

DATE: MARCH 29, 2023

FROM: FINANCIAL PLANNING AND ANALYSIS

**SUBJECT: RESOLUTION NO. _____ - REQUEST FOR FY 2022/23
BUDGETARY TRANSFER**

SUMMARY:

Staff requests approval of budgetary transfers in the amount of \$3,486,269 to cover anticipated budgetary shortfalls within the Outside Services category for Information System Consulting Services, Waterfront and Commercial Real Estate programs and initiatives, and Hiring Hall; and the Materials and Supplies category for Parts and Materials, and Equipment Fuels. Within the Adopted Operating Expense Budget, \$3,486,269 of surplus funds are expected to be available in the Salaries and Benefits, Other Operating Expenses, and City Services categories to offset the anticipated shortfalls. This proposed transfer of funds will result in no change to the overall Fiscal Year (FY) 2022/23 Adopted Operating Expense Budget of \$334,039,691 as funds are being transferred between budget categories within the Operating Expense Budget. Payment of Outside Services, Parts and Materials, and Equipment Fuels 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 administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the following budgetary transfers to resolve a projected shortfall in the respective operating expense accounts:
 - a. Transfer \$1,500,000 from the Adopted Operating Expense Budget, Account 51610, Center 0901, Program 000 as follows:
 - i. \$1,500,000 to Account 54310, Center 0640, Program 000;

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- b. Transfer \$986,269 from the Adopted Operating Expense Budget, Account 57070, Center 0900, Program 000 as follows:
 - i. \$530,000 to Account 55010, Center 0510, Program 000;
 - ii. \$350,000 to Account 55040, Center 0510, Program 000;
 - iii. \$106,269 to Account 54270, Center 0510, Program 000;

- c. Transfer \$1,000,000 from the Adopted Operating Expense Budget, Account 59961, Center 0422, Program 000 as follows:
 - i. \$290,106 to Account 54270, Center 0510, Program 000;
 - ii. \$309,894 to Account 54276, Center 0510, Program 000;
 - iii. \$400,000 to Account 54290, Center 0429, 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. _____.

DISCUSSION:

Background/Context – The Harbor Department’s Operating Expense Budget is grouped into the following eight budget categories: Salaries and Benefits, Marketing and Public Relations, Travel Expenses, Outside Services, Materials and Supplies, City Services, Allocations, and Other Operating Expenses. Approval by the Board is required for the transfer of funds from one budget category to another 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 to fund Outside Services, Parts and Materials, and Equipment Fuels expenditures within the Harbor Department, as follows:

Transfer of \$2,606,269 to Outside Services – Staff anticipates a \$1,500,000 shortfall within the Information Technology Division related to the implementation of necessary enhancements in three key areas for the Port Optimizer, a first-of-its-kind common user portal that provides a single information window to support enhanced maritime supply chain performance. The Control Tower Reporting enhancement includes automating and

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displaying daily operational data to support the creation of the following: daily rail/truck outage trend charts; 30-day trend charts for on-terminal cargo (import, export, and empty); an incentive program administration widget; a dual transaction trend chart; westbound rail cargo charts by terminal; multi-graph options for monthly cargo volumes; a 30-day trend chart of outbound cargo with daily averages, aging information, and historical comparisons with the option to view by rail/truck or port/terminal; and trend charts by day for import cargo, empties, and exports by terminal. Funding will also allow the Harbor Department to begin work on the Universal Appointment System, beginning with outlining data mapping and building the user interface to meet end-user needs. Finally, the additional funding will be used to enhance dashboards and widgets required to address new data requests, make improvements to the Track and Trace module by revamping the user interface for easier readability, providing in-line empty return information and empty container return information by terminal, and to create a new vessel page with improved vessel details allowing for better visibility of import shipments.

In addition, staff anticipates a \$706,269 shortfall within the Construction & Maintenance (C&M) Division's Hiring Hall accounts. In FY 2022/23, C&M has had to respond to a higher number of maintenance requests within the Port's terminal operations due to the aging infrastructure, the increase in copper wire theft, and the increase in overall vandalism. To address these issues, C&M has relied heavily on the use of Hiring Hall employees to ensure the continuity of services as C&M is experiencing staffing shortages within its journey-level positions.

