



Item #4

**“FOR INFORMATION ONLY”**

**DATE: JANUARY 16, 2015**

**TO: BOARD OF HARBOR COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR  
FISCAL YEAR 2014/15 ENDED DECEMBER 31, 2014**

Through the first half of Fiscal Year (FY) 2014/15, container cargo volumes (as measured by TEUs or twenty-foot equivalent units) continue to exceed prior year figures. However, congestion and chassis deployment issues reduced the year-on-year volume growth comparisons from 3.6% year-to-date November to 3.1% year-to-date December. Transmittals 1, 2 and 3 provide financial performance results, and the chart below summarizes those results:

<b>FYTD December 2014</b>	<b>Actuals (Cargo Volumes in Thousands, \$ in Millions)</b>	<b>Actual-to- Budget Comparison</b>	<b>Year-on-Year Comparison</b>
<b>Container Cargo Volumes</b>	4,288	↑ 0.1%	↑ 3.1%
<b>Operating Revenues*</b>	\$ 211.8	↓ (0.5%)	↑ 7.7%
<b>Operating Expenses*</b>	\$ 93.4	↓ (8.6%)	↓ (2.7%)
<b>Operating Income</b>	\$ 118.5	↑ 6.9%	↑ 17.7%
<b>Net Income</b>	\$ 58.6	↑ 16.3%	↑ 85.7%

\*Note: Operating Expenses include \$6.7 million in electricity expenses, of which \$4.9 million are AMP-related. The majority (about 98%) of AMP electricity expenses are reimbursed by AMP-capable customers and reflected in Operating Revenues.

One-time compensation adjustments, higher license fees, and utility reimbursements from customers of the Alternative Maritime Power™ (AMP™) program drove fiscal year-to-date (FYTD) Operating Revenues up 7.7% relative to prior year.

While TEU volumes were higher year-on-year, the trend indicated in the November and October reports of reduced volumes at terminals with higher TEU rates and increased volumes at terminals with lower TEU rates continued. This resulted in lower Shipping Services revenues both year-on-year and compared to budget. One-time revenue events helped offset lower Shipping Services revenues year-on-year, but were insufficient to help meet the budgeted level of revenues. The current expectation is that

**SUBJECT: FINANCIAL PERFORMANCE RESULTS**

the current deployment of container ships will continue and if the congestion problem can be resolved in the short term, one would reasonably expect Shipping Services revenues to increase given the higher volume. However, if volumes continue to slide, when combined with the lack of throughput, we would expect the trend of declining top line revenue to continue.

Operating Expenses were down 2.7% year-on-year as lower average headcount, timing of expense recognition and higher indirect overhead capitalization more than offset Memorandum of Understanding salary increases, lower direct salary capitalization, and higher electricity costs related to AMP™. For the latter, AMP™ costs are paid by the City of Los Angeles Harbor Department (Harbor Department), and approximately 98% of these costs are reimbursed by customers. Relative to budget, Operating Expenses were 8.6% below budget as higher AMP™ electricity costs were more than offset by lower salaries, higher indirect overhead capitalization and timing of expense recognition and capitalization.

Ongoing monitoring of changes affecting container traffic will continue, and any changes in Operating Revenue projections will be reported accordingly.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ending December 2014 based on the general ledger reached \$101.2 million or about 36% of the total \$281.0 million CIP adopted budget. The Harbor Department is projecting to spend at or below the total CIP adopted budget by fiscal year-end.



