

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

| | | | |
|--|-----------------------|--|---|
| Fiscal Year 2016-2017 | Business Unit 2670 | Department Board of Pilot Commissioners | Priority No. 1 |
| Budget Request Name 2670-400-BCP-DP-2016-MR | | Program 2030 – Board of Pilot Commissioners | Subprogram 2030010 - Support 2030019 - Training |

Budget Request Description
 Increased Operation and Training Costs

Budget Request Summary

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun (BOPC) requests a total budget augmentation of \$298,000 from the Board of Pilot Commissioners' Special Fund. This includes a one-time budget augmentation of \$185,000 to finance increased rent and costs associated with simultaneously testing and training new pilots, and an ongoing budget augmentation of \$113,000 to finance statutorily-mandated maritime pilot/trainee medical assessments and pilotage rate/surcharge audits.

| | | |
|--|---|------|
| Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Code Section(s) to be Added/Amended/Repealed N/A | |
| Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i> | Department CIO | Date |

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR SPR Project No. Date:

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

| | | | |
|---|------------------|---|-----------------|
| Prepared By <i>R. Cristia-Plant</i> Roma Cristia-Plant | Date 2-5-2016 | Reviewed By N/A | Date |
| Department Director Allen Garfinkle <i>AG</i> | Date 2-5-2016 | Agency Secretary Brian P. Kelly <i>BPK</i> | Date 3/30/16 |

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

| | |
|-------------------------|---|
| PPBA <i>[Signature]</i> | Date submitted to the Legislature 4/1/16 |
|-------------------------|---|

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A. Budget Request Summary

- B.** The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun (BOPC) requests a total budget augmentation of \$298,000 from the BOPC's Special Fund. This includes a one-time budget augmentation of \$185,000 to finance increased rent and costs associated with simultaneously testing and training new pilots, and an ongoing budget augmentation of \$113,000 to finance statutorily-mandated maritime pilot/trainee medical assessments and pilotage rate/surcharge audits.

C. Background/History

The BOPC, a special funded state entity, was established in 1850 to license qualified mariners to pilot vessels that call at the San Francisco Bays and its tributaries, including the Ports of Stockton and Sacramento, as well as Monterey Bay. The BOPC is comprised of four full-time positions: an Executive Director, an Assistant Director, a Staff Services Analyst and an Office Technician. The responsibilities of the BOPC are as follows: to issue and renew pilot licenses; investigate ship accidents and incidents; investigate alleged misconduct by pilots; take actions against pilot licensees if cause arises; operate a Pilot Continuing Education Program and a Pilot Trainee Training Program; oversee the administration of the San Francisco Bar Pilot Pension Plan; approve the purchase of pilot vessels and life extension capital improvements thereto; conduct pilotage rate hearings for pilotage rates that are set by the Legislature and make recommendations to the Legislature for pilotage rate increases; and set and charge various revenue-producing pilotage surcharges to fund the above-mentioned functions.

Mariners desiring to become a pilot in the pilotage areas under the BOPC's jurisdiction must submit an application to participate in the BOPC's Pilot Trainee Training Program. To be eligible for the Pilot Trainee Training Program, applicants must hold a U.S. Coast Guard issued Master's pilot license (1,600 tons or greater with a radar observer endorsement), have two years of command experience on tugs or deep draft vessels, and pass rigorous written and simulator exams. Trainees who successfully complete the Pilot Trainee Training Program are subsequently issued a license by the BOPC and may legally pilot vessels on the waters under the BOPC's jurisdiction. The BOPC has set the maximum number of licensed pilots to 60 pilots at any one time.

Once licensed, pilots are required to complete two continuing education training programs every five years: a combination course (covering bridge resource management, emergency shiphandling in close quarters, emergency medical response, advanced electronic navigation systems, and regulatory review) and a manned scale model training course. Per SB 1408 (Chapter 794, Statutes of 2012), the combination course is required to inform pilots of the hazards of fatigue and of the effective strategies to prevent fatigue.

