

File No. 251248

Committee Item No. 7

Board Item No. 1

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date February 11, 2026

Board of Supervisors Meeting Date March 3, 2026

Cmte Board

- | | | |
|-------------------------------------|-------------------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| | | • PRT Declaration of Emergency Memo 12/8/2025 |
| | | • MYR Memo 12/16/2025 |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Expenditure Schedule |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Notice of Award/Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

- | | | |
|-------------------------------------|-------------------------------------|-----------------------------------|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>PRT Presentation 2/11/2026</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Completed by: Brent Jalipa Date February 5, 2026

Completed by: Brent Jalipa Date February 19, 2026

1 [Appropriation - Port Harbor Fund - Port - Fund Balance for Stabilization and Removal of Dry
2 Dock - \$18,500,000 - FY2025-2026]

3 **Ordinance appropriating \$18,500,000 of Fund Balance from the Port Harbor Fund to the**
4 **Port of San Francisco (PRT) for stabilization and disposal of dry docks and other**
5 **shipyard improvements and safety measures in Fiscal Year (FY) 2025-2026.**

6
7 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
8 **Additions to Codes** are in *single-underline italics Times New Roman font*.
9 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
10 **Board amendment additions** are in double-underlined Arial font. **Board**
11 **amendment deletions** are in ~~strikethrough Arial font~~.

12 Be it ordained by the People of the City and County of San Francisco:

13 Section 1. The sources of funding outlined below are herein appropriated to the Port of San
14 Francisco for Fiscal Year 2025-26.

15
16 **SOURCES Appropriation**

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
23680 - PRT-OP	10026768 - 0001 PO	499999 Beg	Fund Balance	\$18,500,000
Annual Account Ctrl /	Administration / PO	Fund		
109754 PRT FA-	Administration / 10000	Balance -		
Administration	Operating	Budget Only		
Total SOURCES				\$18,500,000

25

1 Section 2. The uses of funding outlined below are herein appropriated to the Port of San
2 Francisco for Fiscal Year 2025-26.

3

4 **USES Appropriation**

5

6	Fund /	Project & Activity /	Account	Description	Amount
7	Department ID	Authority			
8	23700 - PRT-OP	10032260 - 0030 PO SF	567000	Dry Dock	\$18,500,000
9	Continuing Authority	Shipyards Repair Project	Bldgs, Struct&I	Stabilization and	
10	Ctrl / 232116 PRT Port	/ Drydock Stabilization	mprv Proj-	Preparation for	
11	Commission	and Removal / 21271	Budget	Removal and	
12	(Portwide)	PO Maritime		Disposal	
13					
14	Total USES				\$18,500,000

15

16 Section 3: The Controller is authorized to record transfers between funds and adjust the
17 accounting treatment of sources and uses appropriated in this ordinance as necessary to
18 conform to Generally Accepted Accounting Principles and other laws.

19

20 APPROVED AS TO FORM:
21 DAVID CHIU, City Attorney

FUNDS AVAILABLE
GREG WAGNER, Controller

22 By: _____ /s/
23 BRAD RUSSI
24 Deputy City Attorney

By: _____ /s/
GREG WAGNER
Controller

24

25

<p>Item 7 File 25-1248</p>	<p>Department: Port</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$18,500,000 of fund balance from the Port Harbor Fund for stabilization and disposal of dry docks and other shipyard improvements and safety measures. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • On February 3, 2026, the Board of Supervisors approved an emergency declaration for work related to stabilizing Dry Dock #2 at Pier 68 (File 26-0009). The emergency declaration suspends procurement requirements in Administrative Code Chapters 6 and 14B as well as Labor & Employment Code Sections 131 and 132 to expedite the contracting process. Once Dry Dock #2 is stabilized, the Port plans to dispose of Dry Dock #2 at Pier 68 and Eureka Dry Dock at Pier 70. • The Port estimates that the work to stabilize Dry Dock #2 will take place between January and July 2026. • The disposal plan for both Dry Dock #2 and Eureka Dry Dock are in the conceptual phase and will require substantial planning and approval from regulatory authorities that could take from two to four years, according to the Port. Three conceptual options have been prepared by the consultant Herbert Engineering Corp., which include either scrapping within or outside of the San Francisco Bay Area, or scuttling (sinking at sea). <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance appropriates \$18,500,000 in funding from the Port Harbor Fund. This funding, along with \$1.5 million in previously appropriated BAE settlement funds (following abrupt termination of shipyard operations by BAE Systems at Pier 70) will provide a total of \$20 million in initial funding to complete assessments, design for repairs and demolition, and pay for the emergency contract for stabilization repair work of Dry Dock #2. • According to Port staff, the FY 2026-27 Capital Budget is anticipated to include an additional \$41.2 million in funding for a total of \$61.2 million (including the proposed supplemental appropriation of \$18.5 million and previously appropriated funding of \$1.5 million) to fully cover disposal of Dry Dock #2 and Eureka Dry Dock at Pier 70. As of June 2025, the Port Harbor Fund had \$190 million in unrestricted net assets, all held in cash. Assuming the proposed ordinance is approved to appropriate \$18.5 million from the Port Harbor Fund, the balance of the fund would be \$171.5 million. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