EUGENE D. SEROKA  
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD December 2014
2. Actual-to-Budget FY 2014/15 – December
3. Year-to-Year Performance Report YTD December 31, 2014 and 2013

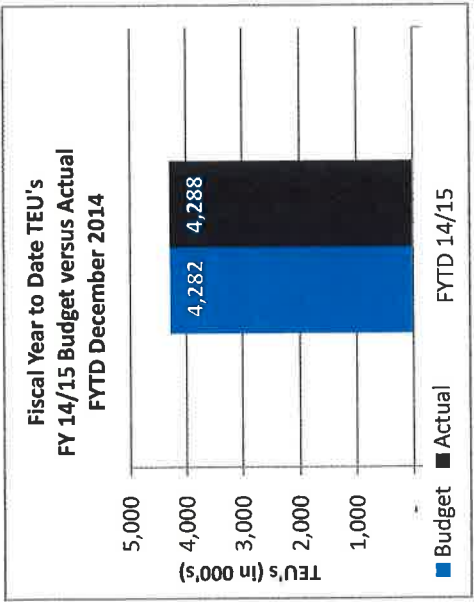
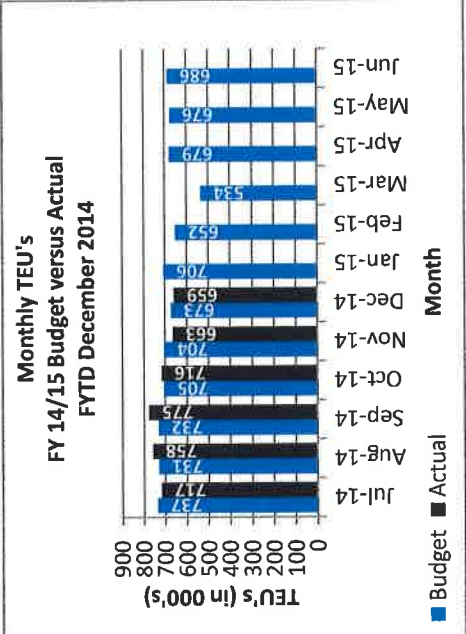
Author: M. Marchese

*mc* MC:MB:MM/Finance  
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES  
TEU THROUGHPUT COMPARISON - FYTD DECEMBER 2014

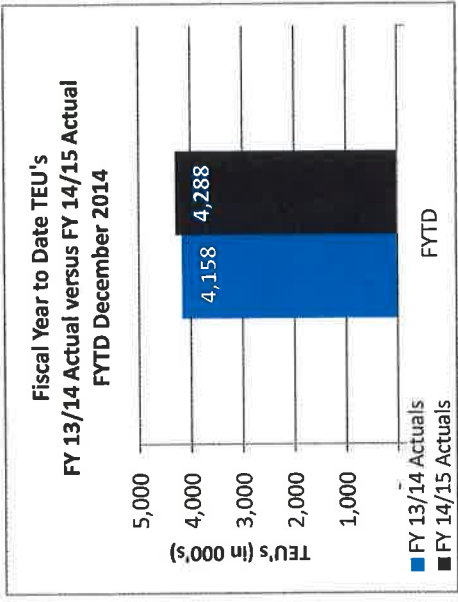
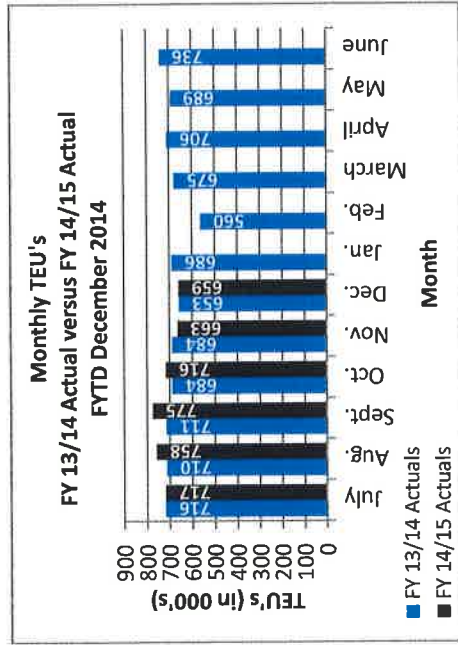
Budget versus Actuals Comparison  
FY 14/15 Budget vs. FY 14/15 Actuals

