of the City of Palo Alto, congratulated Mr. Materman, SFCJPA staff and all who have contributed in getting this project EIR this far. Mr. Burt referred to comments made by Stanford staff at the last SFCJPA meeting that Searsville Dam was not been built for flood protection. Mr. Burt clarified that Searsville does provide a level of flood protection. Mr. Burt also referred to his time on the SFCJPA Board and how Stanford made the commitment that they would collaborate on upstream detention. Mr. Burt also commented that Felt Lake may have a some detention value.

Court Skinner, East Palo Alto resident, expressed his concern with the implication that comments on this project from residents don't matter. Mr. Skinner commented that the Stanford General Use permit has not been approved and that this provides the SFCJPA and its member agencies time to bargain with Stanford. Mr. Skinner stated that he would like to see the maps that were used to develop this project and that while it is important that this project gets done it is more important that the project is done right.

Xenia Hammer, Palo Alto resident, gave thanks to all those in attendance at the meeting. Ms. Hammer expressed gratitude to the SFCJPA Board, staff and member agencies staff for getting this project to this point. Ms. Hammer stated that Palo Alto residents have waited patiently and she urged the Board to vote yes, approve this project and certify the EIR. Ms. Hammer stated that this project is urgent needed and can be coordinated with an upstream detention project.

Director Kremen closed the public comment session after all commenters spoke.

Director Kniss thanked and complimented Mr. Materman and staff for the presentation. Director Kniss reflected being on the Palo Alto City Council in 1998 and the shock of waking up the morning after the flood. Director Kniss thanked Mr. Burt for his contributions on the Palo Alto City Council and the SFCJPA, and his comments today regarding Stanford. Director Kniss commented on the amount of time that has passed and the amount of work that has been done to get to this point. Director Kniss stated that those who are commenting that the SFCJPA is moving too fast don't realize that there are still unresolved legal issues from the flood. Director Kniss asked for clarification on whether there will still be a flood insurance requirement at the completion of this project. Mr. Materman explained that the project will stop flooding from over topping but without the upstream detention we cannot say that FEMA will redraw the maps. Director Kniss commented that is a good reason to remind Stanford of its commitment.

Director Kniss made a motion to approve Resolution #19-9-26-A, certifying the Final Environmental Impact Report for the San Francisquito Creek Flood Protection, Ecosystem Restoration, and Recreation Project Upstream of Highway 101; making findings pursuant to the California Environmental Quality Act; adopting a Statement of Overriding Considerations; and adopting a Mitigation Monitoring and Reporting Program.

Director Pine asked Mr. Materman to comment on the complaints regarding inadequate time for public comment on the Final EIR and the project's removal of some trees. Mr. Materman replied that the SFCJPA went out of its way to seek public comments, holding many more public comment meetings than required and extending the time well past CEQA requirements to allow comments to be submitted. Mr. Materman said that if you are just starting to read the EIR, then then three days may be short, but if you are only looking at the changes since the previous version, three days is adequate time. Mr. Materman stated that there will be tree loss, particularly trees growing out of Pope-Chaucer's concrete culvert, and that we will do what we can to reduce that loss.

Director Pine stated that he was prepared to support the motion, as the team worked diligently to provide a great amount of outreach. Director Pine stated that we are lucky we have not had significant flooding recently, but we need to continue to move ahead and turn to upstream detention in a serious way. Director Pine stated that it is not enough to protect to the storm of record and that we need to protect to the 100-year storm level.

Director Abrica thanked all who have been involved in this process over the years. Director Abrica reflected on the 40 years he has lived in East Palo Alto near the creek, as well as his time on the City Council and SFCJPA Board. Director Abrica commented that after many years of nothing being done, through recent hard work a lot has been accomplished. Director Abrica reminded people of the times that the SFCJPA thought the federal government would rescue us and when the SFCJPA was at risk of breaking up. Director Abrica commented on how the Board has grown politically and ethically. Director Abrica stated that this project is urgent, that his neighbors and thousands of people in his neighborhood and the surrounding neighborhoods have waited for a long time for this to happen, and that he is prepared to support the motion.

Director Combs stated that the public should have been given more time to review the responses. Director Combs commented that the work on the EIR had been thorough up to this point but he does not think three days was enough time to provide for review. Director Combs commented that this project does not give any guarantee from removal of flood insurance, but it does provide flood protection to hundreds of homes. Director Combs stated that upstream detention is important and is a priority going forward. Director Combs stated that though he believes three days was not enough time to provide for review, he is in support of approving the motion.

Director Kremen thanked everyone, especially members from the community for their continued participation with this process. Director Kremen clarified that the only substantive changes to the EIR were in the appendix, including the addition of responses to comments.

SFCJPA Legal Representative, Casey Strong, stated that there were some clarifications that were made based on public comments received. Director Kremen asked if the SFCJPA followed the law. Ms. Strong responded yes. Director Kremen stated that he has never seen a project provide as much time to participate and comment as the SFCJPA has with this project.

Director Pine commented that he usually supports providing more time for public review, but because of the extensive outreach done by the SFCJPA throughout this process he is prepared to move forward with the motion. Director Pine seconded the motion to approve Resolution #19-9-26-A, certifying the Final Environmental Impact Report for the San Francisquito Creek Flood Protection, Ecosystem Restoration, and Recreation Project Upstream of Highway 101; making findings pursuant to the California Environmental Quality Act; adopting a Statement of Overriding Considerations; and adopting a Mitigation Monitoring and Reporting Program.

Director Abrica: Aye, Director Combs: Aye, Director Kniss: Aye, Director Kremen: Aye, Director Pine Aye. Ayes: 5 Nays: 0

Motion to approve Resolution #19-9-26-A, certifying the Final Environmental Impact Report for the San Francisquito Creek Flood Protection, Ecosystem Restoration, and Recreation Project Upstream of Highway 101; making findings pursuant to the California Environmental Quality Act; adopting a Statement of Overriding Considerations; and adopting a Mitigation Monitoring and Reporting Program approved unanimously 5-0.

Approve the Upstream of Highway 101 Project:

Consider approving Resolution #19-9-26-B, formally approving the San Francisquito Creek Flood Protection, Ecosystem Restoration, and Recreation Project Upstream of Highway 101, and authorizing the Executive Director to File a Notice of Determination for the Project

Mr. Materman presented Resolution #19-9-26-B, to formally approve the San Francisquito Creek Flood Protection, Ecosystem Restoration, and Recreation Project Upstream of Highway 101, and authorizing the Executive Director to file a Notice of Determination for the Project.