Dry Dock #2 is a large floating dry dock at the Port’s Pier 68/70 shipyard used to lift large vessels out of the water so they can be inspected, repaired, and maintained. Dry Dock #2 at Pier 68 is a 55-year-old 900-foot steel floating dry dock. A second dry dock known as Eureka Dry Dock is located at Pier 70. Since 2017, the Pier 68/70 shipyard has been without a tenant to provide ship repairs and dock maintenance. The Port issued solicitations to identify a shipyard operator in 2017 and again in 2018 but did not identify a viable proposal to reactivate the shipyard.

On February 3, 2026, the Board of Supervisors approved an emergency declaration for work related to stabilizing Dry Dock #2 at Pier 68 (File 26-0009). The emergency declaration suspends procurement requirements in Administrative Code Chapters 6 and 14B as well as Labor & Employment Code Sections 131 and 132 to expedite the contracting process. Once Dry Dock #2 is stabilized, the Port plans to dispose of both dry docks.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$18,500,000 of fund balance from the Port Harbor Fund for stabilization and disposal of dry docks and other shipyard improvements and safety measures.

Project Timeline

The Port estimates that the work to stabilize Dry Dock #2 will take place between January and July 2026.

The final demolition and disposal for both Dry Dock #2 and Eureka Dry Dock are in the conceptual phase and will require substantial planning and approval from regulatory authorities that could take from two to four years, according to the Port. Three conceptual options have been prepared by the consultant Herbert Engineering Corp., which include either scrapping within or outside of the San Francisco Bay Area, or scuttling (sinking at sea).

FISCAL IMPACT

The proposed ordinance appropriates \$18,500,000 in funding from the Port Harbor Fund. This funding, along with \$1.5 million in previously appropriated BAE settlement funds,¹ will provide a total of \$20 million in initial funding to complete assessments, design for repairs and demolition, and pay for the emergency contract for stabilization repair work of Dry Dock #2.

Total Costs to Demolish Dry Docks

According to Port staff, the FY 2026-27 Capital Budget is anticipated to include an additional \$41.2 million in funding for a total of \$61.2 million (including the proposed supplemental appropriation of \$18.5 million and previously appropriated funding of \$1.5 million) to fully cover disposal of Dry Dock #2 and Eureka Dry Dock at Pier 70, as shown in Exhibit 1.

Exhibit 1: Total Cost to Complete Demolition of Dry Dock #2 and Eureka Dry Dock

Uses (By Construction Phase)	
Phase 1A: Dry Dock #2 Emergency Stabilization	\$8,600,000
Phase 2A: Dry Dock #2 Disposal	27,400,000
Phase 2B: Eureka Disposal	15,700,000
Subtotal	51,700,000
Contingency on Hard Costs (30%)	9,500,000
Total	\$61,200,000

Source: Port

Note: The contingency is applied only to hard costs (a subset of total costs shown) at 30 percent, which equates to 18 percent of overall costs of \$51,700,000.