BOPC-licensed pilots are organized as the San Francisco Bar Pilots Association (SFBP), a private unincorporated association of individuals. The president of the SFBP, who is elected by the pilots and confirmed by the BOPC as Port Agent, assigns pilots to ships and manages the day-to-day operations of the bar pilots. Generally, the pilots work one week on, one week off, in 12-hour shifts, with piloting work assigned to pilots in a rotational fashion. Pilots receive one week of vacation per year. Recently, the SFBP conducted a fatigue study that identified various works schedule changes designed to mitigate pilot fatigue, and is currently amending its work practices on a trial basis for a limited period of time.

Pilots are called "bar pilots" because they board before, and disembark ships just beyond, a treacherous sand bar which provides a natural obstacle to shipping. It is the pilot's responsibility to guide a ship to its berth. When a vessel approaches the San Francisco buoy 11 miles west of the Golden Gate Bridge, a bar pilot boards the ship and, with the consent of the master, takes navigational control. The bar pilots provide service to all types of vessels, from 100-foot tugs to 1,000-foot supertankers, and make more than 8,000 discrete vessel movements per year. Over the years, container vessels are increasing in size. In 2016 and beyond, the BOPC expects an increase of very large vessels (known as ultra-large container vessels or ULCVs) to call on the San Francisco bays, particularly the Port of Oakland. ULCVs require two pilots to successfully navigate in the BOPC's jurisdiction.

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vessels or ULCVs) to call on the San Francisco bays, particularly the Port of Oakland. ULVCs require two pilots to successfully navigate in the Board's jurisdiction.

To fund its activities and statutory responsibilities, the BOPC is statutorily authorized to establish rates for various surcharges, and to require the licensed pilots to charge and collect the surcharges on its behalf. The five surcharges include the following: Board Operations Surcharge; Pilot Continuing Education Surcharge; Pilot Trainee Training Program Surcharge; Pilot Boat Surcharge; and Pilot Pension Plan Surcharge. The SFBP remits surcharge revenue monthly to the BOPC. Quarterly, the BOPC evaluates and resets surcharge rates to ensure sufficient funding to pay expenses and maintain adequate fund balances.

Resource History
(Dollars in thousands)

| Program Budget | PY - 4 (FY 2010-2011) | PY - 3 (FY 2011-2012) | PY - 2 (FY 2012-2013) | PY - 1 (FY 2013-2014) | PY (FY 2014-2015) |
|-------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------|
| Authorized Expenditures | \$2,602 | \$2,189 | \$2,219 | \$2,223 | \$2,180 |
| Actual Expenditures | \$1,752 | \$1,759 | \$1,551 | \$1,698 | \$1,802 |
| Revenues | \$3,461 | \$2,553 | 1,682 | \$1,627 | \$1,268 |
| Authorized Positions | 4 | 4 | 4 | 4 | 4 |
| Filled Positions | 3 | 3 | 3 | 4 | 4 |
| Vacancies | 1 | 1 | 1 | 0 | 0 |

Workload History

| Workload Measure | PY - 4 (FY 2010-2011) | PY - 3 (FY 2011-2012) | PY - 2 (FY 2012-2013) | PY - 1 (FY 2013-2014) | PY (FY 2014-2015) | CY* (FY 2015-2016) |
|--------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------|------------------------------|
| Pilots Licensed | 56 | 58 | 58 | 60 | 54 | 17 |
| Trainees (as of June 30) | 5 | 4 | 2 | 1 | 6 | 8 |
| Incident Investigations | 8 | 11 | 5 | 3 | 7 | 4 |
| Board Meetings | 12 | 13 | 14 | 14 | 12 | 6 |
| Committee Meetings | 27 | 41 | 33 | 31 | 34 | 12 |

*As of December 31, 2015.

C. State Level Considerations

The activities of the BOPC promote and provide for safe navigation in the San Francisco Bay and river system, and in Monterey Bay. The BOPC's activities also aid public safety, support California's comprehensive oil spill prevention and response regime, protect both the environment and California's maritime economy, and sustain the economy of the Bay Area and the state.

