



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

Item #2

DATE: AUGUST 14, 2014

TO: AUDIT COMMITTEE OF THE BOARD OF HARBOR
COMMISSIONERS

SUBJECT: AUGUST 21, 2014 AUDIT COMMITTEE MEETING MATERIALS –
FY 2014 FINANCIAL PERFORMANCE RESULTS AND
FINANCIAL MANAGEMENT ACTION ITEMS UPDATE

These agenda items are transmitted to the Audit Committee as part of the Financial Management division's annual reporting process and in response to discussions from the June 19, 2014 Audit Committee meeting:

1. Fiscal Year (FY) 2014 Financial Performance Results – this summarizes the Harbor Department's financial performance for the fiscal year ended June 30, 2014.
2. Financial Dashboard – this provides a summary view of the Harbor Department's financial performance as of June 2014 which will be updated on a monthly basis going forward.
3. List of capital improvement projects which are no longer capitalized – this list provides further details regarding the \$33.7 million expense incurred in FY 2014 for projects which are no longer capitalized.

EUGENE D. SEROKA
Executive Director

Attachments:

Attachment 1: Financial Performance Results for FY Ended June 30, 2014
Attachment 2: Financial Dashboard – June 2014
Attachment 3: List of Cancelled Projects now Expensed



Executive Director's
Report to the

Board of Harbor Commissioners

“FOR INFORMATION ONLY”

DATE: AUGUST 14, 2014

TO: THE BOARD OF HARBOR COMMISSIONERS

SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR ENDED JUNE 30, 2014

SUMMARY

Based on unaudited financial statements, the financial results for the City of Los Angeles Harbor Department (Harbor Department) for Fiscal Year (FY) 2013/14 ended strongly with Operating Income (before Depreciation) of \$219.5 million, its highest level in 7 years. In summary, performance results for the Harbor Department are as follows:

FY Ended June 2014	Actuals (in Millions)	Year-on-Year Comparison	Actual-to- Budget Comparison
Cargo Volumes	8.2	↑ 5.6%	↑ 3.8%
Operating Revenues	\$426.6	↑ 7.4%	↑ 3.3%
Operating Expenses	\$207.2	↑ 1.0%	↓ 1.4%
Operating Income	\$219.5	↑ 14.2%	↑ 8.1%
Net Income	\$72.4	↓ 27.9%	↓ 20.9%

Positive growth in cargo volumes (Transmittal 1) and a temporary General Rate Increase (effective July 1, 2013 through November 25, 2013) pushed Operating Revenues to \$426.6 million, higher than budget and year-on-year. The Harbor Department's continued vigilance in holding down expenses kept Operating Expenses to \$207.2 million, \$2.9 million or 1.4% lower than budget. While mandatory salary adjustments and pension contribution rate increases drove Operating Expenses slightly higher year-on-year, that growth was at a lower percentage rate than Operating Revenues. As a result, Operating Income was better than budget and the same period last fiscal year. Net Income of \$72.4 million was lower both in terms of actual and budget comparisons due to cancelled capital projects now expensed. Overall, the Harbor Department remains healthy in its financial condition increasing its high level of Net Position to approximately \$3.1 billion and holding \$265.8 million in unrestricted cash.

SUBJECT: FINANCIAL PERFORMANCE RESULTS

DISCUSSION:

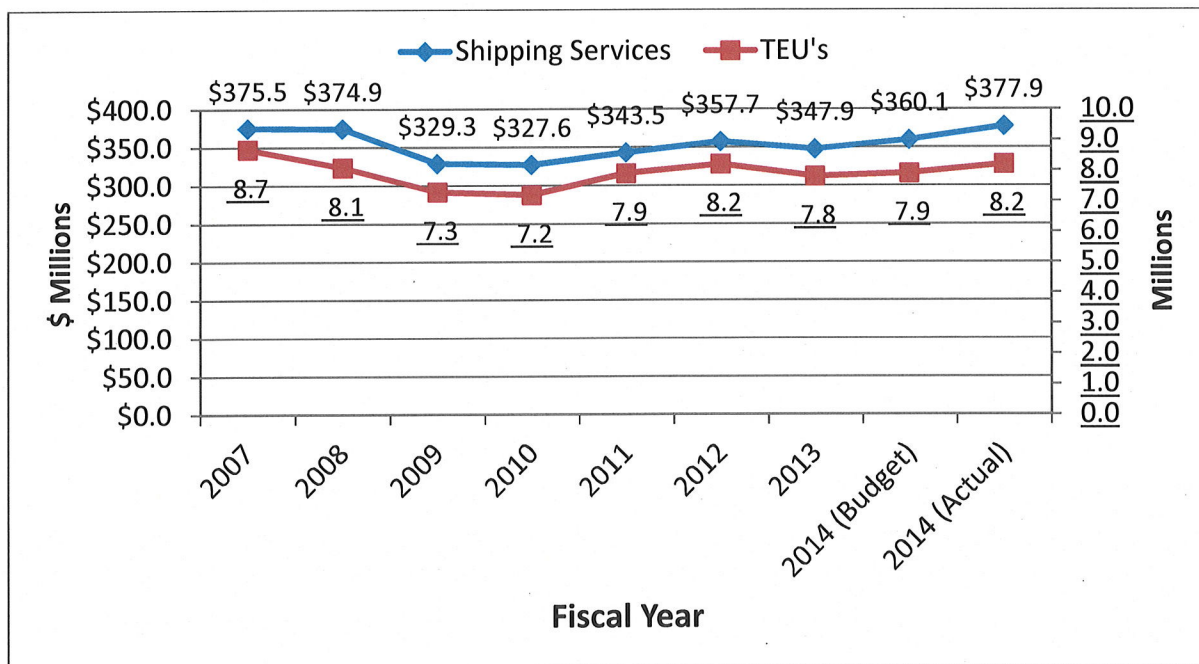
Through FY 2013/14 ended June 30, 2014, the Harbor Department meets or exceeds the following key performance metrics indicative of healthy operations:

Performance Metric	Minimum	As of 6/30/14
Debt Rating	AA	✓ AA
Debt Service Coverage	2.0X	✓ 3.4X
Operating Margin	45%	✓ 51%

Actual-to-Budget Performance Comparison through June 30, 2013 (Transmittal 2)

Operating Revenues - Higher than budgeted cargo volumes by 3.8% (as measured by TEUs or twenty-foot equivalent units) primarily drove total Operating Revenues of \$426.6 million higher than planned by \$13.6 million or 3.3%. Of this increase, \$17.7 million was attributed to Shipping Services being 4.9% higher than budgeted and at its highest level since FY 2007/08.

Shipping Services Revenues and TEU Trends
FY 2007 – FY 2014



SUBJECT: FINANCIAL PERFORMANCE RESULTS

The higher cargo volumes are attributed to organic growth and to cargo owners stockpiling inventory given the uncertainty over International Longshore and Warehouse Union labor contract negotiations. New service calling at the Port of Los Angeles (Port or POLA) through the G6 Alliance contributed to the organic growth. The G6 Alliance provides a network covering all three major East-West trade lanes and operates a total of 29 services. Four of the container-shipping lines (i.e., NYK, APL, Hyundai, and MOL) that are part of the G6 Alliance operate at the Port, helping to drive more cargo to POLA. Larger vessel services also contributed to the growth, as well as general improvement in the economy; the Department of Commerce recently announced that real Gross Domestic Product increased by 4.0% in the second quarter of 2014.






Partially offsetting the higher Shipping Services Revenues were other Operating Revenue components that in total were \$4.2 million lower than budgeted:

- **Rentals** – Lower by \$5.2 million or 11.5% primarily as a result of a misclassification of \$7.2 million in budgeted Wharfage (Shipping Services) under Rentals, partially offset by \$2.1 million in higher rate of fixed rental resets and gross receipts than projected;
- **Royalties, Fees and Other** – Higher by \$0.5 million or 8.1% due to a higher level of utility reimbursements from customers for Alternative Marine Power™ (AMP™) by \$1.0 million, partially offset by lower billings of about \$0.5 million for work performed by Construction and Maintenance Division (Construction and Maintenance) for customers and other miscellaneous revenues; and
- **Clean Truck Fees** – Higher by \$0.6 million or 36.7%, with fees being higher by \$0.7 million, partially offset by \$0.1 million in lower concession application fees.

