



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

“FOR INFORMATION ONLY”

DATE: SEPTEMBER 25, 2018

TO: BOARD OF HARBOR COMMISSIONERS

SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2018/19 ENDED AUGUST 31, 2018

Financial performance results for the first two months of Fiscal Year (“FY”) 2018/19 are below and have been summarized relative to both budget and the prior fiscal year. For the month of August, cargo volumes (as measured by TEUs or twenty-foot equivalent units) fell 2.5% relative to August 2017; however, fiscal year-to-date (“FYTD”) TEUs remained 0.9% higher relative to prior FYTD results. In summary, FYTD performance results for the Harbor Department are as follows:

FYTD August 2018	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	1,660	↓ (1.1%)	↑ 0.9%
Operating Revenues	\$76.4	↓ (10.7%)	↓ (11.1%)
Operating Expenses	\$36.4	↓ (20.7%)	↑ 7.9%
Operating Income	\$40.0	↑ 0.7%	↓ (23.3%)
Net Income	\$14.3	↑ 20.8%	↓ (41.4%)

Through the first two months of FY 2018/19, Shipping Services revenues declined relative to both budget and the prior fiscal year due to higher accruals for year-end compensation adjustments. Relative to budget, total Operating Revenues decreased by 10.7% as lower Shipping Services and higher credits for tenant services were only partially offset by higher rental revenues. Relative to the prior fiscal year, total Operating Revenues decreased by 11.1% as lower Shipping Services and the delayed receipt of Harbor Maintenance Tax receipts were only partially offset by higher rental revenues.

Operating Expenses were favorably impacted as lower headcounts and invoicing delays with respect to outside services and other operating expense spending drove total

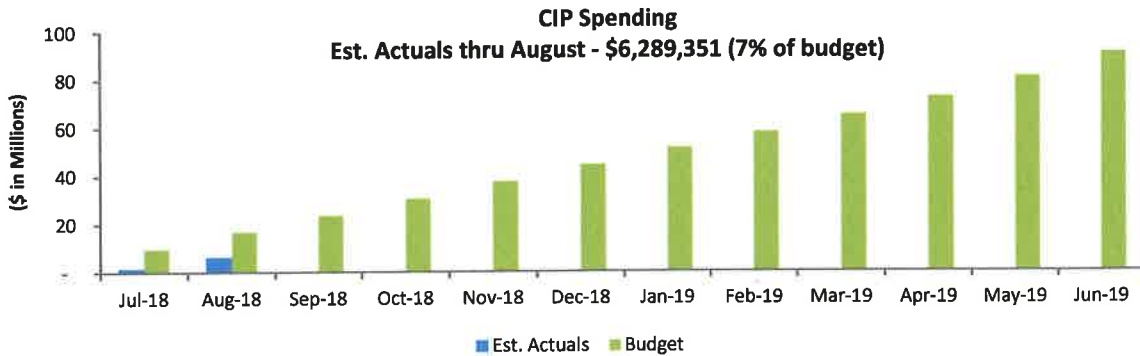
SUBJECT: FINANCIAL PERFORMANCE RESULTS

Operating Expenses 20.7% below budget. Relative to the prior fiscal year, total Operating Expenses increased by 7.9% due to MOU salary increases, higher fire services and quicker processing of sponsorship invoices.

Operating margins for the FYTD period were reported at 52.4% versus a budget of 46.5% and a prior year figure of 60.8%. However, it is important to note that as vacancies are filled, and, as invoicing issues are resolved, operating expenses are anticipated to trend towards budget as FY 2018/19 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended August 31, 2018 based on internal estimates reached \$6.3 million or about 7% of the total \$91.0 million CIP adopted budget. At this early stage in the fiscal year, the Harbor Department currently expects to stay within the CIP adopted budget through fiscal year-end.



