



**HARBOR COMMUNITY
BENEFIT FOUNDATION**

To: Gene Seroka, Executive Director, Port of Los Angeles
CC: Theresa Adams-Lopez, Port of Los Angeles
From: Meghan Reese, HCBF Executive Director
Date: December 20, 2022
Subject: **Air Quality Mitigation Fund 2022 Annual Review and 2023 Budget**

SUMMARY

Harbor Community Benefit Foundation (HCBF) request **to RECEIVE AND FILE** the Air Quality Mitigation Fund (AQMF) Annual Review for 2022 and the HCBF Board approved Budget for calendar year 2023 in the amount of **\$82,305**, including technical consultant costs, marketing and outreach, dedicated staff hours and administrative costs.

In accordance with Resolution 21-9929, dated November 4, 2021, Harbor Community Benefit Foundation (HCBF) is the administrator of the Independent Air Quality Mitigation Fund (AQMF). A Memorandum of Agreement (MOA) between the parties, in effect for 5 years, ending May 31, 2026.

As of October 31, 2022 the trust fund (independently managed by California Community Foundation), and the program fund (held at Bank of America) combined had \$4,483,873 available for Port of Los Angeles-related emissions reduction projects and programs. With a pending award of \$2 million from Round 2 of the Air Quality Mitigation Program (a separate request subject to approval by the Port of Harbor Commissioners), the adjusted available balance is \$2,483,873.

ANNUAL REPORTING REQUIREMENTS

The purpose of this transmittal is to satisfy the annual reporting requirements of the Memorandum of Agreement. Pursuant to Section 5.h.

“HCBF shall provide to the Executive Director of the Harbor Department an accounting of the annual administrative costs (no less than 6 months accrued, and no more than 6 months projected), coupled with an annual budget and funding request for the anticipated administrative costs for the subsequent year.”

AQMF HISTORY

On June 14, 2004, the City and Petitioners became bound by the Amended Stipulated Judgment (“ASJ”) to settle the case of Natural Resources Defense Council, Inc., et al. v. City of Los Angeles, et al., Los Angeles County Superior Court Case No. BS 070017, a case brought by Petitioners challenging the environmental impact report and related findings for the China Shipping Container Terminal Project at Berths 99-109 (“the China Shipping Project”).

The Parties executed the **Memorandum of Agreement** among the City of Los Angeles acting through the Board of Harbor Commissioners, the Harbor Community Benefit Foundation (HCBF), and the China Shipping Petitioners regarding the independent Air Quality Mitigation Program required by the China Shipping Amended Stipulated Judgment.

AQMF TRUST FUND SUMMARY

The trust fund is independently managed by the California Community Foundation (CCF). Disbursements from the trust fund are reviewed and approved **jointly** by HCBF and the Board of Harbor Commissioners.

On October 6, 2022 HCBF submitted the Air Quality Mitigation Fund, Grantee Performance and Fund Balance Report for activity through 08/31/2022, reporting undisbursed funds from a terminated Grant in Round 1 of 191,050. The following table provides an update through 10/31/2022.

AIR QUALITY MITIGATION FUND RECAP through 10/31/2022				
	Port Funds		Balance	% of program
Program Funds: (Bank of America Account)	250,000			5%
Trust Account: AQMF (California Community Foundation - CCF)	4,976,944			95%
Total Port Contributed Funds			5,226,944	100%
Air Quality Mitigation Grant Round 1		(823,050)		
Air Quality Mitigation Grant Round 2 (pending)		(2,000,000)		
SubTotal Grants Awarded			(2,823,050)	54%
Program Admin and Technical Experts				
AQMF Consultants - Technical Experts - 2018 through 10/2022		(121,607)		
Administrative Costs - 2018 through 10/2022		(126,908)		
Grant Administration per MOA (10% of approved grants)		(82,305)		
Total Program Admin and Tech Experts inception to Date			(330,820)	6.3%
Trust Fund Investment Activity inception to 10/31/2022				
California Community Foundation				
Investment Income: Interest & Dividends 2017 through 10/31/2022		399,835		
Investment Management Fee paid to CCF 2017 thru 10/31/2022		(121,493)		
Unrealized Loss / Mkt Value Change thru 10/31/2022		(58,594)		
Net Investment Activity thru 10/31/2022			219,748	4.20%
Add Back Undisbursed Funds for Terminated Grant Round 1			191,050	
Air Quality Mitigation Program Funds Available thru 10/31/2022			2,483,873	

DISCUSSION - 2022 AQMF BUDGET REVIEW

2023 AQMF PROPOSED BUDGET

The approved China Shipping AQMF Budget for calendar year 2022 was \$56,110. As reflected in the attached Annual Review, 9-month actual expenditures, with a 3-month forecast, equaled \$73,313.73 attributed to the launch of Round 2, and extensive review of the grant applications.

