

**DATE: JANUARY 30, 2025**

**FROM: FINANCIAL PLANNING AND ANALYSIS**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - REQUEST FOR FY 2024/25  
BUDGETARY TRANSFER**

**SUMMARY:**

Staff requests approval of budgetary transfers in the amount of \$8,277,697 to cover anticipated budgetary shortfalls within the Rentals, Incentives, and Subsidies Expenses category for the Environmental Management Division (EMD); and the Materials, Supplies, and Equipment Expenses category for the Construction & Maintenance Division (C&M), the Maintenance Improvement Program (MIP), and the Information Technology Division (ITD). Within the Adopted Capital Budget, \$8,277,697 of surplus funds are expected to be available in the Construction & Capital Improvement category to offset the anticipated shortfalls. Combined with the previously approved transfer on Resolution No. 24-10444 (addressing the shortfall within the Outside Services Expense category for the Port Optimizer), this proposed transfer will increase the overall Fiscal Year (FY) 2024/25 Adjusted Operating Expense Budget from \$408,345,031 to \$416,622,728, while reducing the FY 2024/25 Adopted Capital Budget from \$298,081,044 to \$289,803,347. Payment of Rentals, Incentives, and Subsidies Expenses; and Materials, Supplies, and Equipment Expenses are the financial responsibility of the City of Los Angeles Harbor Department (Harbor Department).

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the following budgetary transfers to resolve a projected shortfall in the respective operating expense accounts:

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- a. Transfer \$8,277,697 from the Adopted Capital Budget, Fund 702, Division 00000, Account 161305 as follows:
  - i. \$6,132,577 to Fund 75W, Division 42010, Account 562015;
  - ii. \$500,000 to Fund 702, Division 32415, Account 551000;
  - iii. \$200,000 to Fund 702, Division 32110, Account 551000;
  - iv. \$200,000 to Fund 702, Division 32312, Account 551000;
  - v. \$200,000 to Fund 702, Division 32302, Account 551000;
  - vi. \$80,000 to Fund 702, Division 32240, Account 551000;
  - vii. \$80,000 to Fund 702, Division 32412, Account 551000;
  - viii. \$75,000 to Fund 702, Division 32315, Account 551000;
  - ix. \$60,000 to Fund 702, Division 32120, Account 551000;
  - x. \$50,000 to Fund 702, Division 32140, Account 551000;
  - xi. \$40,000 to Fund 702, Division 32305, Account 551000;
  - xii. \$10,000 to Fund 702, Division 32250, Account 551000;
  - xiii. \$5,000 to Fund 702, Division 32220, Account 551000;
  - xiv. \$565,000 to Fund 702, Division 30900, Account 551000;
  - xv. \$80,120 to Fund 702, Division 50010, Account 553000;
3. Direct the Board Secretary to transmit the Resolution to the Mayor for approval pursuant to Section 343(b) of the City Charter;
4. Direct the Board Secretary to notify the City Clerk of such transfer pursuant to Section 343(d) of the City Charter at the time such transfer is made; and
5. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background/Context – The Harbor Department’s Operating Expense Budget is grouped into the following eight budget categories: Employee Salaries and Benefits; Marketing and Public Relations; Travel, Training, and Events; Outside Services; Materials, Supplies, and Equipment; Rentals, Incentives, and Subsidies; City Services; and Other Operating Expenses. Board approval is required for the transfer of funds from one budget category to another as stated in Charter Section 343(b): “The general manager of any department having control of its own funds may make application in writing to the board having control and management over the department for a transfer of amounts from one budget item to another in the annual budget of the department, or to a new item created after adoption of the annual budget. Upon board approval, the Controller shall make the transfer, but no transfer of an amount exceeding thirty-five thousand dollars (\$35,000) or other amount established by ordinance shall be made unless approved in writing by the Mayor.” Approval from the Mayor is also required as the transfers requested in this resolution

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exceed the limits set by the Charter Section 343(b) and the amount established by ordinance (Los Angeles Administrative Code Section 5.36).

The proposed transfer request is required to fund Clean Truck Program subsidies, parts & materials, and network equipment expenditures within the Harbor Department, as follows:

***Transfer of \$6,132,577 to Rentals, Incentives, and Subsidies*** – Staff anticipates a \$6,132,577 shortfall related to Clean Truck Program subsidies incurred within EMD. EMD is responsible for implementing and managing subsidies that are funded from the Clean Truck Fund Rate (CTFR). Through the CTFR, the Harbor Department funds incentive programs to replace port drayage trucks with zero emissions (ZE) trucks and associated infrastructures. EMD is projecting a deficit of \$4,000,000 in the Voucher Incentive Program (VIP). Through the VIP, prospective truck purchasers apply through a California Air Resources Board (CARB) certified truck vendor for eligible trucks. Upon approval, a voucher is paid to the truck vendor, thereby reducing the cost of purchasing a ZE truck to be comparable to the cost of a diesel truck. In FY 2024/25, staff budgeted a total of \$5,000,000 but is now anticipating voucher requests totaling \$9,000,000 creating a deficit of \$4,000,000. Each voucher offers participants \$75,000 or \$90,000 resulting in the issuance of between 90 to 120 vouchers in FY 2024/25.