Mark Blewett FOR

EUGENE D. SEROKA
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD August 2018
2. Actual-to-Budget FY 2018/19 – August
3. Year-to-Year Performance Report YTD August 31, 2018 and 2017

Author: M. Marchese

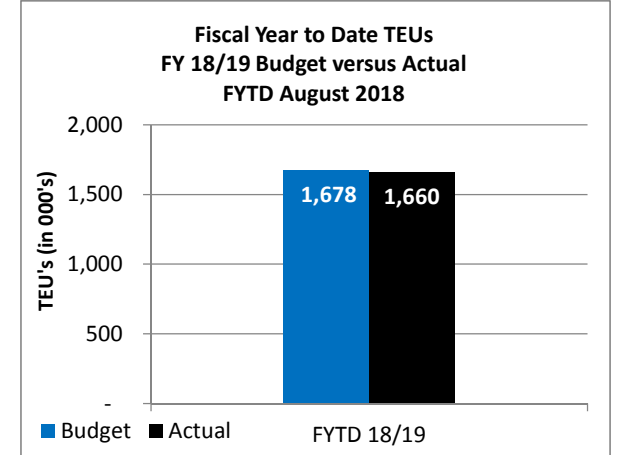
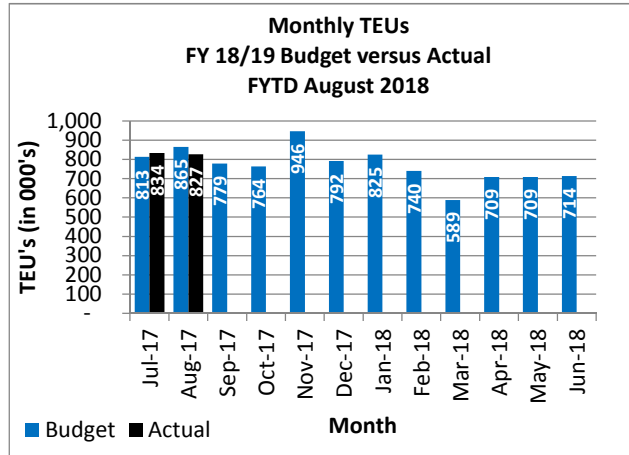
MB:MM/Finance
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - FYTD AUGUST 2018

TRANSMITTAL 1

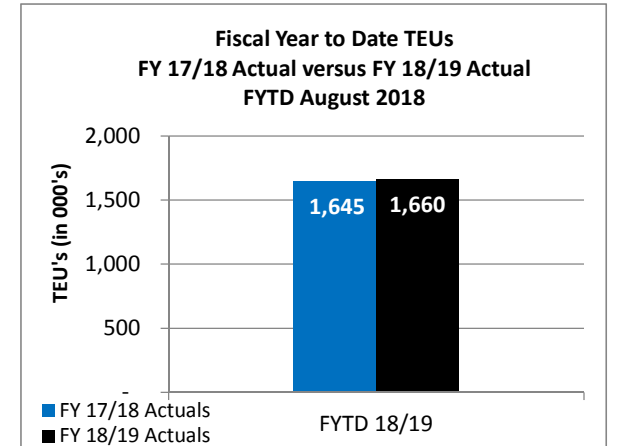
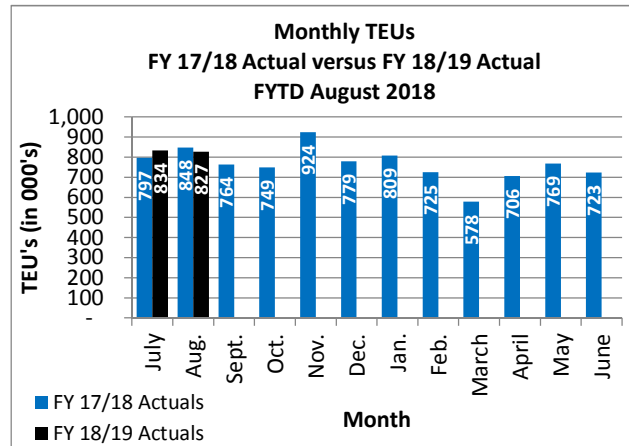
Budget versus Actuals Comparison
FY 18/19 Budget vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 18/19 Budget	FY 18/19 Actuals		
Jul-17	813	834	2.6%	↑
Aug-17	865	827	-4.5%	↓
Sep-17	779			
Oct-17	764			
Nov-17	946			
Dec-17	792			
Jan-18	825			
Feb-18	740			
Mar-18	589			
Apr-18	709			
May-18	709			
Jun-18	714			
FYTD 18/19	1,678	1,660	-1.1%	↓
FY 18/19 Budget	9,244			



