



“FOR INFORMATION ONLY”

DATE: JUNE 12, 2014

**TO: HONORABLE MEMBERS OF THE BOARD OF HARBOR
COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2013/14 ENDED MAY 31, 2014**

Our fiscal year-to-date (FYTD) through May 2014 financial performance results compared to both budget and year-on-year continue to reflect positive trends in cargo volumes, Operating Revenues and Operating Income (see Transmittals 1, 2 and 3). In summary, year-on-year performance results for the Harbor Department are as follows:

FYTD May 2014	Year-on-Year
Cargo Volumes	↑ 4.6%
Operating Revenues	↑ 6.3%
Operating Expenses	↑ 0.5%
Operating Income	↑ 11.4%
Net Income	↓ 29.8%

Positive growth in FYTD cargo volumes, a temporary General Rate Increase (effective July 1, 2013 through November 25, 2013) and scheduled rate and compensation resets continue to push FYTD Operating Revenues higher than the same period last fiscal year. Higher salary adjustments (mandated by Memoranda of Understanding), utilities and timing in capitalized overhead allocations continue to push Operating Expenses slightly higher year-on-year, but at a lower percentage rate than Operating Revenues, resulting in higher Operating Income (before Depreciation). Comparisons to budget reflect similar results for Operating Revenues, while less spending primarily in Outside Services and timing in City Services payments drove Operating Expenses lower. Despite higher Depreciation both year-on-year and compared to budget, Income from Operations (after Depreciation) remained higher while Net Income continues to be lower due to cancelled capital projects now expensed. Nevertheless, the Department's financial condition remains healthy, with high levels of Net Assets of approximately \$3.0 billion, including \$276.4 million in unrestricted cash.



“FOR INFORMATION ONLY”

DATE: JUNE 12, 2014

TO: HONORABLE MEMBERS OF THE BOARD OF HARBOR COMMISSIONERS

SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR 2013/14 ENDED MAY 31, 2014

Our fiscal year-to-date (FYTD) through May 2014 financial performance results compared to both budget and year-on-year continue to reflect positive trends in cargo volumes, Operating Revenues and Operating Income (see Transmittals 1, 2 and 3). In summary, year-on-year performance results for the Harbor Department are as follows:

FYTD May 2014	Year-on-Year
Cargo Volumes	↑ 4.6%
Operating Revenues	↑ 6.3%
Operating Expenses	↑ 0.5%
Operating Income	↑ 11.4%
Net Income	↓ 29.8%

Positive growth in FYTD cargo volumes, a temporary General Rate Increase (effective July 1, 2013 through November 25, 2013) and scheduled rate and compensation resets continue to push FYTD Operating Revenues higher than the same period last fiscal year. Higher salary adjustments (mandated by Memoranda of Understanding), utilities and timing in capitalized overhead allocations continue to push Operating Expenses slightly higher year-on-year, but at a lower percentage rate than Operating Revenues, resulting in higher Operating Income (before Depreciation). Comparisons to budget reflect similar results for Operating Revenues, while less spending primarily in Outside Services and timing in City Services payments drove Operating Expenses lower. Despite higher Depreciation both year-on-year and compared to budget, Income from Operations (after Depreciation) remained higher while Net Income continues to be lower due to cancelled capital projects now expensed. Nevertheless, the Department's financial condition remains healthy, with high levels of Net Assets of approximately \$3.0 billion, including \$276.4 million in unrestricted cash.

SUBJECT: FINANCIAL PERFORMANCE RESULTS

Capitalized Overhead Allocations

Effective with the FYTD June 2014 financial reports, capitalized overhead will be reported by respective expense component. Currently, the total FYTD May 2014 capitalized overhead of \$9.9 million, for example, is reported under the expense component "Allocations to Capital" (see Transmittals 2 and 3). The accounting treatment for capitalized overhead will instead apportion this total among the various expense components, e.g., Salaries & Benefits, Marketing and Public Relations, Travel, Outside Services, etc., resulting in a more accurate reporting of this category. Transmittal 4 provides an illustration of this reporting change.

Capital Improvement Program (CIP)

CIP spending at FYTD May 2014 reached \$300.7 million or about 75% of the total \$399.9 million CIP adopted budget. The Department is expected to spend approximately \$325 million or 81% of the total CIP adopted budget by fiscal year-end.



