



To: Gene Seroka, Executive Director, Port of Los Angeles  
CC: Cecilia Moreno, Port of Los Angeles  
From: Dana Goland, Executive Director, Harbor Community Benefit Foundation  
Date: February 13, 2024  
FINAL REVISION - February 23, 2024  
Subject: **Air Quality Mitigation Fund – CY 2024 Budget Request and CY 2023 Annual Budget Review**

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## SUMMARY

Harbor Community Benefit Foundation (HCBF) is the administrator of the Independent Air Quality Mitigation Fund (AQMF) pursuant to Memorandum of Agreement No. 21-9842 (MOA) among the HCBF, China Shipping Petitioners and the City of Los Angeles through Board of Harbor Commissioners (BOHC) (collectively, Parties), in effect for 5 years, ending May 31, 2026.

As of December 31, 2023, funds available - in the the AQMF (independently managed by California Community Foundation) **plus** the Bank of America AQMF account - **for Port of Los Angeles-related emissions reduction projects and programs = \$2,402,456.**

## ANNUAL REPORTING REQUIREMENTS

**The purpose of this transmittal is to satisfy the annual reporting and budget request requirements of the Memorandum of Agreement.** Pursuant to Section 5.h. Annual Budget:

“...HCBF shall provide to the Executive Director of the Harbor Department an accounting of the annual administrative costs (no less than 6 months accrued, and no more than 6 months projected), coupled with an annual budget and funding request for the anticipated administrative costs for the subsequent year. Subject to the terms, conditions and limitations of this Agreement and other provisions of the law, the Harbor Department shall approve adequate funding to HCBF to meet the administrative needs of program administration.”

Harbor Community Benefit Foundation (HCBF) hereby submits a request to **approve** the CY 2023 Air Quality Mitigation Fund (AQMF) Annual Review for 2023 **and approve** the CY 2024 Operations Budget in the amount of **\$265,000.**

Furthermore, HCBF requests the Office of the City Attorney, approve as to form and legality to ensure compliance with the MOU.

**Finally, the CY 2024 budget is fully funded from CY 2023 reserves, with no requirement for a transfer from the Air Quality Mitigation Trust Fund at this time.** Further, no portion of the TraPac PCMTF administrative cost budget is funded by China Shipping AQMF reserves.

## CY 2024 OPERATIONS BUDGET DISCUSSION

HCBF has two separate sources of funding for operations and programs, namely TraPac Port Community Mitigation Trust Fund (PCMTF) and China Shipping Air Quality Mitigation Fund (AQMF). The trust funds from each source are separately held and managed independently by JPMorgan Bank (JPM) and California Community Foundation (CCF), respectively.

Annual administrative expenses for the HCBF 2024 operations budget will be shared *pro rata* by the two funds, with an allocation based on the anticipated CY 2024 awards of grants.

During CY 2024 it is forecast that the TraPac PCMTF could award approximately \$300,000 in grants while the China Shipping AQMF could award approximately \$2,000,000 in grants for a total of \$2,300,000 in grants. That prorated share equates to 13% [ $300,000/2,300,000$ ] from the TraPac PCMTF and 87% [ $2,000,000/2,300,000$ ] from the China Shipping AQMF.

Thus, funding for the CY 2024 budget of \$265,000 shall be charged against each fund in the amount of **\$34,450**, from TraPac operating reserves and **\$230,550** from AQMF China Shipping operating reserves (admin funds earned and unspent from AQMF grant Rounds 1 and 2).

On October 27, 2023, the internal financial reports and proposed HCBF Operations Budget, totaling \$265,000 for the calendar year ending 12/31/2024, **were presented to and approved by the HCBF Board of Directors**. The CY 2024 budget covered program delivery, occupancy, marketing and outreach, professional fees, and other administrative costs.

**The 2024 CY Budget, fully funded by the two funds' operating reserves, is hereby submitted to the BOHC for review and approval.**

### AQMF HISTORY

On June 14, 2004, the City and Petitioners became bound by the Amended Stipulated Judgment ("ASJ") to settle the case of Natural Resources Defense Council, Inc., et al. v. City of Los Angeles, et al., Los Angeles County Superior Court Case No. BS 070017, a case brought by Petitioners challenging the environmental impact report and related findings for the China Shipping Container Terminal Project at Berths 99-109 ("the China Shipping Project").