D. Justification

- 1. Rent Increase.** BOPC operations are conducted in a leased private building located at 660 Davis Street in San Francisco (North Financial District/Embarcadero area). The current lease term is from April 1, 2011 through March 31, 2017, with a lease area of 3,082 a net usable square feet (NUSF). The current lease agreement includes annual rental rate increases (by a CPI factor) during the term of the lease. The last year lease rental rate is \$10,106.77 per month (approximately \$3.28 per NUSF/month), or \$121,281 per year.

BOPC has commenced the lease renewal process with the Department of General Services Real Estate Services Division (DGS), and has requested to remain in the current leased location. DGS has advised BOPC to expect rents to double, and provided the BOPC with an estimate of approximately \$7.00 NUSF/month, with a notation that rents are rising and may rise higher by the time the lease negotiations are final.

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The BOPC is requesting a one-time budget appropriation increase for rent for the last three months of fiscal year 2016-2017, and intends to request a future on-going annual budget increase for rent at a later date when more tangible rental expense information is available from DGS.

| | |
|--|---|
| | April – June 2016-17 (Three Months) |
| Estimated Rent (rounded) | \$65,000 |
| Minus Existing Funding for Current Rent (rounded) | \$30,000 |
| Rent Funding Requested | \$35,000 |

- Pilot Medical Costs.** Harbors and Navigation Code §1176 requires an applicant for a Pilot Trainee Training Program position, or for a new pilot license or license renewal, to undergo a physical examination by a BOPC-appointed physician in accordance with standards prescribed by the BOPC. The BOPC promulgated updated trainee and pilot fitness regulations that became effective April 1, 2014 (7 Cal. Code Regs., §217). The new maritime pilot fitness regulations are more rigorous than previously required by the BOPC, and are the most stringent in the nation. To implement the new fitness regulations, BOPC entered into an interagency agreement with the Regents of the University of California, San Francisco Campus, School of Medicine, Division of Occupational Medicine (UCSF) effective May 9, 2014.

UCSF prepared the fiscal impact analysis in 2013 that accompanied the rulemaking documents for the then-proposed fitness regulations. In its fiscal report that was included with the rulemaking materials, UCSF projected the costs of implementing the then-proposed fitness regulations at approximately \$129,000 per year.

Pilot and trainee medical costs historical and CY to date (through 12/31/2015) are as follows:

| | Actual 2012-13 | Actual 2013-14* | Actual 2014-15** | CYTD 2015-16*** | Annualized Projected CY |
|--|---------------------------|----------------------------|-----------------------------|----------------------------|--|
| Pilot/Trainee Medical Costs | \$31,744 | \$37,658 | \$94,940 | \$34,075 | \$135,000 |

*Due to delays in commencing the UCSF contract, no medical costs were incurred this fiscal year.

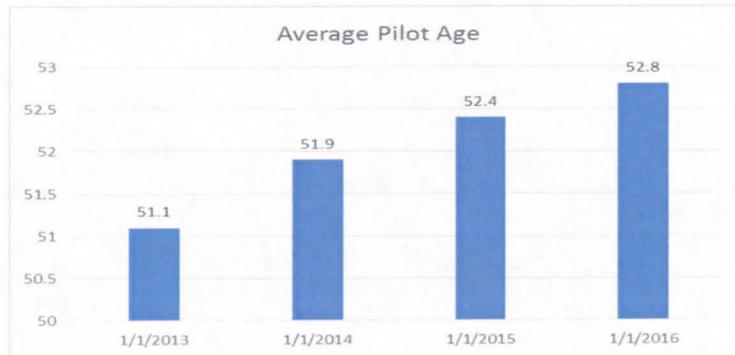
**Represents full year of UCSF medical costs.

***Represents medical exams for 17/54 pilots, and does not include year-end UCSF billings for physician administrative time.

Prior to the new fitness regulations, the BOPC incurred medical costs of approximately \$500 per pilot, with annual medical costs of approximately \$30,000-35,000. For the most recent fiscal year, UCSF contract costs in 2014-15 were approximately \$95,000. UCSF contract costs for the first six months of the current year (CY) total \$34,000, and represent medical costs for approximately 30% of the 54 licensed pilots (license renewal dates occur throughout the year, with approximately 70% occurring between January 1 and June 30). In the current year and going forward medical costs are expected to be approximately \$135,000 inclusive of costs for physician contract administrative time typically billed at the end of the fiscal year (calculated as $(\$34,075/17)*60 + \$15,000$ administrative costs = \$135,000 rounded).

