



## AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

### “FOR INFORMATION ONLY”

**DATE: JUNE 14, 2018**

**TO: BOARD OF HARBOR COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR  
FISCAL YEAR 2017/18 ENDED MAY 31, 2018**

Financial performance results for the first eleven months of Fiscal Year (“FY”) 2017/18 are listed below and have been summarized relative to both budget and the prior fiscal year. For the month of May, cargo volumes (as measured by TEUs or twenty-foot equivalent units) decreased by 3.4% relative to May 2017, and fiscal year-to-date (“FYTD”) TEUs are 0.3% lower relative to prior FYTD results. In summary, FYTD performance results for the Harbor Department are as follows:

FYTD May 2018	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
<b>Cargo Volumes</b>	8,447	↑ 2.3%	↓ (0.3%)
<b>Operating Revenues</b>	\$449.3	↑ 2.3%	↑ 3.2%
<b>Operating Expenses</b>	\$200.4	↓ (14.1%)	↑ 7.6%
<b>Operating Income</b>	\$248.9	↑ 20.9%	↓ (0.1%)
<b>Net Income</b>	\$116.5	↑ 119.8%	↑ 19.6%

Through the first eleven months of FY 2017/18, cargo volume growth has led to an increase in Shipping Services compared to budget. Relative to budget, Total Operating Revenues increased by 2.3% as the aforementioned increase in Shipping Services, higher land rentals as well as the receipt of Harbor Maintenance Tax funds were only partially offset by delayed license fee invoicing, higher credits for tenant services and lower utility reimbursements. Relative to the prior fiscal year, despite cargo volumes being slightly lower, Total Operating Revenues increased by 3.2% as higher wharfage, higher land rentals, higher utility reimbursements and higher pilotage and dockage fees were only partially offset by delayed license fee invoicing, higher credits for tenant services and lower space assignment fees.

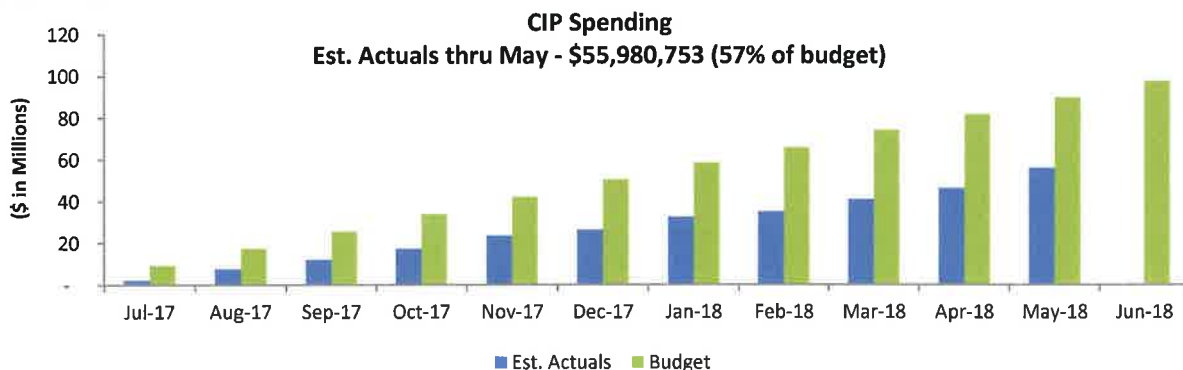
**SUBJECT: FINANCIAL PERFORMANCE RESULTS**

Operating Expenses were favorably impacted as invoicing delays with respect to outside services, lower headcounts as well as lower electricity expenses drove total Operating Expenses 14.1% below budget. Relative to the prior fiscal year, total Operating Expenses increased by 7.6% due to MOU salary increases, higher electricity costs, higher fire services, higher recreation and parks services, higher construction and maintenance materials spending, higher cruise incentive payouts and lower salary capitalization.

Operating margins for the FYTD period were reported at 55.4% versus a budget of 46.9% and a prior year figure of 57.2%. As invoicing delays are resolved, operating expenses are anticipated to trend towards budget as FY 2017/18 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended May 31, 2018 based on internal estimates reached \$56.0 million or about 57% of the total \$97.7 million CIP adopted budget. The Harbor Department expects CIP spending to fall below the adopted budget by fiscal year-end.



