

<p>Meeting Date: December 11, 2019</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 5</p>
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Committee Members Present:

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

Committee Members Absent:

None

Staff Present

Allen Garfinkle, Executive Director
 Roma Cristia-Plant, Assistant Director
 Alethea Wong, Administrative Assistant II

Public:

Captain Joseph Long, SFBP President and Port Agent; and Anne McIntyre, SFBP Business Director.

OPEN MEETING

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

Committee Chair Hoppes called the meeting to order at 9:30 a.m. Administrative Assistant II Wong called the roll and confirmed a quorum.

2. Approval of the minutes from the Committee meeting held on September 11, 2019. (Chair Hoppes)

Mr. Paetzold responded to a question from Committee Chair Hoppes about the interest rate on the loan for navigation technology that was mentioned in the minutes, and confirmed that the rate mentioned in the draft minutes was correct. Assistant Director Cristia-Plant stated that minor technical amendments were made to the draft minutes. There was no other discussion.

MOTION: Mr. Paetzold moved to approve the draft minutes from the meeting held on June 20, 2019. Mr. Jacob seconded the motion.

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

ACTION: The motion was approved.

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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 discussed the following fiscal data:

- The forecasting assumptions, fund condition statement and other fiscal records for the fiscal year (FY) 2019-20 period ending October 31, 2019.
- 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)

Chair Hoppes noted that the projected moves for FY 2019-20 are slightly below the actual moves in FY 2018-19. Both Mr. Paetzold and Mr. Jacob stated that the moves this fiscal year are down, but that the more important figure to review is gross registered tons, as that has more impact on the Board Operations Surcharge amounts, but that moves have impacts to the other surcharges. Mr. Paetzold noted that the Board Operations Surcharge projected ending fund balance is slightly below the one-year budget, but not materially below. Mr. Jacob stated that there may be cost savings related to reduced salaries due to the vacant Board staff position that would positively impact the ending fund balance.

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

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

NO: None.

ABSTAIN: None.

ACTION: The motion was approved.

b) Review Pilot Continuing Education Surcharge rate (currently at \$35/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)

Chair Hoppes stated that while the \$35/move rate appears to be reducing the Pilot Continuing Education fund balance at an acceptable rate, at some point, the Committee should consider raising the rate to approximately \$50/move to fully fund one year of Pilot Continuing Education Program expenses, and that the start of the next fiscal year would likely be a good time to consider raising this surcharge rate.

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MOTION: Mr. Paetzold moved that the Committee recommend to the Board to maintain the Pilot Continuing Education Surcharge rate at \$35/move. Commissioner Nyborg 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 \$10/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)

Mr. Paetzold commented that at the current rate, the Trainee Training Surcharge fund balance is projected to go down by the end of FY 2019-20, and that it appears that there are sufficient funds in the fund balance to finance the next trainee selection examination. Executive Director Garfinkle stated that the current trainee eligibility list is quite lengthy, and that it may be summer of 2021 or 2022 when the Board needs to conduct the next Pilot Trainee Training Program selection examination.

MOTION: Mr. Paetzold moved that the Committee recommend to the Board to maintain the Trainee Training Surcharge rate at \$10/trainee/move. Mr. Jacob seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None.
ABSTAIN: 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 introduced SFBP Business Director Captain Anne McIntyre. Captain McIntyre reported the following:

- Board staff has provided a Navigation Technology revenue history through November 2019, and projected through 2020.
- Assuming the Navigation Technology Surcharge rate remains at \$40/move, and vessel traffic continues to remain the same as 2018, total surcharges collected will reach the statutory maximum of \$1.2 million in the fourth quarter of 2020. The SFBP plans to monitor and review the navigation technology billings with the goal of ceasing this surcharge collection in the fourth quarter of 2020 so as to not exceed the amount authorized by the Board, which is below the statutory maximum amount.

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- Equipment requirements and funding for navigation technology beyond 2020 will need to be evaluated and secured. The SFBP intends to introduce legislation to amend Harbors and Navigation Code §1190.4 to extend the Navigation Technology Surcharge in the 2020 Legislative Session, and intends to collaborate with the Board and industry representatives on the new legislation.
- The Navigation Technology Surcharge reserve balance was \$104,037.76 as of December 1, 2019.
- The following payments were made since the September 11, 2019, Finance Committee Meeting:

Date	Principal	Interest	Total Payment
10/1/2019	\$ 24,207.26	\$ 1,447.64	\$ 25,654.90
11/1/2019	\$ 24,207.26	\$ 1,348.11	\$ 25,555.37
12/2/2019	\$ 24,207.26	\$ 1,141.40	\$ 25,348.66
Totals	\$ 72,621.78	\$ 3,937.15	\$ 76,558.93

- The interest rate on the navigation technology loan is now at 4.75%. The amortization schedule will vary with the prime rate and any additional reductions of principal. She noted that it is too early to determine if the total interest on the loan will exceed the amount authorized by the Board in December 2018.
- Projections for the Navigation Technology Surcharge revenues:
 - Projected revenue at \$40/move based on 725 moves/month equal \$29,000/month.
 - Debt service on the navigation technology loan is expected to remain in the \$25,000/month range until the second quarter of 2020, assuming the loan interest rate remains at 4.75%.
 - The SFBP is not projecting any additional navigation technology expenses for the first quarter of 2020.
- She is not recommending any changes to the \$40/move surcharge rate at this time, and recommends reviewing the adequacy of the surcharge rate again next quarter.

Captain McIntyre confirmed for Chair Hoppes that there is a continuing need to refresh and update navigation technology, and that is why the pilots are proposing legislation to continue the Navigation Technology Surcharge instead of allowing the surcharge to expire the end of 2020.

Mr. Paetzold confirmed for Mr. Jacob that the Navigation Technology Surcharge cash on hand in reserve will be included and used for the repayment of the navigation technology bank loan, and that the amount of Navigation Technology Surcharge collected and in reserve will be to repay the bank loan consistent with the Board approved expenditures. He also noted that the Board has approved an amount for navigation technology expenditures that is less than the legislatively-authorized maximum amount, and that the pilots may request the Board next year to consider the purchase of additional equipment.

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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.

5. Public comment on matters not on the agenda.

There were no comments from the public.

6. Schedule the next Committee meeting, and proposals for the next Committee meeting agenda.

The Committee agreed to next meet on Wednesday, March 18, 2020, at 9:30 a.m. Mr. Paetzold recommended that the agenda for the next meeting include an item to consider any proposed or pending legislation regarding the Navigation Technology Surcharge and, if appropriate, the development of recommendations to the Board regarding the same.

7. 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, Nyborg, Paetzold, and Jacob.
NO: None.
ABSTAIN: None.

ACTION: The motion was approved and the meeting adjourned at 9:58 a.m.

Submitted by:



Allen Garfinkle, Executive Director