



“FOR INFORMATION ONLY”

DATE: DECEMBER 10, 2015

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2015/16 ENDED NOVEMBER 30, 2015**

Financial performance results for the first five months of Fiscal Year 2015/16 have been provided below and have been summarized relative to both budget and prior year. Preliminary cargo volumes (as measured by TEUs or twenty-foot equivalent units) in the month of November increased 7.0% relative to November 2014 such that cargo volumes for the Fiscal Year-to-Date (FYTD) period are now approximately flat relative to the prior FYTD period. However, it is worth noting that reported cargo volumes had begun to slump in the second quarter of the prior fiscal year due to congestion within the San Pedro Bay port complex, therefore resulting in unusually low volumes for that period. In summary, performance results for the Harbor Department are as follows:

FYTD November 2015	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes – PRELIMINARY	3,631	↓ (1.9%)	↑ 0.0%
Operating Revenues	\$172.7	↓ (3.3%)	↓ (3.4%)
Operating Expenses	\$ 82.1	↓ (13.8%)	↑ 4.4%
Operating Income	\$ 90.6	↑ 8.7%	↓ (9.5%)
Net Income	\$ 20.2	↓ (29.7%)	↓ (59.3%)

FYTD total Operating Revenues have declined relative to budget as lower Shipping Services revenues and lower utility reimbursements were only partially offset by higher than budgeted land rentals and other revenues. Shipping Services revenues continue to trail budget due to lower than budgeted FYTD cargo volumes as well as the continuance of reduced volumes at terminals with higher TEU rates and increased volumes at terminals with lower TEU rates. The impact of these lower than budgeted Shipping Services revenues was partially mitigated by one-time settlements related to

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SUBJECT: FINANCIAL PERFORMANCE RESULTS

the September 2014 Pasha terminal fire as well as higher land rental compensation rate resets which have been completing at higher rental rates than budgeted. Relative to prior FYTD results, total Operating Revenues declined primarily due to the recording of one-time catch-up payments in the prior fiscal year.

Total FYTD Operating Expenses were favorably impacted as lower average headcounts, timing differences with respect to outside services spending and lower than budgeted electricity expenses drove total FYTD Operating Expenses 13.8% below budget. FYTD total Operating Expenses have increased by 4.4% relative to the prior fiscal year as Memorandum of Understanding salary increases, lower salary and overhead capitalization and higher city services expenditures more than offset salary savings from lower average headcounts.

Relative to budgeted figures, lower total Operating Expenses mitigated the unfavorable impact of lower total Operating Revenues such that FYTD operating margins were reported at 52.5% versus a budget of 46.7%. It is important to note that as vacancies are filled, and, as timing issues with respect to outside services are resolved, total Operating Expenses would approach budget as FY 2015/16 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended November 30, 2015 based on internal estimates reached \$57.2 million or about 29% of the total \$198.8 million CIP adopted budget. Total projected Harbor Department CIP spending is currently expected to approximate the total CIP adopted budget by fiscal year-end.


EUGENE D. SEROKA
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD November 2015
2. Actual-to-Budget FY 2015/16 – November
3. Year-to-Year Performance Report YTD November 30, 2015 and 2014

Author: M. Marchese

MB:MM/Finance

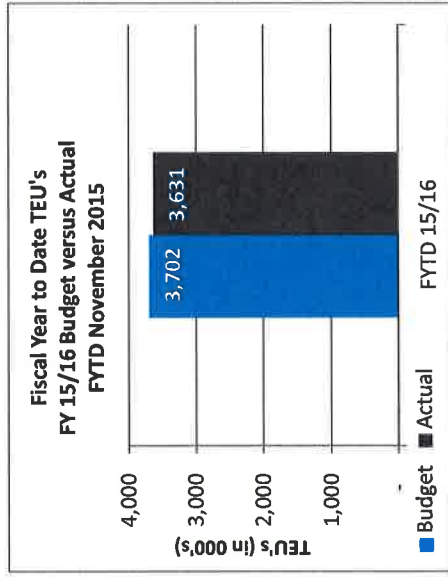
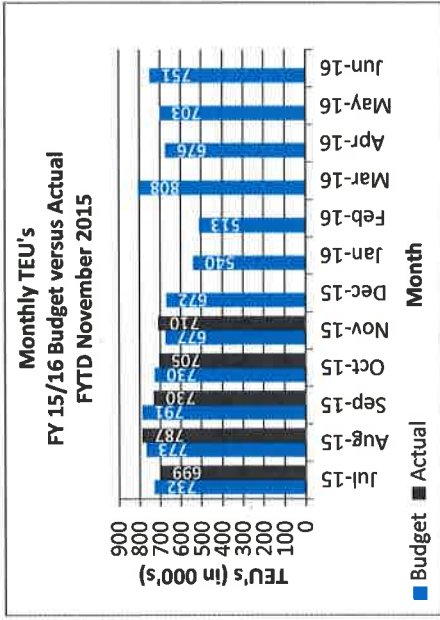
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
 TEU THROUGHPUT COMPARISON - FYTD NOVEMBER 2015
 PRELIMINARY AS OF 12/9/15 @ 1:15PM