Operating Expenses – Overall lower spending in Outside Services and other expense components, partially offset by lower capitalization were the primary drivers of the lower than budgeted Operating Expenses. Details by expense component are as follows:


- **Salaries & Benefits \$112.1 million: Flat to budget.**
Higher capitalization kept this expense component flat to budget, which continues to account for over 50% of total Operating Expenses. At a gross level (before capitalization), salaries and benefits of \$136.3 million were higher than projected by \$1.6 million or 1.2%. While the average full-time filled positions of 939 was lower than the budgeted 940, higher overtime by \$0.6 million for Port Police and a higher provision for benefits liability by \$1.6 million drove gross expenses higher than planned. The higher benefits liability provision was necessary due to an increased level of accumulated unused employee vacation, sick, book overtime, etc. as of fiscal year-end compared to the same period last fiscal year. Offsetting this was \$1.7 million in higher capitalization for indirect overhead, partially offset by lower capitalized salaries for Construction and Maintenance as that division is devoting more time to maintenance operations.


SUBJECT: FINANCIAL PERFORMANCE RESULTS

- **Marketing and Public Relations \$2.7 million:**  **by \$1.1 million or 29.3%.**
Promotional and advertising expenses were lower by \$0.6 million as certain planned events such as Navy Days did not occur, and efforts were made to control and lower costs. Additionally, a new advertising agency contract is still in progress and was not available during the fiscal year. Sponsorships were also lower by \$0.3 million as the Harbor Department implemented a new grants-based sponsorship program, with timing of some applications and awards occurring after fiscal year-end. Domestic and foreign trade representation services were also lower by \$0.1 million as the Business & Trade Development Division re-strategized its usage.
- **Travel \$0.6 million:**  **by \$0.4 million or 43.1%.**
A department-wide effort was made to be more strategic in the usage of travel for both business development and training and employee development purposes, which resulted in lower spending.
- **Outside Services \$26.3 million:**  **by \$9.4 million or 26.3%.**
Primary drivers of the lower spending in Outside Services are as follows:
 - **Environmental Assessment Services** (lower by \$4.1 million) primarily due to project delays and lower level of requests from divisions;
 - **Information Technology Services** (lower by \$1.4 million) due to timing in invoices for software maintenance, and lower consulting services and maintenance services for the Engineering Division's Project Information Control System;
 - **Maintenance Services** (lower by \$1.3 million) for Construction and Maintenance due to lower spending for fire life safety system contractor and fountain maintenance;
 - **Cruise Terminal Operations** (lower by \$0.7 million) for the new operator, which costs were lower than anticipated;
 - **Legal Services** (lower by \$0.5 million) for City Attorney;
 - **Executive Coaching Services** (lower by \$0.3 million) for Executive Office; and
 - **Miscellaneous Professional Services** (lower by \$1.1 million) for other department-wide divisions (net).
- **Materials and Supplies \$6.9 million:**  **by \$0.5 million or 6.9%.**
The lower than budget result in this category is primarily driven by \$0.3 million in higher capitalization by Construction and Maintenance with a budget that includes 67% of department-wide Materials and Supplies operating budget. Another \$0.2 million in lower spending and higher capitalization by various divisions accounted for the remainder.
- **City Services \$33.5 million:**  **by \$2.7 million or 7.6%.**
Lower spending was primarily driven by higher capitalization by \$1.7 million in overhead allocations, as well as \$0.5 million in City Attorney services to be paid in

SUBJECT: FINANCIAL PERFORMANCE RESULTS

subsequent billings, \$0.2 million in lower Information Technology Agency services due to timing in billing for Geographic Information System (GIS) imagery, and \$0.3 million (net) in lower spending for various other City of Los Angeles Department services.

- **Other Operating Expenses \$24.0 million:**  **by \$0.3 million or 1.3%.**
The lower than budget resulted from lower spending for:
 - **Environmental Incentives** (lower by \$2.2 million) due to a lower level of incentive requests;
 - **Provision for Bad Debt** (lower by \$1.5 million) due to a lower level of doubtful accounts receivables;
 - **Litigation** (lower by \$0.8 million);
 - **Other expenses**, e.g., memberships, inventory adjustments, insurance, equipment rental and higher capitalization (lower by \$0.8 million); partially offset by higher
 - **Pollution Remediation** (higher by \$3.2 million) due to updated estimations of remediation liability;
 - **Electricity** (higher \$1.4 million) for AMP™ which are reimbursed by customers; and
 - **Provision for Workers Compensation** (higher by \$0.4 million) as a result of higher actuarial estimates than budgeted.

