



To: HCBF Board of Directors
From: Meghan Reese, Executive Director
Date: October 23, 2019
Re: Air Quality Mitigation Fund- 2020/2021 Annual Budget Report

ITEM 4: AQMF 2020 Annual Review / 2021 Annual Budget Approval

SUMMARY

Staff presentation of the annual Air Quality Mitigation Fund (AQMF) Review for 2020, and, Budget for calendar year 2021 in the amount of **\$83,156**, including technical consultant costs, marketing and outreach, dedicated staff hours and administrative costs, as detailed in the Annual Review.

FUNDING REQUIREMENTS

HCBF has sufficient funds in the Bank of America AQMF Administrative Account to fully fund the 2020 reimbursement of allocated expenses in the amount of \$30,485, **thus will not be submitting** a funding request to the City of Los Angeles.

RECOMMENDATION TO THE BOARD

Resolve to: Approve the transfer of \$30,485 from the Bank of America AQMF Admin account to the HCBF Operations account for allowable allocated expenses for 2020 and

Approve the 2021 AQMF Budget in the amount of **\$83,156**, authorizing submission of the detailed budget report to the Board of Harbor Commissioners, pursuant to Section 5.h of the Memorandum of Agreement.

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.

On October 24, 2016 the BOHC approved \$5,226,944 in settlement funds to be disbursed to an independent Air Quality Mitigation Program, to be administered by HCBF for the reduction of Port-related air emissions, herein referred to as the “Air Quality Mitigation Fund”, or “AQMF”.

On November 30, 2016 the BOHC approved an advance of administrative costs of \$250,000 to HCBF from the

AQMF special program account, to administer development and issuance of the initial Requests for Proposal, in accordance with Section 5.g.i. Initial Payment, also referred to as “Administrative Funds.” The Administrative Funds, held by Bank of America, are maintained in a separate account, managed solely by HCBF.

In February 2017, \$5,075,176 (inc. interest and dividends) were transferred from the City to an account managed by HCBF. Disbursements from the Trust fund are reviewed and approved jointly by HCBF and the Board of Harbor Commissioners.

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 submit a detailed [AQMF] budget and report to the BOHC, on an annual basis, an accounting of the annual administrative costs, coupled with an annual budget and funding request for the anticipated administrative costs [from the AQMF] for the subsequent year. Subject to the terms, conditions and limitations of this Agreement and other provisions of the law, the Harbor Department shall approve adequate funding to HCBF to meet the administrative needs of program administration. The Harbor Department shall not arbitrarily or unreasonably decline or reduce an annual budget request from HCBF.”

2020 AQMF BUDGET REVIEW

The approved China Shipping AQMF Budget **for calendar year 2020 was \$89,700.** As reflected in the attached Annual Review, actual expenditures equaled **\$40,329 through 12/31/2020** (9-months actual \$37,329, plus 3-month forecast \$3,000) for a positive variance of **\$49,371.** The variance is attributed to COVID related delays in program activity and tech consultant fees, with remaining contract payments in the amount \$40,156 **deferred to 2021.** Supporting data can be found in the attached tables:

- 1) 2021 DRAFT AQMF Budget compared to 2020 Actual Expenses (9-months with 3-month forecast)
- 2) AQMF ANNUAL REVIEW: Budget VS Actual (9 mo + 3 mo estimate) as of 9/30/20
- 3) AQMF Activity 2019 through 8/31/2020 (actual) with forecast through 12/31/2020 REVISED 10/19/2020

2021 AQMF PROPOSED BUDGET

The proposed Air Quality Mitigation Fund (AQMF) Budget for calendar year 2021, **in the amount of \$83,156,** includes contracted technical consultant costs, marketing and outreach, dedicated staff hours and administrative costs, **as detailed in the attached AQMF Annual Review.** The forecast includes deferred tech consulting fees contracted in 2019 (\$40,156 delayed due to COVID-19) to be disbursed in 2021, in line with the timing of the anticipated second round of awarded grants.