For the current year and going forward, the BOPC expects pilot/trainee medical costs to continue to increase as medical costs in general increase over time. Additionally, BOPC anticipates an increase in medical evaluations and tests because the licensed pilot population is principally made up of aging baby-boomers. The current average pilot age is nearly 53 years, and has been increasing over the past several years as follows:

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The BOPC did not seek additional funding at the time of rulemaking for the new pilot fitness regulations since the Assistant Director position was vacant and there was significant salary savings available. The Assistant Director position was filled in October 2013, and the salary savings are no longer available to pay the increased pilot/trainee medical expenses.

| | 2016-17 | 2017-18 | 2018-19 |
|---|------------------|------------------|------------------|
| Projected Pilot/Trainee Medical Costs | 135,000 | 135,000 | 135,000 |
| Pre-Medical Regulation Implementation Average Pilot/Trainee Medical Costs (Average of fiscal year 2012-13 and 2013-14 medical costs rounded to nearest thousand) | \$35,000 | \$35,000 | \$35,000 |
| Pilot/Trainee Medical Costs Funding Requested | \$100,000 | \$100,000 | \$100,000 |

2. Pilotage Rate/Surcharges Audit. Annually, the BOPC contracts with a certified public accounting firm to audit the various surcharges that are billed, collected and remitted to the BOPC by the SFBP. The audit involves a review of BOPC-designated surcharge rates, the Legislatively-mandated pilotage rates, monthly fiscal and shipping data reports provided to the BOPC by the SFBP, documentation of funds delivered by the SFBP to the BOPC, and a review of the SFBP’s financial statements and internal control and procedures.

Historically, the BOPC contracted with a private-sector state-certified small business CPA firm to perform this audit. The BOPC has negotiated with the State Controller’s Office (SCO) to conduct the 2014, 2015 and 2016 (annual year) audits for various reasons, including to comply with Government Code §19130 to utilize state resources when available, and to eliminate the need for BOPC’s limited staff to conduct a competitive procurement process.

The prior private-sector auditor charged the BOPC \$8,750 each for the 2012 and 2013 audits (the actual audits were performed in spring 2013 and 2014). The audit scope of work agreed to by the SCO has been expanded to ensure compliance with current auditing standards. The SCO has agreed to prepare the 2014 and 2015 annual audits simultaneously in spring 2016 for a not-to-exceed amount of \$30,000, and the 2016 annual audit in spring 2017 for a not-to-exceed amount of \$22,000. It is BOPC’s intent to renew the SCO interagency agreement for the foreseeable future.

The BOPC requests an ongoing \$13,000 to fund the 2016-2017 and future SCO audits as shown in the chart below:

| | 2016-17 | 2017-18 | 2018-19 |
|---|-----------------|-----------------|-----------------|
| Projected Surcharge Revenue Audit Costs | \$22,000 | \$22,000 | \$22,000 |
| Prior Surcharge Revenue Audit Cost*(rounded) | \$9,000 | \$9,000 | \$9,000 |
| Additional Audit Funding Requested | \$13,000 | \$13,000 | \$13,000 |

*The first ever audit of surcharge revenues was the 2008 annual year. The actual audit cost for the 2008, 2009, 2010, and 2011 annual audits was \$9,000 each.

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- 3. Pilot Trainee Training Program Entrance Examination.** The BOPC conducts a rigorous Pilot Trainee Training Program entrance examination on an as-needed basis. The exam consists of two parts—a written examination component and a simulator examination component. The last Pilot Trainee Training Program entrance examination was conducted in June 2014, and resulted in a list of 13 eligible candidates.

