



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 21, 2021

FROM: FINANCIAL PLANNING AND ANALYSIS

**SUBJECT: RESOLUTION NO. _____ - REQUEST FOR FY 2020/21
BUDGETARY TRANSFER**

SUMMARY:

Staff requests approval of budgetary transfers in the amount of \$6,706,441 to cover anticipated budgetary shortfalls within the Salaries and Benefits category for Regular Salaries, Employee Benefits, and Overtime; as well as the Other Operating Expenses category for Electricity. Within the Adopted Operating Expense Budget, \$3,322,984 of surplus funds are expected to be available in the Marketing and Public Relations, Travel Expenses, Outside Services, Materials and Supplies, and City Services categories. Within the Adopted Capital Budget, \$3,383,457 of surplus funds are expected to be available in the Capital Improvement Program. Combined with the previously approved transfer on Resolution No. 21-9753 (addressing the shortfall within the Other Operating Expense category for Container Incentives), this proposed transfer of funds will increase the overall Fiscal Year (FY) 2020/21 Adopted Budget from \$277,826,104 to \$285,009,561. Payment of Salaries, Employee Benefits, Overtime, and Electricity expenses are the financial responsibility of the City of Los Angeles Harbor Department (Harbor Department).

RECOMMENDATION:

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

1. Find that the Director of Environmental Management has determined that the proposed action is generally and administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 1 and Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the following budgetary transfers to resolve a projected shortfall in the respective operating expense accounts:
 - a. Transfer \$405,037.53 from the Operating Expense Budget, Account 52010, Center 0900, Program 000 to Account 59510, Center 0900, Program 000;
 - b. Transfer \$478,500.02 from the Operating Expense Budget, Account 53000, Center 0900, Program 000 to Account 59510, Center 0900, Program 000;

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- c. Transfer \$1,308,094.32 from the Operating Expense Budget, Account 54290, Center 0900, Program 000 as follows:
 - 1. \$560,100.00 to Account 51010, Center 0900, Program 000;
 - 2. \$246,620.74 to Account 51610, Center 0900, Program 000;
 - 3. \$501,373.58 to Account 59510, Center 0900, Program 000;
 - d. Transfer \$703,403.87 from the Operating Expense Budget, Account 55010, Center 0900, Program 000 to Account 59510, Center 0900, Program 000;
 - e. Transfer \$427,947.98 from the Operating Expense Budget, Account 57090, Center 0900, Program 000 to Account 59510, Center 0900, Program 000;
 - f. Transfer \$3,383,457.22 from the Capital Budget, Account 13807, Center 1000, Program 000 as follows:
 - 1. \$1,356,077.96 to Account 51110, Center 0900, Program 000;
 - 2. \$2,027,379.26 to Account 51610, Center 0900, Program 000;
3. Direct the Board Secretary to transmit the Resolution to the Mayor for approval pursuant to Section 343(b) of the City Charter;
4. 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
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – The Harbor Department’s Operating Expense budget is grouped into the following eight budget categories: Salaries and Benefits, Marketing and Public Relations, Travel Expenses, Outside Services, Materials and Supplies, City Services, Allocations, and Other Operating Expenses. The Harbor Department’s Capital Budget is also a distinct budget category and includes the following sub-components: Capital Improvement Program, Capitalized Expenditures, Land and Property Acquisition, and Equipment Purchases.

Approval by the Board is required for the transfer of funds from one budget category to another as stated in Charter Section 343(b): “The general manager of any department having control of its own funds may make application in writing to the board having control and management over the department for a transfer of amounts from one budget item to another in the annual budget of the department, or to a new item created after adoption of the annual budget.” The proposed transfer request is required to fund Salaries and Benefits, and Electric Services expenditures within the Harbor Department, as follows:

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Transfer of \$4,190,178 to Salaries and Benefits – Staff anticipates a \$2,834,100 shortfall in Regular Salaries and Employee Benefits, and a \$1,356,078 shortfall in Overtime expenses for various divisions throughout the department.

The department-wide \$2,834,100 shortfall in Regular Salaries and Employee Benefits has arisen primarily from employees utilizing less Sick Time and Vacation time off during the COVID-19 pandemic. In normal years, there is a greater balance between the Sick Time and Vacation time employees accrue and use within a given year. However, during the pandemic employees continued to accrue Sick Time and Vacation hours, but the use of these hours declined with employees opting instead to work, which increased the overall payments to Regular Salaries without the usual offsets to accrued benefits balances. This situation has resulted in an increase to both Regular Salaries and Employee Benefit expenses. Further contributing to this is the higher number of employees within the department as compared to past years. As hiring by other City of Los Angeles Departments has slowed during the pandemic and a lower than normal number of employees have retired this fiscal year, the Harbor Department has seen less movement of employees out of the department. This has led to an average head count of 920 full-time employees in the current fiscal year, which is higher than the 915 positions included in the FY 2020/21 Adopted Budget. As another comparison, there were an average of 902 full-time employees in FY 2019/20 and 885 in FY 2018/19.

Additionally, the Harbor Department is expecting a \$1,356,078 Overtime shortfall stemming from the department's support of the Disaster Service Worker (DSW) program which was mobilized in March 2020 when Mayor Garcetti declared a local emergency caused by the COVID-19 pandemic. Under this program, Harbor Department staff have utilized overtime to primarily provide assistance at Project Room Key hotels, Recreation & Park shelters, and COVID-19 testing sites. The Harbor Department's involvement in the DSW program ended on March 31, 2021. For the first nine months of the fiscal year, Harbor Department staff incurred an average of 1,189 overtime hours per pay period, which equates to additional overtime costs of \$67,804 per pay period for the DSW program.

