



HARBOR COMMUNITY
BENEFIT FOUNDATION

To: Geraldine Knatz, Ph.D, General Manager, Port of Los Angeles
 From: Mary Silverstein, Executive Director, Harbor Community Benefit Foundation
 Sean Hecht, Board Chair, Harbor Community Benefit Foundation
 Cc: Cynthia M. Ruiz, Deputy Executive Director – External Relations, Port of Los Angeles
 Mike Christensen, Deputy Executive Director – Development, Port of Los Angeles
 Michael Jenkins, Jenkins and Hogin, LLP, Counsel for HCBF
 Jennifer Lucchesi, Executive Officer, State Lands Commission
 Date: **October 22, 2013**
 Re: HCBF Operating Budget, YE December 31, 2014 & PCMTF Transfer

INTRODUCTION

Pursuant to Section 5C.iv. and 5.F. of the TraPac Memorandum of Understanding (TraPac MOU) Operating Agreement (the "Agreement") between Harbor Community Benefit Foundation (HCBF), the TraPac Appellants, and the Port of Los Angeles Board of Harbor Commissioners (BOHC), HCBF shall submit a detailed budget and report to the BOHC on an annual basis regarding its annual administrative needs and requirements.

January 29, 2013, Resolution No 13-7435, BOHC reviewed and approved HCBF's 2013 Operating Budget in the amount of \$499,200, with the condition that HCBF provide the Board of Harbor Commissioners notice of any reallocation within the HCBF budget that exceeds 10% of the total annual budget.

Based on reconciled accounts for the 9-month period ending September 2013, with a forecast for the calendar year ending December 31, 2013, HCBF has exercised reasonable discretion to reallocate funds (under 10%) from major budget categories to supplement other categories, if needed, and to carry forward unused funds for future expenditures, if not all the funding was required for operations within the calendar year.

SUMMARY

In line with HCBF's 2013-2016 Strategic Plan, the 2014 calendar year Operating Budget equals \$511,700, an increase of 2.5% over the prior year. During the year HCBF forecasts a total of \$36,700 will not be needed for operations by the end of 2013, and intends to carry forward and apply the unused funds to the 2014 budget.

HCBF hereby requests that the BOHC 1) review and approve the HCBF 2014 Operating Budget in the amount of \$511,700, and 2) authorize a release of \$475,000 from the Port Community Mitigation Trust Fund (PCMTF) to fully fund HCBF's 2014 annual administrative needs.

ADMINISTRATIVE REQUEST

Harbor Community Benefit Foundation requests the Board of Harbor Commissioners

- 1) Review and consider the Harbor Community Benefit Foundation Calendar Year 2014 Operating Budget in the amount of \$511,700, with the condition that HCBF provide the Board of Harbor Commissioners notice of any reallocation within the HCBF budget that exceeds 10% of the total annual budget, and
- 2) Authorize the Port of LA Executive Director, or its designee, to execute a joint letter with HCBF to approve the distribution of funds, in one lump sum payment of \$475,000, from the Port Community Mitigation Trust Fund to HCBF.

HCBF BOARD ACTIONS

The following actions have been taken, by a majority vote of the Board of HCBF, in support of this transmittal:

OCTOBER 18, 2013 - PRESENTATION OF INTERNAL FINANCIAL REPORTS

HCBF Board to receive, review, and file HCBF’s internal third quarter financial reports, prepared by NFM Solutions, including:

- 1) Operating Expense Budget Summary as of Sept 30, 2013
- 2) Statement of Activities for Nine Months ended Sept 30, 2013
- 3) Projects & Programs Summary – PCMTF funded & HCBF Board Approved
- 4) Projects & Programs Expenditures & Projections through Dec. 2013
- 5) Combined Statement of Cash Flows as of Sept 30, 2013

(TRANSMITTAL 1 - HCBF financial reports)

October 18, 2013: DISCUSSION, REVIEW AND APPROVAL OF CALENDAR YEAR 2014 OPERATING BUDGET

HCBF Board approval and adoption of the 2014 Operating Budget totaling \$511,700, in line with the 2013-2016 Strategic Plan.

Further Resolved and authorized staff to 1) apply unused funds in the amount of \$36,700 from the 2013 operating budget, 2) present the 2014 annual operating budget to the LA Board of Harbor Commissioners “BOHC” and 3) request a transfer of funds from the PCMTF in the amount of \$475,000 to fully fund HCBF’s 2014 Operating Budget.

