

<p>Meeting Date: September 11, 2024</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 9</p>
---	---	---------------------------

ATTENDANCE

Committee Members Present:

Captain Einar Nyborg, Commissioner, Committee Chairperson
Mike Jacob, President, 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
Mari McNeill, Board Administrative Coordinator
Greg Shepherd, Records Management and Program Support Coordinator

Public:

Captain John Carlier, SFBP President and Port Agent
Roma Cristia-Plant, Former Board Assistant Director
Kevin Baldwin, SFBP General Counsel

OPEN MEETING

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

Chair Nyborg called the meeting to order at 1:03 p.m. Board Administrative Coordinator McNeill called the roll and confirmed a quorum.

2. Approval of the minutes from the Committee meeting held on May 21, 2024. (Chairperson Nyborg)

Committee members were presented with the draft minutes from the Finance Committee meeting held on May 21, 2024.

MOTION: Committee member McIntyre moved to approve the draft minutes from the meeting held on May 21, 2024, as amended. Committee member Jacob seconded the motion.

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

ACTION: The motion was approved.

<p>Meeting Date: September 11, 2024</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 2 of 9</p>
---	---	---------------------------

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

None.

4. Update and discussion on Gartner’s preliminary cost estimates for the Information Technology Modernization Project (ITMP). (Assistant Director Millspaugh)

Assistant Director Millspaugh reported that Board staff have worked with Gartner Inc. (Gartner), the Board’s contracted Project Approval Lifecycle (PAL) project manager, since May 2024. Current efforts are focused on determining requirements and market research needed for PAL in support of the ITMP. Gartner estimated the solutions they are working to identify may have higher costs than initially estimated in 2023. Although they will not be ready to identify specific estimates until December 2024, they did provide a general estimate of \$3-10 million. This increase in potential expenses is due to the additional details Gartner confirmed through meetings with Board staff regarding the core operations of the Board, budgets, and finance. Gartner may identify lower cost solutions, such as a SharePoint based system, and higher end solutions, such as a Salesforce solution. The hope is to utilize a lower end solution, but Board staff will have to wait an additional 3-5 months to receive all the data needed to confirm the preferred solution.

Mr. Jacob requested that Assistant Director Millspaugh request a scenario from Gartner that was within the Board’s current budget authority.

Captain McIntyre added that, although the project may be able to be split over several fiscal years, the total project budget seemed too high to manage up to sixty licensees and she suggested scaling back the project. Captain McIntyre also proposed project cost sharing with partner agencies, such as the State Controller’s Office (SCO) or California State Transportation Agency (CalSTA) because the regulatory burden has significantly grown over the years.

Assistant Director Millspaugh stated the Board would need to be given specific exemptions on processes mandated by control agencies such as the Department of General Services (DGS) and SCO to reduce the burden of operational requirements. Board staff can investigate other ways to reduce this burden, for example, utilizing a shared portal where information could be shared, but it is unclear how much, if any, cost sharing would be appropriate.

Executive Director Garfinkle stated he didn’t think it would be feasible for the ITMP acquisition to stay within the existing budget authority, even if it was the original estimate of \$400,000, the Board would still have to generate a Budget Change Proposal (BCP). Assistant Director Millspaugh agreed, adding that efforts to raise the capitol needed to support some of the more comprehensive ITMP solutions might push the limits of the current 7.5% surcharge limit set by statute. Executive Director Garfinkle explained the details and quote are preliminary estimates that have not been confirmed yet; further analysis is still needed.

<p>Meeting Date: September 11, 2024</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 3 of 9</p>
---	---	---------------------------

Mr. Jacob stated, if it's helpful toward requesting additional options, Board staff should inform Gartner that rate payers are extremely adverse toward legislative changes to increase surcharges and, considering the small amount of licensing work that needs to occur, program management overhead does not need to be excessive. Mr. Jacob further stated the PMSA still supports this project and the potential efficiencies, but Board staff need to emphasize to Gartner that there is not unlimited funding and Board staff need work with Gartner to achieve an affordable solution.

