

<p>Meeting Date: August 15, 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 8</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
Matthew Millspaugh, Assistant Director
Alethea Wong, Licensing and Training Programs Manager
Charles Louie, Administrative Assistant II
Roma Cristia-Plant, Deputy Secretary, Administration and Audits, California State
Transportation Agency, on loan to the Board

Public:

Captain John Carlier (SFBP President and Port Agent) and Kevin Baldwin (San Francisco Bar Pilots General Counsel).

OPEN MEETING

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

Chair Nyborg called the meeting to order at 9:31 a.m. Administrative Assistant II, Louie called the roll and confirmed a quorum.

2. Approval of the minutes from the Committee meeting held on May 23, 2023. (Chair Nyborg)

Committee members were presented with the draft minutes from the meeting held on May 23, 2023. There was no discussion of the draft minutes.

MOTION: Captain McIntyre moved to approve the draft minutes from the meeting held on May 23, 2023. Mr. Jacob seconded the motion.

VOTE: YES: Nyborg, Jacob and McIntyre.

NO: None.

ABSTAIN: None.

ACTION: The motion was approved.

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3. Public comments 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.

Deputy Secretary Cristia-Plant briefly reviewed the fiscal year (FY) 2022-23 financial statement as of June 30, 2023, prepared by the California Highway Patrol (CHP), the enacted budget for FY 2023-24, and the Board Operations, Pilot Continuing Education, Pilot Trainee Training, Pilot Boat Surcharge analyses for FY 2022-23 and projected for FY 2023-24 prepared by Board staff.

Deputy Secretary Cristia-Plant explained that the increase in the Board's FY 2023-24 budget is due to costs related to the Information Technology (IT) Modernization Project planning and staff costs for an Associate Governmental Program Analyst (AGPA). She noted that there will be approximately \$300,000 in next fiscal year's budget for ongoing IT Modernization planning costs along with the ongoing costs for the AGPA. She and Executive Director Garfinkle also discussed that there will need to be a budget change proposal in the future to obtain the budgetary authority to purchase software for the implementation stage of the IT Modernization project.

The Committee requested to review each surcharge individually before voting whether to change a surcharge rate or not, and reviewed and discussed each surcharge more than once before voting on each surcharge. The various surcharge discussions and vote are reflected after each respective agenda item below.

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)

Deputy Secretary Cristia-Plant briefly discussed the Board Operations fiscal performance for FY 2022-23, and that FY 2023-24 includes projected Gross Pilotage revenue of approximately \$38 million that coupled together with approximately \$6 million in Temporary Transit Fees would equal about \$44 million projected by Captain McIntyre. She also reviewed a sensitivity analysis that reflected projected ending fund balance at various surcharge rates up to the 7.5% maximum statutory surcharge rate. She stated that the issue for the Committee and the Board will be how to set the Board Operations Surcharge rate to manage the fund balance reserve during the next few years while funding the IT Modernization Project.

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Executive Director Garfinkle and Deputy Secretary Cristia-Plant responded to a query from Captain McIntyre and explained that the IT Modernization Project procurement for a project manager is delayed by about six months, but that the funding for the project manager contract will be encumbered this fiscal year. Mr. Jacobs acknowledged that the IT Modernization Project is a one-time fiscal endeavor, but at the same time, he would not want to increase the Board Operations Surcharge rate to the maximum rate of 7.5%.

Mr. Jacob stated that consistent with the other surcharge projections, the Committee should be conservative in the projections. Deputy Secretary Cristia-Plant stated that she did not believe the Board would spend the entire \$3 million budget amount for FY 2023-24, and that the even at current 6% surcharge rate, the Board won't be too far off of the one-year budget authority in the fund balance. However, she also noted that the future IT Modernization implementation costs are still unknown.

Captain McIntyre stated that she thought the IT Modernization project roll out will likely be slower than originally anticipated, which would potentially reduce the funding costs for this project this fiscal year. She commented the Board should raise the surcharge rate to 6.5% to somewhat manage the future fund balance against the current and future year Board Operating budgets.

