

<p>Meeting Date: August 20, 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 7</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
 Dennis Eagan, Board Counsel (via telephone)
 Alethea Wong, Administrative Assistant II

Public:

Captain Joseph Long, SFBP President and Port Agent; Captain Carlier, SFBP; and Captain Robert Carr, Commissioner (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 May 20, 2020. (Chair Hoppes)

The Committee members were presented with the draft minutes from the meeting held on May 20, 2020. Board Counsel Eagan requested minor edits to the minutes. There was no further discussion.

MOTION: Commissioner Nyborg moved to approve the draft minutes of the meeting held on May 20, 2020, as amended. Committee Member McIntyre seconded the motion.

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

ACTION: The motion was approved.

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

There were no public comments.

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 reviewed the 2019-20 fiscal year fund condition statements as of May 31, 2020, for the Board Operations, Pilot Continuing Education, and Pilot Trainee Training funds, and the adopted budget and itemized budget for fiscal year 2020-21 (FY 2020-21). Chair Hoppes also noted that staff's analysis of the various surcharge projections for FY 2020-21 were based upon a 20% reduction over the same months in 2019. Captain McIntyre and Mr. Jacobs stated that they agreed with that projection assumption.

a) Review Board Operations Surcharge rate (currently at 4.5%), 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 reviewed staff's analysis of the Board Operations Surcharge, and stated that although the projections appear reasonable, and noted that the projected ending fund balance is not too much below one year of budgetary expenditures at the current 4.5% of all pilotage fees, he believes it is too early to consider any changes to the surcharge rate. Captain McIntyre and Mr. Jacob agreed.

MOTION: Captain McIntyre moved that the Committee recommend to the Board to maintain the Board Operations Surcharge rate at 4.5% of all pilotage fees. Commissioner Nyborg seconded the motion.

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

ACTION: The motion was approved.

b) Review Pilot Continuing Education Surcharge rate (currently at \$40/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 reviewed staff's analysis of the Pilot Continuing Education Surcharge, and stated he believes it is too early to consider any changes to the surcharge rate. All of the other Committee members indicated agreement with not changing this surcharge rate.

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MOTION: Commissioner Nyborg moved that the Committee recommend to the Board to maintain the Pilot Continuing Education Surcharge rate at \$40/move. Mr. Jacob 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 reviewed staff's analysis of the Trainee Training Surcharge, and stated he believes it is too early to consider any changes to the surcharge rate especially considering the current and projected fund balance. Commissioner Nyborg stated that he is agreeable to keeping this surcharge rate as is for the near term. Mr. Jacob also agreed. Executive Director Garfinkle and Assistant Director Cristia-Plant reminded the Committee that there could be changes to next fiscal year's training budget, including the potential to increase the maximum number of trainees to 10 trainees, and to conduct the next trainee selection exam.

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

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

ACTION: The motion was approved.

5. Review of Navigation Technology Surcharge rate (currently at \$50/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)

Commissioner Hoppes discussed the analysis of the Navigation Technology surcharge, and stated that the Board approved expenditure amount of \$1.2 million must be collected before the end of the year since the surcharge expires then. He said he agreed with the intention to set the surcharge rate on October 1, 2020, at a level to achieve \$1.2 million in billings by the end of November so billings could occur in December, only if necessary. Captain McIntyre requested the Committee to consider increasing the surcharge rate on October 1, 2020, to \$90/move to ensure a cushion of time in December to continue billing the event that shipping activity is lower than projected. Commissioner Nyborg agreed.

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Mr. Jacob noted that at \$85/move, December still provides a buffer to bill this surcharge to achieve the total billings by the end of the year. Captain McIntyre stated that it is the pilots' intention to fully bill, collect and expend the Navigation Technology Surcharge before the end of the year, including prepaying for future year software costs, so that there will only be one more audit for the 2020 year of Navigation Technology Surcharges.

Chair Hoppes noted that there isn't much difference between \$85/move and \$90/move. SFBP President Long stated that the additional \$5 in the surcharge rate is reasonable, especially given the changes in shipping traffic around the holidays. Captain McIntyre reminded the Committee that the surcharge will be ended once billings reach \$1.2 million regardless of the date this total billing amount is achieved, and that it will be easier on the SFBP staff, BOPC staff and auditors if one final audit can be completed for the Navigation Technology Surcharges instead of another audit in 2021 that reflects collections in that year on 2020 billings and related expenditures.

MOTION: Commissioner Nyborg moved that the Committee recommend to the Board to increase the Navigation Technology Surcharge rate from \$50/move to \$90/move, effective on October 1, 2020. Captain McIntyre seconded the motion.

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

NO: None.

ABSTAIN: None.

ACTION: The motion was approved.

6. **Review, discussion, and possible ratification of a request from the San Francisco Bar Pilots for the San Francisco Bar Pilots Benevolent and Protective Association's recovery of Navigation Technology expenditures in 2020 for annual software license fees in the amount of \$20,353, and to recover expenditures for hardware and software license fees in an amount not to exceed \$175,000 as authorized by Board action on June 22, 2017, and consistent with the Board actions on June 27, 2019 and July 23, 2020. Possible Committee recommendation to the Board to ratify the San Francisco Bar Pilots' request for the San Francisco Bar Pilots Benevolent and Protective Association's recovery of \$20,353 in annual software license fees, and to authorize the Association to recover an amount not to exceed \$175,000 in Navigation Technology expenditures for hardware and software license fees as authorized by Board action on June 22, 2017, and consistent with Board actions on June 27, 2019, and June 23, 2020. (Captain McIntyre, San Francisco Bar Pilots Business Manager)**

Captain McIntyre stated that she was not aware earlier this year that the Finance Committee was charged by the Board with approving the use of Navigation Technology Surcharge monies to reimburse the SFBP Benevolent and Protective Association for Board-approved projected expenditures, and had used surcharge monies to reimburse for the expenditure of software costs in April as outlined in her letter to the Committee dated July 16, 2020. She noted that her letter included a copy of the invoice to Trelleborg for \$20,363.62. Assistant

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Director Cristia-Plant confirmed that that amount was correct, and that the agenda amount was slightly lower.

