

<p>Meeting Date: March 14, 2017</p>	<p>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</p> <p>FINANCE COMMITTEE MEETING MINUTES</p>	<p>Page 1 of 6</p>
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Committee members present:

Mike Jacob, Vice President-General Counsel, Pacific Merchant Shipping Association (PMSA),
Acting Chairman
Captain Einar Nyborg, Commissioner
Ray Paetzold, Business Director-General Counsel, San Francisco Bar Pilots (SFBP)

Committee members absent:

John Schneider, Chairman and Commissioner

Staff present:

Allen Garfinkle, Executive Director
Roma Cristia-Plant, Assistant Director
Dennis Eagan, Board Counsel
Luis Cruz, Staff Services Analyst
Sigrid Hjelle, Office Technician

Members of the public:

None.

OPEN METING

1. Call to Order and Roll Call. (Chairman Schneider)

Acting Chairman Jacob called the meeting to order at 9:32 a.m. Staff Services Analyst Cruz called the roll and confirmed a quorum.

2. Approval of minutes from the meeting held on November 16, 2016. (Chairman Schneider)

Mr. Paetzold and Board Counsel Eagan requested minor, non-substantive edits to the draft minutes of the meeting held on November 16, 2016.

MOTION: Mr. Paetzold moved to approve the minutes from the meeting held on November 16, 2016, as amended. Acting Chairman Jacob seconded the motion.

VOTE: YES: Jacob, Nyborg and Paetzold.

NO: None.

ASBTAIN: None.

ACTION: The motion was approved.

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3. Review the Board’s fiscal status, including the fund condition, revenue and expenditure projections, and monthly fiscal data.

Assistant Director Cristia-Plant provided a review of the following for the Committee:

- The Board’s statement of fund condition and forecasting assumptions for the accounting period ending January 31, 2017, including the current budget, projected revenues and expenditures and contract encumbrances for the Board Operations, Pilot Continuing Education and Pilot Trainee Training funds. .
- The historical and projected data for the Board Operations Surcharge, the Continuing Education and Trainee Training Surcharges.

Assistant Director Cristia-Plant stated that the Board’s active contracts are similar to those of the last fiscal quarter, and that the Board entered into a second emergency contract with the SFBP while awaiting the finalization of the long term 5-year contract.

Assistant Director Cristia-Plant reviewed the Governor’s Proposed Fiscal Year 2017-18 Budget and that included the Board’s Budget Change Proposal relating to increased rent. She stated the Department of General Services (DGS) signed an 8-year facility lease with the first 4 years being a firm term, and that after the first 4 years of the facility lease, the Board has an option to cancel the lease.

4. Review rates for surcharges received by the Board:

- a) **Review Board Operations Surcharge rate (currently at 3.0%), and the revenues, expenditures and reserve balance. Possible recommendation to the Board to adjust the Board Operations Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**

The Committee reviewed and discussed the Board Operations Surcharge, and determined that the fund balance is projected to be on target with a reserve of one year of budgeted expenditures, and discussed that the current 3.0% Board Operations Surcharge also appears to be sufficient.

MOTION: Mr. Paetzold moved that the Committee recommend to the Board to maintain the Board Operations Surcharge rate at 3% of all pilotage fees. Acting Chairman Jacob seconded the motion.

VOTE: YES: Jacob, Nyborg and Paetzold.
NO: None.
ASBTAIN: None.

ACTION: The motion was approved.

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- b) **Review Pilot Continuing Education Surcharge rate (currently at \$5/move), and the revenues, expenditures and reserve balance. Possible recommendation to the Board to adjust the Pilot Continuing Education Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**

The Committee reviewed and discussed the Pilot Continuing Education Surcharge. Acting Chairman Jacob stated that the Committee decided in the past that something should be charged to the shipping companies for this surcharge, and that the \$5/move rate was the lowest that should be charged. Mr. Paetzold agreed with Acting Chairman Jacob's statements, and added that it will be some time before the fund balance is lowered to approximately one year of budgetary expenditures even at this rate.

MOTION: Mr. Paetzold moved that the Committee recommend to the Board to maintain the Pilot Continuing Education Surcharge rate at \$5/move. Acting Chairman Jacob seconded the motion.

VOTE: YES: Jacob, Nyborg and Paetzold.
NO: None.
ASBTAIN: None.

ACTION: The motion was approved.

- c) **Review Trainee Training Surcharge rate review (currently at \$20/trainee/move), and the revenues, expenditures and reserve balance. Possible recommendation to the Board to adjust the Trainee Training Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**

The Committee reviewed and discussed the Pilot Continuing Education Surcharge, and determined that the current rate is projected to bring in sufficient revenue given expectations of the number of trainees in the Pilot Trainee Training Program to remain at six trainees.

MOTION: Mr. Paetzold moved that the Committee recommend to the Board to maintain the Trainee Training Surcharge rate at \$20/trainee/move. Commissioner Nyborg seconded the motion.

VOTE: YES: Jacob, Nyborg and Paetzold.
NO: None.
ASBTAIN: None.

ACTION: The motion was approved.

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5. Review Pilot Vessel Surcharge rate (currently at 2.62 mills - \$.00262), and the revenues, expenditures and reserve balance. Possible recommendation to the Board to adjust the Pilot Vessel Surcharge rate, if warranted. (Ray Paetzold, San Francisco Bar Pilots Business Manager—General Counsel)

Mr. Paetzold reported the following:

- As of 2/28/2017, the loan balance of the P/V DRAKE was \$777,394.00.
- The loan balance for the P/V DRAKE is estimated to be approximately \$435,000 on 6/30/2017.
- As of 3/9/2017, the Pilot Vessel Surcharge fund reserve was \$241,534.00.
- The Pilot Vessel Surcharge fund balance is estimated to be \$210,000.00 on 6/30/2017, assuming the surcharge rate of 2.62 mills remains unchanged and the surcharge receipts remain constant.

