



Agenda Item No. (9)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of December 14, 2023

From: John Gray, Director of Engineering and Maintenance
Michael S. Hoffman, Deputy General Manager, Ferry Division
Joseph M. Wire, Auditor-Controller
Denis J. Mulligan, General Manager

Subject: **APPROVE ESTABLISHMENT OF A NEW PROJECT, *SPAULDING DRYDOCKING AND CAPITAL IMPROVEMENTS*, IN THE FY 23/24 FERRY DIVISION CAPITAL BUDGET**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve establishing a new Ferry Division Capital Project, Project #2447, *Spaulding Drydocking and Capital Improvements*, in the Fiscal Year 23/24 Ferry Division Capital budget in the amount of \$6,624,000.

This matter will be presented to the Board of Directors at its December 15, 2023, meeting for appropriate action.

Summary

The California Air Resources Board (CARB) issued amendments, effective January 1, 2023, to the Commercial Harbor Craft (CHC) regulation with the intent of reducing nitrogen oxides, sulfur oxides, and particulate matter tail pipe emissions from CHC.

The amended regulation applies to the Golden Gate Bridge, Highway and Transportation District's (District) fleet of seven ferry vessels. In order to comply with the amended regulation, all existing ferries would need to be either replaced or repowered with CARB approved propulsion equipment. The District recently decided to replace the *M.S. San Francisco* and *M.S. Marin* instead of repowering them, and the Board approved Project #2446, *Spaulding Replacement Project*, for the procurement of three new ferry vessels to replace the *M.S. San Francisco* and *M.S. Marin*. Construction for repowering the *M.S. Marin* and the *M.S. San Francisco* would have taken place in 2024 and 2025. Since the vessels will not be repowered, the District must perform ongoing drydockings and improvements to extend the life of the vessels until their replacements have been constructed and delivered.

The United States Coast Guard (USCG) requires that all small passenger vessels be drydocked for hull exams and inspections every 2 years. Vessels must be drydocked and examined by the USCG

by the required dates or the vessels' certificate to operate in revenue passenger service will expire. Any items identified by the USCG as needing improvement during the hull exam and inspection will be repaired while the vessel is drydocked. Improvements may include propulsion and auxiliary systems, hull inspection and coatings, and navigational equipment required for the vessel to reach its full economic life and ensure ongoing compliance with USCG regulations.

Project #2447 is intended to fund drydockings for hull exams and inspections and improvements to the District's Spaulding Class vessels for the remainder of their service lives. Future USCG exam dates in the table below are estimated, as dates are determined by the completion dates of the previous drydocking exams.

Table 1: USCG Required Drydocking Exam Dates Through Projected Vessel Retirement

VESSEL	FY24	FY25	FY26	FY27	FY28	FY29
<i>M.S. Marin</i>	Feb-24		Mar-26	Retire Dec 2026		
<i>M.S. San Francisco</i>		Jul-24		Aug-26	Retire Dec 2027	
<i>M.S. Sonoma</i>		Feb-25		Mar-27		Retire Dec 2028

Fiscal Impact

The District deems the costs of Project #2447 to be capital costs because the funds are being expended to extend the useful lives of the vessels and without the hull exams, inspections, and related improvements the vessels would cease to be operable. The funds will be capitalized after the projects are complete.

Approval of this item will add Project #2447, *Spaulding Drydocking and Capital Improvements*, to the FY 23/24 Ferry Division Capital Budget in the amount of \$6,624,000 to be funded with 100% District funds. The following table provides a breakdown of the proposed project budget.

TABLE 2: Proposed Project Budget -- #2447, *Spaulding Drydocking And Capital Improvements*

DESCRIPTION	PROPOSED PROJECT BUDGET
District Staff Labor and Fringe	\$224,000
General Project Expenditures	\$80,000
PS&E Contract	\$140,000
Prime Contract	\$5,150,000
Prime Contract Contingency	\$1,030,000
TOTAL	\$6,624,000