

DATE: DECEMBER 19, 2024

FROM: COMMUNITY RELATIONS

**SUBJECT: RESOLUTION NO. _____ - APPROVAL OF HARBOR
COMMUNITY BENEFIT FOUNDATION CALENDAR YEAR 2025 OPERATIONS BUDGET
AND PORT COMMUNITY MITIGATION TRUST FUND TRANSFER**

SUMMARY:

The Harbor Community Benefit Foundation (HCBF) requests, and Staff recommends, that the Board of Harbor Commissioners (Board) approve its proposed Calendar Year (CY) 2025 Operating Budget of \$230,345 and the transfer of the remaining balance after grant and budget allocations in JPMorgan Chase Private Bank (JPMCPB) to HCBF operations not to exceed \$5,000.

The CY 2025 HCBF Operations Budget is structured to cover HCBF's two separate sources of funding for operations and programs: the TraPac Port Community Mitigation Trust Fund (PCMTF), and the China Shipping Air Quality Mitigation Fund (AQMF). The trust funds from each source are separately held and managed independently by JPMCPB and California Community Foundation (CCF), respectively. This CY budget will be funded from prorated shares from each fund, equating to 15% from PCMTF and 85% from AQMF.

The HCBF is a non-profit organization that receives funding from the PCMTF established by the City of Los Angeles Harbor Department (Harbor Department) and provides grant administration for the PCMTF, subject to Board approval of budget, grants and PCMTF fund transfers in accordance with the TraPac Memorandum of Understanding (TraPac MOU) and Operating Agreement of the TraPac MOU (Operating Agreement).

In accordance with the TraPac MOU and Operating Agreement, HCBF has provided the required financial reports and program documentation in support of its budget request. HCBF will be financially responsible for its operating budget. Additionally, HCBF will provide the Board prior notice of any reallocation of authorized funds that exceed 10% of the total annual budget.

The Harbor Department has completed all funding obligations into the PCMTF under the TraPac MOU, which expired in 2013. The proposed CY 2025 Operating Budget will be funded from prorated funds in the amount of \$34,340 from TraPac operating reserves and \$196,005 from China Shipping operating reserves (AQMF grants Round 3).

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RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

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. Review, receive and file the audited financials for Harbor Community Benefit Foundation for the calendar year ending December 31, 2023;
3. Approve the Harbor Community Benefit Foundation CY 2025 Operating Budget in the amount of \$230,345, with the condition that the Harbor Community Benefit Foundation provides the Board of Harbor Commissioners prior notice of any reallocation within the Harbor Community Benefit Foundation budget that exceeds 10% of the total annual budget;
4. Authorize the Executive Director or designee to execute a joint letter with the HCBF, to authorize JP Morgan Chase Private Bank to distribute funds in one lump sum transfer from the PCMTF to HCBF, in an amount of \$405,100 to sufficiently fund PCMTF Round 9 Grants and the administrative needs of HCBF's 2025 annual operating budget;
5. Approve the transfer of the remaining balance not to exceed \$5,000 from the JPMorgan Chase Bank account to HCBF operations to close the accounts upon final issuance of round 9 grants; and
6. Adopt Resolution No. _____.

DISCUSSION:

Background/Context - On April 3, 2008, the Board approved an MOU between the City of Los Angeles and certain organizations and individuals (TraPac Appellants) to resolve an appeal of the certification of the Environmental Impact Report/Environmental Impact Statement (EIR/EIS) for the TraPac Container Terminal Project (TraPac Project) to the Los Angeles City Council. The TraPac MOU provided for resolution of the EIR/EIS appeals and creation of the PCMTF designated for mitigation projects that mitigate impacts from port and port-related operations and are consistent with the Tidelands Trust and the TraPac MOU. In addition, the MOU required the creation of a nonprofit entity, the HCBF, to operate the PCMTF and oversee the grant selection and grant-making process in accordance with the TraPac MOU.