EMD is also projecting a \$2,132,577 shortfall for the ZE 25 Truck Pilot Program. This program was established in 2021 for the purpose of deploying 10 ZE trucks into drayage service at the Port. The existing Licensed Motor Carrier (LMC) experienced delays in deploying the 10 trucks in FY 2023/24 so the expenditure has rolled over into FY 2024/25. Both of these programs are funded through the CTFR and must be budgeted within the Department's operating expense budget. Staff has identified surplus funding within the Construction & Capital Improvement category of the Adopted Capital Budget to offset these anticipated shortages.

***Transfer of \$2,145,120 to Materials, Supplies, and Equipment*** – Staff anticipates a \$1,500,000 shortfall related to Parts and Materials incurred within C&M. C&M is responsible for maintaining facilities, vehicles, vessels, equipment, roadways, fences, electrical infrastructure, water and fire systems, wharves, open lots, and public spaces throughout the port complex. For FY 2024/25, C&M is projecting a deficit of \$1,500,000 for Parts and Materials primarily driven by the rising costs of parts and materials across all industry trades such as electrical, plumbing, and vessel and wharf maintenance. Additionally, unanticipated repairs related to electrical theft, vehicular accidents, damaged equipment, graffiti, and fence breaches, have driven the need for parts and materials.

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Further, staff is projecting a \$565,000 deficit for Parts and Materials within the MIP. Budgeted within the MIP are maintenance projects that are larger in scope and funding, which are aimed at keeping Port assets and property in its original condition. The additional funds for Parts & Materials is required due to changes in the scope of the work and/or price escalations for projects such as the storm pump repair at 151 Henry Ford Avenue; the replacement of rooftop air conditioning coils at the Berth 161 Administration Building; the painting of bollards, guard posts, and safety guards at various terminals; the street lighting repairs on Navy Way, and other MIP projects.

Additionally, staff is anticipating an \$80,120 shortfall within the Computers, Furniture, and Other Office Equipment account for the ITD. Funding for the replacement of 24 portable network switches was budgeted within the Capital Equipment account in FY 2024/25, but funding needs to be made available within the Computers, Furniture, and Other Office Equipment account instead as the cost per switch is lower than the \$5,000 threshold for capitalization. ITD deploys and manages these portable switches at various IT equipment rooms at the Harbor Department. These switches have reached the end of their life cycle and must be replaced to ensure continued network connectivity.

Staff has identified surplus funding within the Construction & Capital Improvement category of the Adopted Capital Budget to offset these anticipated shortages.

**Surplus** – As of January 2025, staff has identified surplus funding within the Construction & Capital Improvement category of the Adopted Capital Budget to offset the anticipated shortages within the FY 2024/25 Adjusted Operating Expense Budget. Therefore, if the proposed transfers are approved, the FY 2024/25 Adjusted Operating Expense Budget will increase to \$416,622,728, while the FY 2024/25 Adopted Capital Budget will decrease to \$289,803,347.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of budgetary transfers to cover anticipated budgetary shortfalls, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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**FINANCIAL IMPACT:**

Approval of the proposed \$8,277,697 transfer would result in the increase of the FY 2024/25 Adjusted Operating Expense Budget from \$408,345,031 to \$416,622,728 and the decrease of the FY 2024/25 Adopted Capital Budget from \$298,081,044 to \$289,803,347. If the proposed transfer is approved, there would be changes to several budget categories within the FY 2024/25 Operating Expense Budget and the FY 2024/25 Capital Budget as summarized below:

TABLE 1: FY 2024/25 ADOPTED BUDGET WITH TRANSFERS

<b>Operating Budget</b>	<b>Adopted FY 2024/25</b>	<b>Resolution No. 24-10444</b>	<b>Current Transfer Request</b>	<b>Adjusted FY 2024/25</b>
Employee Salaries & Benefits	199,382,719	-	-	199,382,719
Marketing & Public Relations	4,382,361	-	-	4,382,361
Travel, Training and Events	1,404,292	-	-	1,404,292
Outside Services	58,368,767	4,650,000	-	63,018,767
Materials, Supplies & Equipment	7,248,967	-	2,145,120	9,394,087
Rental, Incentives & Subsidies	33,366,526	-	6,132,577	39,499,103
City Services	68,496,624	-	-	68,496,624
Other Operating Expenses	31,044,775	-	-	31,044,775
<b>TOTAL</b>	<b>403,695,031</b>	<b>4,650,000</b>	<b>8,277,697</b>	<b>416,622,728</b>

<b>Capital Budget</b>	<b>Adopted FY 2024/25</b>	<b>Current Transfer Request</b>	<b>Adjusted FY 2024/25</b>
Capitalized Expenditures	20,301,308	-	20,301,308
Capital Equipment	20,104,646	-	20,104,646
Construction & Capital Improvements	257,675,090	(8,277,697)	249,397,393
<b>TOTAL</b>	<b>298,081,044</b>	<b>(8,277,697)</b>	<b>289,803,347</b>

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**CITY ATTORNEY:**

The Office of the City Attorney has reviewed this report, and the proposed action raises no legal issues at this time.

FIS Approval: JS  
CA Approval: JC

*Jeffrey Strafford*

JEFFREY STRAFFORD  
Chief Financial Officer  
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APPROVED:

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