



To: Eugene Seroka, Executive Director, Port of Los Angeles

From: Ben Schirmer, Executive Director, Harbor Community Benefit Foundation
David Sloane, Board Chair, Harbor Community Benefit Foundation

Cc: Doane Liu, Deputy Executive Director and Chief of Staff, Port of Los Angeles
Joy Crose, Assistant General Counsel, Port of Los Angeles
Sharron Scheiber, Staff Counsel, State Lands Commission
Michael Jenkins, Jenkins and Hogin, LLP, Counsel for HCBF

Date: **October 24, 2016**

Re: HCBF Operating Budget, Year Ending December 31, 2017 & PCMTF Transfer

SUMMARY

The Harbor Community Benefit Foundation (HCBF) administers the Port Community Mitigation Trust Fund, a mitigation fund that was developed as part of the 2008 settlement of the appeal of the TraPac terminal expansion project.

Pursuant to Section 5C.iv. and 5.F. of the TraPac Memorandum of Understanding (TraPac MOU) Operating Agreement between 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. HCBF's operating budget for each year is disbursed from the PCMTF based on this annual request from HCBF to the BOHC.

On October 21, 2016, the HCBF Board of Directors approved submission of this report on the operating expenditures in 2016 (9 months actual plus 3 month forecast), and approved a detailed 2017 Annual Operating Budget, to demonstrate its requirements for funding from the Port Community Mitigation Trust Fund. HCBF hereby submits this report, along with a request for funding for HCBF's operations in 2017. HCBF's Board-approved budget totals \$353,427, and it anticipates a carryforward of approximately \$45,153 as of December 31, 2016. HCBF therefore requests the BOHC to approve a disbursement of the amount necessary to fund HCBF's 2017 proposed budget, \$308,274 from the PCMTF to HCBF's operating account.

OPERATING BUDGET REQUEST

Harbor Community Benefit Foundation requests that the Board of Harbor Commissioners:

1. Review and consider the Harbor Community Benefit Foundation Calendar Year 2017 Operating Budget in the amount of \$353,427, 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 \$308,274, from the Port Community Mitigation Trust Fund to the Harbor Community Benefit Foundation.

HCBF BOARD ACTIONS

On October 21, 2016, the following actions were taken, by a majority vote of the Board of HCBF:

PRESENTATION OF INTERNAL FINANCIAL REPORTS - (TRANSMITTAL 1 – memo to HCBF Board dated October 21, 2016)

HCBF Board reviewed HCBF's internal financial reports, including:

- Proposed budget for 2017
- Actuals through Sept 30, 2016 with projections through Dec 31, 2016
- Statement of Activities for nine months ended Sept 30, 2016
- Statement of Cash Flows (unaudited) for nine months ended Sept 30, 2016
- Combined Statement of Financial Position as of Sept 30, 2016
- Projects & Programs Summary - PCMTF funded & HCBF Board Committed

DISCUSSION, REVIEW AND APPROVAL OF CALENDAR YEAR 2017 OPERATING BUDGET

HCBF Board Resolution:

1. Approved and adopted the 2017 HCBF Operating Budget totaling \$353,427;
2. Authorized the Executive Director to carry forward anticipated unused funds, in the projected amount of \$45,153, from the 2016 operating budget; and
3. Authorized the Executive Director to
 - a) present the 2017 annual operating budget in the amount of \$353,427, 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 \$308,274 to sufficiently fund the 2017 annual operating budget.

DISCUSSION

2016 ACTUALS THROUGH SEPTEMBER 30, 2016 WITH PROJECTED EXPENSES FOR OCTOBER, NOVEMBER AND DECEMBER AS COMPARED TO THE APPROVED BUDGET FOR 2016:

The chart below includes the approved budget for 2016 along with a summary of HCBF’s reconciled accounts for the 9-month period ending September 30, 2016, including a 3-month forecast for the calendar year ending December 31, 2016. Based on the difference between the approved budget and the projected actuals for 2016, HCBF anticipates a carry forward of \$45,153.

Harbor Community Benefit Foundation					
Proposed Budget for 2017					
2016					
	Approved Budget	Actuals (Jan - Sept)	Projected (Oct - Dec)	2016 Total	Actuals v. Budget
Source of Funds:					
Carry Forward from previous year	\$78,382			\$78,382	
Air Quality Trust Fund	\$0				
4200 PCMTF Distribution	\$359,324			\$359,324	
Total Funding =	\$437,706			\$437,706	
Expenses					
Personnel:					
6800 Payroll Expenses					
6801 Payroll Taxes	\$21,471	\$16,276	\$5,371	\$21,647	\$176
6802 Wages	\$263,380	\$198,418	\$50,165	\$248,583	-\$14,797
6803 Work Comp & Employee Benefits	\$16,376	\$13,835	\$4,566	\$18,401	\$2,025
6805 401(K) Match	\$9,987	\$7,682	\$2,535	\$10,217	\$230
Subtotal Personnel =	\$311,214	\$236,211	\$62,637	\$298,848	-\$12,366
General Operating:					
6000 Furniture and Equipment					
	\$2,400	\$0	\$2,000	\$2,000	-\$400
6100 Office Expenses					
	\$9,838	\$7,697	\$2,540	\$10,237	\$399
6105 Rent					
	\$17,244	\$13,302	\$4,612	\$17,914	\$670
6106 Security					
	\$0	\$0	\$0	\$0	\$0
6200 Dues & Subscriptions					
	\$3,458	\$2,319	\$765	\$3,084	-\$374
6300 Insurance					
	\$4,202	\$2,907	\$1,026	\$3,933	-\$269
6400 Maintenance & Repairs					
	\$600	\$0	\$300	\$300	-\$300
6500 Marketing					
	\$12,000	\$0	\$0	\$0	-\$12,000
6600 Meeting, Meals & Ent.					
	\$1,200	\$529	\$250	\$779	-\$421
6700 Mileage & Parking Reimb.					
	\$1,800	\$1,444	\$476	\$1,920	\$120
6804 Staff Development					
	\$2,400	\$375	\$450	\$825	-\$1,575
6900 Professional Fees					
	\$69,300	\$31,362	\$20,000	\$51,362	-\$17,938
6950 Taxes & Licenses					
	\$550	\$150	\$50	\$200	-\$350
6960 Travel & Conferences					
	\$1,500	\$400	\$750	\$1,150	-\$350
6999 Program-Related Expenses					
	\$0	\$0	\$0	\$0	\$0
Subtotal General Operating =	\$126,492	\$60,485	\$33,219	\$93,704	-\$32,788
Total Expenses =	\$437,706	\$296,696	\$95,856	\$392,553	-\$45,153

SUMMARY OF VARIANCES BETWEEN 2016 BUDGET V. 2016 ACTUALS BY COST ACCOUNT:

Below is a summary of why there are differences between the 2016 budget and the 2016 projected actuals, by cost account.

