

Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun

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MINUTES June 3, 2014 9:30 A.M.

Committee members present

John Schneider, Chairman
Mike Jacob
John Cinderey
Capt. Steve Roberts

Staff present

Allen Garfinkle, Executive Director
Roma Cristia-Plant, Assistant Director
Kelly Dolcini, Staff Services Analyst
Sigrid Hjelle, Office Technician

Public present

Ray Paetzold, San Francisco Bar Pilots' general counsel

Open Meeting

1. Call to Order and Roll Call.

Chairman Schneider called the meeting to order at 9:30 a.m.

2. Approval of minutes of Committee meeting of March 24, 2014.

MOTION: Mr. Jacob moved to approve the Minutes of March 24, 2014 meeting with clerical, non-substantive changes. Capt. Roberts seconded the motion.

ACTION: The motion passed unanimously on a voice vote.

3. **Determine the number of licensed bar pilots anticipated on July 1, 2014 and prepare a report to the Board and possible recommendation for adjustment to pilotage rates for the calendar quarter beginning on that date as specified in Harbors and Navigation Code section 1190(a)(1). [Note that while retirements prior to July 1, 2014 are known, the number of new pilots who might be licensed on or prior to that date is not known. The recommendation to the Board may need to reflect several different possibilities, allowing the Board to authorize that which reflects the anticipated number of licensees as of the date of possible Board action.] Possible recommendation for Board action to specify bar crossing mill rate to be charged by licensees during the calendar quarter beginning July 1, 2014 pursuant to Harbors and Navigation Code section 1191 (a)(1)(A).**

Mr. Cinderey noted that as of June, 2014 there are 58 licensed Bar Pilots. He added that there is one trainee in the evaluation stage, who is expected to become a pilot prior to or early on in the next quarter, and that based on the SFBP audited annual income for 2013, it is projected that the mill rate should be raised from 0.09118 (the rate for 58 pilots) to 0.09181 (the rate for 59 pilots). Since the number of pilots may change prior to the start of the third quarter, which change will impact the pilotage calculations, there was a discussion that the Finance Committee should allow its Chairman, or his designee, to recommend to the Board at the next Board meeting the appropriate third quarter pilotage rate based upon the actual or expected number of licensed pilots as of July 1, 2014.

MOTION: Mr. Jacob moved that the Committee recommend to the Board that the Chair will recommend to the Board at the next Board meeting the third quarter pilotage mill rate be 0.09181 if there are 59 pilots, or 0.09118 if there are 58 pilots. Mr. Cinderey seconded the motion.

ACTION: The Committee approved the motion unanimously on a voice vote.

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

Ms. Cristia-Plant presented the Committee with a report on the status of the fund condition of the Board's three funds, as prepared by the California Highway Patrol's (CHP) accounting staff. She explained that the funds are enterprise funds, and that the State uses modified accrual accounting to determine the fund balance. She stated that funds are encumbered under contracts, and encumbered funds are reflected as if spent. She further explained that since it is nearing the end of the fiscal year, not all encumbered monies are expected to be spent, and that she worked with staff and CHP to disencumber some contract monies, which increases a fund balance. Lastly, she explained that the Board will need to submit a Budget Change Proposal by no later than mid-August in order to secure funding for the Pilot fatigue study in the 2015-2016 fiscal year.

- a) **Board Operations Surcharge (currently 1.0%) – develop possible recommendation to Board to adjust rates if necessary.**

The Committee reviewed and discussed the Board Operations Surcharge and fund condition, and will not adjust the rate at this time.

- b) **Pilot Continuing Education Surcharge (currently \$75/move) – develop possible recommendation to Board to adjust rates if warranted.**

The Committee reviewed and discussed the Continuing Education Surcharge and fund condition and discussed lowering the rate to \$50/move due to a large fund balance.

- c) **Trainee Training Surcharge (currently \$35/trainee/move) – develop possible recommendation to board to adjust rate if warranted.**

The Committee reviewed and discussed the Trainee Training Surcharge and fund condition and discussed not changing the surcharge amount due to the significant costs of the upcoming trainee exam and the foreseeable need to pay new trainees a stipend, which expenses are paid from the Trainee Training fund.

The Finance Committee made the following motion and action related to the three surcharges:

MOTION: Mr. Cinderey moved to recommend that the Board make no changes to the Board Operations Surcharge (currently 1%) and Trainee Training Surcharge (currently \$35/trainee/move) at this time, and to decrease the Pilot Continuing Education Surcharge from \$75/move to \$50/move. Mr. Jacob seconded the motion.

ACTION: The motion passed unanimously on a voice vote.

5. **Review current Pilot Vessel Surcharge rate (currently at 3.27 mills -- \$.00327) revenue, expenditures and reserve balance. Develop possible recommendation to the Board for Pilot Vessel Surcharge rate adjustment, if warranted.**

Mr. Cinderey reported that the San Francisco Bar Pilots (SFBP) are negotiating with First Republic, the bank carrying the note on the P/V DRAKE, to lower the loan rate on the P from 5.75% to 4.6%, and to reamortize the payments with the pay off date to remain November 15, 2017, which . The payment rate will reduce monthly payments to approximately \$9,000, resulting in approximately a \$100,000 savings.

Mr. Cinderey further reported the P/V PITTSBURGH is in need of a service life-extension capital improvements; however, he did not yet have a firm cost estimate, but that initial improvement costs are expected to be approximately \$150,000, and he

recommended that there be no change to the the Pilot Vessel Surcharge rate given the current fund balance and this expected expense. He indicated that the SFBP will apply for a grant sponsored by the California Air Resources Board, which will replace existing diesel engines with better emitting engines, and that the grant could cover about half the cost of the improvements.

Ms. Cristia Plant suggested that the Board may be able to secure funding from another state agency. She will explore the possibility before the next meeting of the Finance Committee.

6. Public comment on matters not on the agenda.

There were no comments.

7. Proposals for additions to next meeting agenda.

Mr. Cinderey would like further discussion at the next meeting regarding the P/V PITTSBURGH service life extension project, and the cost of chartering a replacement vessel for the anticipated 24 days that the vessel will be out of service. The Finance Committee will meet again on September 4, 2014 at 9:30 a.m.

8. Adjournment.

The Committee Adjourned at 10:55.

Respectfully submitted,

Kelly Dolcini,
Staff Services Analyst