On October 24, 2016 the BOHC approved \$5,226,944 in ASJ settlement funds to be disbursed to an independent Air Quality Mitigation Program, to be administered by HCBF for the reduction of Port-related air emissions, herein referred to as the "Air Quality Mitigation Fund", or "AQMF". The Parties entered into a predecessor Memorandum of Agreement No. 15-3365, which expired on May 31, 2021 and was subsequently replaced by the currently operative MOA No. 21-9842 referred to in the first paragraph.

### AQMF TRUST FUND SUMMARY

The AQMF fund is independently managed by the California Community Foundation (CCF). Disbursements from the AQMF fund are reviewed and approved **jointly** by HCBF and the Board of Harbor Commissioners, as required by the MOA.

<b>AIR QUALITY MITIGATION FUND RECAP through 12/31/2023</b>				
	Port Funds		Balance	% of program
Program Funds: (Bank of America Account) 2/2/2017	250,000			5%
Trust Account: AQMF (California Community Foundation - CCF)	4,976,944			95%
<b>Total Port Contributed Funds</b>			5,226,944	100%
Air Quality Mitigation Grant Round 1		(823,050)		
Air Quality Mitigation Grant Round 2		(2,000,000)		
<b>SubTotal Grants Awarded</b>			(2,823,050)	<b>54%</b>
<b>Program Admin and Technical Experts</b>				
AQMF Consultants - Technical Experts - 2018 through 12/2023		(167,464)		
Administrative Costs - 2018 through 10/2022		(126,908)		2%
Grant Administration per MOA (10% of approved grants)		(282,305)		10%
<b>Total Program Admin and Tech Experts inception to Date</b>			(576,676)	
<b>Trust Fund Investment Activity inception to 12/31/2023</b>				
California Community Foundation				
Investment Income: Interest & Dividends 2017 through 12/31/2023		571,302		
Investment Management Fee paid to CCF 2017 thru 12/31/2023		(142,070)		
Unrealized Loss / Mkt Value Change thru 10/31/2023		(45,044)		
<b>Net Investment Activity thru 12/31/2023</b>			384,188	7.35%
<b>Add Back Undisbursed Funds for Terminated Grant Round 1 (BofA)</b>			<b>191,050</b>	
<b>Air Quality Mitigation Program Funds Available thru 12/31/2023</b>			<b>2,402,456</b>	

#### **GRANT PROGRAMS - AQMF Trust Fund**

The Air Quality Mitigation Fund (AQMF) provides grants for qualified projects designed to **reduce port-related air emissions in the San Pedro Bay area**. Projects funded by the AQMF must demonstrate achievable and quantifiable emissions reduction in San Pedro and Wilmington, within a **25-mile** boundary of the San Pedro Bay.

#### **ROUND 1:**

During Round 1 HCBF announced the availability of funding for demonstration or implementation zero emissions technologies, near-zero emissions technologies, or emission reduction technologies.

Approved jointly by HCBF and by the Board of Harbor Commissioners in November 2019, **a grant in the amount of \$823,050** was approved for rapid deployment of the electric active STOP-START technology system, which provides zero-emission operation of yard tractors when equipment is idling. This technology was tested at the POLA Yusen Terminal.

On October 6, 2022 HCBF reported to the Board of Harbor Commissioners that the term of the grant agreement had lapsed, and would not be extended due to non-performance. HCBF also reported and the BOHC approved undisbursed grant funds in the amount of \$191,050 would be applied to **future AQMF projects and programs**.

#### **ROUND 2:**

On March 07, 2023, the BOHC **approved** Harbor Community Benefit Foundation's selection of one project (Watt

EV) to receive a grant of \$2,000,000 from the Air Quality Mitigation Program Round 2, funded by the Air Quality Mitigation Fund, **for Public EV Charging Stations. Said grant has been fully funded.**

**ROUND 3:**

Competitive grant funds in Round 3 are anticipated in the amount of \$2 million.

**HARBOR COMMUNITY BENEFIT FOUNDATION BOARD ACTIONS**

**On November 18, 2022 the Harbor Community Benefit Foundation Board of Directors, by unanimous vote:**

**Resolved to:** approve the recommendation of the ad-hoc committee representing \$2,000,000 in grants.

The HCBF Board Resolved to: Approve an award of AQMF funds to WattEV for a total award of \$2,000,000 for Public Electric Vehicle (EV) Charging Stations for Trucks.

