

<p><b>Meeting Date:</b></p> <p><b>June 12, 2018</b></p>	<p><b>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</b></p> <p><b>FINANCE COMMITTEE MEETING MINUTES</b></p>	<p><b>Page 1 of 7</b></p>
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**Committee Members Present:**

David Hoppes, Committee Chair, Commissioner  
Mike Jacob, Vice President-General Counsel, Pacific Merchant Shipping Association (PMSA)  
Captain Einar Nyborg, Commissioner  
Ray Paetzold, Business Director-General Counsel, San Francisco Bar Pilots (SFBP)

**Committee Members Absent:**

None.

**Staff Present**

Allen Garfinkle, Executive Director  
Roma Cristia-Plant, Assistant Director  
Luis Cruz, Associate Governmental Program Analyst

**Public Present**

Captain Joseph Long, Port Agent and SFBP President

**OPEN MEETING**

**1. Call to Order and Roll Call. (Chairman Hoppes)**

Chairman Hoppes called the meeting to order at 9:34 a.m. Associate Governmental Program Analyst Cruz called the roll and confirmed a quorum.

**2. Approval of the minutes from the Committee meeting held on March 14, 2018. (Chairman Hoppes)**

Committee members were presented with the draft minutes from the Committee meeting held on March 14, 2018. There was no discussion and no edits requested.

**MOTION:** Mr. Paetzold moved to approve the draft minutes from the meeting held on March 14, 2018. Mr. Jacob seconded the motion.

**VOTE:** YES: Hoppes, 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:**

Chairman Hoppes stated the Committee would depart from the agenda order and discuss agenda items 3a, 3b, 5, and then return to 3c, and that Committee would review all surcharge data prior to recommendation of any changes.

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- a) **Review Board Operations Surcharge rate (currently at 3.0%), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Board Operations Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**
  
- b) **Review Pilot Continuing Education Surcharge rate (currently at \$5/move), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Pilot Continuing Education Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**

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

- The Board’s fiscal year-to-date statement of fund condition and forecast assumptions as of April 30, 2018, including the current fiscal year budget, projected revenues and 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, the Continuing Education, and Trainee Training Surcharges.

Mr. Jacob noted that a decrease of the Board Operations Surcharge rate to 2.5% of all pilotage fees would align with the Committee’s guideline of maintaining a fund balance equal to approximately one year’s budget authority. He also noted that the last adjustment to the Board Operations surcharge rate occurred July 1, 2016, when the rate was adjusted from 2% to the current 3%. Executive Director Garfinkle reminded the Committee that approval from the Department of Finance is required when an adjustment is made to the Board Operations Surcharge rate.

Mr. Paetzold responded to an inquiry from Chairman Hoppes and stated that historically the Committee has felt comfortable with a fund balance reserve equal to one year of budget authority, and also has endeavored to avoid changing surcharge rates too frequently.

The Committee members also discussed the fact that the Pilot Continuing Education Surcharge rate has been held low for an extended period of time to reduce the fund balance, but that the rate will need to be increased a significant amount to ensure an adequate ongoing fund balance.

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- 5. Review the adequacy of the Pilot Trainee Training Program monthly stipend amount, currently at \$6,000 per month, paid to trainees for participation in the program. The Committee will consider factors such as changes in the Consumer Price Index for the San Francisco Bay Area, stipend amounts paid to trainees participating in other pilot training programs, and other relevant factors. If the Committee recommends a change in the stipend amount, the Committee shall also propose an effective date for the changed amount. Possible recommendation to the Board to change the monthly stipend amount paid to trainees participating in the Pilot Trainee Training Program, and a recommendation to the Board for an effective date if a change in the stipend amount is recommended.**

Assistant Director Cristia-Plant reviewed the Trainee Stipend Staff Report, which included a review of the Board’s historic stipend information, an analysis of potential trainee competition from other pilotage grounds, current trainee’s prior income and health insurance data, changes to the Bay Area consumer price index (CPI), and a review of the 2018/2019 Board projected training budget. She went on to explain that while the historical and projected cost of living increases may warrant an increase in the monthly stipend amount, the Board’s current training budget could not support a stipend increase without making significant cuts to the current Pilot Continuing Education and Pilot Trainee Training Programs. To support a trainee stipend increase without cutting other programs, Board staff would need to submit a budget change proposal to the Department of Finance, requesting an increase to the Board’s training budget authority.

Chairman Hoppes opined that the Board may never be able to offer a stipend amount sufficient to cover a trainee’s cost of relocating to the Bay Area, and that trainees are making an investment in their careers when accepting entrance into the pilot training program. He stated his main concern was not losing highly qualified candidates to other pilotage organizations or related maritime professions. He inquired if the Board had any evidence of losing eligible candidates due to a candidate not being able to financially afford leaving their career, relocating to the Bay Area, and supporting a family while in the training program. Commissioner Nyborg offered his opinion that it was likely that the Board is losing top tier candidates due to financial hardships trainees face while in training. Executive Director Garfinkle stated that the Board does not have direct evidence of losing potential qualified candidates solely due to the amount of the training stipend. Port Agent Long agreed that it would be difficult to obtain this data.

