

<p>Meeting Date: November 3, 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 Chairperson
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).

OPEN MEETING

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

Chair Nyborg called the meeting to order at 9:30 a.m. Administrative Assistant II Louie called the roll and confirmed a quorum.

2. Approval of the minutes from the Committee meeting held on August 15, 2023. (Chair Nyborg)

Committee members were presented with the draft minutes from the meeting held on August 15, 2023. There was no discussion of the draft minutes.

MOTION: Captain McIntyre moved to approve the draft minutes from the meeting held on August 15, 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.

Assistant Director Millspaugh reported to the Committee that he has been unable to obtain any Board financial information for FY 2023-24 from the California Highway Patrol (CHP). He stated that CHP has experienced turnover in their budget staff, and that he and Deputy Secretary Cristia-Plant have been working with CHP budget staff and provided fiscal and budget training on the Board’s funds and accounts. He also stated that he has a meeting scheduled with his counterpart at CHP to discuss the lack of fiscal information and other areas CHP’s services to the Board that could be improved.

Assistant Director Millspaugh reported that while he does not have current year fiscal data to provide to the Committee, he feels confident that the Board’s fiscal condition is acceptable, especially since the Board is experiencing salary savings due to the vacant Associate Governmental Program Analyst (AGPA) position, and that it will likely be the end of the year at the earliest that the position will be filled. He also reported that he intends to expand staffs’ access to the Board’s fiscal information in FISCal, which may reduce reliance on CHP staff for ongoing fiscal data.

Assistant Director Millspaugh also stated that surcharge schedules for this meeting were calculated using the actual surcharge data for July, August and September along with projections for the remainder of the fiscal year. He then presented each of the surcharges separately to the Committee.

a) Review Board Operations Surcharge rate (currently at 6.5% of all pilotage fees, effective October 1, 2023), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Board Operations Surcharge rate, if warranted. (Assistant Director Millspaugh)

Assistant Director Millspaugh briefly discussed the Board Operations fiscal performance for FY 2023-24, and noted that projected total Gross Pilotage revenues plus Temporary Transit Fees at approximately \$48 million for the fiscal year based upon a discussion he had with Captain McIntyre, and that he had projected pilotage revenue at approximately \$35 million for the fiscal year. He stated that a 6.5% surcharge rate beginning on October 1, 2023, and in place for the remainder of the fiscal year, he projected the Board Operations Surcharge would generate approximately \$2.7 million in inclusive of interest earnings. He also stated that this fiscal year’s budget is \$3 million, and with a beginning fund balance of \$2.2 million, he projected the fiscal year end fund balance to be approximately \$2.2 million.

Deputy Secretary Cristia-Plant also discussed that the Board likely will not spend the entire \$3 million fiscal year budget due to the delay in hiring staff and procuring a project manager for the Information Technology Modernization Project, which would increase

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the actual fiscal year end fund balance above the amount projected, and suggested that the Committee might want to consider keeping the surcharge rate at 6.5%. Mr. Jacob said he agreed, especially since this is start of the fiscal year, and we do not know what the year will hold in the way of shipping activity. Captain McIntyre stated that she also agreed to not change the surcharge rate at this time. Mr. Jacob also stated that the sensitivity analysis is still helpful even if the surcharge rate does not change since it helps the Committee understand potential impacts of rate changes, and that he requested Assistant Director Millspaugh to continue providing this fiscal information.

MOTION: Mr. Jacob moved to recommend to the Board to not change the Board Operations Surcharge rate and to keep the rate at 6.5% 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 \$50/move, effective October 1, 2023), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Pilot Continuing Education Surcharge rate, if warranted. (Assistant Director Millspaugh)

Chairperson Nyborg gave a brief summary from the last Finance Committee meeting that the Committee had recommended decreasing the Continuing Education Surcharge rate from \$60/move to \$50 move beginning October 1, 2023. Mr. Jacob stated that he did not believe there needed to be a lot of discussion on this surcharge since the projected revenue for this fiscal year appears to be in line with the projected expenditures for the fiscal year, and that as such there isn't any need to adjust to the current surcharge rate at this time.

Captain McIntyre stated that she agreed there does not appear to be a need to change the current Pilot Continuing Education Surcharge rate. However, she did offer for the Committee's future consideration that there are budget and other issues at California State University Maritime Academy that may impact their contract with the Board or that may impact future costs to the Board to provide the pilot training in the future.