According to Port staff, the engineering as-needed consultant team GHD-Structus JV along with naval engineering firm Herbert Engineering and BK Cooper were engaged in December 2024 to prepare a conceptual work plan and cost estimates for the Port to utilize for budgeting for the disposal of the two dry docks at a total of \$61.2 million. The Port’s total budget of \$61.2 million assumes the dry docks will be disposed in the San Francisco Bay Area region; however, the unexpected closure of the Mare Island Dry Dock in Vallejo means that the Port will evaluate alternatives that may drive up costs by anywhere from \$2 to \$53 million, according to Port staff.

Funding Source

As of June 2025, the Port Harbor Fund had \$190 million in unrestricted net assets, all held in cash. Assuming the proposed ordinance is approved to appropriate \$18.5 million from the Port Harbor Fund, the balance of the fund would be \$171.5 million. According to Port staff, most federal and state grants do not provide funding for the type of emergency repair and disposal needed; however, Port staff are evaluating whether any state or federal funding may be available to offset these costs.

¹Refers to a \$4.9 million settlement payment made by BAE Systems to the Port in July 2017, secured following the abrupt termination of shipyard operations at Pier 70.

The Port reports that no specific projects are being delayed to fund the Dry Dock #2 repair and disposal of both dry docks. Without the emergency repair work, the Port reports the \$8.6 million in funding for emergency work would have been used for maintenance projects.

RECOMMENDATION

Approve the proposed ordinance.

Budget & Finance Committee

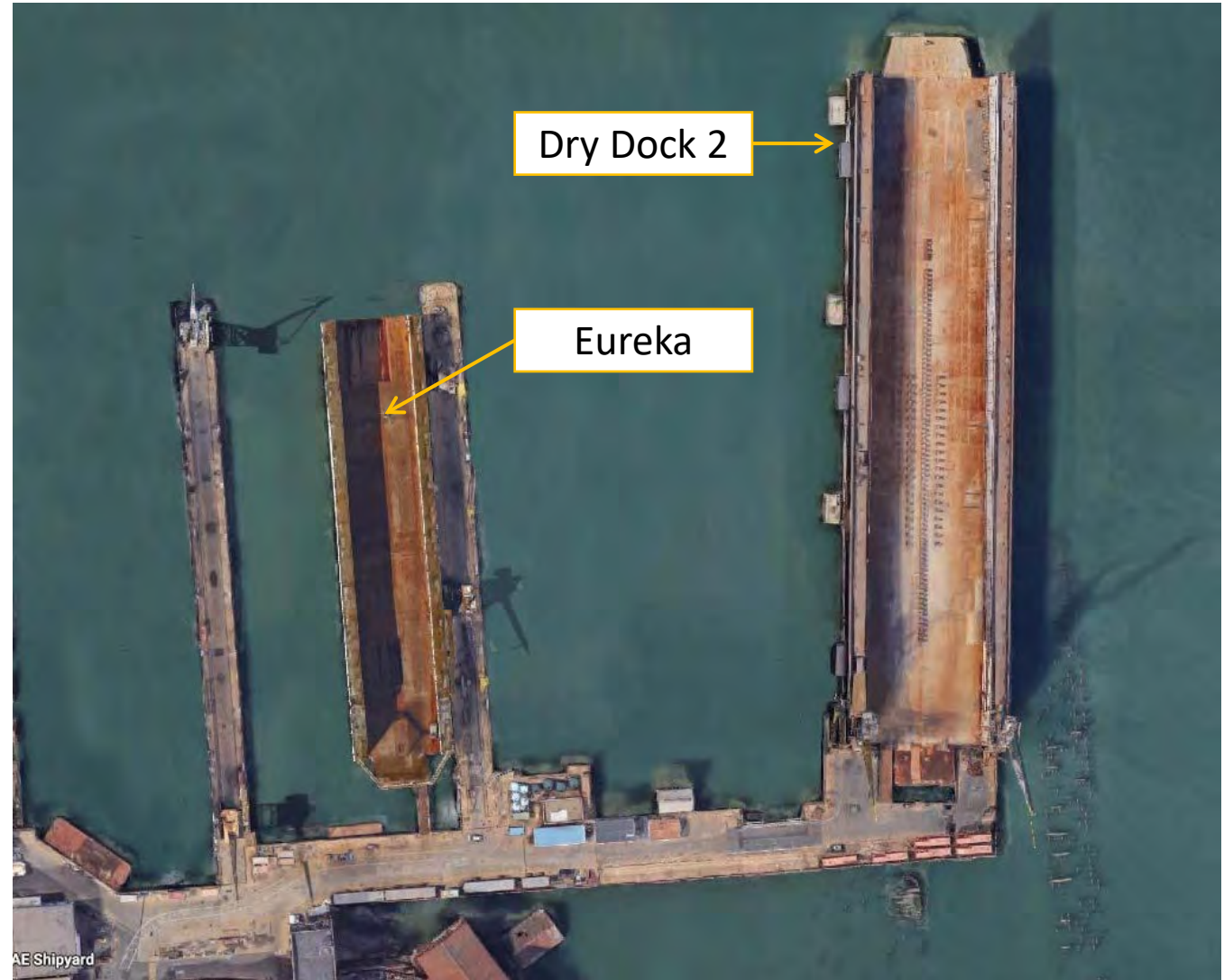
Item 7. Supplemental Appropriation: Dry Docks