GARY LEE MOORE, P.E.
Interim Executive Director

GLM:MC:KP:EY

mcc

Transmittals:

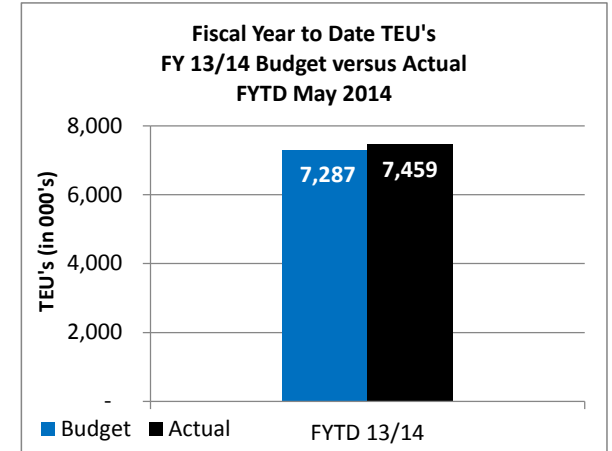
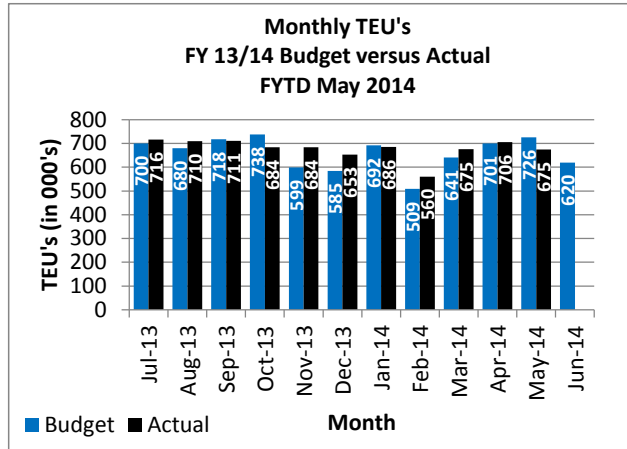
1. TEU Throughput Comparison – FYTD May 2014 (Preliminary Estimate)
2. Actual-to-Budget FY 2013/14 – May
3. Year-to-Year Performance Report YTD May 31, 2014 and 2013
4. Example Illustration of Change in Reporting of Capitalized Overhead Allocations

cc: Deputy Executive Directors

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

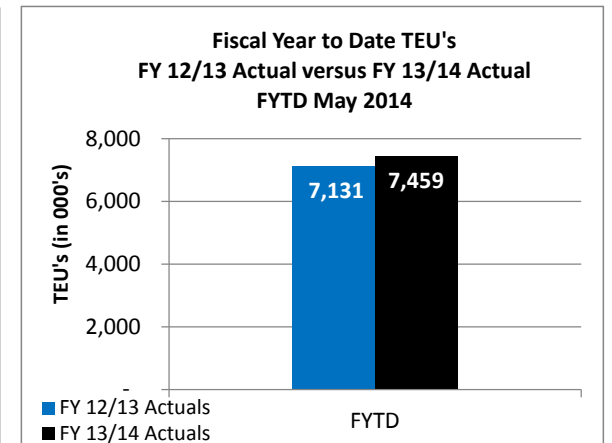
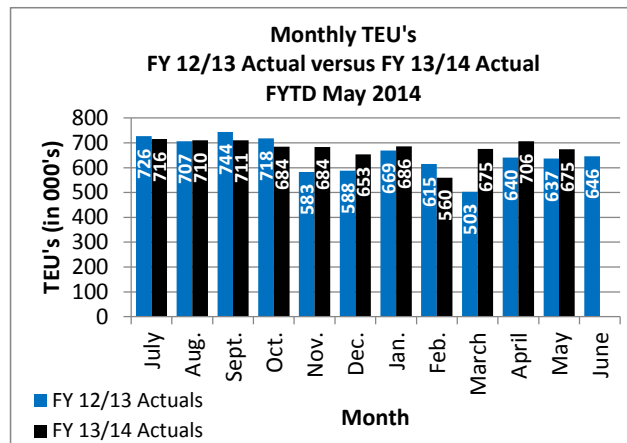
FY 13/14 Budget vs. FY 13/14 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 13/14 Budget	FY 13/14 Actuals		
Jul-13	700	716	2.2%	↑
Aug-13	680	710	4.4%	↑
Sep-13	718	711	-1.0%	↓
Oct-13	738	684	-7.3%	↓
Nov-13	599	684	14.2%	↑
Dec-13	585	653	11.7%	↑
Jan-14	692	686	-0.9%	↓
Feb-14	509	560	10.1%	↑
Mar-14	641	675	5.4%	↑
Apr-14	701	706	0.8%	↑
May-14	726	675	-7.1%	↓
Jun-14	620			
FYTD 13/14	7,287	7,459	2.4%	↑
FY 13/14 Budget	7,907			