- **Clean Truck Program \$1.1 million:**  **by \$0.6 million or 35.3%**
Included in Other Operating Expenses but reported separately are Clean Truck Program administrative expenses of \$1.1 million which were lower as a result of synergy between the Harbor Department and the Port of Long Beach having the same program administrator, special studies rescheduled to next fiscal year, and other process changes. As a note, the \$1.1 million in expenses for this program were offset by \$2.1 million in Clean Truck Program revenues this fiscal year.

Non-Operating Revenues and Expenses – This category includes revenues and expenses that are considered not directly related to core operations.

Non-Operating Revenues (i.e., interest income, operating grant receipts and other reimbursements) of \$21.0 million were \$4.6 million or 28.2% higher than budget. This was primarily attributed to \$3.5 million in higher settlements and refunds, which include recoveries from litigation, cost-share reimbursements and other refunds. Additionally, operating grant receipts were higher by \$0.9 million as well as pass-through grant receipts that were higher by \$1.8 million. Partially offsetting the increase was \$1.9 million in lower interest and investment income due to a general decline in interest rates and lower cash balances.

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Non-Operating Expenses (i.e., interest expense, debt issuance costs, pass-through grant disbursements, capital projects cancelled, loss on sale of assets, etc.) of \$43.8 million were \$26.2 million or 149.1% higher than budget. Primarily driving this were \$33.7 million in capital projects cancelled or not completed and \$1.8 million in higher pass-through grant disbursements. Partially offsetting the increase was \$5.9 million in higher than budgeted capitalization of interest, and \$1.3 million in lower interest expense.

Year-to-Year Performance Comparison (Transmittal 3)

Operating Revenues – Driving the \$29.2 million or 7.4% year-on-year increase in total Operating Revenues of \$426.6 million were Shipping Services Revenues, that were \$30.0 million or 8.6% higher than the same period last fiscal year.

- **Shipping Services** - Of total Operating Revenues, \$377.8 million or 89% are attributed to Shipping Services Revenues, which are comprised of:

Shipping Services Revenues
By Component
FY 2014 vs. FY 2013
(\$ in Millions)

Shipping Services Components	FY 2014	FY 2013	Δ%
Wharfage	\$350.6	\$322.7	8.6%
Space Assignment	\$13.6	\$13.2	3.1%
Pilotage	\$7.5	\$6.9	8.4%
Dockage	\$4.9	\$4.7	5.1%
Lay Day Fees	\$1.0	\$0.1	766.7%
Demurrage	\$0.2	\$0.2	-2.2%
Total	\$377.8	\$347.9	8.6%





A majority of the \$30 million increase in Shipping Services Revenues is for Wharfage, which was \$27.9 million or 8.6% higher year-on-year. Contributing factors to this increase were higher cargo volumes, a general rate increase for approximately 5 months, and TEU rate and compensation adjustments. As discussed previously, organic growth and pre-labor contract negotiations drove cargo volumes higher year-on-year by 5.6% compared to the Harbor Department's estimated 3% organic TEU growth factor for FY 2013/14. Collectively, in comparing loaded TEU's year-on-year, all other United States ports experienced a 3.5% increase in cargo volumes versus the Harbor Department's 4.3% growth in loaded TEU's. Other Shipping Services Revenue components were also higher year-on-year; in particular, Lay Day Fees were higher by \$0.9 million or 766.7% due to changed operator contract terms as well as a 25% increase in cruise ship calls.

SUBJECT: FINANCIAL PERFORMANCE RESULTS





Partially offsetting the higher Shipping Services Revenues were other Operating Revenue components that collectively were \$0.8 million lower compared to the same period last fiscal year:

- **Rentals** – Lower by \$2.7 million or 6.4% due to the cancellation of land and warehouse rental agreements (primarily for California Cartage Company, Inc.) and a one-time fee of \$0.8 million billed to the U.S. Custom House in the prior fiscal year.
- **Royalties, Fees and Other** – Higher by \$1.3 million or 24.4% in permits, concession fees, and utility reimbursements from customers.
- **Clean Truck Fees** – Higher by \$0.7 million or 50.4% in clean truck, concession, and annual truck fees.

