

<p><b>Meeting Date:</b></p> <p><b>June 20, 2019</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>
---	---	---------------------------

**Committee Members Present:**

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

**Committee Members Absent:**

None.

**Staff Present:**

Allen Garfinkle, Executive Director (arrived at 10:20 a.m. during discussion of agenda item 4)  
 Roma Cristia-Plant, Assistant Director  
 Luis Cruz, Associate Governmental Program Analyst

**Public:**

None.

**OPEN MEETING**

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

Finance Committee Chair Hoppes called the meeting to order at 9:32 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 21, 2019. (Chairman Hoppes)**

Committee members were presented with the draft minutes from the Committee meeting held on March 21, 2019. Assistant Director Cristia-Plant noted one minor, non-substantive edit to the minutes.

**MOTION:** Commissioner Nyborg moved to approve the draft minutes from the meeting held on March 21, 2019, as amended. Mr. Paetzold seconded the motion.

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

**ACTION:** The motion was approved.

<p><b>Meeting Date:</b></p> <p><b>June 20, 2019</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 2 of 7</b></p>
---	---	---------------------------

**3. Review Board fund condition, revenue and expenditure projections and monthly data for all pilotage fees and vessel moves and their effect on Board-approved surcharges.**

The Committee thoroughly reviewed the following fiscal data:

- The 2018-19 fiscal year-to-date statement of fund condition and forecast assumptions as of May 31, 2019, including current fiscal year budget, forecast assumptions, projected revenues and expenditures, and contract encumbrances for the Board Operations, Pilot Continuing Education, and Pilot Trainee Training funds, and the May Revision to the Governor’s Budget for fiscal year 2019-20.
- Historical and projected surcharge data for the Board Operations, the Continuing Education, and Trainee Training Surcharges.

The Committee briefly discussed the number the candidates remaining on the 2017 Pilot Trainee Training Selection Examination list, the estimated number of candidates from the 2019 Pilot Trainee Training Selection Examination list, and whether the Finance Committee was the appropriate Committee to review and adjust the current trainee monthly stipend amount. Commissioner Nyborg noted that he was aware that in the past the Pilot Evaluation Committee (PEC) made recommendations to the Board to increase the trainee stipend dollar amount. Executive Director Garfinkle stated that Board staff’s opinion is that the PEC is tasked with training of trainees, and the Pilot Power Committee is tasked with attraction and compensation of trainees.

**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 rate and noted the current surcharge rate of 2.75% of all pilotage fees appears to meet the current and projected Board Operations fiscal needs and requirements.

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

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

**ACTION:** The motion was approved.

<p><b>Meeting Date:</b>  <b>June 20, 2019</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 3 of 7</b></p>
---	---	---------------------------

**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 rate, revenues, expenditures, reserve balance, and its strategy to gradually increase the rate to \$50/move while reducing the fund reserve balance to achieve a reserve equal to one year's expenditures. There was discussion on how best to achieve that goal, and a commitment to continue to monitor the fund balance in any event.

**MOTION:** Mr. Jacob moved that the Committee recommended to the Board to increase the Pilot Continuing Education Surcharge rate from \$25/move to \$35/move, effective July 1, 2019. Mr. Paetzold seconded the motion.

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

**ACTION:** The motion was approved.

**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 rate and noted that a Pilot Trainee Training Program selection examination is not projected to be conducted in fiscal 2019-20, but that the Board intends to keep the number of trainees in the training program at eight. As such, there was Committee discussion to reduce the rate slightly while monitoring the fund balance.

**MOTION:** Mr. Paetzold moved that the Committee recommended to the Board to decrease the Trainee Training Surcharge rate from \$15/trainee/move to \$10/trainee/move, effective July 1, 2019. Mr. Jacob seconded the motion.

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

**ACTION:** The motion was approved.

<p><b>Meeting Date:</b>  <b>June 20, 2019</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 4 of 7</b></p>
---	---	---------------------------