Jim Wiley, Menlo Park resident, commented that there are several typos early in the EIR that are fixed later in the document. Mr. Wiley urged the Board to do the test he mentioned earlier, close Pope Chaucer Bridge for one week and study the impact on traffic.

Norm Beamer, Palo Alto resident, stated this project should have been done years ago, expressed support for moving the project forward and urged the Board to vote for approval.

Director Kniss made a motion to approve Resolution #19-9-26-B, formally approving the San Francisquito Creek Flood Protection, Ecosystem Restoration, and Recreation Project Upstream of Highway 101, and authorizing the Executive Director to file a Notice of Determination for the Project. Director Pine seconded.

Director Abrica: Aye, Director Combs: Aye, Director Kniss: Aye, Director Kremen: Aye, Director Pine Aye. Ayes: 5 Nays: 0

Motion to approve Resolution #19-9-26-B, formally approving the San Francisquito Creek Flood Protection, Ecosystem Restoration, and Recreation Project Upstream of Highway 101, and authorizing the Executive Director to file a Notice of Determination for the Project approved unanimously 5-0.

<u>Upstream of Highway 101 Project: Consider authorizing the Executive Director to execute Amendment Number 1 to the October 18, 2012 Agreement between the SFCJPA and Santa Clara Valley Water District to fund project environmental planning and permit applications:</u>

Mr. Materman asked the board for authorization to execute Amendment Number 1 to the October 18, 2012 Agreement between the SFCJPA and Santa Clara Valley Water District, subject to minor modifications agreed to by SFCJPA legal counsel, him and Valley Water.

Director Kremen made a motion to authorize the Executive Director to modify (if needed) and execute Amendment Number 1 to the October 18, 2012 Agreement between the SFCJPA and Santa Clara Valley Water District. Director Pine seconded. Motion to approve authorizing the Executive Director to execute Amendment Number 1 to the October 18, 2012 Agreement between the SFCJPA and Santa Clara Valley Water District to fund project environmental planning and permit applications approved unanimously 5-0.

<u>Upstream of Highway 101 Project: Consider authorizing the Executive Director to execute Amendment Number 3 to the January 8, 2013 consultant agreement with ICF Jones & Stokes for project environmental planning and permit applications</u>

Mr. Materman asked the Board for authorization to execute Amendment Number 3 to the January 8, 2013 consultant agreement with ICF Jones & Stokes. Director Kremen made a motion to approve authorizing the Executive Director to execute Amendment Number 3 to the January 8, 2013 consultant agreement with ICF Jones & Stokes for project environmental planning and permit applications. Director Kniss seconded. Motion to approve authorizing the Executive Director to execute Amendment Number 3 to the January 8, 2013 consultant agreement with ICF Jones & Stokes for project environmental planning and permit applications approved unanimously 5-0.

Director Kniss stated that the 1998 flood was a shock, it was not anticipated and to be able to sit here and see the progress feels good. Director Kniss said this was a long time coming and she gave thanks to everyone who worked hard to get to this point.

6) <u>BOARD MEMBER COMMENTS: Non-agendized requests or announcements; no action may be taken</u>

None.

7) <u>ADJOURNMENT</u>

Meeting adjourned at 5:44 pm.

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

San Francisquito Creek Joint Powers Authority
December 12, 2019 Regular Meeting of the Board
Agenda Item 3
November 14, 2019 Board Meeting Minutes

Director Kremen called the meeting to order at 2:30 p.m. at the City of Menlo Park Council Chambers, Menlo Park, California.

DRAFT

1) **ROLL CALL**

Members Present: Director Gary Kremen, Santa Clara Valley Water District
Director Drew Combs, City of Menlo Park (not present at roll call)
Director Ruben Abrica, City of East Palo Alto
Director Dave Pine, San Mateo County Flood Control District (not present at roll call)
Director Liz Kniss, City of Palo Alto

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

Legal Present: Trisha Ortiz

Others Present: SFCJPA Board Alternate Alison Cormack, City of Palo Alto; Trish Mulvey, Palo Alto resident; Mike Sartor, City of Menlo Park; Michel Jeremias, City of Palo Alto; Ann Stillman; San Mateo County Flood Control District; Drew

2) **APPROVAL OF AGENDA**

Director Abrica made a motion to approve the agenda. Director Kniss seconded. Agenda approved 3-0. Director Pine and Director Combs not present at time of approval.

3) **PUBLIC COMMENT**

None.

4) **REGULAR BUSINESS: EXECUTIVE DIRECTOR'S REPORT**

Discuss potential updates and revisions to the May 18, 1999 Joint Powers Agreement that created the SFCJPA

Director Combs arrived at 2:33 pm, Director Pine arrived at 2:44 pm.

Director Kremen acknowledged two written public comments submitted to the Board by Portola Valley resident Jerry Hearn, who was unable to attend the meeting, and by Palo Alto resident Trish Mulvey.

Referencing her written comments, Mrs. Mulvey stated that there should be a reference to water in the revised agreement, as the *water* part of *watershed* is more important than the *shed* part. She also asked that the Board clarify in the purposes that the regional information provided is related to weather and stream flow, and that member agencies approve JPA projects to ensure they have ownership in the work. Mrs. Mulvey also stated that she supports Mr. Hearn's written recommendations.

Mr. Materman summarized the potential updates and revisions to the May 18, 1999 Joint Powers Agreement that created the SFCJPA included in the Board meeting packet, as well as the expected process to approve the updates.

Director Kremen asked if the San Mateo County Flood and Sea Level Rise Resiliency District is technically the successor agency for the San Mateo County Flood Control District and if the new agency will take on the liabilities in respect to the JPA projects. Trisha Ortiz, SFCJPA Legal representative, clarified that though it may be implied, the statute that changed the name, board and mission of the County Flood Control District does not explicitly state that the new agency will take on all of the rights, duties and obligations of the prior entity. Director Kremen requested that we look further into this to ensure that the liabilities and responsibilities will be met among all member agencies.

Director Kniss commented that she had no recommendations to make at this time, and that City of Palo Alto staff and legal representatives would be submitting comments on the proposed changes and updates.

Director Abrica stated that he went through the document and made some notes; he did not make any recommendations at this time and stated he would discuss his comments with Mr. Materman.

