

<p>Meeting Date:</p> <p>June 13, 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, Committee Chairman and Commissioner

Staff present:

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

Members of the public:

Captain Joseph Long, Port Agent and SFBP President; Captain David McCloy, SFBP.

OPEN MEETING

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

Acting Chairman Jacob called the meeting to order at 9:41 a.m. Staff Services Analyst Cruz called the roll and confirmed a quorum.

2. Approval of minutes from the meeting held on March 14, 2017. (Acting Chairman)

Committee members were presented with the minutes from the meeting held on March 14, 2017. There was no discussion.

MOTION: Mr. Paetzold moved to approve the minutes from the meeting held on March 14, 2017. Acting Chairman Jacob seconded the motion.

VOTE: YES: Jacob, Nyborg, and Paetzold.

NO: None.

ACTION: The motion was approved.

3. Review Board fund condition, revenue and expenditure projections and monthly data for all pilotage fees and vessel moves and their effect on:

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

- The Board's statement of fund condition and forecast assumptions for the accounting period ending April 30, 2017, including the current budget, projected revenues and

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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 confirmed for Mr. Paetzold that the contracts listing does not reflect projected increased costs of a new long term 5-year contract with the SFBP, nor the new long term contracts with the Commission investigators.

Assistant Director Cristia-Plant reviewed the Governor's Proposed Fiscal Year 2017-18 Budget of \$2.438 million, and noted a slight increase over the current fiscal year in the Board's Operations budget principally to fund automatic salary increases.

- 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. Acting Chairman Jacob commented that the Board Operations Fund balance may be slightly high given a desired fund balance of one-year projected expenditures, but that the Committee should wait to assess again this Fall after the fiscal year end. The Committee discussed that the current 3% Board Operations Surcharge appears to be sufficient.

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

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

ACTION: The motion was approved.

- 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 and determined that it should remain at \$5/move.

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- 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.
- ACTION:** The motion was approved.

c) Review Trainee Training Surcharge rate (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 Trainee Training Surcharge, and were informed that the current budget is projected to allow for a maximum of 8 trainees within the Pilot Trainee Training Program. Assistant Director Cristia-Plant confirmed for Commissioner Nyborg the methodology for charging the Trainee Training Surcharge. Executive Director Garfinkle also responded to Port Agent Long and commented that the Board expects to incur costs for converting the Pilot Trainee Training Program Selection Examination simulator exercise to the new software that is used by the new simulator at the California State University Maritime Academy. Port Agent Long stated that the pilot trainee program may need to have more than eight trainees in the program next fiscal year given expected pilot retirements.

- MOTION:** Mr. Paetzold moved that the Committee recommend to the Board to maintain the Trainee Training Surcharge rate at \$20/trainee/move. Acting Chairman Jacob seconded the motion.
- VOTE:** YES: Jacob, Nyborg, and Paetzold.
NO: None.
- ACTION:** The motion was approved.

4. 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 5/20/2017, the loan balance of the P/V DRAKE was \$521,105.10.
- As of 5/31/2017, the Pilot Vessel Surcharge reserve fund was \$229,645.79.
- The balance remaining to fund the Pilot Vessel Surcharge is \$291,459.31.
- The projection is that sufficient funds to pay off the P/V DRAKE loan balance will be sometime in mid-September.

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- As such, he recommended to the Committee to leave this surcharge rate unchanged.

Board Counsel Eagan confirmed for Commissioner Nyborg that the Pilot Vessel Surcharge is tied to a Board authorization to recover specified costs, and that the regulations do not contemplate building a reserve for future boat purchases or boat service life extension modifications.

The Committee reviewed and discussed the Pilot Vessel Surcharge rate, and determined that collection of the Pilot Vessel Surcharge would then automatically cease once there is sufficient Pilot Vessel Surcharge funds on hand to pay off the P/V DRAKE loan balance.

MOTION: Mr. Paetzold moved that the Committee recommend to the Board to maintain the Pilot Vessel Surcharge rate at 2.62 mills (\$.00262) until the current San Francisco Bar Pilots boat loan liability is extinguished, at which time the surcharge will no longer be charged and collected. Acting Chairman Jacob seconded the motion.

VOTE: YES: Jacob, Nyborg, and Paetzold.

NO: None.

ACTION: The motion was approved.

5. Possible development of recommendation to the Board for the establishment and implementation of a Navigation Technology Surcharge to take effect no sooner than July 1, 2017. Possible recommendation to the Board on establishment and implementation of Navigation Technology surcharge rate.

Mr. Paetzold handed out to the Committee the SFBP's "Navigation Technology Plan – 2017 to 2020 – Cost Estimates "(1-9-17 revision) that was preliminarily approved by the Board in January 2017, in the amount of \$1,168,068, and an accounting of a "NavTech Acquisition -- Final Cost Summary –13 June 2017" totaling \$1,117,813 that itemized the SFBP's projected final navigation technology costs, and to be provided to the Board for its final authorization.

He reported that a cost item for broadband data was removed from the final accounting as it was determined that this item is an operational expense rather than a technology acquisition cost. He pointed out that the overall acquisition and payment for the navigation technology was approximately \$50,000.00 less than the preliminary authorization amount granted by the Board. He reported that Trelleborg did not collect state sales tax, which will require the SFBP to report and pay the use tax to the California Franchise Tax Board. Additionally, he reported that the SFBP plans to spend approximately \$100,000.00 over the next 3.5 years for annual updates of the Rose Point Navigational software licenses. He also reported that a decision was made to subscribe to the Trelleborg software rather than purchase the software directly. As such, there will be a related annual subscription cost.

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Mr. Paetzold commented that some of the future costs can only be estimated, such as those that will be subject to the Euro exchange rate at the time of payment, and the financing costs which are tied to the prime rate, which can change over time.

The Committee concluded that SFBP's final cost summary was sufficient to determine an initial surcharge rate, and noted that the surcharge rate could be amended from time to time in the future to ensure that sufficient funds were generated to pay for all Board approved final costs. Mr. Paetzold reviewed the projected revenue based upon an estimated 8,200 in annual moves at \$39/move and \$27.50/move. Assistant Director Cristia-Plant proposed using \$40/move for ease of accounting. Mr. Paetzold estimate that a rate of \$40/move on 8,200 moves per year would generate about \$328,000 per year, and that, assuming the number of moves stays constant, would generate surcharge revenue of approximately \$1.148 million over the next 3.5 years.

MOTION: Mr. Paetzold moved that the Committee recommend to the Board to establish and implement the Navigational Technology Surcharge rate at \$40/move effective July 1, 2017. Acting Chairman Jacob seconded the motion.

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

ACTION: The motion was approved.

6. Public comment on matters not on the agenda.

There were no comments from the public.

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

The Committee scheduled the next meeting for August 15, 2017, at 9:30 a.m. No new agenda items were proposed.

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8. 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 11:38 a.m.

Submitted by:



Allen Garfinkle, Executive Director