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ATTENDANCE

Committee Members Present via Webex:

Captain Einar Nyborg, Commissioner, Committee Chairperson
Sam Rodriguez, Commissioner
Mike Jacob, President, Pacific Merchant Shipping Association (PMSA)
Captain Anne McIntyre, Business Director, San Francisco Bar Pilots (SFBP)

Committee Members Absent:

None.

Staff Present via Webex:

Allen Garfinkle, Executive Director
Matthew Millspaugh, Assistant Director
Mari McNeill, Board Administrative Coordinator
Greg Shepherd, Records Management and Program Support Coordinator
Roma Cristia-Plant, Consultant to the Board

Public Via Webex:

Captain John Carlier, SFBP President and Port Agent
Kevin Baldwin, SFBP General Counsel

OPEN MEETING

1. Call to Order and Roll Call. (Chairperson 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. Discussion and possible selection of a new Finance Committee chairperson to replace Captain Einar Nyborg. Possible Committee action to select a new Finance Committee chairperson.

MOTION: Chair Nyborg moved to elect Commissioner Rodriguez as the new Finance Committee chairperson. Committee Member Jacob seconded the motion.

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

ABSTAIN: None.

ACTION: The motion was approved.

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**3. Approval of the minutes from the Committee meeting held on November 4, 2024.
Possible Committee action to approve minutes from the Finance Committee meeting
held on November 4, 2024. (Chairperson)**

Committee Members were presented with the draft minutes from the Finance Committee meeting held on November 4, 2024. Committee Member Nyborg requested a footnote be added to the minutes to clarify what the Information Technology Modernization Project (ITMP) solution cost estimate would include.

MOTION: Committee Member Jacob moved to approve the draft minutes from the November 4, 2024, meeting, as amended. Committee Member McIntyre seconded the motion.

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

ACTION: The motion was approved.

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

None.

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

Assistant Director Millspaugh reported that, since the December 2024 Board meeting at which Gartner presented an updated project scope and progress to the Board:

- Project requirements have been categorized as either mandatory or desirable. Mandatory project requirements are focused on core Board activities including licensing, pilot support, trainees, trainee program support, document management, and other connected requirements. Although desirable components are still identified in the bid solution, the parameters for mandatory components were tightened to reduce the projected costs to \$1.5 - \$2.5 million (previously estimated at \$5-10 million to include the entirety of Board needs and customized ITMP solution).
- Board staff anticipate going to bid and entering into a new agreement in the summer of Fiscal Year (FY) 25/26.
- Board staff can provide a high-level cost breakdown, including costs corresponding to the solution, Caltrans implementation support, and licensing costs.
- Gartner has advised Board staff that the projected costs of \$1.5 - \$2.5 million is the minimum cost anticipated but the project will likely be closer to \$2.5 million to purchase and implement.

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- To fund the ITMP, Board staff estimate that it will be necessary to utilize the Board's Special Fund for Operations (0290), in the range of \$1.5 million, depending on final project costs.
- The remaining ITMP costs would need to be funded by ongoing Board Operations surcharges, most likely requiring an increase in the Board Operations surcharge rate.
- Once ITMP sufficient funds have been raised to cover the costs of the project, funds raised by the surcharge increase would be used to return the Board's Special Fund (0290) to its pre-ITMP drawdown balance, which is equal to approximately one year of Board operating costs.
- The contractual budget would be over two fiscal years, and the project invoices will be paid against a time-bound, deliverable based agreement.

To minimize the industry impact, Committee Member McIntyre suggested waiting for more firm details, regarding funds needed, prior to adjusting the surcharge rate. Committee Members agreed to continue the discussion after reviewing the fund condition corresponding to agenda item 6(a).

6. 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 fund condition statement, noting that the report was updated to show the Board's two funds:

- Fund 0290: Funds related to Board Operations, Continuing Education, and Trainee Training surcharges.
- Fund 3439: Funds related to the Pilot Boat surcharge.
- Assistant Director Millspaugh also walked the Committee through several adjustments related to CHP's 2024 fund reconciliation, including:
 - Funds collected with the Pilot Boat surcharge and previously credited to the Board Operations Fund (0290), were reallocated to the Pilot Boat Fund (3439). These Pilot Boat expenditures were then allocated to the correct account and credits were applied to the Board Operations Fund where appropriate.
 - Unencumbered Continuing Education funds were allocated to the Continuing Education subaccount. Previously, CHP had allocated these funds to the Trainee Training account.
- The approximate \$2.0 million in expenditures shown for the Pilot Boat Fund (3439) includes all Pilot Boat Fund expenditures since the Final Authorization of the new Pilot Vessel (P/V) GOLDEN GATE was approved by the Board. These expenditures are reflected in FY 24/25 as the fund was reconciled by CHP in FY 24/25, due to the creation of the separate fund 3439, for pilot boat funds.

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- Additionally, in other sections, Assistant Director Millspaugh noted the following:
 - The Budget Change Proposal (BCP) is for FY 25/26.
 - Projected totals in the surcharge reports assume that gross tonnage will remain consistent with historical and current levels.

