

<p>Meeting Date:</p> <p>June 7, 2016</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:

John Schneider, Chairman and Commissioner
 Captain George H. Livingstone, Commissioner (arrived at 9:45 a.m.)
 Mike Jacob, PMSA Vice President-General Counsel
 Ray Paetzold, San Francisco Bar Pilots (SFBP) Business Director-General Counsel

Committee members absent:

None.

Staff present:

Allen Garfinkle, Executive Director
 Roma Cristia-Plant, Assistant Director
 Sigrid Hjelle, Office Technician

Members of the public:

None.

OPEN MEETING

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

Chairman Schneider called the meeting to order at 9:39 a.m. Chairman Schneider called the roll and confirmed a quorum.

2. Approval of minutes from the March 15, 2016, meeting. (Chairman Schneider)

Mr. Paetzold presented several minor amendments to the draft minutes for the meeting held on March 15, 2016. There was no further proposed edits or discussion of the minutes.

MOTION: Mr. Paetzold moved to approve the minutes from the meeting held on March 15, 2016, as amended. Mr. Jacob seconded the motion.

VOTE: YES: Schneider, Livingstone, Jacob and Paetzold.

NO: None.

ASBTAIN: 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 reviewed for Committee the following:

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- The Board's approved Spring Finance Letter and the impacts to the 2016-17 and future budgets.
- The Governor's proposed final budget galley for the Board's 2016-17 budget, which was sent to the Legislature in May.
- The amendments to the 2015-16 budget to move unspent budgetary authority from training to operations to fully fund the contract with San Jose State University Research Foundation for the pilot fatigue study, and the extraordinary efforts by the Department of Finance, the California State Transportation Agency, the California Highway Patrol and the Department of General Services to finalize the contract for the study before the end of the fiscal year.
- The Board's financial statements through April 30, 2016, covering the Board Operations and Training fund conditions, and the expenditures for each fund.

Executive Director Garfinkle discussed the efforts of Board staff to complete the budget change proposal process, and the status of administrative services provided by the California Highway Patrol.

a) Board Operations Surcharge (currently at 2.0%, but approved by the Department of Finance to increase to 3% July 1, 2016). Possible recommendation to the Board to adjust the Board Operations Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)

The Committee reviewed the Board Operations Surcharge historical fiscal activity, and noted that the Board Operations fund balance is nearing the target goal of one year of budget authority. Committee members discussed the possibility of raising the Board Operations Surcharge rate in January 2017, to ensure maintaining a one year budget authority fund balance goal, while also achieving an objective to smooth rate changes to the shipping industry as much as possible.

The Committee discussed a projected fund balance at June 30, 2016, of approximately \$1.4 million, a 2016-17 Board operating budget of approximately \$1.3 million, and noted that if shipping activity and tonnages remain relatively the same as experienced in 2015-16, a 3% Board Operations Surcharge rate is projected to result in approximately \$1.2 million in revenues, while a 4% rate is projected to result in approximately \$1.6 million.

Mr. Paetzold and Mr. Jacob discussed the 3% Board Operations Surcharge rate that will become effective July 1, 2016, and concluded that this rate appears to be sufficient for the start of 2016-17. Chairman Schneider opined that the September Board meeting may be a good time to assess whether or not the surcharge rate should be increased in January 2017. Executive Director Garfinkle confirmed that Board staff need approximately one month to

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work with the Department of Finance to obtain approval of any increase in the Board Operations Surcharge rate.

MOTION: Mr. Paetzold moved that the Committee recommend to the Board that there be no further change in the Board Operations Surcharge beyond the rate previously approved by the Board and the Department of Finance to increase from 2% to 3%, effective July 1, 2016. Mr. Jacob seconded the motion.

VOTE: YES: Schneider, Livingstone, Jacob and Paetzold.
NO: None.
ASBTAIN: None.

ACTION: The motion was approved.

b) Pilot Continuing Education Surcharge (currently at \$5/move). 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.

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

VOTE: YES: Schneider, Livingstone, Jacob and Paetzold.
NO: None.
ASBTAIN: None.

ACTION: The motion was approved.

c) Trainee Training Surcharge (currently at \$12/trainee/move). 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 fund balance and rate, and determined that it should remain at \$12/trainee/move.

MOTION: Mr. Paetzold moved the Committee recommend to the Board to maintain the Trainee Training Surcharge rate at \$ 12/trainee/move. Mr. Jacob seconded the motion.

VOTE: YES: Schneider, Livingstone, Jacob and Paetzold.
NO: None.
ASBTAIN: None.

ACTION: The motion was approved.

