

BOARD MEETING DATE: May 3, 2024

AGENDA NO. 6

**PROPOSAL:** Recognize Revenue, Transfer Funds, Execute Contract for Electrification of Balboa Island Ferries and Installation of Supporting Charging Infrastructure, and Reimburse General Fund for Administrative Costs

**SYNOPSIS:** South Coast AQMD received an award of \$8,297,548 for the electrification of Balboa Island ferries and installation of supporting charging infrastructure under CARB's FY 2021-22 and FY 2022-23 Advanced Technology Demonstration and Pilot Projects Solicitation. These actions are to: 1) recognize up to \$8,297,548 from CARB into Clean Shipping Technology Demonstration Special Revenue Fund (83); 2) transfer up to \$250,000 for South Coast AQMD's project cost-share from Clean Fuels Fund (31) and up to \$7,664,396 as a temporary loan from Rule 1111 Air Quality Investment Fund (27) into Clean Shipping Technology Demonstration Special Revenue Fund (83); 3) execute a contract with Balboa Island Ferry in an amount not to exceed \$7,914,396 for the electrification of Balboa Island ferries and installation of supporting charging infrastructure; and 4) reimburse the General Fund up to \$633,152 from Clean Shipping Technology Demonstration Special Revenue Fund (83) for administrative costs necessary to implement this project.

**COMMITTEE:** Technology; April 19, 2024; Recommended for Approval

**RECOMMENDED ACTIONS:**

1. Recognize revenue, upon receipt, from CARB up to \$8,297,548 into Clean Shipping Technology Demonstration Special Revenue Fund (83);
2. Transfer up to \$250,000 for South Coast AQMD's project cost-share from Clean Fuels Program Fund (31) and up to \$7,664,396 as a temporary loan from the Air Quality Investment Fund (27) – Rule 1111 into Clean Shipping Technology Demonstration Special Revenue Fund (83) until CARB funding is received into the Clean Shipping Technology Demonstration Special Revenue Fund (83);
3. Authorize the Executive Officer to execute a contract with Balboa Island Ferry in an amount not to exceed \$7,914,396 for the electrification of Balboa Island ferries and installation of supporting charging infrastructure; and

4. Reimburse the General Fund up to \$633,152 from the Clean Shipping Technology Demonstration Special Revenue Fund (83) for administrative costs necessary to implement the project.

Wayne Natri  
Executive Officer

AK:MW:VP:MH

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### **Background**

On October 26, 2023, South Coast AQMD submitted five proposals in response to CARB's solicitation under CARB's Fiscal Year (FY) 2021-22 and FY 2022-23 Advanced Technology Demonstration and Pilot Projects, including one to electrify three Balboa Island ferries and install the supporting charging infrastructure. On March 7, 2024, CARB advised that South Coast AQMD had been approved for an \$8,297,548 award.

The Balboa Island Ferry is a transportation and tourism link between Balboa Island and the Balboa Peninsula in Newport Beach, California. The Balboa Island Ferry owns and operates three identical vintage wooden ferries initially built in the 1950s. In 2022, these ferries carried approximately 1.5 million passengers and 350,000 cars. The CARB Commercial Harbor Craft (CHC) regulation requires all short-run ferries in California to convert to zero emission (ZE) propulsion by December 2025. Balboa Island Ferry is a unique ferry operator in California, and conversion of their diesel-powered ferries to ZE propulsion will demonstrate feasibility of ZE ferry powertrains for unique operators like Balboa Island Ferry. This project will help remove barriers to adopting ZE propulsion in the marine sector. South Coast AQMD is partnering with Balboa Island Ferry to replace three diesel ferries with 2010 Tier II marine engines with electric propulsion and install up to four chargers to support vessel charging. The project will enable Balboa Island Ferry to become California's first operator to have all zero-emission 100 percent battery electric ferry fleet.

### **Proposal**

The proposed project will replace or repower three diesel ferries with three ZE electric ferries with a sufficient bank of batteries to provide electricity to the motors for 16-hour operational shifts and install four chargers at the Balboa Island ferry dock to charge the ferries. Balboa Island Ferry will work with project partners to design and evaluate the ZE technology and select a propulsion system for the vessels. Balboa Island Ferry will also work with the U.S. Coast Guard to ensure the vessels meet safety, passenger needs, and all other requirements as well. BIF will also work with Southern California Edison (SCE), the City of Newport Beach, and equipment

suppliers to develop and install shoreside chargers. South Coast AQMD will monitor and collect operational data during the 12-month demonstration period and ensure compliance with CARB's CHC Regulation requirements.