2022 AQMF BUDGET compared to 2022 Actual Expenses (9 mo) with 3 mo Forecast						
2022 APPROVED AQMF BUDGET compared to ACTUAL						
Categories	Approved 2022 Budget	Direct Paid	2022 AQMF allocation for HCBF Admin	Actual Expenses in 2022	Variance (Budget 2021 Minus Actual)	Budget Notes
Staff & Contract Labor	\$ 25,052.00		\$ 25,052.00	\$ 35,085.00	-\$ 10,033.00	
Indirect Costs	\$ 2,798.00		\$ 2,798.00	\$ 2,798.00	\$ -	
Tech Consultant	\$ 20,000.00	\$ 25,876.00		\$ 25,876.00	-\$ 5,876.00	2023 Contract executed
Accounting	\$ 3,250.00		\$ 3,250.00	\$ 3,250.00	\$ -	
Insurance	\$ 510.00		\$ 510.00	\$ 723.92	-\$ 213.92	
Legal	\$ 2,000.00		\$ 720.00	\$ 2,847.72	-\$ 847.72	
Marketing	\$ 2,500.00		\$ 170.00	\$ 2,733.09	-\$ 233.09	
TOTAL	\$ 56,110.00	\$ 25,876.00	\$ 32,500.00	\$ 73,313.73	-\$ 17,203.73	

The HCBF Air Quality Mitigation Fund (AQMF) Administration Budget for calendar year 2023, in the amount of \$82,305, includes anticipated technical consultant costs, marketing and outreach, dedicated staff hours and administrative costs, as detailed in the attached Annual Review. The admin budget equals 8,991 more than the incurred expenses in 2022, attributed to the anticipated launch of Round 3.

2023 AQMF BUDGET compared to 2022 - HCBF Board approved						
FOR DISCUSSION PURPOSES						
Categories	HCBF Board 2023 Budget	2023 Expenses to be Paid Directly	AQMF allocation for HCBF Admin	Expenses in 2022	Variance (2023 Minus 2022)	Budget Notes
Staff & Contract Labor	\$ 35,500.00		\$ 25,052.00	\$ 35,085.00	\$ 415.00	
Indirect Costs	\$ 2,645.00		\$ 2,798.00	\$ 2,798.00	-\$ 153.00	
Tech Consultant	\$ 35,000.00	\$ 35,000.00		\$ 25,876.00	\$ 9,124.00	2023 Contract executed
Accounting	\$ 3,250.00		\$ 3,250.00	\$ 3,250.00	\$ -	
Insurance	\$ 510.00		\$ 510.00	\$ 723.92	-\$ 213.92	
Legal	\$ 2,900.00	\$ 1,280.00	\$ 720.00	\$ 2,847.72	\$ 52.28	Legal review of New Contracts
Marketing	\$ 2,500.00	\$ 2,330.00	\$ 170.00	\$ 2,733.09	-\$ 233.09	Solicitation for Grant Applications
TOTAL	\$ 82,305.00	\$ 38,610.00	\$ 32,500.00	\$ 73,313.73	\$ 8,991.27	

GRANT PROGRAMS AQMF Trust Fund

The Air Quality Mitigation Fund (AQMF) provides grants for qualified projects designed to **reduce port-related air emissions in the San Pedro Bay area**. Projects funded by the AQMF must demonstrate achievable and quantifiable emissions reduction in San Pedro and Wilmington, within a **25-mile** boundary of the San Pedro Bay.

ROUND 1:

During Round 1 HCBF announced the availability of funding for demonstration or implementation zero emissions technologies, near-zero emissions technologies, or emission reduction technologies.

Approved jointly by HCBF and by the Board of Harbor Commissioners in November 2019, **a grant in the amount of \$823,050** was approved for rapid deployment of the electric active STOP-START technology system, which provides zero-emission operation of yard tractors when equipment is idling. This technology is being tested at the Yusen Terminal.

On October 6, 2022 HCBF reported to the Board of Harbor Commissioners that the term of the grant agreement had lapsed, and would not be extended due to non-performance. HCBF also reported undisbursed funds in the amount of \$191,050 would be applied to **future AQMF projects and programs.**

ROUND 2:

Round 2 was announced in the summer of 2022. On November 19, 2022, a final public review of the proposed grant awards occurred. Under separate cover a request to 1) approve the proposed grants and 2) transfer funds from the Air Quality Mitigation Trust fund is presented to the Board of Harbor Commissioners.

