



To: Geraldine Knatz, Ph.D, General Manager, Port of Los Angeles  
 From: Mary Silverstein, Executive Director, Harbor Community Benefit Foundation  
 Sean Hecht, Board Chair, Harbor Community Benefit Foundation  
 Cc: Mike Christensen, Deputy Executive Director – Development, Port of Los Angeles  
 Simon Kann, Deputy City Attorney, City of Los Angeles  
 Michael Jenkins, Jenkins and Hogin, LLP, Counsel for HCBF  
 Jennifer Lucchesi, Chief Counsel, State Lands Commission  
 Date: December 7, 2012  
 Re: HCBF Operating Budget, YE December 31, 2013

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#### **INTRODUCTION:**

Pursuant to Section 5C.iv. and 5.F. of the 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 BOHC on an annual basis regarding its annual administrative needs and requirements.

#### **ADMINISTRATIVE REQUESTS:**

##### **A) FINANCIAL REPORTS – RECEIVE & FILE**

##### **Request to receive and file the HCBF Board approved unaudited Financial Reports:**

- Operating Budget Summary: Sept. 30, 2012 Accrual and Projections through Dec. 31, 2012
- Projects & Programs Summary: HCBF Committed Funding for 2012
- Balance Sheet (Consolidated) - Unaudited as of Sept. 30, 2012
- Statement of Cash Flows: Unaudited as of Sept. 30, 2012
- Port Community Mitigation Trust Fund; Account Statement, California Community Foundation

##### **B) 2013 OPERATING BUDGET – TRANSFER FROM PCMTF**

**Request to 1) review and consider HCBF’s 2013 Calendar Year 2013 Operating Budget in the amount of \$499,200, 2) approval to carry forward the surplus funds from the 2012 Operating Budget, to be allocated to the 2013 Operating Budget, (projected \$145,000) and 3) approve a transfer from the Port Community Mitigation Trust Fund (PCMTF) to HCBF in the amount of \$354,200 to fully fund the 2013 Operations Budget.**

HCBF requests discretion when managing its administrative needs, which may include reasonable reallocation of funds from one major category to supplement other categories, or to carry forward surplus funds for future expenditures, if not all the funding is required for operations within 2013.

#### **HCBF BOARD ACTIONS:**

In conjunction with the annual budget, the HCBF Board has reviewed, received, and filed the financial reports described below:

OCTOBER 19, 2012, AGENDA ITEM NO. 4 ([Transmittal 1: Staff Report with attachments](#))

##### **SUMMARY PRESENTATION OF INTERNAL FINANCIAL REPORTS**

- a) Review of HCBF third quarter operating budget with projections through December 31, 2012
- b) Review of HCBF Board approved projects and program expenditures as of September 30, 2012

On the same day, the HCBF Board of Directors approved and adopted, by majority vote, the annual operating budget ([Transmittal 2: HCBF Board Meeting Minutes](#)) authorizing a request to transfer funds from the PCMTF:

OCTOBER 19, 2012, AGENDA ITEM NO. 5

##### **DISCUSSION, REVIEW AND APPROVAL OF CALENDAR YEAR 2013 OPERATING BUDGET**

Board resolved to approve and adopt the Harbor Community Benefit Foundation’s Calendar Year 2013 Operating Budget totaling \$499,200. Further resolved, that staff is authorized to request from the BOHC a transfer of funds from the PCMTF in the amount necessary to fully fund HCBF’s 2013 Operating Budget.

**DISCUSSION:**

The Harbor Community Benefit Foundation convened its first Board meeting in May 2011. Funding of a short-term (4-month) operating budget was transferred in the amount of \$137,500 from the PCMTF in December. In 2012, a carry forward of \$120,000 from the interim funds, combined with \$379,200 (received in April 2012) fully funded the 2012 Operating Budget in the amount of \$499,200. The enclosed staff reports demonstrate 2012 Operating Expenses, during the first full year of operation for the foundation, were less than budgeted. A surplus is attributed, in part, to it being our “first” budget, based on forecasts, as well as HCBF expense controls, gradual staffing levels and efficient use of professionals.