**On October 27, 2023 the HCBF Board**

1. Received and approved the Internal Financial Reports as of September 30, 2023.
2. Approved and adopted the 2024 HCBF Operating Budget totaling \$265,000.

**The CY 2024 budget is fully funded from prorated reserves of the two funds, with no requirement for a transfer from either Trust Fund.**

***The following comparison of the annual Operations Budget to the prior year is provided to report the change in expenses.***

The 2024 Proposed Annual Operating Budget of \$265,000 assumes **San Pedro based office operations and staffing** of 1 Full-time equivalent (FTE). As shown in the budget, **Professional Consultants** will provide 1) **legal services** – to comply with the mandatory elements of the California Brown Act, and to provide general support 2) **accounting and auditing services** (Bookkeeping, Financial Reporting and CPA/audit) to provide financial support and to comply with the Port of Los Angeles report requirements and 3) **grant program support**.

**Harbor Community Benefit Foundation**  
**2023 Budget vs. 9 month Actuals / 2024 BUDGET**

Total							
	Actual Sept 30 (9 months)	Approved 2023 Budget	Remainder for 3 months	% USED 9.30	2024 Budget	Variance	2024 compared to 2023
<b>Expenses</b>							
<b>6000 Functional Expenses</b>							
6100 Office Expenses	2,858	2,600	-258				
6102 TeleCommunications and Internet	2,121	2,280	159		2,538		
6103 Software and General Office	1,755	1,544	-211		1,500		
6800.07 Payroll Service Fees	1,206	1,536	330		1,536		
Total 6103 Software and General Office	2,961	3,080	119		2,200		
Total 6100 Office Expenses	7,940	7,960	20	100%	7,774	(186)	-2%
6105 Rent	8,809	11,746	2,937	75%	12,333	587	5%
6200 Dues & Subscriptions	755	800	45	94%	1,250	450	56%
6300 Insurance	3,884	5,155	1,271	75%	5,413		5%
6803 Workers Comp Insurance	229	229	0	100%	240		5%
Total 6300 Insurance	4,113	5,384	1,271	76%	5,653	269	5%
6500 Marketing / Outreach	4,365	5,000	635	87%	5,250	250	5%
6800 Payroll Expenses			0				
6801 Taxes	8,614	9,939	1,325		10,440		5%
6802 Wages	94,494	112,576	18,082		116,000		3%
6807.1 Retirement Company Match	3,760	4,507	747		4,640		3%
6807.2 Health Insurance Reimbursement	1,000	2,500	1,500		6,000		
Total 6800 Payroll Expenses	107,868	129,522	21,654	83%	137,080	7,558	6%
6900 Professional Fees			0				
6901 Accounting & Audit	22,275	26,375	4,100	84%	28,000	1,625	6%
6902 Consultants Program Support	30,653	51,713	21,061	59%	51,240	(473)	-1%
6903 Legal Fees	10,600	15,975	5,375	66%	16,000	25	0%
Total 6900 Professional Fees	63,528	94,063	30,536	68%	95,240	1,177	1%
6950 Taxes & Licenses	120	120	0	100%	120	-	0%
6960 Travel & Conferences		280	280	0%	300	20	7%
<b>Total 6000 Functional Expenses</b>	<b>197,498</b>	<b>254,875</b>	<b>57,377</b>	<b>77%</b>	<b>265,000</b>	<b>10,125</b>	<b>4%</b>

**CASH REVIEW:**

On October 6, 2022 HCBF submitted the Air Quality Mitigation Fund, Grantee Performance and Fund Balance Report for activity through 08/31/2022, reporting undisbursed funds from a terminated Grant in Round 1 of 191,050. This amount was subsequently dedicated to future AQMF projects and programs.

Audited Account Balances and Expenses, for ALL HCBF managed accounts, disclosing available cash from all

restricted and unrestricted funds, are documented in the annual financials, on file with the Port of LA and posted on the HCBF website.

In accordance with the Operating Agreement with the Port, administrative fees to HCBF are funded either by annual administrative budget request or simultaneous with grant awards- with unspent administrative fees disbursed with grant awards held in operating reserves.

The AQMF reserves are the unspent administrative fees from two AQMF grant rounds. Specifically, the Air Quality Mitigation Program Round 1, awarded \$823,050 in grants. In accordance with the Operating Agreement with the Port, **administrative fees of 10%, \$82,305, held in the Bank of America AQMF program account, were allocated for operations.**

In 2023, the Air Quality Mitigation Program Round 2, awarded \$2,000,000 in grants. In accordance with the Operating Agreement, **a simultaneous award of 10%, \$200,000** in administrative fees was transferred from the Trust Fund to HCBF, generating operating reserves.