While sufficient funding does not exist within the Salaries and Benefits category to fund this overage in Regular Salaries and Employee Benefits, and Overtime expenses, staff has identified surplus funding across other expense categories and the Capital Budget to offset this anticipated shortage.

Transfer of \$2,516,263 to Electricity Services – Staff anticipates a \$2,516,263 shortfall related to electricity expenses incurred within the Harbor Operating Division. While the Harbor Department incurs electricity expenses for electricity used at Harbor Department facilities, approximately 75% of the Electricity Services budget is for electricity used by terminal operators as part of the Alternative Maritime Power (AMP) program. The AMP

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program allows vessels docked at the Port of Los Angeles (Port) to plug into shore-side electrical power in-lieu of running on the ship's power while berthing, which reduces air emissions in the harbor area.

The FY 2020/21 Adopted Budget of \$17,222,332 for Electricity Services was developed and finalized at the beginning of the COVID-19 Pandemic during a time of uncertainty when a conservative estimate of 7.9 million TEU's was adopted for FY 2020/21. Starting around mid-summer of 2020, the number of ships coming to the Port surged dramatically resulting from the increase in the demand for consumer goods. Most recent projections indicate that the Port could end the year with over 10 million TEU's. The increase in the number of ships coming to the Port has created congestion at the docks, rails, and warehouses. This congestion, along with the shortage of longshore workers caused by the pandemic, has lengthened the time ships are at berth, thereby increasing overall AMP usage. While the Harbor Department is reimbursed for nearly all AMP expenses incurred, the Harbor Department records AMP expenses incurred separately from AMP reimbursements received. As a result, sufficient funding does not currently exist to cover the higher AMP expenses incurred by the Harbor Department in advance of being reimbursed by the terminal operators.

While sufficient funding does not exist within the Other Operating Expenses category to fund these higher electricity expenses, staff has identified surplus funding across other expense categories to offset the anticipated electricity expense funding shortage.

Surplus – Following Board approval of Resolution 21-9753 which transferred \$3,800,000 from the Unappropriated Balance, the FY 2020/21 Operating Expense Budget increased from \$277,826,104 to \$281,626,104. The FY 2020/21 Adjusted Operating Expense Budget of \$281,626,104 includes funding for eight budget categories, and as of April 15, 2021, staff forecasts that a total surplus of \$3,322,984 will be available to fund shortages. This surplus funding is comprised of \$1,308,094 within the Outside Services category, \$703,404 within the Materials and Supplies category, \$478,500 within the Travel Expenses category, \$427,948 within the City Services category, and \$405,038 within the Marketing and Public Relations category. An additional \$3,383,457 of surplus funding is available within the Capital Budget's Capital Improvement Program.

Of the \$6,706,441 total proposed transfers, \$3,322,984 will be sourced from other accounts within the FY 2020/21 Operating Budget, while the remaining \$3,383,457 will be sourced from the FY 2020/21 Capital Budget. Therefore, if the proposed transfers are approved, the FY 2020/21 Operating Budget will increase by \$3,383,457 to \$285,009,561 while the FY 2020/21 Capital Budget will decrease by \$3,383,457 to \$186,884,691.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is for the approval of budgetary transfers to cover anticipated budgetary shortfalls within the Salaries and Benefits category and Other Operating Expenses category, which is an administrative activity and an activity where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Therefore, the Director of Environmental Management has determined that the proposed action is generally and administratively exempt from the requirements of CEQA in accordance with Article II Section 1 and Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed \$6,706,441 transfer would result in a \$3,383,457 increase to the FY 2020/21 Operating Budget and a \$3,383,457 decrease to the FY 2020/21 Capital Budget. The remaining \$3,322,984 would be sourced from other accounts within the FY 2020/21 Operating Budget. If the proposed transfer is approved, the FY 2020/21 Operating Expense Budget would increase to \$285,009,561 while the FY 2020/21 Capital Budget would decrease to \$186,884,691, summarized as follows:

TABLE 1: FY 2020/21 ADOPTED BUDGET WITH TRANSFERS

Operating Budget	Adopted FY 2020/21	Resolution No. 21-9753	Current Transfer Request	Adjusted FY 2020/21
Salaries & Benefits	\$ 153,592,511	\$ -	\$ 4,190,178	\$ 157,782,689
Marketing & Public Relations	2,847,532	-	(405,038)	2,442,494
Travel	779,015	-	(478,500)	300,515
Outside Services	36,566,850	-	(1,308,094)	35,258,756
Materials & Supplies	7,100,037	-	(703,404)	6,396,633
City Services	57,387,461	-	(427,948)	56,959,513
Allocations to Capital	(18,295,716)	-	-	(18,295,716)
Other Operating Expenses	37,848,414	3,800,000	2,516,263	44,164,677
TOTAL	277,826,104	3,800,000	3,383,457	285,009,561
Capital Budget	190,268,148	-	(3,383,457)	186,884,691

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CITY ATTORNEY:

The Office of the City Attorney has reviewed this report, and the proposed action raises no legal issues at this time.

FIS Approval: MB
CA Approval: JS

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