Director Pine commented that the proposed changes and updates seem in good order. Director Kniss clarified that the City of Palo Alto reserves the right to add comments between now and December. Mr. Materman concurred saying that staff from our member agencies are meeting on November 21 to discuss the proposed revisions and updates. Mr. Materman stated that if there is a need for the legal teams for to meet, JPA legal can organize that communication.

5) <u>CLOSED SESSION</u>

Director Kremen adjourned the meeting to closed session at 2:47 pm. Closed session adjourned at 4:20 pm. No report out.

6) <u>ADJOURNMENT</u>

Regular meeting of the Board adjourned at 4:20 pm.

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

San Francisquito Creek Joint Powers Authority
December 12, 2019 Board Meeting
Agenda Item 5
Executive Director's Report

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

a. Discuss the status of potential updates and revisions to the May 18, 1999 Joint Powers Agreement that created the SFCJPA

This agenda item is a continuation from the previous (November 14) Board meeting. For additional background information, including a memo from SFCJPA legal counsel and the previously proposed updates to the Joint Powers Agreement, please refer to the Executive Director's Report from that meeting. This agenda item is informational; no action will be taken at this time.

There are three basic reasons that we chose this fall to bring to the Board updates and revisions to the May 18, 1999 Joint Powers Agreement that created the SFCJPA:

1. In mid-September, California Governor Newsom signed Assembly Bill 825 that changes the name, mission, and governing board of one of the signatory agencies to our Joint Powers Agreement, the San Mateo County Flood Control District, effective January 1, 2020.
2. As has been discussed, there are other legally-necessary updates to the Agreement since it was approved over twenty years ago, including:
   - designating the Member Entity whose restrictions on the exercise of its powers apply to the SFCJPA,
   - clarifying that we may exercise all powers common to member agencies and granted by State law including financing projects, issuing bonds, and acquiring property (rather than powers including, but not limited to, the powers listed in the Agreement), and
   - designating an officer or employee to oversee SFCJPA finances.
3. The form and function of the SFCJPA are different from what was envisioned and outlined in the original agreement 20 years ago. At that time, it was assumed that the SFCJPA would make recommendations to, and coordinate the actions of, its member agencies; the Agreement did not discuss the SFCJPA hiring its own staff or legal counsel, or developing capital projects. It is in our interests to have the listed purposes and powers match our current and reasonably foreseeable activities.

After the November 14 SFCJPA Board meeting, SFCJPA staff met with staff leadership from our member agencies. At that meeting, legal counsel from Menlo Park, Valley Water, and Palo Alto sought to understand the rationale and discuss the ramifications of some of the updates we proposed to conform the Agreement to current law and SFCJPA activities. Given their questions, staff from several agencies asked that we take a two phased approach to update this agreement:

1. By mid-January amend the Agreement to only replace "San Mateo County Flood Control District" with "San Mateo County Flood and Sea Level Rise Resiliency District" on the signature page, and
2. During the Spring of 2020, update the Agreement to match current law and SFCJPA activities.

This phased approach means that each of the five governing bodies of SFCJPA member agencies will consider revisions to the Agreement twice within the next four months.

At this Board meeting, I plan to describe the primary question raised by member agency legal counsel and outline the key points that should be in the revised Agreement that results from this process.

b. Upstream of Highway 101 Project update

At the September 26 Board meeting, the Board certified the Final Environmental Impact Report for the Upstream of Highway 101 Project, and in a separate agenda item approved the project. Since that meeting, our efforts to advance the Project have included the following items that I plan to briefly discuss at the Board meeting:

- To advance environmental permitting, we have provided draft documents to staff at the relevant regulatory agencies for their pre-application technical review. This informal review serves to reduce the need for time consuming formal correspondence later. Based on this information, and recent correspondence with the Regional Water Quality Control Board, our consultant, ICF, is completing drafts of the lengthy permit applications so that we may submit those applications in January.
- On December 13, we will submit a grant application to the San Francisco Bay Restoration Authority for funds to widen and restore the channel in the tidal area immediately upstream of Highway 101, where we will align the Palo Alto creek bank to the new bridge under the highway and West Bayshore Road. For this application, we are exploring a partnership with non-profits in East Palo Alto for public outreach.
- To help ensure that the project to replace Newell Road Bridge does not delay the replacement of the Pope-Chaucer Bridge (which must occur after Newell is replaced), SFCJPA staff have initiated a committee among key staff from Palo Alto, East Palo Alto, Menlo Park, and Valley Water to meet monthly to coordinate and advance both projects.
- In order to achieve our environmental restoration objectives and requirements for this project, the SFCJPA is conducting due diligence on a parcel within the creek channel in Menlo Park that has been offered to us by the property owner.
- The annual maintenance walk was performed during the first week of September. As in recent years, we encountered little in the way of downed trees or other debris that might cause a flow obstruction during the rainy season. The items encountered were modified or removed by the agency with jurisdiction prior to October 15.
- On December 11, the San Francisquito Creek Multi-Agency Coordination (SFC MAC) will hold its annual winter preparedness workshop and table-top exercise with emergency response professionals.

c. Accept Fiscal Year 2016-17 and Fiscal Year 2017-18 Audited Financial Statements and Management Letters from Grant & Smith, LLP

In recent years, SFCJPA audits have been consistently clean but tardy. We are now making strides to "catch up" with the completion of annual audits by presenting the Management Letter and Audited Financial Statements (enclosed) for both the 2016-17 and 2017-18 Fiscal Years. As described in these Management Letters, auditor Grant & Smith, LLP found no difficulties with completing the audit, no disagreements with management, and no "deficiencies" or areas of concern.

The Audited Financial Statements found that from the prior year, the net assets of the SFCJPA decreased by $10,450 during the 2016-17 Fiscal Year and by $72,170 during the 2017-18 Fiscal Year. It was due to this successive decline in our net position, and the certainty of continued decline, that the annual member agency contribution was increased for the 2018-19 Fiscal Year.

On Friday, December 6th, the Board Finance Committee reviewed the Management Letters and Audited Financial Statements with our auditor, Miranda Beasley, our Finance and Administration Manager Miyko Harris-Parker, and me. As with prior audit discussions, we discussed the portion of the audit related to the SFCJPA's long-term CalPERS pension liability. Both of these issues will be highlighted in a brief presentation of the audits at this Board meeting.

Upon Board acceptance of this audit, the SFCJPA will immediately engage Grant & Smith, LLP to develop audited financial statements for FY 2018-19, which we will bring to the Board Finance Committee by early May 2020 so that it can be considered by the full Board for acceptance later that month.

