

<p>Meeting Date:</p> <p>June 3, 2021</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>VIRTUAL FINANCE COMMITTEE MEETING MINUTES</p>	<p>Page 1 of 7</p>
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Committee Members Present:

Captain Einar Nyborg, Acting Committee Chair
 Captain Anne McIntyre, Business Director, San Francisco Bar Pilots (SFBP)
 Mike Jacob, Vice President and General Counsel, Pacific Merchant Shipping Association (PMSA)

Committee Members Absent: None.

Staff Present

Allen Garfinkle, Executive Director
 Brenda Pugh, Staff Services Manager I
 Alethea Wong, Administrative Assistant II

Public:

Captain John Carlier, SFBP President and Port Agent; and Captain Oscar Prada, Commissioner.

OPEN MEETING

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

Committee Chair Captain Nyborg called the meeting to order at 9:32 a.m. Administrative Assistant II Wong called the roll and confirmed a quorum.

2. Approval of the minutes from the Committee meeting held on March 2, 2021. (Chair Nyborg)

Committee members were presented with the draft minutes from the March 2, 2021, meeting. There was no further discussion.

MOTION: Mr. Jacob moved to approve the draft minutes from the meeting held on March 2, 2021. Captain McIntyre seconded the motion.

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

ACTION: The motion was approved.

3. Public comment on matters on the agenda or not on the agenda. (Chair Nyborg)

There were no public comments.

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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.

Executive Director Garfinkle briefly reviewed the Board Fiscal Year (FY) 2020-21 financial statements as of April 30, 2021, prepared by the California Highway Patrol (CHP), the Governor’s proposed budget for FY 2021-22 that was issued in January 2021, and the Board Operations, Pilot Continuing Education, and Pilot Trainee Training Surcharge analyses for FY 2020-21 as compared to FY 2019-20 prepared by CHP. He noted that CHP’s analysis of the various surcharge projections for FY 2020-21 were based upon actual-to-date numbers from July 2020 through April 30, 2021, and surcharge revenues projected at 15% reduction over the same months in 2019 for May and June 2021. The actual numbers have been generally consistent with the projections.

a) Review Board Operations Surcharge rate (currently at 4.5% of all pilotage fees, and previously approved by the Board to increase to 5%, effectively July 1, 2021), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Board Operations Surcharge rate, if warranted. (Executive Director Garfinkle)

Executive Director Garfinkle reviewed the surcharge analysis of the Board Operations Surcharge for FY 2020-21, and noted that the surcharge rate was previously approved to increase to 5% of all pilotage, effective on July 1, 2021

Mr. Jacob reported that the Governor’s Budget for 2021-2022 has not been approved yet, as there were more legislative activities on the budget recently.

Executive Director Garfinkle reported that Board staff submitted a budget change proposal so that there can be up to ten trainees in the pilot trainee training program. All Committees have reviewed and is expected to be approved soon. The Trainee Training budget will have an extra \$200,000, which will increase the BOPC portion of the Governor’s Budget to about \$3 million for the next fiscal year.

Executive Director Garfinkle noted that Board staff are participating in the Leave Buy-Back program and is estimated to be \$14,000. He also noted that the Attorney General expenditure is projected at \$150,000, but it may increase as he anticipates increased expenses related to litigation.

The Executive Director responded to Committee Chair Nyborg that he needs to check with the Department of Finance on the augmentation of the funds to host the upcoming exam. He has not received a written confirmation yet.

Executive Director Garfinkle responded to Mr. Jacob that the current documents are for this Fiscal Year 2020-2021, which contains numbers up to June 2021, and does not

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reflect projections for the updated Board Operations Surcharges that will take effect on July 1, 2021.

Executive Director Garfinkle reported that the fund balance for Board Operations Surcharges will be less than the budget authority, therefore the increase is appropriate. The increase to 5% will meet the budget authority closely if revenue remains depressed by 15%.

SFBP Business Director Captain McIntyre reported that ship movements are still down and SFBP doesn't have the numbers for May 2021 finalized yet, as there are still several outstanding bills. She reported that the revenue year-to-date is 1.9 million, with gross registered tons (GRT) down by 23 million (approximately 12%).

The Committee decided not to make additional changes to the Board Operations Surcharge at this time, but instead monitor the progress from the scheduled increase from 4.5% to 5%, effective July 1, 2021.

