

<p>Meeting Date:</p> <p>May 10, 2022</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 8</p>
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Committee Members Present:

Captain Einar Nyborg, 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
 Jennifer Barton, Assistant Director
 Alethea Wong, Administrative Assistant II

Public:

Captain John Carlier, SFBP President and Port Agent.

OPEN MEETING

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

Committee Chair Captain Nyborg called the meeting to order at 9:31 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 7, 2022. (Chair Nyborg)

Committee members were presented with the draft minutes from the March 7, 2022, meeting. There was no further discussion.

MOTION: Committee Chair Captain Nyborg moved to approve the draft minutes from the meeting held on March 7, 2022. Committee Member Jacob seconded the motion.

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

ACTION: The motion was approved.

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 briefly reviewed the Board of Pilot Commissioners budget statements for Fiscal Year (FY) 2021-22, Fiscal Period 09, March 31, 2022, which were prepared by the California Highway Patrol (CHP).

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Assistant Director Barton briefly reviewed the Forecasting Assumptions, noting the Trainee Training projections were reduced from ten trainees to eight trainees for the remaining months in the fiscal year (April, May, and June).

Assistant Director Barton reviewed the Fund Condition Statement as follows:

- **Board Operations:**
 - Actual Revenues thru 3/31/22 = \$1,097,813
 - Actual Expenditures = \$869,686 {Salaries & Benefits (\$418k), Facility (\$210k), Consulting (\$153k), DOJ/Legal Support (\$55k)}
 - Direct Fund Transfer Out = \$195k (Increased by \$28k due to AB 84)
 - Ending Fund Balance as of 3/31/22 = \$1,373,201
 - Future Revenue Projection = \$444,627
 - Future Expenditures = \$223,374
 - Encumbrances = \$300,225 {Facilities (\$211k) – pending reduction due to amended rental contract; Consulting (\$75k)}
 - Projected Ending Fund Balance 6/30/22 = \$1,294,230
 - Total Revenue = \$1,542,440
- **Trainee Training:**
 - Beginning Fund Balance with PY Expenditure Adjustments = \$1,250,531
 - Actual Revenues thru 3/31/22 = \$615,366
 - Actual Expenditures = \$605,623 {Stipends (\$476k), CSU Maritime/CalHR (\$89k), Workers Comp/Gen Exp (\$40k)}
 - Ending Fund Balance as of 3/31/22 = \$1,260,274
 - Future Revenue Projection = \$288,720 (Includes \$30k for exam application fees)
 - Future Expenditures (At 8 trainees) = \$329,027 {Stipends (\$163k); USCF/Exam Evaluators/CalHR Exam (\$156k), Workers Comp/Gen Exp (\$11k)}
 - Encumbrances = \$90,120 {CSU Maritime (\$13k); SFBP (\$77k)}
 - Projected Ending Fund Balance 6/30/22 = \$1,129,848
 - Total Revenue = \$874,086 (not including \$30k of app fees)
- **Continuing Education:**
 - Beginning Fund Balance = \$799,220
 - Actual Revenues thru 3/31/22 = \$247,265
 - Actual Expenditures = \$133,220 {ARTELIA (\$120k) and SFBP ARTELIA Travel Arrangements (\$13k)}
 - Ending Fund Balance as of 3/31/22 = \$913,265
 - Future Revenue Projection = \$80,850
 - Future Expenditures = \$4,300
 - Encumbrances = \$386,879 {ARTELIA (\$210k); CSU Maritime (132k); and SFBP (\$45k)}
 - Projected Ending Fund Balance 6/30/22 = \$602,936

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- Total Revenue = \$328,115

Assistant Director Barton reviewed the Budget Authority Statement as follows:

- Board Operations Fund:
 - Budget Authority = \$1,688,000
 - Total Projected Expenditures/Encumbrances = \$1,393,285
 - Savings/Deficit = \$294,715 (expecting an additional \$5k - \$15k savings from reduced rental payments and salary savings)
- Trainee Training:
 - Budget Authority = \$1,300,601 (Includes \$400k for Exam)
 - Total Projected Expenditures/Encumbrances = \$1,024,769
 - Savings/Deficit = \$275,832
- Continuing Education:
 - Budget Authority = \$524,399
 - Total Projected Expenditures/Encumbrances = \$524,399
 - Savings/Deficit = \$0 (expecting a savings of \$132k due to Cal Maritime pilot training being pushed out to next fiscal year)

Committee Member Jacob inquired about the Board Operations projected revenue amounts and whether prior year activities were reduced by 25% to calculate April, May, and June 2022 projections. Assistant Director Barton explained April, May, and June projections were based on FY 2018-19 activities (pre-pandemic activities), not FY 2020-21 activities.