Current regulations require the BOPC to develop the entrance examination with the assistance of staff at the Department of Consumer Affairs Office of Examination Resources or contractors with equivalent psychometric qualifications (7 Cal. Code Regs., §213). In addition to the administration of the program entrance examination, the psychometrician must also periodically conduct a pilot job analysis to ensure that the examination results are valid and job-related within acceptable statistical parameters. The last job analysis was conducted in 2002, and was updated in 2010. Due to the length of time since the last job analysis update, the pilot job analysis will need to be updated prior to the next program entrance examination.

For more than 10 years, the BOPC contracted with the same private consultant who had the requisite psychometric qualifications. For future Pilot Trainee Training Program entrance examinations the BOPC intends to contract with examination staff at the California Department of Human Resources (CalHR)¹ to ensure that the job analysis and examination knowledge and expertise is held by more than one individual; to ensure compliance with Government Code 19130 to utilize state resources when available; and to maintain consistency and continuity from examination to examination since the records and knowledge will be retained by a state entity, and can be passed on to new staff upon staff turnover.

CalHR has agreed to provide examination staffing expertise that meets the BOPC's examination staffing expertise regulatory requirements, to perform a job analysis, and to assist with the administration of the next program entrance examination. CalHR estimates to conduct all of its services for the program entrance examination scheduled for June 2017 for a not-to-exceed cost of \$119,480. The BOPC intends to enter into an interagency agreement with CalHR with an effective date of July 1, 2016.

Current regulations require successful program entrance examination candidates be placed on an eligibility list that lasts no longer than three years from the date the BOPC accepts the list. Regulations also require that trainees cannot graduate from the program in less than one year, nor be in the program longer than three years.

The timing of a Pilot Trainee Training Program entrance examination is based upon a variety of factors including the following:

- Future projected need for licensed pilots, which is a function of pilot retirements. Retirements are either self-directed or as a result of an unanticipated disability. Although rare, a pilot death could also impact the future projected need for licensed pilots.
- Availability of candidates on the current eligibility list.
- Actual graduation dates of existing program trainees.
- Capacity of the Pilot Evaluation Committee (PEC), the committee that conducts trainee training. The PEC has indicated to the Executive Director that the maximum number of trainees that it believes can be efficiently trained at any one time is eight. However, the number of trainees in the training program at any one time is not only a factor of PEC capacity, but is also influenced by the training stage for the various program participants. The number of trainees in the training program has ranged from one to thirteen in the recent past.
- Board-designated maximum number of licensed pilots.

¹ The testing office at the Department of Consumer Affairs has been renamed and is now known as the Office of Professional Examination Services (OPES). OPES has determined that it does not anticipate having the capacity to assist the BOPC with administering the Pilot Trainee Training Program entrance examinations in the foreseeable future.

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To determine the future need for licensed pilots, the BOPC conducts an anonymous pilot retirement survey twice a year, and requests information about a pilot's expectation to retire within the ensuing seven years. According to the survey that was conducted in January, 2016, approximately 11 pilots are anticipated to retire by the end of 2018. The BOPC has instructed staff to keep the training program full to meet the demand for trained and licensed pilots.

As of February 1, 2016, pilot and trainee statistics are as follows:

| | |
|---|-----|
| BOPC-established maximum number of licensed pilots | 60 |
| Licensed pilots | 54* |
| Trainees in the Pilot Trainee Training Program | 8 |
| Number of eligible candidates on the current eligibility list | 5** |
| Licensed pilots anticipating to retire by end of 2018 per 1/2016 survey | 11 |

*One licensed pilot has submitted a request for disability retirement that the BOPC anticipates to be considered in April 2016.

**The BOPC anticipates two training program trainees will be complete training in Spring 2016, and has approved two candidates on the current eligibility list to be enrolled in the Pilot Trainee Training Program with a target start date of April 1, 2016.