February 11, 2026



Background

- Dry Dock #2 (900' x 200')
- Eureka (570' x 125')
- Abandoned by BAE in 2017
- Port's multiple efforts to reactivate the shipyard have failed
- Staff shifted focus to sale or disposal in 2023
- Negotiations with Desean Shipyards were unsuccessful in establishing a path to divestment





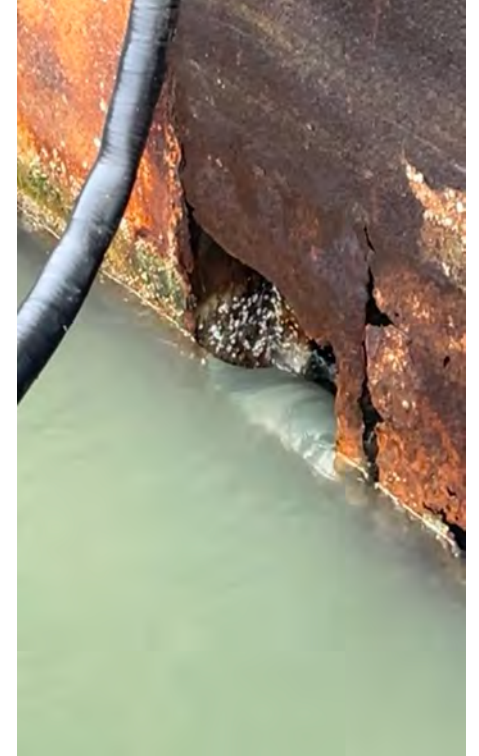
Dry Dock 2

Listing Event Emergency Declaration

- November 2025 – storm
- Damage enlarged existing tears, new tears
- Drydock flooding created actual emergency as defined in San Francisco Administrative Code
- Emergency Declaration approve by Board of Supervisors on February 3, 2026

Supplemental Appropriation

- On February 9, the Capital Planning Committee recommended approval of this ordinance
- Ordinance will **appropriate \$18,500,000** of fund balance from the Port Harbor Fund for stabilization and disposal of dry docks.
- Additional \$1.5 million available from BAE settlement funds available, **for a total of \$20 million in this initial phase.**
- The proposed budget for FY 2026-27 will include the remaining \$41.2 million needed to remove and dispose of both dry docks, **for a total of \$61.2 million.**



USES – By Fiscal Year/Phase	FY2025-26	FY2026-27	TOTAL AMOUNT (\$ millions)
Construction Phase 1A: Dry Dock 2 - Emergency Stabilization	\$8.6	-	\$8.6
Construction Phase 2A: Dry Dock 2 - Disposal	\$3.0	\$24.4	\$27.4
Construction Phase 2B: Eureka - Disposal	\$3.0	\$12.7	\$15.7
Subtotal	\$14.6	\$37.1	\$51.7
All Phases: 30% Construction Contingency	\$5.4	\$4.1	\$9.5
TOTAL	\$20.0	\$41.2	\$61.2



Memorandum

To: Elaine Forbes
From: Matthew Bell
CC: Andre Coleman
Date: December 8, 2025
Subject: Pier 68 Dry Dock 2, Emergency Declaration

Dear Director Forbes:

Per Section 6.60 of the San Francisco Administrative Code, Port Engineering requests you declare an emergency regarding the rapid deterioration of Dry Dock #2 (DD2) at Pier 68. DD2 requires immediate emergency repairs to stabilize the vessel and to remove or stabilize the cranes on top of the DD2 vertical wing. These steps are necessary to safeguard the lives of citizens and staff who work, or are located on or near the vessel.