This action is to recognize revenue from CARB up to \$8,297,548 (\$7,664,396 for project costs and \$633,152 for administrative costs) from the CARB's Advanced Technology Demonstration and Pilot Projects. To expedite the project, this action will also transfer up to \$250,000 from the Clean Fuels Program Fund (31) into Fund (83) for South Coast AQMD's project cost-share and provide up to \$7,664,396 as a temporary loan until CARB funds are received into the Clean Shipping Technology Demonstration Special Revenue Fund (83). Finally, this action authorizes the Executive Officer to execute a contract with Balboa Island Ferry in an amount not to exceed \$7,914,396 to electrify three ferries along with supporting infrastructure and reimburse the General Fund up to \$633,152 from Fund (83) for administrative costs necessary to implement the project.

### **Sole Source Justification**

Section VIII.B.2. of the Procurement Policy and Procedure identifies four major provisions under which a sole source award may be justified. The request for sole source award for the Balboa Island Ferry contract is made under provisions B.2.c.(1): The unique experience and capabilities of the proposed contractor or contractor team; B.2.c.(2): The project involves the use of proprietary technology; and B.2.d.(1): Projects involving cost-sharing by multiple sponsors. Balboa Island Ferry has a unique operation, and it is critical for this transit company to fully transition to zero emissions to comply with CARB CHC regulation requirements. Upon project completion, Balboa Island Ferry will be the first to operate all ZE, 100 percent electrified ferries, demonstrating a unique advanced ZE technology and supporting infrastructure in the marine sector. Additionally, CARB will be providing approximately 62 percent of total project costs while Balboa Island Ferry and South Coast AQMD will provide approximately 36 percent and 2 percent, respectively.

### **Benefits to South Coast AQMD**

The South Coast Air Basin is classified as an "extreme" nonattainment area for ozone under the federal Clean Air Act. ZE development and demonstration projects that reduce (CHC emissions are included in the Technology Advancement Office Clean Fuels Program 2024 Plan Update and South Coast AQMD 2022 AQMP. After this project's successful development, demonstration, and deployment, Balboa Island Ferry will become California's first zero emission, 100 percent electrified ferry operation. This project is expected to result in reductions of NOx, particulate matter and reactive organic gas emissions.

### Resource Impacts

The total project cost will not exceed \$12,340,406, which includes up to \$7,664,396 through the award from CARB to South Coast AQMD, up to \$4,426,010 from Balboa Island Ferry including anticipated state match funds, awarded to Balboa Island Ferry, approved by the Board in February but pending CARB’s Case-by-Case approval, and up to \$250,000 from South Coast AQMD from the Clean Fuels Fund. The project costs, along with funding sources, are detailed in the table below:

#### Proposed Electrification of Balboa Island Ferries and Installation of Supporting Charging Infrastructure Project Costs

Source	Amount	Percent
CARB	\$7,664,396	62%
Balboa Island Ferry	\$2,335,954*	19%
Anticipated State Funds	\$2,090,056**	17%
South Coast AQMD ( <i>requested</i> )*	\$250,000	2%
<b>Total</b>	<b>\$12,340,406</b>	<b>100%</b>

\*Balboa Island Ferry Cash and In-kind Cost Share

\*\*Including funding from the Carl Moyer Program pending CARB’s Case-by-Case approval and from the Clean Off-Road Equipment Voucher Incentive Project

Sufficient funds are available from the Clean Fuels Program Fund (31). The Clean Fuels Program Fund (31) is established as a special revenue fund resulting from the state mandated Clean Fuels Program. The Clean Fuels Program, under Health and Safety Code Sections 40448.5 and 40512 and Vehicle Code Section 9250.1 I, establishes mechanisms to collect revenues from mobile sources to support projects to increase the utilization of clean fuels, including the development of the necessary enabling technologies. Funds collected from motor vehicles are restricted, by statute, to be used for projects and program activities related to mobile sources that support the objectives of the Clean Fuels Program.