Given the projected licensed pilots who intend to retire before the end of 2018 and the number of candidates remaining on the training program eligibility list, the BOPC has scheduled the next trainee program entrance examination for June 2017. Historically, entrance examination preparation work has taken approximately 12 to 18 months. Staff at the California Maritime Academy have already begun updates for the simulator examination component for the next examination. CalHR will commence its examination psychometrician services for the June 2017 examination in July 2016. Historical and projected Pilot Trainee Training Program entrance examination costs (rounded to the nearest ten thousand dollars) are shown in the chart below.

| | 2010 Examination Cost Actual | 2014 Examination Cost Actual | 2017 Examination Cost Projected |
|---------------------------------|------------------------------------|------------------------------------|---------------------------------------|
| Psychometrician Costs | \$45,000 | \$100,000 | \$120,000 |
| Other Examination Costs* | unknown | \$110,000 | \$100,000 |
| Total Examination Costs | unknown | \$210,000 | \$220,000 |

*Includes consulting costs for simulator development, simulator usage, examination facilities, evaluators, and advertising.

The BOPC does not anticipate having sufficient budget authority to conduct an examination in 2016-17 while simultaneously training a full roster of eight trainees. The BOPC requests an additional one-time \$150,000 in the 2016-17 Training budget to ensure sufficient funding for a full roster of 8 trainees and to administer a Pilot Trainee Training Program entrance examination when the need arises as shown in the chart below.

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| | Actual | | | Projected | | |
|--|--------------------|-------------------------|--------------------|--------------------|-------------------------|--------------------|
| | FY 2012-13 | FY 2013-14 ¹ | FY 2014-15 | FY 2015-16 | FY 2016-17 ² | FY 2017-18 |
| Training Budget | \$1,128,329 | \$1,129,000 | \$1,129,000 | \$1,066,000 | \$1,129,000 | \$1,129,000 |
| Number of Trainees FYE | 2 | 1 | 6 | 8 | 8 | 8 |
| Stipends | \$210,000 | \$120,000 | \$302,548 | \$543,400 | \$576,000 | \$576,000 |
| Workers Comp | \$24,580 | \$0 | \$29,536 | \$40,000 | \$40,000 | \$40,000 |
| Consulting | \$88,197 | \$239,846 | \$34,541 | \$76,965 | \$257,000 | \$107,000 |
| General Expense | \$0 | \$6,607 | \$302 | | | |
| Total Trainee Exp./Encumb. | \$322,777 | \$366,453 | \$366,927 | \$660,365 | \$873,000 | \$723,000 |
| Number of Pilots FYE | 58 | 60 | 54 | 57 | 60 | 60 |
| Training | \$351,300 | \$338,250 | \$332,201 | \$352,750 | \$352,750 | \$352,750 |
| Travel Out & Consulting | \$61,152 | \$48,000 | \$58,399 | \$52,885 | \$53,000 | \$53,000 |
| Total Pilot Training Exp./Encumb. | \$412,452 | \$386,250 | \$390,600 | \$405,635 | \$405,750 | \$405,750 |
| Total Training Exp./Encumb. | \$735,229 | \$752,703 | \$757,527 | \$1,066,000 | \$1,278,750 | \$1,128,750 |
| Training Savings | \$393,100 | \$376,297 | \$371,473 | \$0 | -\$149,750 | \$250 |

¹ Training Program entrance examination held June 2014.

² Training Program entrance examination to be held June 2017.

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SUMMARY OF FUNDING NEEDS

| | FY 2016-17 | FY 2017-18 | FY 2018-19 |
|---|------------------|------------------|------------------|
| Board Operations: | | | |
| Rent | \$35,000 | \$0* | \$0* |
| Medical Costs | \$100,000 | \$100,000 | \$100,000 |
| SCO Audit | \$13,000 | \$13,000 | \$13,000 |
| Total Board Operations Budget Augmentation Request | \$148,000 | \$113,000 | \$113,000 |
| | | | |
| Training: | | | |
| Pilot Trainee Training Program | \$150,000 | \$0 | \$0 |
| Total Training Budget Augmentation Request | \$150,000 | \$0 | \$0 |
| | | | |
| Total One Time Budget Augmentation | \$185,000 | -- | -- |
| Total Ongoing Budget Augmentation Request | \$113,000 | \$113,000 | \$113,000 |
| Total Budget Augmentation Request | \$298,000 | \$113,000 | \$113,000 |

*The BOPC will request additional funding to address increased ongoing rent costs after information about the exact amount of the rent increase becomes available.