Personnel Expenses:

6801 - Minimal variance.

6802 - This shows a savings due to a reduction in staff from 3 employees to 2, effective October 14th.

6803 - This shows an increase due to the cost of benefits and insurance.

6805 - Minimal variance.

General Operating Expenses:

6000 - To date, no new furniture and equipment has been purchased. However, there are plans to replace/upgrade some furniture and equipment before year-end.

6100 - Minimal variance.

6105 - Minimal variance.

6106 - Security is no longer needed at the new office space.

6200 - Minimal variance.

6300 - Minimal variance.

6400 - To date, no funds have been expended for maintenance and repairs.

6500 - To date, no funds have been expended for marketing. For 2017 this line item will remain zero.

6600 - Minimal variance.

6700 - Minimal variance.

6804 - Staff have been very selective about attending conferences so this number is well under budget.

6900 - This item is well under budget since we have not had to use our retained legal services as often.

6950 - Minimal variance.

6960 - Minimal variance.

6999 - As of July 2015 this line item was eliminated in an effort to maximize PCMTF funds for grant related purposes.

PROPOSED 2017 BUDGET REQUEST COMPARED TO 2016 APPROVED BUDGET:

On October 16, 2015, the HCBF Board of Directors adopted the 2016 Operating Budget totaling \$437,706. On November 17, 2015, the BOHC reviewed and approved HCBF’s 2016 Operating Budget. The chart below summarizes the proposed 2017 Operating Budget. For comparison, the approved budget for 2016 is included. As shown below, to meet its administrative needs, and fully fund the 2017 Operating Budget of \$353,427, HCBF requires a transfer of \$308,274 from the PCMTF.

The proposed budget for 2017 reflects a 19.3% reduction from the approved budget for 2016. And, the proposed budget for 2017 reflects a 30.9% reduction from the approved budget for 2015.

Harbor Community Benefit Foundation				
Proposed Budget for 2017				
	2016	2017	%	
	Approved	Proposed	Increase or	
	Budget	Budget	Decrease*	Notes for 2017 budget:
Source of Funds:				
Carry Forward from previous year	\$78,382	\$45,153		Carry forward from 2016
Air Quality Trust Fund	\$0	\$0		Not included in the 2016 or 2017 budget
4200 PCMTF Distribution	\$359,324	\$308,274	-14.2%	Total requested from PCMTF
Total Funding =	\$437,706	\$353,427	-19.3%	
Expenses				
Personnel:				
6800 Payroll Expenses				
6801 Payroll Taxes	\$21,471	\$16,962	-21.0%	Payroll taxes - Federal Soc.Sec. & Medicare; CA ETT, CA SUI.
6802 Wages	\$263,380	\$207,900	-21.1%	Based on 2017 salaries for 2 employees
6803 Work Comp & Employee Benefits	\$16,376	\$13,185	-19.5%	Medical, dental & vision, Worker's Comp, Intuit, payroll and 401K admn. charges
6805 401(K) Match	\$9,987	\$8,060	-19.3%	Based on match for two employees
Subtotal Personnel =	\$311,214	\$246,107	-20.9%	
General Operating:				
6000 Furniture and Equipment	\$2,400	\$2,400	0.0%	
6100 Office Expenses	\$9,838	\$8,021	-18.5%	Verizon; Go Daddy; Submittable, Office 365, AT&T, Office Depot orders, employee cell phone reimbursement, Adobe, water service, postage and printing
6105 Rent	\$17,244	\$18,142	5.2%	Rent and electric
6106 Security	\$0	\$0	0.0%	No longer needed at new address
6200 Dues & Subscriptions	\$3,458	\$3,458	0.0%	SoCal Grantmakers, San Pedro Chamber and Wilmington Chamber
6300 Insurance	\$4,202	\$4,549	8.2%	D&O, Gen Liab, and Bond
6400 Maintenance & Repairs	\$600	\$600	0.0%	Based on \$50 per month
6500 Marketing	\$12,000	\$5,000	-58.3%	Website, mailings, community outreach and communications
6600 Meeting, Meals & Ent.	\$1,200	\$1,200	0.0%	Board meetings, staff meetings
6700 Mileage & Parking Reimb.	\$1,800	\$1,800	0.0%	Staff travel to offsite meetings
6804 Staff Development	\$2,400	\$2,400	0.0%	Conference and workshop fees within Los Angeles
6900 Professional Fees	\$69,300	\$57,700	-16.7%	Legal, accounting and audit fees
6950 Taxes & Licenses	\$550	\$550	0.0%	Business license fee
6960 Travel & Conferences	\$1,500	\$1,500	0.0%	For conferences outside the LA area
6999 Program-Related Expenses	\$0	\$0	0.0%	Deleted for 2016 and 2017 budget
Subtotal General Operating =	\$126,492	\$107,320	-15.2%	
Total Expenses =	\$437,706	\$353,427	-19.3%	
* Percent Increase/Decrease compares 2016 approved budget to 2017 requested budget				

EXCLUSIONS TO THE ADMINISTRATIVE 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.

Grant funding is also not reflected in the Operations Budget.

PCMTF STATUS REPORT: FUNDING SUMMARY OF PREVIOUSLY APPROVED PROJECTS AND PROPOSED FUTURE FUNDING FOR PROJECTS:

Below is a chart that summarizes all previous grant funding, by year and by funding category. The chart also includes funding pending BOHC approval for the end of 2016.

