Agenda Item No. (5)

To: Building and Operating Committee/Committee of the Whole
Meeting of July 23, 2026

From: John Gray, Director of Engineering and Maintenance, Ferry Division
Denis J. Mulligan, General Manager

Subject: **AUTHORIZE CONTINGENCY FOR CONTRACT NO. 2026-F-031, *LIWA VESSEL 1 AND 2 ENGINES, GEARBOXES, AND DRIVELINES*, WITH NORTHERN LIGHTS**

Recommendation

The Building and Operating Committee recommends that the Board of Directors authorize a Contract contingency for Contract No. 2026-F-031, *Liwa Vessel 1 and 2 Engines, Gearboxes, and Drivelines,* with Northern Lights, in the amount of $2,580,000.

This matter will be presented to the Board of Directors at its July 24, 2026, meeting for appropriate action.

Summary

On March 27, 2026, the Board of Directors, by Resolution No. 2026-013, approved award of Contract No. 2026-F-031, *Liwa Vessel 1 and 2 Engines, Gearboxes, and Drivelines,* to Northern Lights in the amount of $10,321,491. Because this proposed contract amendment would equal to approximately 25% of the base contract, it is subject to Board approval. This contract contingency would provide expenditure authority for unforeseen changes that have been identified below.

The District agreed to directly procure some of the vessel components. This contract with Northern Lights will supply the first 2 vessels with engines, gearboxes, water jets, and drive shafts that will be delivered to the vessel builder’s facility for installation. Due to the District directly purchasing these items, but the items will be installed in a different state, some of the taxation and tariffs were unpredictable.

Staff is requesting additional contract expenditure authority to provide for applicable taxes, tariffs, delivery costs, and other unforeseen costs associated with this procurement. These costs were not included in the initial contract authorization because they could not be estimated with sufficient certainty at the time the Board item was prepared.

The tax cost for the driveline equipment cannot be calculated until the Golden Gate Bridge, Highway and Transportation District (District) accepts delivery of the equipment at the vessel builder's facility, and the equipment subsequently enters into California. The engines, gearboxes, and driveshafts will be installed and commissioned by the vessel builder in the state of Washington. The taxes on this contract will not be assessed until 2028 and 2029.

Additionally, import tariffs will be applicable to portions of this order. Tariffs have been estimated based on current tariff rates, but the tariff rates are subject to change with little notice. True tariff costs will not be known until those costs are actually incurred by the District. Tariff costs related to this equipment purchase are currently estimated at approximately $700,000. Given current estimates, staff anticipates that the proposed contract contingency amount is sufficient to cover taxes, tariffs, delivery costs, and unforeseen changes. If conditions change, staff will update the Board of Directors.

Fiscal Impact

Project #1940, Purchase New Vessel, and Project #2445, Del Norte Replacement, are approved in the FY 26/27 Ferry Division Capital Budget in the amounts of $59,026,833 and $59,117,134, respectively. Sufficient funds are available within the approved project budgets with no additional budget authority required.