



**THE PORT  
OF LOS ANGELES**

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: MAY 22, 2013**

**FROM: FINANCIAL MANAGEMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE FISCAL YEAR  
2013/14 ANNUAL BUDGET**

**SUMMARY:**

The proposed Fiscal Year (FY) 2013/14 Proposed Annual Budget of \$1,071,114,174 supports the City of Los Angeles Harbor Department's (Harbor Department) mission as the nation's No. 1 container port in terms of volume and the global model for sustainability, security, and social responsibility. The Proposed Budget is aligned with the Harbor Department's Five-Year 2012-2017 Strategic Plan focus on the key result areas of Competitive Operations, Strong Relationships, and Financial Strength. To this end, approximately 42% of the total proposed budget is dedicated to a \$399.9 million Capital Improvement Program (CIP), a major strategic priority for developing and maintaining world class infrastructure and a primary driver of the budget. Operating expenses are further aligned to support the CIP and other strategic initiatives, balanced with projected amounts of revenues. The proposed budget is consistent with the Harbor Department's Financial Policies as it exceeds the financial metrics set forth therein. It is also consistent with the preliminary budget proposal provided to the Board of Harbor Commissioners (Board) on March 28, 2013, although minor changes were made that did not materially affect budget appropriations.

**RECOMMENDATION:**

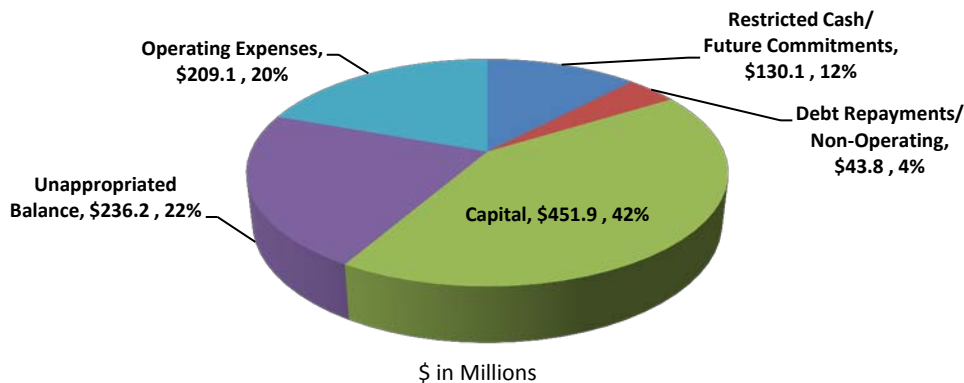
It is recommended that the Board of Harbor Commissioners:

1. Adopt the proposed Fiscal Year 2013/14 Annual Budget for the Harbor Department and appropriate funds in accordance therewith;
2. Authorize the Executive Director, or designee, to make any technical adjustments consistent with Board action(s) to the Fiscal Year 2013/14 budget documents, so as to provide for the implementation of this budget; and
3. Adopt Resolution No. \_\_\_\_\_.

**SUBJECT: APPROVE FISCAL YEAR 2013/14 ANNUAL BUDGET****DISCUSSION:**

Background and Context - The total proposed budget of \$1,071,114,174 for FY 2013/14 (Transmittal 1) represents a \$117.0 million or 12.3% increase from the \$954,131,832 FY 2012/13 Adopted Budget (Adopted Budget) and a \$38.9 million or 3.8% increase from the \$1,032,212,053 estimated appropriations for the current fiscal year. The higher proposed budget is primarily driven by significantly higher capital spending under a \$399.9 million CIP. As a result, an estimated 8,574 direct and indirect jobs will be created through Harbor Department spending proposed for FY 2013/14. Additionally augmenting our sources of cash are higher grant reimbursements that are anticipated to increase by approximately 117.6% compared to current fiscal year estimates, given the higher level of projected capital spending on grant-reimbursable projects. To reflect more clearly this growing source of funding, Net Capital Grant Receipts are now shown on a separate line in the Harbor Revenue Fund Report (see Transmittal 1).

