

<p><b>Meeting Date:</b>  February 27, 2024</p>	<p><b>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</b></p> <p><b>FINANCE COMMITTEE MEETING MINUTES</b></p>	<p><b>Page 1 of 9</b></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  
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 Captain Robert Carr, SFBP and  
BOPC Commissioner.

**OPEN MEETING**

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

Chair Nyborg called the meeting to order at 9:33 a.m. Licensing and Training Programs  
Manager Wong called the roll and confirmed a quorum.

**2. Approval of the minutes from the Committee meetings held on November 3, 2023, and  
January 25, 2024. (Chair Nyborg)**

Committee members were presented with the draft minutes from the meetings held on  
November 3, 2023, and January 25, 2024. Chair Nyborg requested two technical  
amendments to the November 3, 2024, draft minutes. There were no comments on the  
January 25, 2024, draft minutes.

**MOTION:** Mr. Jacob moved to approve the draft minutes from the meeting held on  
November 3, 2023, as amended. Chair Nyborg seconded the motion.

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

**ACTION:** The motion was approved.

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**MOTION:** Mr. Jacob moved to approve the draft minutes from the meeting held on January 25, 2024. Captain McIntyre 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.

**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 that he received fiscal information late from the California Highway Patrol (CHP), and that he and Deputy Secretary Cristia-Plant analyzed the data and felt comfortable sharing the Fiscal Year (FY) 2023-24 current information as of December 31, 2023, with the Committee.

Assistant Director Millspaugh reviewed the Board's fund condition statement and budgets for each of the Board's accounts. Deputy Secretary Cristia-Plant commented that the fund condition statement does not include December surcharge revenues that were deposited in the State Treasury in January 2024. Assistant Director Millspaugh then reviewed the Board's itemized budget and projected expenditures, along with the Board's itemized revenues, contracts and trainee stipends.

Chair Nyborg commented that the SFBP has provided services to trainees since the beginning of the fiscal year, but the non-competitive bid contract between the Board and SFBP did not officially commence until January 2024, and that he may in the future seek a remedy to the SFBP for the unpaid trainee costs.

Mr. Jacob reviewed the beginning and ending fund balances for each BOPC account, and queried if the projected \$1.5 million in costs for the upcoming information technology project were included in the Board's budget and projected Board Operations ending fund balance. Assistant Director Millspaugh confirmed that the upcoming information technology planning costs are included in this fiscal year's budget, and stated that the Board is projecting to issue a contract for an information technology modernization project manager before the end of the fiscal year, and the Board already has encumbered funds for a separate contract for the project with the California Department of Transportation. Deputy Secretary Cristia-Plant confirmed that once the approximately \$800,000 contract is executed with the information technology project manager, the Board will have the current fiscal year and two more fiscal years to spend the contract funds.

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Mr. Jacob expressed a concern about the Board Operations Fund projected ending fund balance that would be higher than projected if not all of the funds are spent or encumbered for the information technology project. Assistant Director Millspaugh and Deputy Secretary Cristia-Plant confirmed that there will likely be a surplus in the Board Operations Account as a Board staff position has yet to be filled so there will be salary savings, and that the Board may not spend all of the budget on the subject matter expert for the information technology modernization project since the project is late getting started.

Assistant Director Millspaugh also provided an explanation to the committee on the encumbrance and disencumber process related to contracts with the State, emphasizing encumbered funds are treated as spent and reflected as such in budget reporting. Mr. Jacob commented since the projected Board Operations fund balance is consistent with the fund balance at the start of the fiscal year, and given the discussion of the information technology modernization project, he is likely to propose to the Board no change to the Board Operations surcharge rate at the moment, but recommended that the Committee review the Board Operations fund balance at the next Committee meeting to possibly recommend to the Board to lower the surcharge rate if the Board Operations fund balance continues to grow.

Assistant Director Millspaugh also stated that surcharge schedules for this meeting were calculated using the actual surcharge data for July 2023 through January 2024 along with projections for the remainder of the fiscal year. He then presented analysis for 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 discussed the Board Operations surcharge analysis and budget for FY 2023-24, and noted that projected total Gross Pilotage revenues plus Temporary Transit Fees are approximately \$52 million for the fiscal year based upon the average of these two revenue streams for the first seven months of the fiscal year. He stated that the surcharge rate was increased to 6.5% beginning on October 1, 2023, and if left in place for the remainder of the fiscal year, he projected the Board Operations Surcharge would generate approximately \$3 million in revenue 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 and a projected fiscal year end fund balance of approximately \$2.2 million.

