

LOS ANGELES HARBOR DEPARTMENT
DRAFT PUBLIC ACCESS INVESTMENT FUNDING POLICY

I. GOAL

- A. The goal of the Public Access Investment Funding Policy (Policy) is to implement a program for (1) the development of public access projects, (2) their ongoing operations and maintenance (O&M) costs, and (3) existing operating expenses that provide community benefits at the Port of Los Angeles (Port), that are consistent with the City of Los Angeles Harbor Department's (Harbor Department) mission and obligations, including those under the Tidelands/Public Trust Doctrine, California Coastal Act, City of Los Angeles Charter, Port Master Plan and other applicable laws.

II. INTRODUCTION

- A. The Board of Harbor Commissioners (Board) affirms the importance of public access projects that provide a public benefit such as the LA Waterfront concept, described in the San Pedro and Wilmington Waterfront Projects' Environmental Impact Reports and related Board approved documents.
- B. New public access infrastructure requires capital costs and will incur new ongoing O&M expenses that add to costs incurred by the Harbor Department for existing public access facilities and programs that benefit the public, such as waterfront events, sponsorships, and educational programs.
- C. Public access projects do not meet the Harbor Department policy for rate of return on capital investments as they may have negative rates of return on investment. Therefore, public access facilities must be funded by the continued financial success of the Port as a major gateway for cargo.
- D. Sustainable funding for public access projects and public benefit programs requires the Harbor Department to balance the monetary needs for those capital and operating expenses with those that generate the financial results required to sustain its cargo business.
- E. The Policy provides Harbor Department staff with general budget guidelines. Generally, the Policy (1) dedicates a percentage of the Harbor Department's annual Operating Income for the capital development of public access projects, (2) sets limits on the annual ongoing O&M expenses for new public access projects, and (3) sets limits on escalation in annual ongoing funding for existing public access facilities and other public benefit programs.
- F. The Board directs the Executive Director or designee to implement the Policy.

III. TERM

- A. The guidelines are intended to be effective for the FY 15/16 budget and implemented for ten years, through the FY 24/25 budget.

IV. CAPITAL ALLOCATION FOR PUBLIC ACCESS PROJECTS

- A. Allocation Amount – For each FY budget, 10% of the previously completed FY's Operating Income defined as Operating Revenues minus Operating Expenses but before Depreciation will be allocated for the capital expenditure of Public Access Projects.

For example, FY 13/14 has an Operating Income of \$221 million. Then \$22.1 million would be allocated in FY 15/16 for development of Public Access Projects.

- B. Public Access Projects Definition – Public Access Projects are non-cargo projects whose primary purpose is to accommodate visitors from the general public. They can be (1) new infrastructure and facilities or (2) renewed capital investment intended to extend the useful life of existing public access infrastructure or facilities. Examples include open space or visitor-serving commercial projects that are part of or accomplish the goals of the LA Waterfront, (San Pedro and Wilmington Waterfront projects including but not limited to their associated Environmental Impact Reports and other documents approved by the Board), or result from any source including settlements or judgments as a result of threatened litigation or litigation from external parties.

1. Exclusions – Lease obligations agreed to prior to the approval of this Policy, such as the approximately \$58 million budgeted for the AltaSea project, are funded separate from the amount allocated.

- C. Rolling Annual Allocation – Capital allocation not spent during a given FY will be carried over to future FY budgets.

1. Maximum Expenditure – In any given single FY, expenditures should not exceed a total of \$30 million.

- D. Spending in Excess of Allocated Funds – Spending in excess of the allocated funds, including prior-year surpluses, may borrow against future allocations under the following conditions:

1. Borrowing capacity – Borrowing in a FY should not exceed \$20 million
2. Reconciliation – Any borrowing should be completely reconciled by FY 19/20 and by FY 24/25.

V. O&M EXPENSES FOR NEW PUBLIC ACCESS PROJECTS

- A. New O&M Limits - The maximum annual O&M costs related to new Public Access Projects developed under the Policy should not exceed \$5 million. Further, the average O&M cost for new Public Access Projects should be no more than 2.5% of the total capital dollars spent for such projects.

For example, if 10 Public Access Projects are constructed for \$20 million each for a total cost of \$200 million, the average O&M for each project should not exceed \$0.5 million with the total O&M for all the new projects not exceeding \$5 million.

- B. Operations and Maintenance Definition – O&M is generally defined as activities necessary for Public Access Projects to perform their intended function. Examples include planned and preventative repairs, landscaping, janitorial/cleaning, and security services.

VI. EXISTING PUBLIC BENEFIT OPERATING EXPENSES

- A. Existing Operating Expense Limit – Annual expenditures for existing Public Access Projects and public benefit programs (Existing Public Benefit Operating Expenses) should not escalate beyond \$3 million more than was budgeted in FY 14/15 (\$17.3 million). Further, Existing Public Benefit Operating Expenses should escalate by no more than the Consumer Price Index on year by year basis.

For example, assuming CPI growth at 2%, the Existing Operating Expenses limit should be no more than \$17.6 million in FY 15/16. By year ten of the policy, Existing Public Benefit Operating Expenses should be no more than \$20.3 million.

- B. Existing Public Benefit Operating Expenses Definition – Existing Public Benefit Operating Expenses are defined as the following:
- City services paid to the City of Los Angeles Department of Recreation and Parks to operate Port public access facilities.
 - Facility maintenance and support for Port and non-Port facilities utilized by the general public.
 - Operational costs related to non-Port, open space, and recreational properties.
 - Money paid into annual programs for the general public.
 - Money paid into educational programs for the general public.

VII. IMPLEMENTATION

- A. Public Input – The Councilperson for Council District 15 is invited to provide the Board with recommendations on budget priorities pertaining to Public Access Projects, O&M Expenses for New Public Access Projects, and/or Existing Public Benefit Operating Expenses. This input may be received

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through creation of a committee consisting of representatives from the San Pedro and Wilmington communities. Harbor Department staff can be made available to provide technical and advisory support.

- B. Board Action – Board action is required for approving a FY budget for Public Access Projects, O&M Expenses for New Public Access Projects, and Existing Public Benefit Operating Expenses.
- C. Annual Review – This policy is to be reviewed for revisions on an annual basis.