The key components of the \$1.1 billion proposed budget are:



- \$451.9 million or 42% of the total budget for Capital;
- \$236.2 million or 22% for Unappropriated Balance;
- \$209.1 million or 20% for Operating Expenses;
- \$130.1 million or 11% for Restricted Cash/Future Commitments; and
- \$ 43.8 million or 4% for Debt Repayments/Non-Operating Expenses.

Budget Process – Beginning in October 2012, the Harbor Department’s budget process commenced, which involved Divisions’ participation through budget formulation workshops to collaborate on strategic priorities and funding needs for the coming fiscal year. After the Divisions’ submission of proposed budgets in December 2012, internal budget meetings with senior management were held in January, followed by preliminary budget discussions with the Board. Upon adoption by the Board, the annual budget covers the Harbor Department’s fiscal year from July 1 through June 30.

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Financial Metrics – In addition to Strategic Plan initiatives, the proposed budget was established based on maintaining the following key financial metrics in compliance with the Harbor Department’s Financial Policies and Strategic Plan performance metrics:

Key Financial Metric	Financial Policy/ Strategic Plan	Proposed Budget
Minimum Debt Service Coverage	2.0X	3.10X
Minimum Operating Margin	45%	49%
Minimum Unrestricted Cash Levels	\$235 Million	\$236.2 Million

Board Review – In March 2013, preliminary budget documents were submitted to the Board to provide an overview of the proposed budget. During the April 4, 2013 Regular Meeting of the Board, the Executive Director presented a summary overview of the proposed budget. During this time, Board members provided questions and comments to which written responses were subsequently provided. Questions and comments included: reasons for the reduced CIP spending this fiscal year, CIP implications for the current and future years, ensure the budget supports the Harbor Department’s strategic objectives, reasons for the significant increase in Port Police personnel costs, status of the Port Police audit, progress made since the Real Estate audit, details as to how the budget reflects how the Port of Los Angeles (Port) operates, what is the Harbor Department’s policy on backfilling positions, and is the amount of deferred maintenance appropriate to ensure we are meeting our obligations. At the May 16, 2013 Regular Board meeting, the proposed budget was further discussed, with the Board providing additional guidance and comments to the Executive Director and senior management. The Board comments included the concern that given the competitive threats to the Port, the Business Development Bureau’s (Bureau) budget does not reflect a level of urgency to address this. The Bureau should provide a presentation of its Business Development Plan, including travel and other strategy both in the short- and long-term that address its response to that competition. Additionally, the Harbor Department should singularly publicize the proposed \$399.9M CIP given its magnitude and criticality to the Harbor Department to meet competitive challenges.

Operating and Non-Operating Budget: Year-to-Year Results – The major drivers to the variance between FY 2012/13 estimates and FY 2013/14 proposed budget are Shipping Services revenues, Salaries and Benefits, Remediation, Depreciation, and Pass-Through Grants (Non-Operating revenues and expenses). Comparisons of the proposed budget with FY 2012/13 estimates and Adopted Budget are as follows:

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FY 2013/14 Proposed Operating/Non-Operating Budget						
Comparisons with FY 2012/13 Estimates and Adopted Budget						
(000s)	Adopted Budget	Estimates	Proposed Budget	Δ \$ Estimate to Proposed Budget	Δ % Estimate to Proposed Budget	Δ % Adopted to Proposed Budget
	FY 2012/13	FY 2012/13	FY 2013/14			
Operating Revenues						
Shipping Services	\$ 347,498	\$ 349,916	\$ 360,128	\$ 10,212	2.92%	3.63%
Rentals	\$ 45,174	\$ 44,625	\$ 45,376	\$ 751	1.68%	0.45%
Royalties and Fees	\$ 2,925	\$ 2,008	\$ 2,039	\$ 31	1.54%	-30.29%
Clean Truck Fees	\$ 500	\$ 1,314	\$ 1,550	\$ 236	17.96%	210.00%
Other Operating	\$ 2,495	\$ 2,701	\$ 3,941	\$ 1,240	45.91%	57.96%
<b>Total Operating Revenues</b>	<b>\$ 398,592</b>	<b>\$ 400,564</b>	<b>\$ 413,034</b>	<b>\$ 12,470</b>	<b>3.11%</b>	<b>3.62%</b>
Operating Expenses						
Salaries & Benefits	\$ 108,221	\$ 107,926	\$ 112,113	\$ 4,187	3.88%	3.60%
Marketing and Public Relations	\$ 3,614	\$ 3,434	\$ 3,834	\$ 400	11.65%	6.09%
Travel	\$ 925	\$ 862	\$ 963	\$ 101	11.72%	4.11%
Outside Services	\$ 35,217	\$ 33,007	\$ 35,055	\$ 2,048	6.20%	-0.46%
Materials & Supplies	\$ 7,635	\$ 7,638	\$ 7,390	\$ (248)	-3.25%	-3.21%
City Services	\$ 36,150	\$ 36,174	\$ 36,246	\$ 72	0.20%	0.27%
Allocations to Capital	\$ (9,000)	\$ (12,084)	\$ (12,235)	\$ (151)	1.25%	35.94%
Other Operating Expenses	\$ 30,290	\$ 32,247	\$ 25,719	\$ (6,528)	-20.24%	-15.09%
<b>Total Operating Expenses</b>	<b>\$ 213,052</b>	<b>\$ 209,204</b>	<b>\$ 209,085</b>	<b>\$ (119)</b>	<b>-0.06%</b>	<b>-1.86%</b>
<b>Income from Operations before Depreciation</b>	<b>\$ 185,540</b>	<b>\$ 191,360</b>	<b>\$ 203,949</b>	<b>\$ 12,589</b>	<b>6.58%</b>	<b>9.92%</b>
Depreciation	\$ 98,601	\$ 105,000	\$ 110,250	\$ 5,250	5.00%	11.81%
<b>Income from Operations</b>	<b>\$ 86,939</b>	<b>\$ 86,360</b>	<b>\$ 93,699</b>	<b>\$ 7,339</b>	<b>8.50%</b>	<b>7.78%</b>
Non-Operating Revenues	\$ 30,938	\$ 28,172	\$ 16,354	\$ (11,818)	-41.95%	-47.14%
Non-Operating Expenses	\$ 28,605	\$ 27,647	\$ 17,601	\$ (10,046)	-36.34%	-38.47%
<b>Net Income</b>	<b>\$ 89,272</b>	<b>\$ 86,885</b>	<b>\$ 92,452</b>	<b>\$ 5,567</b>	<b>6.41%</b>	<b>3.56%</b>

Note: Figures in this chart may differ from the Comparative Statement of Operations (Transmittal 1) due to rounding.

**Operating Revenue Budget** – The proposed Operating Revenues budget totals \$413.0 million and are \$12.5 million or 3.1% higher compared to the current fiscal year estimate of \$400.6 million. Proposed Shipping Services revenue continues to be driven by Twenty-Foot Equivalent Unit (TEU) volumes. The budgeted TEU volume level of 7.9 million represents both full and empty inbound and outbound TEUs for next fiscal year, which is a 1.5% increase from current year estimates based on tenant input and market estimates. In addition to some organic growth, the projection takes into account the loss of a shipping line to the Port of Long Beach, partially offset by additional lines calling at the Port of Los Angeles. The projected volume levels are still off their most recent peaks of FY 2006/07 of 8.6 million, but also continue to show a gradual upward trend. As a result, associated Shipping Services are budgeted to increase slightly by \$10.2 million or 2.9%, of which approximately \$4.5 million is based on a Consumer Price Index (CPI) tariff increase. Other Operating Revenues are also projected to grow by \$1.2 million or 45.9% over current fiscal year estimates, primarily for reimbursements from tenants for Alternative Marine Power (AMP) electricity

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expenses, which are included in the Operating Expense budget resulting in a revenue neutral effect.