Operating Expenses – Operating Expenses of \$207.2 million were higher year-on-year by \$2.0 million or 1.0%, primarily driven by mandatory salary adjustments and pension contribution rate increases and lower capitalization, with lower spending in Outside Services and pollution remediation expenses partially offsetting the increase. Details by expense component are as follows:

- **Salaries & Benefits \$112.1 million:**  **\$2.6 million or 2.4%.**
While average filled positions in FY 2013/14 were 937 compared to 952 in FY 2012/13, mandatory salary adjustments and pension contribution rate increases drove Salaries and Benefits higher year-on-year. On average, salary adjustments increase by approximately 3% annually. Pension contribution rates increased by 4.9% and health benefits by 7.5% in FY 2013/14. Higher capitalization primarily due to overhead allocations and lower overtime by \$0.3 million primarily for Port Police partially offset the increase.
- **Marketing and Public Relations \$2.7 million:**  **by \$0.4 million or 12.4%.**
As previously discussed, lower promotional expenses and sponsorships and higher overhead capitalization contributed towards the lower year-on-year spending.
- **Travel \$0.6 million:**  **by \$0.7 million or 55.3%.**
A department-wide effort was made to be more strategic in the usage of travel, as previously discussed.
- **Outside Services \$26.3 million:**  **by \$5.6 million or 17.5%.**
Primary drivers of the lower year-on-year spending in Outside Services include:
 - **Environmental Assessment Services** (lower by \$4.2 million) due to reclassification of projects to capital, project delays, lower hazardous waste emergency response service requests, and Clean Air Action Plan savings;
 - **Maintenance Services**, including Hiring Hall (lower by \$3.4 million) for lower spending in Construction and Maintenance for fire life safety system contractor and fountain maintenance, and higher capitalization;

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- **Overhead Allocations to Capital** (higher by \$1.3 million), further reducing Outside Services operating expenses; partially offset by higher
 - **Security Camera Maintenance** (higher by \$1.4 million) due to delays in contract renewal last fiscal year, and lower capitalization;
 - **Cruise Terminal Operations** (higher by \$0.6 million) due to a 25% increase in cruise ship calls compared to last fiscal year; and
 - **Legal Services** (\$0.8 million) for City Attorney services.
- **Materials and Supplies \$6.9 million:**  **by \$0.5 million or 7.0%.**
Year-on-year increase is primarily due to higher spending for Port Police operations, and maintenance of additional facilities by Construction and Maintenance.
 - **City Services \$33.5 million:**  **by \$0.1 million or 0.3%.**
This expense component is slightly higher year-on-year due to higher City Attorney services by \$1.5 million, partially offset by higher overhead capitalization of \$1.7 million. The higher City Attorney expenses are primarily a result of a furlough in FY 2012/13, which was discontinued in FY 2013/14.
 - **Other Operating Expenses \$24.0 million:**  **by \$8.8 million or 26.8%.**
The lower than budget result in this category is a combination of lower spending in certain components, partially offset by higher spending in utilities:
 - **Pollution Remediation** (lower by \$8.4 million) as a result of higher remediation in FY 2012/13 for GATX, Southwest Marine, soil sediment, partially offset by re-estimations of remediation liability;
 - **Allocations to Capital** (higher by \$1.7 million), further reducing Other Operating Expenses;
 - **Provision for Bad Debt** (lower by \$1.4 million) due to a lower level of doubtful account receivables;
 - **Environmental Incentives** (lower by \$1.3 million) due to a lower level of incentive requests;
 - **Provision for Workers Compensation** (lower by \$1.1 million) as a result of lower actuarial estimates compared to last fiscal year;
 - **Litigation** (lower by \$0.5 million); partially offset by higher
 - **Electricity** (higher \$5.1 million) for AMP™ reimbursable by customers; and
 - **Water** (higher by \$0.7 million) for new facilities.
 - **Clean Truck Program \$1.1 million:**  **by \$0.2 million or 17.8%**
Year-on-year higher spending was for the relocation of the Terminal Access Center from San Pedro to Wilmington and a slight increase in administrative costs to process concession amendments.

