

<p>Meeting Date: September 13, 2018</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:

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
Luis Cruz, Associate Governmental Program Analyst

Public Present

Captain David Cvitanovic, SFBP.

OPEN MEETING

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

Chairman Hoppes acknowledged that there was a quorum and called the meeting to order at 9:34 a.m.

2. Approval of the minutes from the Committee meeting held on June 12, 2018. (Chairman Hoppes)

Committee members were presented with the draft minutes from the Committee meeting held on June 12, 2018. After a brief discussion, there were no edits requested.

MOTION: Mr. Paetzold moved to approve the draft minutes from the meeting held on June 12, 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:

The Committee thoroughly reviewed the following fiscal data:

- The 2017-18 fiscal year-end fund condition statement, budget analysis, and statements of revenues, contract expenditures and trainee stipend analysis.
- Information on the 2018-19 enacted budget and itemized budget, and confirmation that the Department of Finance approved Board staff's request to increase the training budget by

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\$400,000, from \$2.48 million to \$2.88 million, to finance a Pilot Trainee Training Program selection examination before the end of the fiscal year.

- Historical and projected data for the Board Operations, the Continuing Education, and Trainee Training Surcharges.
- a) **Review Board Operations Surcharge rate (currently at 2.75%), 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)**

The Committee reviewed and discussed the Board Operations Surcharge, and recommended to maintain the current rate.

MOTION: Mr. Jacob moved that the Committee recommend to the Board to maintain the Board Operations Surcharge rate at 2.75% of all pilotage fees. Mr. Hoppes seconded the motion.

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

ACTION: The motion was approved.

- b) **Review Pilot Continuing Education Surcharge rate (currently at \$25/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)**

The Committee reviewed and discussed the Pilot Continuing Education Surcharge, and recommended to maintain the current rate.

MOTION: Mr. Paetzold moved that the Committee recommend to the Board to maintain the Pilot Continuing Education Surcharge rate at \$25/move. Mr. Jacob seconded the motion.

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

ACTION: The motion was approved.

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- c) **Review Trainee Training Surcharge rate (currently at \$15/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 and discussed the Trainee Training Surcharge, and recommended to maintain the current rate.

MOTION: Mr. Jacob moved that the Committee recommend to the Board to maintain the Trainee Training Surcharge rate at \$15/move. Mr. Paetzold 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 August 31, 2018, was \$407,840.
- The amount borrowed from the line of credit was approximately \$826,000.
- The amount of the Navigation Technology Surcharge funds used to reimburse the SFBP for the line of credit interest payments and loans fees through August 31, 2018, was \$50,379.
- The amount of the Navigation Technology Surcharge funds used to reduce the line of credit principal was \$100,000, as of August 31, 2018.
- The Navigation Technology reserve balance held in a checking account totaled \$228,347, as of August 31, 2018. He noted that the reported reserve balance held in the market money account does not reflect the August billed amount \$29,080 and an interest adjustment of \$34 on the August 1, 2018, loan statement.
- The amount paid by SFBP for the California Use Tax to the California Tax Franchise Board on or before March 28, 2018, was \$43,431. The amount paid by the SFBP on July 10, 2018, for precision docking system software license fees was \$22,052.16.
- The SFBP projects to collect approximately \$29,000/month based upon \$40/month and an average of 725 moves/month.
- Monthly principal payments on the long term loan are currently at \$24,207, plus interest at approximately \$3,000/month and declining as the principal reduces.

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- The SFBP is projecting to spend approximately \$28,000 for Rose Point software annual support and upgrades for 56 licenses, plus an estimated \$3,000 for the 6 additional licenses covered under the SFBP final authorization request.

Mr. Paetzold recommended that the Finance Committee recommend to the Board that the Navigation Technology Surcharge remain at \$40/move.

Chairman Hoppes requested to discuss Agenda item #5 prior to taking action on the Navigation Technology Surcharge rate.

5. Review San Francisco Bar Pilot's (SFBP) recovery of Navigation Technology expenditures for use taxes paid to the California Franchise Tax Board, software license renewal fees, and financing costs consistent with the Board action on June 22, 2017, in response to SFBP's Final Navigation Technology Acquisition Authorization Request. Possible Committee action to recommend to the Board to authorize the SFBP to recover Navigation Technology expenditures for use tax paid to the California Franchise Tax Board, software license renewal fees, and financing costs consistent with Board action on June 22, 2017, in response to SFBP's Final Navigation Technology Acquisition Authorization Request.

