



To: Eugene Seroka, Executive Director, Port of Los Angeles  
 From: Mary Silverstein, Executive Director, Harbor Community Benefit Foundation  
 Sean Hecht, Board Chair, Harbor Community Benefit Foundation  
 Cc: Cynthia M. Ruiz, Deputy Executive Director – External Relations, Port of Los Angeles  
 Mike Christensen, Deputy Executive Director – Development, Port of Los Angeles  
 Michael Jenkins, Jenkins and Hogin, LLP, Counsel for HCBF  
 Sharron Scheiber, Staff Counsel, State Lands Commission  
 Date: **October 17, 2014 - Revised October 24, 2014**  
 Re: HCBF Operating Budget, YE December 31, 2015 & PCMTF Transfer

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#### **SUMMARY**

**Pursuant to Section 5C.iv. and 5.F. of the TraPac Memorandum of Understanding (TraPac MOU) Operating Agreement (the “Agreement”) between Harbor Community Benefit Foundation (HCBF), the TraPac Appellants, and the Port of Los Angeles Board of Harbor Commissioners (BOHC), HCBF shall submit a detailed budget and report to the BOHC, on an annual basis, regarding its annual administrative needs and requirements.**

Approved and adopted by the HCBF Board of Directors on October 10, 2014, HCBF staff will submit a report on the operating expenditures in 2014 (9 months actual plus 3 month forecast), along with a detailed 2015 Annual Operating Budget, to demonstrate its requirements for funding from the Port Community Mitigation Trust Fund.

#### **ADMINISTRATIVE REQUEST**

**Harbor Community Benefit Foundation requests the Board of Harbor Commissioners**

- 1) Review and consider the Harbor Community Benefit Foundation Calendar Year 2015 Operating Budget in the amount of \$511,700, with the condition that HCBF provide the Board of Harbor Commissioners notice of any reallocation within the HCBF budget that exceeds 10% of the total annual budget, and
- 2) Authorize the Port of LA Executive Director, or its designee, to execute a joint letter with HCBF, to approve the distribution of funds by JP Morgan Private Bank, in one lump sum payment of \$482,000, from the Port Community Mitigation Trust Fund to the Harbor Community Benefit Foundation.

#### **HCBF BOARD ACTIONS**

On October 10, 2014, the following actions were taken, by a majority vote of the Board of HCBF:

##### **PRESENTATION OF INTERNAL FINANCIAL REPORTS - (TRANSMITTAL A)**

HCBF Board reviewed and approved HCBF’s internal financial reports, prepared by NFM Solutions, including:

- Operating Expense Budget Summary as of Sept 30, 2014
- Statement of Activities for Nine Months ended Sept 30, 2014
- Projects & Programs Summary – PCMTF funded & HCBF Board Committed
- Combined Statement of Financial Position as of Sept 30, 2014
- Projects & Programs Expenditures - 2012 through Sept 2014
- Combined Statement of Financial Position as of Sept 30, 2014

**DISCUSSION, REVIEW AND APPROVAL OF CALENDAR YEAR 2015 OPERATING BUDGET (TRANSMITTAL B)**

Board Resolution:

1. Approve and adopt the 2015 HCBF Operating Budget totaling \$511,700,
2. Authorize the Executive Director to carry forward anticipated unused funds, in the amount of \$29,700 from the 2014 operating budget; and
3. Authorize the Executive Director to a) present the 2015 annual operating budget in the amount of \$511,700, to the LA Board of Harbor Commissioners (BOHC), for its concurrence; and b) execute a joint letter with the BOHC, or its designee, to approve the distribution of funds in one lump sum transfer from the Port Community Mitigation Trust Fund (PCMTF) to HCBF, in an amount not-to-exceed \$482,000 to sufficiently fund the 2015 annual operating budget.

**DISCUSSION**

**COMPARISON OF 2014 BUDGET TO EXPENDITURES:**

On October 18, 2013, the HCBF Board of Directors adopted the 2014 Operating Budget totaling \$511,700, in line with the 2013-2016 Strategic Plan, adopted May 17, 2013.

On November 21, 2013, the BOHC reviewed and approved HCBF’s 2014 Operating Budget with the condition that HCBF provide the Board of Harbor Commissioners notice of any reallocation within the HCBF budget that exceeds 10% of the total annual budget [e.g. \$51,170]. Based on reconciled accounts for the 9-month period ending September 2014, with a 3-month forecast for the calendar year ending December 31, 2014, HCBF has exercised reasonable discretion to reallocate funds (under the 10% threshold) from major budget categories to supplement other categories, if needed, and to carry forward unused funds for future expenditures, if not all the funding was required for operations within the calendar year.