Acting Chairman Jacob stated that given the payoff of the loan for the P/V DRAKE is still months off, it may be best to refine the surcharge rate next quarter. Assistant Director Cristia-Plant inquired if there was ever a thought of maintaining the Pilot Vessel Surcharge after the loan for the P/V DRAKE is paid off to collect funds for the payment of the next pilot vessel. Acting Chairman Jacob stated he does not believe that the current statutes would allow the pre-collection of this surcharge.

MOTION: Mr. Paetzold moved that the Committee recommend to the Board to maintain the Pilot Vessel Surcharge rate at 2.62 mills (\$.00262). Acting Chairman Jacob seconded the motion.

VOTE: YES: Jacob, Nyborg and Paetzold.
NO: None.
ASBTAIN: None.

ACTION: The motion was approved.

6. Review of pilotage and surcharge audit report for calendar years 2014 and 2015, prepared by the State Controller’s Office (SCO) under contract with the Board. Possible recommendation to the Board to accept the report in satisfaction of contract scope of work.

Assistant Director Cristia-Plant reviewed the pilotage and surcharge audit reported for calendar years 2014 and 2015, and noted that the SCO found the following exceptions upon performing the agreed-upon procedures audit:

- The SCO found that the Board, at its November 20, 2014, meeting, approved \$1,000 in excess of actual expenses paid by the SFBP for the cost of life extending capital

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improvements to the P/V PITTSBURG, and that the error appeared to be a mathematical error that was made when totaling the invoices.

- The SCO determined that that the calculation used for billing Pilot Pension Plan surcharges was mathematically accurate. However, \$15,364 was reduced from the March 2014 pension allocations pending resolution of a frozen bank account issue for a deceased pensioner. The auditors confirmed that the pensioner’s heirs were subsequently paid the amount due.
- The auditors found a \$33 surcharge variance existed between the monthly pilot invoices for Pilot Pension Plan surcharges for July 2014 and the monthly amount used in the Pilot Pension Plan surcharge annual schedule prepared by the SFBP. She stated that the audit confirmed that while the surcharge annual schedule was incorrect, the auditors confirmed the correct surcharge amount for that month was distributed to pensioners.
- She confirmed that the audit did not list any other audit exceptions, and that the audit was a clean audit consistent with prior years’ audits.

MOTION: Mr. Paetzold moved that the Committee recommend to the Board to accept the pilotage and surcharge audit report for calendar years 2014 and 2015, prepared by the State Controller’s Office (SCO) in satisfaction of the contract scope of work. Acting Chairman Jacob seconded the motion.

VOTE: YES: Jacob, Nyborg and Paetzold.
NO: None.
ASBTAIN: None.

ACTION: The motion was approved.

7. Possible development of recommendation to the Board for the implementation and management of a Navigation Technology Surcharge to take effect no sooner than April 1, 2017. Possible recommendation to the Board on implementation and management of Navigation Technology surcharge.

Mr. Paetzold stated that the SFBP has not yet completed the acquisition and final payment for the navigation technology purchase that was previously preliminarily approved by the Board, and that it would be premature for the Finance Committee to consider setting the navigation technology surcharge rate at this time. He reported that the hardware for the precision docking and enhanced route piloting systems has been ordered. He stated that delivery for the precision docking system is estimated for April 17, 2017, and delivery for the enhanced route piloting is estimated for May 1, 2017, and that training on the precision docking system is scheduled for late April. He stated that fluctuating currency exchange rates will impact the final cost of the overseas-purchased equipment.

Acting Chairman Jacob commented that potentially the Finance Committee could consider the Navigation Technology Surcharge rate at its next quarterly meeting in June.

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Commissioner Nyborg thanked Captain McCloy for his extensive research, and stated that the SFBP will immensely benefit from his thoroughness.

8. Public comment on matters not on the agenda.

Mr. Paetzold gave a brief report on SFBP's collection efforts following the HANJIN bankruptcy. He stated that (a) SFBP is still negotiating with the non-Hanjin owners of vessels that had been chartered to Hanjin at the time the pilotage service was provided; (b) SFBP has expended about \$25,000 in legal fees for outside counsel relative to the US and Korean bankruptcy proceedings and to pursue the collection efforts against the non-Hanjin vessel owners; (c) SFBP and BOPC staff are discussing the process for obtaining BOPC approval to limit collection efforts under 7 CCR 219(a); and, (d) the amounts previously reported as having been placed in escrow from the owners of the HANJIN ITALY and the HANJIN GERMANY should be paid out of escrow in early June.

Mr. Paetzold responded to a query from Acting Chairman Jacob and commented that years ago the Board authorized the SFBP to stop collecting on a past due invoice. He stated that the SFBP has a process to closely monitor all billings, especially the billings that are 45 or more days past due, and that the Port Agent is looking into the feasibility and cost of acquiring insurance to cover uncollectible accounts.

9. Schedule the next Committee meeting, and proposals for items to the next meeting agenda.

The Committee scheduled the next meeting on June 13, 2017, at 9:30 a.m. No new agenda items were proposed.

10. Adjournment.

There being no further business before the Committee, Acting Chairman Jacob entertained a motion for adjournment.

MOTION: Mr. Paetzold moved to adjourn. Acting Chairman Jacob seconded the motion.

VOTE: YES: Jacob, Nyborg and Paetzold.

NO: None.

ASBTAIN: None.

ACTION: The motion was approved, and the meeting adjourned at 10:47 a.m.

Submitted by:



Allen Garfinkle, Executive Director