



To: Theresa Adams-Lopez, Port of Los Angeles

From: Meghan Reese, Executive Director, Harbor Community Benefit Foundation
Gisele Fong, Board Chair, Harbor Community Benefit Foundation

Date: **December 4, 2019**

Re: HCBF Operating Budget, Year Ending December 31, 2019 & PCMTF Transfer

SUMMARY

Harbor Community Benefit Foundation hereby submits this annual Port Community Mitigation Trust Fund (PCMTF) report, for the year ending December 31, 2019, with a request for a transfer of funds from the PCMTF to HCBF's operating account in the amount of \$222,966, to be combined with a carry forward of \$90,829, to fully fund HCBF's 2020 Annual Budget in the amount of \$313,795.

HISTORY

Harbor Community Benefit Foundation (HCBF), an independent Non-Profit organization based in San Pedro, administers the Port Community Mitigation Trust Fund (PCMTF), a fund developed as a result of the 2008 settlement of the appeal of the Port of Los Angeles TraPac terminal expansion project.

Pursuant to the TraPac Memorandum of Understanding (TraPac MOU) Operating Agreement (the "Agreement") between the City of Los Angeles acting by and through the Port of Los Angeles Board of Harbor Commissioners (BOHC), the TraPac Appellants, and HCBF, the settlement funds are administered by HCBF and are held by an independent financial manager (J.P. Morgan Private Bank).

Section 5C.iv. and 5.F. of the Agreement require the non-profit to submit a detailed budget and report to the BOHC, on an annual basis, regarding funding for its projects and its annual administrative needs. Those portions of the nonprofit's annual administrative budget that are funded by the PCMTF shall be reviewed and approved by the BOHC prior to the release of any funds from the PCMTF to the Nonprofit.

ANNUAL OPERATING BUDGET REQUEST

On November 8, 2019, the HCBF Board of Directors reviewed and approved the financial reports detailing the Income and Expenditures for the calendar year 2019 (9 months actual plus 3 month

forecast), and approved the detailed 2020 Operating Budget, including program delivery, occupancy, marketing and outreach, professional fees and other administrative costs, as detailed in the 2020 Draft Budget vs Actuals as of September 30, 2019.

HCBF’s Board-approved annual budget for **2020 totals \$313,795**. As demonstrated in the chart below “HCBF 2020 Operating Budget Funding Sources”, based on a projected carry forward of **\$90,829**, attributed to cost savings from operations and reimbursement for 2019 AQMF expenses, HCBF hereby requests the approval of a disbursement of **\$222,966** from the PCMTF to HCBF’s operating account, to fully fund HCBF’s 2020 Annual Budget.

HCBF 2020 OPERATING BUDGET – FUNDING SOURCES

AVAILABLE CASH		
Cash on hand as of 9/30/19	150,701.64	
AQMF Allocation for 2019	31,089.00	<i>pending</i>
Subtotal Cash Available		181,790.64
FORECASTED EXPENSES (3 months)		
Forecasted Operations Oct thru Dec	(69,415.85)	
Operations Cushion thru Dec	(21,545.79)	<i>7% of annual budget</i>
Subtotal Forecasted Expenses thru Dec		(90,961.64)
CARRY FORWARD		
2020 Carry Forward		
(Cash Available minus Forecasted Expenses)		90,829.00
FUNDING NEEDS		
2020 Carry Forward		90,829.00
2020 Operations to be funded from PCMTF		222,966.00
Total 2020 Budget		313,795.00

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

1. Review and consider the Harbor Community Benefit Foundation Calendar Year 2020 Operating Budget in the amount of \$313,795;
2. Approve a distribution of \$222,966 from the PCMTF to HCBF for the funding of its 2020 annual administrative needs; and
3. Authorize the Port of Los Angeles Executive Director, or its designee, to execute a joint letter with HCBF, to implement the distribution of funds by the independent financial manager, JP Morgan Private Bank, in one lump sum payment of \$222,966, from the Port Community Mitigation Trust Fund to the Harbor Community Benefit Foundation.

HCBF BOARD ACTIONS

On November 8, 2019, the HCBF Board reviewed and approved the third quarter internal financial reports, taking the following actions:

- Approved and adopted the 2020 HCBF Operating Budget totaling **\$313,795**;
- Authorized the HCBF Executive Director to carry forward anticipated unused funds, consisting of projected cash on hand through December 31, 2019, plus the pending AQMF allocation.
- Authorized the HCBF Executive Director to
Present the 2020 annual operating budget in the amount of \$313,795 to the Los Angeles Board of Harbor Commissioners (BOHC), **requesting concurrent approval of the transfer of \$222,966 from the PCMTF to HCBF to sufficiently fund the 2020 annual operating budget; and**
Execute a joint letter with the BOHC, or its designee, to authorize JP Morgan Private Bank to distribute funds in one lump sum transfer from the PCMTF to HCBF, in an amount not-to-exceed **\$222,966**, to sufficiently fund the administrative needs of its 2020 annual operating budget.