The chart below summarizes the 2014 Operating Expenses. Recommended carry forward from 2014 in the amount of \$29,700 is attributed to on going expense controls, gradual growth in staff, and efficient management of consultants. As shown below, to meet its administrative needs, and fully fund the 2015 Operating Budget of \$511,700, HCBF requires a transfer of \$482,000 from the PCMTF.

| <b>HARBOR COMMUNITY BENEFIT FOUNDATION</b> |                        |  |   |            |                        |   |           |
|--|------------------------|--|---|------------|------------------------|---|-----------|
| <b>BUDGET COMPARISONS 2014 &amp; 2015</b>  |                        |  |   |            |                        |   |           |
| <i>Unaudited</i>                           |                        |  |   |            |                        |   |           |
| <b>MAJOR BUDGET CATEGORIES</b>             | <b>2014<br/>BUDGET</b> | <b>2014<br/>Projected<br/>(9 mo actual<br/>+ 3 mo<br/>forecast</b> | <b>2014<br/>Variance<br/>(under) or<br/>over<br/>budget</b> | <b>%</b>   | <b>2015<br/>BUDGET</b> | <b>2015<br/>Compared to<br/>2014<br/>increase or<br/>(decrease)</b> | <b>%</b>  |
| Program Related Expenses                   | \$299,840              | \$256,287  | (\$43,553)  | -15%       | \$277,300              | \$21,013  | 8%        |
| Professional Fees                          | 75,000                 | 73,368   | (1,632)   | -2%        | 75,000                 | 1,632   | 2%        |
| Mgmt & Admin Expenses                      | 74,960                 | 64,071   | (10,889)  | -15%       | 69,325                 | 5,254   | 8%        |
| Occupancy & Office Expenses                | 43,900                 | 47,290   | 3,390   | 8%         | 48,575                 | 1,285   | 3%        |
| Community Engagement                       | 5,000                  | 22,819   | 17,819  | 356%       | 23,000                 | 181   | 1%        |
| Marketing & Sponsorships                   | 13,000                 | 18,217   | 5,217   | 40%        | 18,500                 | 283   | 2%        |
| <b>TOTAL OPERATING EXPENSE</b>             | <b>\$511,700</b>       | <b>\$482,052</b>   | <b>(\$29,648)</b>   | <b>-6%</b> | <b>\$511,700</b>       | <b>\$29,648</b>   | <b>6%</b> |
| <b>MINUS CARRYFORWARD</b>                  | <b>(\$36,700)</b>      |  |   |            | <b>(\$29,700)</b>      |   |           |
| <b>PCMTF Transfer</b>                      | <b>\$475,000</b>       |  |   |            | <b>\$482,000</b>       |   | <b>1%</b> |

## **MAJOR BUDGET CATEGORIES - HIGHLIGHTS:**

Sorted by magnitude of expenditure, similar to the attached September 30, 2014 Operating Expense Budget Summary, many of the above Major Budget Categories are also found on the IRS Form 990. Variances shown in the Budget Comparisons 2014 & 2015, by category, are described below.