TRANSMITTAL 1

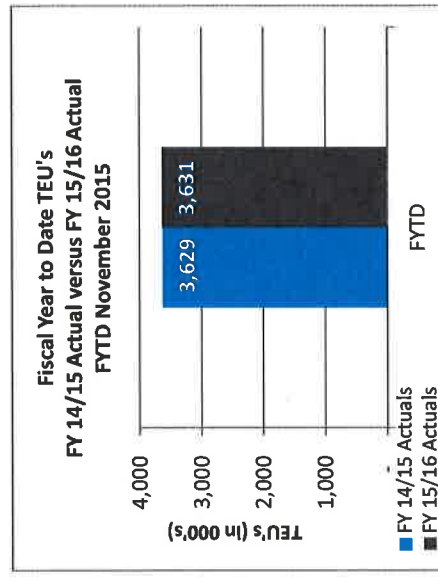
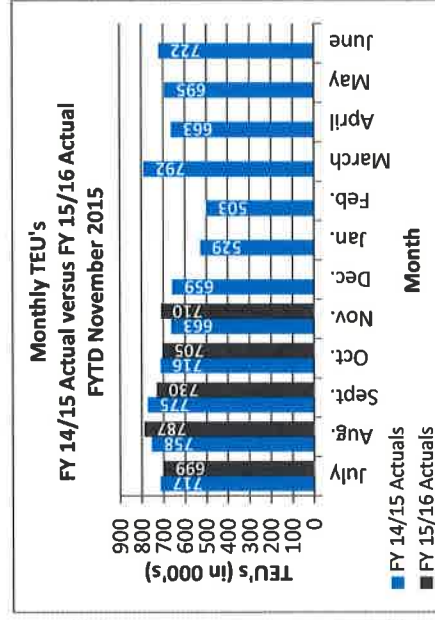
Budget versus Actuals Comparison
 FY 15/16 Budget vs. FY 15/16 Actuals

(in 000's)	FY 15/16 Budget	FY 15/16 Actuals	% Δ	Δ
Jul-15	732	699	-4.5%	↓
Aug-15	773	787	1.8%	↑
Sep-15	791	730	-7.6%	↓
Oct-15	730	705	-3.6%	↓
Nov-15	677	710	4.9%	↑
Dec-15	672			
Jan-16	540			
Feb-16	513			
Mar-16	808			
Apr-16	676			
May-16	703			
Jun-16	751			
FYTD 15/16	3,702	3,631	-1.9%	↓
FY 15/16 Budget	8,365			



Year-to-Year Actuals Comparison
 FY 14/15 Actuals vs. FY 15/16 Actuals

(in 000's)	FY 14/15 Actuals	FY 15/16 Actuals	% Δ	Δ
July	717	699	-2.5%	↓
Aug.	758	787	3.8%	↑
Sept.	775	730	-5.8%	↓
Oct.	716	705	-1.6%	↓
Nov.	663	710	7.0%	↑
Dec.	659			
Jan.	529			
Feb.	503			
March	792			
April	663			
May	695			
June	722			
FYTD	3,629	3,631	0.0%	↑
FY 14/15 Actuals	8,191			