DISCUSSION: A COMPARISON OF THE 2019 BUDGET TO ACTUALS:

“Harbor Community Benefit Foundation, 2020 DRAFT Budget compared to 2019 Actuals (9mo + 3 month forecast)” provides a comparison of the 2019 Board approved budget in the amount of **\$298,240** to the actual expenditures for 9 months ending 9/30/2019 plus 3 months forecasted in the amount of **\$238,500** as total forecasted expenditures for 2019.

A positive variance in the amount of **\$59,740** (\$298,240 minus \$238,500) plus the AQMF allocation of **\$31,089**, for a total of **\$90,829**, will be used as a carry forward for the proposed 2020 annual budget.

Variances from the 2019 budget to actual expenses are highlighted here:

Highlights:

6100 - Office Expenses: Insignificant increase

6105 - Rent/Occupancy: Insignificant change

6500 - Marketing/Outreach: to expand community outreach, promotion of programs, increased awareness of HCBF and Port of LA collaborations.

6900 - Professional Fees: Includes Consultant Fees, Accounting, Audit and Attorney Fees due to Brown Act. Insignificant change.

6960 - Travel & Conferences: Includes management travel and conference expenses

PROPOSED 2020 BUDGET REQUEST COMPARED TO 2019 EXPENDITURES:

The attached Budget report also compares the proposed 2020 Budget to 2019 expenditures. A yellow highlighted column contains the recommended **2020 Budget of \$313,795** compared to the **2019 Actuals (+3 months forecasted) of \$238,500**, a projected annual budget increase of **\$75,295**

During 2019, HCBF temporarily scaled back its support staff, reflected in an estimated savings of \$42,795 in payroll expenses by year-end. Compared to 2019, the 2020 budget reflects an **increase in Payroll Expenses** (\$67,481 to support an increase in program delivery, with the expected addition of two part-time staff member/interns. The HCBF Board fully supports ramping up program delivery, to insure the highest quality of service to the communities of Wilmington and San Pedro.

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.

PCMTF STATUS REPORT: FUNDING SUMMARY OF PREVIOUSLY APPROVED PROJECTS

PCMTF-funded Grants and Studies	FUNDED	
Off Port Impacts Study	301,496	
Healthy Harbor Grants	2,168,000	5 Rounds of funding
STEAM Pilot Program	300,000	
Wilmington and San Pedro Noise Study	279,996	
Community Benefit Grants	3,278,206	6 Rounds of funding
Total Grants and Studies through 11/30/19	6,327,698	
PCMTF Account Balance as of 11/30/19	1,886,357	
2020 Administrative Funding from PCMTF	222,966	This request
Adjusted Balance	1,663,391	

SUMMARY OF PCMTF ACCOUNT

Below is a graph that shows a consolidated year-to-date performance summary of the accounts held at JP Morgan, based on statements as of November 30, 2019.

PCMTF, Managed by JP Morgan		
Beginning Balance (1/1/19)	\$1,938,584	
Contributions	0	
Withdrawals	(99,602)	2019 Operations
Management Fees thru 11/30/19	-25	
Dividends and Interest thru 11/30/19	37,837	
Unrealized Gain thru 11/30/19	9,562	
Ending Market Value 11/30/19	1,886,357	

The following documents are attached for review:

Harbor Community Benefit Foundation 2020 Budget, Funding Needs as of 9/30/19

Harbor Community Benefit Foundation Internal Financial Statement

**HARBOR COMMUNITY BENEFIT FOUNDATION
2020 BUDGET**

FUNDING NEEDS AS OF 9/30/19

CASH ACCOUNT BALANCES

As of 09/30/2019

FUNDS AVAILABLE

HCBF Operations Accounts		
Operations (Account 1100)		7,243.44
Payroll (Account 1200)		36,953.70
Business Savings (Account 1300)		106,504.50
Subtotal HCBF Funds		150,701.64
AQMF Administration (Account 1800) as of 9/30/19	143,802.21	
2019 Estimated Funding Due to HCBF from AQMF		31,089.00
2019 Estimated Remaining AQMF Administration Funds as of 9/30		31,089.00