When compared to the FY 2012/13 Adopted Budget, proposed Operating Revenues are \$14.4 million or 3.6% higher primarily due to higher TEU volumes and anticipated rate increases resulting in higher Shipping Services by \$12.6 million, higher Clean Truck Program income of \$1.1 million for renewal fees under five-year concession agreements that become due next FY, and AMP electricity reimbursements by \$1.2 million, partially offset by lower Royalties and Fees by \$0.9 million due to lower parking fees as a result of lower cruise passenger volume.

Operating Expense Budget –The Operating Expense budget of \$209.1 million is slightly lower compared to the current fiscal year estimate and a \$4.0 million or 1.9% decrease from the FY 2012/13 Adopted Budget. To meet key financial metrics and support a \$399.9 million CIP, an Operating Expense Budget target of \$211.0 million was initially established after taking into account relatively flat projected revenues. This served as the base upon which the proposed budget was formulated. Through the budget process, Divisions were able to come in under this target.

While total operating expenses are lower, Salaries and Benefits are higher compared to both current fiscal year estimates and the Adopted Budget, and continue to be the largest contributors to expenses, comprising 53.6% of the Operating Expense budget. Outside Services are also higher compared to current fiscal year estimates. Offsetting these increases are lower Other Operating Expenses, primarily for pollution remediation liability. Compared to the Adopted Budget, higher Salaries and Benefits offset by higher Allocations to Capital (overhead) and lower Other Operating Expenses in the timing of community benefit payments were the primary drivers for the decrease in the proposed budget.

***Proposed Salaries and Benefits*** increases by 3.9% or \$4.2 million from the current fiscal year estimate and by 3.6% or \$3.9 million from the FY 2012/13 Adopted Budget. The primary reasons for the increases are attributed to step increases (i.e., steps within a pay grade that an employee advances to upon their annual anniversary) and other Memorandum of Understanding (MOU) adjustments, and higher health care costs.

Authorized positions are proposed to remain flat at 994, with a 4% attrition factor included in the budget for an average headcount of about 954. Four vacant positions were eliminated and replaced with four new proposed strategic positions:

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- Senior Real Estate Officer (Real Estate Division)
- Property Manager (Real Estate Division)
- Electrical Technical Advisor (Construction & Maintenance Division)
- Audio Visual Technician (Communications Division)

**Proposed Marketing and Public Relations** expenses include department-wide marketing activities such as customer and community outreach and sponsorships. Expenses in this category are higher compared to both the current fiscal year estimates and Adopted Budget, primarily for sponsorships and Los Angeles Waterfront development advertising for the Communications group and business promotional efforts by the Business & Trade Development Division.

**Proposed Travel** expenses are proposed to be higher than both current year estimates and the Adopted Budget. Consistent with the Strategic Plan, additional travel funds are allocated towards marketing efforts to retain and grow market share, and employee development efforts to create a positive workplace culture.

**Proposed Outside Services** are \$2.0 million or 6.2% higher compared to current fiscal year estimates and generally flat to the Adopted Budget. During this budget process, efforts continue to be made to align the budgeted amount with spending, with the increase from current fiscal year estimates due to additional services primarily for cruise terminal operations, and legal and environmental remediation expenses. Major spending in this expense category is budgeted for environmental assessments, maintenance improvement, and remediation.

**Proposed Materials and Supplies** spending are budgeted to decrease by slightly over 3.2% compared to FY 2012/13 estimates and Adopted Budget primarily due to savings realized in replacing the legacy mainframe financial system with an Enterprise Resource Planning (ERP) system.

**Proposed City Services** budgeted expenses are budgeted to remain relatively flat to both FY 2012/13 estimates and Adopted Budget.

**Proposed Other Operating Expenses** are lower compared to FY 2012/13 estimates by \$6.5 million or 20.2% primarily due to pollution remediation liability. Higher utility expenses by approximately \$2.0 million partially offset the decrease in budget next fiscal year. For the latter, approximately \$1.2 million is due to increased AMP charges, which are reimbursed by tenants as previously discussed (see Operating Revenue Budget).