As approved by the HCBF Board of Directors, operating reserves will essentially be depleted to fund the budget in the 2024 CY Budget, with no requirement at this time for a transfer from the AQMF held by CCF.

#### **RECOMMENDATION TO THE EXECUTIVE DIRECTOR OF THE HARBOR DEPARTMENT:**

As approved by the HCBF Board of Directors, the Annual Review and the operations budget is hereby submitted to the Board of Harbor Commissioners, with a request to **approve** the CY 2023 Air Quality Mitigation Fund (AQMF) Annual Review for 2023, **and approve** the CY 2024 Operations Budget in the amount of **\$265,000**, in satisfaction of the Annual Budget Request and Reporting Requirements, pursuant Section 5.h of the **Memorandum of Agreement** among the Parties..

Furthermore, HCBF requests the Office of the City Attorney, approve as to form and legality to ensure compliance with the MOU.

#### **FISCAL IMPACT STATEMENT**

There is no impact on the Harbor Revenue Fund. There is no impact on the City General Fund.

**The CY 2024 budget is fully funded, with no requirement for a transfer from the Air Quality Mitigation Trust Fund.** Further, no portion of the TraPac PCMTF administrative cost budget is funded by China Shipping AQMF reserves.

Administrative Funds – RECAP (2017 to 2023)

The following graph provides a recap, from inception to date.

Air Quality Mitigation Funding Recap from Inception to 12/31/2023										
		2017	2018	2019	2020	2021	10/31/22	11/01 - 12/31	2022 Total	12/31/23
<b>Program Funds - BANK OF AMERICA (BoFA)</b>										
Port Funds to be Contributed to Administrative Fund PER MOA (wire 2/2017)	250,000									
Prior Period Balance			250,000	214,308	132,915	93,505	52,661	192,535	52,661	183,128
Administrative Costs per MOA Section 5.g. (10% of approved grants)									191,050	200,000
AQMF Consultants - Technical Experts			(32,942)	(51,309)	(8,321)	(10,359)	(18,676)	(9,407)	(28,083)	(36,450)
HCBF Administrative Costs			(2,750)	(30,084)	(31,089)	(30,485)	(32,500)		(32,500)	(282,305)
<b>Bank of America Ending Balance (BoFA) - Non Interest Bearing</b>	250,000	250,000	214,308	132,915	93,505	52,661	1,485	183,128	183,128	64,374
<b>Grant Cancelled / Funds available for future AQMF</b>										
							191,050			
<b>Adjusted Account Balance (BoFA)</b>	250,000	250,000	214,308	132,915	93,505	52,661	192,535	183,128	183,128	64,374
<b>Trust Account - AQMF California Community Foundation (CCF)</b>										
INVESTMENT ACTIVITY										
<b>Trust Fund Beginning Balance (CCF)</b>		4,976,944	5,001,055	5,075,176	4,351,191	4,374,375	4,360,550	4,373,642	4,360,550	4,396,486
Withdrawals - Grant Awards				(823,050)						(2,000,000)
Interest & Dividends		64,590	92,191	124,868	58,076	22,611	37,499	25,201	62,700	146,266
Mkt Value Change - Unrealized		(21,747)	4,680	(1,348)	(14,316)	(16,357)	(9,505)	2,621	(6,884)	10,929
Investment Mgmt Fee (paid to California Community Foundation)		(18,732)	(22,750)	(24,455)	(20,576)	(20,079)	(14,901)	(4,978)	(19,879)	(15,599)
Administrative Costs per MOA Section 5.g. (10% of approved grants)										(200,000)
<b>Trust Fund Ending Balance (CCF)</b>		5,001,055	5,075,176	4,351,191	4,374,375	4,360,550	4,373,642	4,396,486	4,396,486	2,338,082
<i>Administrative Costs - Round 1 - processed in 2023</i>							(82,305)			
<b>SubTotal Available Funds (CCF and BoFA)</b>							4,483,873	4,579,615	4,579,615	2,402,456
Subsequent Grant Round - Awards Pending							(2,000,000)			
<b>Uncommitted Funds (BoFA and CCF Trust Account)</b>		5,251,055	5,289,484	4,484,106	4,467,880	4,413,211	2,483,873			