Captain McIntyre confirmed that averaging the first seven months of gross pilotage revenue for the remainder of the fiscal year is a fair estimate for the projected Board Operations surcharge revenue calculation. Deputy Secretary Cristia-Plant reminded the Committee that if the contracts for the information technology modernization project are

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not in place by the end of the fiscal year, the budgetary resources for this project are no longer available to the Board.

Mr. Jacob stated that he would like to ensure that there is funding available for a one-time information technology modernization project, but if the Board is close to being on track to what is reported on the surcharge analysis, he believes the Board Operations surcharge is due for a correction in the future. Deputy Secretary Cristia-Plant agreed and stated that it would be expected that this surcharge rate could be reduced in the future as shipping activity continues to increase and return to normal. Captain McIntyre agreed with Mr. Jacob there will be more clarity of the information technology project and the Board Operations fund balance by the next Committee meeting and that the Committee could potentially recommend a rate adjustment to the Board then.

**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)**

Assistant Director Millspaugh discussed the Pilot Continuing Education Surcharge analysis and the budget for FY 2023-24. Deputy Secretary Cristia-Plant explained that the moves were averaged for the first seven months of the fiscal year, and this average was used to project the moves for the remainder of the fiscal year. Captain McIntyre confirmed that 7700 moves for the fiscal year is a good estimate for the fiscal year and as a new average going forward with the increasing ship size and increased river moves, and that she did not think moves would return to the 8800 moves experienced prior to the pandemic.

Mr. Jacob stated that the surcharge analysis reflects the fiscal year end fund balance will be approximately the same as the fund balance at the beginning of the fiscal year, and noted that this surcharge rate was recently reduced to \$50/move, and that he is inclined to not recommend a change to the surcharge rate at this time. Captain McIntyre stated that she is in agreement with not changing the Pilot Continuing Education Surcharge rate, and noted there are very few pilots needing training, so the continuing education travel costs may be lower this fiscal year, and the budget can be analyzed at the next Committee meeting to understand if any changes to the surcharge rate are needed at that time.

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**MOTION:** Mr. Jacob moved to recommend to the Board to not change the Pilot Continuing Education Surcharge rate and to keep the rate at \$50/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 \$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)**

Assistant Director Millspaugh discussed the Trainee Training Surcharge analysis and the budget for FY 2023-24. He noted that the fund balance is projected at approximately \$1.6 million at the end of the fiscal year, but the Committee may wish to wait until the next Committee meeting to consider adjusting this surcharge rate.

**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)**

Assistant Director Millspaugh discussed the Pilot Boat Surcharge analysis and the budget for FY 2023-24. He noted that the beginning fund balance of \$2.652 million, out of which the authorization for disbursement of funds for the P/V Golden Gate was made and that the budget for this fiscal year is \$5 million. He further noted, the Board made authorization for disbursements for costs toward bank loan payments, however he does not anticipate the Board will disburse up to the maximum budgetary authority for this fiscal year. Captain McIntyre stated that the SFBP may be in a position to request a final interim authorization for funding in the approximate amount of \$700,000 for boat design and engineering costs for additional new pilot boats this fiscal year. Assistant Director Millspaugh stated that the Pilot Boat Program regulation amendments will need to be

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finalized prior to the Board approving any interim final resolutions for new pilot boat costs.

Deputy Secretary Cristia-Plant stated that the Board has collected \$4.2 million in Pilot Boat Surcharge funds the first seven months of this fiscal year, and that the \$2.652 million beginning fund balance does not include interest earnings of about \$10,000 from last fiscal year. She noted that with a \$5 million annual budget, the fund balance will far exceed the budgetary authority for this fiscal year at the current surcharge rate.

Captain McIntyre confirmed that using an average of the tonnage for the first seven months to project the tonnage for the remainder of the fiscal year is acceptable given the lower overall traffic in the winter months and higher traffic in the spring months with the cruise ship activity.

Mr. Jacob stated that he is not inclined to change this surcharge rate at this time. He commented that normally the Committee, given the revenues stated may advocate for lowering surcharge rates, but stated the Pilot Boat Surcharge rate is designed unlike other Board surcharges in that the goal is to collect Pilot Boat Surcharge money consistently over time so there is sufficient funding on hand to avoid paying for substantial future financing costs when pilot boats are completed. He commented the Board already slightly reduced this surcharge rate, and the collections are still exceeding the \$5 million budget amount, but he is still inclined to recommend the surcharge rate remain the same. Captain McIntyre stated that she agreed with Mr. Jacob's comments.

Chair Nyborg commented the interest earnings on the fund are growing to be substantial. Both he, Mr. Jacob and Captain McIntyre stated that it is a bonus that these earnings will finance future program expenditures.