Assistant Director Millspaugh stated that he communicated to Gartner that the Board does have funding limitations and must operate within set parameters. Gartner is working through their process to research the options available and to find the most reasonable options. Mr. Jacob stated it is important to focus on the most viable options. Gartner needs to do the work to justify their proposed solutions and not just put the responsibility on Board staff.

Executive Director Garfinkle reported that Gartner has already provided significant value from this project, particularly with the work strengthening our succession planning. Executive Director Garfinkle and Assistant Director Millspaugh assured the committee that Gartner will only detail potential solutions and the related costs but will not supply or be connected to the implementation of the solution, so there is no reason for them to inflate the quotes.

5. 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.

a) Discuss and receive feedback on new Finance Committee report format. (Assistant Director Millspaugh)

Finance Committee members agreed to Assistant Director Millspaugh's request to change the format for future Finance Committee documents to match the iPad compatible format used for the August 22, 2024, Board meeting documents, combining all documents for each meeting into one Portable Document Format (PDF). Captain McIntyre stated, regardless of whether using them for a remote or in-person meeting, she liked the hyperlinks in one document.

b) Review Board Operations Surcharge rate (currently at 5.5% of all pilotage fees, effective July 1, 2024), 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 reported the attachment corresponding to agenda item 5b:

- The attachment includes the number of moves through June 2024 and additional sensitivity analysis.

<p>Meeting Date: September 11, 2024</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 4 of 9</p>
---	---	---------------------------

- Board staff received all financial monthly (FM) reports from California Highway Patrol (CHP) for Fiscal Year (FY) 23/24 but have not yet received the report for July 2024.
- The analysis excludes the surcharge rate changes voted in to be effective July 1, 2024; because the analysis only focused on FY 23/24.
- The analysis reflects the budget savings from FY 23/24 corresponding to:
 - Unspent funds for two open positions during a majority of FY 23/24,
 - Unspent funds towards ITMP/PAL consulting, and
 - Minimal funds spent in FY 23/24 on the California Department of Transportation (Caltrans) contract related to the PAL process (for the ITMP) as the project started in May 2024.
 - The budget for FY 24/25 is \$2.353 million.
- At this time a rate adjustment is not needed, but it may need to be adjusted in the future for the ITMP costs. If the Finance Committee desired to get ahead of costs ITMP related costs, they could adjust the surcharge toward anticipated ITMP solution expenditures in FY 25/26.

Captain McIntyre stated that the Finance Committee should wait to hear Gartner’s official estimate before deciding if the fund should be raised. Executive Director Garfinkle stated that the surcharge was just lowered July 1, 2024. He also noted that the budget authority is a little more than the current fund, but it is very close.

MOTION: Mr. Jacob moved to not change the Board Operations Surcharge rate and keep the rate at 5.5.% of all pilotage revenue in place since July 1, 2024. Captain McIntyre seconded the motion.

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

ACTION: The motion was approved.

- c) Review Pilot Continuing Education Surcharge rate (currently at \$35/move, effective July 1, 2024), 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 stated that the baseline comparison amount used has been around 670-680 moves per month.

Captain McIntyre stated that it is unclear if the November 2024 California State University Maritime Academy (CMA) training session will be held so it would be better

<p>Meeting Date: September 11, 2024</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 5 of 9</p>
---	---	---------------------------

to not change anything until the details are confirmed. Assistant Director Millspaugh agreed that there have not been any updates from CMA regarding the fall training, and it is unclear how many people will be able to attend a June 2025 training. Chair Nyborg stated there would not be enough time to hold a fall training so it should be held over to Spring 2025 and adjusting the surcharge at this time is not warranted. Executive Director Garfinkle agreed with Chair Nyborg's analysis.

MOTION: Chair Nyborg moved to recommend to the Board to not change the Pilot Continuing Education Surcharge rate and to keep the rate at \$35/move in place since July 1, 2024. Mr. Jacob seconded the motion.