Background

DD2 is a 55-year-old 900-foot single-section steel floating dry dock constructed by the Bethlehem Steel Corporation. It is a rigid unit-type dock with continuous pontoon and wing walls with 40 ballast compartments (20 per side).

The Pier 68 shipyard has been without a tenant performing ship repairs or dry dock maintenance since 2017. Inadequate maintenance of DD2 was a major factor in the closure of the shipyard. Without sustained maintenance the vessel continues to deteriorate.

The DD2 has become a liability as it continues to deteriorate. The following actions have been taken to reduce and remove this liability from the Port:

- On March 17, 2021, the Port issued an Emergency Declaration to facilitate repairs to stabilize crane #33 on the western wing wall on DD2 that was freely rotating due to failure of a slewing brake caused by high wind in the winter storm of 2021.
- In June of 2023, and February 2024, Port staff pursued Requests for Offers to sell the vessel for removal and off-site repair. However, by the Spring of 2025, the sole respondent, Desan Shipyard, and the Port were unable to reach an agreement for sale and removal of DD2.
- In April of 2024, Port Engineering engaged an on-call consultant, GHD-Structus JV, to provide an overall assessment of DD2 after it was found to be listing/heeling in March 2024. The consultant team prepared a technical



memorandum in May 2024 summarizing the general conditions to develop a plan for removal, repair, or demolition.

- In December 2024, Port Engineering engaged the same on-call consultant to provide supplemental staff, a project manager, and a Naval Architecture subconsultant, Herbert Engineering Corp., to prepare designs for stabilization repairs that will enable the final demolition of DD2. Inspections by the consultant team documented extensive hull tears near the waterline of the vessel, and welded steel repairs were designed.
- Winter storms in 2024-25 required urgent action by the Port to move quickly to enter into an informal contract in April 2024 to demolish a DD2 access stair that nearly collapsed onto a critical electrical panel during a listing incident. The electrical panel is the only source of electricity for DD2 and powers the high-capacity ballast tank pumps that keep DD2 afloat.
- Most recently, a storm in November 2025 caused additional damage to DD2 that now requires emergency repairs. The current conditions are explained below.

On November 5, 2025, a member of the public in a nearby tugboat contacted Port Maritime staff to report excessive listing of DD2 on the north-east side. Port staff opened the holding tanks and observed that existing tears in the hull had enlarged, and new tears had appeared, resulting in additional uncontrolled flooding of ballast tanks and unsafe listing of the vessel. Auxiliary industrial pumps have been rented by Port Maintenance and installed to pump out ballast tanks where the dock's onboard pumps no longer function. The auxiliary pumping requires Port staff to monitor the water levels visually and move portable pumps from tank to tank. Potential consequences of uncontrolled flooding of ballast tanks through holes in the vessel include: (i) collapse of the cranes located near the only dock-side access point to DD2 due to the excess listing angle; (ii) breaking of mooring keepers due to excess listing angle, potentially setting the dock adrift; and (iii) sinking of the dock, which would introduce pollution into the bay and necessitate a significantly more complex salvage and demolition effort.

In the interest of protecting public and staff safety, and preventing further damage, a contractor with the ability to deploy a floating crane barge, perform underwater welding, and perform other specialized marine salvage and vessel repair work is required to address the needed work expeditiously.

Section 6.60 of the San Francisco Administrative Code defines an “actual emergency” in part as the discovery of any condition involving a clear and imminent danger to public health or safety, demanding immediate action. The situation at Pier 68 fits the definition of an “actual emergency” because it represents a clear and imminent danger to public health or safety.