Proposed Board Action: Accept the enclosed Fiscal Year 2016-17 and Fiscal Year 2017-18 Audited Financial Statements from Grant & Smith, LLP.

San Francisquito Creek Joint Powers Authority
December 12, 2019 Board Meeting
Agenda Item 5
Executive Director's Report

d. Approve the 2020 schedule of Regular meetings of the Board of Directors

Regular SFCJPA Board meetings rotate between the city council chambers of Menlo Park, East Palo Alto and Palo Alto on the fourth Thursday of each month (except in November and December) and start at 3:30 p.m. Should the Board decide to maintain this schedule in 2020, it would follow the dates and start time listed on the draft document enclosed with this report.

Proposed Board action: Approve, perhaps with modifications, the 2020 schedule of Regular Board meetings listed on the enclosed document.

Submitted by:

Len Materman
Executive Director

GRANT & SMITH, LLP
Certified Public Accountants

Agenda item 5.c.

FY 2016-17

November 27, 2019

San Francisquito Creek Joint Powers Authority
Attn: Board of Directors
615 B Menlo Avenue
Menlo Park, CA 94025

We have audited the financial statements of the governmental activities, San Francisquito Creek Joint Powers Authority for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government 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 June 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Francisquito Creek Joint Powers 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 June 30, 2017. We noted no transactions entered into by San Francisquito Creek Joint Powers 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.

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 November 27, 2019.

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 San Francisquito Creek Joint Powers 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 San Francisquito Creek Joint Powers 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.

Other Matters

We applied certain limited procedures to MDA, schedule of authority's proportionate share of net pension liability and schedule of employer contributions, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of San Francisquito Creek Joint Powers 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

Grant & Smith, LLP

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Francisquito Creek Joint Powers Authority
Menlo Park, California

We have audited the accompanying statement of net position of San Francisquito Creek Joint Powers Authority (the "Authority") as of June 30, 2017, and the related statement of revenues, expenses and changes in net position and of cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 auditors consider 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 2017, and the respective changes in financial position and 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)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6, schedule of Authority's proportionate share of net pension liability, and schedule of employer contributions 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.

Grant & Smith, LLP
Oakland, California
November 27, 2019

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, 2017. 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 position, statement of revenues, expenses and changes in net position, and statement of cash flows. Also included are the notes to the financial statements.

The statement of net position shows the difference between assets and liabilities. Net position is 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 position at June 30, 2017.

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

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, 2017, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority decreased by $10,450 from the prior year. The composition of net position as of June 30, 2017 and 2016 is shown in the following table:

	FY 16-17	***FY 15-16***	***Change***
Cash	$3,378,739	$782,683	$2,596,056
Other Government Receivables		105,419	(105,419)
Prepaid Expenses	11,240	3,430	7,810
Total assets	3,389,979	891,532	2,498,447
Deferred Outflows of Resources	49,987	51,827	(1,840)
Accounts Payable		3,833	3,833
Accrued Salaries and Benefits	53,379	47,436	(5,943)
Unearned Grant Income	3,086,587	561,949	(2,524,638)
Net Pension Liability	215,631	215,008	(623)
Total liabilities	3,355,597	828,226	(2,527,371)
Deferred Inflows of Resources	7,765	28,079	(20,314)
Net Position	$76,604	$87,054	$(10,450)

Accrued salaries and benefits increased by $5,943 due to accrued vacation. Other government receivables decreased by $105,419. Due to the receipt of grant income before the disbursement for expenses unearned grant income increased by $2,524,638.

Statement of Revenues, Expenses and Changes in Net Position

During the year ended June 30, 2017, the Authority's net position decreased by $10,450 from the prior year. This change in net position is shown in the following table:

	FY 16-17	***FY 15-16***	***Change***
Total operating revenues	$760,000	$760,000	$0
Total operating expenses	796,007	634,742	(161,265)
Operating profit (loss)	(36,007)	125,258	(161,265)
Net non-operating revenues(expenses)	25,557	(53,983)	79,540
Change in net position	(10,450)	71,275	(110,109)
Net position, beginning of year	87,054	15,779	71,275
Net position, end of year	$76,604	$87,054	$(10,450)

Operating revenues are comprised of Member Entity contributions. Each member contributed $152,000 in fiscal year 2016-2017 and 2015-2016.

Operating expenses are comprised of the personnel cost of the Authority's four employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2017, increased by $161,265 which is primarily due to the following:

- Approximate $130,000 is due to salary increase – due to hiring a project manager and salary increases for the other three employees.

Summary of Known Facts, Decisions or Conditions

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

- The Authority's operational budget is primarily funded by annual member agency contributions per the Authority's approved operating budget. The Authority members are only bound in a voluntary Joint Powers Agreement, and each approves a contribution from its general budget as part of the annual budgeting process. Thus, while the Authority's project commitments extend for years, its operating funds and operating reserves do not extend beyond one fiscal year.
- Unearned grant revenue agreements /commitments
- Capital projects or agreements with Army Corp of Engineers

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 Avenue
Menlo Park, CA 94025

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

ASSETS

CURRENT ASSETS		
Cash and Investments	$	3,378,739
Prepaid Expenses		11,240
Total Assets		3,389,979
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	$	49,987

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accrued Salaries and Benefits	$	53,379
Unearned Grant Income		3,086,587
Total Current Liabilities		3,139,966
NONCURRENT LIABILITY		
Net Pension Liability		215,631
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred		7,765
Total Deferred Inflows of Resources		7,765
NET POSITION-UNRESTRICTED	$	76,604

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	$ 152,000	$ 152,000	$
City of East Palo Alto	152,000	152,000	
City of Menlo Park	152,000	152,000	
Santa Clara Valley Water District	152,000	152,000	
San Mateo County Flood Control District	152,000	152,000	
Total Operating Revenues	760,000	760,000	
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	447,340	445,833	1,507
Benefits	168,346	200,000	(31,654)
Payroll Taxes	28,230	40,000	(11,770)
Personnel Services	10,703	7,800	2,903
Auto Allowances	5,000	5,000	
Legal	28,258	44,000	(15,742)
Financial/CPA	12,000	15,000	(3,000)
Grant Administrator	40,012		40,012
Office Expense	52,744	59,850	(7,106)
Consultant Services/Studies		40,000	(40,000)
Contingency	3,374	35,000	(31,626)
Total Operating Expenses	796,007	892,483	(96,476)
Operating Profit(Loss)	(36,007)	(132,483)	96,476
NON-OPERATING REVENUES (EXPENSES):			
Interest	1,441	400	1,041
Grants	1,261,200	132,500	1,128,700
Consultant Services/Project	(1,237,084)		(1,237,084)
Total Non-Operating Revenues(Expenses)	25,557	132,900	(107,343)
CHANGES IN NET POSITION	(10,450)	417	(10,867)
NET POSITION, BEGINNING OF YEAR	87,054		87,054
NET POSITION, END OF YEAR	$ 76,604	$ 417	$ 76,187