The proposed 2021 budget of \$83,156 equals \$6,544 less than the approved Budget in 2020 of \$89,700. The proposed allocation for HCBF Admin in 2021 anticipates a ramp up of the program. **Details can be found in the attached reports:**

- 2021 DRAFT AQMF Budget compared to 2020 Actual Expenses (9-months with 3-month forecast)
- AQMF ANNUAL REVIEW: Budget VS Actual (9 mo + 3 mo estimate) as of 9/30/20

2020 FUNDING RECAP

HCBF received an advance of Administrative 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. **Allowable allocated expenses for 2020 to be reimbursed to HCBF from the Administrative Account equates to \$30,485, or 11% of HCBF annual operating expenses.** Here's a recap from inception to date:

AQMF ADMINISTRATIVE ACCOUNT				BALANCE
	Tech Experts	HCBF Admin	Merchant Fees	
2017 Advance Received				250,000.00
2017 Allocated Expenses		2,750.00		
2018 Direct Expenses	32,942.00			
2018 Allocated Expenses		30,083.79		
2019 Direct Expenses	51,264.00		45.00	
2019 Allocated Expenses		31,089.00		
2020 Direct Expenses (12/31)	9,844.00		20.00	
2020 Allocated Expenses (this request)		30,485.00		
SUBTOTALS	94,050.00	94,407.79	65.00	188,522.79
Funds Balance as of 2021				61,477.21

AQMF Trust Fund - 2019/2020 GRANTS

In 2018, the Air Quality Mitigation Fund (AQMF) was transferred from the Port of Harbor Commissioners to HCBF, to provide approximately **\$5 million** for projects 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.

Launched in 2018, in Round 1, HCBF announced the availability of funding for demonstration or implementation zero emissions technologies, near-zero emissions technologies, or emission reduction technologies. Approved by HCBF and by the Board of Harbor Commissioners in November 2019, **a grant, in the amount of \$823,050 to Effenco Development, Inc.** 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 will be tested at the Yusen Terminal.

As of 8/31/2020 the trust fund balance equals \$4,375,025 (reconciled, unaudited). Below find a summary of the Air Quality Mitigation Trust Fund, managed by California Community Foundation.

Air Quality Mitigation Trust Fund, managed by California Community Foundation	Disbursed	Loss/Gain	Management Fees	Balance
Beginning Balance as of 12/31/18				5,075,176.00
Management Fees pd to California Community Foundation through 12/31/19			- 24,455.00	
Dividends and Interest through 12/31/19		124,868.00		
Market Value Change through 12/31/19		- 1,348.00		
Subtotal, Investment Activity		123,520.00	- 24,455.00	99,065.00
AQMF grants AWARDED (November 2019)	-823,050.00			- 823,050.00
Balance as of 12/31/19				4,351,191.00
Management Fees pd to California Community Foundation through 08/31/20 (8 months)			- 14,427.00	
Dividends and Interest through 08/31/2020		45,454.00		
Market Value Change through 08/31/2020		- 7,193.00		
Subtotal, Investment Activity		38,261.00	- 14,427.00	23,834.00
Balance as of 08/31/2020 reconciled				4,375,025.00

Additional details can be found in the attached report:

- **AQMF Activity 2019 through 8/31/2020 (actual) with forecast through 12/31/2020**
REVISED 10/19/2020

BOARD OF HARBOR COMMISSIONERS

Upon approval by the HCBF Board of Directors, the 2020 Annual Review and the 2021 AQMF budget will be submitted to the Board of Harbor Commissioners, with a request to receive and file.

At this time, HCBF has sufficient funds in the Bank of America AQMF Administrative Account to fully fund the proposed 2021 AQMF Budget, thus will not be submitting a funding request to the City of Los Angeles.