112,713.21

ESTIMATED TOTAL FUNDS AVAILABLE

181,790.64

FUNDS NEEDED

2019 Operations Estimate for 4th quarter	69,415.85
2020 HCBF DRAFT Budget	313,795.00
Total HCBF Funds Needed thru 2020	383,210.85
Shortfall (Est. Funds Available minus Total HCBF Funds Needed)	-201,420.21
Cushion @ roughly 5% of HCBF Total Funds Needed	21,545.79

Recommended Funding Request from PCMTF

222,966.00

Excluded Accounts:

- 1400 Land Use
- 1500 Noise
- 1700 Grants
- 1901 NONE PCMTF - Unrestricted
- 1902 PMTF

Revised 11/1/2019

Harbor Community Benefit Foundation
2020 DRAFT Budget compared to 2019 Actuals (9mo + 3 month forecast)
5 % Increase over 2019 Approved Budget

	2019 Approved Budget	2019 thru Sept 30 Actual	3 mo Forecast thru 12/31/19	Actual plus forecast	2020 DRAFT Budget	2020 Budget Compared to 2019	2020 Variance from 2019 as %	2020 Budget Compared to 2019 Budget
EXPENSES								
6100 Office Expenses								
6102 Communications	2,723.00	2,115.91	1,057.96	3,173.87	3,330.00	156.14	5%	607.00
6103 Software & Fees	2,255.00	1,928.38	642.79	2,571.17	2,700.00	128.83	5%	445.00
6104 Supplies	2,940.00	747.76	249.25	997.01	1,050.00	52.99	5%	(1,890.00)
6107 Postage and Delivery	176.00	0.00	0.00	0.00	100.00	100.00		(76.00)
6108 Printing	2,717.00	0.00	0.00	0.00	500.00	500.00		(2,217.00)
Total 6100 Office Expenses	10,811.00	4,792.05	1,950.00	6,742.05	7,680.00	937.95	14%	(3,131.00)
6105 Rent	14,000.00	10,021.04	3,340.35	13,361.39	12,400.00	(961.39)	-7%	(1,600.00)
6200 Dues & Subscriptions	2,500.00	2,400.00	100.00	2,500.00	2,630.00	130.00	5%	130.00
6300 Insurance	4,000.00	3,138.97	1,046.32	4,185.29	4,390.00	204.71	5%	390.00
6500 Marketing	7,500.00	0.00	0.00	0.00	4,000.00	4,000.00		(3,500.00)
6600 Meeting, Meals & Entertain	1,000.00	277.28	92.43	369.71	500.00	130.29	35%	(500.00)
6800 Payroll Expenses								0.00
6801 Taxes	14,529.00	7,604.56	3,601.23	11,205.79	15,840.00	4,634.21	41%	1,311.00
6802 Wages	171,000.00	93,641.36	45,015.39	138,656.75	198,000.00	59,343.25	43%	27,000.00
6803 Work Comp & Emp Benefits	7,060.00	1,480.11	450.15	1,930.26	2,475.00	544.74	28%	(4,585.00)
6807 Retirement	6,840.00	3,040.57	1,800.62	4,841.19	7,800.00	2,958.81	61%	960.00
Total 6800 Payroll Expenses	199,429.00	105,766.60	50,867.39	156,633.99	224,115.00	67,481.01	43%	24,686.00
6804 Staff Development	2,500.00	1,000.00	500.00	1,500.00	1,580.00	80.00	5%	(920.00)
6900 Professional Fees								0.00
6901 Accounting & Audit	28,000.00	25,917.03	3,000.00	28,917.03	29,000.00	82.97	0%	1,000.00
6902 Consultants	8,500.00	1,725.00	2,500.00	4,225.00	4,400.00	175.00	4%	(4,100.00)
6903 Legal Fees	16,500.00	9,251.25	4,625.63	13,876.88	14,600.00	723.13	5%	(1,900.00)
Total 6900 Professional Fees	53,000.00	36,893.28	10,125.63	47,018.91	48,000.00	981.10	2%	(5,000.00)
6950 Taxes & Licenses	500.00	20.00	200.00	220.00	500.00	280.00	127%	0.00
6960 Travel & Conferences	3,000.00	4,774.93	1,193.73	5,968.66	8,000.00	2,031.34	34%	5,000.00
TOTAL EXPENSES	298,240.00	169,084.15	69,415.85	238,500.00	313,795.00	75,295.00	32%	15,555.00
Estimated Carryforward					59,740.00			
AQMF Admin Fee allocation for 2019					31,089.00	0.05		
Annual Funding Required from the Port Community Mitigation Fund					222,966.00			