MOTION: Mr. Jacob moved to that the Committee recommend to the Board to maintain the Board Operations Surcharge rate at 5%, which was previously approved and will be effective July 1, 2021. Captain McIntyre seconded the motion.

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

ACTION: The motion was approved.

- b) Review Pilot Continuing Education Surcharge rate (currently at \$45/move, and previously approved by the Board to increase to \$50/move, effective July 1, 2021), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Pilot Continuing Education Surcharge rate, if warranted. (Executive Director Garfinkle)**

Executive Director Garfinkle reported that the Board is experiencing savings due to not sending pilots to attend training due to the challenges presented by the pandemic. There will be extra continuing education trainings the next Fiscal Year (2021-2022).

Executive Director Garfinkle reported that the current Pilot Continuing Education Surcharge rate is at \$45/move, and was previously approved by the Board to increase to \$50/move, effective July 1, 2021.

Committee Chair Nyborg was concerned with the Department of Finance redirecting Board revenue if unused. Executive Director Garfinkle opined that this risk was minimal. Executive Director Garfinkle added that he expects that pilots will be able to attend training next fiscal year, and staff has fall and spring class schedules arranged.

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Mr. Jacob agreed that progress with the trainings seem on-track, and that the Committee can adjust if needed.

MOTION: Committee Chair Nyborg moved to that the Committee recommend to the Board to maintain the Pilot Continuing Education Surcharge rate at \$50/move, which was previously approved and will be effective July 1, 2021. Mr. Jacob seconded the motion.

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

Executive Director Garfinkle reported that the total Budget Authority for Trainee Training is about \$840,000, and the fund balance is a little over \$1 million by the end of June 2021. For May 2021, the Pilot Trainee Training Program had temporarily had 9 trainees, bringing on one extra recently, but that Board staff was expecting a trainee to complete the program soon. Executive Director Garfinkle has already reached out to the next trainee candidate on the list, and he expects overlap a starting trainee with one that is in evaluation stage temporarily, to keep the program at eight trainees.

Executive Director Garfinkle clarified that the budget augmentation is to accommodate up to 10 trainees continuously but having 10 trainees will be a challenge for the PEC Committee members. Committee Chair Nyborg doesn't expect to meet the maximum number of 60 licensed pilots anytime soon, and does not see the need to make additional changes at this time. Commissioner Prada agreed with the Committee's decision not to make changes to the Trainee Training Surcharge rate.

MOTION: Mr. Jacob moved to that the Committee recommend to the Board to maintain the Trainee Training Surcharge at \$15/trainee/move. Captain McIntyre seconded the motion.

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

ACTION: The motion was approved.

5. Review and discuss the San Francisco Bar Pilots and San Francisco Bar Pilots Benevolent and Protective Association Consolidating Financial Statements for the calendar year

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ending on December 31, 2020. (San Francisco Bar Pilots Business Director Anne McIntyre)

SFBP Business Director Captain McIntyre reported the following on the San Francisco Bar Pilots and San Francisco Bar Pilots Benevolent and Protective Association Consolidating Financial Statements for the calendar year ending on December 31, 2020:

- SFBP now has a restricted cash line item of \$1.3 million that separately records BOPC surcharge funds held at the end of the year. In the past, all cash was reflected as a single line item but moving forward BOPC surcharge funds will be reflected as a separate line item (restricted cash).
- She noted that more pilots are retiring and when they retire, they receive a buyout of the business, and at times, SFBP must utilize a line of credit to accommodate this. She clarified for Executive Director Garfinkle that the buyout is equal to the average of the last three years of average net pilot income. This use of the line of credit would not be necessary if there were 58 licensed pilots, and SFBP would not have to maintain this line of credit. She added that the report includes a note about the Line of Credit under Note 5.
- She explained in more detail of SFBP's current liabilities including surcharges to the Board, pilot pension surcharges, and vacation pay to the SFBP employees and union crew members. The long-term liabilities include the Paycheck Protection Program Loan (PPP), and it has been forgiven, but it took place after the year closed out, therefore is listed as a liability.
- She responded to Mr. Jacob that the deferred rent is considered a GAAP (generally accepted accounting principles) number because the rent amount remains the same due to the same amount of usage, even if the rent normally increases. She added that the Pilots' and Members' Equity number is also a GAAP number and is what the actuary expects SFBP to owe in the future.
- The Accumulated Other Comprehensive Loss is also a GAAP number and consists of the Union Pension Plan.
- Other Income (Expense) consists of other insurance rebates.
- There is a loss of net income on the Benevolent side of \$402,737.00.
- The report includes other detailed notes and summaries of SFBP's accounting policies, which are generally in the report each year, including the PPP Loan.
- She added that the average net income was based on 54 pilots. The PPP money was applied to the employee payroll.
- There is a good breakdown of the pilot boats in the report.