(in 000's)	FY 14/15 Budget	FY 14/15 Actuals	% Δ	Δ
Jul-14	737	717	-2.7%	↓
Aug-14	731	758	3.7%	↑
Sep-14	732	775	5.9%	↑
Oct-14	705	716	1.6%	↑
Nov-14	704	663	-5.8%	↓
Dec-14	673	659	-2.1%	↓
Jan-15	706			
Feb-15	652			
Mar-15	534			
Apr-15	679			
May-15	676			
Jun-15	686			
FYTD 14/15	4,282	4,288	0.1%	↑
FY 14/15 Budget	8,216			



Year-to-Year Actuals Comparison  
FY 13/14 Actuals vs. FY 14/15 Actuals

(in 000's)	FY 13/14 Actuals	FY 14/15 Actuals	% Δ	Δ
July	716	717	0.2%	↑
Aug.	710	758	6.8%	↑
Sept.	711	775	9.0%	↑
Oct.	684	716	4.6%	↑
Nov.	684	663	-3.0%	↓
Dec.	653	659	0.8%	↑
Jan.	686			
Feb.	560			
March	675			
April	706			
May	689			
June	736			
FYTD	4,158	4,288	3.1%	↑
FY 13/14 Actuals	8,210			



Fiscal Year 2014/15 - December

(Data in thousands of \$, comments in millions of \$)

	Actual (Unaudited) FY 2014/15 (Fiscal YTD Dec 2014) (Preliminary)	Adopted Budget FY 2014/15 (Fiscal YTD Dec 2014)	Δ	Δ%	
<b>Operating Revenues</b>					
Shipping Services	\$ 171,413	\$ 187,660	(16,247)	-8.7%	Higher volumes at terminals with lower TEU rates, lower volumes at terminals with higher TEU rates and timing differences in TEU rate adjustments
Rentals	25,925	22,067	3,859	17.5%	Primarily due to one-time compensation catch-ups and resets, slightly offset by lower rental receipts for buildings and warehouses than budgeted
Royalties, fees and other revenues	12,392	2,548	9,844	386.4%	BNSF/SCG facility annual license fee \$4.7 (net), higher AMP reimbursements \$4.7 and higher permits and fees \$0.4
Clean Truck Program Revenues	2,120	730	1,390	190.5%	Higher concession application renewals than budgeted
<b>Total Operating Revenues</b>	<b>\$ 211,850</b>	<b>\$ 213,004</b>	<b>(1,154)</b>	<b>-0.5%</b>	
<b>Operating Expenses</b>					
Salaries & Benefits					
Gross Salaries & Benefits	66,739	71,095	(4,356)	-6.1%	Primarily due to lower average filled positions (922 vs. 940 budgeted), timing in benefits accruals, payouts and bonuses and lower overtime and other benefits
Capitalization (direct)	(8,104)	(9,823)	1,720	-17.5%	Lower direct capitalization primarily for Engineering and Construction & Maintenance as capital spending is below budgeted amounts
Net Salaries & Benefits (Operating)	58,635	61,272	(2,636)	-4.3%	
Marketing and Public Relations	1,747	2,352	(606)	-25.7%	Primarily timing in Public Relations spending for promotional and sponsorships <\$0.4> and lower foreign trade representation services <\$0.2>
Travel	296	473	(177)	-37.5%	
Outside Services	6,718	12,579	(5,861)	-46.6%	Timing in capitalization adjustments <\$3.5>, higher capitalization in Construction & Maintenance <\$1.2>, project scheduling for maintenance dredging <\$0.5> and timing in Information Technology <\$0.5>, Business and Trade <\$0.3> and City Attorney <\$0.2> expenses, slightly offset by higher environmental assessment expenses \$0.4
Materials & Supplies	3,235	3,318	(83)	-2.5%	
City Services	18,750	18,433	317	1.7%	
Allocations to Capital - Overhead	(9,308)	(8,350)	(958)	11.5%	
Other Operating Expenses	12,987	11,760	1,227	10.4%	
Clean Truck Program Expenses	299	294	5	1.7%	
<b>Total Operating Expenses</b>	<b>\$ 93,358</b>	<b>\$ 102,131</b>	<b>(8,773)</b>	<b>-8.6%</b>	
<b>Income Before Depreciation</b>	<b>\$ 118,491</b>	<b>\$ 110,873</b>	<b>7,619</b>	<b>6.9%</b>	Timing in capitalization adjustments \$0.9, slightly offset by timing of public works and city attorney accruals <\$0.6>
Provision for Depreciation	61,365	60,196	1,169	1.9%	Higher electricity \$5.0 (primarily for AMP), higher equipment purchases \$0.6 and higher environmental incentives \$0.3, offset by timing of insurance premium recognition <\$2.0>, carrier incentives <\$1.8>, litigation expenses <\$0.4> and workers' compensation <\$0.3> and lower permits/fees/taxes/assessments <\$0.2>
<b>Income from Operations</b>	<b>\$ 57,126</b>	<b>\$ 50,677</b>	<b>6,449</b>	<b>12.7%</b>	
Non-Operating Revenue (interest income, grant receipts, etc.)	6,604	4,086	2,518	61.6%	Primarily higher Federal/State grant receipts \$2.6 (previously budgeted as capital, reclassified from capital to operating)
Non-Operating Expenses (bonds/notes/interest expense/ etc.)	5,179	4,424	755	17.1%	Lower interest capitalization \$2.6 and higher capital projects cancelled or not completed \$1.6 partially offset by lower interest expense <\$2.9> and lower bond/commercial paper issuance costs <\$0.6>
<b>Net Income</b>	<b>\$ 58,550</b>	<b>\$ 50,339</b>	<b>8,211</b>	<b>16.3%</b>	