Funding Summary:		
Funding, Approved to date:		
Various	\$300,000	Land Use Study (as required by the Operating Agreement)
	\$185,000	Noise Study (as required by the Operating Agreement)
	\$485,000	Total for Studies
2012	\$350,000	Healthy Harbor, Round 1
	\$350,000	Total for 2012
2013	\$450,000	Healthy Harbor, Round 2
	\$506,000	Community Benefit, Round 1
	\$956,000	Total for 2013
2014	\$620,000	Community Benefit, Round 2
	\$550,000	Healthy Harbor, Round 3
	\$1,170,000	Total for 2014
2015	\$518,000	Healthy Harbor, Round 4
	\$306,000	STEAM Pilot
	\$335,000	Community Benefit, Round 3
	\$1,159,000	Total for 2015
2016	\$300,000	Healthy Harbor, Round 5
	\$300,000	Total for 2016
	\$4,420,000	Total (Committed funding to date)
Funding, pending approval:		
2016	\$800,000	Community Benefit, Round 4 (pending approval)
	\$800,000	
	\$5,220,000	Grand Total

China Shipping Agreement Update:

The City of Los Angeles acting through the Board of Harbor Commissioners, The Harbor Community Benefit Foundation and the China Shipping Petitioners are currently negotiating the Independent Air Quality Mitigation Program as required by the China Shipping Amended Stipulated Judgment. If approved, \$5,226,944 will be disbursed to HCBF for the reduction of Port-related air emissions (the “Air Quality Mitigation Fund”).

The agreement currently provides an advance of administrative costs of \$250,000 to HCBF from the AQMF special program account to administer development and issuance of the initial Requests for Proposal. When HCBF’s role in administering this program is finalized, HCBF will develop a specific budget to ensure that it uses the \$250,000 advance as efficiently as possible.

Summary of JP Morgan accounts:

Below is a graph that shows a summary of the investment accounts and savings account at JP Morgan. Information is from JP Morgan showing summary of accounts as of September 30, 2016.

JP Morgan Account Balance Summary		
through September 30, 2016		
	Savings/Investment Accounts	
	Subtotal	Total
Beginning Balance (as of 12/31/15)		\$4,432,306
Contributions		\$0
Withdrawals		(\$300,100)
Management Fees		(\$7,535)
Income	\$97,981	
Change in investment value	\$68,563	
Net increase		\$166,544
Ending Market Value (as of 9/30/16)		\$4,291,215

Statement of Cash Flows for the 9-months ended September 30, 2016

Harbor Community Benefit Foundation		
Statement of Cash Flows		
YTD through September 30, 2016		
<i>(Unaudited - No Assurance Provided)</i>		
OPERATING ACTIVITIES		
PCMTF DISTRIBUTION FOR 2016 HCBF OPERATIONS	[A]	0
Interest and Dividends - Operations Savings Account		132
Expenses from Operations (PCMTF)		(285,438)
NET OPERATING ACTIVITIES		(285,306)
PROGRAM ACTIVITIES		
PROGRAM FUNDING RECEIVED FROM TRAPAC MOU		
Health Care		300,000
Land Use Study		0
Noise Assessment		0
Community Grants		0
TOTAL PROGRAM FUNDS RECEIVED		300,000
PROGRAM DISBURSEMENTS		
Health Care Grants Paid		(483,000)
Land Use Study		(85,584)
Noise Assessment		0
Community Grants Paid		0
TOTAL PROGRAM DISBURSEMENTS		(568,584)
NET PROGRAM ACTIVITIES (FUNDS RECEIVED MINUS DISBURSEMENTS)		(268,584)
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:		
Payroll Liabilities		(4,052)
Accrued Expenses and Funds Held for Others		(1,050)
Prepaid Expenses and Deposits		(966)
TOTAL ADJUSTMENTS		(6,068)
NET CASH PROVIDED BY OPERATING & PROGRAM ACTIVITIES BEFORE UNRESTRICTED INCOME		(559,958)
Unrestricted Income		938
Water Quality Marchem Settlement Grant Disbursement		(19,000)
NET CASH PROVIDED BY OPERATING AND PROGRAM ACTIVITIES		(578,020)
FINANCING ACTIVITIES		
TRAPAC MOU *		0
PROGRAM FUNDING		(300,000)
PCMTF DISTRIBUTION FOR OPERATING EXPENSES		0
PCMTF Retained Income held by JP Morgan		82,788
PCMTF Fees Paid Directly to JP Morgan		(7,635)
PCMTF Market Value Change	[B]	84,908
NET CASH PROVIDED BY FINANCING ACTIVITIES		(139,939)
NET CASH INCREASE (DECREASE) FOR PERIOD		(717,959)
CASH AT BEGINNING OF PERIOD		5,381,228
CASH AT END OF PERIOD		4,663,269
[A] The PMTF Distribution for the 2016 operating budget was made in December 2015		
[B] Loss or Gain in Market Value - Managed by J. P. Morgan Chase Private Bank		

