



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MARCH 27, 2019

FROM: FINANCIAL MANAGEMENT

**SUBJECT: RESOLUTION NO. _____ - REQUEST FOR
BUDGETARY TRANSFER**

SUMMARY:

Staff requests total budgetary transfers of \$616,500 from the Adopted Operating Expense Budget's Outside Services category to the Adopted Operating Expense Budget's City Services category. The anticipated shortfall within the City Services category results from several unexpected expenses, and the fact that some items originally budgeted as Outside Services will be performed by other City departments instead. Sufficient funds are available within the Adopted Operating Expense Budget's Outside Services category for this budgetary transfer as staff anticipates a fiscal year end surplus. The overall Fiscal Year (FY) 2018/19 Adopted Budget will remain unchanged at \$280,179,038. Payment of City Services 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 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 \$616,500 from the Adopted Operating Expense Budget, Account 54290, Center 0429, Program 000 as follows:
 1. \$242,500 to Account 57045, Center 0311, Program 000;
 2. \$84,000 to Account 57050, Center 0311, Program 000;
 3. \$120,000 to Account 57045, Center 0520, Program 000;
 4. \$80,000 to Account 57015, Center 0520, Program 000;
 5. \$90,000 to Account 57045, 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;

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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 budget is classified into the following eight budget categories: Salaries & Benefits, Marketing & Public Relations, Travel Expenses, Outside Services, Materials & Supplies, City Services, Allocations, and Other Operating Expenses. Transfer of funds from one budget category to another requires approval by the Board as stated in Charter section 434(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.” This transfer request is required to fund City Services expenditures within the Maintenance Improvement Program, Contracts & Purchasing, and Construction & Maintenance divisions, as follows:

Transfer of \$326,500 to City Services for Maintenance Improvement Program (MIP) Division – Funding for large maintenance projects is budgeted within the Harbor Department’s MIP Division. The division is requesting an additional \$326,500 for City Services to fund two projects. Funding of \$242,500 is being requested to be added to Account 57045 for the resurfacing of the street pavement at Channel Street between John S. Gibson Boulevard and Gaffey Street, and John S. Gibson Boulevard south of Harry Bridges Boulevard and north of Channel St. These streets require resurfacing as they have been heavily damaged due to the high volume of Port-related truck traffic moving cargo from the Port complex to destinations throughout the region. Funding of \$84,000 is being requested to be added to Account 57050 to complete the required lead and asbestos abatement services for the Berth 91-92 Passenger Terminal Exterior Painting project. Funding for these services was originally budgeted in the Maintenance Services – Building Account 54010, but the Harbor Department has opted to have the City’s General Services Department (GSD) perform the work instead due to lower prices offered by GSD for this project.

Transfer of \$200,000 to City Services for Contracts & Purchasing Division – The Harbor Department’s Contracts & Purchasing Division ensures that the Harbor Department’s contracting and purchasing processes conform with all Harbor Department and City of Los Angeles policies and procedures. This division is requesting an additional \$200,000 for City Services. Funding of \$120,000 is being requested to be added to Account 57045 to pay for a FY 2015/16 invoice for the Equal Employment Opportunity Commission (EEOC) and Contract Compliance Certification. This invoice was submitted to the department for payment in FY 2018/19. Funding of \$80,000 is also being requested to be added to Account 57015 to pay for the Harbor Department’s portion of the Bond Assistance Program. Funding for this expense was budgeted in the Financial Services

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Account 54490, from which the department has historically paid for these services. However, starting in March 2019, funds will be transferred to the Office of the City Administrative Officer, which will handle payment for these services on behalf of the applicable City departments.

Transfer of \$90,000 to City Services for Construction & Maintenance (C&M) Division – The Harbor Department’s C&M Division maintains facilities and real property throughout the Port Complex. This division is requesting an additional \$90,000 within the City Services – Public Works Account 57045 for the following two appropriations. The first is for \$75,000 to pay for recycling and refuse collection services from April to June 2019. Funding for this expense was budgeted in the Maintenance Services – Grounds Account 54020 as the services were expected to be provided by a contractor. However, starting in April 2019 funds will be transferred to the Public Works/Sanitation Department, which will provide the services instead. The second is for funding of \$15,000 to cover several unexpected costs such as the David Arian Way street name change, fees related to labor/wage compliance, and an increase in fees for street lighting.

Outside Services Surplus – The FY 2018/19 Adopted Operating Expense Budget includes total funding of \$44,000,884 for Departmental Outside Services expenses to be incurred during FY 2018/19. As of March 14, 2019, staff forecasts that a surplus will be available within the Harbor Department’s Outside Services expense category sufficient to cover the shortfall within the City Services expense category. Specifically, surplus funds are available within the Waterfront/Commercial Real Estate Division’s Miscellaneous Professional Services Account 54290.

ENVIRONMENTAL ASSESSMENT:

The proposed actions are to transfer funds from the Outside Services category of the Adopted Operating Expense Budget to resolve a projected shortfall in the City Services 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 budget category to the City Services Operating Expense budget category will not result in an increase to the FY 2018/19 Operating Expense Budget as funds are being transferred from one category to another within the Adopted Budget. The City Services category will increase by \$616,500 from \$52,198,640 to \$52,815,140, while the Outside Services category will decrease by \$616,500 from \$44,000,884 to \$43,384,384. The overall FY 2018/19 Adopted Budget will remain unchanged at \$280,179,038. See the table below for a breakdown of the current transfer request:

TABLE 1: FY 2018/19 ADOPTED EXPENSE BUDGET WITH TRANSFERS, BY OPERATING EXPENSE CATEGORIES

Expense Category	Originally Adopted FY 2018/19	Current Transfer Request (Outside Services to City Services)	Adopted FY 2018/19 (Including Transfer Request)
Salaries & Benefits	\$142,459,148		\$142,459,148
Marketing & Public Relations	3,246,067		3,246,067
Travel	1,073,615		1,073,615
Outside Services	44,000,884	(616,500)	43,384,384
Materials & Supplies	8,328,411		8,328,411
City Services	52,198,640	616,500	52,815,140
Allocations to Capital	(13,235,931)		(13,235,931)
Other Operating Expenses	42,108,204		42,108,204
TOTAL	280,179,038	-	280,179,038

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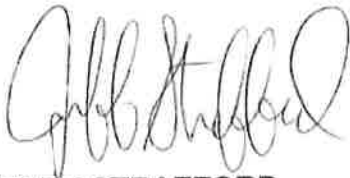
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CITY ATTORNEY:

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, Financial Management



MARLA BLEAVINS
Deputy Executive Director &
Chief Financial Officer

APPROVED:



EUGENE D. SEROKA
Executive Director

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ES:MB:JS:FA/Financial Management