	Fiscal Year Actual FY 2015/16		Fiscal Year Budget FY 2015/16		Actual-to-Budget Comparison		Notes (\$ in millions)
	Fiscal YTD - Nov. 2015	Fiscal YTD - Nov. 2015	Fiscal YTD - Nov. 2015	Fiscal YTD - Nov. 2015	\$	%	
\$ in thousands							
Operating Revenues							
Shipping Services	142,928	153,758	(10,830)	(7.0%)	Higher volumes at terminals with lower overall TEU rates and lower volumes at terminals with higher overall TEU rates; lower than budgeted TEU volumes; timing of TEU rate adjustments at calendar year end		
Rentals	18,968	16,442	2,527	15.4%	Primarily due to higher execution rate of compensation resets at higher rental rates than budgeted		
Royalties, Fees and Other Revenues	9,983	7,855	2,127	27.1%	Higher operating refunds & reimbursements of \$5.0, parking fees \$0.3 and foreign trade zone fees \$0.1, partially offset by lower utility reimbursements <\$2.7> and higher credits for tenant services <\$0.6>		
Clean Truck Program Revenues	793	504	289	57.4%	Higher annual truck fees \$0.2 and concession application fees than budgeted \$0.1		
Total Operating Revenues	172,672	178,559	(5,886)	(3.3%)			
Operating Expenses							
Gross Salaries & Benefits	54,540	60,388	(5,848)	(9.7%)	Primarily due to lower average filled positions (890 vs. 940 budgeted)		
Capitalization	(9,865)	(7,304)	(2,561)	35.1%	Overhead capitalization <\$3.9>, partially offset by lower direct capitalization \$1.3		
Net Salaries & Benefits	44,675	53,084	(8,409)	(15.8%)			
Marketing & Public Relations	1,208	1,924	(717)	(37.2%)	Timing of promotional & sponsorships <\$0.5> and overhead capitalization <\$0.1>		
Travel	247	513	(267)	(51.9%)			
Outside Services	6,919	14,444	(7,525)	(52.1%)	Timing of Pan Pacific building demolition <\$1.5> timing of legal fees & services spending <\$1.5>, timing of environmental assessment services <\$1.4>, higher capitalization of C&M outside services <\$1.0>, timing of port security spending <\$0.3>, timing of waterfront/commercial real estate spending <\$0.2>, timing of construction division's share of PICS and IT services payments <\$0.2>, timing of government services <\$0.2>, and overhead allocations <\$0.7>		
Materials & Supplies	2,011	2,863	(852)	(29.8%)			
City Services	16,359	15,612	746	4.8%	Higher fire services \$1.3, higher city attorney \$0.6 and personnel services \$0.2, partially offset by overhead allocation <\$1.4>		
(1) Allocations to Capital - Overhead	10,427	(7,463)	7,463	(100.0%)	Lower aggregate overhead allocations \$0.7		
(2) Other Operating Expenses		13,893	(3,466)	(24.9%)	Lower electricity <\$1.7>, higher overhead capitalization <\$0.4>, lower water/gas <\$0.3>, lower telephone <\$0.3>, lower insurance <\$0.2> and lower memberships/subscriptions/books <\$0.1>, as well as timing of workers' compensation <\$0.7> and bad debt <\$0.1> expenses, partially offset by timing of environmental incentive payments \$0.3		
Clean Truck Program Expenses	244	348	(104)	(29.9%)			
Total Operating Expenses	82,089	95,218	(13,129)	(13.8%)			
Income Before Depreciation	90,583	83,340	7,243	8.7%			
Provision For Depreciation	71,177	54,222	16,955	31.3%			
Income From Operations	19,406	29,118	(9,713)	(33.4%)			
(3) Non-Operating Revenue	3,789	1,909	1,880	98.5%	Higher interest/investment income \$1.6, higher federal/state operating grants \$0.3 and higher pass-through grant receipts \$0.2, partially offset by lower rebates/late charges/discounts/misc. <\$0.2>		
(4) Non-Operating Expenses	(2,965)	(2,261)	(704)	31.2%	Lower interest capitalization \$0.6, bond redemption accounting adjustment \$0.3, timing of bond issuance costs \$0.3, pass-through grant disbursements \$0.2 and higher capital projects closed to expense \$0.1, partially offset by lower commercial paper costs <\$0.4>, lower interest expense <\$0.2> and lower misc. non-operating expenses <\$0.2>		
Net Income	20,230	28,767	(8,537)	(29.7%)			

Notes:
 (1) Allocations to capital - overhead are allocated to individual 2-digit accounts within the presentation of actual results; however, these overhead allocations are not allocated to individual 2-digit accounts for budgetary purposes. Allocations to capital - overhead for the fiscal year-to-date period totaled \$6.6 million relative to a budget of \$7.5 million.
 (2) Primarily for: Electricity \$5.9; Insurance \$1.3; Pollution Remediation \$0.8; Water & Gas \$0.6; Environmental Incentives \$0.5; Equipment Rental/Permits/License/Fees \$0.5; Memberships/Subscriptions/Books \$0.4; Overhead Allocations <\$0.4>
 (3) Primarily for: Interest/Investment Income \$2.9; Rebates/Late Charges/Discounts/Misc. \$0.4; Federal/State Operating Grants \$0.3; Pass-through Grant Receipts \$0.2
 (4) Primarily for: Interest Expense \$17.7; Capitalized Interest <\$17.0>; Capital Projects Closed to Expense \$1.2; Bond Redemption Accounting Adjustment \$0.3; Bond Issuance Costs \$0.3; Pass-through Grant Disbursements \$0.2; Commercial Paper Costs \$0.2; Misc. Non-Op \$0.1

