

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: December 5, 2016 Special Budget and Finance Committee Meeting

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Item 1 Files: 16-1286	Department: Port of San Francisco
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • Ordinance (1) approving and authorizing the Executive Director of the Port of San Francisco to execute a Project Partnership Agreement with the United States Army Corps of Engineers (USACE) to allow federal dredging of the Central Basin adjacent to Pier 70 conditioned on the Port (a) providing a 25% match not to exceed \$2,242,750 for initial project costs and (b) providing a 10% match not to exceed an additional \$897,100 for federal maintenance dredging of the Central Basin payable over the following 30 years, (2) exempting the Agreement from certain requirements of the Environment Code and Administrative Code except to the extent that the Agreement obligates USACE to satisfy such requirements, and (3) affirming the Planning Department’s determination under the California Environmental Quality Act (CEQA). <p>Key Points</p> <ul style="list-style-type: none"> • The Central Basin provides the navigational approach for ships entering the large vessel shipyard at Pier 70. However, the accumulation of sediment in the Central Basin restricts the size of ships that can enter the Pier 70 shipyard. The ideal depth for the Pier 70 large shipyard operations is 32 feet. The current depth of the Central Basin is 26 feet. • USACE uses federal contracting standard forms, which do not allow local jurisdictions to impose specific additional local contracting requirements on the federal government. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The Port’s Harbor Fund includes balances from the FY 2014-15 and FY 2015-16 budgets that will provide the \$2,242,740 capital project funds to provide the Port’s 25% match contribution to dredge the Central Basin. • The Port’s budget includes significant funding for various dredging projects each year. Over the next 30 years, the Port’s budgets would include sufficient funding to provide the necessary 10% matching contribution to enable the USACE to maintain the required dredging of the Central Basin, which is estimated to occur approximately every four years. The not to exceed \$897,100 of Port matching funds over 30 years, would require an estimated \$29,903 per year of Port Harbor Funds. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) provides that any contract entered into by a department, board or commission that (1) has a term of more than ten years and/or (2) requires expenditures of \$10 million or more is subject to Board of Supervisors approval.

Various City Administrative and Environment Codes mandate that City departments, boards and commissions comply with specific procurement, contract and environmental requirements.

BACKGROUND

Port's Pier 70

Pier 70 at the Port of San Francisco (Port) contains an operating shipyard with approximately 14.7 acres including 19 buildings and two floating drydocks, under an existing lease between the Port and BAE Systems San Francisco Ship Repair, Inc. (BAE Systems). This lease approved in 2015, extends for 20 years with two five-year extension options, or up to 30 years. Under this lease, BAE Systems provides maintenance and repair services for local, domestic and foreign ships, tankers and military vessels.

Central Basin Project

The Central Basin in San Francisco Bay, which is within San Francisco's jurisdiction, is outside both the BAE Systems lease area and federal navigational channels. However, the Central Basin provides the navigational approach for ships entering the Pier 70 shipyard. The continuing accumulation of sediment in the Central Basin restricts the size of ships that can currently enter the Pier 70 shipyard as well as the long term viability of the shipyard. The ideal depth for the Pier 70 large shipyard operations is 32 feet. The current depth of the Central Basin is 26 feet.

Given that many federal vessels receive maintenance and repair services at the Pier 70 shipyard, in October 2009, the Port requested funding assistance from the United States Army Corps of Engineers (USACE) to dredge the Central Basin. In September 2010, USACE recommended a formal feasibility study of the Central Basin dredging project. However, due to holds on Federal appropriations, the Central Basin project was suspended until 2015.