- 1) Program Related Expenses:** Program related expenses include staff hours allocated exclusively to program delivery, based on actual duties. Expenditures in 2014 are 15% less than budget, attributed to gradually increased staffing levels. Recommended increase of 8%, compared to actual, includes increased dedication to programs.
- 2) Professional Fees:** Includes legal, audit, strategic planning, and advisory consultant fees. In 2015, professional fees are projected to be stable, including legal fees attributed to Brown Act compliance.
- 3) Management & Admin Expenses:** Actual expenses in 2014 were 15% less than budget, due to cost controls and in-house administration of payroll, taxes, Insurance & benefits. Unused funds were reallocated to Community Engagement, Marketing & Sponsorships. The 2015 budget reflects an 8% increase over 2014 expenditures, with costs attributed to monthly board meetings, and increased medical premiums.
- 4) Occupancy & Office Expenses:** Listed as a major category in 2014 as "Rent & Office Expense", this newly labeled major category also captures the former major category of "Equipment & Furnishings". 2014 expenditures for Occupancy Expenses include the mid-year addition of 150 square feet to our office, for a new total of 850 square feet at the rate of \$18.80 per sq. ft. per year. Rent is scheduled to increase in 2015 by CPI.
- 5) Community Engagement:** Another new major budget category, in 2014 the budget anticipated only \$5,000 for this line item (see Account #6999 Comm. Engagement – Program Related). The dramatic, 356% variance in this category represents both a change in accounting classification (formerly included in "marketing") and a greater emphasis in HCBF hosted events and fairs with a Tidelands nexus, including: "Crush the Bus!" at SA Recycling, the Second Annual Wilmington Health Fair, and San Pedro Healthy Start (co-hosted with Toberman Neighborhood Center). The budget recommendation in 2015 represents continued community engagement, increased slightly for rounding purposes.
- 6) Marketing & Sponsorships:** Formerly categorized as "Marketing", sponsorship efforts during 2014 helped to raise awareness of our foundation and its programs. The significant 40% variance from 2014 is attributed to advertising through local charitable events from our community partners serving Wilmington and San Pedro, including Beacon House Association of San Pedro, Boys & Girls Club of LA Harbor, Coalition for Clean Air, Conquer the Bridge San Pedro Walk/Run, Harry Bridges Institute "Wilmington Health Fair / March for Climate Change", LA Harbor International Film Festival, LA Sustainability Collaborative, San Pedro Rotary Club Youth Employment Workshops, Sharefest Community Development and Toberman Neighborhood Center. The budget recommendation in 2015 represents continued support, with a modest, 2% increase, for rounding purposes.

## **HCBF STRATEGIC PLAN 2013-2016 – BUDGET ALLOCATION:**

As highlighted below, the PCMTF Disbursement Schedule found in the **HCBF 2013-2016 Strategic Plan**, Appendix A, Schedule 1, Plan Year 3 allocated \$524,500 in Operating Expenses for 2015, an increase of 2.5% over the prior calendar year. Staff's recommendation for the current year is less than the strategic plan. Compared to the prior year's budget of \$511,700, the proposed 2015 budget, also \$511,700, is flat. Compared to actual spending, the 2015 budget reflects a total increase of 6%, with a stronger emphasis on program related expenditures.

The following chart compares HCBF's forecast for operating expenditures (approved in the 2013-2016 Strategic Plan) to actual trust fund disbursements. To minimize the transfer of trust funds for administrative needs, unused funds have been consistently carried forward to subsequent budget years. With a continued emphasis on cost control, **the cumulative variance from the strategic plan of \$224,200 may be dedicated towards future Projects & Programs in the communities of San Pedro and Wilmington.** In 2015, Staff recommends a carry forward of \$29,700 in unused funds for future expenditures.

| <b>HCBF 2013-2016 Strategic Plan (excerpt) – Operating Budgets: 2013 through 2015</b> |                               |                             |                      |                       |   |
|---|-------------------------------|-----------------------------|----------------------|-----------------------|---|
| Annual Operating Budget   | <b>Adopted Strategic Plan</b> | <b>HCBF Approved Budget</b> | <b>Carry forward</b> | <b>PCMTF transfer</b> | <b>Variance from Strategic Plan (under) or over</b> |
| Calendar Year 2013  | \$499,200                     | \$499,200                   | (\$145,000)          | <b>\$354,200</b>      | <b>(\$145,000)</b>                                  |
| Calendar Year 2014  | 511,700                       | 511,700                     | (36,700)             | <b>475,000</b>        | <b>(36,700)</b>                                     |
| Calendar Year 2015 <b>REQUEST</b>   | 524,500                       | 511,700                     | (29,700)             | <b>482,000</b>        | <b>(42,500)</b>                                     |
| <b>SUBTOTAL</b>   | <b>\$1,535,400</b>            | <b>\$1,522,600</b>          | <b>(\$211,400)</b>   | <b>\$1,311,200</b>    | <b>(\$224,200)</b>                                  |

**EXCLUSIONS TO THE ADMINSTRATIVE BUDGET:**

All trust fund income and expenses are paid directly to and/or from the fund. Hence, there are no projections for investment income, or expenses, reflected in the HCBF operating budget. As stewards of the trust fund, HCBF closely monitors its performance, and reconciles all PCMTF activity in its internal financial statements. Due to performance concerns, in close collaboration with Port of LA staff, management of the trust fund was transferred from California Community Foundation (CCF) to JP Morgan Chase, on December 30, 2013. As reflected in the Combined Statement of Financial Position, as of August, the Trust Fund Gain or (Loss) under the new manager was \$68,338, net of fees and market value change. This is a notable improvement in performance compared to the Loss of (\$17,384) net of fees and market value change on December 30, 2013, when the fund was transferred; so far, that’s a variance of \$85,772, resulting in a realized gain of \$50,954. We will continue to monitor and report on performance of the portfolio.