Executive Director Garfinkle stated that a review of prior Pilot Trainee Training Selection Examinations, the number of candidates on each of the final ranked lists has remained relatively similar for the last two decades.

Commissioner Nyborg stated that he believes that the Board has an obligation to create a feasible financial living environment for a trainee and their family. He stated that trainees who

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entering the training program usually leave behind well-paying jobs, and that this fact alone demonstrates their desire and commitment to become a Board-licensee.

Mr. Paetzold questioned if the Board was attracting candidates from diverse backgrounds, and noted that it appears that other pilotage organizations have had greater success.

Mr. Jacob commented that the Board does not have a financial support system, such as financial aid, for trainees. He compared the trainees in the training program to graduate school students and stated that it seems logical that a trainee may have to obtain loans while in training.

A brief discussion ensued concerning the timing, procedures, and data requirements necessary to process a budget change proposal if the Committee decided to recommend to the Board to increase the monthly trainee stipend amount. Mr. Jacob noted that the Board's pilot training program is not a traditional schooling process since the Pilot Trainee Training Program is tuition free, provides hands-on training, and trainees are paid a monthly stipend.

**3.**

- c) Review Trainee Training Surcharge rate (currently at \$20/trainee/move), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Trainee Training Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**

The Committee reviewed the Trainee Training Surcharge fund balance, and determined that a slight decrease was warranted. Mr. Jacob noted that the previous increase was to fund the costs of the Pilot Trainee Training Selection Examination and that the new variable is the number of trainees in the program.

Chairman Hoppes then entertained a combined motion on Agenda items 3a, 3b, and 3c, and a separate vote on Agenda item 5.

**MOTION:** Mr. Paetzold moved that Finance Committee recommend to the Board to decrease the Board Operations Surcharge rate from 3% to 2.75% of all pilotage fees, to increase the Pilot Continuing Education Surcharge from \$5/move to \$25/move, and to decrease the Trainee Training Surcharge from \$20/trainee/move to \$15/trainee/move, effective July 1, 2018. Mr. Jacob seconded the motion.

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

**ACTION:** The motion was approved.

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**MOTION:** Mr. Paetzold moved that the Finance Committee recommend to the Board to direct Board Staff to seek an increase to the training budget authority of \$1,000.00 per trainee per month for a maximum of eight trainees, effective in the 2019-20 fiscal year. Commissioner Nyborg seconded the motion.

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

**ACTION:** The motion was approved.

**4. Review of Navigation Technology Surcharge rate (currently at \$40/move), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Navigation Technology Surcharge rate, if warranted. (Ray Paetzold, San Francisco Bar Pilots Business Manager—General Counsel)**

Mr. Paetzold reported the following:

- The Navigation Technology Surcharge rate became effective July 1, 2017, and was set by the Board at \$40/move.
- The amount billed under the Navigation Technology Surcharge from July 1, 2017, through June 11, 2018 was \$319,680.
- The amount of the Navigation Technology Surcharge funds used to reimburse the SFBP for the line of credit interest payments and loans fees through June 11, 2018, was \$44,057.
- The amount of the Navigation Technology Surcharge funds used to reduce the loan principal was \$50,000, as of June 11, 2018.
- The Navigation Technology reserve balance held in a money market account was \$225,623 as of June 11, 2018.
- Going forward, the SFBP projects to collect approximately \$29,000/month based upon \$40/month and an average of 725 moves/month.
- The SFBP projects future expenditures of approximately \$28,000 for the Rosepoint annual software support and upgrades for 56 licenses and approximately \$22,500 for annual license fees for the precision docking equipment software.

He stated that the SFBP projects to pay a \$3,000 loan payment for July 2018, and that the line of credit total borrowed amount was approximately \$826,000, and will convert to a long term loan effective July 1, 2018, with interest at prime rate. He reported that the monthly principal and interest payments on the long term loan will start at approximately \$29,000 (based on fixed principal payment of \$25,873.92) in August 2018, and gradually decline by the end of 2020, and to be paid in full by January 1, 2021. Mr. Paetzold advised that, in light of the goal of maintaining a two to three month Navigation Technology surcharge fund reserve balance and the expensed expected to be incurred in 2018, he proposed to pay down the line of credit principal by a further \$50,000 with surcharge funds.

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He recommended to the Committee that the Navigation Technology Surcharge rate remain unchanged at \$40/move.

**MOTION:** Mr. Paetzold moved the Committee recommend to the Board that it maintain the Navigation Technology rate at \$40/move. Mr. Jacob seconded the motion.

**VOTE:** YES: Hoppes, 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 the next Committee meeting agenda.**

The Committee scheduled the next meeting for September 11, 2018, at 9:30 p.m.

Mr. Paetzold requested that the next Committee agenda include review of the SFBP request to use Navigation Technology Surcharge money market account funds to reimburse itself for the amount paid for use tax and any other actual expenditures made in the intervening months for annual license fees for the precision docking equipment software and for Rosepoint annual software support and upgrades

**8. Adjournment.**

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There was no further discussion by the Committee.

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

**VOTE:** YES: Hoppes, Jacob, Nyborg, and Paetzold.

NO: None.

**ACTION:** The motion was approved and the meeting adjourned at 12:24 p.m.

Submitted by:



Allen Garfinkle, Executive Director