**HCBF OPERATIONS – COMPARISON OF BUDGET TO ACTUAL EXPENDITURES:**

The following chart provides a comparison of budget to expenditures, based on nine months actual and three months projected. The chart reflects the intent to carry forward the surplus of \$145,000 from the 2012 Operating Budget to the 2013 Operating Budget. To meet its administrative needs, and fully fund the 2013 Operating Budget of \$499,200, HCBF requires a transfer of \$354,200 from the PCMTF.

**HARBOR COMMUNITY BENEFIT FOUNDATION  
COMPARISONS: 2012 BUDGET TO ACTUAL & 2013 BUDGET TO ACTUAL**

MAJOR BUDGET CATEGORIES	2012 Approved Budget	9-Month Actual Plus 3-Month Projected	Surplus or (Short)		2013 BUDGET	2013 Compared to 2012 Actual	
Professional Fees	132,000	81,734	50,266	(a)	100,000	18,266	(c)
Equipment & Furnishings	12,705	12,705	0		7,000	(5,705)	(d)
Marketing	8,850	7,723	1,127		8,850	1,127	
Meetings & Ent	2,300	3,225	(925)		3,400	175	
Rent & Office Expense	35,345	31,870	3,475		39,950	8,080	(e)
Payroll, Taxes, Ins, Benefits	308,000	217,170	90,830	(b)	340,000	122,830	(f)
<b>TOTAL OPERATING EXPENSE</b>	<b>499,200</b>	<b>354,427</b>	<b>144,773</b>		<b>499,200</b>	<b>144,773</b>	
INTEREST RECEIVED			227				
<b>SURPLUS/CARRYFORWARD 2013</b>			<b>145,000</b>		<b>(145,000)</b>		
<b>REQUESTED TRANSFER: PCMTF</b> <i>Excludes Trustee Fees</i>					<b>354,200</b>		

- (a) Professional Fees 2012: Legal Fees Budget: \$70k, Actual (9 months) plus projected (3 mos) = \$50k, surplus of \$20k  
Professional Fees 2012 also include Advisory Consultants Budget \$62k, Actual = \$31k, surplus of \$30k
- (b) Payroll & Benefits 2012: reflects **gradual staffing - Benefits commenced in Q3.**
- (c) Professional Fees 2013: Legal Fees - adjusted based on actual; Advisory Fees include Strategic Plan, Audit
- (d) Equipment & Furnishings 2013: adjusted downward to reflect One-Time Start Up costs
- (e) Rent & Office 2013: Phones, Internet, Office Rent, and Office Supplies. Reflects growth from 1 to 3.5 FTEs
- (f) Payroll & Benefits 2013 = 3.5 FTE

**OPERATIONS BUDGET HIGHLIGHTS:**

**Professional Fees:** The first year budget forecasted \$132,000 in Professional Fees, to include legal, audit, strategic planning and advisory consultant fees. Savings can be attributed, largely, to HCBF’s legal advisor, Jenkins & Hogin, LLC who has efficiently and effectively provided its legal services. Compared to 2012 actuals, the forecast for 2013 includes audit services to properly report on HCBF’s operations, projects and programs. As of 2012 Q4, the foundation’s first **Strategic Plan**, covering 2013 through 2016 is well underway. With the help of strategic planning consultant, OD 180, the plan should be finalized and adopted by the Board of Directors during the first quarter of 2013. When completed, the strategic plan will outline the Board adopted priorities for projects and programs, in accordance with the governing documents; recommend a disbursement schedule for the PCMTF, and identify strategies to develop future funding.