Year-to-Year Actuals Comparison
FY 17/18 Actuals vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 17/18 Actuals	FY 18/19 Actuals		
July	797	834	4.6%	↑
Aug.	848	827	-2.5%	↓
Sept.	764			
Oct.	749			
Nov.	924			
Dec.	779			
Jan.	809			
Feb.	725			
March	578			
April	706			
May	769			
June	723			
FYTD 18/19	1,645	1,660	0.9%	↑
FY 17/18 Actuals	9,170			



\$ in thousands	Fiscal Year Actual	Fiscal Year Budget	Actual-to-Budget Comparison	
	FY 2018/19 Fiscal YTD - Aug. 2018	FY 2018/19 Fiscal YTD - Aug. 2018	\$	%
Operating Revenues				
Shipping Services	63,899	73,333	(9,434)	(12.9%)
Rentals	10,446	9,418	1,028	10.9%
Royalties, Fees and Other Revenues	1,737	2,510	(773)	(30.8%)
Clean Truck Program Revenues	307	322	(15)	(4.5%)
Total Operating Revenues	76,390	85,583	(9,194)	(10.7%)
Operating Expenses				
Gross Salaries & Benefits	24,054	26,373	(2,319)	(8.8%)
Capitalization	(3,932)	(2,244)	(1,688)	75.2%
Net Salaries & Benefits	20,122	24,129	(4,007)	(16.6%)
Marketing & Public Relations	736	540	196	36.4%
Travel	164	150	14	9.5%
Outside Services	2,539	7,681	(5,142)	(66.9%)
Materials & Supplies	939	1,413	(474)	(33.5%)
City Services	8,117	8,772	(655)	(7.5%)
(1) Allocations to Capital - Overhead		(2,206)	2,206	(100.0%)
(2) Other Operating Expenses	3,719	5,174	(1,455)	(28.1%)
Clean Truck Program Expenses	11	165	(154)	(93.3%)
Total Operating Expenses	36,347	45,817	(9,470)	(20.7%)
Income Before Depreciation	40,043	39,767	276	0.7%
Provision For Depreciation	28,391	29,269	(877)	(3.0%)
Income From Operations	11,651	10,498	1,153	11.0%
(3) Non-Operating Revenue	3,199	1,458	1,741	119.4%
(4) Non-Operating Expenses	(574)	(136)	(438)	322.0%
Net Income	14,276	11,820	2,456	20.8%

	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2018/19	FY 2017/18	Change	
\$ in thousands	Fiscal YTD - Aug. 2018	Fiscal YTD - Aug. 2017	\$	%
Operating Revenues				
Shipping Services	63,899	71,776	(7,877)	(11.0%)
Rentals	10,446	8,946	1,500	16.8%
Royalties, Fees and Other Revenues	1,737	4,832	(3,095)	(64.1%)
Clean Truck Program Revenues	307	343	(36)	(10.4%)
Total Operating Revenues	76,390	85,897	(9,507)	(11.1%)
Operating Expenses				
Gross Salaries & Benefits	24,054	23,695	359	1.5%
Capitalization	(3,932)	(3,489)	(443)	12.7%
Net Salaries & Benefits	20,122	20,205	(83)	(0.4%)
Marketing & Public Relations	736	212	524	246.5%
Travel	164	143	21	14.6%
Outside Services	2,539	1,805	734	40.6%
Materials & Supplies	939	846	92	10.9%
City Services	8,117	6,907	1,210	17.5%
(1) Other Operating Expenses	3,719	3,492	227	6.5%
Clean Truck Program Expenses	11	66	(55)	(83.4%)
Total Operating Expenses	36,347	33,679	2,668	7.9%
Income Before Depreciation	40,043	52,218	(12,176)	(23.3%)
Provision For Depreciation	28,391	27,097	1,295	4.8%
Income From Operations	11,651	25,122	(13,470)	(53.6%)
(2) Non-Operating Revenue	3,199	1,559	1,640	105.2%
(3) Non-Operating Expenses	(574)	(2,326)	1,751	(75.3%)
Net Income	14,276	24,355	(10,079)	(41.4%)