- a) **Review Board Operations Surcharge rate (currently at 5.5% of all pilotage fees, effective January 1, 2022), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Board Operations Surcharge rate, if warranted. (Executive Director Garfinkle)**

The Committee reviewed the projected 2021/2022 Board Operations Surcharge Data. Based on the actuals and projections, Committee Member Jacob noted the projected ending fund balance of \$1,294,230 is significantly less than the total budget authority of \$1,688,000. To close the gap between the fund balance and budget authority amounts, Committee Member Jacob recommended increasing the Board Operations Surcharge rate from 5.5% to 6% effective July 1, 2022.

Executive Director Garfinkle stated increases to the Board Operations Surcharge rate requires approval from the Department of Finance.

MOTION: Committee Member Jacob moved that the Committee recommend to the Board to increase the Board Operations Surcharge rate from 5.5% to 6% effective on July 1, 2022. Committee Member Captain McIntyre seconded the motion.

VOTE: YES: Nyborg, Jacob, and McIntyre.

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NO: None.

ABSTAIN: None.

ACTION: The motion was approved.

- b) **Review Pilot Continuing Education Surcharge rate (currently at \$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)**

The Committee reviewed the projected 2021/2022 Continuing Education Surcharge Data. Committee Member Captain McIntyre confirmed there are two ARTELIA trainings planned for May and June. Assistant Director Barton noted the Cal Maritime pilot training was pushed out to next fiscal year, resulting in an overall savings of \$132k. Executive Director Garfinkle expects there will be an uptick in pilot training in the next fiscal year to make up for trainings postponed due to the pandemic. Committee Member Jacob noted the actual and projected revenues of \$328k was insufficient for covering the actual and projected expenses of \$524k and recommended increasing the Pilot Continuing Education Surcharge rate from \$50/move to \$60/move beginning July 1, 2022.

MOTION: Committee Member Jacob moved that the Committee recommend to the Board to increase the Pilot Continuing Education Surcharge rate from \$50/move to \$60/move effective July 1, 2022. Committee Member Captain McIntyre 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 \$20/trainee/move, effective January 1, 2022), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Trainee Training Surcharge rate, if warranted. (Executive Director Garfinkle)**

The Committee reviewed the projected 2021/2022 Trainee Training Surcharge Data. Based on the projections, Committee Member Jacob noted the ending fund balance is on target. Committee Member Jacob recommended maintaining the Trainee Training Surcharge current rate.

MOTION: Committee Member Jacob moved that the Committee recommend to the Board to maintain the Trainee Training Surcharge rate at \$20/move, which was previously approved and became effective on January 1, 2022. Committee Member Captain McIntyre seconded the motion.

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

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ABSTAIN: None.

ACTION: The motion was approved.

- d) **Review Pilot Dispatch Program Surcharge rate (currently at \$75/move, effective April 1, 2021) and revenues. Recommend to the Board to adjust the Pilot Dispatch Program Surcharge rate, if warranted. (Executive Director Garfinkle)**

Committee Member Captain McIntyre explained the SFBP is authorized to collect \$275k for the Pilot Dispatch Program. She noted SFBP projects they will have collected \$275k by July 2022 and recommends maintaining the surcharge rate currently set at \$75/move.

MOTION: Committee Member Captain McIntyre moved that the Committee recommend to the Board to maintain the Pilot Dispatch Program surcharge rate at \$75/move, which was previously approved and became effective on April 1, 2022. Committee Chair Captain Nyborg seconded the motion.

VOTE: YES: Nyborg, McIntyre, and Jacob.

NO: None.

ABSTAIN: None.

ACTION: The motion was approved.

- e) **Review Pilot Boat Maintenance Surcharge rate (currently at \$200.00/move, effective April 1, 2021), expenditures and reserve balance. Recommendation to the Board to adjust the Pilot Boat Maintenance Surcharge rate, if warranted. (Executive Director Garfinkle)**

Committee Member Captain McIntyre explained SFBP is authorized to collect \$1.4m through December 2023 for the Pilot Boat Maintenance Program. She noted SFBP projects they will have collected \$1.4m by January 2023 and recommends maintaining the surcharge rate currently set at \$200/move.