Mr. Paetzold reported that at its June 2017, meeting, the Board voted to approve the SFBP's request for final authorization for the recovery of costs for the purchase, lease, or maintenance of navigation software, which included the recovery of projected future expenditures, estimated at \$283,919, subject to confirmation by the Finance Committee when the Committee reviews the Navigation Technology Surcharge.

The Committee then discussed its role and function in relationship to the Board. The consensus of the discussion was that the Committee acts as an advisory Committee and reports to the Board, who ultimately is the decision-maker.

Mr. Paetzold reported the following:

- At the time of the SFBP's final authorization request, the California Use Tax was estimated at \$43,430, itemized below:
 - \$35,619 for the route piloting system CAT XT hardware.
 - \$7,811 for the route piloting system CAT II hardware.
- The final amount paid for California Use Tax was \$43,431.
- At the time of the SFBP's final authorization request, the annual software license renewal fees for the precision docking system was estimated at 18,720 Euros. The Euro to U.S. Dollar exchange rate at that time was 1.15, providing an estimated cost of \$21,528.
- The final amount paid was 18,720 euros at a Euro to U.S. Dollar exchange rate of 1.178, or \$22,052.16.
- At the time of the SFBP's final authorization request, financing costs (which included loan fees and interest through June 5, 2017) was \$7,525.

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- Estimated future finance cost through 2020 was \$75,000, based on prime rate of 4%.
- Total interest incurred since the SFBP final authorization request was \$45,980, itemized as follows:
 - \$20,526 for interest incurred from June 6, 2017, through December 31, 2017.
 - \$19,129 for interest incurred from January 1, 2018, through June 30, 2018.
 - \$6,322 for interest incurred from July 1, 2018, through August 31, 2018.
- The line of credit was converted to a long term loan effective July 1, 2018.
- The balance of the long term loan was \$726,217, as of July 1, 2018, and assuming prime rate remains at 5%, the loan will be paid off by the end of 2020, concurrent with the sunset date of the Navigation technology Surcharge.

Mr. Paetzold reported that the SFBP is seeking authorization to recover actual expenditures incurred from the Navigation Technology Surcharge funds held in a separate San Francisco Bar Pilot Benevolent and Protective Association checking account, and to recover monthly principal and interest payments on the Navigation Technology line of credit and long-term bank loan.

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

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

ACTION: The motion was approved.

MOTION: Mr. Jacob moved that the Committee recommend to the Board to authorize the SFBP to recover Navigation Technology expenditures for use tax paid to the California Franchise Tax Board, software license renewal fees, and financing costs totaling \$111, 463 consistent with Board action on June 22, 2017, in response to SFBP’s Final Navigation Technology Acquisition Authorization Request. Mr. Paetzold seconded the motion.

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

ACTION: The motion was approved.

6. Review and discuss the Consolidating Financial Statements of the SFBP and the SFBP Benevolent and Protective Association for year ended December 31, 2017.

The Committee agreed to defer this agenda item to the next Committee meeting, awaiting receipt of the State Controller’s Office pilotage and surcharge audit report for the 2017 calendar year.

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- 7. Review of pilotage and surcharge audit report for 2017 calendar year prepared by the State Controller's Office (SCO) under contract with the Board. Possible recommendation to Board to accept the report in satisfaction of contract scope of work. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**

The Committee agreed to defer this agenda item to the next Committee meeting as the State Controller's Office has not completed their pilotage and surcharge audit report for 2017 calendar year.

- 8. Public comment on matters not on the agenda.**

There were no comments from the public.

- 9. Schedule the next Committee meeting, and proposals for the next Committee meeting agenda.**

The Committee scheduled to hold the next meeting on December 6, 2018.

- 10. Adjournment.**

There was no further discussion by the Committee.

MOTION: Mr. Paetzold moved to adjourn the meeting. Commissioner Nyborg seconded the motion.

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

ACTION: The motion was approved and the meeting adjourned at 10:25 a.m.

Submitted by:



Allen Garfinkle, Executive Director