**MOTION:** Mr. Jacob 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. Captain McIntyre seconded the motion.

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

ABSTAIN: None.

**ACTION:** The motion was approved.

**5. Discussion regarding Pilot Boat Program expenditure authority and the allocation of interest earned on moneys in the Pilot Boat Surcharge Account. (Assistant Director Millspaugh)**

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There was a general discussion of the issues facing the Pilot Boat Program by Board staff and the Committee members. One issue that was identified is the difficulty of allocating SMIF interest earnings to the Pilot Boat Program as required in statutes. Another issue involves multi-year budgetary authority.

In regard to the SMIF interest allocation issue, Assistant Director Millspaugh explained that currently the Board has one fund in the State Treasury, that any allocation of SMIF earnings on funds in the state Treasury needs to be separately calculated by hand, and that both the State Controller's Office (SCO) and the CHP staff report they do not have the staffing resources to do this interest earnings apportionment. He stated that the Department of Finance (DOF) has confirmed that the Board's fund that was established in the 1950's and does not allow for the creation of sub-funds, but that DOF is willing to create a new Board fund in the State Treasury that does allow for the creation of sub funds, and that SMIF earnings would then be automatically calculated and allocated to this sub fund as appropriate. He stated that he is hoping to finalize the sub fund issue in the next quarter.

Captain McIntyre expressed it may be desirable for the Board to have the ability to create sub funds in the event that there are new Board programs created in the future that should be accounted for separately, including the allocation of respective interest earnings. Deputy Secretary Cristia-Plant stated that the process in which CHP is currently allocating SMIF interest earnings to the Board Operations and as statutorily required to the Pilot Boat Program is unfair to the Pilot Boat Program given that the Pilot Boat Program budget far exceeds the Board's normal operating budget. She agreed with Captain McIntyre that it might be a lot of work in the short term to create a new Board fund in the State Treasury that allows for the creation of sub funds, and it may be also worth inquiring if sub funds can be created for the Trainee Training Program and the Continuing Education Program since it may be easier for CHP to separately track moneys in these programs as well.

Mr. Jacob commented that when discussing the legislation for the Pilot Boat Program with DOF, stakeholders were advised not to create a separate fund for the Pilot Boat Program, but that a sub fund was the appropriate fiscal vehicle to for the new program.

The second issue discussed related to the Pilot Boat Program involves DOF's recent conclusion that budgetary authority to expend Pilot Boat funds does not carry over from one fiscal year to the following fiscal year, and program expenditures are limited to no more than a fiscal year's authority as currently set in statute. Mr. Jacob stated that stakeholders will meet with DOF staff in the near future to resolve this issue, and hopefully clarifying legislation can be enacted with next year's State budget.

Chair Nyborg commented that the Pilot Boat Program was established as a long-term program to replace many pilot boats, and that these program issues need to be resolved for the long-term viability of the program.

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**6. Discussion of Pilot Boat Maintenance Surcharge collection in fiscal year 2023-24. This surcharge expired of its own accord in December 2022. (Assistant Director Millspaugh/San Francisco Bar Pilots Business Director Captain McIntyre)**

Deputy Director Millspaugh and Deputy Secretary Cristia-Plant discussed there were discrepancies between the monthly Pilot Boat Maintenance Surcharge summary reports submitted to the Board and the SFBP's general ledger, and it appears from monthly summary reports submitted since that the SFBP is still collecting on billings from the end of 2022.

Captain McIntyre confirmed that the recently submitted monthly summary reports are reflecting the collection of late billings. Captain McIntyre stated that the Coast Guard had difficulty with their accounting system that has caused delayed payment as well as a couple of other customers did not pay their bills in a timely manner. She commented she still stands by her prior statement that the SFBP's general ledger is more accurate than the monthly summary reports submitted to the Board. She stated that she will review the SFBP's accounting data and either the Committee can review this surcharge activity at the next Committee meeting, or she will report back to Assistant Director Millspaugh in the interim.

Deputy Secretary Cristia-Plant reported that the issue with this surcharge is being discussed now since it will come up during an audit. Captain McIntyre agreed that it is good to provide updated surcharge documentation to the BOPC since as time passes it is difficult to go back and determine past fiscal activity, and also confirmed that the Coast Guard appears to be the only customer who has yet to reimburse the SFBP from billings that occurred in 2021 and 2022.

**7. Comments from the public and Committee members on matters not on the agenda. (Chairperson Nyborg)**

There were no comments from the public or the Committee members on matters not on the agenda.

**8. 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, May 21, 2024.



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## 9. 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 was adjourned at 11:34 a.m.

Submitted by:



Allen Garfinkle  
Executive Director

DRAFT