

<p>Meeting Date: November 4, 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 8</p>
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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)
Sam Rodriguez, Commissioner

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
Roma Cristia-Plant, Consultant to the Board (by phone)

Public:

Captain John Carlier, SFBP President and Port Agent
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 September 11, 2024. (Chairperson Nyborg)

Committee members were presented with the draft minutes from the Finance Committee meeting held on September 11, 2024. Chair Nyborg requested a minor edit.

MOTION: Chair Nyborg moved to approve the draft minutes from the September 11, 2024, meeting, as amended. Committee member 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.

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 Gartner quoted an updated estimate of \$1.5-2.5 million (previously quoted up to \$5-10 million) for the solution. The decrease in estimated costs was due to Gartner’s additional market research and a narrowed scope focusing on the core areas of document management, licensing, and possibly fiscal management. The project is currently at Project Approval Lifecycle (PAL) Stage 2. Gartner’s market research process will continue, and further updates will be reported as additional information becomes available.

Committee member Rodriguez joined the meeting during the discussion of agenda item 4.

Assistant Director Millspaugh also noted the following regarding the ITMP:

- Board staff have informed the California Department of Technology (CDT) liaison about the ITMP, however most correspondence with CDT will start after the PAL Stage 2 documents are submitted to CDT for review.
- Most state when engaging the PAL process are reviewing solution alternatives for a given program or a specific issue, in the Board’s case the ITMP’s initial aim was a solution to impact a vast majority of business processes across Board programs.
- To proceed with the ITMP solution acquisition, approval from the Board will need to be obtained, and budget authority for the solution will need to be approved by the Department of Finance (DOF), [via the Budget Change Proposal process].
- Board staff will compile a timeline of ITMP related tasks that have been completed to date, and tasks to be completed through the current fiscal year.

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.

Assistant Director Millspaugh summarized the attachment for agenda item 5, detailing revenue expenditures, projections, and minor corrections, including:

- The narrow margin between current and expected expenditures and the current year budget authority for the Board Operations fund. Board staff will closely monitor the fund expenditures (actual compared to projected).
- Figures presented represent to-date expenditures to the extent possible from the data received from the California Highway Patrol, but not all figures were available prior to

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compiling the report, and Board staff anticipate adjustments will be needed for salary, retirement, and possibly the 8% state-wide reductions (dependent on the approval of the exemption request submitted to DOF).

- Senate Bill 295 passed in September 2024, amending Harbors and Navigation Code section 1159.1, to expand the authority of the Board to expend funds from the Board’s Special Fund for pilot boats. Effective January 1, 2025, the Board will no longer have annual spending limits on the fund, making all dollars in the fund available for expenditure.
 - Reviewed status of pilot boat funds including accumulated interest. The pilot boat fund now has a separate fund, allowing the State Controller’s Office to accurately calculate interest owed to the pilot boat fund.
- a) 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 summarized the attachment for agenda item 5, pages 2-8. Committee members discussed rate changes to account for the current projections and an anticipated drop in [ship] moves. Committee members also compared the fund balance projections against prior year fund actuals and rate changes.

MOTION: Committee member Jacob moved to recommend to the Board to change the Board Operations Surcharge rate from 5.5.% to 5.75% of all pilotage revenue, effective January 1, 2025. Committee member McIntyre seconded the motion.

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

ACTION: The motion was approved.

- b) 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 summarized the attachment for agenda item 5, pages 9-11.

The Committee reviewed changes that impacted Continuing Education funds, including:

- Chair Nyborg noted two issues that effected the fund balance for Continuing Education: The Board cancelled one class at the California State University Maritime

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Academy (CMA) in 2024 [moved to early 2025] and reduced the classes normally held at Port Revel to one class for 2024 [normally two classes per year].

- Committee member Jacob stated that the one-time reduction in the number of trainings held (some of the trainings for FY 24/25 were cancelled) would not balance out the overall long-term planning regarding funds needed. The surcharge rate of \$35 [previously \$55 per move] was set at the lower rate to address excess funds in the Continuing Education Fund, with the expectation to increase the rate as appropriate. As excess funds have been adequately expended, the Committee discussed increasing the surcharge rate, noting that increasing the amount in January 2025 would provide one year of budget authority in the fund and allow the Board to avoid steep fluctuations in the rate in the future.

MOTION: Chair Nyborg moved to recommend to the Board to change the Pilot Continuing Education Surcharge rate from \$35 per move to \$45 per move, effective January 1, 2025. Committee member Jacob seconded the motion.

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

ACTION: The motion was approved.

- c) **Review the 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 Nyborg explained that this surcharge provides \$10 per move made, regardless of if a trainee is onboard the vessel.

Assistant Director Millspaugh summarized the attachment for Agenda item 5, page 12, detailing the number of trainees in the program since the start of the fiscal year and the projected surcharge total. He further reported Board staff will submit a request to DOF to for \$400,000 in fiscal authority, effective July 1, 2025, for the pilot trainee exam. Historically, the exam costs have been approximately \$225,000 to \$250,000 but anticipated costs for the next exam are projected to be above \$300,000.