*Mark Bleavin* FOR

EUGENE D. SEROKA  
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD May 2018
2. Actual-to-Budget FY 2017/18 – May
3. Year-to-Year Performance Report YTD May 31, 2018 and 2017

Author: M. Marchese

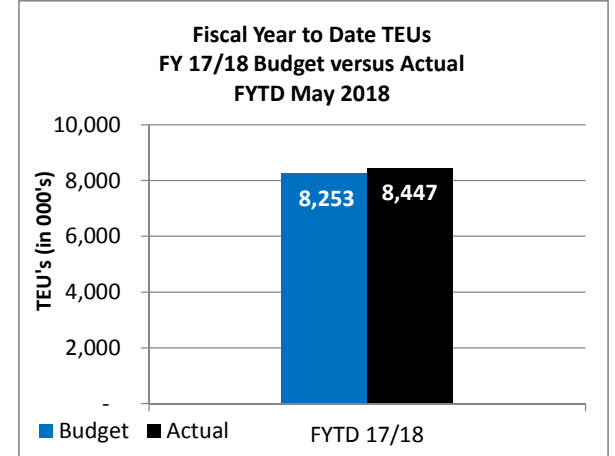
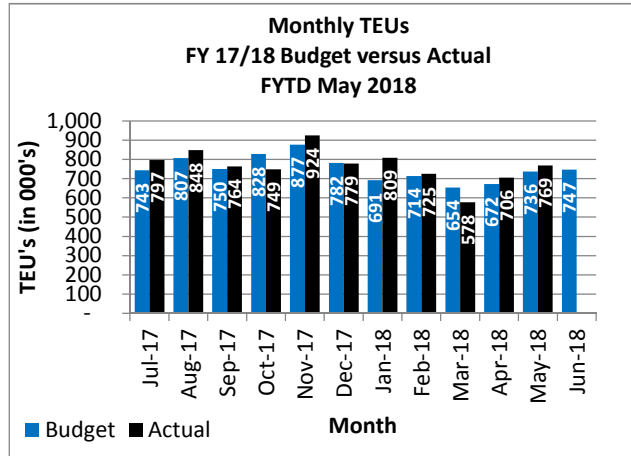
MB:MM/Finance

cc: Deputy Executive Directors

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

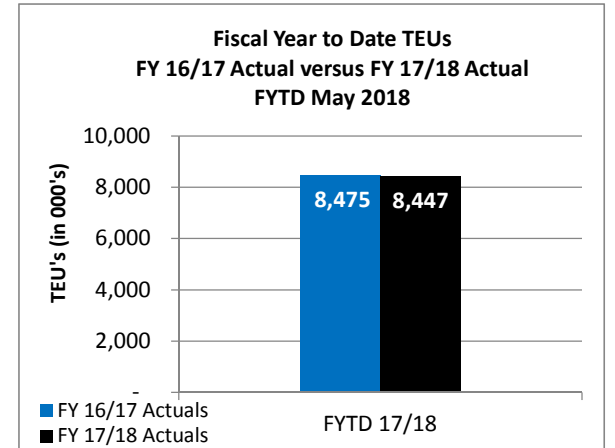
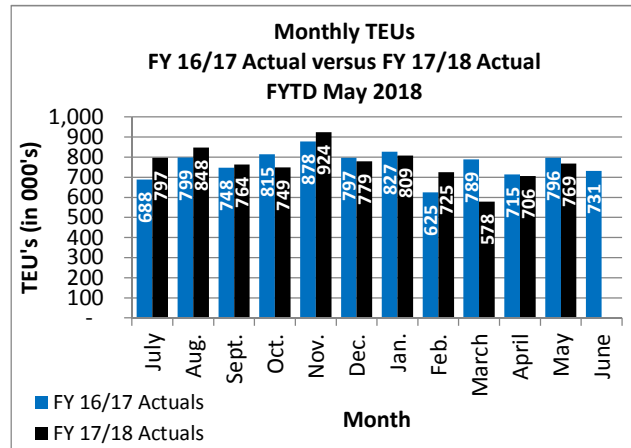
Budget versus Actuals Comparison  
FY 17/18 Budget vs. FY 17/18 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 17/18 Budget	FY 17/18 Actuals		
Jul-17	743	797	7.2%	↑
Aug-17	807	848	5.1%	↑
Sep-17	750	764	1.9%	↑
Oct-17	828	749	-9.5%	↓
Nov-17	877	924	5.4%	↑
Dec-17	782	779	-0.3%	↓
Jan-18	691	809	17.0%	↑
Feb-18	714	725	1.6%	↑
Mar-18	654	578	-11.6%	↓
Apr-18	672	706	5.0%	↑
May-18	736	769	4.4%	↑
Jun-18	747			
FYTD 17/18	8,253	8,447	2.3%	↑
FY 17/18 Budget	9,000			