Compared to the Adopted Budget, Other Operating Expenses are lower by \$4.6 million or 15.1% primarily due to the timing of community benefit payments. Approximately \$5.2 million in community benefit payments for budgeted projects were included in the Adopted Budget but not launched and therefore not paid; it is anticipated that payments will occur in FY 2014/15 or FY 2015/16.

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*Overhead Allocations to Capital* are generally flat compared to current year estimates. Compared to Adopted Budget, the budget is higher by \$3.2 million or 35.9% primarily due to the growth in administrative support to match the increase in the level of capital spending in the Engineering, Construction, and Construction and Maintenance Divisions. The increase in overhead allocations also takes into account increases in Salaries & Benefits for administrative support staff.

Non-Operating Budget (revenues and expenses not relating to the core operations) – Non-Operating Revenues (i.e., interest income, operating grant receipts and other reimbursements) are budgeted to decrease by \$11.8 million or 42.0% from current fiscal year estimates primarily due to the expiration of Federal pass-through grants in June 2013. Compared to the Adopted Budget, Non-Operating Revenues are budgeted to decrease by \$14.6 million or 47.1% primarily due to \$15.7 million in lower Federal pass-through grant disbursements and \$400 thousand in lower ICTF (Intermodal Container Transfer Facility) investment income, partially offset by \$1.1 million in higher interest income due to higher cash balances.

Non-Operating Expenses (i.e., interest expense, debt issuance costs, pass-through grant disbursements, etc.) are budgeted to decrease by \$10.0 million or 36.3% from current fiscal year estimates primarily due to lower Federal pass-through grant disbursements. Compared to the Adopted Budget, Non-Operating Expenses are budgeted to decrease by \$11.0 million or 38.5% primarily due to \$15.7 million in lower pass-through grant disbursements; \$2.0 million in lower commercial paper issuance costs; partially offset by \$6.4 million due to an accounting treatment of imputed interest under Governmental Accounting Standards Board (GASB) rules. Additionally, shortfall advances for the Alameda Corridor Transportation Authority (ACTA) are not anticipated next fiscal year.

Capital Budget – To meet the future needs of the Harbor Department and to enhance job creation and economic development, in addition to the \$399.9 million CIP, \$42.2 million in allocations to capital (for overhead and interest capitalization) and \$9.8 million in capital equipment are also proposed, for a total Capital Budget of \$451.9 million. This includes expenditures for projects that have been approved, those that are pending approval and proposed equipment purchases.

The \$399.9 million CIP represents the highest annual CIP spending ever in the history of the Harbor Department, being a \$181.5 million or 83.1% increase from the estimated current year expenditure of \$218.4 million. The latter represents an approximate 76% spend rate of the current fiscal year Adopted CIP Budget of \$285.7 million. Compared with the current year Adopted Budget, the \$399.9 million CIP budget is a \$114.2 million or 40.0% increase. This higher level is anticipated as approximately 80% of the CIP budget is for projects already in

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construction. Approximately 95% of the CIP budget is devoted to revenue generating projects (Terminal and Transportation), with the remaining to community, security and maritime support projects. Transmittal 1 contains a complete listing of projects.

Grants – The proposed budget includes a total of \$121.0 million in both operating and capital grant reimbursements. This represents an increase of \$65.4 million or 117.6% from the current fiscal year estimates of \$55.6 million due primarily to a higher level of grant-reimbursable capital spending next fiscal year and includes:

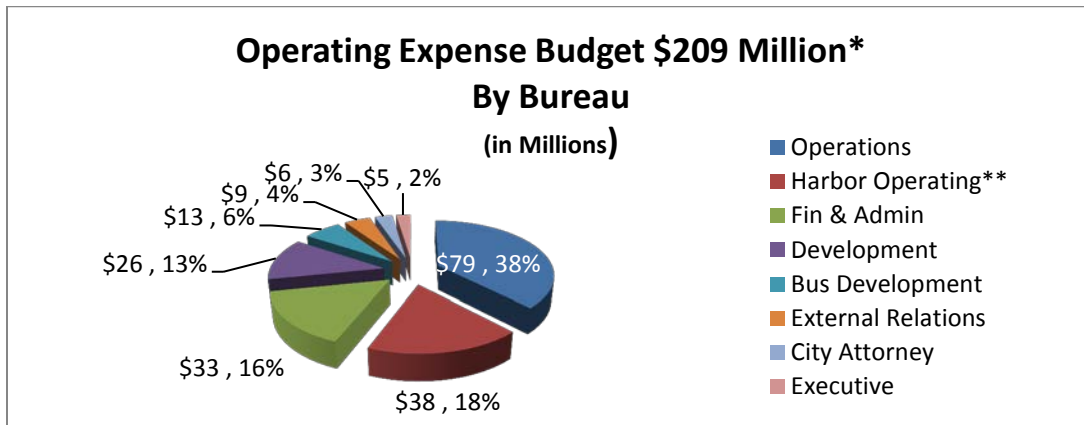
**Grant Reimbursements: \$121 Million**

By Funding Source	By Project Category
Federal Grants: \$29 million	Capital: \$115 million
State Grants: \$92 million	Operating: \$ 1 million
	Pass-Through: \$ 5 million*

\*Timing in reimbursements; pass –through program expires end of June 2013.

The Harbor Department’s grants management program is currently managing approximately \$424 million in active grants. Approximately \$3.0 million in potential awards are currently under consideration or in the application process.

Proposed Operating Expense Budget Strategic Priorities and Funding Highlights by Bureau – The following chart depicts an approximation of the proposed Operating Expense Budget by Bureau (functional area):



\* Net of capitalization; figures are rounded.

\*\* Harbor Operating includes Port-wide expenses and is a component of the Finance & Administration Bureau budget; separated for illustration purposes.

Among the many initiatives in the Strategic Plan set to be accomplished next fiscal year, highlights by Bureau for FY 2013/14 are as follows:

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**Operations Bureau Budget: \$79 Million** – Budgeted for 558 positions and \$67.9 million or 60% of department-wide Salaries & Benefits, the Operations Bureau is the largest both in staffing and operating budget. It includes the Construction & Maintenance, Port Police, Port Pilots, and Wharfingers Divisions. Over the last few fiscal years, the Construction & Maintenance Division has been increasing its undertaking of capital projects and therefore, about \$5.2 million or 7% of the Bureau's Salaries & Benefits are capitalized. Due to the recent electrical safety audit, an Electrical Technical Advisor has been added to the Construction & Maintenance Division, offset by a vacancy in Port Police. Of the \$8.1 million in Outside Services, \$5.5 million is for the maintenance of Port facilities and \$2 million in grant reimbursable funds for the maintenance and repair of the Port Police security camera system. Approximately \$6.1 million or 83% of department-wide Materials & Supplies are also budgeted for the maintenance of the Port's many facilities.

Strategic Initiative Highlights

- Continue the on-going deferred maintenance program (\$5.0 million for capital projects in the CIP budget; \$0.7 million for operating projects in the Maintenance Improvement Program budget)
- Provide emergency management training and capabilities
- Develop a self-sustaining internationally recognized Maritime Law Enforcement Training Center (MLETC)
- Increase grant funding for equipment maintenance, upgrade and replacement

**Finance & Administration Bureau Budget: \$72 Million (includes Harbor Operating: \$38 Million)** – The Finance & Administration Bureau is budgeted for a static 145 positions, translating to \$21.1 million in Salaries & Benefits and includes the department-wide support functions of Contracts & Purchasing, Human Resources, Information Technology, and Finance Divisions (the latter includes Accounting, Risk Management, Management Audits, Debt & Treasury, and Financial Management). The majority of its \$6.4 million in Outside Services are for Information Technology support services, including hardware and software maintenance and technical consulting services. With the implementation of the ERP system, approximately \$200 thousand in Materials & Supplies savings were realized in the proposed budget. The Bureau also administers the \$38 million Harbor Operating budget, which includes department-wide expenses such as City Services, utilities, insurance, workers' compensation, claims and settlements, and community benefit payments. Approximately \$30.7 million in City Services are budgeted, the majority of which are for services provided by the City of Los Angeles Fire and Recreation & Parks Departments. About \$8.1 million in utilities and \$3.7 million in insurance premiums are also administered by this Bureau.

