



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: DECEMBER 5, 2014

FROM: EXECUTIVE OFFICE

**SUBJECT: RESOLUTION NO. _____ - PRESENTATION ON DRAFT
PUBLIC ACCESS INVESTMENT FUNDING POLICY FOR DISCUSSION
ONLY**

SUMMARY:

Staff presents the Draft Public Access Investment Funding Policy (Draft Policy) of the City of Los Angeles Harbor Department (Harbor Department) for public and Board of Harbor Commissioners (Board) input and discussion with no Board action requested. Pending input received, Staff intends to present a proposed final policy with a recommendation for approval at a future Board meeting. The Draft Policy explains the Harbor Department's commitment to developing, operating and maintaining public access infrastructure and facilities in a fiscally responsible manner. The goal of this policy is to develop transparent and sustainable practices for building and maintaining existing and future public access infrastructure to reach achievable long term development milestones for the LA Waterfront and other public access projects. The budget guidelines created through this policy provide an overall strategy on public access infrastructure, and programs such as sponsorships and events, that will allow the development of future public access projects in alignment with the Harbor Department's Financial Policies.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Receive the presentation on the Draft Public Access Investment Funding Policy;
2. Provide an opportunity for public comment on the Draft Policy;
3. Provide an opportunity for Board discussion and input on the Draft Policy; and
4. Adopt Resolution No. _____.

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DISCUSSION:

Background/Context – The Harbor Department has made a long term commitment to strengthening public access to the Port of Los Angeles by developing, building and maintaining a variety of public access facility and infrastructure projects. Examples of such projects include the Waterfront Promenade, Wilmington Waterfront Park, 22nd Street Park, the Red Car, the Fanfare Fountain, bike paths, and the Downtown Harbor. In the past ten fiscal years (FY 04/05 to FY 13/14), the Port has spent approximately \$600 million on public access projects, operations and maintenance (O&M) of new and existing public access infrastructure, and other public benefit programs.

In order to maintain continued funding for public access development and operations, the Port must balance those expenditures with those spent on its cargo movement business. Currently, the Harbor Department does not have a policy to maintain long term funding and operations for public access projects. Continuing to fund development and operations of public access projects with no defined long term budgetary guidelines may result in undesired outcomes, including failure to achieve transformative change on the LA Waterfront or meet the Harbor Department's business needs.

Draft Policy – The Draft Policy (Transmittal) was prepared with the goal of implementing a sustainable program to provide and maintain public access infrastructure. The policy would run through FY 24/25 subject to Board discretion and provide budget guidelines to Harbor Department staff for capital and operating expenses for public access facilities, infrastructure, and programs. If approved, the policy would designate approximately \$39.4 million for public benefit purposes in FY 15/16 and may be enhanced in subsequent years based on Port commercial growth. Highlights of the policy include:

- A 10% percent dedication of annual Harbor Department Operating Income (defined as Operating Revenues minus Operating Expenses before Depreciation) for the capital development of public access projects. For example, the Operating Income of \$221 million for FY 13/14 results in \$22.1 million to be allocated for capital expenditure of public access projects in the FY 15/16 budget.
- A ceiling of \$5 million to be budgeted for the annual O&M of public access projects developed under this policy. The annual O&M for projects should average no more than 2.5% of the total capital expenditure spent. For example, if 10 public access projects are constructed for \$20 million each for a total cost of \$200 million, then the average O&M should not exceed \$0.5 million per project and the total O&M for all the projects shall not exceed \$5 million in FY 25/26.
- Annual O&M expenditures for public access projects and public benefit programs that existed prior to the policy would be budgeted to no more than \$3 million

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more than was budgeted in FY 14/15 (\$17.3 million). Year on year cost escalation should not increase beyond the Consumer Price Index (CPI). For example, assuming CPI growth at 2%, the existing operating expenses limit should be \$17.6 million in FY 15/16. By FY 25/26, existing public benefit operating expenses should be no more than \$20.3 million.

The policy excludes previously agreed upon lease obligations of approximately \$58 million, related to the AltaSea project. The policy invites input from the Councilperson from Council District 15 on budget priorities pertaining to this policy. The input may be received through the creation of a committee of representatives from the San Pedro and Wilmington communities.

Process – Staff presents the Draft Policy for Board and public discussion and input with no action requested. Following this meeting, staff intends to respond to comments received and present a final proposed policy to the Board with a recommendation for approval at a future Board meeting.

ENVIRONMENTAL ASSESSMENT:

The proposed action is consideration and invitation for public comment on a Harbor Department's policy. 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.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

FINANCIAL IMPACT:

If approved, there is no immediate impact to the financial condition of the Harbor Department; however, the policy as proposed will provide clear direction that will direct the Harbor Department to continue public access infrastructure spending at a specified level. Any proposed operating or capital spending will be brought before the Board in a separate action as part of the annual budget adoption process.

CITY ATTORNEY:

The Office of the City Attorney has reviewed this report and determined that it raises no legal issues at this time.

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TRANSMITTAL:

Draft Public Access Infrastructure Funding Policy

FIS Approval:  (initials)
CA Approval:  (initials)

APPROVED:



EUGENE D. SEROKA
Executive Director

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