In anticipation of the increased exam costs, Committee members discussed an increase in the surcharge.

MOTION: Committee member McIntyre moved to recommend to the Board to change the Trainee Training Surcharge rate from \$10 per trainee per move to \$20 per trainee per move, effective January 1, 2025 (in anticipation of exam costs and inflation). Committee member

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VOTE: Rodriguez seconded the motion.
YES: Nyborg, Jacob, McIntyre, and Rodriguez.
NO: None.
ABSTAIN: None.

ACTION: The motion was approved.

d) 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 summarized the attachment for agenda item 5, pages 15-17. Highlighted details included:

- The balance of the Pilot Boat Program Fund as of September 30, 2024, was \$9,105,010.
- The projected amount at the end of FY 24/25 is anticipated to be \$13,376,447. This projection accounts for the authorized pilot boat loan payments for the year but excludes other expenditures that may be applied to the fund (such as the \$900,000 in pre-engineering costs expended for the next boat build).

Committee member McIntyre reported future boat builds and related financial decisions would be based, at least in part, on the California Air Resources Board (CARB)'s response to SFPB's application for extensions [related to the new CARB regulations for harbor craft emissions], which the SFBP had not yet received. Captain McIntyre reported that the SFBP's current plan for the next pilot boat build includes completing the design in January 2025, and contracting with a shipyard by July 2025; some of these expenditures would most likely apply to FY 25/26. These dates may change depending on CARB's response to the exemption request and new technology that may become available, affecting vessel design.

Committee members discussed variables, interest, and uncertainty related financing boat builds.

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, McIntyre, and Rodriguez.
NO: None.
ABSTAIN: None.

ACTION: The motion was approved.

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Chair Nyborg observed that the budget authority remains at \$5 million. Assistant Director Millspaugh stated the passage of SB 295 will change the budget authority, effective January 1, 2025, so all available funds can be expended. Assistant Director Millspaugh stated he would reach out to DOF to ensure the smooth transition to the new budget authority.

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

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

Committee member McIntyre summarized the current status of the SFBP’s CARB extension application related to CARB harbor craft emissions regulations affecting current pilot boats in use. Committee members supported the recommendation from the October 28, 2024, Joint Pilot Boat Advisory Committee & Finance meeting for the Board to write a letter to Governor Gavin Newsom in support of the extension.

b) Discussion regarding the proposed Pilot Boat Program regulations.

Executive Director Garfinkle stated that the Board will vote on the proposed pilot boat regulations during the November 14, 2024, Board meeting. If approved, Board staff will work with the Office of Administrative Law with goal that they be effective by January 1, 2025.

7. Discussion and possible appointment of a new committee chair. (Chair Nyborg).

Chair Nyborg stated his tenure would end at the end of 2024 and recommended electing a new chair. Noting it is preferable to have neither a industry member nor a pilot as committee chair, Committee member Rodriguez, as a public member of the Board, was recommended as the next committee chair. Per Committee member Rodriguez’s request, Board staff agreed to provide training prior to the official transfer of authority and confirmed Chair Nyborg would continue as chair until February 2025. Committee members agreed to having the chair election be the first action item for the next Finance meeting, in February 2025.

Chair Nyborg elected to discuss the date for the next finance meeting, so the Committee discussed agenda item 9 prior to agenda item 8.

9. 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 for Tuesday February 11, 2025, 1:00 p.m. via Webex.

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

Committee members thanked Chair Nyborg for his service and requested Board staff distribute reports in both Excel and Portable Document Format (PDF) versions to the committee members to allow for analysis during meeting. Board staff agreed to post PDF of data and share duplicate in Excel with committee members.

Agenda item 9 was addressed prior to agenda item 8.

10. Adjournment.

Chair Nyborg adjourned the meeting at 2:59 p.m.

Submitted by:



Allen Garfinkle
Executive Director

DRAFT

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ACRONYM INDEX

Acronyms / Abbreviations	Definition
BCP	Budget Change Proposal
BOPC/Board	Board of Pilot Commissioners
CA	California
Cal Poly	California Polytechnic State University
CARB	California Air Resources Board
CDT	California Department of Technology
CHP	California Highway Patrol
CMA	California State University Maritime Academy / California Maritime Academy / Cal Maritime
DOF	Department of Finance
FY	Fiscal Year (a Fiscal Year is July-June, instead of a calendar year of January-December)
HNC	Harbors and Navigation Code
ITMP	Information Technology Modernization Project
PAL	Project Approval Lifecycle
PDF	Portable Document Format
PMSA	Pacific Merchant Shipping Association
RFP	Request for Proposals
SB	Senate Bill
SFBP	San Francisco Bar Pilots

This and other documents for this meeting can be found on the Board's website
<https://bopc.ca.gov/finance/>.