FY 12/13 Actuals vs. FY 13/14 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 12/13 Actuals	FY 13/14 Actuals		
July	726	716	-1.5%	↓
Aug.	707	710	0.4%	↑
Sept.	744	711	-4.5%	↓
Oct.	718	684	-4.8%	↓
Nov.	583	684	17.3%	↑
Dec.	588	653	11.1%	↑
Jan.	669	686	2.5%	↑
Feb.	615	560	-9.0%	↓
March	503	675	34.2%	↑
April	640	706	10.3%	↑
May	637	675	6.0%	↑
June	646			
FYTD	7,131	7,459	4.6%	↑
FY 12/13 Actuals	7,777			



Harbor Department
Actual-to-Budget
Fiscal Year 2013/14 - May
(Data in thousands of \$, comments in millions of \$)

Transmittal 2

(000s)	Actual (Unaudited) FY 2013/14 (Fiscal YTD May 2014) (Based on Preliminary Results)	Adjusted* Budget FY 2013/14 (Fiscal YTD May 2014)	Δ	Δ%		Adjusted* Adopted Budget FY 2013/14	FYTD Actual as % of Adopted Budget
Operating Revenues							
Shipping Services	344,618	337,157	7,461	2.2%	← Cargo volumes higher than budgeted and TEU rate and compensation adjustments	360,128	95.7%
Rentals	38,133	35,541	2,592	7.3%		45,377	84.0%
Royalties, fees and other revenues	5,215	5,439	(224)	-4.1%		5,980	87.2%
Clean Truck Program Revenues	1,944	1,453	491	33.8%		1,550	125.4%
Total Operating Revenues	389,910	379,590	10,320	2.7%		413,035	94.4%
Operating Expenses							
Salaries & Benefits					← Lower salaries, offset by higher overtime and benefits accrual		
Gross Salaries & Benefits	123,805	123,354	451	0.4%			
Capitalization	(17,236)	(20,625)	3,389	-16.4%	← Lower capitalization primarily for Construction & Maintenance		
Net Salaries & Benefits (Operating)	106,569	102,729	3,840	3.7%		112,113	95.1%
Marketing and Public Relations	2,512	3,603	(1,091)	-30.3%	← Timing in payments for promotional and sponsorships <\$0.8> and lower spending for foreign trade representation and business promotional <\$0.2>	3,834	65.5%
Travel	615	890	(275)	-30.9%		963	63.9%
Outside Services	22,000	30,199	(8,199)	-27.1%	← Timing in payments primarily for environmental assessment services <\$2.3>, software maintenance <\$0.8>, security camera maintenance <\$1.4>, and lower spending primarily for maintenance services <\$2.1>, legal services <\$0.7>, cruise terminal operations <\$0.5>	35,719	61.6%
Materials & Supplies	6,381	6,884	(503)	-7.3%		7,390	86.3%
City Services	26,461	33,310	(6,849)	-20.6%		36,246	73.0%
Allocations to Capital	(9,903)	(11,216)	1,313	-11.7%		(12,235)	80.9%
Other Operating Expenses	18,344	21,556	(3,212)	-14.9%	← Timing in payments and accruals	24,359	75.3%
Clean Truck Program Expenses**	838	1,559	(721)	-46.2%		1,700	49.3%
Total Operating Expenses	173,817	189,514	(15,697)	-8.3%	← Lower spending/timing in payments primarily for environmental incentives <\$1.1>, insurance <\$0.8>, work orders for tenants <\$0.8> and litigation and settlements <\$0.7>	210,089	82.7%
Income Before Depreciation	216,093	190,076	26,017	13.7%		202,946	106.5%
Provision for Depreciation	113,081	101,063	12,018	11.9%		110,250	102.6%
Income from Operations	103,012	89,013	13,999	15.7%		92,696	111.1%
Non-Operating Revenue (interest income, grant r	18,294	14,993	3,301	22.0%	← Primarily due to higher settlements/rebates \$3.5, Federal/State grants \$1.0 and pass-through grant receipts \$2.2, partially offset by lower interest/investment income <\$3.6>	16,354	111.9%
Non-Operating Expenses (bond issuance, interes	44,760	15,213	29,547	-194.2%		17,601	254.3%
Net Income	76,546	88,793	(12,247)	-13.8%	← Higher capital projects cancelled or not completed \$33.7, primarily for: \$9.4 Berth 408-409 Crude Oil Marine Terminal and EIR, wharf, etc. \$7.2 Wilmington Waterfront Development Master Planning, EIR \$6.9 Avalon Blvd. Corridor \$2.9 Cabrillo Beach recreational area \$1.2 Berth 155 Catalina Freight Relocation Projects \$0.9 Angel's Walk LA Stanchions \$0.5 Pier 500 Preliminary Studies	91,449	83.7%

