

FINANCE COMMITTEE MEETING

Minutes

The Board of Pilot Commissioners Finance Committee met Wednesday June 18, 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 Commissioner Wainwright, SFBP Business Director Ken Levin and Controller Kristi Frederick and PMSA Vice President Mike Jacob and Board Executive Director Moloney and Alice Evans Secretary. Various individuals were in the audience.

Agenda:

1. Review/approve **minutes** of the May 22, 2008 meeting. The minutes were unanimously approved with the following added: The Committee discussed various surcharge collection options with the Board of Equalization that may be available to eliminate SFBP's collection of surcharge fees and issues that may develop.
2. Review **SFBP Income and Expense** Report. SFBP Business Director Ken Levin said the report is the same as last month, expenses to gross ratio is 31%. This is due to the increase in operating expenses.
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 warranted.

SFBP Business Director Ken Levin gave the following report:

Background: In November 2007 an analysis was presented to the committee of the P/V Surcharge, expected vessel traffic and authorized expenditures and a recommendation was made to increase the surcharge to \$6.05 per 1000 GRT. At BOPC direction, this increase was put into effect on the first of 2008. Since then no further final authorization of expenditures has been requested or authorized although the SFBP has continued to pay for services and material for both the construction of the new station boat and the modernization and service life extension program (SLEP) of the P/V GOLDEN GATE. There has been substantial unexpected growth in the P/V GOLDEN GATE SLEP. Once the SLEP is completed and actual costs are determined, the SFBP will be requesting final authorization for those costs not already authorized as well as appropriate preconstruction costs for the new boat. We expect to have this request for final authorization submitted no later than early August. In the interim and in anticipation of these authorizations, the SFBP is recommending that a P/V surcharge surplus be increased to \$365K by the end of 2008.

Data and Assumptions: The average monthly surcharge billed for the first five months of 2008 is approximately \$164K. The average collected is \$155K. The difference is due to the fact that the first months of 2008 receipts reflect the pre 2008 surcharge amount. Because we account on the accrual basis and for the purposes of this analysis a value of \$164K will be used for the first half of 2008.

The average GRT for the first five months of 2008 is approximately 27,000,000. For the purpose of this analysis, that figure will be used for the second half of 2008. The previously authorized \$514K has been spent. Until final authorization is given for the SLEP and preconstruction costs, the only authorized surcharge expenditure is the P&I on the two existing station boats of \$121.5K per monthly.

Projections and Calculations: 2008 began with a P/V surcharge deficit of \$300.4K. Authorized expenditures for the first six months are projected to be only the P&I on the existing boats of $\$121.5K * 6 = \$729K$. Projected surcharge collections for the first six months of 2008 are projected to be $\$164K * 6 = \$984K$. The projected P/V surcharge deficit for the first six months of 2008 is $\$984K - 300K - 729K = \$45K$.

The guidance from the finance committee is to keep a surplus of approximately two to three months. Since current authorized expenditures are \$121.5K per month for existing station boat P&I, a surplus of **\$365K** meets this criteria.

Projected currently authorized surcharge expenditures for the second half of 2008 are the same as the first half, i.e. the P&I expenditures of \$729K. Therefore, in order to meet a surplus of \$365K by the end of 2008, the amount of surcharge collected in the last six months must equal $\$365K + 45K + 729K = \$1,139K$. Assuming that the GRT total for the last six months of 2008 is $27,000,000 * 6 = 162,000,000$ and dividing the amount of the surcharge required to be collected by the total GRT for the period gives a required surcharge of \$7.03 per 1000 GRT.

Finance Committee recommendation: Recommend to the BOPC to increase the pilot vessel surcharge from the current value of \$6.05 per 1000 GRT to \$7.03 per 1000 GRT effective July 1, 2008.

It was moved and seconded to recommend to the Board to increase the pilot vessel surcharge from the current value of \$6.05 per 1000 GRT to \$7.03 per 1000 GRT effective July 1, 2008. Commissioner Osen asked for comments from the public and discussion. There were no comments and no discussion. The motion passed unanimously.

4. Review **BOPC Fund Condition**, revenue and expenditure projections; including (a) **Board Operations Surcharge** (currently 2.4%); (b) **Pilot Training Surcharge** (currently \$45/move), and (c) **Trainee Training Surcharge** (currently \$9/trainee/move) -- develop possible recommendations to Board to adjust rates if warranted.

Board staff distributed copies of the Board Fund Condition and Sacramento Fund Analysis. It was noted that there continue to be a 2-month reserve. Board staff will review the number of monthly vessel moves to accurately project revenue and expenditures.

5. Comment on matters not on the agenda.

SFBP Business Director Ken Levin reported that SFBP had again met with the Board of Equalization and continued discussion of various surcharge collection options that may be available to eliminate SFBP's collection of surcharge fees and issues that may develop.

The next Finance Committee meeting was scheduled for 8:30 a.m. July 24, 2008.

Respectfully submitted,

Alice A. Evans
Secretary