



Agenda Item No. 2.b.

To: Finance-Auditing Committee/Committee of the Whole
Meeting of September 24, 2009

From: Christian N. Stark, Marine Projects Manager, Ferry Division
James P. Swindler, Deputy General Manager, Ferry Division
Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE BUDGET ADJUSTMENT(S) AND/OR TRANSFER(S)**
b) **BUDGET INCREASE IN THE FY 09/10 FERRY TRANSIT CAPITAL BUDGET RELATIVE TO THE RE-POWERING AND DRY-DOCKING OF THE M.V. DEL NORTE, TO ICE FLOE, LLC, dba NICHOLS BROTHERS BOAT BUILDERS**

Recommendation

This matter is being presented to the Finance-Auditing Committee to receive the Committee's concurrence for a budget increase relative to Agenda Item No. 2, of the Building and Operating Committee Meeting of September 24, 2009.

The Finance-Auditing Committee recommends the Board of Directors authorize a budget increase in the FY 09/10 Ferry Transit Division Capital Budget in the amount of \$1,386,000 to be funded with 100% Federal Transit Administration (FTA) grant funds for an estimated total cost of \$5,793,000. The total project will be funded as follows: \$3,162,142 Carl Moyer grant funds and \$2,630,858 FTA grant funds.

Summary

On May 26, 2009, the District issued Invitation for Bids (IFB) No. 2010-FT-2, *Installation of New Propulsion System for Re-Powering and Dry-Docking of the M.V. Del Norte*. At its meeting on August 14, 2009, the Board rejected all bids received as they were all non-responsive.

The District then re-issued the Contract, now titled IFB No. 2010-FT-10, *Installation of New Propulsion System for Re-Powering and Dry-Docking of the M.V. Del Norte*. By the bid opening date of September 15, 2009, the District received bids from the following three Shipyards in response to the re-issuance of the IFB.

1. Ice Floe, LLC, dba Nichols Brothers Boat Builders (NBBB), Freeland, Washington
2. Vigor Marine, Portland, Oregon
3. Bay Ship and Yacht, Alameda, California

District Staff, in consultation with legal counsel, reviewed the bids received in response to the IFB, and determined that NBBB, the lowest bidder, was both responsible and responsive to the IFB requirements.

The contingency budget requested by Staff is larger than normal for a contract of this size. The contingency budget contains \$200,000 for contract change orders addressing unforeseen expenses, \$75,000 for estimated sale/use tax, and \$100,000 to reimburse the shipyard for delivery expenses, as per the bid documents. NBBB's bid price was more than \$100,000, lower than a local shipyard's bid. The \$100,000 delivery allowance included in the Contract, resulted in broader competition and a lower bid price.

District procurement policy ordinarily requires Board approval when any single change order exceeds \$50,000. On a contract of this size, it would not be uncommon for change orders to exceed \$50,000, and it would be desirable to be able to administer change orders promptly to avoid delays. Staff, therefore, recommends that the Board delegate authority to the General Manager to execute any necessary change orders within the requested contingency, with the understanding that individual change orders in excess of \$100,000 require the prior concurrence of the Board President and the Chair of the Building and Operating Committee. Change orders will be reported to the Finance-Auditing Committee in accordance with existing practice.

The vessel will be delivered by NBBB's shipyard as soon after the award of the Contract as weather will permit. The Contract scope of work is estimated to take between five and six months. This time frame will allow the *M.V. Del Norte* to be returned to service in time to allow necessary work to commence on the *M.V. Mendocino*.

Background

The *M.V. Del Norte* was originally built in 1997 to begin the District's high-speed ferry program. The vessel's engines now have 31,000 hours of operation and no longer meet current EPA emissions regulations. Given these conditions, the District applied for and has received a State Carl Moyer grant to repower the *M.V. Del Norte*. The Carl Moyer program provides funds to replace older marine diesel engines with new engines meeting current EPA standards.

Fiscal Impact

This project is included in the FY 09/10 Ferry Transit Division Capital Budget at a total cost of \$4,407,000 (which includes not only the procurement of the shipyard services that are the subject of this staff report, but also the purchase of engines, generators and waterjets; their installation and other administrative costs, including project management and miscellaneous costs), and is 100% grant funded (\$3,162,142 Carl Moyer grant funds and \$1,244,858 FTA funds). A capital budget increase in the amount of \$1,386,000 (100% FTA grant funds) is required to fully fund this project at the estimated total cost of \$5,793,000. The total project will be funded as follows: \$3,162,142 Carl Moyer grant funds and \$2,630,858 FTA grant funds. The detailed budget for this project is as follows:

| Contract Number | Contract Title/Item Description | Current Budget |
|------------------------|--|-----------------------|
| 2009-FT-3 | Engineering | \$440,000 |
| 2009-FT-7 | Engines | \$1,526,604 |
| CO1 to 2009-FT-7 | Shafting | \$157,432 |
| 2009-FT-2 | Generators | \$83,243 |
| N/A | Miscellaneous | \$10,654 |
| 2010-FT-10 | Shipyards Installation | \$2,588,314 |
| 2010-FT-9 | Waterjet Purchase | \$40,000 |
| N/A | Waterjet refurbishment | \$310,000 |
| 2010-FT-4 | Gearbox re-ratio and rebuild | \$425,000 |
| 2007-FT-8 | Project Management | \$71,753 |
| N/A | Staff Time/Fringe | \$40,000 |
| 2010-FT-10 | Delivery Allowance | \$100,000 |
| Project Total | | \$5,793,000.00 |