In July 2014, the Board of Supervisors appropriated \$500,000 as an initial contribution to the project. Subsequently, in July 2015, the Board of Supervisors appropriated \$2,000,000 of local matching funds as a supplemental to the Port's FY 2015-16 budget to dredge the Central Basin. In April 2016, the USACE and the Port agreed on a preferred alternative to dredge the Central Basin to a depth of 32 feet. The total Central Basin Project estimated cost is \$8,971,000.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would

(1) Approve and authorize the Executive Director of the Port of San Francisco to execute a Project Partnership Agreement with the United States Army Corps of Engineers (USACE) to allow federal dredging of the Central Basin adjacent to Pier 70 conditioned on the Port

(a) Provide a 25% match not to exceed \$2,242,750 for initial project costs, and

(b) Provide a 10% match not to exceed an additional \$897,100 for federal maintenance dredging of the Central Basin payable over the following 30 years.

(2) Exempt the Agreement from certain requirements of the City's Environment Code and Administrative Code except to the extent that the Agreement obligates USACE to satisfy such requirements and

(3) Affirm the Planning Department's determination under the California Environmental Quality Act (CEQA).

The requested Project Partnership Agreement between the Port and USACE would commence in January 2017 and extend for at least 30 years or through 2047. The initial construction project to dredge the Central Basin to a depth of 32 feet would occur in 2017. Under this Agreement, the USACE would be responsible for managing and completing the project, including all equipment, labor and disposal of dredged materials, in accordance with federal contracting procedures. The dredging will be subject to federal regulatory permits and require local permits from the Bay Conservation and Development Commission (BCDC) and the Regional Water Quality Control Board (RWQCB).

The initial dredging is estimated to cost \$8,971,000, including a 25 percent matching contribution or a not to exceed \$2,242,740, from the Port. In addition, in accordance with the proposed Agreement, the USACE would continue to maintain the dredge depth of 32 feet and the Port would pay an additional 10 percent matching contribution not to exceed \$897,100 payable over 30 years. The maintenance dredging is estimated by USACE to occur approximately every four years to maintain the depth of the Central Basin.

According to Mr. Daley Dunham, Special Projects Manager at the Port, the USACE uses federal contracting standard forms for the subject Project Partnership Agreement, which does not include provisions allowing local jurisdictions to impose specific additional local contracting requirements on the federal government. Therefore, the Port is requesting waivers of specific City contracting rules contained in the City's Administrative and Environment Codes. Mr. Dunham notes that the proposed ordinance would not waive the contract requirements that the (a) agreement must have a maximum obligation amount for the Port's local match, and (b) agreement must be conditional upon future appropriation of funds.

The Planning Department has determined that this project is categorically exempt from CEQA pursuant to Section 15304(g).

FISCAL IMPACT

Table 1 below shows the estimated funding to be shared between the USACE and the Port, including matching funds of not to exceed 25% or \$2,242,740 for the initial dredging and \$897,100 for the ongoing maintenance dredging over the next 30 years.

Table 1: Project Partnership Agreement Funding Sources

<u>Initial Dredging</u>	
Federal CAP107 Appropriation (75%)	\$6,728,260
Port Harbor Funds (25%)	<u>2,242,740</u>
Total	\$8,971,000
<u>Ongoing Maintenance Dredging (over 30 years)</u>	
Federal Harbor Maintenance Trust Fund	\$12,195,000
Port Harbor Funds (10% of initial dredging cost)	<u>897,100</u>
Total	\$13,092,100

The USACE budget of \$8,971,000 includes a 16.7% contingency and estimates the project will take up to two months to complete in 2017. The dredging project is likely to occur between June and November of 2017. The Port's Harbor Fund includes balances from the FY 2014-15 and FY 2015-16 budgets that will provide the \$2,242,740 capital project funds to provide the Port's 25% match contribution to dredge the Central Basin.

The Port's budget includes significant funding for various dredging projects each year. The Port advises that over the next 30 years, the Port's budgets would include sufficient funding to provide the necessary 10% matching contribution to enable the USACE to maintain the required dredging of the Central Basin, which is estimated to occur every four years. The not to exceed \$897,100 of Port matching funds payable over the next 30 years, would require an estimated \$29,903 per year of Port Harbor Funds, if paid annually.

RECOMMENDATION

Approve the proposed resolution.