



**THE PORT  
OF LOS ANGELES**

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: JANUARY 7, 2021**

**FROM: FINANCIAL PLANNING AND ANALYSIS**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - REQUEST FOR BUDGETARY  
TRANSFER**

**SUMMARY:**

Staff requests approval of a \$3,800,000 budgetary transfer from the Unappropriated Balance to the Adopted Operating Expense Budget's Other Operating Expenses category. This transfer is required in order to cover an anticipated shortfall within the Other Operating Expenses category for Container Incentives. As no surpluses are expected to be available within the Adopted Operating Expense Budget, the proposed transfer from the Unappropriated Balance will increase the overall Fiscal Year (FY) 2020/21 Adopted Budget by \$3,800,000 from \$277,826,104 to \$281,626,104. Payment of Container Incentive 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 generally and administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 1 and Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the budgetary transfer of \$3,800,000 from the Unappropriated Balance to Account 59961 (Container Incentives), Center 0422, 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. \_\_\_\_\_.

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**DISCUSSION:**

Background/Context – Transfer of funds from one budget category to another requires approval by the Board 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 in order to fund payouts to Container Terminal Operators (CTOs) earned under the proposed Truck Turn-Time Incentive and Dual Transaction Incentive Programs.

The Truck Turn-Time Incentive Program would allow eligible CTOs to receive \$0.50 to \$2.75 per loaded or empty trucked TEU. A CTO would qualify for this incentive program when the average monthly truck turn-time at their facility improves by a minimum of 5 percent compared to its corresponding prior year’s quarterly average monthly truck turn-time.

To ensure a sustained truck turn-time performance is maintained, a CTO would earn an incentive of \$3.00 per loaded or empty TEU when they average a truck turn-time of at most 35 minutes during any given month. When a CTO achieves a 35-minute average or better truck turn-time during any given month, the Truck Turn-Time Incentive would be limited to \$3.00 per loaded or empty trucked TEU, regardless of the prior year’s truck turn-time improvement achieved over the quarterly average monthly truck turn-time in the prior calendar year. The incentive would be paid on trucked TEUs that moved through a CTO’s in-gate and out-gate for any given month.

In addition to receiving a monthly payout for a given percentage truck turn-time improvement, CTOs may be eligible to receive an additional incentive payout related to dual transactions. Eligible CTOs would qualify for this payout when a minimum of 50 percent of truck transactions at its marine terminal involve dual transactions. An eligible CTO would earn an incentive between \$0.40 and \$1.40 per loaded trucked TEU based on the percentage of dual transactions handled compared to their overall gate activity for any given month. A dual transaction happens when a trucker delivers a container at a terminal and departs with a different container.

The Truck Turn-Time Incentive and Dual Transaction Incentive Programs are expected to be presented to the Board at its January 14, 2021 meeting. Pending Board-approval, Tariff No. 4, Item Nos. 2345, 2346, 2350, and 2351 will be amended to include these incentives.

The proposed budgetary transfer would then be utilized to fund the payouts earned by CTOs under these programs. Staff estimates that CTOs could earn approximately \$7.5

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million of incentive payouts through December 31, 2021 with \$3,800,000 of these payouts earned through June 30, 2021. Funding for estimated payouts was not included in the FY 2020/21 Adopted Operating Expense Budget as key provisions of the proposed Truck Turn-Time Incentive Program and Dual Transaction Incentive had yet to be finalized at the time the budget was adopted.

Therefore, a budgetary transfer of \$3,800,000 from the Unappropriated Balance to Account 59961 (Container Incentives), Center 0422, Program 000 is required at this time, pending approval of the Truck Turn-Time Incentive Program and Dual Transaction Incentive. If this budgetary transfer is approved, then the FY 2020/21 Adopted Operating Expense Budget will increase by \$3,800,000 from \$277,826,104 to \$281,626,104.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is for approval of a budgetary transfer from the Unappropriated Balance to the Adopted Operating Expense Budget's Other Operating Expenses category to cover an anticipated shortfall, which is an administrative activity and an activity where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Therefore, the Director of Environmental Management has determined that the proposed action is generally and administratively exempt from the requirements of CEQA in accordance with Article II Section 1 and Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

The proposed transfer of funds will result in a \$3,800,000 increase to the FY 2020/21 Operating Expense Budget as funds would be transferred from the Unappropriated Balance to the Other Operating Expenses category. If approved, the Other Operating Expenses category would increase by \$3,800,000 from \$37,848,414 to \$41,648,414.

The overall FY 2020/21 Adopted Operating Expense Budget would increase by \$3,800,000 from \$277,826,104 to \$281,626,104 if the proposed transfer is approved.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed this Board Report and the proposed action raises no legal issues at this time.

FIS Approval: JAS/nd  
CA Approval: [Signature]



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Director, Financial Planning & Analysis

  
FOR:

MARLA BLEAVINS  
Deputy Executive Director &  
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APPROVED:



EUGENE D. SEROKA  
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