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MOTION: Captain McIntyre moved to recommend to the Board to not change the Pilot Continuing Education Surcharge rate and to keep the rate at \$50/move. 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, effective October 1, 2023), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Trainee Training Surcharge rate, if warranted. (Assistant Director Millspaugh)

Chairperson Nyborg gave a brief review of the Committee’s discussion of the Trainee Training Surcharge from the last Committee meeting, and noted that the fund balance was high. Executive Director Garfinkle responded to a query from Chairperson Nyborg that preparations are underway to bring two new trainees into the program, likely in January of 2024.

Assistant Director Millspaugh stated that he had a previous discussion with Captain McIntyre about projecting the number of moves for the fiscal year, and that Captain McIntyre indicated that 7,500 moves/year would be a good estimate for this surcharge analysis. He also stated that given the actual number of moves for the first three months of this fiscal, he estimated 630 moves/month for the remainder of the fiscal year to achieve approximately 7,500 moves/year.

Assistant Director Millspaugh also stated that the projections for this surcharge include 4 trainees beginning in January 2024 through June 2024, and that if the Board brings on additional trainees during this period, the actual surcharge revenue may be higher than projected, and that he projected the fiscal year ending fund balance at approximately \$1.5 million. Deputy Secretary Cristia-Plant commented that the projected surcharge revenue is contingent upon the number of trainees in the program, and could be lower than projected if the two current trainees graduate during the first half of next year. However, she agreed with Chairperson Nyborg that there likely won’t be any trainee graduations before the end of the fiscal year given that the two current trainees have not been in the program very long.

Mr. Jacob stated that since the Board just changed this surcharge rate a month ago, and that there has been an effort to slowly burn down the Trainee Training Program fund balance, he was not inclined to change the surcharge rate at this time. Captain McIntyre stated that given uncertainties in the number of trainees, and that the surcharge rate was recently changed, she agreed with Mr. Jacob that the rate should remain the same and that the Committee can review the rate at its next quarterly meeting.

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MOTION: Mr. Jacob moved to recommend to the Board to not change the Trainee Training Surcharge rate and to keep the surcharge rate at \$15/trainee/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.

- d) Review Pilot Boat Surcharge rate (currently at \$0.0200 per gross registered ton effective October 1, 2023), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Pilot Boat Surcharge rate, if warranted. (Assistant Director Millspaugh)**

Chairperson Captain Nyborg gave a brief summary of the Committee's actions at the last meeting for the Pilot Boat Surcharge and stated that the surcharge rate was reduced to \$.0200 effective October 1, 2023. Assistant Director Millspaugh gave a reported to the Committee that he conferred with Captain McIntyre that a good estimate of tonnage on which this surcharged is based would be 26 million tons/month for October 2023 through June 2024, and that the surcharge analysis included the actual tonnage and revenue for July through September 2023.

Chairperson Captain Nyborg stated that he thought the 26 million projected tonnage estimate was low, and if so, actual Pilot Boat Surcharge revenues would come in a bit higher than projected. He also stated that he understood from prior Committee discussions that it was acceptable to collect more than the annual budgetary amount, but that annual expenditures would be limited to no more than the annual budget amount and any undisbursed budget authority from the prior fiscal year. Assistant Director Millspaugh confirmed that the Board can collect above the \$5 million Pilot Boat Program budget, but that expenditures can be no more than \$5 million this fiscal year.

Mr. Jacob inquired about investing excess cash in the Pilot Boat Program account in higher yielding investments to maximize revenues. Deputy Secretary Cristia-Plant stated that all of the Board's cash is in the State Treasury and is invested in the Surplus Money Investment Fund (SMIF) by the State Treasurer, that staff could inquire with the Treasurer's Office about investing excess fund in another investment vehicle, but she that she thought that was unlikely.

Executive Director Garfinkle noted that the Board has one fund in the State Treasury, and that there has been difficulty identifying Pilot Boat Program funds for the purpose of allocating SMIF earnings to the program as per the legislation. He commented that Board staff are working with CHP and the Treasurer's Office staff to figure out a

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mechanism to allocate SMIF earnings to the Pilot Boat Program, and that there may need to be legislation setting up a separate fund for this program.

Executive Director Garfinkle confirmed for Chairperson Captain Nyborg that San Francisco Bar Pilot Pension Plan funds are not held in the State Treasury, but are charged, collected and distributed by the San Francisco Bar Pilots the month after collections are reported, and that there is no investment opportunity for pension fund monies. Deputy Secretary Cristia-Plant clarified that pension plan monies are billed in one month and the amount billed is disbursed to pension beneficiaries the following month.