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- Maintain AA credit rating to obtain low cost access to capital
- Implement Enterprise Resource Planning key components
- Conduct 2-3 performance and 8 tenant audits
- Collect \$121 million in grant revenues; increase non-traditional grant sources by 2% or \$8 million
- Reduce workers' compensation claims and expenses by 5%

**Development Bureau Budget: \$26 Million** – The Development Bureau includes the Engineering, Construction, Environmental Management, Goods Movement, and Commission Divisions. Budgeted for 197 positions and \$12.2 million in Salaries & Benefits, it is primarily the Engineering and Construction groups that are responsible for executing the proposed \$399.9 million Capital Improvement Program. As such, close to 60% or \$17 million of the Bureau's Salaries & Benefits are capitalized. The Bureau is also responsible for providing environmental and remediation services and administers the \$3 million Maintenance Improvement Program; combined, these programs comprise about 35% of department-wide Outside Services.

Strategic Initiative Highlights

- Execute the \$399.9 million Capital Improvement Program
- Comply with Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS)
- Develop an action plan to increase number of zero emissions trucks in the Port drayage fleet
- Advocate for goods movement issues and public funding

**Business Development Bureau Budget: \$13 Million** – The Business Development Bureau is budgeted for 49 positions and includes the Business & Trade Development, Planning & Economic Development, and Real Estate Divisions. Focus continues to be on augmenting the Real Estate Division with two added positions including a Senior Real Estate Officer and Property Manager to improve oversight of the Port's properties. Included in the Bureau's \$3.3 million Outside Services budget is \$2.0 million for a recently acquired new cruise terminal operator to provide improved services and maintenance of the Port's cruise operations; operator fees are offset by lay day and passenger fees that are included in Operating Revenues. A Marketing & Travel budget of approximately \$1 million will be strategically utilized for business development and customer retention. The Bureau has a number of strategic initiatives that seeks to improve the Port's competitive position. For example, the implementation of a Business & Trade Development Plan will seek to retain and grow Port business; an Asset Management Plan will provide an overall facility management framework to assist in determining what assets and at what level in which to invest resources. In addition, the creation of development plans for contaminated facilities will better align remediation efforts, among others.

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- Implement the Business & Trade Development Plan to support and achieve strategic objectives to retain and grow Port business
- Implement the Competitive Cargo Strategy Committee recommendations (e.g., chassis operations program, truck turn time, etc.)
- Replace holdover real estate agreements
- Create development plans for contaminated facilities, low performing assets, and for the removal of unused assets
- Implement an Asset Management Plan
- Optimize land use by redeveloping Ports O' Call

**External Relations Bureau Budget: \$9 Million** – The External Relations Bureau is budgeted for 29 positions or \$4.0 million in Salaries & Benefits and includes the Government Affairs (advocacy) and Communications (Public Relations, Graphics, Media Relations) Divisions. One Audio Visual Technician was added to the Communications group to support increasing public relations demands, which was offset by a vacancy in Government Affairs. The Bureau will continue its strategic efforts in creating a positive workplace culture and increasing stakeholder and community awareness and support. Approximately \$2.9 million in Marketing & Public Relations is budgeted, which represents 78% of Port-wide funding for this expense category. Within this category, the Sponsorships budget of \$1.5 million is a major component for which the Bureau will be implementing the initial Community Grants Program as previously discussed with the Board. Also included in this category is about \$235 thousand for concerted advertising efforts for the Ports O'Call Redevelopment project. The Bureau's \$1.2 million Outside Services budget is primarily for advocacy services and audio visual, marketing, and other public relations services.