MOTION: Captain McIntyre moved to recommend to the Board to increase the Board Operations Surcharge rate from 6% to 6.5% of all pilotage revenue effective October 1, 2023. Mr. Jacob 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)**

Deputy Secretary Cristia-Plant reviewed the Continuing Education Surcharge fiscal analyses for the prior and current fiscal year. Captain McIntyre stated that 8030 projected moves for FY 2023-24 appeared a bit high. Deputy Secretary Cristia-Plant revised the projected moves down to 7,500 and provided the Committee with revised projected FY 2023-24 fund balance information at various surcharge rates. Executive Director Garfinkle confirmed for Mr. Jacob that manned model continuing education classes are caught up, and the standard two manned model classes are already contracted for. There was a discussion that the non-competitive bid contract with the SFBP that includes pilots air travel payments to Artelia for manned model training is momentarily at

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risk. Deputy Secretary Cristia-Plant confirmed for Mr. Jacob that at 7,500 moves at \$50/move, the FY 2023-24 ending fund balance is projected to be about \$600,000.

MOTION: Mr. Jacob moved to recommend to the Board to reduce the Pilot Continuing Education Surcharge rate from \$60/move to \$50/move effective October 1, 2023. 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)**

Deputy Secretary Cristia-Plant reviewed the Trainee Training Surcharge analyses, and noted that the revenue for this surcharge varies by the number of trainees in the training program. Executive Director Garfinkle stated that there may be trainees graduating in August, and that he anticipates starting two new trainees in September, and that the projection of pilot retirements is lower than previous years.

The Committee discussed the potential date for the next trainee selection exam. Executive Director Garfinkle stated that there may be costs in the near term for a psychometrician to review the format of the exam, and that he thought the next exam will be three years from the last exam, which would be in June 2025. Deputy Secretary Cristia-Plant confirmed for Mr. Jacob that exam costs are typically between \$225,000-\$250,000. Executive Director Garfinkle also stated that he thought there would be between 5-6 trainees in the program for the foreseeable future.

Deputy Secretary Cristia-Plant revised the sensitivity analysis to reflect 7,500 moves per year and provided the Committee with revised projected FY 2023-24 ending fund balance data. Mr. Jacob stated that the number of trainees is unknown, but the fund balance should be managed to keep it at a level to ensure that there are sufficient funds to pay for a trainee selection exam, and noted that at \$15/trainee/move with 6 trainees in the program, the FY 2023-24 ending fund balance is projected to be about \$1.5 million.

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MOTION: Captain McIntyre moved to recommend to the Board to reduce the Trainee Training Surcharge rate from \$20/trainee/move to \$15/trainee/move effective October 1, 2023. 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)

Deputy Secretary Cristia-Plant reviewed the Pilot Boat Surcharge analyses, confirmed that \$2.6 million was collected in last fiscal year, and that the goal is to collect \$5 million this fiscal year since that is the budget authority for this fiscal year. She stated that it was her understanding that the statutes are written to authorize one year of budget authority to be expended in the following fiscal year so long as the funding is available, which was confirmed by Mr. Jacob.

The Committee discussed the projected inward and outward tonnage that this surcharged is based on, and that potentially 300 million tons would be more accurate than the 360 million tons originally projected by Board staff. He also stated that maybe the budget should reflect \$7.5 million since that includes the \$2.5 million budget authority from last fiscal year.

Deputy Secretary Cristia-Plant revised tonnage down to 300 million in the sensitivity analysis for the Committee and provided the projected FY 2023-24 ending fund balances at various surcharge rates. The Committee discussed revising the surcharge rate to \$.0200, which is estimated to generate approximately \$6 million at the end of FY 2023-24. Captain McIntyre stated that if more than \$5 million in revenue is generated, and that money is in the State Treasury, potentially the statutes can be changed to reflect a higher budget amount so that the funds could be disbursed.

MOTION: Mr. Jacob moved to recommend to the Board to change the Pilot Boat Surcharge rate from \$0.0225 to \$0.0200 per gross registered ton effective October 1, 2023. Chair Nyborg seconded the motion.

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

ABSTAIN: None.

ACTION: The motion was approved.

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Captain McIntyre commented that the SFBP is in the process of converting the new run boat construction line of credit to a long-term loan, and that the payment on the long-term loan is estimated to be about \$71,000/month, or about \$852,000/year. She also stated that there is about \$800,000 one-time interest expense on the line of credit which will be included in the first request. Deputy Secretary Cristia-Plant commented that Pilot Boat Surcharge revenues could also be used for more than bank loan interest and payments, but used to pay down the long-term loan to shorten the maturity or be used to pay boat costs to reduce the long-term loan amount. Captain McIntyre stated that another option would be to use disbursed Pilot Boat Surcharge moneys to reduce the costs of future new station boats. Mr. Jacob stated that there should be a separate conversation about saving costs when the station boats come online.