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

ACTION: The motion was approved.

d) Review Trainee Training Surcharge rate (currently at \$10/trainee/move, effective July 1, 2024), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Trainee Training Surcharge rate, if warranted. (Assistant Director Millspaugh)

Chair Carr stated the Board recently lost a trainee. Executive Director Garfinkle stated he intended to recommend to the Board on September 26, 2024, that the Board approve two additional trainees for the Pilot Trainee Program. Chair Carr and Captain McIntyre agreed that Executive Director Garfinkle's idea was worth discussing at the Board meeting. Executive Director Garfinkle added that the earliest a new trainee could be added would be October 1, 2024.

MOTION: Captain McIntyre moved to recommend to the Board to not change the Trainee Training Surcharge rate and to keep the surcharge rate at \$10/trainee/move. Mr. Jacob seconded the motion.

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

ACTION: The motion was approved.

e) Review Pilot Boat Surcharge rate (currently at \$0.021 per gross registered ton effective July 1, 2024), 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 reported the pilot boat funds remained on track. The attachment corresponding to agenda item 5e only included information up through June 30, 2024. After June 30, 2024, the rate was slightly increased. He stated that the budget authority, per statute, is \$5 million per year for FY 23/24 and FY 24/25. All

<p>Meeting Date: September 11, 2024</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 6 of 9</p>
---	---	---------------------------

expenses incurred to date. Adjustments will be made if the changes to the pilot boat fund expenditure authority are approved via legislation (SB 295). The projected fund balance is over \$9 million.

Executive Director Garfinkle reported that the public comment period for the updated pilot boat regulations closes on September 13, 2024. The intent of the SFBP to submit a comment has been noted. Board staff plan to schedule a Joint Pilot Boat Advisory Committee and Finance Committee meeting to review comments and make language changes as necessary. If a language change is needed, then another comment period of 15 days may be opened.

Captain McIntyre stated that SFBP appreciates the work Board staff has done to move the regulation package forward. She added that she did not think the surcharge needed to be changed. Mr. Jacob agreed and noted the rate was changed July 1, 2024. Captain McIntyre added that the first new pilot boat would not be built until the money becomes available, so it is advisable to continue to build the fund.

MOTION: Committee member Jacob moved to recommend to the Board to not change the Pilot Boat Surcharge rate and to keep the surcharge rate at \$0.021 per gross registered ton. Committee member McIntyre seconded the motion.

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

ABSTAIN: None.

ACTION: The motion was approved.

6. Pilot Boat Program (Board Staff and Committee Members)

a) Discussion regarding possible amendments to Pilot Boat Program statute.

Assistant Director Millspaugh reported Senate Bill (SB) 295 is on the Governor's desk and Assembly Bill (AB) 1296 has yet to reach the Governor's desk. The Governor has until September 30, 2024, to act on bills. Board staff will provide an update, by September 30, 2024, at the latest.

b) Discussion regarding status of and project timeline for future pilot boat design and construction, vessel build timelines, and related reimbursement for costs.

Captain McIntyre reported there were no updates. The SFBP will continue to wait for the outcome of the legislation (SB 295 and AB 1296) and will not begin construction of new pilot boats until the Pilot Boat Fund has the funds available. Once there is sufficient money in the fund and an official decision regarding the legislation, SFBP will commence the start of boat builds. The SFBP will continue to submit the California Air Resources Board (CARB) extension requests and to operate the current station pilot boat

<p>Meeting Date: September 11, 2024</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 7 of 9</p>
---	---	---------------------------

fleet, but it is uncertain if the extensions will be granted. Even if extensions are granted, it is uncertain if the extensions will be approved for the full timeframe for all station boats. The SFBP has done the pre-engineering and has reached out to the various shipyards. They will need a construction timeline from the shipyards, and still need to release a request for bids.

c) Discussion regarding current Pilot Boat Program expenditure authority, status of Pilot Boat Program specific fund and the allocation of interest earned on moneys in the Pilot Boat Surcharge Account.