Year-to-Year Actuals Comparison  
FY 16/17 Actuals vs. FY 17/18 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 16/17 Actuals	FY 17/18 Actuals		
July	688	797	15.8%	↑
Aug.	799	848	6.1%	↑
Sept.	748	764	2.2%	↑
Oct.	815	749	-8.1%	↓
Nov.	878	924	5.3%	↑
Dec.	797	779	-2.2%	↓
Jan.	827	809	-2.2%	↓
Feb.	625	725	15.9%	↑
March	789	578	-26.7%	↓
April	715	706	-1.3%	↓
May	796	769	-3.4%	↓
June	731			
FYTD 17/18	8,475	8,447	-0.3%	↓
FY 16/17 Actuals	9,206			



	Fiscal Year Actual	Fiscal Year Budget	Actual-to-Budget Comparison	
	FY 2017/18	FY 2017/18	\$	%
<b>\$ in thousands</b>	<b>Fiscal YTD - May 2018</b>	<b>Fiscal YTD - May 2018</b>		
<b>Operating Revenues</b>				
Shipping Services	376,437	365,423	11,013	3.0%
Rentals	56,595	47,770	8,825	18.5%
Royalties, Fees and Other Revenues	14,055	23,552	(9,497)	(40.3%)
Clean Truck Program Revenues	2,166	2,333	(168)	(7.2%)
<b>Total Operating Revenues</b>	<b>449,252</b>	<b>439,078</b>	<b>10,174</b>	<b>2.3%</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	125,992	138,600	(12,608)	(9.1%)
Capitalization	(19,341)	(13,578)	(5,764)	42.4%
Net Salaries & Benefits	106,651	125,023	(18,372)	(14.7%)
Marketing & Public Relations	2,587	3,024	(437)	(14.4%)
Travel	666	826	(160)	(19.4%)
Outside Services	21,025	38,257	(17,232)	(45.0%)
Materials & Supplies	6,150	6,482	(332)	(5.1%)
City Services	39,915	43,000	(3,085)	(7.2%)
(1) Allocations to Capital - Overhead		(12,575)	12,575	(100.0%)
(2) Other Operating Expenses	22,665	28,093	(5,428)	(19.3%)
Clean Truck Program Expenses	707	1,011	(304)	(30.1%)
<b>Total Operating Expenses</b>	<b>200,366</b>	<b>233,141</b>	<b>(32,775)</b>	<b>(14.1%)</b>
<b>Income Before Depreciation</b>	<b>248,886</b>	<b>205,938</b>	<b>42,948</b>	<b>20.9%</b>
Provision For Depreciation	143,672	163,804	(20,133)	(12.3%)
<b>Income From Operations</b>	<b>105,214</b>	<b>42,133</b>	<b>63,081</b>	<b>149.7%</b>
(3) Non-Operating Revenue	17,738	21,144	(3,406)	(16.1%)
(4) Non-Operating Expenses	(6,503)	(10,301)	3,798	(36.9%)
<b>Net Income</b>	<b>116,450</b>	<b>52,976</b>	<b>63,473</b>	<b>119.8%</b>

\$ in thousands	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2017/18	FY 2016/17	Change	
	Fiscal YTD - May 2018	Fiscal YTD - May 2017	\$	%
<b>Operating Revenues</b>				
Shipping Services	376,437	365,178	11,258	3.1%
Rentals	56,595	47,068	9,526	20.2%
Royalties, Fees and Other Revenues	14,055	21,038	(6,983)	(33.2%)
Clean Truck Program Revenues	2,166	2,131	35	1.6%
<b>Total Operating Revenues</b>	<b>449,252</b>	<b>435,416</b>	<b>13,836</b>	<b>3.2%</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	125,992	122,545	3,447	2.8%
Capitalization	(19,341)	(20,189)	848	(4.2%)
Net Salaries & Benefits	106,651	102,356	4,295	4.2%
Marketing & Public Relations	2,587	2,272	315	13.9%
Travel	666	506	160	31.6%
Outside Services	21,025	20,445	580	2.8%
Materials & Supplies	6,150	4,530	1,620	35.8%
City Services	39,915	37,339	2,576	6.9%
(1) Other Operating Expenses	22,665	18,216	4,449	24.4%
Clean Truck Program Expenses	707	590	117	19.8%
<b>Total Operating Expenses</b>	<b>200,366</b>	<b>186,254</b>	<b>14,112</b>	<b>7.6%</b>
<b>Income Before Depreciation</b>	<b>248,886</b>	<b>249,161</b>	<b>(275)</b>	<b>(0.1%)</b>
Provision For Depreciation	143,672	157,623	(13,952)	(8.9%)
<b>Income From Operations</b>	<b>105,214</b>	<b>91,538</b>	<b>13,676</b>	<b>14.9%</b>
(2) Non-Operating Revenue	17,738	14,399	3,339	23.2%
(3) Non-Operating Expenses	(6,503)	(8,564)	2,062	(24.1%)
<b>Net Income</b>	<b>116,450</b>	<b>97,372</b>	<b>19,077</b>	<b>19.6%</b>