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On October 26, 2010, the Board approved the Operating Agreement of the TraPac MOU, among the Harbor Department, TraPac Appellants, and the HCBF. The Operating Agreement provides specific details regarding administration of the PCMTF and the role and responsibilities of the Board, the nonprofit entity and the bylaws which govern it. The Harbor Department has completed all funding obligations into the PCMTF under the TraPac MOU, which expired in 2013. The terms of the Operating Agreement will remain in effect as long as there is a balance in the PCMTF. As of September 30, the balance of the PCMTF was \$405,311.

Use of the PCMTF by the HCBF is subject to rules, restrictions, compliance, and monitoring imposed by the MOU, Operating Agreement, and Tidelands Trust Doctrine. The approval of PCMTF-funded projects and transfer of funds from the PCMTF to the HCBF is subject to review and approval by the Board as well as approval as to form and legality by the Office of the City Attorney.

Since its inception, HCBF has produced an Off-Port Impact Land Use Study, Noise Assessments in Wilmington and San Pedro (Phase I of the Noise Mitigation Program) and launched three competitive grant programs: Community Benefit Grants, Healthy Harbor Grants, and Harbor Schools STEAM Initiative Grants. To date, HCBF has distributed \$7,368,276 in grants and other programs.

HCBF Operating Budget Requirements – In accordance with Section 5F of the Operating Agreement, HCBF must submit a detailed budget and report to the Board on an annual basis regarding its administrative needs and requirements. HCBF must also provide an update on the balance of the PCMTF as well as a report on the progress of its programs funded by the PCMTF in accordance with Section 5C of the Operating Agreement. The Board shall exercise its independent judgement as to the requested budget; may not arbitrarily or unreasonably decline a budget request; and shall provide written findings relating to reasons for any rejection. Upon Board approval, funds may be transferred from the PCMTF to HCBF for the purposes outlined in the approved annual budget.

Requirement of Accounting for Non-Tidelands Activities of HCBF - In March 2012, the Board imposed the condition that the Office of the City Attorney and HCBF work together to determine a method that accounts for any HCBF non-Tidelands related activities. This accounting is needed to ensure that the Tidelands-restricted funds released to HCBF for its operating budget are used appropriately for non-Tidelands purposes, while still allowing HCBF to engage in non-Tidelands activities using separate non-Tidelands funds from non-Port sources. HCBF and State Lands Commission (SLC) have agreed upon the current process which was used and reported on in conjunction with the budget approval for CY 2025.

HCBF may only request the release of funds from the PCMTF equal to its total proposed operating budget reduced by the projected percentage of non-Tidelands activities. If non-

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Tidelands activities are estimated to total 5% or less of the budget total request, these activities will be deemed *de minimis* and will not reduce the allowable budget request.

The agreed upon process is as follows:

- 1) Prior to HCBF making its annual operating budget request to the Board of Harbor Commissioners, it shall discuss with representatives of the SLC an estimated projection of the percentage of its non-Tidelands administrative activities for the upcoming year.
- 2) In conjunction with preparation of its annual audit by its outside auditing firm, HCBF will report its actual percentage of non-Tidelands administrative activities from the current year and reconcile it with the previous projection. The amount of this reconciliation shall be taken into account as a debit or credit, as the case may be, calculated into the amount of annual operating budget funds released from the PCMTF to HCBF for the following year. An annual reconciliation based on actual non-Tidelands administrative activities will be delivered following the conclusion of the most recent fiscal year audit.

In accordance with the above methods of accounting for non-Tidelands activities, HCBF is in the process of performing an internal audit of their CY 2024 administrative activities and anticipates that there will be no non-Tidelands expenditures incurred. When complete, the information will be shared with the SLC and the Board. HCBF has provided SLC with its proposed 2025 Operating Budget with a forecast of no non-Tidelands related expenditures for CY 2025 (Transmittal 1).

Annual reconciliation based on actual non-Tidelands administrative activities, was also delivered to the SLC following the conclusion of the most recent CY audit (2023 was completed in October 2024), confirming no non-Tidelands expenditures had been incurred in CY 2023 (Transmittal 2).

