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**I CERTIFY THAT THIS IS  
A TRUE COPY  
OF THE ORIGINAL**

*Qua Shan*  
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Julie A. Weis  
Christopher Lundberg  
Matt Malmshier  
Joshua Stellmon  
Eric J. Brickenstein  
Christopher T. Griffith

LeRoy W. Wilder  
Retired

May 16, 2019

Leslie Goss, Chair  
Oregon Board of Maritime Pilots  
800 NE Oregon Street, Ste. 507  
Portland, OR 97232

Re: Columbia River Bar Pilots Financial Report

Dear Chair Goss:

On behalf of the Columbia River Bar Pilots, we are pleased to submit the enclosed Special Purpose Financial Statement for 2018 pursuant to the new financial reporting requirement set out in OAR 856-025-0050. The bottom line is that the 17 licensed Bar Pilots earned an average of \$367,588 in net income in 2018 and received distributions authorized in the rates in the following categories: pension; medical, disability and life insurance costs; sick leave; and equipment.

The purpose of this letter is to provide additional information to the Oregon Board of Maritime Pilots and its stakeholders in order to understand the Bar Pilots' financial report in context. This letter provides two types of additional information. First, we have assembled net income data for pilot groups on the West Coast and other parts of the United States that is publicly available in an audit or recently issued rate order. This representative sample of verified data shows that Oregon pilot groups fall within the bottom third of average net income earned by maritime pilots in the United States. Second, this letter explains why the Board should treat the projected or target net income for Bar Pilots as of 2018 as being \$371,899, which is based upon the Board's pilot income-related decisions made in 2010, 2014 and 2015.

#### **Net Income Information From Other U.S. Pilot Groups**

Publicly available pilot net income information was secured from the following pilot groups, three of which are located on the West Coast. For each of the pilot groups listed below, net income excludes insurance benefits, equipment allowances, sick leave and pension benefits. The source of the income data is noted for each with a number of explanatory footnotes. Importantly, the data below is not a cherry-picked selection, but lists all of the verified pilot income figures from public sources issued in the last two years. Collectively, the pilot groups listed below account for 534 licensees, which represents 42.9% of all licensed maritime pilots in the United States. All of the source material documenting the figures below has been assembled and is being provided to OBMP Executive Director Marc Warren.

	<b>Pilot Groups</b>	<b>Number of Pilots</b>	<b>Net Income</b>	<b>Year</b>	<b>Source</b>
1.	New Orleans – Baton Rouge Steamship Pilots Association	119	\$680,245	2018	Audit
2.	Associated Branch Pilots (Mississippi Bar)	49	\$600,595	2018	Audit
3.	Crescent River Port Pilots (Lower Mississippi)	114	\$576,190	2018	Audit
4.	Port Everglades Pilots Association	20	\$549,998	2019	Target <sup>1</sup>
5.	San Francisco Bar Pilots	54	\$495,726	2017	Audit
6.	Puget Sound Pilots	48	\$402,219	2018	Audit
7.	Columbia River Pilots	46	\$384,940	2018	Audit
8.	Columbia River Bar Pilots	17	\$367,588	2018	Audit
9.	Great Lakes Pilots	51	\$359,887	2019	Benchmark <sup>2</sup>
10.	Los Angeles Port Pilots Association	16	\$344,675	2018	Minimum Salary <sup>3</sup>

<sup>1</sup> Final Order of Florida Board of Pilot Commissioners Pilotage Rate Review Committee dated January 22, 2019 noting that approved projected net income per pilot figure of \$549,998 resulted in an estimated net increase of \$138,355 per pilot over 2017.

<sup>2</sup> Pilotage rates for pilots on the Great Lakes are regulated by the U.S. Coast Guard. In its May 10, 2019 rate review, the Coast Guard established the compensation benchmark for 2019 at \$359,887 per pilot.

<sup>3</sup> Los Angeles pilots are employees of the Port of Los Angeles and members of the ILWU. The union contract provides unlimited LA pilots with a minimum salary of \$344,675. Under the contract, LA pilots earn additional income for overtime and call-backs.

### Calculation of Bar Pilot Projected or Target Net Income

In its Order No. 10-02 dated May 19, 2010, the Board established target net income for the Bar Pilots at \$214,447. Since then, there have been nine annual COLA adjustments that have increased that figure to \$276,815. In addition, the Board made two decisions to effectively increase target net income for Bar Pilots above this figure in 2014 and 2015, respectively.

First, in 2014, the Board adopted Final Order 14-01 dated April 8, 2014, which approved a stipulated amendment to the Board's 2010 Final Order 10-02. One of the components of this 2014 rate order was to make permanent a \$300 per vessel tariff increase authorized in the 2010 rate order that was adopted for the purpose of enhancing pilot income. In making the \$300 per vessel charge permanent, the Board raised the projected net income of individual Bar Pilots on an annual basis by an average of \$65,209 in each of the last two calendar years. In 2018, this enhanced pilot income component of the tariff generated an average of \$67,756 per full time equivalent ("FTE") pilot.

