

DATE: MARCH 14, 2024

FROM: FINANCIAL PLANNING AND ANALYSIS

**SUBJECT: RESOLUTION NO. _____ - REQUEST FOR FY 2023/24
BUDGETARY TRANSFER**

SUMMARY:

Staff requests approval of budgetary transfers in the amount of \$2,042,000 to cover anticipated budgetary shortfalls within the Materials and Supplies category for the Construction & Maintenance Division (C&M) and the Information Technology Division; the Marketing and Public Relations category for Sponsorships and Waterfront Events; and the Outside Services category for Hiring Hall labor. Within the Adopted Operating Expense Budget, \$2,042,000 of surplus funds are expected to be available in the Salaries and Benefits category to offset the anticipated shortfalls. This proposed transfer of funds will result in no change to the overall Fiscal Year (FY) 2023/24 Adopted Operating Expense Budget of \$372,352,064 as funds are being transferred between budget categories within the Operating Expense Budget. Payment of Materials and Supplies, Marketing & Public Relations, and Outside Services 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 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. Approve the following budgetary transfers to resolve a projected shortfall in the respective operating expense accounts:
 - a. Transfer \$2,042,000 from the Adopted Operating Expense Budget, Account 51610, Center 0901, Program 000 as follows:
 - i. \$1,265,000 to Account 55010, Center 0510, Program 000;
 - ii. \$100,000 to Account 55040, Center 0510, Program 000;
 - iii. \$60,000 to Account 55110, Center 0510, Program 000;

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- iv. \$195,000 to Account 55160, Center 0640, Program 000;
 - v. \$117,000 to Account 52031, Center 0220, Program 000;
 - vi. \$72,000 to Account 52040, Center 0220, Program 000;
 - vii. \$23,000 to Account 52030, Center 0220, Program 000;
 - viii. \$210,000 to Account 54270, Center 0510, 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. 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 Materials and Supplies, Office Equipment, Sponsorships, Waterfront Events, and Outside Services expenditures within the Harbor Department, as follows:

Transfer of \$1,620,000 to Materials and Supplies – Staff anticipates a \$1,425,000 shortfall related to Parts and Materials incurred within C&M. C&M is responsible for maintaining facilities, vehicles, vessels, equipment, roadways, fences, electrical infrastructure, water and fire systems, wharves, open lots, and public spaces throughout the port complex. For FY 2023/24, C&M is projecting a deficit of \$1,265,000 for Parts & Materials primarily driven by the rising costs of parts and materials across all industry trades such as electrical and plumbing. Additionally, unanticipated repairs related to electrical theft, vehicular accidents, damaged equipment, graffiti, fence breaches, and potholes and building leaks resulting from the heavy rainy season have increased the need for parts and materials. C&M is also projecting a \$100,000 shortfall in Equipment

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Fuels due to higher-than-expected fuel consumption for vessels, vehicles, and equipment. Furthermore, within Operating Materials and Supplies, C&M is expecting a \$60,000 deficit primarily driven by increased costs and consumption of materials and supplies to maintain the port complex. These materials and supplies include safety related items such as gloves, ear plugs, vests; treated wood for driving piles at wharves; chemicals for the fountains and water features; filters and oil for vehicles and equipment; and landscape and gardening items used to maintain parks and public spaces.

Staff anticipates a \$195,000 shortfall in the Office Equipment budget within the Information Technology Division (ITD). The Uninterruptible Power Supply (UPS) Replacement project was budgeted under the Capital Equipment budget category in FY 2023/24, but the Port has now determined that the expenditures should have been budgeted within the operating expense budget. The UPS systems at the Harbor Department protect network equipment from damaging power spikes and power outages. Current UPS and batteries have reached the end of their life cycle and need to be replaced to provide the proper protection for network equipment.

Staff has identified surplus funding within the Salaries & Benefits category to offset these anticipated shortages.

Transfer of \$212,000 to Marketing and Public Relations – Staff anticipates a \$212,000 shortfall within the Community Relations Division related to Marketing and Public Relations expenses. The division is projecting a shortfall of \$117,000 for Port sponsorships for business and chamber events held throughout the fiscal year, which serve as part of the department’s community outreach. Of the \$117,000, \$77,000 is for new sponsorship requests that were not budgeted and \$40,000 is to pay for sponsorship invoices from the previous fiscal year that were not accrued due to a staffing shortage. Additionally, the division is expecting a deficit of \$72,000 within the Government/Community Promotional account for waterfront events. Of the \$72,000, \$49,000 is to pay for security screening for LA Fleet Week and Juneteenth fireworks from the previous fiscal year that were not accrued. The remaining \$23,000 is being requested for additional buses to transport visitors between the main LA Fleet Week footprint and the naval ships. The naval ships being showcased this year are expected to draw a larger number of visitors to LA Fleet Week. The Community Relations Division also anticipates a deficit of \$23,000 within the Business Promotional account resulting from unanticipated charges for TPM booth fees. TPM is a conference for the trans-Pacific and global container shipping and logistics community organized by the Journal of Commerce. Staff has identified surplus funding within the Salaries & Benefits category to offset these anticipated shortages.

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Transfer of \$210,000 to Outside Services – Staff anticipates a \$210,000 shortfall within the Construction & Maintenance Division related to Hiring Hall expenses. C&M utilizes the Hiring Hall to hire union tradesmen on an intermittent basis. C&M is projecting higher spending within Hiring Hall as the number of maintenance requests from C&M's stakeholders, which include tenants, the public, City Council, and other Port divisions have increased in comparison to the prior year. Staff has identified surplus funding within the Salaries & Benefits category to offset this anticipated shortage.

Surplus – The FY 2023/24 Adopted Operating Expense Budget of \$372,352,064 includes funding for eight budget categories, and as of March 2024 staff forecasts that a total surplus of \$2,042,000 will be available within the Salaries & Benefits category to fund shortages. Therefore, if the proposed transfers are approved, the total FY 2023/24 Operating Expense Budget will remain at \$372,352,064 as funding will be transferred between accounts within the Operating Expense Budget.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of budgetary transfers to cover anticipated budgetary shortfalls, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed \$2,042,000 transfer would not result in a change to the total FY 2023/24 Operating Expense Budget as funding will be transferred between accounts within the Operating Expense Budget. If the proposed transfer is approved, there would be changes to several budget categories within the FY 2023/24 Operating Expense Budget as summarized below:

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TABLE 1: FY 2023/24 ADOPTED BUDGET WITH TRANSFERS

Operating Budget	Adopted FY 2023/24	Current Transfer Request	Adjusted FY 2023/24
Salaries & Benefits	\$ 177,258,955	\$ (2,042,000)	\$ 175,216,955
Marketing & Public Relations	3,555,927	212,000	3,767,927
Travel	1,220,999	-	1,220,999
Outside Services	53,278,445	210,000	53,488,445
Materials & Supplies*	7,274,217	1,620,000	8,894,217
City Services	66,757,813	-	66,757,813
Allocations to Capital	(19,710,008)	-	(19,710,008)
Other Operating Expenses	82,715,716	-	82,715,716
TOTAL	372,352,064	-	372,352,064

*Materials & Supplies includes Parts and Materials, Equipment Fuels, Operating Materials and Supplies, and Office Equipment.

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: JML



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