Combined Statement of Financial Position as of September 30, 2016

Harbor Community Benefit Foundation			
Combined Statement of Financial Position			
<i>(Unaudited - No Assurance Provided)</i>			
	As of September 30, 2016		As of
	Detail	Subtotals	Dec. 2015
ASSETS			
CURRENT ASSETS - BANK ACCOUNTS			
Trust Account - Held by 3rd Party Financial Manager *			
1902 Port Mitigation Trust Fund Net of Fees & Market Value Change * [A]	4,290,687	4,290,687	4,430,627
Operations Accounts - Restricted			
1100 Operations Account	95,898		64,606
1200 Payroll Account	47,937		35,881
1300 Business Savings Account - Interest Bearing	100,367		435,240
Subtotal Operations Accounts - Restricted		244,202	535,727
Projects and Programs Accounts - Restricted			
1400 Land Use	67,105		152,689
1500 Noise	23,403		23,403
1600 Health Care Grants	100		183,000
1700 Other Grants	100		-
Subtotal Projects and Programs Accounts - Restricted		90,708	359,092
Unrestricted - Non PCMTF Account			
1901 Unrestricted - Donations Account	37,671		55,782
Subtotal Non PCMTF		37,671	55,782
TOTAL CURRENT ASSETS - BANK ACCOUNTS	4,663,268	4,663,268	5,381,228
Prepaid Expenses and Deposits	9,549	9,549	8,583
TOTAL ASSETS	4,672,817	4,672,817	5,389,811
LIABILITIES AND NET ASSETS			
LIABILITIES - OPERATIONS			
Current Liabilities			
2050 Accounts Payable (Grantees)	-		183,000
2100 Payroll Liabilities	7,570		11,622
2075 Accrued Expenses & 2060 Funds Held For Others	-		1,050
Total Current Liabilities		7,570	195,672
TOTAL LIABILITIES	7,570	7,570	195,672
NET ASSETS			
UNRESTRICTED NET ASSETS			
2900 PCMTF - UNCOMMITTED FUNDS * [A]	4,290,687	4,290,687	4,430,627
TEMPORARILY RESTRICTED NET ASSETS			
3701 Land Use Study	67,105		152,689
3702 Noise Mitigation	23,403		23,403
3705 HCBF Operations (for 2016 Budget)	-		359,324
3710 Water Quality Program Settlement	-		20,000
Total Temporarily Restricted Net Assets		90,508	555,416
TOTAL NET ASSETS	4,665,247	4,665,247	5,194,139
TOTAL LIABILITIES AND NET ASSETS	4,672,817	4,672,817	5,389,811
* PCMTF Notes: Trustee - J. P. Morgan			
	<u>YTD 2016</u>		<u>Total 2015</u>
JP Morgan Admin and Investment Fees Paid	(7,635)		(9,768)
Market Value Change	84,908		(112,162)
Trust Fund Income - Held by J. P. Morgan	82,788		118,318
Trust Fund Gain or (Loss) Net of Fees and Market Value Change	160,061		(3,612)
[A] Includes \$775,614 from Port expansion project received in Oct. 2015.			

Statement of Activities by Class for 9-months ended September 30, 2016

Harbor Community Benefit Foundation											
Statement of Activities by Class											
YTD through September 30, 2016											
<i>(Unaudited - No Assurance Provided)</i>											
	HCBF	Non	Total	Health	Land Use	Noise	Community	Total	TOTAL	YTD	Notes
	Operations	Tidelands	HCBF	Care	Study	Assess-	Grants	Projects	Actual	Budget	
				Grants		ment		& Programs			
Income											
4200 PMTF Distribution	0		0					0	0	369,324	[A]
4201 Carryforward	0		0					0	0	78,382	
4300 Net Assets Released from Restriction	359,324	20,000	379,324	300,000	85,584	0	0	385,584	764,908	0	[A]
4400 Encumbered Funds											
4401 Restricted Grants			0	300,000	0	0	0	300,000	300,000	0	
4402 Satisfaction of Use Restriction	(359,324)	(20,000)	(379,324)	(300,000)	(85,584)	0	0	(385,584)	(764,908)	0	[A]
Total 4400 Encumbered Funds	(359,324)	(20,000)	(379,324)	0	(85,584)	0	0	(85,584)	(464,908)	0	
4900 Unrestricted Income	0	938	938					0	938	0	
4950 Interest and Dividends	132		132					0	132	0	
Total Income	132	938	1,070	300,000	0	0	0	300,000	301,070	437,706	
Expenses											
6000 Furniture and Equipment	0		0					0	0	1,800	
6100 Office Expenses											
6101 Bank Fees	0		0					0	0		
6102 Communications	4,422		4,422					0	4,422		
6103 Software & Fees	1,220		1,220					0	1,220		
6104 Supplies	1,939		1,939					0	1,939		
6107 Postage and Delivery	116		116					0	116		
6108 Printing	0		0					0	0		
Total 6100 Office Expenses	7,697	0	7,697	0	0	0	0	0	7,697	7,380	
6105 Rent	13,302		13,302					0	13,302	12,933	
6200 Dues & Subscriptions	2,319		2,319					0	2,319	3,488	
6300 Insurance	2,907		2,907					0	2,907	3,150	
6400 Maintenance & Repairs	0		0					0	0	450	
6500 Marketing	0		0					0	0	9,000	
6600 Meeting, Meals & Entertainment	529		529					0	529	900	
6700 Mileage & Parking	1,444		1,444					0	1,444	1,350	
6701 Reimbursements	0		0					0	0	1,800	
6800 Payroll Expenses											
6801 Taxes	15,501		15,501					0	15,501	16,837	
6802 Wages	188,418		188,418					0	188,418	197,532	
6803 Work Comp & Employee Benefits	13,736		13,736					0	13,736	12,285	
6807 Retirement - Company Contributions	7,298		7,298					0	7,298	7,488	
Total 6800 Payroll Expenses	224,953	0	224,953	0	0	0	0	0	224,953	234,142	
6804 Staff Development	375		375					0	375	0	
6900 Professional Fees											
6901 Accounting & Audit	22,587		22,587					0	22,587		
6902 Consultants	0		0					0	0		
6903 Legal Fees	8,775		8,775					0	8,775		
Total 6900 Professional Fees	31,362	0	31,362	0	0	0	0	0	31,362	51,975	
6950 Taxes & Licenses	150		150					0	150	550	
6960 Travel & Conferences	400		400					0	400	1,125	
6995 Water Quality Program Grants	0	19,000	19,000					0	19,000	0	
6999 Program-Related Expenses	0		0					0	0	0	
Sub-Total: HCBF Operations	285,438	19,000	304,438	0	0	0	0	0	304,438	330,013	
Projects & Programs:											
7000 Noise Assessment											
7001 Consultant			0			0	0	0	0	0	
7002 Reimbursable			0			0	0	0	0	0	
7003 Printing/Postage			0			0	0	0	0	0	
Total 7000 Noise Assessment	0	0	0	0	0	0	0	0	0	0	
7300 Land Use Study											
7301 Consultant			0		85,559			85,559	85,559	0	
7302 Reimbursable			0		25			25	25	0	
Total 7300 Land Use Study	0	0	0	0	85,584	0	0	85,584	85,584	0	
7400 Health Care Program											
7401 Grantees			0	300,000				300,000	300,000	0	
7402 Reimbursable			0	0				0	0	0	
Total 7400 Health Care Program	0	0	0	300,000	0	0	0	300,000	300,000	0	
7600 Community Grant Program											
7602 Grantees - Round 3			0	0				0	0	0	
Total 7400 Community Grant Program	0	0	0	0	0	0	0	0	0	0	
Total Expenses	285,438	19,000	304,438	300,000	85,584	0	0	385,584	690,022	330,013	
Net Income	(285,306)	(18,062)	(303,368)	0	(85,584)	0	0	(85,584)	(388,952)	107,693	

