GOLDEN GATE BRIDGE
HIGHWAY & TRANSPORTATION DISTRICT

Agenda Item No. 1.b.

To: Finance-Auditing Committee/Committee of the Whole
Meeting of April 12, 2007

From: James P. Swindler, Deputy General Manager, Ferry Division
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE BUDGET ADJUSTMENT(S) AND /OR TRANSFER(S)**
b. **BUDGET INCREASE IN THE FY 06/07 FERRY TRANSIT DIVISION CAPITAL BUDGET RELATIVE TO CONTRACT NO. 2007-FT-7, *VESSEL REFURBISHMENT***

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors authorize a budget increase in the amount of $325,000 in the FY 06/07 Ferry Division Capital Budget relative to Contract No. 2007-FT-7, *Vessel Refurbishment*, with the understanding that requisite funding will be supplied with $260,000 in additional grant funds and $65,000 from District reserves.

Summary

The budget increase is necessary to fund additional work items encountered as part of the M.S. Marin refurbishment and increased personnel costs associated with the vessel being delayed at the shipyard longer than anticipated.

In October 2006 the District awarded Contract No. 2007-FT-7 in the amount of $6,199,632 to Bay Ship & Yacht Co., Alameda, CA, for the complete refurbishment of the Spaulding Vessel, the M.S. Marin. The revised budget for this project, also approved in October 2006, included a contingency budget of $225,000 to address unexpected changes that might be encountered over the course of the Contract. During the initial award of Contract No. 2007-FT-7 staff did not establish a contingency fund of 10% of the total project budget, which is normally done for projects of this scope. Due to the oversight, staff is now seeking approval of this overage. The amount of the October 2006 contingency of $225,000 and the amount staff is seeking now of $325,000, does not exceed the amount a 10% contingency would normally have covered.

In November 2006 the vessel was delivered to the shipyard to begin the project. Shortly after construction began the shipyard notified the District of two problem areas that would likely result in extra work and additional costs. A review of the drawings showed that our naval architect did not specify the correct quantity of insulation, and failed to accurately detail the existing ventilation ductwork and penetrations. The result of this increased scope and rework

resulted in change orders amounting to just under $200,000. A portion of this expense was offset by using funding from an optional contract item that had been previously canceled from the contract.

As the project progressed more challenges were encountered as well as additional work items that might be expected with a refurbishment project for a vessel of this age. However, recently, when the vessel was drydocked, it was determined that the main propulsion shafting, rudder, and propellers required extensive work. The cost of this work is estimated at $45,000 and is in excess of the amount provided for in the contract. At the same time it was determined that the existing underwater coating (paint) system contained coal tar epoxy, a product that will no longer be authorized for marine use after January 2008. As a result, it was necessary to remove all coatings from the underwater hull and apply a new system. The additional cost for this item is $28,000.

At the present time the District is facing several other potential issues that must be addressed to complete the project. In addition to the potential increased costs, we are in discussions with both the shipyard and our naval architect with respect to responsibility for the additional work items as well as the delay in delivery of the vessel. Based on the work remaining staff anticipates delivery of the completed vessel sometime in May.

As a result of several problems uncovered while the vessel was drydocked and in anticipation of several other change orders, it is necessary to increase the construction contingency budget an additional $275,000 to $500,000 or approximately 8% of contract price. It is also necessary to increase the amount budgeted for staff time an additional $50,000.

Also, due in part to the extra work and other problems encountered with the project, the vessel will likely remain in the shipyard until late May, more than a month longer than originally anticipated. As a result, we will also incur additional in-house project management costs.

Fiscal Impact

This project is included in the Fiscal Year 2006/2007 Ferry Division Capital Budget in the amount of $7,200,000 and is 80% grant funded. To date, the original construction contingency budget of $225,000 has been expended, and a capital budget increase of $325,000 (funded with $260,000 in Federal Transit Administration grant funds and $65,000 from District reserves) is required to fully fund this project at an estimated completion cost of $7,525,000. The detailed budget is as follows:

Design and bid support (consultants and staff)	$699,300
Contract 2007-FT-7	$6,199,632
Construction Contingency	$500,000
Miscellaneous (staff time, travel, mailing, etc.)	126,068
TOTAL BUDGET	**$7,525,000**