

<p>Meeting Date:</p> <p>May 23, 2023</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:

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

Committee Members Absent:

None.

Staff Present:

Allen Garfinkle, Executive Director
Roma Cristia-Plant, Acting Assistant Director
Alethea Wong, Licensing and Training Programs Manager
Charles Louie, Administrative Assistant II

Public:

Captain John Carlier, SFBP President and Port Agent.

OPEN MEETING

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

Chair Nyborg called the meeting to order at 11:15 a.m. Administrative Assistant II Louie called the roll and confirmed a quorum.

2. Approval of the minutes from the Committee meeting held on February 28, 2023. (Chair Nyborg)

Committee members were presented with the draft minutes from the meeting held on February 28, 2023. There was no discussion of the draft minutes.

MOTION: Chair Nyborg moved to approve the draft minutes from the meeting held on February 28, 2023. Mr. Jacob seconded the motion.

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

ACTION: The motion was approved.

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

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.

Acting Assistant Director Cristia-Plant briefly reviewed the fiscal year (FY) 2022-23 financial statements as of April 30, 2023, prepared by the California Highway Patrol (CHP), the Governor's Proposed May revised budget for FY 2023-24, a budget change proposal for FY 2023-24 and FY 2024-25 to fund an information technology modernization project (IT Modernization Project) for the Board, and a Board Operations, Pilot Continuing Education, Pilot Trainee Training, Pilot Boat Surcharge analyses for FY 2022-23 prepared by Board staff. She noted that staff's analysis of the various surcharge projections for FY 2022-23 were based upon actual-to-date from July 1, 2022, through April 30, 2023, and carries over the assumptions used at earlier Finance Committee meeting based upon input received from Captain McIntyre that revenues or moves for the remainder of the fiscal year and into next fiscal year are likely to remain relatively flat and similar to last fiscal year.

Acting Assistant Director Cristia-Plant explained that a check was not cashed within the allowable period, can no longer be cashed, and will not be reported as revenue as it appeared on the revenue spreadsheet in the financial statements. She said it is unknown who the check was written to, but likely to the University of California at San Francisco since the amount is typical to the invoices received from the university. She also confirmed that computer equipment was purchased, and is included in the year-to-date expenditures as is monies that have been encumbered to fund the final phase of the pilot fatigue study.

a) Review Board Operations Surcharge rate (currently at 6% of all pilotage fees, effective July 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)

Acting Assistant Director Cristia-Plant briefly reviewed the Board Operations Surcharge historical and projected data for this fiscal year and for next fiscal year, and noted that the surcharge analysis contains information on temporary transit fees that are not included in pilotage revenue. She noted that the shipping activity has been fairly consistent with the same months in the prior year, but revenues are increased due to the higher surcharge rate that went into effect on July 1, 2022, and the additional unknown revenues to gross pilotage (not including temporary transit fees) have resulted in approximately \$27.8 million in gross pilotage revenues through April 30, 2023, and that there was a slight uptick in revenues these past several month. She noted that the Committee was presented with a sensitivity analysis reflecting next fiscal year's projected pilotage revenue at \$34 million, surcharge rates ranging from 6% to the maximum allowed in statutes of 7.5%, and the impacts to the fund balance if the entire FY 2023-24 budget is expensed both with and without the IT Modernization Project.

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She noted that if the Board Operations Surcharge rate remains the same at 6%, projections reflect sufficient fund balance reserves to meet the target of one year’s budget in reserve without the IT Modernization Project next fiscal year, and result in about half of the targeted fund balance reserve if the Board approves proceeding with the IT Project next fiscal year.

The Committee discussed the IT Modernization Project, the projected costs, the benefits to the Board, including potential efficiencies in administering the various Board programs. Acting Assistant Director Cristia-Plant explained that the budget change proposal also includes an additional permanent staff at an associate governmental program analyst level, and that the IT Modernization Project would improve and streamline the routine management of licensees and trainees, but enable staff to complete many required administrative tasks that that are not currently being completed.

Executive Director Garfinkle explained that he would officially present the IT Modernization Project to the Board at the June Board meeting, and recommended keeping the surcharge rate at the 6% rate until the Board decides to proceed with the project.

Mr. Jacob and Captain McIntyre discussed that shipping volumes are projected to remain flat, and that there remain uncertainties with labor and other issues that could impact future shipping volumes.

MOTION: Mr. Jacob moved to recommend to the Board to keep the Board Operations Surcharge rate at 6% of all pilotage revenue. 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 \$60/move, effective July 1, 2022), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Pilot Continuing Education Surcharge rate, if warranted. (Executive Director Garfinkle)**

Acting Assistant Director Cristia-Plant reviewed the Pilot Continuing Education Surcharge historical and projected data for this fiscal year and for next fiscal year. She stated that while the projected ending fund balance for this fiscal year is slightly higher than projected budget for next fiscal year, it is still lower than the beginning fund balance for this fiscal year.