[A] The PMTF Distribution for the 2016 operating budget was made in December 2015, and was recorded as restricted revenue in 2015 in accordance with Generally Accepted Accounting Principles. In January 2016, the full amount was released from restriction (out of restricted account #4402 and into unrestricted account #4300).



To: HCBF Board

From: Ben Schirmer, Executive Director, Harbor Community Benefit Foundation

Cc: Michael Jenkins, Jenkins and Hogin, LLP, Counsel for HCBF

Date: October 21, 2016

Re: HCBF Operating Budget request for year-end December 31, 2017 & PCMTF Transfer

SUMMARY

Reviewed and approved by the Ad Hoc Budget Committee including the Board Chair, David Sloane and Board Treasurer, David Thornburg, staff will present an overview of expenditures in 2016 (9 months actual plus 3 month forecast), followed by a recommendation for funding its Calendar Year 2017 Operating Budget.

RECOMMENDATION

Board to approve and adopt the 2017 HCBF Operating Budget.

Board Resolution:

1. **Approve and adopt the 2017 HCBF Operating Budget totaling \$353,427,**
2. **Authorize the Executive Director to carry forward anticipated unused funds, in the amount of \$45,153 from the 2016 operating budget; and**
3. **Authorize the Executive Director to:**
 - a) **present the 2017 annual operating budget in the amount of \$353,427, 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 \$308,274 to sufficiently fund the 2017 annual operating budget.**

BACKGROUND

On October 16, 2015, the HCBF Board approved and adopted the 2016 Operating Budget totaling \$437,706. The Board Action authorized staff to apply unused funds in the amount of \$78,382 from the 2015 operating budget, present the 2016 annual operating budget to the Port of Los Angeles Board of Harbor Commissioners "BOHC", and to request a transfer of funds from the PCMTF in the amount of \$359,324 to fully fund HCBF's 2016 Operating Budget.

On November 17, 2015, the BOHC reviewed and approved HCBF's 2016 Operating Budget in the amount of \$437,706.

DISCUSSION**2016 ACTUALS THROUGH SEPTEMBER 30, 2016 WITH PROJECTED EXPENSES FOR OCTOBER, NOVEMBER AND DECEMBER AS COMPARED TO THE APPROVED BUDGET FOR 2016:**

Below is a summary of HCBF's reconciled accounts for the 9-month period ending September 30, 2016, with a 3-month forecast for the calendar year ending December 31, 2016 as compared to the approved budget for 2016. An explanation of the variances follows.

Harbor Community Benefit Foundation						
Proposed Budget for 2017						
2016						
		Approved Budget	Actuals (Jan - Sept)	Projected (Oct - Dec)	2016 Total	Actuals v. Budget
Source of Funds:						
	Carry Forward from previous year	\$78,382			\$78,382	
	Air Quality Trust Fund	\$0				
	4200 PCMTF Distribution	\$359,324			\$359,324	
	Total Funding =	\$437,706			\$437,706	
Expenses						
Personnel:						
	6800 Payroll Expenses					
	6801 Payroll Taxes	\$21,471	\$16,276	\$5,371	\$21,647	\$176
	6802 Wages	\$263,380	\$198,418	\$50,165	\$248,583	-\$14,797
	6803 Work Comp & Employee Benefits	\$16,376	\$13,835	\$4,566	\$18,401	\$2,025
	6805 401(K) Match	\$9,987	\$7,682	\$2,535	\$10,217	\$230
	Subtotal Personnel =	\$311,214	\$236,211	\$62,637	\$298,848	-\$12,366
General Operating:						
	6000 Furniture and Equipment	\$2,400	\$0	\$2,000	\$2,000	-\$400
	6100 Office Expenses	\$9,838	\$7,697	\$2,540	\$10,237	\$399
	6105 Rent	\$17,244	\$13,302	\$4,612	\$17,914	\$670
	6106 Security	\$0	\$0	\$0	\$0	\$0
	6200 Dues & Subscriptions	\$3,458	\$2,319	\$765	\$3,084	-\$374
	6300 Insurance	\$4,202	\$2,907	\$1,026	\$3,933	-\$269
	6400 Maintenance & Repairs	\$600	\$0	\$300	\$300	-\$300
	6500 Marketing	\$12,000	\$0	\$0	\$0	-\$12,000
	6600 Meeting, Meals & Ent.	\$1,200	\$529	\$250	\$779	-\$421
	6700 Mileage & Parking Reimb.	\$1,800	\$1,444	\$476	\$1,920	\$120
	6804 Staff Development	\$2,400	\$375	\$450	\$825	-\$1,575
	6900 Professional Fees	\$69,300	\$31,362	\$20,000	\$51,362	-\$17,938
	6950 Taxes & Licenses	\$550	\$150	\$50	\$200	-\$350
	6960 Travel & Conferences	\$1,500	\$400	\$750	\$1,150	-\$350
	6999 Program-Related Expenses	\$0	\$0	\$0	\$0	\$0
	Subtotal General Operating =	\$126,492	\$60,485	\$33,219	\$93,704	-\$32,788
	Total Expenses =	\$437,706	\$296,696	\$95,856	\$392,553	-\$45,153

SUMMARY OF VARIANCES BETWEEN 2016 BUDGET V. 2016 ACTUALS BY COST ACCOUNT:

Personnel Expenses:

6801 - Minimal variance.

6802 - This shows a savings due to a reduction in staff from 3 employees to 2, effective October 14th.

