



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: FEBRUARY 13, 2013

FROM: FINANCIAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - REQUEST FOR BUDGETARY TRANSFERS

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) proposes a budgetary transfer of \$827,000 out of a total of \$260,334,281 budgeted in the Unappropriated Balance (UB) to meet anticipated shortfalls in two expense categories. The monies are to be transferred to the Adopted Operating Expense Budget's "Salaries & Benefits" account, and "Materials & Supplies" account, in the amount of \$714,000 and \$113,000 respectively.

RECOMMENDATION:

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

1. Approve the following budgetary transfers to resolve projected shortfalls in the respective operating expense accounts:
 - a. Transfer \$714,000 from the Unappropriated Balance to Salaries & Benefits (Program 000) as follows:
 - i. \$37,000 to Center 424, Account 51010
 - ii. \$54,000 to Center 510, Account 51010
 - iii. \$338,000 to Center 414, Account 51010
 - iv. \$30,000 to Center 510, Account 51110
 - v. \$155,000 to Center 412, Account 51110
 - vi. \$100,000 to Center 640, Account 51720
 - b. Transfer \$113,000 from the Unappropriated Balance to Materials & Supplies (Program 000) as follows:
 - i. \$2,500 to Center 424, Account 55010
 - ii. \$106,000 to Center 510, Account 55010
 - iii. \$1,300 to Center 424, Account 55140
 - iv. \$3,200 to Center 424, Account 55160

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2. Direct the Board Secretary to transmit the Resolution to the Mayor for approval pursuant to Section 343(b) of the City Charter;
3. 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
4. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – Based on fiscal year to date ending December 31, 2012 data, as well as input from Harbor Department divisions, projections indicate that operational spending for the operating expense categories of Salaries & Benefits and Materials & Supplies will be beyond the Harbor Department's Adopted Operating Expense Budget. The unbudgeted expenses resulted primarily from the undertaking of managing Ports O' Call (POC) maintenance, changing the compensation package for Port Pilots under its Memorandum of Understanding (MOU), and re-categorizing training expenses under Governmental Accounting Standards Board (GASB) rules for Enterprise Resource Planning (ERP) post-implementation training. To meet the expected shortfalls, the Harbor Department proposes transferring monies from the UB budget to the respective Salaries & Benefits and Materials & Supplies accounts.

Salaries & Benefits – The Salaries & Benefits budget for the Harbor Department for the current fiscal year stands at \$108,220,621 (net of capital allocations) and through the end of December has expended \$52,853,797 or approximately 49% of the budget. Despite the slightly less than 50% usage rate through half the year, projections indicate that there will be a shortfall estimated to be about \$714,000 due to the level of Salaries & Benefits being capitalized trending lower than expected. The majority of the Salaries & Benefits shortfall relates to the Port Pilots renegotiated MOU, which will add previously unanticipated costs of \$338,000. While this item is pending Los Angeles City Council approval, consent is expected and the Harbor Department expects that this expense will occur this fiscal year. Separately contributing to the Salaries & Benefits shortfall are anticipated personnel costs for maintaining the POC that total \$276,000. Finally, \$100,000 is needed for ERP post-implementation training expenses previously capitalized; however, according to GASB rules, it must be expensed. This combined with the transfer of \$614,000 for the POC management and Port Pilots MOU expenses will result in a total transfer of \$714,000 to Salaries & Benefits.

Materials and Supplies – The approved budget of \$7,635,070 for Materials and Supplies is projected to be insufficient to cover the approximate \$113,000 in projected expenses for the maintenance of the POC. Although through December, about \$2.7 million or 36% of the budget has been spent in this expense category, the Harbor Department historically spends close to the amount budgeted for Materials and Supplies, and with the added expenses for POC, a shortfall of \$113,000 is projected. It is proposed that UB funds be transferred to Materials & Supplies to cover the additional expenses.

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ENVIRONMENTAL ASSESSMENT

The proposed action is to transfer excess funds into respective operating expense accounts to resolve projected shortfalls. As an administrative action, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS

The Board action will have no employment effect.


FISCAL IMPACT


The transfer of monies from the UB to Salaries & Benefits and Materials & Supplies will increase the overall Operating Expense Budget by \$827,000, from \$213,052,057 to \$213,879,057, and accordingly, reduce the UB by \$827,000. The UB level at the end of December stood at approximately \$437 million; consequently, the move of approximately \$827,000 will not have a material negative effect to the UB.

CITY ATTORNEY:

The Office of the City Attorney has reviewed this Board Report and has no legal issues at this time.

FIS Approval: KP
CA Approval: JUL


KARL K. Y. PAN
Chief Financial Officer


MOLLY CAMPBELL
Deputy Executive Director

APPROVED:

GERALDINE KNATZ, Ph.D.
Executive Director

KP:EY:ey
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