Primarily for:  
\$3.3 Federal/State grant receipts  
\$2.3 Interest income  
\$0.6 Rebates, late charges, gain on asset sales, misc.  
\$0.4 Pass-through grant receipts

Primarily for:  
\$20.4 Interest expense  
<\$20.3> Capitalized interest  
\$2.9 Capital projects closed to expense  
\$1.1 Bond issuance costs  
\$0.7 Commercial paper issuance costs  
\$0.4 Pass-through grant disbursements

Primarily for:  
\$6.7 Electricity  
\$1.6 Insurance  
\$1.5 Water & gas  
\$0.8 Environmental incentives  
\$0.8 Telephone  
\$0.6 Property/equipment rental/license  
\$0.6 Equipment purchases  
\$0.4 Memberships, subscriptions, books

Overhead allocations are eventually charged directly to each operating expense category at fiscal year end; presented here in total for comparison purposes. FYTD allocation by expense component is as follows:  
<\$5.3> Salaries & Benefits  
<\$0.2> Marketing & Public Relations  
<\$0.03> Travel  
<\$0.5> Outside Services  
<\$0.3> Materials & Supplies  
<\$1.7> City Services  
<\$1.3> Other Operating Expenses

**Year-to-Year Performance Report**  
**YTD December 31, 2014 and 2013**  
 (Data in thousands of \$, comments in millions of \$)