Executive Director Garfinkle noted that the August 24, 2023, Board meeting agenda did not include the Finance Committee meeting, and that the Board will need to consider the proposed surcharge changes at its September meeting.

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)

Deputy Secretary Cristia-Plant briefly reviewed the differences between Pilot Boat Maintenance Surcharge billings and cash collection data submitted to the Board in monthly summary reports from the SFBP and information received from Captain McIntyre from SFBP's general ledger for this surcharge. She noted that neither monthly summary reports nor the SFBP's general ledger data reflect that the \$1.4 million in Board approved maximum surcharge billings was exceeded.

Captain McIntyre explained that the new accounting software, unlike the previous software, has the ability to make adjustments to prior months billing or collection data when there is a re-billing or an advanced payment received from a customer, and that this explains the discrepancies between the monthly data submitted to the Board and SFBP's the general ledger data, but that the annualized data between the two types of report is consistent and correct. She also stated that the uncollected Pilot Boat Maintenance billed surcharges are from its governmental customers.

Captain McIntyre stated that she is expecting to request their certified professional accountant to itemize the various revenues on the consolidated annual audit, and that she thought this would be helpful in future Board audits.

Deputy Secretary Cristia-Plant stated that she still had a concern about the billing and cash summary data being submitted to the Board not being consistent with SFBP's general ledger information, but regarding this surcharge, it appears that based upon the SFBP's general ledger information, the SFBP did not bill more than the \$1.4 million in Pilot Boat Maintenance Surcharges approved by the Board.

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

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calendar year ending on December 31, 2022. (San Francisco Bar Pilots Business Director Anne McIntyre)

Captain McIntyre gave a report on the SFBP and SFBP Benevolent and Protective Association (B&P) Consolidating Financial Statements for 2022 (2022 Audit). She stated that there are new accounting rules that impact how the financial information is reflected, and that related companies must now consolidate their financial information on the official financial statements. She also noted that, for informational purposes, the financial data for the two separate entities is contained in Exhibit 1 of the 2022 Audit, and that the value of a long-term lease must now be reflected as an asset along with the corresponding obligation on the liability side of the balance sheet.

Captain McIntyre then reviewed the notes to the financial statements, pointing out that the facility lease on Pier 9 expires in 2026, and that the SFBP was able to negotiate a 25% reduction in its lease rate due to the pandemic. Captain McIntyre confirmed for Mr. Jacob that operating leases listed in Note 9 of the 2022 Audit refer to leases for copy machines and other office equipment, and that there are no leases associated with the portable piloting units. She also confirmed for Deputy Secretary Cristia-Plant that the SFBP files a partnership tax return, and the B&P, as a beneficial nonprofit corporation, is a taxed entity, which files a tax return.

Captain McIntyre commented that despite recent inflationary pressure on prices, operating expenses were kept flat between 2021 and 2022. She confirmed for Deputy Secretary Cristia-Plant that the SFBP staff continue to work on fine tuning the new financial software and that the staff are still performing internal auditing, and that since the financial software has been programmed to lock down the fiscal performance for the month, she estimates that much of the issues that have arisen on the fiscal reporting to the Board will be resolved.

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

There were no public comments.

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

The Committee agreed to meet via WebEx on November 3, 2023, at 9:30 a.m. Executive Director Garfinkle reminded the Committee that the August 24, 2023, Board meeting agenda did not include the Finance Committee meeting, and that Chair Nyborg will be able to report to the Board the Finance Committee recommendations at the Board meeting to be held on September 28, 2023.

Captain McIntyre suggested that the Finance Committee should jointly meet with the Pilot Boat Advisory Committee soon to discuss how Pilot Boat Surcharge moneys can be

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disbursed out of the State Treasury. She stated that the long term run boat financing should be completed within the next two weeks, and that she can then put together an accounting of out-of-pocket costs and total costs to request a final determination from the Board as early as September. Executive Director Garfinkle stated that staff will poll the joint committees for a meeting in mid-September.

9. Adjournment.

Chair Nyborg adjourned the meeting at 11:36 a.m.

Submitted by:



Allen Garfinkle
Executive Director

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