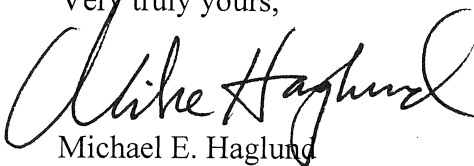
The second decision by the Board to increase net income for Bar Pilots occurred in July of 2015 when the Board approved the recommendation of the Transportation Oversight Committee to increase the Administrative/Accounting component of the transportation surcharge in the tariff which funds the helicopter/fast boat transportation system serving the Columbia River Bar. This expense category was established at \$460,000 in 2015 and has received a number of COLA adjustments which have it currently set at \$488,523. This charge includes compensation to each of the licensed Bar Pilots for the significant time that each pilot devotes to management of one of the most complicated and extensive pilotage transportation systems in the United States. For 20 years now, the Bar Pilots have been the only pilot group in the U.S. with a dedicated helicopter service that annually performs 70% of the pilot transfers to and from vessels in the Pacific Ocean. For 2018, the compensation paid from this administrative fee averaged \$27,328 per pilot.

In summary, based upon the Board's decisions described above that occurred in 2010, 2014 and 2015, we believe that projected or target net income for the Columbia River Bar Pilots should be treated as \$371,899, which is the sum of the COLA-adjusted target net figure from 2010 totaling \$276,815, the \$67,756 impact of the \$300 per vessel surcharge approved in 2014 and the \$27,328 compensation for administering the transportation system approved in 2015. It should also be emphasized that the Board's pilot income adjustments in 2014 and 2015 had the effect of keeping projected Bar Pilot net income within at least shouting distance of the net income levels being earned by pilots in Puget Sound, San Francisco and Los Angeles. Because the Bar Pilots compete for applicants within a national pool, it is critically important that the compensation package available to licensed Bar Pilots be reasonably competitive with other pilotage grounds on the West Coast and throughout the U.S.

Oregon Board of Maritime Pilots  
May 16, 2019  
Page 4

We understand and support the Oregon Board of Maritime Pilots' commitment to transparency in the rate-setting process that approves the tariffs establishing pilotage charges for vessels calling at ports on the Columbia River. We hope that the enclosed financial report and the additional context provided above is helpful to the Board and its stakeholders.

Very truly yours,



Michael E. Haglund

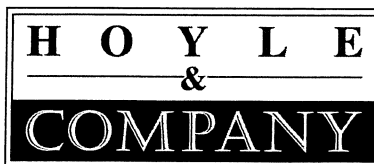
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Enclosure



**COLUMBIA RIVER BAR PILOTS LLC**  
**Astoria, Oregon**

**Financial Statements**  
**For the Year Ended**  
**December 31, 2018**

OYLE & COMPANY, INC.  
285 MEADOWS ROAD, SUITE 440  
LAKE OSWEGO, OR 97035



P 503-222-5979  
F 503-443-3974

May 7, 2019

Board of Directors  
Columbia River Bar Pilots LLC  
100 16<sup>th</sup> Street  
Astoria, Oregon 97103

Dear Directors:

At your request, we have prepared reviewed financial statements for COLUMBIA RIVER BAR PILOTS LLC for the year ended December 31, 2018. We enclose the following:

- Independent Accountant's Review Report

FINANCIAL STATEMENTS

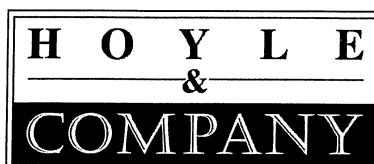
- Exhibit A - Statement of Revenues and Expenses –  
Regulatory Basis
- Notes to the Financial Statements

Very truly yours,

A handwritten signature in cursive script that reads "Hoyle &amp; Company".

HOYLE & COMPANY, INC.

HOYLE & COMPANY, INC.  
285 MEADOWS ROAD, SUITE 440  
LAKE OSWEGO, OR 97035



P 503-222-5979  
F 503-443-3974

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: Board of Directors  
Columbia River Bar Pilots LLC  
Astoria, Oregon

We have reviewed the accompanying financial statements of Columbia River Bar Pilots LLC (a partnership), which comprise the statement of revenues and expenses – regulatory basis for the year ended December 31, 2018, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of OAR 856-025-0050 issued by the Oregon Board of Maritime Pilots. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the financial reporting provisions of OAR 856-025-0050 issued by the Oregon Board of Maritime Pilots. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with OAR 856-025-0050.