6803 - This shows an increase due to the cost of benefits and insurance.

6805 - Minimal variance.

General Operating Expenses:

6000 - To date no new furniture and equipment has been purchased. However, there are plans to replace/upgrade some furniture and equipment before year-end.

6100 - Minimal variance.

6105 - Minimal variance.

6106 - Security is no longer needed at the new office space.

6200 - Minimal variance.

6300 - Minimal variance.

6400 - To date no funds have been expended for maintenance and repairs.

6500 - To date no funds have been expended for marketing. For 2017 this line item will remain zero.

6600 - Minimal variance.

6700 - Minimal variance.

6804 - Staff have been very selective about attending conferences so this number is well under budget.

6900 - This item is well under budget since we have not had to use our retained legal services as often.

6950 - Minimal variance.

6960 - Minimal variance.

6999 - As of July 2015 this line item was eliminated in an effort to maximize PCMTF funds for grant related purposes.

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.

Grant funding is not reflected in the Operations Budget.

PROPOSED 2017 BUDGET REQUEST COMPARED TO 2016 APPROVED BUDGET:

On October 16, 2015, the HCBF Board of Directors adopted the 2016 Operating Budget totaling \$437,706. On November 17, 2015, the BOHC reviewed and approved HCBF’s 2016 Operating Budget. The chart below summarizes the proposed 2017 Operating Budget. For comparison, the approved budget for 2016 is included. As shown below, to meet its administrative needs, and fully fund the 2017 Operating Budget of \$353,427, HCBF requires a transfer of \$308,274 from the PCMTF.

The proposed budget for 2017 reflects a 19.3% reduction from the approved budget for 2016. And, the proposed budget for 2017 reflects a 30.9% reduction from the approved budget for 2015.

Harbor Community Benefit Foundation				
Proposed Budget for 2017				
	2016	2017	%	
	Approved	Proposed	Increase or	
	Budget	Budget	Decrease*	Notes for 2017 budget:
Source of Funds:				
Carry Forward from previous year	\$78,382	\$45,153		Carry forward from 2016
Air Quality Trust Fund	\$0	\$0		Not included in the 2016 or 2017 budget
4200 PCMTF Distribution	\$359,324	\$308,274	-14.2%	Total requested from PCMTF
Total Funding =	\$437,706	\$353,427	-19.3%	
Expenses				
Personnel:				
6800 Payroll Expenses				
6801 Payroll Taxes	\$21,471	\$16,962	-21.0%	Payroll taxes - Federal Soc.Sec.& Medicare; CA ETT, CA SUI.
6802 Wages	\$263,380	\$207,900	-21.1%	Based on 2017 salaries for 2 employees
6803 Work Comp & Employee Benefits	\$16,376	\$13,185	-19.5%	Medical, dental & vision, Worker's Comp, Intuit, payroll and 401K admn. charges
6805 401(K) Match	\$9,987	\$8,060	-19.3%	Based on match for two employees
Subtotal Personnel =	\$311,214	\$246,107	-20.9%	
General Operating:				
6000 Furniture and Equipment				
	\$2,400	\$2,400	0.0%	Verizon; Go Daddy; Submittable, Office 365, AT&T, Office Depot orders, employee cell phone reimbursement, Adobe, water service, postage and printing
6100 Office Expenses	\$9,838	\$8,021	-18.5%	
6105 Rent	\$17,244	\$18,142	5.2%	Rent and electric
6106 Security	\$0	\$0	0.0%	No longer needed at new address
6200 Dues & Subscriptions	\$3,458	\$3,458	0.0%	SoCal Grantmakers, San Pedro Chamber and Wilmington Chamber
6300 Insurance	\$4,202	\$4,549	8.2%	D&O, Gen Liab, and Bond
6400 Maintenance & Repairs	\$600	\$600	0.0%	Based on \$50 per month
6500 Marketing	\$12,000	\$0	-100.0%	Website, mailings, community outreach and communications
6600 Meeting, Meals & Ent.	\$1,200	\$1,200	0.0%	Board meetings, staff meetings
6700 Mileage & Parking Reimb.	\$1,800	\$1,800	0.0%	Staff travel to offsite meetings
6804 Staff Development	\$2,400	\$2,400	0.0%	Conference and workshop fees within Los Angeles
6900 Professional Fees	\$69,300	\$62,700	-9.5%	Legal, accounting and audit fees
6950 Taxes & Licenses	\$550	\$550	0.0%	Business license fee
6960 Travel & Conferences	\$1,500	\$1,500	0.0%	For conferences outside the LA area
6999 Program-Related Expenses	\$0	\$0	0.0%	Deleted for 2016 and 2017 budget
Subtotal General Operating =	\$126,492	\$107,320	-15.2%	
Total Expenses =	\$437,706	\$353,427	-19.3%	
* Percent Increase/Decrease compares 2016 approved budget to 2017 requested budget				

PCMTF STATUS REPORT: FUNDING SUMMARY OF PREVIOUSLY APPROVED PROJECTS AND PROPOSED FUTURE FUNDING FOR PROJECTS:

Below is a chart that summarizes all previous grant funding, by year and by funding category. The chart also includes funding pending board approval for the end of 2016.

Funding Summary:		
Funding, Approved to date:		
Various	\$300,000	Land Use Study (as required by the Operating Agreement)
	\$185,000	Noise Study (as required by the Operating Agreement)
	\$485,000	Total for Studies
2012	\$350,000	Healthy Harbor, Round 1
	\$350,000	Total for 2012
2013	\$450,000	Healthy Harbor, Round 2
	\$506,000	Community Benefit, Round 1
	\$956,000	Total for 2013
2014	\$620,000	Community Benefit, Round 2
	\$550,000	Healthy Harbor, Round 3
	\$1,170,000	Total for 2014
2015	\$518,000	Healthy Harbor, Round 4
	\$306,000	STEAM Pilot
	\$335,000	Community Benefit, Round 3
	\$1,159,000	Total for 2015
2016	\$300,000	Healthy Harbor, Round 5
	\$300,000	Total for 2016
	\$4,420,000	Total (Committed funding to date)
Funding, pending approval:		
2016	\$800,000	Community Benefit, Round 4 (pending approval)
	\$800,000	
	\$5,220,000	Grand Total

China Shipping Agreement Update:

The City of Los Angeles acting through the Board of Harbor Commissioners, The Harbor Community Benefit Foundation and the China Shipping Petitioners are currently negotiating the Independent Air Quality Mitigation Program as required by the China Shipping Amended Stipulated Judgment. If approved, \$5,226,944 will be disbursed to HCBF for the reduction of Port-related air emissions (the “Air Quality Mitigation Fund”).