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Member Entities	$	760,000
Cash Paid to Employees for Services		(655,824)
Cash Paid for all Expenses Other Than Employees		(34,199)
Cash Provided by Operating Activities		69,977
CASH FLOWS FROM INVESTING ACTIVITY		
Interest Received		1,441
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY		
Cash Received from Grantors		2,524,638
Increase in Cash		2,596,056
CASH & INVESTMENTS, BEGINNING OF YEAR		782,683
CASH & INVESTMENTS, END OF YEAR	$	3,378,739
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING LOSS:		
Cash Provided(Used) by Operating Activities	$	69,977
Decrease in Other Government Receivables		(105,419)
Increase in Prepaid Expenses		7,810
Decrease in Deferred Outflow		(1,840)
Decrease in Accounts Payable		(20,283)
Increase in Unearned Grant Income		(2,524,638)
Decrease in Deferred Inflow		20,314
Increase in Pension Liability		(623)
Increase in Accrued Salaries and Benefits		(5,943)
Operating Profit(Loss)	$	(2,560,645)

See Accompanying Notes.

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 (see Note 5) are classified as non-operating revenues and expenses.

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 power 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 $152,000 during the year ended June 30, 2017, 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 $53,379 for this liability at June 30, 2017. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. More than 40 hours and up to 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.

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. The Authority has $49,987 of deferred outflows related to its pension plan, including differences between expected and actual experience, changes in assumptions and differences between expected and actual investment earnings on plan investments.

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. The Authority has $7,765 of deferred inflows related to its pension plan, including differences between expected and actual experience, and changes in assumptions.

Net Position

The difference between assets, liabilities and deferred inflows/outflows of resources is 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Not Yet Adopted

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Benefits. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2018.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for the Authority's fiscal year ending June 30, 2021.

NOTE 3 - CASH AND INVESTMENTS

The cash and investments balance as of June 30, 2017 consisted of:

LAIF	$ 169,693
Wells Fargo Bank	3,208,762
Petty Cash	284
Total	$ 3,378,739

During the year ended June 30, 2017, $3,208,762 of the Authority's cash was maintained in bank accounts. 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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution but is 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
- Supranational Obligations
- County Pooled Investment Funds
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Mutual Funds
- Bank Deposits
- Securities of California and Other States

$169,693 was maintained in the State Treasurer's investment pool (Local Agency Investment Fund). Oversight of LAIF is provided by the Pooled Money Investment Board consisting of the Treasurer, Controller and Director of Finance for the State of California. The Authority's position in the pool is equal to the value of the pool shares. The income from the pooled investments is allocated between the participants based on the daily cash balance maintained.

NOTE 4 - EMPLOYEE RETIREMENT PLAN

The Authority provides retirement benefits to its four employees through the Miscellaneous Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). The Plan acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the Plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the

Benefits Provided (Continued)

Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 65
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	8.37%	6.55%

Contribution Description

Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017 the contributions recognized as part of pension expense were as follows:

Contributions – Employer	$ 36,177
Contributions – Employee	$ 30,924

Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2017, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 215,631

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.
For the year ended June 30, 2017, the Authority recognized pension expense of $36,177. At June 30, 2017, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 326	$ (4,677)
Changes of Assumptions	40,501	(3,088)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	9,160	
Total	$ 49,987	$ (7,765)

Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Year Ending June 30,	Deferred Inflows of Resources
2018	$ 9,822
2019	23,644
2020	14,195
2021	(5,438)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3%
Salary Increases	Varies by Entry Age & Service
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

All actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study can be obtained at the CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of

Discount Rate (Continued)

assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7 percent. Using this lower discount

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

Discount Rate (Continued)

rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	.99%	2.43%
Inflation Sensitive	6%	.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.5%	5.13%
Infrastructure & Forestland	2%	4.5%	5.09%
Liquidity	1%	(0.55)%	(1.05)%

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Detailed information about the plan fiduciary net position is available in the separately issued CalPERS Financial reports.

Sensitivity of the Proportionate Share of Pension Liability to Changes in Discount Rate

The following presents the Authority's proportionate share of the net pension liability of the Plan, calculated using the discount rate of 7.50 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate -1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate +1% (8.50%)
Plan's Net Pension Liability	$ 380,380	$ 215,631	$ 128,953

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

As of June 30, 2017, the Authority reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 326	$ (4,677)
Changes of Assumptions	40,501	(3,088)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	9,160	
Total	$ 49,987	$ (7,765)

The amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2018	$ 9,822
2019	23,644
2020	14,195
2021	(5,438)
2022	0

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. Phase I of the Corps Project, a reconnaissance investigation, concluded in 2006 with a determination of federal interest in advancing the Corps Project to Phase II.

The Authority is currently party to a Feasibility Cost Share Agreement (FCSA) with the U.S. Army Corps of Engineers, for Phase II (Feasibility Phase) of a multi-year flood protection and ecosystem restoration federal study (Study). The FCSA estimates total Study costs to be $7.5 million, of which the Authority, acting as the local sponsor on behalf of its member agencies, is responsible for 50% local matching funds, including $618,225 in-kind contributions.

Funding agreements by and between the Authority and its member agencies provide for the Authority's share of project costs with $1.5 million contributions each from the Santa Clara Valley Water District and the San Mateo County Flood Control District, $32,500 from the City of Menlo Park , $33,000 from the City of East Palo Alto, $74,100 from the Santa Clara Valley Water District for Tidal flooding and approximately $592,800 of in-kind contributions from Authority staff and $25,425 of in-kind contributions from the Santa Clara Valley Water District. At the beginning of each year, the Santa Clara Valley Water District and the San Mateo County Flood Control District have made cash deposits into an escrow account maintained by the Corps in the amount estimated by the Corps to be needed during that 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.

NOTE 6 – UNEARNED GRANT INCOME

Unearned Grant Income – funds from funders received in this fiscal year and the previous fiscal year but have not been spent.