Strategic Initiative Highlights

- Develop a Strategic Outreach Plan and Media Engagement Plan that educate and facilitate through consistent, relevant and compelling narrative about what the Port does; and advocate and collaborate through issue specific outreach/education (coalition-building)
- Implement initial Community Grants Program
- Continue implementation of the Internal Communications Plan to further strengthen internal communication channels

**City Attorney Budget: \$6 Million** – The City Attorney's budget includes \$4.5 million in salaries and benefits for 23 FTE's (full-time equivalents, both on- and off-site), which is budgeted within the City Services expense component. The Harbor Department is billed and pays for City Attorney services through the City Administrative Officer. Outside Services of approximately \$900 thousand primarily funds outside counsel for environmental, bond, litigation, and litigation experts, which are aligned with budgeted projects in respective Divisions. Approximately 37% or \$600 thousand are dedicated to CIP projects and

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capitalized. This level of Outside Services is reflective of the City Attorney's efforts to increase utilization of in-house legal staff and reduce Outside Services.

Strategic Initiative Highlights

- Provide timely, high quality legal services to the Port Master Plan Update project and critical terminal and infrastructure projects
- Provide at least four training educational sessions for Board members and/or Port client Divisions on topics relating to key Harbor Department legal issues
- Provide timely, high quality legal services to apply and contract for grant funds and collect on permits' delinquent accounts

**Executive Office Budget: \$5 Million** – The Executive Office is budgeted for 16 positions or \$3.5 million in Salaries & Benefits for the Executive Director, her direct reports and their administrative staff. It also includes the Historic Site Office. Travel for purposes of maintaining customer relationships, trade development, and business retention are primarily budgeted in the Executive Office (\$219 thousand) and Business Development Bureau (\$317 thousand); combined, it represents about 56% of the Port-wide Travel budget. Outside Services budget of approximately \$700 thousand are for leadership coaching and team development, historical document preservation services, and as-needed consultants.

Strategic Initiative Highlights

- Maintain relationships with customers, trade development, business retention, increase market share, and industry conference participation
- Continue efforts to improve communications and employee recognition
- Preserve and publish historical records of the Port and surrounding community
- Continue efforts to enhance and implement revenue and efficiency measures

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of the FY 2013/14 Annual Budget. All projects potentially financed through the Resolution would require separate Board approval. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

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**ECONOMIC BENEFITS:**

The proposed FY 2013/14 Annual Budget supports the creation of over 8,500 jobs within the 5-county region as follows:

	Actual FY 2011	Actual FY 2012	Estimates FY 2013	Proposed Budget FY 2014
Direct Jobs at the Port	958	954	953	994*
Jobs Created by the Port – Capital Spending	3,943	2,100	3,380	6,870
Jobs Created by Other Port Spending	<u>755</u>	<u>600</u>	<u>660</u>	<u>710</u>
Total Jobs Created	5,656	3,654	4,993	8,574

\*Total Authorized Positions

**FINANCIAL IMPACT:**

Approval of the proposed FY 2013/14 Annual Budget will establish the Harbor Department's Operating and Capital Improvement Budgets and appropriate the necessary funds for the Harbor Department's operations in the next fiscal year. The proposed budget exceeds the financial metrics set forth in the Harbor Department's Financial Policies. Any requirements that exceed amounts authorized in the Annual Budget will require separate Board authorization.

**CITY ATTORNEY:**

The Office of the City Attorney has determined there are no legal issues to address at this time.

**TRANSMITTAL:**

Fiscal Year 2013/14 Annual Proposed Budget

FIS Approval: KYP (initials)  
CA Approval: jmc (initials)

*Karl K.Y. Pan*  
KARL K.Y. PAN  
Chief Financial Officer

*Molly Campbell for MC*  
MOLLY CAMPBELL  
Deputy Executive Director

APPROVED: *Geraldine Knatz*  
GERALDINE KNATZ, Ph.D.  
Executive Director  
KP:EY:ey  
Author: E. Yoshimura