**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, was set by the Board at that time at \$40/move, and has remained at that rate since.
- The navigation technology loan interest payments made from April 1, 2019, to June 1, 2019, totaled \$6,442.40.
- Loan principal payments made from April 1, 2019, to June 1, 2019, totaled \$72,621.78.
- Total loan payments made from April 1, 2019, to June 1, 2019, was \$79,064.18.
- As of June 1, 2019, the navigation technology loan balance was at \$409,937.80.
- The prime interest rate on the navigation technology loan remains at 5.5%, that the amortization schedule will vary with the prime rate and any further reduction of principal, and that it is too early to determine if the total interest owed on the loan will exceed the amount that was previously authorized by the Board.
- The projected navigation technology surcharge revenue at \$40/move based on 725 moves/month is approximately \$29,000 per month.
- Debt service on the navigation technology loan is expected to be approximately \$26,000 per month until the third quarter of 2019, and approximately 25,000 per month until the second quarter of 2020, assuming that the interest rate remains at 5.5%.
- Projected additional expenses for the third quarter of 2019 that were included in the Board-approved final authorization request allowed for the Rose Point software upgrade. The software is in beta testing that is not yet complete. If the beta test proves the software satisfactory, he estimated a total of \$28,000 for the Rose Point annual support and software upgrades for 56 licenses, and an additional \$3,000 for the six additional licenses.
- He recommended maintaining the Navigation Technology Surcharge rate at \$40/move, to be reviewed again in the third quarter of 2019.

**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  
ABSTAIN: None.

**ACTION:** The motion was approved.

<p><b>Meeting Date:</b></p> <p><b>June 20, 2019</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 5 of 7</b></p>
---	---	---------------------------

- 5. Review and discussion of the San Francisco Bar Pilots (SFBP) Benevolent and Protective Association’s recovery of Navigation Technology expenditures for annual software license fees consistent with the Board action on June 22, 2017, in response to SFBP’s Final Navigation Technology Acquisition Authorization Request, and further amended by Board actions on September 13, 2018 and December 13, 2018. Possible Committee action to recommend to the Board to authorize the San Francisco Bar Pilots (SFBP) Benevolent and Protective Association to recover Navigation Technology expenditures for annual software license fees consistent with the Board action on June 22, 2017, in response to SFBP’s Final Navigation Technology Acquisition Authorization Request, and further amended by Board action on September 13, 2018 and December 13, 2018.**

Mr. Paetzold reported the following:

- In April 2019, the SFBP Benevolent and Protective Association paid \$20,986.99 for annual software license fees associated with the precision docking system.
- The amount projected at the time of Board approval was \$21,528.00, based on the Euro exchange rate at that time.

Mr. Paetzold reported that consistent with the Board’s action on June 22, 2017, granting the SFBP’s final navigation technology acquisition authorization request, as amended by Board action on September 13, 2018, and December 13, 2018, the SFBP Benevolent and Protective Association requested that that Finance Committee recommend to the Board to authorize the SFBP Benevolent and Protective Association to recover \$20,986.99, for navigation technology expenditures, consisting of annual software license fees that it paid in April 2019 for the precision docking system.

**MOTION:** Mr. Paetzold moved that the Committee recommend to the Board to authorize the SFBP Benevolent and Protective Association to recover \$20,986.99 for navigation technology expenditures, consisting of annual software license fees, that it paid in April 2019 for the precision docking system. Mr. Jacob seconded the motion.

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

**ACTION:** The motion was approved.

<p><b>Meeting Date:</b>  <b>June 20, 2019</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 6 of 7</b></p>
---	---	---------------------------

- 6. Review of the pilotage and surcharge audit report for the 2017 calendar year, dated March 29, 2019, prepared by the State Controller’s Office under contract with the Board. Possible recommendation to the Board to accept the State Controller’s Office pilotage and surcharge audit report for the 2017 calendar year, dated March 29, 2019, in satisfaction of the contract scope of work. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**

The Committee reviewed and discussed the surcharge audit report for the 2017 calendar year, dated March 29, 2019, prepared by the State Controller’s Office (SCO). Chairman Hoppes noted that no exceptions were found, and that he was impressed with the accountability of the audit report. Assistant Director Cristia-Plant stated that Board staff is in agreement with the report.

**MOTION:** Mr. Paetzold moved that the Committee recommend to the Board to accept the State Controller’s Office pilotage and surcharge audit report for the 2017 calendar year, dated March 29, 2019, in satisfaction of the contract scope of work. Mr. Jacob seconded the motion.

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

**ACTION:** The motion was approved.

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

There were no comments from the public.

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

The Committee tentatively agreed to meet again on September 11, 2019, at 9:30 a.m. There were no proposals for the next Committee meeting agenda.

<b>Meeting Date:</b>  <b>June 20, 2019</b>	<b>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</b>  <b>FINANCE COMMITTEE MEETING MINUTES</b>	<b>Page 7 of 7</b>
--	--	--------------------

**9. Adjournment.**

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

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

NO: None.

ABSTAIN: None.

**ACTION:** The motion was approved and the meeting adjourned at 10:27 a.m.

Submitted by:



Allen Garfinkle, Executive Director