2024 Operating Expenses – The HCBF Operating Budget for CY 2024 was approved by the Board in Resolution 24-10349 for an amount not to exceed \$265,000. It is anticipated that actual expenses for CY 2024 will be \$266,872 which is \$1,872 or 0.7% over budget.

Proposed 2025 Operating Budget – The proposed HCBF 2025 Operating Budget is \$230,345, a decrease of \$34,655 or 13% relative to the approved CY 2024 HCBF Operating Budget of \$265,000. The decrease reflects a reduction in payroll expenses partially offset by an increase in telecommunications, office expenses, insurance, and professional fees.

HCBF has two separate sources of funding for operations and programs, namely the TraPac PCMTF and China Shipping AQMF. The trust funds from each source are separately held and managed independently by JPMorgan Chase Private Bank and California Community Foundation, respectively. Annual administrative expenses for the 2025 operations budget will be shared pro rata by the funds, with an allocation based on the award of grants.

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Anticipated CY 2025 Grants - During CY 2025, it is forecast that PCMTF will award approximately \$370,760 in grants (pending Board approval), while AQMF will award approximately \$2,116,185 in grants at the end of 2024 (Resolution 24-10416), for a total of \$2,486,945 in grants. That prorated share of CY 2025 administrative expenses equates to 15% from the PCMTF and 85% from AQMF.

Funding for the CY 2025 Operating Budget of \$230,345 shall be charged *pro rata* against each fund in the amount of \$34,340 from TraPac operating reserves (prorated share of PCMTF awarded grants of \$370,760/\$2,486,945), and utilization of \$196,005 from China Shipping operating reserves (prorated share of AQMF awarded grants of \$2,116,185/\$2,486,945). As a result, a funds transfer is required from the PCMTF held by JP Morgan Bank to HCBF in the amount of \$405,100 to sufficiently fund PCMTF Round 9 Grants (request for approval is forthcoming) and the administrative needs for the HCBF's CY2025 Operating Budget.

Upon Board approval of the HCBF CY 2025 Operating Budget, the Executive Director will authorize JPMPB to transfer a lump sum of \$405,100 from the PCMTF to HCBF. There will be no financial impact to the Harbor Department from this transfer as all PCMTF funds are held by HCBF's financial manager JPMPB. As approved by the HCBF Board of Directors, HCBF is requesting Board approval to transfer the remaining balance in the PCMTF account to HCBF operations in the amount not to exceed \$5,000 to close out the account. As of September 30, 2024, the PCMTF account balance is \$405,311.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the HCBF's 2025 Operating Budget, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The Harbor Department originally funded the PCMTF. The Harbor Department has completed all funding obligations into the PCMTF under the TraPac MOU, which expired in 2013. As of September 30, 2024, the balance of the PCMTF was \$405,311.

The proposed HCBF CY 2025 Operating Budget is \$230,345 a 13% decrease relative to the HCBF CY 2024 Operating Budget, with funding sources as follows:

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TraPac PCMTF Operating Reserves	\$34,340
China Shipping AQMF Operating Reserves	\$196,005
Total CY 2025 Funding Sources	\$230,345

Upon Board approval of the HCBF CY 2025 Operating Budget, the Executive Director will authorize JPMCPB to transfer the remaining balance not-to-exceed \$5,000 to HCBF operations to close the accounts upon final issuance of round 9 grants and related HCBF 2025 budget funding. There will be no financial impact to the Harbor Department from this approval, as all PCMTF funds are held by HCBF's financial manager JPMPB.

CITY ATTORNEY:

The Office of the City Attorney has reviewed the requested PCMTF CY 2025 annual budget approval, and approve it as to form and legality, including compliance with the TraPac MOU and Operating Agreement.

TRANSMITTALS:

1. HCBF Request for Approval of CY 2025 Operating Budget and Remaining Balance Transfer
2. HCBF Audited Financial Statements for Year Ended December 31, 2023

FIS Approval: 
CA Approval: 



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Community Relations Director



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