

FINANCE COMMITTEE MEETING

Minutes

The Board of Pilot Commissioners Finance Committee met Monday February 4, 2008 at 9:00 a.m. at the Board of Pilot Commissioners office, Pier 9, Suite 102, San Francisco, CA, Commissioner Osen presiding. Also in attendance were SFBP Business Director Ken Levin and PMSA Vice President Mike Jacob and Board Counsel Ray Paetzold, Executive Director Moloney and Alice Evans Secretary. Commissioner Miller was in the audience.

Agenda:

1. Review/approve **minutes** of the January 24, 2008 meeting. The minutes were unanimously approved.
2. Review **SFBP Income and Expense** Report (following completion of annual audit). Mr. Levin said there is no report as the year-end audit is not finalized.
3. Review current **Pilot Vessel Surcharge** rate (currently 6.05 mils effective January 1, 2008), revenue, expenditures and reserve balance; develop possible recommendation to the Board for further Pilot Vessel Surcharge rate adjustment if/when warranted. Mr. Levin said there is no report as the year-end audit is not finalized.
4. Review **BOPC Fund Condition**, revised revenue and expenditure projections; including (a) **Board Operations Surcharge** (currently 2.4%); (b) **Pilot Training Surcharge** (currently \$30/move), and (c) **Trainee Training Surcharge** (currently \$9/trainee/move) -- develop possible recommendations to Board to adjust rates if warranted.

Executive Director Moloney and Board Counsel gave an overview of the history of the fund condition and the need to continue to monitor projections, reserves and expenditures. In the past there has been a discrepancy between Sacramento and Board's year-end numbers due to Sacramento's procedures.

The Committee reviewed the cover memo dated January 31, 2008 prepared by Board staff. (Copy attached) The Committee discussed the decrease in ship movements to 735 and pilotage fees decreased to \$2.95M/mo. Mr. Levin noted the difficulty to project increase or decrease in ship movements and revenue with any accuracy.

The Committee discussed the current and future increases in Board's operations expenses due to the COSCO BUSAN incident.

The Committee discussed the effect of the decrease in ship movements that affects pilot training revenue and that the revenue projected was based on 780 ship moves and that the ship moves is now decreased to 735.

Mike Jacob, PMSA, Vice President noted industry's preference to minimize the frequency of changes in the surcharge rates.

It was moved and seconded to recommend to the Board an increase in the Board operations surcharge from 2.4% to 4.8% effective April 1, 2008, or as soon as thereafter as approval from Department of Finance can be obtained and an increase in the Pilot Training Surcharge from \$30 per move to \$45 effective April 1, 2008. Commissioner Osen asked for comments from the public and discussion. It was discussed that DOF has to approve the Board operations surcharge. The pilot training surcharge had been left at \$30 to decrease the reserve. The motion then passed unanimously.

It was noted that Executive Director in the future will report directly to the Finance Committee the current status and projections of the BOPC Fund Condition. The format of the fund condition and various procedures were discussed in detail. Board staff will prepare future reports in-house.

5. Review Board budget for F/Y 07/08 and Emergency Augmentation for increased expenses.

The Committee discussed the basis for current and future needs to amend the Board's two legal service contracts with outside counsel and the Board's related spending authority. Commissioner Miller who was in the audience gave an overview of the current and projected events that involve Board counsels and the need for representation at the hearing, meetings and media coverage. It was noted that these costs are unanticipated and could not have been budgeted for ahead of time. He advised that the Emergency Augmentation was sent to the Department of Finance because of the critical time-frame of the submission and the need for continued legal assistance.

Mike Jacob and Ken Levin both said they are in support of the Emergency Augmentation and would write letters of support.

6. Review Board budget for F/Y 08/09 -- and Spring Finance Letter to seek authorization to cover increased expenses. Discuss possible additional expenditure authority items -- develop possible recommendation to Board re same.

The Committee discussed the F/Y 08/09 projected additional legal costs of the COSCO BUSAN incident and numerous additional expenditures related to the incident, ongoing rulemaking, training, and possible new training for Board management, outside auditors, rate hearing economist to advise the Board and various unknown items.

Commissioner Osen requested the Spring Finance Letter be forwarded to all Committee members for review before submission if possible.

7. Review budget process and consider/develop recommendations for Finance Committee's role for future budgets.

This item was discussed earlier in the meeting. Commissioner Miller noted this item was not addressed sooner due to the COSCO BUSAN incident. Several items had been put on the hold. He continued that the Finance Committee and all other committees, as in the past, are to develop recommendations at the Committee level and present recommendations to the full Board. The Finance Committee responsibilities include review SFBP income and expense statements and BOPC fund condition on a monthly basis or as the Committee determines. The Committee's role also includes projections for future fiscal years. It was noted that Board staff, Commissioners Miller and Osen are scheduled to attend Budget Change Proposal workshops this Spring.

8. Comment on matters not on the agenda.

Commissioner Miller noted the Board is interested in communicating with other commissions in the U.S. In previous years there was a convention that was attended by Board representatives and requested Executive Director Moloney to contact these various commissions to discuss the possibility of another convention in the future.

The meeting was adjourned at 12:05 p.m.

Respectfully submitted

Secretary
Alice A. Evans