(TRANSMITTAL 2 – HCBF 2014 Operating Budget)

DISCUSSION:

Harbor Community Benefit Foundation convened its first Board meeting in May 2011. During a series of six public meetings, the Board of Directors developed the **HCBF 2013-2016 Strategic Plan, Adopted May 17, 2013**. Shaped by the unique requirements of the TraPac MOU - to benefit the port impacted communities of Wilmington and San Pedro - the strategic plan contains a spending plan (Appendix A), grant making guidelines (Appendix B), and measures to evaluate our projects and programs (Appendix C).

(TRANSMITTAL 3: HCBF Strategic Plan 2013-2016)

HCBF – OPERATIONS BUDGET

In January 2013, the BOHC reviewed and approved the 2013 Operating Budget in the amount of \$499,200, and the administrative needs of HCBF were fully funded from the PCMTF. As highlighted below, the PCMTF Disbursement Schedule found in the **HCBF 2013-2016 Strategic Plan, Appendix A, Schedule 1, Plan Year 2** through Dec. 2014, allocates \$511,700 in Operating Expenses, an increase of 2.5% over the prior calendar year.

HCBF Strategic Plan (excerpt) – Operating Budgets: 2012 through 2014				
	BOHC Approved Dec 2012	BOHC Approved Thru Dec 2013	change	Strategic Plan Thru Dec 2014
Annual Operating Budget	499,200	499,200	2.5%	511,700

HCBF OPERATIONS BUDGET – COMPARISON OF BUDGET TO ACTUAL EXPENDITURES:

The chart below summarizes 2013 Operating Expenses, based on 9 months, reconciled, and 3 months forecast. Projected unused funds from the 2013 budget, in the amount of \$36,700, including interest, are attributed to on going administrative expense controls, gradual staffing levels, and the efficient and effective use of advisory consultants and professionals. **To meet its administrative needs, and fully fund the 2014 Operating Budget of \$511,700, HCBF requires a transfer of \$475,000 from the PCMTF.**

**HARBOR COMMUNITY BENEFIT FOUNDATION
2013 BUDGET COMPARED TO ACTUAL & 2014 BUDGET**

unaudited

MAJOR BUDGET CATEGORIES	2013 Budget	2013 Actual (9 mo) plus 3 mo forecast	2013 Variance		2014 BUDGET	2014 Compared to 2013 Actual
Professional Fees	100,000	77,250	(22,750)	<i>(a)</i>	75,000	(2,250) <i>(c)</i>
Equipment & Furnishings	7,000	8,000	1,000		4,000	(4,000) <i>(d)</i>
Marketing	8,850	13,000	4,150		13,000	0
Meetings & Ent	3,400	4,200	800		4,200	0
Rent & Office Expense	39,950	40,410	460		40,700	290
Payroll, Taxes, Ins, Benefits	340,000	320,000	(20,000)	<i>(b)</i>	374,800	54,800 <i>(e)</i>
TOTAL OPERATING EXPENSE	499,200	462,800	(36,340)		511,700	48,800
INTEREST RECEIVED		360				
UNUSED / CARRYFORWARD		36,700			36,700	
REQUESTED TRANSFER:					\$475,000	
NOTES:						
(a) 2013 Professional Fees includes Advisory Consultants, Legal, Accounting, and Strategic Planning						
(b) 2013 Payroll & Benefits: gradual staffing – NEW hires: 1 in 2013 Q1 and 1 in Q4						
(c) 2014 Professional Fees: adjusted downward, based on actual						
(d) 2014 Equipment & Furnishings: adjusted downward to reflect non-recurring costs						
(e) 2014 Payroll & Benefits = 4 FTEs with Health Benefits.						

OPERATIONS BUDGET HIGHLIGHTS:

Professional Fees: The 2013 budget forecasted \$100,000 in Professional Fees, to include legal, audit, strategic planning, and advisory consultant fees. Significant variance in 2013 can be attributed to cost controls. In 2014, professional fees are expected to remain relatively flat, including legal fees which are attributed to Brown Act compliance.

Marketing: Marketing efforts raised awareness of our foundation and its programs. Social media campaign more than doubled the email distribution list over the course of the year, now exceeding 1600 recipients. The variance from 2013 is attributed to the launch of two major annual events (below), advertising *and* support of local charitable events such as LA Maritime Institute’s Yacht Challenge, California Health Collaborative Wilmington - Latinas Salud y Vida. In 2014 we plan another robust marketing campaign, including a continuation of the well-attended annual spring Wilmington Health Fair and the annual fall San Pedro Family Food Fest.