The amount of deferred inflow for year ended June 30, 2017 is $3,086,587 - funders included:

The California Department of Water Resources advanced costs to be used for the design, California Environmental Quality Act documentation, and construction of the S.F. Bay to Highway 101 Flood Protection, Ecosystem Restoration, and Recreation Project on San Francisquito Creek.

Funding from Facebook, Peninsula Open Trust, City of East Palo Alto and City of Palo Alto is to be used for the Strategy to Advance Flood-Protection Eco-System & Recreation along the Bay Project Adjacent to Facebook Headquarters.

NOTE 7 – SUBSEQUENT EVENTS

Construction on the Bay-101 project began in August 2016. In channel work was completed in October 2018, with flood protection elements substantially completed by December 2018. Installation of restoration plantings continued after that date and will be ongoing until the project's success criteria for restoration plantings is achieved. The SFCJPA's Proposition 1E grant was closed out in late 2018 and final grant reimbursements were released at that time. The final invoice and Project Completion report for the SFCJPA's Proposition 84 grant was submitted in 2019. Final grant reimbursements have not yet been received.

In 2019 the Corps of Engineers closed its General Investigation on San Francisquito Creek. The SFCJPA and San Francisco District of the Corps of Engineers may pursue an agreement under the Corps' Continuing Authorities Program, section 205 (CAP 205) at a later date. Using local funds, the SFCJPA has advanced project design upstream of Highway 101. In September of 2019 the SFCJPA Board certified the Final Environmental Impact Report for the upstream project. Final design and permitting will take place over the next one to two fiscal years, with construction anticipated in 2021.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION
FOR THE YEAR ENDED JUNE 30, 2017
LAST 10 YEARS*

		2017		2016		2015
Proportion of the net pension liability		0.00619%		0.00600%		0.00264%
Proportionate share of the net pension liability	$	244,013	$	159,686	$	164,311
Proportionate share of fiduciary net position	$	747,412	$	655,409		
Covered- employee payroll	$	451,433	$	285,466	$	260,616
Proportionate Share of the net pension liability as percentage of covered-employee payroll		54.05%		55.94%		63.05%
Plan fiduciary net position as a percentage of the total pension liability		75.39%		75.70%		71.17%

Notes to Schedule:
Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017.

Changes in assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%

GASB 68 Required Schedule

*Fiscal year 2015 was the first year of implementation, therefore only three years are shown

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017
LAST 10 YEARS

	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 36,177	$ 38,335	$ 37,657
Contributions in relation to the actuarially determined contributions	(36,177)	(38,335)	(37,657)
Contribution Deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$451,433	$285,466	$260,616
Contributions as a percentage of covered-employee payroll	8.01%	13.43%	14.45%
Notes to Schedule			
Valuation date:	6/30/2016	6/30/2015	6/30/2013

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

GASB 68 required schedule

GRANT & SMITH, LLP
Certified Public Accountants

FY 2017-18

November 27, 2019

San Francisquito Creek Joint Powers Authority
Attn: Board of Directors
615 B Menlo Avenue
Menlo Park, CA 94025

We have audited the financial statements of the governmental activities, San Francisquito Creek Joint Powers Authority for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government 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 June 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Francisquito Creek Joint Powers 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 June 30, 2018. We noted no transactions entered into by San Francisquito Creek Joint Powers 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.

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 November 27, 2019.

333 Hegenberger Road, Suite 325, Oakland, California 94621 T: 510 832 0257 F: 510 272 9757 www.grantandsmithcpa.com

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 San Francisquito Creek Joint Powers 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 San Francisquito Creek Joint Powers 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.

Other Matters

We applied certain limited procedures to MDA, schedule of authority's proportionate share of net pension liability and schedule of employer contributions, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of San Francisquito Creek Joint Powers 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

Grant & Smith, LLP

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY

DRAFT

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Francisquito Creek Joint Powers Authority
Menlo Park, California

We have audited the accompanying statement of net position of San Francisquito Creek Joint Powers Authority (the "Authority") as of June 30, 2018, and the related statement of revenues, expenses and changes in net position and of cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 auditors consider 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 2018, and the respective changes in financial position and 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 on pages 3 to 6, schedule of Authority's proportionate share of net pension liability, and schedule of employer contributions 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.

Grant & Smith, LLP
Oakland, California
November 27, 2019

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, 2018. 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 position, statement of revenues, expenses and changes in net position, and statement of cash flows. Also included are the notes to the financial statements.

The statement of net position shows the difference between assets and liabilities. Net position is classified into three categories: invested in capital assets (net of related debt), restricted, and unrestricted.

The statement of revenues, expenses and changes in net position shows the revenues and expenses that contributed to the change in net position 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, 2018.

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, 2018, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority decreased by $72,170 from the prior year. The composition of net position as of June 30, 2018 and 2017 is shown in the following table:

	FY 17-18	*FY 16-17*	*Change*
Cash	$828,034	$3,378,739	$(2,550,705)
Prepaid Expenses	10,969	11,240	(271)
Total assets	839,003	3,389,979	(2,550,976)
Deferred Outflows of Resources	43,813	49,987	(6,174)
Accounts Payable	2,365		(2,365)
Accrued Salaries and Benefits	60,615	53,379	(7,236)
Unearned Grant Income	601,713	3,086,587	2,484,874
Net Pension Liability	202,271	215,631	13,360
Total liabilities	866,964	3,355,597	2,488,633
Deferred Inflows of Resources	11,418	7,765	3,653
Net Position	$4,434	$76,604	$(72,170)

Accrued salaries and benefits increased by $7,236 due to accrued vacation. Unearned Grant Income decreased by $2,484,874.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2018, the Authority's net position decreased by $72,170 from the prior year. This change in net position is shown in the following table:

	FY 17-18	*FY 16-17*	*Change*
Total operating revenues	$760,000	$760,000	$0
Total operating expenses	857,124	796,007	(61,117)
Operating profit (loss)	(97,124)	(36,007)	(61,117)
Net non-operating revenues(expenses)	24,954	25,557	(603)
Change in net position	(72,170)	(10,450)	(61,720)
Net position, beginning of year	76,604	87,054	(10,450)
Net position, end of year	$(4,434)	$76,604	$(72,170)

Operating revenues are comprised of Member Entity contributions. Each member contributed $152,000 in fiscal year 2017-2018 and 2016-2017.