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She also presented a sensitivity analysis for next fiscal year that holds moves flat at 7,000 moves/fiscal year, and varied the surcharge rate from the current \$60/move down to \$55/move, which at the lower rate would reduce the ending fund balance for next fiscal year by a small amount. She stated that the projected ending fund balance for this fiscal year and next fiscal year keeping the rate the same is not anticipated to produce a fund balance much above the \$450,000 target in the fund balance reserve.

Captain McIntyre agreed that 7,000 moves/year is a fair estimate for next fiscal year, and she and Mr. Jacob both agreed that there is no need to change this surcharge rate at this time.

MOTION: Mr. Jacob moved to recommend to the Board to keep the Pilot Continuing Education Surcharge rate at \$60/move. 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)

Acting Assistant Director Cristia-Plant reviewed the Trainee Training Surcharge historical and projected data, noted that projected revenue is based upon the historical performance for this fiscal year, and held flat for the remainder of the fiscal year at the current number of four trainees. She stated that while the projected ending fund balance is high compared to projected expenditures this fiscal year, she commented that there are several factors that will impact actual expenditures this fiscal year and present difficulties forecasting the budget for next fiscal year.

She noted that the 2022 Trainee Selection Exam investigation costs are over \$58,000 as of the end of April, that she obtained a legal opinion from Board Counsel that Trainee Surcharge monies can be used to pay for investigation costs, and future investigation costs are unknown. She commented that the current number of trainees is four, the Board has directed the Executive Director to add two new trainees to the program, and that the Board has yet to approve the 2022 trainee candidate list to pick up the two new candidates. She also stated that exam costs are approximately \$225,000 to \$250,000, and that it is unknown if the Board will be conducting an exam sooner than 2-3 years from the last exam. She stated, projecting future Trainee Surcharge revenues and the budget is uncertain since the revenues are a function of the surcharge rate, the number of trainees

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and projected moves, and the budget is also impacted by the number of trainees since stipends make up a large percentage of the budget.

Chair Nyborg noted the varying issues that could significantly impact the ending fund balance next fiscal year. Captain McIntyre stated that it makes sense not to change this surcharge rate at this time. Mr. Jacob stated that he agreed.

MOTION: Chair Nyborg moved to recommend to the Board to keep the Trainee Training Surcharge rate at \$20/trainee/move. Mr. Jacob seconded the motion.

VOTE: YES: Nyborg, Jacob, and McIntyre.

NO: None.

ABSTAIN: None.

ACTION: The motion was approved.

- d) Review Pilot Boat Surcharge rate (currently at \$0.0225 per gross registered ton effective January 1, 2023), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Pilot Boat Surcharge rate, if warranted. (Executive Director Garfinkle)**

Acting Assistant Director Cristia-Plant reviewed the Pilot Boat Surcharge historical and projected analysis for this and next fiscal year. She stated that at the current surcharge rate and with two months remaining of this fiscal year, it appears that the target of \$2.5 million in revenue will likely be achieved. She noted that at the current surcharge rate, and keeping annual gross registered tonnage flat at 260 million tons, total revenue for next fiscal is projected to be approximately \$5.8 million, and that if the rate is reduced slightly to \$0.0200 starting next fiscal year, revenues are projected to come in at closer to the \$5 million budget for next fiscal year.

Chair Nyborg noted that the fund would benefit if additional revenues are collected during next fiscal year, since there will be interest earnings on the fund balance, and he is inclined to not change the current surcharge rate.

Both Captain McIntyre and Mr. Jacob expressed agreement that it would be best to keep the surcharge rate the same.

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MOTION: Chair Nyborg moved to recommend to the Board to keep the Pilot Boat Surcharge rate at \$0.0225 per gross registered ton. Mr. Jacob seconded the motion.

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

ACTION: The motion was approved.

5. Pilot Boat Maintenance Surcharge

Review of Pilot Boat Maintenance Surcharge billings and collections. This surcharge expired of its own accord in December 2022. (Executive Director Garfinkle/San Francisco Bar Pilots Business Director Captain McIntyre)

Acting Assistant Director Cristia-Plant noted that this surcharge ended the end of last year, and that the surcharge analysis presented to the Committee includes data reported to the Board by the SFBP, and including the collection of remaining outstanding billings. She also noted that Captain McIntyre provided additional Pilot Boat Maintenance Surcharge data just prior to the meeting that reflects slightly different data than previously provided to the Board, that Board staff will work with Captain McIntyre to finalize the data for this surcharge and present to the Committee at the next meeting. Captain McIntyre explained that the SFBP there are still outstanding billings from some governmental customers, so not all of the surcharge revenue has been collected yet.

Chair Nyborg requested that this agenda item be on the next Committee meeting agenda.

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)

Chair Nyborg stated that he would like the Pilot Boat Maintenance Surcharge agenda item on the next Finance Committee meeting. The Committee agreed to virtually meet on August 15, 2023, at 9:30 a.m.

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8. Adjournment.

Chair Nyborg adjourned the meeting at 12:36 p.m.

Submitted by:



Allen Garfinkle
Executive Director

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