*Includes Unappropriated Balance transfers for City Attorney legal services (\$664K Outside Services) and new container services moving expenses (\$340K Other Operating).

**Includes expenses for incentives and administrative costs (Other Operating Expenses).

Primarily for:
\$8.1 Utilities
\$2.8 Insurance
\$1.7 Environmental incentives
\$1.6 Provision for Workers Compensation
\$1.5 Telephone
\$1.0 Property rental/license user fee
\$0.6 Taxes, permits, litigation, misc
\$0.5 Books, manuals, subscriptions, memberships
\$0.4 Equipment rental

Primarily for:
\$33.9 Interest expense
<\$31.2> Capitalized interest
\$33.7 Capital projects cancelled or not completed
\$ 6.8 Federal/State pass through grant disbursements
\$ 1.1 Commercial Paper issuance cost
\$ 0.5 Retired equipment not fully depreciated

Primarily for:
\$6.8 Federal/State pass through grant receipts
\$4.9 Settlements, rebates
\$4.4 Interest income
\$1.5 Federal/State grant receipts
\$0.5 Gain on sale, discounts taken, misc
\$0.2 Environmental reimbursements

Year-to-Year Performance Report

YTD May 31, 2014 and 2013

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

	Actual (Unaudited) FY 2013/14 (Fiscal YTD)	Actual (Unaudited) FY 2012/13 (Fiscal YTD)	Δ	Δ%	
Operating Revenues					
Shipping Services	344,618	319,487	25,131	7.9%	Higher cargo volumes, higher number of vessels, higher space assignments, higher lay day fees, GRI (general rate increase ended Nov 2013), and TEU rate and compensation adjustments
Rentals	38,133	41,071	(2,938)	-7.2%	
Royalties, fees and other revenues	5,215	4,925	290	5.9%	
Clean Truck Program Revenues	1,944	1,312	632	48.2%	
Total Operating Revenues	389,910	366,795	23,115	6.3%	
Operating Expenses					
Salaries & Benefits					Higher salaries (MOU adjustments) and benefits (pension/medical contributions)
Gross Salaries and Benefits	123,805	118,747	5,058	4.3%	
Capitalization	(17,236)	(12,850)	(4,386)	34.1%	Lower spending primarily in building maintenance services, higher capitalization and timing in hiring hall benefits for Construction & Maintenance <\$3.2>, environmental assessment services <\$2.5>, partially offset by higher spending in Real Estate for cruise terminal operator \$1.0, City Attorney legal services \$0.8, information technology consulting services \$0.5, Engineering computer systems services \$0.4, public relations \$0.4
Net Salaries & Benefits (Operating)	106,569	105,897	672	0.6%	
Marketing and Public Relations	2,512	2,509	3	0.1%	
Travel	615	1,029	(414)	-40.2%	
Outside Services	22,000	24,425	(2,425)	-9.9%	Generally higher spending for Port Police and Construction & Maintenance
Materials & Supplies	6,381	5,501	880	16.0%	
City Services	26,461	29,898	(3,437)	-11.5%	
Allocations to Capital	(9,903)	(15,024)	5,121	-34.1%	Higher utilities \$4.4 (\$1.1 prior year expense, \$1.6 accrual timing and \$1.7 higher usage), partially offset by timing in equipment and other capitalization <\$2.4>, environmental incentives <\$0.8>, workers compensation provision <\$0.6> and litigation and settlements <\$0.4>
Other Operating Expenses	18,344	18,021	323	1.8%	
Clean Truck Program Expenses*	838	636	202	31.8%	
Total Operating Expenses	173,817	172,892	925	0.5%	
Income Before Depreciation	216,093	193,903	22,190	11.4%	
Provision for Depreciation	113,081	98,429	14,652	14.9%	Lower Federal/State grant <\$7.0> and pass-through grant receipts <\$4.7>, interest/investment income <\$4.6>, environmental reimbursements <\$1.2>, partially offset by higher settlements/rebates \$2.9
Income from Operations	103,012	95,474	7,538	7.9%	
Non-Operating Revenue (Interest Income, grant receipts, etc.)	18,294	32,871	(14,577)	-44.3%	Higher capital projects cancelled or not completed \$31.4, partially offset by lower Federal/State pass-through expenses <\$4.7>
Non-Operating Expenses (Bonds/Notes Interest Expense, etc.)	44,760	19,374	25,386	131.0%	
Net Income	\$76,546	\$108,971	(32,425)	-29.8%	