F. Outcomes and Accountability

The metrics shown in the chart below assume that this budget augmentation request is approved. BOPC may not achieve these projected outcomes if the request is not approved.

Projected Outcomes

| Workload Measure | CY | BY | BY+1 | BY+2 | BY+3 | BY+4 |
|---|----|----|------|------|------|------|
| New Pilot Licenses Issued and Annual License Renewals | 57 | 60 | 60 | 60 | 60 | 60 |
| Trainees (as of June 30) | 8 | 8 | 8 | unk | unk | unk |
| Incident Investigations | 7 | 7 | 7 | 7 | 7 | 7 |
| Board Meetings | 12 | 12 | 12 | 12 | 12 | 12 |
| Committee Meetings | 34 | 34 | 34 | 34 | 34 | 34 |

G. Analysis of All Feasible Alternatives

Alternative #1: Fund the full budget augmentation request.

Cost: \$185,000 one-time funding in 2016-17 to fund rent and Pilot Trainee Training Program examination costs for an examination in June 2017, and \$113,000 ongoing funding starting in 2016-17 to fund statutorily-required pilot medical assessments, and pilotage rate/surcharge audits.

Advantages:

- Ensures that there are an adequate number of licensees to facilitate continuity in maritime commerce.
- No disruption in BOPC mission-critical activities such as pilot training and medical assessment of licensees.

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- Ensures the BOPC can remain in a facility geographically proximate to licensees resulting in continued efficiencies in mission-critical activities including licensing, trainee training program implementation, and incident investigations.
- Provides for funding allowing BOPC to conduct an exam for new trainees while training existing trainees.
- Ensures accountability and transparency in the collection of surcharge revenue.

Disadvantages:

- Incrementally raises the cost to the maritime shipping industry by marginally increasing future BOPC-assessed surcharges necessary to fund the BOPC's activities.

Alternative #2: Fund only the ongoing costs associated with pilot/trainee medical assessments, and pilotage rate/surcharge audits.

Cost: \$113,000 starting with 2016-17.

Advantages:

- No disruption in the mission-critical, statutorily-required activity of medically assessing all licensees and trainees.
- Ensures accountability and transparency in the assessment and collection of surcharge revenue.
- Marginally reduces the future burden on the maritime shipping industry by reducing future surcharge increases necessary to pay for a budget augmentation including one-time costs.

Disadvantages:

- May jeopardize the BOPC's ability to conduct mission-critical and statutorily-required activities to ensure a sufficient number of trained and licensed pilots due to insufficient funding to conduct Pilot Trainee Training Program entrance examination in June 2017. May create a funding gap forcing a prioritization between having a full roster of trainees and hosting an exam to select new trainees for on-going replacement of retiring and disabled licensees. A resulting shortfall in licensees may cause increased pilot fatigue and increased incidents, and/or may negatively impact shipping activities due to a shortage of qualified licensed pilots.
- May jeopardize the BOPC's ability to conduct mission-critical activities in order to pay increased rents while reducing other mission-critical BOPC operations costs.
- Without budgetary authority for a rent increase, the BOPC may have to relocate to a location less proximate to the license activities, resulting in inefficiencies in mission-critical activities including licensing, pilot trainee training program administration, and incident investigations.

Alternative #3: Fund only the one-time costs associated with rent and the Pilot Trainee Training Program entrance examination in June 2017.

Cost: \$185,000 in 2016-17.

Advantages:

- Ensures for one more fiscal year the BOPC will have sufficient funding to pay rent and remain in a location that facilitates efficiencies in mission-critical activities including licensing, pilot trainee training program administration, and incident investigation.
- Ensures that the BOPC will be able to administer a Pilot Trainee Training Program entrance examination in 2016-2017, and create a trainee eligibility list that will ensure a sufficient supply of trainees.
- Marginally reduces the future burden on the maritime shipping industry by reducing future surcharge increases necessary to pay for costs related to ongoing budget augmentation activities.