The timing of the emergency request is urgent due to winter storms, which could cause uncontrolled flooding and movements of DD2 with the potential for DD2 to be unmoored and sent adrift. Per Section 6.60(f) of the San Francisco Administrative Code, contracts



awarded under emergency circumstances are exempt from requirements of Chapter 6 and Chapters 12A, 12B, 12C, and Chapter 14 of the Administrative Code (although it is policy to make every effort to comply with the provisions of Administrative Code 12A, 12B, 12C, and Chapter 14B). The emergency declaration allows the Port to facilitate repairs in the most expeditious manner.

The repair work is estimated to be up to \$10,000,000, and will be procured and managed by San Francisco Public Works. Since the estimated repair work is anticipated to exceed \$250,000, additional approvals by the President of the Port Commission and the San Francisco Board of Supervisors are required, per Section 6.60(d) of the Administrative Code.

If you approve of the declaration of emergency, please sign and return the emergency declaration document.



December 8, 2025

**To: Mayor Daniel Lurie
City Hall, Rm. 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102**

**San Francisco Port Commission
Attention: The Honorable Gail Gilman, President
Pier One, The Embarcadero
San Francisco, CA 94111**

**The Honorable Board of Supervisors
Attention: Ms. Angela Calvillo
City Hall, Rm. 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102**

**Mr. Greg Wagner, Controller
City Hall, Rm. 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102**

From: Elaine Forbes, Port of San Francisco Executive Director

Subject: Declaration of Emergency; Repairs to Stabilize Pier 68 Dry Dock Vessel

Dear Mayor Lurie, Members of the Board, Commission President Gail Gilman, Port Commissioners, and Mr. Wagner,

In accordance with Chapter 6, Section 6.60 of the Administrative Code of the City and County of San Francisco, I am declaring an emergency on behalf of the Port of San Francisco ("Port").

Storms in November 2025 with high winds have accelerated damage to Dry Dock #2 (DD2), so that existing tears have enlarged, and new tears have appeared on the hull of DD2. These conditions have resulted in increasingly difficult-to-control flooding of ballast tanks, causing DD2 to list beyond safe limits and increasing the risk of catastrophic failure. The situation is a clear and imminent danger to public health or safety, demanding immediate action.

The accelerated deterioration of DD2 at Pier 68 represents an "actual emergency" as defined by Section 6.60 of the San Francisco Administrative Code. Immediate emergency repairs are necessary to stabilize the vessel and remove or stabilize the



cranes on top of the DD2 vertical wing walls, which will safeguard the property of the Port, and maintain public health and welfare.

This emergency declaration is to enable the Port to engage one or more contractors to (i) perform welding and patching repairs to minimize the intake of water, (ii) access the DD2 cranes on top of the wing walls to stabilize or remove the cranes, and (iii) take other actions necessary to address the emergency and make DD2 safe. This work is beyond the capabilities of City forces. The Port will collaborate with San Francisco Public Works to contract for the work. The estimated cost of these services is approximately \$10,000,000.

I am therefore declaring the existence of an emergency. Because the estimated cost of the emergency work will exceed the threshold amount of \$250,000, I request that Commission President Gail Gilman approve this declaration, pursuant to Section 6.60(d) of the Administrative Code.

Sincerely,

DocuSigned by:
Elaine Forbes
BD2F0B693FFE43F...
Elaine Forbes
Executive Director, Port of San Francisco

CONCUR AND APPROVE:

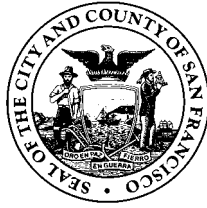
Signed by:
Gail Gilman
0C95AAAF605D42C...
Gail Gilman, President
San Francisco Port Commission

DATE:

12/9/2025

Cc: Carla Short, Director, San Francisco Department of Public Works.
Michelle Sexton, General Counsel, Port

OFFICE OF THE MAYOR
SAN FRANCISCO



DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Adam Thongsavat, Liaison to the Board of Supervisors
RE: Appropriation - Port Commission – Fund Balance for Stabilization and Removal of Dry Dock -
\$18,500,500 - FY2025-2026
DATE: December 16, 2025

Ordinance appropriating \$18,500,000 of Fund Balance from the Port Harbor Fund to the Port of San Francisco (PRT) for stabilization and disposal of dry docks and other shipyard improvements and safety measures in Fiscal Year (FY) 2025-2026.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org