Committee Member Jacob shared an update on the current state of the shipping industry being affected by world events and tariffs. Jacob provided an overview of that shipping activity detailing increases at the Ports of Long Beach and Los Angeles due to front loading of inventory related to anticipated tariffs, while tonnage at the Port of Oakland remained flat. Mr. Jacob further noted it is expected shipping activity will decrease should tariffs be enacted by the Federal Government. Based on projected shipping decreases, Mr. Jacob noted it may be best practice to rely on conservative estimates of shipping activity/tonnage when calculating projected surcharge revenue.

- a) Review Board Operations Surcharge rate (currently at 5.75% of all pilotage fees, effective January 1, 2025), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Board Operations Surcharge rate, if warranted. (Assistant Director Millspaugh)**

Committee Members agreed to recommend to the Board an increase of 0.75% to collect additional funds to support the ITMP implementation costs. Given that final project costs are still unknown, the Committee Members felt this was a reasonable increase which can be evaluated as final costs for the ITMP become known.

MOTION: Committee Member McIntyre moved to recommend to the Board to change the Board Operations Surcharge rate from 5.75.% to 6.5% of all pilotage revenue, effective April 1, 2025. Committee Member Jacob seconded the motion.

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

ACTION: The motion was approved.

- b) Review Pilot Continuing Education Surcharge rate (currently at \$45/move, effective January 1, 2025), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Pilot Continuing Education Surcharge rate, if warranted. (Assistant Director Millspaugh)**

Committee Members discussed the necessity of a surcharge increase and reviewed various scenarios regarding shipping activity and resulting revenue, including discussing a more conservative estimate on the number of moves in the coming months while reviewing the projected year-end fund balance for Continuing Education. Based on this

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discussion, the Committee concluded recommending a surcharge rate change to the Board was not yet warranted.

MOTION: Committee Member Jacob moved to recommend to the Board to not change the Pilot Continuing Education Surcharge rate, currently at \$45 per move. Committee Member McIntyre seconded the motion.

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

ACTION: The motion was approved.

- c) **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 stated that the projections, for the Pilot Boat Fund were estimated at approximately \$7 million in revenue and that budget authority currently sits at \$12 million [budget authority is dependent on the amount in the fund].

Committee Member McIntyre stated that the building process for the next pilot boat remains on track, but costs may increase depending on tariffs and shipyard availability. There will be less uncertainty regarding cost estimates in the coming months. She further reported, shipyards have been identified for the build, but engine sourcing issues remain with one known California Air Resources Board (CARB) compliant engine on the market that may not meet the needs of the pilot boat and has a lead time of one year to build, two other engines are in development, with unknown timelines for production.

Committee Members discussed the use of the Pilot Boat Fund:

- Committee Member Jacob stated the objective of this surcharge is to build a strategic cash reserve to spread the imposition of the surcharge over as many vessels calls as possible and reduce impact of the surcharge on industry where possible.
- Committee Member McIntyre stated the initial intent was to have cash on hand to pay for the new pilot boats upon completion. The costs were estimated at \$15-18 million per boat, \$21-25 million if they were financed. The fund was set up to collect approximately six million dollars per year.

Assistant Director Millspaugh estimated the revised regulations (to allow for reimbursement of expenditures in stages, vs. at the end of a boat) would be in place by April 2025. Committee Member McIntyre stated the first reimbursement request would be for approximately one million dollars.

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Committee Members discussed lowering the surcharge to balance out the recommended increase to the Board Operations Surcharge.

MOTION: Committee Member Jacob moved to recommend to the Board to change the Pilot Boat Surcharge rate from \$0.021 to \$0.02 per gross registered ton, effective April 1, 2025. Committee Member Nyborg seconded the motion.

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

ACTION: The motion was approved.

- d) Review Trainee Training Surcharge rate (currently at \$20/trainee/move, effective January 1, 2025), and the revenues, expenditures, and reserve balance. Recommendation to the Board to adjust the Trainee Training Surcharge rate, if warranted. (Assistant Director Millspaugh)**

Committee Members discussed the steady number of trainees and the potential for a stipend increase decided to delay recommending a surcharge change until there additional details on the financial factors impacting pilot trainees. Assistant Director Millspaugh stated Board staff have begun drafting a staff report regarding the Pilot Trainee stipend with those details.

MOTION: Committee Member Jacob moved to recommend to the Board to not change the Trainee Training rate and to keep the Trainee Training surcharge rate at \$20 per trainee per move. Committee Member Rodriguez seconded the motion.

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

ACTION: The motion was approved.

7. Comments from the public and Committee Members on matters not on the agenda. (Chairperson)

Committee Members and Executive Director Garfinkle thanked Committee Member Nyborg for his service.

Committee Member Rodriguez requested in-person Finance Committee meetings be scheduled for important topics.

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

Committee Members agreed to schedule the next Finance Committee meeting for Monday, May 12, 2025, 1:00 p.m. via Webex.

9. Adjournment.

Chair Rodriguez adjourned the meeting at 2:45 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
CARB	California Air Resources Board
CAT	Caterpillar Incorporated
CDT	California Department of Technology
CHP	California Highway Patrol
DOF	Department of Finance
FM	Fiscal Month
FY	Fiscal Year (a Fiscal Year is July 1 – June 30, instead of a calendar year of January-December)
ITMP	Information Technology Modernization Project
PMSA	Pacific Merchant Shipping Association
P/V	Pilot Vessel
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/>.