Projects and Program related expenditures are not reflected in the Operations Budget.

**PCMTF STATUS REPORT: PREVIOUSLY APPROVED PROJECTS AND FUND BALANCE**

Each project is tracked separately, with funding allocated exclusively to that program. During 2014, major projects and programs underway include:

- **Community Benefit Grants - Funded to Date: \$1,076,000**  
**Program funding priorities include 1) beautification, stewardship & sustainability, 2) youth and maritime career development, and 3) community resources with a tidelands nexus.**
  - Round 1: In 2013, **19 projects** were selected to receive a total of **\$506,000** in PCMTF funding.
  - Round 2: October 16, 2014, the BOHC concurred with the recommendation to fund **20 projects**, approving a transfer from the PCMTF in the amount of **\$570,000**. Three (3) more recommendations (\$50,000), held back by HCBF, are pending for future consideration.

- **“Healthy Harbor” Health Care Grants - Funded to Date: \$1,350,000**  
**Program funding priorities** include 1) Diagnosis and Treatment, 2) Medical Supplies, and/or 3) Education, Access, and Outreach.

- Round 1 (2012) awarded \$350,000 to organizations serving Wilmington only (4 projects)
- Round 2 (2103) awarded \$450,000 expanded the program to include San Pedro (6 projects)
- Round 3 (2014) awarded \$550,000 (9 projects)

**What’s Next:** Round 4 announced October 10, applications **due December 5, 2014**, \$500,000 available, BOHC request for concurrence - **early 2015**.

- **Noise Mitigation Program – Funded to Date: \$185,000**

In 2013, Landrum & Brown completed the Noise Measurement Report, identifying zones of greatest impact from port related noise (presented to BOHC in January 2013). Site monitoring of area schools and Wilmington homes is now complete. First priority schools, in close proximity to the TraPac terminal, include Hawaiian Elementary, Wilmington Park, and Broad Elementary. School testing continues in collaboration with LAUSD and AQMD – to complement the Air Filtration in the Schools Program, funded thru the TraPac MOU prior to the formation of HCBF.

- **Harbor Schools: STEAM Initiative: – Funding Announcement (NEW) \$300,000**

Pilot Round - applications **due Oct 17, 2014** - \$150k/Wilmington + \$150k/San Pedro

**Funding for Science, Technology, Engineering, Arts, & Math projects** with a Tidelands Nexus

BOHC request for concurrence - early 2015

#### SERVING OUR COMMUNITIES:

The Port Community Mitigation Trust Fund was established for the benefit of two communities, Wilmington and San Pedro. The following chart summarizes the delivery of programs, by community.

| HCBF COMPETITIVE GRANT RECAP - BY COMMUNITY |                  |           |                |            |                |            |                                |            |  |
|---|------------------|-----------|----------------|------------|----------------|------------|--------------------------------|------------|--|
| GRANT PROGRAM                               | Grant Cycle      | Projects  | Wilmington     |            | San Pedro      |            | Serving San Pedro & Wilmington |            |  |
| <b>HEALTHY HARBOR GRANTS</b>                |                  |           |                |            |                |            |                                |            |  |
| Round 1 (2012) **                           | 350,000          | 4         | 350,000        | 100%       |                |            |                                |            |  |
| Round 2 (2013)                              | 450,000          | 6         | 92,500         | 21%        | 75,000         | 17%        | 282,500                        | 63%        |  |
| Round 3 (2014)                              | 550,000          | 9         | 147,000        | 27%        | 130,000        | 24%        | 273,000                        | 50%        |  |
| <b>TOTAL HEALTHY HARBOR GRANTS</b>          | <b>1,350,000</b> | <b>19</b> | <b>589,500</b> | <b>44%</b> | <b>205,000</b> | <b>15%</b> | <b>555,500</b>                 | <b>41%</b> |  |
| <b>COMMUNITY BENEFIT GRANTS</b>             |                  |           |                |            |                |            |                                |            |  |
| Pilot (2013)                                | 506,000          | 19        | 163,000        | 32%        | 161,000        | 32%        | 182,000                        | 36%        |  |
| Round 2 (2014)                              | 620,000          | 23        | 155,000        | 25%        | 154,000        | 25%        | 311,000                        | 50%        |  |
| <b>TOTAL COMMUNITY BENEFIT GRANTS</b>       | <b>1,126,000</b> | <b>42</b> | <b>318,000</b> | <b>28%</b> | <b>315,000</b> | <b>28%</b> | <b>493,000</b>                 | <b>44%</b> |  |
| <b>COMBINED TOTALS</b>                      | <b>2,476,000</b> | <b>61</b> | <b>907,500</b> | <b>37%</b> | <b>520,000</b> | <b>21%</b> | <b>1,048,500</b>               | <b>42%</b> |  |