Finally, staff anticipates a \$400,000 shortfall within the Waterfront and Commercial Real Estate Division (WCRED) related to the cruise center overflow facilities and the San Pedro Waterfront Connectivity Plan (SPWCP). WCRED is requesting \$200,000 for the cruise center overflow facilities, which is set up at the outer harbor as an additional cruise terminal when the main terminal cannot accommodate all required cruise ship berthing. When preparing the FY 2022/23 Proposed Budget, WCRED budgeted for five uses of the cruise center overflow facilities. However, due to an unprecedented cruise business rebound and the repositioning of cruise ships following the pandemic, there has been an unexpected increase in unscheduled cruise ships requesting to berth at the outer harbor of the Port of Los Angeles. As a result of the unexpected shift in cruise business, the cruise overflow facilities will be used eleven times in FY 2022/23 instead of the five that the division budgeted for. Additionally, WCRED is requesting \$200,000 for the SPWCP, which is an initiative that will explore a variety of transportation methods and mobility solutions to get to and between the LA Waterfront areas and attractions. The SPWCP contract is required for the planning of the department's LA Waterfront capital improvements. WCRED's intent was to award the contract and begin work on the SPWCP in FY 2021/22, but the contract was not awarded until FY 2022/23 due to staffing shortages within the division. With the work that was planned for FY 2021/22 being

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deferred to FY 2022/23, an additional \$200,000 is being requested. Staff has identified surplus funding across other expense categories to offset this anticipated shortage.

Transfer of \$530,000 to Parts and Materials – Staff anticipates a \$530,000 shortfall related to Parts and Materials incurred within C&M. This deficit is a result of the price escalation of parts and materials used for services, repairs, and maintenance associated with buildings; wharves, piling, decking, and other wharf components; parking lots, cranes, open facilities, terminal facilities and equipment; streets and bridges; drainage and sewer systems; floating and land equipment; yard, shop and field facilities; and non-mobile equipment. This shortfall is due to the increase in the number of maintenance requests received, which is 24% higher compared to the prior fiscal year. Staff has identified surplus funding across other expense categories to offset this anticipated shortage.

Transfer of \$350,000 to Equipment Fuels – Staff anticipates a \$350,000 shortfall related to Equipment Fuels incurred within the C&M Division. This deficit is a result of the rising cost of fuel to operate Port vehicles, equipment, and vessels. When comparing the actuals for the first nine months of the current fiscal year to the previous fiscal year, there is a 33% increase. Staff has identified surplus funding within other expense categories to offset this anticipated shortage.

Surplus – The FY 2022/23 Adopted Operating Expense Budget of \$334,039,691 includes funding for eight budget categories, and as of March 2023 staff forecasts that a total surplus of \$3,486,269 will be available to fund shortages. This surplus funding is comprised of \$1,500,000 within the Salaries and Benefits category, \$1,000,000 within the Other Operating Expense category, and \$986,269 within the City Services category. Therefore, if the proposed transfers are approved, the total FY 2022/23 Operating Expense Budget will remain at \$334,039,691 as funding will be transferred between accounts within the Operating Expense Budget.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of budgetary transfers to cover anticipated budgetary shortfalls within the Los Angeles Harbor Department's Outside Services category and Materials and Supplies category. This action is limited to the transfer of funds, which is an administrative activity. The individual actions implemented with the use of funding will be subject to separate environmental review, as required. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

Approval of the proposed \$3,486,269 transfer would not result in a change to the total FY 2022/23 Operating Expense Budget as funding will be transferred between accounts within the Operating Expense Budget. If the proposed transfer is approved, there would be changes to several budget categories within the FY 2022/23 Operating Expense Budget as summarized below:

TABLE 1: FY 2022/23 ADOPTED BUDGET WITH TRANSFERS

| Operating Budget | Adopted FY 2022/23 | Current Transfer Request | Adjusted FY 2022/23 |
|------------------------------|-------------------------------|---|--------------------------------|
| Salaries & Benefits | \$ 162,613,862 | \$ (1,500,000) | \$ 161,113,862 |
| Marketing & Public Relations | 3,335,529 | - | 3,335,529 |
| Travel | 1,106,343 | - | 1,106,343 |
| Outside Services | 44,139,735 | 2,606,269 | 46,746,004 |
| Materials & Supplies* | 6,343,384 | 880,000 | 7,223,384 |
| City Services | 62,193,582 | (986,269) | 61,207,313 |
| Allocations to Capital | (19,476,292) | - | (19,476,292) |
| Other Operating Expenses | 73,783,548 | (1,000,000) | 72,783,548 |
| TOTAL | 334,039,691 | - | 334,039,691 |

*Materials & Supplies includes Parts and Materials, and Equipment Fuels.

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CITY ATTORNEY:

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

FIS Approval: MB

CA Approval: JC

Jeffrey Strafford

JEFFREY STRAFFORD
Director, Financial Planning & Analysis

Marla Bleavins

MARLA BLEAVINS
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APPROVED:

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