Mr. Jacob commented that this surcharge rate should remain the same, and that the Committee will have a better idea about tonnage as the year progresses. Captain McIntyre stated that she agreed not changing the surcharge rate at this time, especially given the analysis used an average tonnage rate, and that shipping activity slows down during this time of the year.

Captain McIntyre also mentioned to the Committee that she has been working with Assistant Director Millspaugh to obtain the first disbursement of Pilot Boat Program surcharge monies to cover the Board-approved final costs for the P/V GOLDEN GATE inclusive of the SFBP's out of pocket costs and the first two months of bank loan payments. Assistant Director Millspaugh confirmed that he was working with CHP staff on the first program disbursement and hoped to get the disbursement completed in the near future.

Mr. Jacob inquired if Board staff would be providing a rolling accounting of Pilot Boat Surcharge budget authority amounts, revenue collections, Board final authorizations, and program disbursements so the Committee can keep fiscal track of the program. Assistant Director Millspaugh confirmed that Board staff have had internal discussions of the need to have such fiscal tracking, especially since there will be multiple pilot boats being financed, likely interim final authorizations, and two years to spend funds up to the authorized budgeted amounts. Mr. Jacob stated that the Committee should be strategic about utilizing surcharge monies to pay for Board-approved current boat costs instead of using current financing that is currently at higher interest rates where possible.

Captain McIntyre also agreed about the need to possibly conduct a workshop so the Committee could work through budget and expenditure issues for the program. She also mentioned that the pilots were undertaking the process to sell the old P/V GOLDEN GATE, and that decisions will need to be made whether or not to use the boat sale proceeds to pay down the current 4% boat bank loan or to pay for future boat project costs, such as engineering costs, since it is likely that interest rates on future bank borrowing will likely be higher than the current 4% bank loan rate on the loan for the new P/V GOLDEN GATE.

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Assistant Director Millspaugh reiterated the importance of being mindful of the expenditure of funds such that expenditure authority is not lost. He stated that the \$2.5 million budget authority from last fiscal year needs to be fully disbursed by June 30, 2024, and given the P/V GOLDEN GATE disbursement the Board recently approved, along with six months of bank loan payments for the bank loan payments owed January to June 2024, there will still be about \$500,000 in unspent budget authority the end of next June that will be lost.

Deputy Secretary Cristia-Plant stated that the Board should look into two issues to ensure that there is no lost budget expenditure authority. First, she stated that the Board should determine if it can disburse Pilot Boat Surcharge monies in advance of a payment due on a bank loan, which would have the effect of lowering the total interest costs on the loan and final costs approved by the Board. Second, she stated that it is likely that it will be necessary to make interim disbursements on the new boats that are being designed to not lose any prior year budgetary authority, and that won't happen until the regulations are amended to allow for the Board to make interim final determinations on the new boats. The Committee and Board staff further discussed issues related to the timing of program expenditures and budgetary authority, and concluded that the issues discussed need further research.

MOTION: Captain McIntyre moved to recommend to the Board to not change the Pilot Boat Surcharge rate and to keep the surcharge rate at \$0.0200 per gross registered ton. Mr. Jacob seconded the motion.

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

ACTION: The motion was approved.

Chairperson Nyborg stated that he thought a workshop to discuss Pilot Boat Program issues would be helpful. Assistant Director Millspaugh stated that he will pass along to the Committee information regarding the SMIF issue and other disbursement information as soon as it is available. Captain McIntyre stated that after the first of the year she will have more information about the timing and costs of constructing the new boats. Mr. Jacob stated that it would be best to have the workshop sooner rather than later in the event that legislation is needed to resolve the program interest earnings issue.

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

The Committee agreed to schedule its next meeting via WebEx at 9:30 a.m. on Tuesday, February 27, 2023. The Committee agreed to conduct a Finance Committee workshop to

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discuss the Pilot Boat Program surcharge administration at 12:00 p.m. at the Board office on Thursday, January 25, 2024.

6. Adjournment.

There was no further discussion by the Committee.

MOTION: Captain McIntyre moved to adjourn the meeting. Mr. Jacob seconded the motion.
VOTE: YES: Nyborg, Jacob, and McIntyre.
NO: None.
ACTION: The motion was approved, and the meeting adjourned at 10:40 a.m.

Submitted by:



Allen Garfinkle
Executive Director

DRAFT