Operating expenses are comprised of the personnel cost of the Authority's four employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2018, increased by $61,117 which is primarily due to the following:

- Approximate $60,000 increase in Personnel Costs

Summary of Known Facts, Decisions or Conditions

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

- The Authority's operational budget is primarily funded by annual member agency contributions per the Authority's approved operating budget. The Authority members are only bound in a voluntary Joint Powers Agreement, and each approves a contribution from its general budget as part of the annual budgeting process. Thus, while the Authority's project commitments extend for years, its operating funds and operating reserves do not extend beyond one fiscal year.
- Unearned grant revenue agreements/commitments
- Capital projects or agreements with Army Corp of Engineers

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 Avenue
Menlo Park, CA 94025

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

ASSETS

CURRENT ASSETS		
Cash and Investments	$	828,034
Prepaid Expenses		10,969
Total Assets		839,003
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	$	43,813

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	$	2,365
Accrued Salaries and Benefits		60,615
Unearned Grant Income		601,713
Total Current Liabilities		664,693
NONCURRENT LIABILITY		
Net Pension Liability		202,271
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred		11,418
Total Deferred Inflows of Resources		11,418
NET POSITION-UNRESTRICTED	$	4,434

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	$ 152,000	$ 152,000	$
City of East Palo Alto	152,000	152,000	
City of Menlo Park	152,000	152,000	
Santa Clara Valley Water District	152,000	152,000	
San Mateo County Flood Control District	152,000	152,000	
Total Operating Revenues	760,000	760,000	
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	482,624	474,350	8,274
Benefits	199,196	207,000	(7,804)
Payroll Taxes	32,269	55,000	(22,731)
Personnel Services	7,584	7,500	84
Auto Allowances	5,000	5,000	
Legal	23,564	40,000	(16,436)
Financial/CPA	13,000	15,000	(2,000)
Grant Administrator	30,204		30,204
Office Expense	63,206	67,310	(4,104)
Consultant Services/Studies		35,000	(35,000)
Contingency	477	35,000	(34,523)
Total Operating Expenses	857,124	941,160	(84,036)
Operating Profit(Loss)	(97,124)	(181,160)	84,036
NON-OPERATING REVENUES (EXPENSES):			
Interest	4,530	200	4,330
Grants	5,952,473	181,000	5,771,473
Consultant Services/Project	(5,932,049)		(5,932,049)
Total Non-Operating Revenues(Expenses)	24,954	181,200	(156,246)
CHANGES IN NET POSITION	(72,170)	40	(72,210)
NET POSITION, BEGINNING OF YEAR	76,604		76,604
NET POSITION, END OF YEAR	$ 4,434	$ 40	$ 4,394

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Member Entities	$	760,000
Cash Paid to Employees for Services		(710,386)
Cash Paid for all Expenses Other Than Employees		(119,975)
Cash Used by Operating Activities		(70,361)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest Received		4,530
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY		
Cash Received from Grantors		(2,484,874)
Increase in Cash		(2,550,705)
CASH & INVESTMENTS, BEGINNING OF YEAR		3,378,739
CASH & INVESTMENTS, END OF YEAR	$	828,034
NON-CASH NON-CAPITAL FINANCING ACTIVITY		
Project Costs Paid by U.S. Army Corps of Engineers	$	
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING LOSS:		
Cash Provided(Used) by Operating Activities	$	(70,361)
Decrease in Prepaid Expenses		(271)
Increase in Deferred Outflow		(6,174)
Decrease in Accounts Payable		(22,789)
Decrease in Deferred Inflow		(3,653)
Increase in Accrued Salaries and Benefits		6,124
Operating Profit(Loss)	$	(97,124)

See Accompanying Notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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 (see Note 5) are classified as non-operating revenues and expenses.

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 power 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 $152,000 during the year ended June 30, 2018, 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 $60,615 for this liability at June 30, 2018. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. More than 40 hours and up to 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.

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. The Authority has $43,813 of deferred outflows related to its pension plan, including differences between expected and actual experience, changes in assumptions and differences between expected and actual investment earnings on plan investments.

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. The Authority has $11,418 of deferred inflows related to its pension plan, including differences between expected and actual experience, and changes in assumptions.

Net Position

The difference between assets, liabilities and deferred inflows/outflows of resources is 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.

New Accounting Pronouncements Implemented

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Benefits. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) with regard to providing decision-useful

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Implemented (Continued)

information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2018.

New Accounting Pronouncements Not Yet Adopted

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. The statement addresses accounting and financial reporting for certain asset retirement obligations. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2019.

In January 2017, the GASB issued Statement No. 84, Fiduciary Obligations. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for the Authority's fiscal year ending June 30, 2021.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement is effective for the Authority's fiscal year ending June 30, 2019.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objective of this Statement is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Statement is effective for the Authority's fiscal year ending June 30, 2021.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interest-an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separated organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. The Statement is effective for the Authority's fiscal year ending June 30, 2020.

NOTE 3 - CASH AND INVESTMENTS

The cash and investments balance as of June 30, 2018 consisted of:

LAIF	$	174,004
Wells Fargo Bank		653,728
Petty Cash		302
Total	$	828,034

During the year ended June 30, 2018, $653,728 of the Authority's cash was maintained in bank accounts. 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 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
- Supranational Obligations
- County Pooled Investment Funds
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Mutual Funds
- Bank Deposits
- Securities of California and Other States

$174,004 was maintained in the State Treasurer's investment pool (Local Agency Investment Fund). Oversight of LAIF is provided by the Pooled Money Investment Board consisting of the Treasurer, Controller and Director of Finance for the State of California. The 's position in the pool is equal to the value of the pool shares. The income from the pooled investments is allocated between the participants based on the daily cash balance maintained.

NOTE 4 - EMPLOYEE RETIREMENT PLAN

The Authority provides retirement benefits to its four employees through the Miscellaneous Plan a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). The Plan acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 65
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	13.751%	6.55%

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

Contribution Description

Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is on the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018 the contributions recognized as part of pension expense were as follows:

Contributions – Employer	$ 38,045
Contributions – Employee	$ 32,725

Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2018, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 202,271

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension (Continued)

procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2017, the Authority recognized pension expense of $38,045. At June 30, 2018, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 10,685	$ (3,637)
Changes of Assumptions	31,751	(7,781)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,377	
Total	$ 43,813	$ (11,418)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age & Service
Payroll Growth	3%
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

All actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study can be obtained at the CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47%	4.9%	5.38%
Global Fixed Income	19%	.8%	2.27%
Inflation Sensitive	6%	.6%	1.39%
Private Equity	12%	6.6%	6.63%
Real Estate	11%	2.8%	5.21%
Infrastructure & Forestland	4.5%	3.9%	5.36%
Liquidity	3%	(0.40)%	(.90)%

(a) An expected inflation of 2.0% used for this period
(b) An expected inflation of 2.92% used for this period

Pension Plan Fiduciary Net Position

Detailed information about the plan fiduciary net position is available in the separately issued CalPERS Financial reports.

