



DATE: MAY 7, 2018

FROM: FINANCIAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - REQUEST FOR BUDGETARY TRANSFER

SUMMARY:

Staff proposes total budgetary transfers of \$1,600,000 from the Adopted Operating Expense Budget's Outside Services category to the Adopted Operating Expense Budget's Materials and Supplies category. The anticipated shortfall within the Materials and Supplies category results from higher than anticipated maintenance expenses incurred by the Harbor Department's Construction and Maintenance (C&M) Division for facilities and real property within the Port Complex. Sufficient funds are available within the Adopted Operating Expense Budget's Outside Services category for this budgetary transfer as staff anticipates a surplus will exist by fiscal year end. The overall fiscal year (FY) 2017/18 Adopted Operating Expense Budget will remain unchanged at \$269,118,325. Payment of Materials and Supplies expenses is the financial responsibility of the 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 California Environmental Quality Act (CEQA) under Article II Section 2(f) of the City of Los Angeles CEQA Guidelines;
2. Approve the following budgetary transfers to resolve a projected shortfall in the respective operating expense accounts:
 - a. Transfer \$1,600,000 from the Adopted Operating Budget, Account 54310 (Information System Consulting Services), Center 0640, Program 000 as follows:
 - i. \$1,500,000 to Account 55010 (Parts and Materials), Center 0510, Program 000, and
 - ii. \$100,000 to Account 55040 (Equipment Fuels), Center 0510, 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

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5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context

Transfer for C&M Division, Materials and Supplies – The Harbor Department’s C&M Division maintains facilities and real property throughout the Port Complex. In FY 2017/18, the requirement for additional funding within the C&M Division’s Parts and Materials account 55010 is primarily being driven by unanticipated repairs to the following: vehicles involved in accidents, damaged equipment, and infrastructure on Terminal Island and at Wilmington Waterfront Park. Additionally, backfilling vacancies throughout FY 2017/18 within some of the division’s workshops (including the auto-garage; electrical section; welding section; and heating, ventilation, and air conditioning shop) has allowed staff to respond to a higher than anticipated number of maintenance requests that require parts and materials. Finally, C&M Division has identified higher than expected fuel consumption needs for vessels, vehicles, and equipment, requiring additional funding in FY 2017/18 within the Equipment Fuels account 55040.

Outside Services Surplus – The FY 2017/18 Adopted Operating Expense Budget includes total funding of \$47,304,193 (inclusive of \$12,641,047 in transfers previously approved by the Board in FY 2017/18) for Departmental Outside Services expenses to be incurred during FY 2017/18. As of May 7, 2018, staff forecasts that surpluses will be available within the department’s Outside Services expense category to cover the shortfall within the Materials and Supplies expense category. Specifically, surplus funds are available within the Information Technology Division’s Information System Consulting Services account 54310.

ENVIRONMENTAL ASSESSMENT

The proposed action is to transfer funds from the Outside Services category of the Adopted Operating Expense Budget to resolve a projected shortfall in the Materials and Supplies category of the Adopted Operating Expense Budget, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the City of Los Angeles CEQA Guidelines.

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FINANCIAL IMPACT

The transfer of funds from the Outside Services Operating Expense category to the Materials and Supplies Operating Expense category will not result in an increase to the FY 2017/18 Operating Expense Budget as funds are being transferred from different categories within the Adopted Budget. The Materials and Supplies category will increase by \$1,600,000 from \$7,008,463 to \$8,608,463, while the Outside Services category will decrease by \$1,600,000 from \$47,304,193 to \$45,704,193. The overall FY 2017/18 Adopted Budget will remain unchanged at \$269,118,325. See the table below for a breakdown of the previous budget transfers approved by the Board in FY 2017/18 and the current transfer request:

**TABLE 1: FY 2017/18 ADOPTED OPERATING EXPENSE BUDGET WITH TRANSFERS
BY OPERATING EXPENSE CATEGORY**

Expense Category	Originally Adopted FY 2017/18	*FY 2017/18 Previously Approved Transfers	Current Transfer Request (Outside Services to Materials & Supplies)	Adopted FY 2017/18 (Including all Transfer Requests)
Salaries & Benefits	\$136,433,079			\$136,433,079
Marketing & Public Relations	3,192,962			3,192,962
Travel	904,711	25,000		929,711
Outside Services	34,663,146	12,641,047	(1,600,000)	45,704,193
Materials & Supplies	7,008,463		1,600,000	8,608,463
City Services	46,902,454			46,902,454
Allocations to Capital	(13,717,849)			(13,717,849)
Other Operating Expenses	41,065,312			41,065,312
TOTAL	\$256,452,278	\$12,666,047	-	\$269,118,325

*Includes \$12.7M in transfers approved by the Board in FY 17/18 for the following: Optimizer \$11,192,370, Legal Services \$523,677, Labor Training Program \$500,000, and Website Development \$450,000.

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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 (initials)
CA Approval: MB (initials)



JEFFREY STRAFFORD
Director of Financial Management



MARLA BLEAVINS
Deputy Executive Director and
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APPROVED:



EUGENE D. SEROKA
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