*Includes expenses for incentives and administrative costs (Other Operating Expenses) and legal services (Outside Services).

Primarily for:
 \$8.1 Utilities
 \$2.8 Insurance
 \$1.7 Environmental incentives
 \$1.6 Provision for Workers Compensation
 \$1.5 Telephone
 \$1.0 Property rental/license user fee
 \$0.6 Taxes, permits, litigation, misc
 \$0.5 Books, manuals, subscriptions, memberships
 \$0.4 Equipment rental

Primarily for:
 \$33.9 Interest expense
 <\$31.2> Capitalized interest
 \$33.7 Capital projects cancelled or not completed
 \$ 6.8 Federal/State pass through grant disbursements
 \$ 1.1 Commercial Paper issuance cost
 \$ 0.5 Retired equipment not fully depreciated

Primarily for:
 \$6.8 Federal/State pass through grant receipts
 \$4.9 Settlements, rebates
 \$4.4 Interest income
 \$1.5 Federal/State grant receipts
 \$0.5 Gain on sale, discounts taken, misc
 \$0.2 Environmental reimbursements

EXAMPLE ILLUSTRATION OF CHANGE IN REPORTING OF CAPITALIZED OVERHEAD ALLOCATIONS

(CHANGES HIGHLIGHTED IN GREY SHADING)

Year-to-Year Performance Report YTD May 31, 2014 and 2013	BEFORE Actual (Unaudited) FY 2013/14 (Fiscal YTD) <small>(Based on Preliminary Results)</small>	AFTER Actual (Unaudited) FY 2013/14 (Fiscal YTD) <small>(Based on Preliminary Results)</small>
(000s)		
Operating Revenues		
Shipping Services	344,618	344,618
Rentals	38,133	38,133
Royalties, fees and other revenues	5,215	5,215
Clean Truck Program Revenues	1,944	1,944
Total Operating Revenues	389,910	389,910
Operating Expenses		
Salaries & Benefits		
Gross Salaries and Benefits	123,805	123,805
Capitalization (Direct)	(17,236)	(17,236)
Capitalization (Overhead)	(5,762)	(5,762)
Net Salaries & Benefits (Operating)	106,569	100,807
Marketing and Public Relations	2,512	2,512
Capitalization (Overhead)	(125)	(125)
Net Marketing and Public Relations	2,512	2,387
Travel	615	615
Capitalization (Overhead)	(56)	(56)
Net Travel	615	559
Outside Services	22,000	22,000
Capitalization (Overhead)	(1,166)	(1,166)
Net Outside Services	22,000	20,834
Materials & Supplies	6,381	6,381
Capitalization (Overhead)	(350)	(350)
Net Materials & Supplies	6,381	6,031
City Services	26,461	26,461
Capitalization (Overhead)	(1,542)	(1,542)
Net City Services	26,461	24,919
Allocations to Capital	(9,903)	0
Other Operating Expenses	18,344	18,344
Capitalization (Overhead)	(902)	(902)
Net Other Operating Expenses	18,344	17,442
Clean Truck Program Expenses	838	838
Total Operating Expenses	173,817	173,817
Income Before Depreciation	216,093	216,093
Provision for Depreciation	113,081	113,081
Income from Operations	103,012	103,012
Non-Operating Revenue (Interest Income, grant receipts, etc.)	18,294	18,294
Non-Operating Expenses (Bonds/Notes Interest Expense, etc.)	44,760	44,760
Net Income	\$76,546	\$76,546