**Basis of Accounting**

We draw attention to the notes to the financial statements, which describe the basis of accounting. The financial statements are prepared in accordance with the financial reporting provisions of OAR 856-025-0050, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the regulatory requirement referred to above. Our conclusion is not modified with respect to this matter.

**Restriction on Use**

Our report is intended solely for the information and use of the Oregon Board of Maritime Pilots and is not intended to be, and should not be, used by anyone other than this specified party.



HOYLE & COMPANY, INC.

Lake Oswego, Oregon

May 7, 2019



**COLUMBIA RIVER BAR PILOTS LLC**  
**Statement of Revenues and Expenses – Regulatory Basis**  
**For the Year Ended December 31, 2018**

<b>INCOME</b>	
Total Fees Collected	\$ 18,191,983
Less: Transportation Surcharge Fees	<u>(8,656,424)</u>
<b>Gross Pilotage Revenue</b>	<b>9,535,559</b>
<b>EXPENSES</b>	
Operating Expenses	1,156,227
Payments to Retirees	620,083
CPD Expenses	95,589
Pilot Expense Reimbursements	30,651
OBMP Operation Fees	<u>83,800</u>
<b>Total Expenses</b>	<b><u>1,986,350</u></b>
<b>Total Cash Available for Distribution to Pilots</b>	<b>7,549,209</b>
<b>PILOT BENEFIT ALLOWANCES</b>	
Pension	848,120
Medical, Disability & Life Insurance	542,689
Sick Leave	275,969
Equipment	<u>121,832</u>
<b>Total Pilot Benefits</b>	<b><u>1,788,610</u></b>
<b>Net Cash Available for Distributions to Pilots</b>	<b>5,760,599</b>
Number of Pilots	<u>16.93</u>
<b>Net Available Distribution Per Pilot</b>	<b><u><u>340,260</u></u></b>

**COLUMBIA RIVER BAR PILOTS LLC**  
**Astoria, Oregon**

**Notes to the Financial Statements**  
**December 31, 2018**

**(See Independent Accountant's Review Report)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Date of Management's Review**

Management has evaluated subsequent events through May 7, 2019, the date on which the financial statements were available to be issued.

**Nature of Operations**

Columbia River Bar Pilots (CRBP), an Oregon Limited Liability Company organized in December 2000, is a group of co-adventurer maritime pilots who hold state and federal licenses authorizing them to pilot vessels on the Columbia River bar pilotage ground.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

**Basis of Accounting**

The Company has prepared the accompanying financial statements to present revenues and expenses of Columbia River Bar Pilots LLC pursuant to OAR 856-025-0050, issued November 14, 2018 by the Oregon Board of Maritime Pilots. This regulation specifies that Columbia River Bar Pilots LLC prepare financial statements in which revenues and expenses are presented in a consolidated format using the cash basis of accounting.

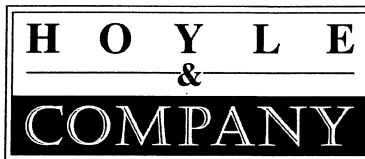
**Pilot Benefit Allowances**

The base rates for pilot benefit allowances were set by the Oregon Board of Maritime Pilots on May 19, 2010 in the Final Order 10-02. An annual cost of living adjustment has been made to these base rates using a percentage determined by the Oregon Board of Maritime Pilots in order to calculate the 2018 pilot benefit allowance figures.

**Number of Pilots**

The annualized number of active pilots licensed by CRBP is calculated by the Oregon Board of Maritime Pilots license coordinator using the per diem method, ratified by Board action on April 4, 2019.

HOYLE & COMPANY, INC.  
5285 MEADOWS ROAD, SUITE 440  
LAKE OSWEGO, OR 97035



P 503-222-5979  
F 503-443-3974

May 14, 2019

Board of Directors  
Columbia River Bar Pilots LLC  
100 16<sup>th</sup> Street  
Astoria, Oregon 97103

Dear Directors:

Capt. Joseph Sohlberg, president of Saddle Mountain, Inc. and managing member of Columbia River Bar Pilots LLC (CRBP), has requested and granted permission for disclosure to the Board of Directors of CRBP the total amount reported to the Internal Revenue Service for Saddle Mountain, Inc.'s 2018 payments to active CRBP pilots for administrative fees. These fees were earned for administering the transportation system serving the CRBP pilotage ground and are part of the administrative fees charged to CRBP by Saddle Mountain, Inc. We prepared and filed these Forms 1099-MISC which total \$462,657.

The annualized number of active pilots licensed by CRBP during 2018 was 16.93, as calculated by the Oregon Board of Maritime Pilots license coordinator using the per diem method and ratified by Board action on April 4, 2019. Using this number of active pilots, there was an average of \$27,328 paid to each pilot during 2018 for administrative fees.

Sincerely,

A handwritten signature in cursive script that reads "Hoyle &amp; Company".

Hoyle & Company, Inc.