The agreement currently provides an advance of administrative costs of \$250,000 to HCBF from the AQMF special program account to administer development and issuance of the initial Requests for Proposal. When HCBF’s role in administering this program is finalized, HCBF will develop a specific budget to ensure that it uses the \$250,000 advance as efficiently as possible.

Summary of JP Morgan accounts:

Below is a graph that shows a summary of the investment accounts and savings account at JP Morgan. Information is from JP Morgan and shows a summary of accounts as of September 30, 2016.

JP Morgan Account Balance Summary		
through September 30, 2016		
	Savings/Investment Accounts	
	Subtotal	Total
Beginning Balance (as of 12/31/15)		\$4,432,306
Contributions		\$0
Withdrawals		(\$300,100)
Management Fees		(\$7,535)
Income	\$97,981	
Change in investment value	\$68,563	
Net increase		\$166,544
Ending Market Value (as of 9/30/16)		\$4,291,215

Attachment A - Statement of Activities by Class for 9-months ended September 30, 2016

Harbor Community Benefit Foundation											
Statement of Activities by Class											
YTD through September 30, 2016											
<i>(Unaudited - No Assurance Provided)</i>											
	HCBF Operations	Non Tidelands	Total HCBF	Health Care Grants	Land Use Study	Noise Assessment	Community Grants	Total Projects & Programs	TOTAL YTD Actual	YTD Budget	Notes
Income											
4200 PMTF Distribution	0		0					0	0	359,324	[A]
4201 Carryforward	0		0					0	0	78,382	
4300 Net Assets Released from Restriction	359,324	20,000	379,324	300,000	85,584	0	0	385,584	764,908	0	[A]
4400 Encumbered Funds											
4401 Restricted Grants			0	300,000	0	0	0	300,000	300,000	0	
4402 Satisfaction of Use Restriction	(359,324)	(20,000)	(379,324)	(300,000)	(85,584)	0	0	(385,584)	(764,908)	0	[A]
Total 4400 Encumbered Funds	(359,324)	(20,000)	(379,324)	0	(85,584)	0	0	(85,584)	(464,908)	0	
4900 Unrestricted Income	0	938	938					0	938	0	
4950 Interest and Dividends	132		132					0	132	0	
Total Income	132	938	1,070	300,000	0	0	0	300,000	301,070	437,706	
Expenses											
6000 Furniture and Equipment	0		0					0	0	1,800	
6100 Office Expenses											
6101 Bank Fees	0		0					0	0		
6102 Communications	4,422		4,422					0	4,422		
6103 Software & Fees	1,220		1,220					0	1,220		
6104 Supplies	1,939		1,939					0	1,939		
6107 Postage and Delivery	116		116					0	116		
6108 Printing	0		0					0	0		
Total 6100 Office Expenses	7,697	0	7,697	0	0	0	0	0	7,697	7,380	
6105 Rent	13,302		13,302					0	13,302	12,933	
6200 Dues & Subscriptions	2,319		2,319					0	2,319	3,458	
6300 Insurance	2,907		2,907					0	2,907	3,150	
6400 Maintenance & Repairs	0		0					0	0	450	
6500 Marketing	0		0					0	0	9,000	
6600 Meeting, Meals & Entertainment	529		529					0	529	900	
6700 Mileage & Parking	1,444		1,444					0	1,444	1,350	
6701 Reimbursements	0		0					0	0	1,800	
6800 Payroll Expenses											
6801 Taxes	15,501		15,501					0	15,501	16,837	
6802 Wages	188,418		188,418					0	188,418	197,532	
6803 Work Comp & Employee Benefits	13,736		13,736					0	13,736	12,285	
6807 Retirement - Company Contributions	7,298		7,298					0	7,298	7,488	
Total 6800 Payroll Expenses	224,953	0	224,953	0	0	0	0	0	224,953	234,142	
6804 Staff Development	375		375					0	375	0	
6900 Professional Fees											
6901 Accounting & Audit	22,587		22,587					0	22,587		
6902 Consultants	0		0					0	0		
6903 Legal Fees	8,775		8,775					0	8,775		
Total 6900 Professional Fees	31,362	0	31,362	0	0	0	0	0	31,362	51,975	
6950 Taxes & Licenses	150		150					0	150	550	
6960 Travel & Conferences	400		400					0	400	1,125	
6995 Water Quality Program Grants	0	19,000	19,000					0	19,000	0	
6999 Program-Related Expenses	0		0					0	0	0	
Sub-Total: HCBF Operations	285,438	19,000	304,438	0	0	0	0	0	304,438	330,013	
Projects & Programs:											
7000 Noise Assessment											
7001 Consultant			0			0	0	0	0	0	
7002 Reimbursable			0			0	0	0	0	0	
7003 Printing/Postage			0			0	0	0	0	0	
Total 7000 Noise Assessment	0	0	0	0	0	0	0	0	0	0	
7300 Land Use Study											
7301 Consultant			0		85,559			85,559	85,559	0	
7302 Reimbursable			0		25			25	25	0	
Total 7300 Land Use Study	0	0	0	0	85,584	0	0	85,584	85,584	0	
7400 Health Care Program											
7401 Grantees			0	300,000				300,000	300,000	0	
7402 Reimbursable			0	0				0	0	0	
Total 7400 Health Care Program	0	0	0	300,000	0	0	0	300,000	300,000	0	
7600 Community Grant Program											
7602 Grantees - Round 3			0	0				0	0	0	
Total 7400 Community Grant Program	0	0	0	0	0	0	0	0	0	0	
Total Expenses	285,438	19,000	304,438	300,000	85,584	0	0	385,584	690,022	330,013	
Net Income	(285,306)	(18,062)	(303,368)	0	(85,584)	0	0	(85,584)	(388,952)	107,693	

[A] The PMTF Distribution for the 2016 operating budget was made in December 2015, and was recorded as restricted revenue in 2015 in accordance with Generally Accepted Accounting Principles. In January 2016, the full amount was released from restriction (out of restricted account #4402 and into unrestricted account #4300).