2021 DRAFT AQMF BUDGET compared to 2020 Actual Expenses (9 mo) with 3 mo Forecast

2021 DRAFT AQMF BUDGET - FOR DISCUSSION PURPOSES

Categories	Proposed 2021 Budget	2021 Expenses to be Paid Directly	AQMF allocation for HCBF Admin	Actual Expenses in 2020	Variance (Proposed 2021 Minus 2020)	Budget Notes
Staff & Contract Labor	\$ 28,000.00		\$ 28,000.00	\$ 23,498.00	\$ 4,502.00	Ramp up program in 2021
Indirect Costs	\$ 4,700.00		\$ 4,700.00	\$ 2,624.00	\$ 2,076.00	
Tech Consultant	\$ 43,156.00	\$ 40,156.00		\$ 9,844.00	\$ 33,312.00	Consultant fees from 2020, contract 50k
Accounting	\$ 3,200.00		\$ 3,200.00	\$ 3,051.00	\$ 149.00	
Insurance	\$ 600.00		\$ 600.00	\$ 478.00	\$ 122.00	
Legal	\$ 1,500.00		\$ 1,500.00	\$ 674.00	\$ 826.00	Ramp up program in 2021
Marketing	\$ 2,000.00		\$ 2,000.00	\$ 160.00	\$ 1,840.00	Ramp up program in 2021
TOTAL	\$ 83,156.00	\$ 40,156.00	\$ 40,000.00	\$ 40,329.00	\$ 42,827.00	

2020 AQMF BUDGET COMPARISON

Categories	Approved 2020 Budget	2020 Expenses to be Paid Directly thru 12/2020	2020 Expenses (9 mo accrual + 3 mo est.)	Total AQMF = Direct Costs plus Allocation	Variance (Actual Minus 2020 Budget)	Budget Notes
Staff & Contract Labor	\$ 25,000.00		\$ 23,498.00	\$ 23,498.00	\$ 1,502.00	Oversight of grants
Indirect Costs	\$ 4,800.00		\$ 2,624.00	\$ 2,624.00	\$ 2,176.00	Tied to Staff and Contract Labor
Tech Consultant	\$ 50,000.00	\$ 9,844.00		\$ 9,844.00	\$ 40,156.00	Consultants payment delayed 2021
Accounting	\$ 3,800.00		\$ 3,051.00	\$ 3,051.00	\$ 749.00	Monitoring of grants, review and audit
Insurance	\$ 600.00		\$ 478.00	\$ 478.00	\$ 122.00	
Legal	\$ 3,000.00		\$ 674.00	\$ 674.00	\$ 2,326.00	Contract review with Port and SLC
Marketing	\$ 2,500.00		\$ 160.00	\$ 160.00	\$ 2,340.00	Building awareness and transparency
TOTAL	\$ 89,700.00	\$ 9,844.00	\$ 30,485.00	\$ 40,329.00	\$ 49,371.00	

AQMF ANNUAL REVIEW: Budget VS Actual (9 mo + 3 mo estimate) as of 9/30/20

2020 Budget	2020 AQMF Budget Approved	AQMF Allocation Actual Expenses	Direct Paid from HCBF controlled		Total AQMF = Allocation + Direct Paid	Variance from Budget
			AQMF Admin Account			
Staff & Contract Labor	\$ 25,000.00	\$ 23,498.00		1	\$ 23,498.00	\$ 1,502.00
Indirect Costs	\$ 4,800.00	\$ 2,624.00			\$ 2,624.00	\$ 2,176.00
Tech Consultant	\$ 50,000.00	\$ -	\$ 9,844.00		\$ 9,844.00	\$ 40,156.00
Accounting	\$ 3,800.00	\$ 3,051.00			\$ 3,051.00	\$ 749.00
Insurance	\$ 600.00	\$ 478.00			\$ 478.00	\$ 122.00
Legal	\$ 3,000.00	\$ 674.00			\$ 674.00	\$ 2,326.00
Marketing	\$ 2,500.00	\$ 160.00			\$ 160.00	
TOTAL	\$ 89,700.00	\$ 30,485.00	\$ 9,844.00		\$ 40,329.00	\$ 49,371.00

How to calculate the allocation of HCBF costs to AQMF

Hours Dedicated to Program, at rate of staff:

Mgmt Dedicated Hrs and Rate	240	\$ 58.00	13,920.00
Staff Dedicated Hrs and Rate	190	\$ 34.00	6,460.00
Subtotal Dedicated Personnel			\$ 20,380.00
Payroll Expenses, Taxes and Benefits	15.3%		\$ 3,118.00
1 Dedicated Labor and Payroll Expenses			\$ 23,498.00