**Marketing:** HCBF adopted a logo (above) and launched a new website in June 2012. The new user-friendly site is managed in-house, an important tool for timely postings of board meetings, notices of funding opportunities, and general communication with its stakeholders. As of December, HCBF’s email **distribution list is nearly 800.**

**Payroll, Taxes, Insurance & Benefits:** Actual expenses for the Calendar Year 2012 were significantly less than budget, due to gradual staffing levels. First quarter expenses consisted of one FTE, the Executive Director (hired December 2011). The second quarter included the addition of a full-time Program Associate. New Hires in Q4 include another full-time Program Associate and a part-time bookkeeper for a total of 3.5 FTE at the end of 2012. **Compared to the gradual rise in expenses in 2012, Payroll & Benefits in 2013 will reflect 3.5 FTE.**

**OPERATIONS BUDGET EXCLUSIONS:**

The PCMTF is managed and invested by a Trustee, California Community Foundation (CCF). At the direction of the Harbor Department, trust fund income and expenses are excluded from the HCBF operating budget. However, HCBF posts and reconciles monthly statements to account for all income and expenses, as well as all market changes, reporting to the HCBF Board the periodic performance of the Trustee (CCF). A full accounting will be provided in the audited financials.

**PROJECT & PROGRAM EXPENDITURES – HIGHLIGHTS:**

Projects and Program expenditures are not reflected in the operations budget. As shown in the attached financial reports, each program is tracked separately, with funding allocated exclusive to that program. During the course of 2012, the BOHC has approved funding for the following projects:

**Exhibit A: Project A - Noise Mitigation Program, Phase I (\$185,000).** In October, Landrum & Brown have finished and presented Report #1, Noise Measurement Report 1. A full copy of the extensive report was provided to the Harbor Department community town hall meetings in Wilmington contributed to the report. [\(Transmittal 3 - Mini Summary Report\)](#) As of December 2012, noise contouring maps are in progress. Findings and recommendations will be completed by June 2013. A funding request from the PCMTF for noise mitigation efforts in Wilmington will be submitted to the BOHC in Phase II, in mid 2013.

**Exhibit A: Project C – Health Care Grants. Round 1** awarded **\$350,000** to organizations serving Wilmington only (funded by the PCMTF on August 10). In September 2012, the HCBF Board of Directors authorized a competitive round for health care grants, announcing the availability of **\$750,000 in Round 2** for qualified organizations serving Wilmington and/or San Pedro. Eligible proposals will focus on one or more of the following priorities 1) Diagnosis and Treatment, 2) Medical Supplies & Pharmaceuticals, and/or 3) Education, Access, and Outreach. On November 30, 2012, HCBF received 21 applications, requesting a total of \$2,973,000. A request to the BOHC for funding from the PCMTF to the selected awardees will occur in early 2013.

**TraPac MOU / Off-Port Impact Studies – Land Use Study (\$300,000)** commenced in July 2012. A field survey and an on-line survey of residents and businesses within the Wilmington and San Pedro communities was conducted by Bay Area Council Economic Institute, ending October 31, 2012. A peer review of the results is underway.

The attached **Projects & Programs Summary: HCBF Committed Funding for 2012** includes an overview of committed and expended funds for TraPac MOU programs and projects. In addition, the attached **Balance Sheet (Consolidated) – Unaudited as of September 30, 2012** includes expanded detail to indicate encumbered funds that will be disbursed when certain contract/grantee milestones are achieved.

**PCMTF Status Report: Previously Approved Projects and Fund Balance**

Trust Fund Balance as of August 2012	\$8,607,560
This Operations Budget Request (2013)	(354,200)
Subtotal Fund Balance	\$8,253,360
HCBF Health Care Grants Round 2 (pending)	(750,000)
Net Uncommitted Fund Balance	<b>\$7,503,360</b>
<i>Excludes Trustee Fees, Loss/Gains after August 31, 2012</i>	

**AUDITED FINANCIALS:**

Audited financials for the Calendar Year 2012 shall be provided to the BOHC, within 120 days of the close of the year, in accordance with the HCBF’s bylaws.

- Transmittals:
- 1) Staff Report dated October 19, 2012 Agenda Item No. 4  
Internal Financial Reports (September 30, 2012) and PCMTF Statement
  - 2) HCBF Board Meeting Minutes, October 19, 2012
  - 3) Report #1 Noise Measurement Mini Summary Report (full report available upon request)

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