Committee Chair Captain Nyborg commented that he was concerned about the accounts receivable payments that are outstanding past 90 days and requested for an update about it. SFBP Business Director McIntyre responded that she doesn't have an update on the accounts receivable, it was the numbers reported at the end of December 2020. She noted that SFBP has improved collection processes, resulting in a decrease of outstanding payments that were over 90 days, down to about \$50,000 - \$60,000. She notes that some of the clients are consistent late payers and it is because of how their electronic payment system is structured. She reported that their new policy will be changed to be payable upon receipt. Committee

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Chair Captain Nyborg reported that SFBP’s new dispatch system has a built-in billing function, and the progress has been going well with onsite experts helping the dispatchers with the new system. He also reported that SFBP is running the new and old dispatch systems side-by-side for a comparison.

Mr. Jacob was wondering why there was a big jump between the restricted cash from 2019 to 2020. SFBP Business Director Captain McIntyre reported that it was a recommendation from the accountant to pull the number out to differentiate between SFBP money and Board money. Board surcharges were funds that were previously reflected under cash. She further confirmed for Mr. Jacob that the restricted cash in 2019 was in the Trade, Net of Allowance for Doubtful Accounts, and was pulled out and placed in the Restricted Cash section in 2020. The old software made it a challenge to identify what was BOPC funds, so it was confusing when the account contained an estimated 25% of BOPC funds. Mr. Jacob commented that if the explanation between the Trade, Net of Allowance for Doubtful Accounts, and the Restricted Cash is not already in the notes, then he recommends adding it to help readers better understand. SFBP Business Director McIntyre will double check the notes in the report and will ask the Certified Public Accountant to add an addendum if the explanation is not already provided in the report.

SFBP Business Director Captain McIntyre reported that SFBP continues to meet with the Port of San Francisco, who is expecting to make some changes to their harbor services tenants lease policies. The Port of San Francisco raised the rent to market rate level, from 2019 to 2020, which increased SFBP’s rent by 24%, from \$96,000 per month to \$119,000 per month. The rent was again raised during the middle of the pandemic up to \$122,000. SFBP has asked the Port of San Francisco for rent forgiveness. She reported that the discussions have been going well but it remains challenging. Several years ago, SFBP explored the option of moving their operations to Oakland, including discussion this option with the Port of Oakland, but those discussions did not come to fruition.

6. Public comment on matters not on the agenda. (Chair Nyborg)

SFBP Business Director Captain McIntyre responded to Commissioner Prada that SFBP has been cutting costs and they are hoping for further savings with a re-negotiated lease. She reported that SFBP has been meeting with PMSA, the Western States Petroleum Association (WSPA) and Cruise Lines International Association (CLIA), to discuss of possibility establishing a surcharge to help with some of costs for the pilot boat maintenance. SFBP is also closely monitoring fuel expenses for possible cost savings, and switch to a less expensive phone and internet service provider. SFBP recently hired new accounting personnel since the workload has increased. Committee Chair Captain Nyborg reported that SFBP has been trying to look for a cheaper office space for the past four years and have even considered renting two places, one more inland for the administrative staff, and one on the waterfront to park the boats, but SFBP has not identified appropriate locations.

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7. Schedule the next Committee meeting, and proposals for the next Committee meeting agenda. (Chair Nyborg)

The Committee agreed that the Committee will next meet at 1:30 p.m. on August 12, 2021.

Mr. Jacob responded to SFBP Business Director Captain McIntyre that the industry has not yet offered a list of three candidates to the Governor to fill the vacant industry seat on the Board, but that he may have an update on this at the next Finance Committee meeting.

8. Adjournment.

Chair Captain Nyborg adjourned the meeting at 10:38 a.m.

Submitted by:



Allen Garfinkle
Executive Director