Payroll, Taxes, Insurance & Benefits: Actual expenses for the calendar year 2013 were slightly less than budget, due to gradual staffing levels. First quarter expense added a Program Associate, one new full time equivalent (FTE), with benefits effective in the second quarter. 2013 4th quarter expense adds a Program Assistant, 1 FTE. Benefits will not commence until 2014. Payroll and Benefits for 2014 represents four (4) FTE: Executive Director, 2 Program Associates, and 1 Program Assistant, all with health care benefits.

EXCLUSIONS:

HCBF posts and reconciles trustee activity in its internal quarterly statements to account for income, expenses, and market changes. Since the PCMTF is in the trust of an independent financial manager, trust fund income and expenses are paid directly from the fund and are excluded from the HCBF operating budget. In close collaboration with Port of LA staff, a change in the independent financial manager is pending.

PROJECT & PROGRAM EXPENDITURES – HIGHLIGHTS

Projects and Program related expenditures are not reflected in the Operations Budget. The attached **Balance Sheet (Consolidated) – Unaudited as of September 30, 2013** includes expanded detail to indicate encumbered funds that will be disbursed when certain contract/grantee milestones are achieved. Each program is tracked separately, with funding allocated exclusively to that program. During 2013, major projects underway include:

- **Noise Mitigation Program.** In 2013, Landrum & Brown completed the Noise Measurement Report, identifying zones of greatest impact from port related noise (presented to BOHC in January 2013). Site monitoring of area schools and Wilmington homes is now complete. First priority schools, in close proximity to the TraPac terminal, include Hawaiian Elementary, Wilmington Park, and Broad Elementary. School testing was in collaboration with LAUSD and AQMD – to complement the Air Filtration in the Schools Program, funded thru the TraPac MOU prior to the formation of HCBF.

What's Next: Findings and recommendations for noise mitigation measures, Dec. 6, 2013. Request to transfer from the PCMTF approx. **\$250,000, in line with the strategic plan**, for the first priority locations, in Wilmington, to be presented to the BOHC in 2014.

- **Community Benefit Grants – Pilot Program:** In July 2013 the HCBF Board approved a new pilot program, the announcement of **\$500,000 for community benefit programs** available in five priority categories: Safety, Beautification, Education, Job Development, and Community Initiatives. On Sept. 27, 2013, a total of 62 applications were received, asking for roughly 3.2 million.

What's Next: Application review is currently underway, with a November target to announce the selected awardees. A request to the BOHC for a transfer from the PCMTF is anticipated by year-end.

- **“Healthy Harbor” Health Care Grants: Round 1** awarded **\$350,000** to organizations serving Wilmington only, transferred from the PCMTF in August 2012. **Round 2 expanded the program** to include San Pedro, awarded **\$450,000**, transferred from the PCMTF in June 2013. **Program funding priorities** include 1) Diagnosis and Treatment, 2) Medical Supplies, and/or 3) Education, Access, and Outreach.

What's Next: Round 3 announced in October, applications due November 22, 2013, **\$550,000 available, as approved by HCBF's Board** on August 18, 2013. A request to the BOHC to transfer funding from the PCMTF for the selected pool of awardees will occur in **early 2014**.

PCMTF Status Report: Previously Approved Projects and Fund Balance

The following chart summarizes the transfer of funds from the PCMTF to HCBF to date. Additional detail can be found in the internal financial reports.

Trust Funds transferred thru Sept 30, 2013	\$2,018,400	
Trust Fund Balance as of September 30, 2013*		\$7,785,938
2014 Operations Budget (this request)		(\$475,000)
Subtotal Trust Fund Balance		\$7,310,938
Community Benefit Grant Pilot (pending)	(\$500,000)	
Healthy Harbor - Health Care Grants Round 3 (pending)	(\$550,000)	
Subtotal Pending Program Expenditures		<u>(\$1,050,000)</u>
Net Uncommitted Fund Balance*		\$6,260,938

**Excludes Trustee Fees, Loss/Gains after June 30, 2013*

Transmittals: 1) HCBF Internal Financial Reports
2) HCBF 2014 Operating Budget
3) HCBF Strategic Plan 2013-2016