	Actual (Unaudited) FY 2014/15 (Preliminary)	Actual (Unaudited) FY 2013/14 (Fiscal YTD)	Δ	Δ%
<b>Operating Revenues</b>				
Shipping Services	\$ 171,413	\$ 172,556	(1,144)	-0.7%
Rentals	25,925	21,729	4,196	19.3%
Royalties, fees and other revenues	12,392	1,862	10,530	565.6%
Clean Truck Program Revenues	2,120	494	1,626	329.1%
<b>Total Operating Revenues</b>	<b>\$ 211,850</b>	<b>\$ 196,641</b>	<b>15,209</b>	<b>7.7%</b>
<b>Operating Expenses</b>				
Salaries & Benefits		69,838	(3,099)	-4.4%
Gross Salaries and Benefits		(8,104)	3,138	-27.9%
Capitalization (direct)	58,635	58,596	39	0.1%
Net Salaries & Benefits (Operating)	1,747	997	750	75.2%
Marketing and Public Relations	296	579	(284)	-49.0%
Travel	6,718	11,139	(4,421)	-39.7%
Outside Services	3,235	3,338	(103)	-3.1%
Materials & Supplies	18,750	16,954	1,796	10.6%
City Services	(9,308)	(5,080)	(4,228)	83.2%
Allocations to Capital - Overhead	12,987	9,163	3,824	41.7%
Other Operating Expenses	299	279	20	7.2%
Clean Truck Program Expenses	<b>\$ 93,358</b>	<b>\$ 95,965</b>	<b>(2,607)</b>	<b>-2.7%</b>
<b>Total Operating Expenses</b>	<b>\$ 118,491</b>	<b>\$ 100,676</b>	<b>17,815</b>	<b>17.7%</b>
<b>Income Before Depreciation</b>				
Provision for Depreciation	\$ 61,365	57,027	4,338	7.6%
<b>Income from Operations</b>	<b>\$ 57,126</b>	<b>\$ 43,649</b>	<b>13,477</b>	<b>30.9%</b>
Non-Operating Revenue (interest income, grant receipts, etc.)	6,604	11,157	(4,553)	-40.8%
Non-Operating Expenses (bonds/notes/interest Expense, etc.)	5,179	23,277	(18,098)	-77.8%
<b>Net Income</b>	<b>\$ 58,550</b>	<b>\$ 31,528</b>	<b>27,022</b>	<b>85.7%</b>

Higher volumes at terminals with lower TEU rates, lower volumes at terminals with higher TEU rates and timing differences in TEU rate adjustments

Intermodal customer rate increase and minimum annual guarantee (MAG) payment \$4.8, slightly offset by lower rental receipts for buildings and warehouses <\$0.6>

Higher utility reimbursements mostly related to AMP \$4.9, BNSF/SCIG facility annual license fee \$4.7 (net), refunds related to environmental projects \$0.7 and higher parking fees \$0.2

Higher concession application fees with some renewals

Primarily due to lower average filled positions (922 vs. 940 prior year) slightly offset by MOU salary increases

Due to timing in sponsorships for Public Relations

Timing in capitalization adjustments <\$5.3> and higher capitalization in Construction & Maintenance <-\$0.4> partially offset by timing in Port Police \$0.7, Information Technology \$0.4 and Real Estate \$0.3 expense recognition

Timing in capitalization \$1.0 and lower capitalization \$0.8

Higher operating expense base subject to overhead capitalization

Higher electricity (primarily for AMP) \$3.3, water \$0.7, environmental incentives \$0.4 and lower capitalization \$1.4, partially offset by lower provision for workers' compensation <\$1.2>, property rental/license user fees <-\$0.5>, lower equipment rentals <-\$0.1> and lower permits/fees <-\$0.1>

Lower pass-through grant receipts <\$5.9>, settlements/rebates/misc. <-\$1.6>, partially offset by higher Federal/State grant receipts \$2.9 and higher interest income \$0.1

Lower capital projects cancelled or not completed <\$10.2>, pass-through grant disbursements <\$5.9> and higher capitalization of interest <-\$5.0>, partially offset by higher interest expense \$1.9 and new bond issuance costs \$1.1

Primarily for:  
 \$3.3 Federal/State grant receipts  
 \$2.3 Interest income  
 \$0.6 Rebates, late charges, gain on asset sales, misc.  
 \$0.4 Pass-through grant receipts

Primarily for:  
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 \$6.7 Electricity  
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 <-\$0.03> Travel  
 <\$0.5> Outside Services  
 <-\$0.3> Materials & Supplies  
 <-\$1.7> City Services  
 <-\$1.3> Other Operating Expenses