Committee Member Captain McIntyre stated SFBP plans to submit supporting documentation for pilot boat maintenance expenditures in the amount of \$390k for review by the Finance Committee during the next quarterly meeting prior to seeking authorization from the Board for SFBP reimbursement.

MOTION: Committee Member Captain McIntyre moved that the Committee recommend to the Board to maintain the Pilot Boat Maintenance surcharge rate at \$200/move, which was previously approved and became effective on April 1, 2022. Committee Member Jacob seconded the motion.

VOTE: YES: Nyborg, Jacob, and McIntyre.

NO: None.

ABSTAIN: None.

ACTION: The motion was approved.

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4. Review of the pilotage and surcharge audit report for the 2020 calendar year, dated April 25, 2022, prepared by the State Controller’s Office under contract with the Board. (Executive Director Garfinkle)

Executive Director Garfinkle briefly reviewed the 2020 State Controller’s Independent Accountant’s Report. He explained the BOPC contracts with the State Controller’s Office (SCO) to conduct agreed-upon procedures over the surcharges billed and collected by SFBP. Based on the applied procedures, SCO identified one finding during calendar year 2020 related to the Pilot Trainee Training Program surcharges. He suggested to Committee Chair Captain Nyborg that when he is reporting to the Board regarding the Finance Committee, that Committee Chair Captain Nyborg can report that SCO identified one finding during the calendar year 2020 related to the Pilot Trainee Training Program surcharges.

Executive Director Garfinkle stated the Pilot Trainee Training Program surcharge amounts were over-billed due to a delay in removing a trainee from the count of trainees enrolled in the program. From 7/17/2020 through 8/4/2020, there were only seven trainees in the program, however, the surcharges billed were based on eight trainees in the program. As a result, 369 moves were overbilled at a rate of \$10/move (\$80/move - \$70/move), totaling an amount over-billed of \$3,690.

Committee Member Captain McIntyre noted communication regarding the starting and ending dates for trainees in the program has improved between SFBP and the BOPC, which should minimize future errors.

Executive Director Garfinkle stated SCO has started applying agreed-upon procedures to the 2021 surcharge activities. He explained we are working with CHP to amend the agreement with SCO to include the two new surcharges; Pilot Dispatch Program and Pilot Boat Maintenance.

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 ending on December 31, 2021. (Captain McIntyre)

Committee Member Captain McIntyre briefly reviewed the 2021 SFBP and SFBP Benevolent and Protective Association Consolidated Financial Statements. She noted Mayer Hoffman McCann P.C. is the same accounting firm that completed the 2020 audit. She highlighted the auditor’s opinion is now displayed at the top of the Independent Auditor’s Report and no discrepancies were found in the audit.

Committee Member Captain McIntyre highlighted the following items from the audited financial statements:

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Consolidated Balance Sheet

- Assets
 - The Property and Equipment increase from 2020 to 2021 is related to the construction of the new pilot vessel.
 - SFBP expects a reduction in the pension plan balance in 2022 based on the current economic environment.
 - SFBP is expecting COVID related tax refunds.
- Liabilities
 - The Line of Credit increase from 2020 to 2021 is due to more pilots retiring than joining and buying into the association.
 - The Accrued Rent increase from 2020 to 2021 is due to rent not being paid to the Port of San Francisco while SFBP negotiates rent forgiveness with the Port.
 - The deferred rent line item is a Generally Accepted Accounting Principles (GAAP) requirement to reflect lease values over time.

Income Statement

- Total Revenues
 - Revenue decreased approximately \$6m from 2020 to 2021. In 2021, total revenue was \$31.2m, while pre-pandemic revenue averaged between \$43m and \$44m.
- Average Net Income per Pilot
 - The decline in revenue resulted in a decrease in the Average Net Income per Pilot from \$428k/year in 2020 to \$328k/year in 2021.

Notes to Consolidating Financial Statements

- Note 9 – Leases
 - Future minimum lease payments will change next year due to reporting changes in accounting rules.
- Note 10 – Retirement Plans
 - The steady market performance in the past year has helped to keep the pension plan funded, however SFBP expects to contribute more next year based on the current economic environment.

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

There were no public comments.

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

The Committee agreed that the next Committee meeting will be scheduled for Thursday, September 1, 2022, at 9:30 a.m.

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8. Adjournment.

MOTION: Committee Chair Captain Nyborg moved to adjourn the meeting.
Committee Member Jacob seconded the motion.

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

ACTION: The motion was approved, and the meeting was adjourned at 10:35 a.m.

Submitted by:



Allen Garfinkle
Executive Director

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