



To: HCBF Board of Directors
From: Meghan Reese, Executive Director
Date: October 23, 2021
Re: Air Quality Mitigation Fund- 2021/2022 Annual Budget Report

ITEM 3: AQMF 2021 Annual Review / 2022 Annual Budget Approval

SUMMARY

Staff presentation of the annual Air Quality Mitigation Fund (AQMF) Review for 2021 and the Budget for calendar year 2022 in the amount of **\$56,110**, 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 2021 reimbursement of allocated expenses in the amount of \$32,500, **thus will not be submitting** a funding request to the City of Los Angeles.

RECOMMENDATION TO THE BOARD

Resolve to: Approve the transfer of \$32,500 from the Bank of America AQMF Admin account to the HCBF Operations account for allowable allocated expenses for 2021 and

Approve the 2022 AQMF Budget in the amount of **\$56,110**, 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.”

2021 AQMF BUDGET REVIEW

The approved China Shipping AQMF Budget for calendar year 2021 was \$83,156 As reflected in the attached Annual Review, actual expenditures equaled \$56,110 through 12/31/2021 Supporting data can be found in the attached tables:

- 1) 2022 DRAFT AQMF Budget compared to 2021 Actual Expenses (9-months with 3-month forecast)
- 2) AQMF ANNUAL REVIEW: Budget VS Actual (9 mo + 3 mo estimate) as of 9/30/21
- 3) AQMF Activity 2019 through 8/31/2021 (actual) with forecast through 12/31/2021

2022 AQMF PROPOSED BUDGET

The proposed Air Quality Mitigation Fund (AQMF) Budget for calendar year 2022, in the amount of \$56,110, includes anticipated technical consultant costs, marketing and outreach, dedicated staff hours and administrative costs, as detailed in the attached AQMF Annual Review.

The proposed 2022 budget of \$56,110 equals \$27,046 less than the approved Budget in 2021 of \$83,156. The proposed allocation for HCBF Admin in 2022 anticipates an ongoing Air Quality Mitigation grant program, with a potential award of grant funds in the amount of \$2 million.

2021 FUNDING RECAP

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. Allowable allocated expenses for 2021 to be reimbursed to HCBF from the Administrative Account equates to \$32,500, as shown below:

AQMF ADMINISTRATIVE ACCOUNT			BALANCE
	Tech Experts	HCBF Admin	
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	51,329.00		
2019 Allocated Expenses		31,089.00	
2020 Direct Expenses (12/31)	8,301.00		
2020 Allocated Expenses		30,485.00	
2021 Direct Expenses (09/30)	4,505.00		
SUBTOTALS	97,077.00	94,407.79	191,484.79
AVAILABLE BALANCE AS OF 9/30/21			58,515.21
Projected Totals			
2021 Allocated Expenses	23,610.00	32,500.00	56,110.00
ESTIMATED Funds Balance as of 12/31/2021	120,687.00	126,907.79	2,405.21

AQMF Trust Fund - 2019/2021 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** 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 12/31/2020 the trust fund balance equals \$4,375,375 (reconciled, unaudited). Below find a summary of the Air Quality Mitigation Trust Fund, managed by California Community Foundation as of 8/31/2021

Investment Manager AQMF	CCF
Ending Balance as of 12/31/2020	4,374,375
Disbursement for Grant Programs	0
Dividends/Income	16,464
Investment Management Fees	(14,114)
Mkt Value Change	(10,409)
Total Gain/Loss on Investment	(8,059)
CCF Balance as of 8/31/2021	4,366,316
	-0.18%

Additional details can be found in the attached report:

AQMF Activity 2019 through 8/31/2021 (actual) with forecast through 12/31/2021

BOARD OF HARBOR COMMISSIONERS

Upon approval by the HCBF Board of Directors, the 2021 Annual Review and the 2022 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 2022 Budget, thus will not be submitting a funding request to the City of Los Angeles at this time.