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

Sensitivity of the Proportionate Share of Pension Liability to Changes in Discount Rate

The following presents the Authority's proportionate share of the net pension liability of the Plan, calculated using the discount rate of 7.15 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability	$ 481,867	$ 202,271	$ 149,853

As of June 30, 2018, the Authority reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 10,686	$ (3,636)
Changes of Assumptions	31,751	(7,782)
Adjustment due to Differences in Proportions	1,376	
Total	$ 43,813	$ (11,418)

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

The amounts above are net of outflows and inflows recognized in the 2017-18 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources
2019	$ 27,365
2020	15,8542
2021	(8,307)
2022	(2,505)
2023	0
Thereafter	0

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. Phase I of the Corps Project, a reconnaissance investigation, concluded in 2006 with a determination of federal interest in advancing the Corps Project to Phase II.

The Authority is currently party to a Feasibility Cost Share Agreement (FCSA) with the U.S. Army Corps of Engineers, for Phase II (Feasibility Phase) of a multi-year flood protection and ecosystem restoration federal study (Study). The FCSA estimates total Study costs to be $7.5 million, of which the Authority, acting as the local sponsor on behalf of its member agencies, is responsible for 50% local matching funds, including $618,225 in-kind contributions.

Funding agreements by and between the Authority and its member agencies provide for the Authority's share of project costs with $1.5 million contributions each from the Santa Clara Valley Water District and the San Mateo County Flood Control District, $32,500 from the City of Menlo Park , $33,000 from the City of East Palo Alto, $74,100 from the Santa Clara Valley Water District for Tidal flooding and approximately $592,800 of in-kind contributions from Authority staff and $25,425 of in-kind contributions from the Santa Clara Valley Water District. At the beginning of each year, the Santa Clara Valley Water District and the San Mateo County Flood Control District have made cash deposits into an escrow account maintained by the Corps in the amount estimated by the Corps to be needed during that 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.

NOTE 6 – UNEARNED GRANT INCOME

Unearned Grant Income – funds from funders received in this fiscal year and the previous fiscal year but have not been spent.

The amount of deferred inflow for year ended June 30, 2018 is $613,131 - funders included:

The California Department of Water Resource advanced costs to be used for the design, California Environmental Quality Act documentation and construction of the S.F. Bay to Highway 101 Flood Protection, Ecosystem Restoration, and Recreation Project on San Francisquito Creek.

Funding from Facebook, Peninsula Open Trust, City of East Palo Alto and City of Palo Alto is to be used for the Strategy to Advance Flood-Protection Eco-System & Recreation along the Bay Project Adjacent to Facebook Headquarters.

NOTE 7 – SUBSEQUENT EVENTS

Construction on the Bay-101 project began in August 2016. In channel work was completed in October 2018, with flood protection elements substantially completed by December 2018. Installation of restoration plantings continued after that date and will be ongoing until the project's success criteria for restoration plantings is achieved. The SFCJPA's Proposition 1E grant was closed out in late 2018 and final grant reimbursements were released at that time. The final invoice and Project Completion report for the SFCJPA's Proposition 84 grant was submitted in 2019. Final grant reimbursements have not yet been received.

In 2019 the Corps of Engineers closed its General Investigation on San Francisquito Creek. The SFCJPA and San Francisco District of the Corps of Engineers may pursue an agreement under the Corps' Continuing Authorities Program, section 205 (CAP 205) at a later date. Using local funds, the SFCJPA has advanced project design upstream of Highway 101. In September of 2019 the SFCJPA Board certified the Final Environmental Impact Report for the upstream project. Final design and permitting will take place over the next one to two fiscal years, with construction anticipated in 2021.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS*

	2018	2017	2016	2015
Proportion of the net pension liability	0.00739%	0.00619%	0.00600%	0.00264%
Proportionate share of the net pension liability	$ 299,990	$ 244,013	$ 159,686	$ 164,311
Covered- employee payroll	$ 487,624	$ 451,433	$ 285,466	$ 260,616
Proportionate share of fiduciary net position	$ 1,044,546	$ 747,412	$ 655,409	
Proportionate Share of the net pension liability as percentage of covered-employee payroll	61.52%	54.05%	55.94%	63.05%
Plan fiduciary net position as a percentage of the total pension liability	77.69%	75.39%	75.70%	71.17%

DRAFT

Notes to Schedule:
Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2018.

Changes in assumptions: There were no changes in assumptions.

GASB 68 Required Schedule

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS*

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 38,046	$ 36,177	$ 38,335	$ 37,657
Contributions in relation to the actuarially determined contributions	(38,046)	(36,177)	(38,335)	(37,657)
Contribution Deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$487,624	$451,433	$285,466	$260,616
Contributions as a percentage of covered-employee payroll	7.80%	8.01%	13.43%	14.45%

Notes to Schedule

Valuation date:	6/30/2017	6/30/2016	6/30/2015	6/30/2013

GASB 68 required schedule

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
SFCJPA.ORG

Agenda item 5.d.

Draft 2020 Schedule

Regular Board of Directors Meetings

All meetings are on Thursday, beginning at 3:30 p.m.

January 23
City of Menlo Park Council Chambers
701 Laurel Street
Menlo Park

February 27
City of East Palo Alto Council Chambers
2415 University Avenue
East Palo Alto

March 26
City of Palo Alto Council Chambers
250 Hamilton Ave
Palo Alto

April 23
City of Menlo Park Council Chambers
701 Laurel Street
Menlo Park

May 28
City of East Palo Alto Council Chambers
2415 University Avenue
East Palo Alto

June 25
City of Palo Alto Council Chambers
250 Hamilton Ave
Palo Alto

July 23
City of Menlo Park Council Chambers
701 Laurel Street
Menlo Park

August 27
City of East Palo Alto Council Chambers
2415 University Avenue
East Palo Alto

September 24
City of Palo Alto Council Chambers
250 Hamilton Ave
Palo Alto

October 22
City of Menlo Park Council Chambers
701 Laurel Ave
Menlo Park

November 19
City of East Palo Alto Council Chambers
2415 University Avenue
East Palo Alto

December 17
City of Palo Alto Council Chambers
250 Hamilton Ave
Palo Alto