Attachment B - Statement of Cash Flows for the 9-months ended September 30, 2016

Harbor Community Benefit Foundation		
Statement of Cash Flows		
YTD through September 30, 2016		
<i>(Unaudited - No Assurance Provided)</i>		
OPERATING ACTIVITIES		
PCMTF DISTRIBUTION FOR 2016 HCBF OPERATIONS	[A]	0
Interest and Dividends - Operations Savings Account		132
Expenses from Operations (PCMTF)		(285,438)
NET OPERATING ACTIVITIES		(285,306)
PROGRAM ACTIVITIES		
PROGRAM FUNDING RECEIVED FROM TRAPAC MOU		
Health Care		300,000
Land Use Study		0
Noise Assessment		0
Community Grants		0
TOTAL PROGRAM FUNDS RECEIVED		300,000
PROGRAM DISBURSEMENTS		
Health Care Grants Paid		(483,000)
Land Use Study		(85,584)
Noise Assessment		0
Community Grants Paid		0
TOTAL PROGRAM DISBURSEMENTS		(568,584)
NET PROGRAM ACTIVITIES (FUNDS RECEIVED MINUS DISBURSEMENTS)		(268,584)
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:		
Payroll Liabilities		(4,052)
Accrued Expenses and Funds Held for Others		(1,050)
Prepaid Expenses and Deposits		(966)
TOTAL ADJUSTMENTS		(6,068)
NET CASH PROVIDED BY OPERATING & PROGRAM ACTIVITIES BEFORE UNRESTRICTED INCOME		(559,958)
Unrestricted Income		938
Water Quality Marchem Settlement Grant Disbursement		(19,000)
NET CASH PROVIDED BY OPERATING AND PROGRAM ACTIVITIES		(578,020)
FINANCING ACTIVITIES		
TRAPAC MOU *		0
PROGRAM FUNDING		(300,000)
PCMTF DISTRIBUTION FOR OPERATING EXPENSES		0
PCMTF Retained Income held by JP Morgan		82,788
PCMTF Fees Paid Directly to JP Morgan		(7,635)
PCMTF Market Value Change	[B]	84,908
NET CASH PROVIDED BY FINANCING ACTIVITIES		(139,939)
NET CASH INCREASE (DECREASE) FOR PERIOD		(717,959)
CASH AT BEGINNING OF PERIOD		5,381,228
CASH AT END OF PERIOD		4,663,269
[A] The PMTF Distribution for the 2016 operating budget was made in December 2015		
[B] Loss or Gain in Market Value - Managed by J. P. Morgan Chase Private Bank		

Attachment C - Combined Statement of Financial Position as of September 30, 2016

Harbor Community Benefit Foundation			
Combined Statement of Financial Position			
<i>(Unaudited - No Assurance Provided)</i>			
	As of September 30, 2016		As of
	Detail	Subtotals	Dec. 2015
ASSETS			
CURRENT ASSETS - BANK ACCOUNTS			
Trust Account - Held by 3rd Party Financial Manager *			
1902 Port Mitigation Trust Fund Net of Fees & Market Value Change * [A]	4,290,687	4,290,687	4,430,627
Operations Accounts - Restricted			
1100 Operations Account	95,898		64,606
1200 Payroll Account	47,937		35,881
1300 Business Savings Account - Interest Bearing	100,367		435,240
Subtotal Operations Accounts - Restricted		244,202	535,727
Projects and Programs Accounts - Restricted			
1400 Land Use	67,105		152,689
1500 Noise	23,403		23,403
1600 Health Care Grants	100		183,000
1700 Other Grants	100		-
Subtotal Projects and Programs Accounts - Restricted		90,708	359,092
Unrestricted - Non PCMTF Account			
1901 Unrestricted - Donations Account	37,671		55,782
Subtotal Non PCMTF		37,671	55,782
TOTAL CURRENT ASSETS - BANK ACCOUNTS	4,663,268	4,663,268	5,381,228
Prepaid Expenses and Deposits	9,549	9,549	8,583
TOTAL ASSETS	4,672,817	4,672,817	5,389,811
LIABILITIES AND NET ASSETS			
LIABILITIES - OPERATIONS			
Current Liabilities			
2050 Accounts Payable (Grantees)	-		183,000
2100 Payroll Liabilities	7,570		11,622
2075 Accrued Expenses & 2060 Funds Held For Others	-		1,050
Total Current Liabilities		7,570	195,672
TOTAL LIABILITIES	7,570	7,570	195,672
NET ASSETS			
UNRESTRICTED NET ASSETS			
2900 PCMTF - UNCOMMITTED FUNDS * [A]	4,290,687	4,290,687	4,430,627
TEMPORARILY RESTRICTED NET ASSETS			
3701 Land Use Study	67,105		152,689
3702 Noise Mitigation	23,403		23,403
3705 HCBF Operations (for 2016 Budget)	-		359,324
3710 Water Quality Program Settlement	-		20,000
Total Temporarily Restricted Net Assets		90,508	555,416
TOTAL NET ASSETS	4,665,247	4,665,247	5,194,139
TOTAL LIABILITIES AND NET ASSETS	4,672,817	4,672,817	5,389,811
* PCMTF Notes: Trustee - J. P. Morgan			
	YTD 2016		Total 2015
JP Morgan Admin and Investment Fees Paid	(7,635)		(9,768)
Market Value Change	84,908		(112,162)
Trust Fund Income - Held by J. P. Morgan	82,788		118,318
Trust Fund Gain or (Loss) Net of Fees and Market Value Change	160,061		(3,612)
[A] Includes \$775,614 from Port expansion project received in Oct. 2015.			