In **2023** the HCBF Board anticipates active administration of the ongoing Air Quality Mitigation grant program, with an **HCBF Board approved award of \$2 million for Public EV Charging Stations for trucks from Round 2.**

ROUND 3:

An RFP is expected to be released by the end of the year, announcing the availability of competitive grant funds in Round 3 in the amount of \$2 million.

HARBOR COMMUNITY BENEFIT FOUNDATION BOARD ACTIONS

On December 16, 2022 the Harbor Community Benefit Foundation Board of Directors, by unanimous vote:

Resolved to:

- 1) **Approve the transfer of \$82,305** from the Bank of America AQMF Admin account to the HCBF Operations account for allowable allocated expenses for 2023 and
- 2) **Approve the 2023 AQMF Budget** in the amount of \$82,305 authorizing submission of the detailed budget report to the Board of Harbor Commissioners, pursuant to Section 5.h of the Memorandum of Agreement.

RECOMMENDATION TO THE EXECUTIVE DIRECTOR OF THE HARBOR DEPARTMENT:

As approved by the HCBF Board of Directors, the 2022 Annual Review and the 2023 AQMF budget is hereby submitted to the Board of Harbor Commissioners, with a request to:

RECEIVE AND FILE the **Annual AQMF Report** for the period ending December 31, 2022, and the **AQMF Admin Budget** for calendar year 2023, in satisfaction of the Annual Reporting Requirements, pursuant to Section 5.h of the **Memorandum of Agreement** among the City of Los Angeles acting through the Board of Harbor Commissioners, the Harbor Community Benefit Foundation (HCBF), and the China Shipping Petitioners regarding the independent Air Quality Mitigation Program required by the China Shipping Amended Stipulated Judgment.

FISCAL IMPACT STATEMENT

The independent financial manager of the AQMF is California Community Foundation (CCF). As of October 31, available for project and program funding, **for a combined program total of \$4,483,873.**

There is no impact on the Harbor Revenue Fund. There is no impact on the City General Fund.

Administrative Funds – RECAP (2017 to 2022)

HCBF received an advance of Admin Funds in 2017 in the amount of \$250,000 to launch and oversee the initial stages of the Air Quality Grant program including engagement of technology experts, 3COTECH.

Air Quality Mitigation Funding Recap from Inception to 10/31/2022							
	2016	2017	2018	2019	2020	2021	10/31/22
Program Funds - BANK OF AMERICA (BofA)							
Port Funds Contributed to Administrative Fund PER MOA	250,000						
Bank of America Beginning Balance		250,000	250,000	214,308	132,915	93,505	52,661
AQMF Consultants - Technical Experts			(32,942)	(51,309)	(8,321)	(10,359)	(18,676)
HCBF Administrative Costs			(2,750)	(30,084)	(31,089)	(30,485)	(32,500)
Bank of America Ending Balance (BofA) - Non Interest Bearing	250,000	250,000	214,308	132,915	93,505	52,661	1,485
Grant Cancelled / Funds to be available for future grants							191,050
Adjusted Account Balance	250,000	250,000	214,308	132,915	93,505	52,661	192,535
Trust Account - AQMF California Community Foundation (CCF)							
INVESTMENT ACTIVITY							
Trust Fund Beginning Balance (CCF)		4,976,944	5,001,055	5,075,176	4,351,191	4,374,375	4,360,550
Withdrawals - Grant Award (Round 1)				(823,050)			
Interest & Dividends		64,590	92,191	124,868	58,076	22,611	37,499
Mkt Value Change - Unrealized		(21,747)	4,680	(1,348)	(14,316)	(16,357)	(9,505)
Investment Mgmt Fee (paid to California Community Foundation)		(18,732)	(22,750)	(24,455)	(20,576)	(20,079)	(14,901)
Trust Fund Ending Balance (CCF)		5,001,055	5,075,176	4,351,191	4,374,375	4,360,550	4,373,642
Administrative Costs per MOA Section 5.g. (10% of approved grants)							(82,305)
SubTotal Available Funds (CCF and BofA)							4,483,873
Grant Round 2 Awards Pending							(2,000,000)
Uncommitted Funds (BofA and CCF Trust Account)		5,251,055	5,289,484	4,484,106	4,467,880	4,413,211	2,483,873