Captain McIntyre stated that the pilots have not yet be able to complete the purchases for the additional Navigation Technology software and hardware approved by the Board in July, and that the she will return to the Committee at the next meeting to request the Committee’s approval of recovery of these costs.

MOTION: Mr. Jacob moved that the Committee approve the ratification of the request from the San Francisco Bar Pilots for the San Francisco Bar Pilots Benevolent and Protective Association’s recovery of Navigation Technology expenditures in 2020 for annual software license fees in the amount of \$20,363.62. Captain McIntyre seconded the motion.

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

ACTION: The motion was approved.

7. Discussion of possible deferral of payment of operations surcharge by the San Francisco Bar Pilots to the Board under Harbors and Navigation Code section 1159.2((b). Possible recommendation to the Board concerning whether to permit the San Francisco Bar Pilots to defer payment of operations surcharge to the Board under Harbors and Navigation Code section 1159.2(b).

Chair Hoppes stated that this agenda item was included at the request of the Pacific Merchant Shipping Association so that this option could be discussed as a way to aid pilot cash flow this year. Mr. Jacob commented that there has been closed door conversations between the industry and the pilots, and that this option of the pilots deferring Board Operations payments to the Board was discussed as a way to aid pilot cash flows in the short term, but that he understood that the amounts that could be deferred are inconsequential given the cash needs of the pilots.

Captain McIntyre and SFBP President Long both stated that the pilots’ concern is a long-term revenue issue, not a short-term cash flow problem, and that the delay of Board Operations surcharge payments to the Board will result in a liability on the pilots’ books that will still need to be repaid. Captain McIntyre and SFBP President Long also expressed concern regarding the appropriateness of using the Board Operations Surcharge in a manner other than as outlined in statutes and regulations, and commented that the alternate use of these surcharges as discussed was troubling to them.

Executive Director Garfinkle clarified for Commissioner Nyborg that the SFBP pays Board Operations surcharge payments to the Board based upon cash collected in the previous month, not on billings. He stated that the only surcharge payment paid on a billing basis is the pension surcharges, and in that case, the pilots are paying out pension surcharges in advance of collections.

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Chair Hoppes and Mr. Jacob both discussed that deferring the payment of Board Operations Surcharges to the Board is still an option worthy of discussion if the pilots have a short-term cashflow need. Chair Hoppes stated that approximately \$600,000 in surcharge deferrals could be generated over a short period of time, and that this money could be repurposed in the short term to meet pilots’ needs. Mr. Jacob stated that the Board could still be flexible in receipt of the payments of Board Operations Surcharges, and the pilots would be free to spend the delayed payments any way they wish in the interim.

SFBP President Long and Captain McIntyre both commented that there is a need to find a long-term solution to their revenue needs. SFBP President Long confirmed that the SFBP obtained a Paycheck Protection Program loan from the Small Business Administration for \$742,000, that he is working with a certified public accountant to maximum the amount of loan forgiveness under the terms of the loan, and that the SFBP has not looked into other bridge financing options since the SFBP cannot provide assurances to the bank of repayment ability. Chair Hoppes commented that an interest-free deferral of the payment to the Board of Board Operation surcharge monies would still be better than an interest-bearing bank loan. Commissioner Nyborg commented that deferring Board Operations Surcharge payments to the Board would be a stop-gap solution, and does not solve the pilots’ revenue problem.

Executive Director Garfinkle stated that there is approximately one year of budgeted expenditures in the Board Operations fund balance, and that the Board could forgo the receipt of some Board Operations Surcharge monies and still pay its Board Operations expenses. He also stated that he did not believe that delaying the payment of Board Operations Surcharge monies to the Board would be a viable solution to the pilots’ problem of decreased revenue.

Mr. Jacob thanked everyone for having the discussion, said he won’t make a motion at this time, and that he believes that the decision for the Board to allow the pilots to defer Board Operations Surcharge payments to the Board may be a useful option in the future.

8. Review and discussion of *San Francisco Bar Pilots and San Francisco Bar Pilots Benevolent and Protective Association Consolidating Financial Statements for the year ended December 31, 2019.*

Executive Director Garfinkle stated that the Board received the 2019 *San Francisco Bar Pilots and San Francisco Bar Pilots Benevolent and Protective Association Consolidating Financial Statements* on May 1, 2020. Captain McIntyre stated that she was not aware that she needed to make a presentation on this item. Mr. Jacob noted that in the past, the Finance Committee typically reviewed the pilots’ annual financial statements before it is presented to the Board.

9. Public comment on matters not on the agenda.

There was no public comment.

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

The Committee decided to set aside two dates for the next Committee meeting—November 4, 2020, and December 2, 2020, both at 9:30 a.m.—and Chair Hoppes will work with staff to determine which date is appropriate.

11. Adjournment.

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 10:44 a.m.

Submitted by:



Allen Garfinkle
Executive Director