\*\* Round 1 of Healthy Harbor was exclusively for Wilmington, to satisfy the TraPac MOU

The following chart summarizes the transfers from the Port Community Mitigation Trust Fund (PCMTF) to HCBF for the period from September 30, 2013 through October 2014. Additional detail can be found in the internal financial reports.

**REVISED OCTOBER 25, 2014**

| <b>TRUST FUND ACTIVITY RECAP FOR THE PERIOD BEGINNING SEPTEMBER 30, 2013</b> |                       |                      |                     |
|--|-----------------------|----------------------|---------------------|
|  | <b>Administrative</b> | <b>Programs</b>      | <b>Fund Balance</b> |
| Trust Fund Balance as of September 30, 2013 <b>(a)</b>                       |                       |                      | \$7,785,938         |
| 2014 Operations Budget (funded 12/30/13)                                     | (\$475,000)           |                      |                     |
| Community Benefit Grant Pilot (12/31/13)                                     |                       | (\$506,000)          |                     |
| Healthy Harbor - Health Care Grants Round 3 (3/18/14)                        |                       | (\$550,000)          |                     |
| Trust Fund Gain or (Loss) Net of Fees as of Aug 2014 <b>(b)</b>              |                       |                      | \$56,954            |
| <b>Subtotal Trust Fund Balance as of Sept 30, 2014</b>                       |                       |                      | <b>\$6,311,892</b>  |
| CB Grants Round 2 [20 out of 23]- (BOHC approved 10/16/14)                   |                       | (\$570,000)          |                     |
| <b>Adjusted Trust Fund Balance as of October 16, 2014</b>                    |                       |                      | <b>\$5,741,892</b>  |
| <b>DISBURSEMENTS IN PROGRESS</b>   |                       |                      |                     |
| <b>2015 Operations Budget (this request)</b>                                 | (\$482,000)           |                      |                     |
| Net Trust Fund Balance   |                       |                      | \$5,259,892         |
| <b>HCBF BOARD APPROVED FUNDING INITIATIVES (subject to BOHC concurrence)</b> |                       |                      |                     |
| CB Grants Round 2 continued - 3 Grants Pending                               |                       | (\$50,000)           |                     |
| Healthy Harbor Grants Round 4 - apps due 12/5/14                             |                       | (\$500,000)          |                     |
| Harbor Schools: STEAM Initiative - 31 apps received 10/17/14                 |                       | (\$300,000)          |                     |
| Subtotal Pending Program Expenditures  |                       |                      | (\$850,000)         |
| <b>Subtotal including HCBF Board Approved initiatives</b>                    |                       | <b>(\$2,476,000)</b> | <b>\$4,409,892</b>  |
| (a) Managed by California Community Foundation thru December 30, 2013        |                       |                      |                     |
| (b) Managed JPMorgan Chase January thru August 2014 (8 months)               |                       |                      |                     |

TRANSMITTAL A)

HCBF Internal Financial Reports – Approved by the HCBF Board October 10, 2014

- Operating Expense Budget Summary as of Sept 30, 2014
- Statement of Activities for Nine Months ended Sept 30, 2014
- Projects & Programs Summary – PCMTF funded & HCBF Board Committed
- Combined Statement of Financial Position as of Sept 30, 2014
- Projects & Programs Expenditures - 2012 through Sept 2014
- Combined Statement of Cash Flows as of Sept 30, 2014
- HCBF 2015 Operating Budget – Compared to 2014 (9 months actual)

TRANSMITTAL B)

2015 HCBF Annual Operating Budget – Approved by the HCBF Board of Directors October 10, 2014