Assistant Director Millspaugh reported that if SB 295 does not pass then there will need to be a discussion on what to do with existing authority. The hope is for the authority to encompass the whole fund. CHP anticipates generating the exact figures by the next Finance meeting. Depending on the Governor's action, this will either be included in the Board meeting agenda under the legislative updates or a separate agenda item. Mr. Jacob suggested creating a placeholder on the Board meeting agenda to have the Board act based on the feedback received. Captain McIntyre and Executive Director Garfinkle agreed. Finance Committee members discussed appropriate actions to encourage the Governor to sign the bill, beyond the report the Board currently submits advising the Governor, and determined they would leave an agenda item placeholder for the issue.

d) Discussion regarding the proposed Pilot Boat Program regulations.

Assistant Director Millspaugh reported that the proposed regulations will remain in the public comment period, awaiting further comment, until September 13, 2024. If the public comments result in significant changes, then will have to open for another 15-day comment period. If not, they can move forward to the Office of Administrative Law for final review.

7. Review of the pilotage and surcharge audit report for the 2021 calendar year, dated July 24, 2024, prepared by the State Controller's Office (SCO) under contract with the Board (Executive Director Garfinkle/Assistant Director Millspaugh)

Executive Director Garfinkle reported that SCO finished the 2021 audit. Per page 13 of their report, SCO found Navtech expenses were underreported by \$10,078.00. No actions were taken by SCO other than submitting this finding to the Board. Assistant Director Millspaugh explained this audit was implemented as a best practice, but not required by statute or regulation.

Mr. Jacob noted that the upshot of underreporting their expenses is avoiding an overcollection of surcharges. It is preferable to err on the side of caution and have the SFBP spend more than requested from the state, instead of finding the state was overcharged.

Meeting Date: September 11, 2024	Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111 FINANCE COMMITTEE MEETING MINUTES	Page 8 of 9
---	--	--------------------

8. Discussion and possible action on recommendation to the Board President regarding appointing a new member of the Finance Committee to succeed Chairperson Nyborg, whose term ends on December 31, 2024. (Assistant Director Millsbaugh)

Executive Director Garfinkle reported that Board member Sam Rodriguez volunteered to join the Finance Committee and Board President Karen Tynan reported that she would appoint Commissioner Rodriguez to the Finance Committee at the Board meeting on September 26, 2024. Executive Director Garfinkle proposed selecting a new chair at the Finance Committee meeting on November 4, 2024. Chair Nyborg agreed. The committee discussed potentially appointing Commissioner Rodriguez as the next chair.

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

Chair Nyborg thanked the Committee and Board staff for their support and patience.

10. Schedule the next Committee meeting, and proposals for the next Committee meeting agenda. (Chairperson Nyborg)

Committee members agreed to schedule the next Finance Committee meeting on Monday, November 4, 2024, at 1:00 p.m. via Webex.

11. Adjournment.

Chair Nyborg adjourned the meeting at 2:16 p.m.

Submitted by:



Allen Garfinkle
Executive Director

<p>Meeting Date: September 11, 2024</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 9 of 9</p>
---	---	---------------------------

ACRONYM INDEX

Acronyms / Abbreviations	Definition
AB	Assembly Bill
AGPA	Associate Governmental Program Analyst
BCP	Budget Change Proposal
BOPC/Board	Board of Pilot Commissioners
CA	California
CalSTA	California State Transportation Agency
Caltrans	California Department of Transportation
CARB	California Air Resources Board
CHP	California Highway Patrol
CMA	California State University Maritime Academy / California Maritime Academy / Cal Maritime
COVID-19	Coronavirus Infectious Disease
DGS	Department of General Services
FM	Financial Monthly (report)
FY	Fiscal Year (a Fiscal Year is July-June, instead of a calendar year of January-December)
ITMP	Information Technology Modernization Project
PAL	Project Approval Lifecycle
PDF	Portable Document Format
PMSA	Pacific Merchant Shipping Association
RA	Retired Annuitant
SB	Senate Bill
SCO	State Controller's Office
SFBP	San Francisco Bar Pilots

This and other documents for this meeting can be found on the Board's website
www.bopc.ca.gov.

