

MINUTES OF THE MEETING

FINANCE COMMITTEE BOARD OF PILOT COMMISSIONERS Hilton Garden Inn 12 Via De Luna Drive Pensacola, FL 32561 September 28, 2006

CALL TO ORDER

Commissioner Buffington, Chair of the Finance Committee, called the meeting to order at 1:04 p.m. CDT.

Members Present

Commissioner Buffington, Chair
Commissioner Sweeney, Vice-Chair
Commissioner Bryson
Commissioner Fernandez
Commissioner Frudaker
Commissioner Hiers
Commissioner Molitor
Commissioner Phipps
Commissioner Robas

Members Not Present

Commissioner Buford

Others Present

Robyn Barineau, Executive Director
Elise Rice, Government Analyst
Diane Guillemette, Board Counsel
Drew Winters, Prosecuting Attorney
Jorge Viso, President, Florida State Pilots Association (FSPA)
David de la Parte, Counsel for FSPA
Gretchen Rayborn, Executive Director, FSPA

Commissioner Buffington informed the Committee that Commissioner Buford was excused from the meeting.

APPROVAL OF THE MINUTES OF THE MEETING

July 13, 2006

MOTION: Commissioner Phipps made a motion that the Committee approve the July 13, 2006, minutes as submitted.

SECOND: Commissioner Sweeney seconded the motion and it passed unanimously.

Review of Fourth Quarter and Fiscal Year End Results

Commissioner Buffington reported that the Revenues for the fourth quarter were down significantly as planned by the Board reducing the gross pilotage assessment. The total revenues for the quarter were only \$33,545, however, expenses were on budget at \$105,593. Commissioner Buffington reported that this gave the Board a net cash flow of negative \$72,048.

Commissioner Buffington informed the Committee that since the budget could vary from one quarter to the next, he wanted to go to the year end results to address each line item. He reported that for the past fiscal year, revenues were less than expenses by almost \$37,000. Although they had reduced their net assets, the Board still had about \$60,000 more in assets than they had planned. Commissioner Buffington informed the Committee that this could be attributed to basically three items: (1) no rate hearings during the year, therefore they incurred no expenses; (2) expenses incurred for the Board Administrative Office were significantly under budget; and (3) by reviewing individual line items as follows:

Pilotage Assessment was about 6% under budget. The average assessment rate for the year was approximately 0.5% and this was based on total revenues generated throughout the state of \$52,130,441.

License and other fees was 23% below budget. Most of this can be attributed to the lower number of applications received for testing.

Earning is based on cash balance and, thus, it being over budget reflects the fact that the cash balance is greater than projected.

Expenses:

Central Intake/Licensure – There was no charge in this area as their use is less than 0.1%. Commissioner Buffington informed the Committee that if their use had been at 0.1%, the cost would have been just under \$4,900.

Information Technology was 25 times over budget. The cause of this overage was a peak in the contract payment to Accenture. This amounted to about \$5000 in prorated costs to the Board. In addition to this, the Board had approximately \$7,000 in direct costs to the Board. Commissioner Buffington informed the Committee that Ms. Barineau was attempting to identify this expenditure.

General Counsel/Legal was 16% over budget but considering the fact that there were several cases that were heading towards an administrative hearing, this is mostly likely a one time situation.

Investigations had no costs allocated to this item.

DOAH had a charge for the use of the Division of Administrative Hearings. This charge was 86% over budget; however, this line item is budgeted in line with the methodology they use. Currently the Board budgets for half a case per year.

Attorney General's Office was 11% over budget. Commissioner Buffington stated that he was not sure what was going on with this line item other than the billing system within the Attorney General's Office or the Department's accounting of the Attorney General's time has undergone some changes. He stated that there was a refund in the 4th quarter. Commissioner Buffington stated that he would not worry about this item and would recommend an increase in the budget for this line item.

Testing was within 7% of budget.

Service Charge is a tax on revenues and since revenues were below projections, so is the service charge.

Board Administrative Office was 23% below budget. Commissioner Buffington stated that they have discussed this in the past. With the change of personnel in the office, salaries were lower and some of the administrative costs have now gone to central intake.

RR Board items there was no cost.

Administrative Costs was only a third of the amount budgeted. Commissioner Buffington stated that the Committee normally left this line alone. He stated that he felt that they now have a sufficient history to adjust this item downward.

Five Year Budget

Commissioner Buffington informed the Committee that before he addressed the projected revenues, he would like to address the significant expense items in the Five Year Budget.

Commissioner Buffington informed the Committee that he reduced the amount for Central Intake as he believed in most years their use will stay less than 0.1%. He stated that the premise is based on the fact that the rate of growth for licenses under this Board is much less than for other boards.

Commissioner Buffington stated that Information Technology reflects a \$2,500 prorated cost to Accenture for the next two fiscal years. It also includes a \$2,500 prorated cost for the Department's digital imagery project. He reported that in each of the next five years he allowed for \$2,500 of direct costs.

Commissioner Buffington stated that the Attorney General's Office has been slightly increased to make sure they cover routine costs.

Commissioner Buffington reported that under Testing in fiscal year 08/09, \$40,000 has been provided for updating the examination question bank.

Commissioner Buffington informed the Committee that the Board Administrative Office has been reduced to reflect the lower cost level they have been experiencing over the last two years.

Commissioner Buffington reported that the Rate Review Board is again budgeted for two hearings per year. Since there has not been a hearing in several years, there may be a significant cost for the first hearing. He stated that he had not provided for any such increase but believed it was important to consider this in the overall scheme of things.

Commissioner Buffington referred the Committee back to the revenues. He stated that in general, the assessment rate has been set to keep their cash balance close to zero. At this point, they were already beginning the second quarter of the current fiscal year and the current assessment rate is 0.7%. Commissioner Buffington stated that the rate should generate approximately \$170,000. This means we will need to raise an additional \$100,000 to meet Board obligations. He recommended that the new rate of 0.35% be effective on February 1, 2007, or January 1, if possible.

Ms. Guillemette informed the Committee that the gross pilotage assessment could be changed with an effective date of January 1, 2007.

Review of Current Gross Pilotage Assessment Rate

Following discussion regarding the gross pilotage assessment rate, the following action was taken.

MOTION: Commissioner Bryson made a motion that the Finance Committee recommend to the Rules Committee that the gross pilotage assessment rate be changed to .35% effective January 1, 2007.

SECOND: Commissioner Sweeney seconded the motion and it passed unanimously.

Commissioner Buffington stated that the Department needed to be reminded that a separate report for the Rate Review Board will need to be provided.

ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 2:23 p.m. CDT.