

<p>Meeting Date: March 18, 2020</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 (via telephone)
 Captain Einar Nyborg, Commissioner (via telephone)
 Captain Anne McIntyre, Business Director, San Francisco Bar Pilots (SFBP)
 Mike Jacob, Vice President and General Counsel, Pacific Merchant Shipping Association (PMSA)
 (via telephone)

Committee Members Absent:

None

Staff Present

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

Public:

Raymond Paetzold, SFBP General Counsel (via telephone).

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 December 11, 2019. (Chair Hoppes)

The Committee members were presented with the draft minutes from the meeting held on December 11, 2019. There was no discussion or public comment.

MOTION: Mr. Jacob moved to approve the draft minutes from the meeting held on December 11, 2019. Captain McIntyre seconded the motion.

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

ABSTAIN: None.

ACTION: The motion was approved.

3. Public comment on matters on the agenda or not on the agenda.

There were no comments from the public.

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4. 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 briefly discussed the 2019-20 fiscal year-to-date statement of fund condition and forecast assumptions as of January 31, 2020, 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, and the Governor’s proposed budget for fiscal year 2020-21.

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 stated that projected Board Operations surcharge revenue in FY 2019-2020 is approximately \$170,000 lower than the prior fiscal year, and that due to this trend, it will be time to consider a change in the surcharge rate, but not right now. Mr. Jacob agreed that there should not be a surcharge rate just yet. Captain McIntyre responded to a query from Mr. Jacob and noted that the pilot’s business is down about 24% right now, that there is still incoming vessel traffic due to maritime commerce being essential to the economy, and that the pilots have essential worker procedures in place. She also stated that she is not sure how long the recovery process will take, but there are some expectations that shipping activity will start to recover in June. Mr. Jacob agreed with Captain McIntyre and noted that the supply chain is recovering, that equipment is not in the right places right now, and that recovery will take time. He thanked the SFBP for their constant work during this crisis. He added that that shipping is exempt from the Governor’s shelter-in-place order.

Assistant Director Cristia-Plant and Executive Director Garfinkle reminded the Committee that if the Board elects to change the Board Operations Surcharge rate, any rate change needs to be approved by the Department of Finance prior to taking effect, and that the Board should allow at least two to three weeks to obtain that approval. Chair Hoppes suggested the Committee meet in May to ensure enough time for Board and Department of Finance approvals should the Board approve a Board Operations Surcharge rate change effective July 1, 2020.

- MOTION:** Captain McIntyre moved that the Committee recommend to the Board to maintain the Board Operations Surcharge rate at 2.75% of all pilotage fees. Captain Nyborg seconded the motion.
- VOTE:** YES: Hoppes, Jacob, McIntyre, and Nyborg.
NO: None.
ABSTAIN: None.
- ACTION:** The motion was approved.

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- 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 noted that projected Pilot Continuing Education Surcharge revenue for the fiscal year is approximately \$102,000 lower than the prior fiscal year, but the ending fund balance is still 165% above the desired target reserve balance of one year of budgeted expenditures. He also stated that while the \$35/move rate is reducing the Pilot Continuing Education fund balance at an acceptable rate, he would like to maintain the current rate at this time, but noted that the Committee should consider raising the rate to \$45-\$50/move in the future, and noted that rate that will fully fund one year of Pilot Continuing Education Program expenses.

MOTION: Mr. Jacob moved that the Committee recommend to the Board to maintain the Pilot Continuing Education Surcharge rate at \$35/move. Captain McIntyre seconded the motion.

VOTE: YES: Hoppes, Jacob, McIntyre, and Nyborg.
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)**

Chair Hoppes noted that projected Trainee Training Surcharge revenue for the fiscal year is approximately \$175,000 lower than the prior fiscal year, but this is still a 151% of the desired target fund balance of one year of budgeted expenditures. He stated that this fund balance is kept a bit higher than the target due to the need to have resources on hand to pay for the next Pilot Trainee Training Program selection exam. He recommended that there be no change in this surcharge rate.

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

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

ACTION: The motion was approved.

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5. 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. (Captain McIntyre, San Francisco Bar Pilots Business Manager)

Chair Hoppes stated that it appears the Navigation Technology Surcharge rate is on target at \$40/move, but may need to be reviewed again at the next Committee meeting given any downturns in shipping activity.

Assistant Director Cristia-Plant reported on the Board had approved Navigation Technology surcharge costs, that the statutory maximum surcharge collections is \$1.2 million, that the surcharge will expire the end of this year, and based upon the current rate, the surcharge could be ended in the fourth quarter of this year. Captain McIntyre stated that she may request that the Board approve using surcharge monies to pay for additional loan interest expenses based upon the current loan amortization schedule, and that the pilots are considering some additional Navigation Technology purchases. Both Chair Hoppes and Executive Director Garfinkle stated that additional Navigation Technology costs could be considered by the Board in September.

MOTION: Captain McIntyre moved that the Committee recommend to the Board to maintain the Navigation Technology Surcharge rate at \$40/move. Captain Nyborg seconded the motion.

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

NO: None.

ABSTAIN: None.

ACTION: The motion was approved.

6. Review of the pilotage and surcharge audit report for the 2018 calendar year, dated March 17, 2020, prepared by the State Controller's Office under contract with the Board (Executive Director Garfinkle/Assistant Director Cristia-Plant)

The Committee members were presented with the pilotage and surcharge audit report for the 2018 calendar year, dated March 17, 2020, prepared by the State Controller's Office under contract with the Board. Chair Hoppes reported that one discrepancy was found, that when a trainee had graduated from the Pilot Trainee Training Program, the SFBP continued to collect trainee surcharges for that trainee for approximately a half of a month that resulted in an overcharge of about \$4,800 for 315 vessels.

Assistant Director Cristia-Plant stated the auditors collaborated with SFBP's Controller to reconcile the numbers reported on the 2018 surcharge schedules. She also noted the Pilot Trainee Training Program Surcharge was overbilled as mentioned by Chair Hoppes, and stated the BOPC has established a procedure to avoid this overcharge error in the future. Captain McIntyre stated that the SFBP has also established internal procedures to track when a trainee graduates to avoid this error in the future.

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Executive Director Garfinkle reported that the pilotage and surcharge audit report for the 2018 calendar year will be presented to the Board and that the Committee does not need to take action.

7. Public comment on matters not on the agenda.

Captain McIntyre thanked Mr. Paetzold for spending time in guiding to a smooth transition as the SFBP's Business Director. There were no further comments from the public.

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

The Committee agreed to meet on Wednesday, May 20, 2020, at 9:30 a.m.

Captain Nyborg inquired about the impact of the lower shipping volumes on pension payments. Executive Director Garfinkle, as the San Francisco Pilot Pension Plan Primary Fiduciary, commented that the statues contain a formula that includes a rolling tonnage look back in the quarterly surcharge calculation, and that the next change in the pension surcharge rate will be on July 1, 2020.

9. Adjournment.

There was no further discussion by the Committee.

MOTION: Captain Nyborg moved to adjourn the meeting. Captain McIntyre seconded the motion.

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

NO: None.

ABSTAIN: None.

ACTION: The motion was approved and the meeting adjourned at 10:03 a.m.

Submitted by:



Allen Garfinkle
Executive Director