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Disadvantages:

- May jeopardize the BOPC's ability to conduct mission-critical activities to medically assess pilots, which in turn may impact public safety and safety to the environment.
- The BOPC may have to delay or forgo a pilotage rate/surcharge audit, thereby delaying or reducing accountability and transparency in the assessment and collection of surcharge revenue.

Alternative #4: Do not fund any of the requested budget augmentations.

Cost: None.

Advantages:

- Marginally reduces future burden on the maritime shipping industry by reducing future surcharge increases necessary to pay for costs related to one-time and ongoing budget augmentation activities.

Disadvantages:

- May create a funding gap forcing a prioritization between having a full roster of trainees and hosting an exam to select new trainees for on-going replacement of retiring and disabled licensees. A resulting shortfall in licensees may cause increased pilot fatigue and increased incidents, and/or may negatively impact shipping activities due to a shortage of qualified licensed pilots.
- Without budgetary authority for a one-time rent increase, the BOPC may have to relocate to a location less proximate to the licensed activities, resulting in inefficiencies in mission-critical activities including licensing, trainee training program implementation, and incident investigations.
- The BOPC may not have sufficient funding for the statutorily-required pilot/trainee medical examinations.
- The BOPC may have to delay or forgo a Pilotage Rate/Surcharge Audit, thereby delaying or reducing accountability and transparency in the collection of surcharge revenue.

H. Implementation Plan

The BOPC's implementation plans consists of continuing operations in the current leased space, continuing the interagency agreement with UCSF for pilot/trainee medical services, entering into a multi-year interagency agreement with the State Controller for pilotage and surcharge audit services, entering into an interagency agreement with CalHR to conduct a pilot job analysis, and administering a Pilot Trainee Training entrance examination in June 2017 while simultaneously having a full roster of program trainees.

I. Supplemental Information

The BOPC has the statutory authority to increase the Board Operations Surcharges and the Trainee Training Program Surcharges to fund increased costs and maintain adequate fund balances. Given current fund balances, the BOPC projects marginal increases in surcharge rates, if necessary. There is no cost to the General Fund associated with this budget augmentation request.

J. Recommendation

The BOPC recommends approval of Alternative #1.

BCP Fiscal Detail Sheet

BCP Title: Increased Operation and Training Costs

DP Name: 2670-300-BCP-DP-2016-A1

Budget Request Summary

| | FY16 | | | | | |
|---|------------|--------------|--------------|--------------|--------------|--------------|
| | CY | BY | BY+1 | BY+2 | BY+3 | BY+4 |
| Operating Expenses and Equipment | | | | | | |
| 5322 - Training | 0 | 150 | 0 | 0 | 0 | 0 |
| 5324 - Facilities Operation | 0 | 35 | 0 | 0 | 0 | 0 |
| 5340 - Consulting and Professional Services - Interdepartmental | 0 | 13 | 13 | 13 | 13 | 13 |
| 5340 - Consulting and Professional Services - External | 0 | 100 | 100 | 100 | 100 | 100 |
| Total Operating Expenses and Equipment | \$0 | \$298 | \$113 | \$113 | \$113 | \$113 |
| Total Budget Request | \$0 | \$298 | \$113 | \$113 | \$113 | \$113 |

Fund Summary

Fund Source - State Operations

| | | | | | | |
|--|------------|--------------|--------------|--------------|--------------|--------------|
| 0290 - Board of Pilot Commissioners Special Fund | 0 | 298 | 113 | 113 | 113 | 113 |
| Total State Operations Expenditures | \$0 | \$298 | \$113 | \$113 | \$113 | \$113 |
| Total All Funds | \$0 | \$298 | \$113 | \$113 | \$113 | \$113 |

Program Summary

Program Funding

| | | | | | | |
|---------------------------|------------|--------------|--------------|--------------|--------------|--------------|
| 2030010 - Support | 0 | 148 | 113 | 113 | 113 | 113 |
| 2030019 - Training | 0 | 150 | 0 | 0 | 0 | 0 |
| Total All Programs | \$0 | \$298 | \$113 | \$113 | \$113 | \$113 |