Compared to Total Budget of HCBF

HCBF Operations	2020 Operating Budget	Actual HCBF Ops 9/30/20 (9 mo)	Forecast	
			Q4/2020 (3 months)	Annual 2020 Ops
Payroll Expenses	\$ 224,115.00	\$ 160,328.00	61,450.00	2 \$ 221,778.00
Indirect Costs	\$ 37,690.00	\$ 16,706.00	7,153.00	3 \$ 23,859.00
Tech Consultant	\$ -			\$ -
Accounting	\$ 29,000.00	\$ 25,735.00	2,000.00	\$ 27,735.00
Insurance	\$ 4,390.00	\$ 3,199.00	1,149.00	\$ 4,348.00
Legal	\$ 14,600.00	\$ 4,175.00	1,950.00	\$ 6,125.00
Marketing	\$ 4,000.00	\$ 955.00	500.00	\$ 1,455.00
TOTAL	\$ 313,795.00	\$ 211,098.00	74,202.00	\$ 285,300.00

Allocations based on hours dedicated by staff and contract labor

2 HCBF Labor and Payroll Expenses (Actual 9 mo Forecast 3) through 12/31	\$ 221,778.00
Dedicated Hrs as a Percentage of Annual Staff & Contract Labor	11%

Total Due to HCBF for Admin of AQMF, based on agreement

Dedicated Labor and Payroll Expenses	Allocated to Program	\$ 23,498.00
Indirect Costs to be Allocated to AQMF	Percentage 11%	\$ 2,624.00
Accounting	Percentage 11%	\$ 3,051.00
Insurance	Percentage 11%	\$ 478.00
Legal	Percentage 11%	\$ 674.00
Marketing	Percentage 11%	\$ 160.00
Total Due to HCBF for Admin of AQMF		\$ 30,485.00

HARBOR COMMUNITY BENEFIT FOUNDATION (HCBF)

AQMF Activity 2019 thru 08/31/2020 (actual) with forecast thru 12/31/2020

REVISED 10/19/2020

AQMF Administrative Fund, managed by Bank of America	Received	Disbursed	HCBF Admin Fees	Balance
Beginning AQMF Admin Funds Balance as of 1/1/2019				214,308.00
Administrative Funds transferred to HCBF for prior reporting period				
Administrative Funds (HCBF reimbursed for 2018) Received in 2019			-30,083.79	
AQ Consultants paid Directly 1/1/2019 thru 12/31/19		-51,264.00		
Merchant Fees	-45.00			
Total Disbursements through 12/31/19	- 45.00	- 51,264.00	- 30,083.79	- 81,392.79
AQMF Administrative Account Cash Balance Reconciled 12/31/19				132,915.21
Administrative Funds (HCBF reimbursed for 2019) Received in 2020			- 31,089.00	
AQ Consultants to be paid Directly 1/1/2020 thru 12/31/2020		- 9,844.00		
Merchant Fees	- 20.00			
Subtotal	- 20.00	- 9,844.00	- 31,089.00	- 40,953.00
AQMF Administrative Account Cash Balance (reconciled 9/30/20)				91,962.21
Air Quality Grant Awarded 2019, funded from Trust Account	823,050.00			
Disbursements to Grantees 2019 (installment)		- 316,000.00		
Grants Awarded but not Disbursed Pending Milestones/Reports	823,050.00	- 316,000.00		507,050.00
Combined Balance Held in AQMF Cash Account (reconciled 9/30/2020)				599,012.21
Administrative Funds to be released (HCBF to be reimbursed for 2020)			- 30,485.00	
Estimated Committed Funds as of 12/31/2020		- 507,050.00	- 30,485.00	- 537,535.00
Estimated AQMF Admin Account Available Funds in 2021				61,477.21

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Balance as of 08/31/2020 reconciled				4,375,025.00

Data Disclosure

Statements from Bank of America are real time, balances available online daily

Statements from California Community Foundation typically received about 45 days after period end.

Budget Reviewed and Approved by the HCBF Board of Directors

Admin costs may include, but are not limited to, costs for staff time managing and overseeing the implementation of this Agreement, insurance, legal costs, including without limitation those related to mediation and arbitration under this Agreement, program management to ensure timely progress and oral/written reportings, contract administration time for contracts and invoices, and technical staff time for review of contractor work and expertise on project work.