	Current Fiscal Year FY 2015/16		Prior Fiscal Year FY 2014/15		Year-over-Year Change		Notes (\$ in millions)
	Fiscal YTD - Nov. 2015	Fiscal YTD - Nov. 2014	Fiscal YTD - Nov. 2014	Fiscal YTD - Nov. 2014	\$	%	
Operating Revenues							
Shipping Services	142,928	142,451	478	0.3%	Higher overall wharfage \$1.3 and higher dockage \$0.1, partially offset by lower space assignment <\$0.9>		
Rentals	18,968	23,881	(4,912)	(20.6%)	Prior year one-time ICTF catch-up payment <\$5.4>, partially offset by higher land rental rates \$0.5		
Royalties, Fees and Other Revenues	9,983	10,520	(537)	(5.1%)	One-time BNSF/SCIG catch-up billing in the prior year <\$4.9> and lower utility reimbursements <\$0.2>, partially offset by higher operating refunds/reimbursements \$4.3, higher parking fees \$0.2 and higher Southern Pacific/Union Pacific tenant income \$0.1		
Clean Truck Program Revenues	793	1,937	(1,145)	(59.1%)	Lower concession application fees <\$1.3>, partially offset by higher annual truck fees \$0.2		
Total Operating Revenues	172,672	178,789	(6,117)	(3.4%)			
Operating Expenses							
Gross Salaries & Benefits	54,540	55,935	(1,395)	(2.5%)	Lower average filled positions (890 vs. 923 prior year) partially offset by MOU salary increases		
Capitalization	(9,865)	(11,584)	1,719	(14.8%)	Lower direct capitalization \$1.1 and lower overhead capitalization \$0.6		
Net Salaries & Benefits	44,675	44,350	324	0.7%			
Marketing & Public Relations	1,208	1,507	(300)	(19.9%)	Timing of promotional and sponsorship spending <\$0.3>		
Travel	247	218	28	13.0%			
Outside Services	6,919	5,893	1,025	17.4%	Lower direct expense capitalization \$1.5, higher environmental assessment services \$0.3 and higher C&M building services \$0.2, partially offset by lower cruise terminal services <\$0.5>, timing of engineering services spending <\$0.3> and higher overhead capitalization <\$0.2>		
Materials & Supplies	2,011	2,327	(316)	(13.6%)			
City Services	16,359	14,974	1,384	9.2%	Higher fire services \$1.1, higher city attorney \$0.8, higher miscellaneous services \$0.3 and higher personnel services \$0.2, partially offset by lower paving expenses <\$1.0>		
(1) Other Operating Expenses	10,427	9,160	1,267	13.8%	Timing of electricity accruals \$0.8, higher environmental mitigation expenses \$0.8 and lower overhead capitalization \$0.6, partially offset by lower equipment rentals/purchases <\$0.4>, water & gas <\$0.3> and telephone <\$0.2>		
Clean Truck Program Expenses	244	220	25	11.2%			
Total Operating Expenses	82,089	78,650	3,439	4.4%			
Income Before Depreciation	90,583	100,138	(9,555)	(9.5%)			
Provision For Depreciation	71,177	51,353	19,824	38.6%			
Income From Operations	19,406	48,785	(29,379)	(60.2%)	Lower federal/state operating grants <\$3.0>, partially offset by higher interest/investment income \$1.0		
(2) Non-Operating Revenue	3,789	5,746	(1,957)	(34.1%)	Lower capital projects closed to expense <\$1.6>, higher interest capitalization <\$1.1>, lower bond issuance costs <\$0.8>, lower commercial paper costs <\$0.2> and lower pass-through grant disbursements <\$0.2>, partially offset by higher interest expense \$1.7 and bond redemption accounting adjustment \$0.3		
(3) Non-Operating Expenses	(2,965)	(4,828)	1,863	(38.6%)			
Net Income	20,230	49,704	(29,474)	(59.3%)			

Notes:

- (1) Primarily for: Electricity \$5.9; Insurance \$1.3; Pollution Remediation \$0.8; Water & Gas \$0.8; Environmental Incentives \$0.6; Telephone \$0.5; Equipment Rental/Permits/License/Fees \$0.5; Memberships/Subscriptions/Books \$0.4; Overhead Allocations <\$0.4>
- (2) Primarily for: Interest/Investment Income \$2.9; Rebates/Late Charges/Discounts/Misc. \$0.4; Federal/State Operating Grants \$0.3; Pass-through Grant Receipts \$0.2
- (3) Primarily for: Interest Expense \$17.7; Capitalized Interest <\$17.0>; Capital Projects Closed to Expense \$1.2; Bond Redemption Accounting Adjustment \$0.3; Bond Issuance Costs \$0.3; Pass-through Grant Disbursements \$0.2; Commercial Paper Costs \$0.2; Misc. Non-Op \$0.1