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4. Review current Pilot Vessel Surcharge rate (currently at 3.27 mills - \$.00327), revenue, 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 provided a report on the outstanding loan on the P/V DRAKE and the surcharge collection history as follows:

- The balance owed on P/V DRAKE loan as of 4/30/2016, was \$1,609,502, with monthly principal and interest payments of approximately \$88,000.
- There was a balance of \$249,686 of Pilot Vessel Surcharge revenues in reserve in a money market account as of 4/30/2016.
- The average monthly Pilot Vessel Surcharge receipts at 3.27 mills is approximately \$97,000.
- The Pilot Vessel Surcharge account has been increasing by approximately \$9,000 per month over the past ten months.
- If there is a 20% reduction in the mill rate, the monthly Pilot Vessel Surcharge receipts could be reduced to approximately \$78,000.
- Decreasing the mill rate by 20%, effective 7/1/2016, is projected to result in a reduction of the Pilot Vessel Surcharge in reserve to about \$175,000 by April or May of 2017, at which time the loan on the P/V DRAKE could be paid off approximately two months early (sometime in August or September 2017) with the expected reserve on hand at that time. There is no pre-payment penalty on the loan.
- The above projections assumes that gross registered tons shipping activity remains steady.

Mr. Paetzold stated that a reduction in the Pilot Vessel Surcharge rate could somewhat balance and make more palatable to the shipping industry the previously Board-approved Board Operations Surcharge rate increase from 2% to 3%, that becomes effective July 1, 2016. Mr. Jacob indicated that the balancing of rate increase in one surcharge rate with a rate decrease in another surcharge rate was a good approach. Chairman Schneider stated that he also liked the overall rate balancing concept. Commissioner Livingstone stated that he fully supported the proposal.

MOTION: Mr. Paetzold moved the Committee recommend to the Board to reduce the Pilot Vessel Surcharge rate from 3.27 mills (\$.00327) to 2.62 mills (\$.00262), effective July 1, 2016. Mr. Jacob seconded the motion.

VOTE: YES: Schneider, Livingstone, Jacob and Paetzold.

NO: None.

ASBTAIN: None.

ACTION: The motion was approved.

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5. Presentation and discussion of San Francisco Bar Pilots 2015 Consolidated Financial Statements – Raymond Paetzold

Mr. Paetzold stated that he was aware the Finance Committee was provided an in-depth review of the San Francisco Bar Pilots and its Benevolent and Protective Association 2014 consolidating financial audit by an outside CPA firm at its May 26, 2015, meeting, and unless requested, he intended to provide highlights of the 2015 audit. The Committee agreed that an in depth review did not need to be repeated. As such, Mr. Paetzold reported on the following combined entity 2015 consolidating financial audit highlights:

- The SFBP timely collects receivables, with a collection rate of 90% in 30 days. Currently, there are approximately \$45,000 in receivables that are 30-60 days past due, no receivables are outstanding 60-90 days, and there is one receivable owing from the United States Coast Guard that is more than 90 days past due.
- Between 2014 and 2015, the SFBP reduced expenses, including consolidating the Business Manager and General Counsel positions, and also reduced facility rent during that time.
- During 2015, efforts were made to only have one vessel in dry dock at a time for major overhauls.
- The SFBP is currently being audited by the City and County of San Francisco for payroll taxes potentially owed for employees who work on pilot vessels and pilots who do not work at Pier 9, but conduct their work on the bays, rivers or out at sea.
- The SFBP is inquiring into obtaining temporary assistance with its accounting and audit workloads.
- While the SFBP is not a partnership, the entity files K-1 statements for pilots.

Chairman Schneider thanked Mr. Paetzold for his report.

6. Public comment on matters not on the agenda.

There was no comment from the public.

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

Executive Director Garfinkle reported that the Committee directed staff at the March 15, 2016, Committee meeting to prepare a report for its review on the justification to maintain a one-year fund balance reserve target for the Board Operations, Pilot Trainee Training Program and Pilot Continuing Education Program fund balances, and that staff had not yet completed that report. He recommended that this item be included on the next Finance Committee agenda.

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The Committee agreed with Executive Director Garfinkle's recommendation for the agenda for the next Committee meeting. There were no other suggestions for the agenda for the next meeting. The Committee scheduled the next meet on September 13, 2016, at 9:30 a.m.

8. Adjournment.

There being no further business before the Committee, Chairman Schneider called for a motion to adjourn.

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

VOTE: YES: Schneider, Livingstone, Jacob and Paetzold.

NO: None.

ASBTAIN: None.

ACTION: The motion was approved, and the meeting adjourned at 11:31 a.m.

Submitted by:



Allen Garfinkle, Executive Director