Non-Operating Revenues and Expenses – Non-Operating Revenues of \$21.0 million were \$13.6 million or 39.4% lower year-on-year. This was primarily attributed to \$14.6

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million in lower operating grant receipts and \$4.7 million in pass-through grant receipts, \$2.4 million in lower interest/investment income due to a general decline in interest rates and lower cash balances, and \$1.0 million in lower environmental reimbursements. Partially offsetting the decrease were \$6.3 million in lower unrealized losses and \$2.7 million in higher settlements and rebates. Higher unrealized losses occurred in FY 2013 due to lower market value of investments held on behalf of the Harbor Department by the City Treasurer.

Non-Operating Expenses of \$43.8 million were \$25.4 million or 138.0% higher than budget. As previously discussed, primarily driving this were capital projects cancelled or not completed that were higher year-on-year by \$31.4 million. Partially offsetting the increase were \$4.7 million in lower pass-through grant receipts and \$1.0 million in lower interest expense.

Capital Improvement Program (CIP)

Budget Performance – Actual spending in FY 2013/14 was \$329.1 million or 82.3% of the Capital Improvement Program (CIP) budget of \$399.9 million.

Major projects completed include:

- **Port-wide AMP™ Installations: \$50.4 million** for installations at Yang Ming, YTI, Everport, APL, and APMT/CUT terminals;
- **China Shipping Container Terminal (Berths 100-102): \$31.1 million** for completion of 375 linear feet of expanded wharf, an AMP™ installation at Berth 100, and the development of approximately 37 acres of new backlands;
- **Downtown Harbor: \$17.7 million** for design and construction of a waterfront promenade, plaza and town square from Fire Station 112 to 6th Street; and
- **POLA Fiber Optic Network: \$6.5 million** for the second phase of the design and construction of a fiber optic network around the port complex.

Major in-process projects include:

- **TRAPAC (Berths 135-147): \$91.4 million** for automatic stacking crane infrastructure, backland grading and paving, utilities installation and design and preliminary construction of the TRAPAC Administration Building;
- **Berth 200 Rail Yard: \$61.0 million** for design and construction of yard site, tracks, yard office building, diesel engine service facility and rail yard track connections;
- **Wilmington Grade Separation: \$33.0 million** for design and construction of a grade separation in South Wilmington to carry vehicular traffic over railroad tracks to Port terminals; and
- **Other transportation improvements: \$11.7 million** for various transportation projects including: C-Street/I-110 access ramp improvements, John S. Gibson

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Intersection/I-110 access ramp improvements, I-110/SR-47 connector improvements and Terminal Island street improvements.

The lower than budget spending of \$73.8 million was primarily due to:

- **Port-wide AMP™ installations: Lower by \$43.6 million** as project equipment was delivered and paid for towards the end of FY 2012/13 versus FY 2013/14; and
- **Transportation Program: Lower by \$20.3 million** as a result of
 - Berth 200 Rail Yard and Connections lower by \$16.9 million due to construction delays and lower contingency spending;
 - Harry Bridges Boulevard improvements lower by \$5.6 million for lower than budgeted Los Angeles Department of Water and Power charges; and
 - I-110/SR-47 and John S. Gibson Intersection/I-110 improvements higher by \$2.4 million.



EUGENE D. SEROKA
Executive Director

Transmittals:

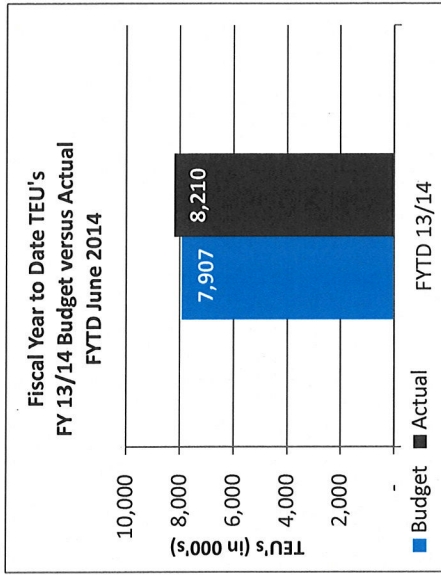
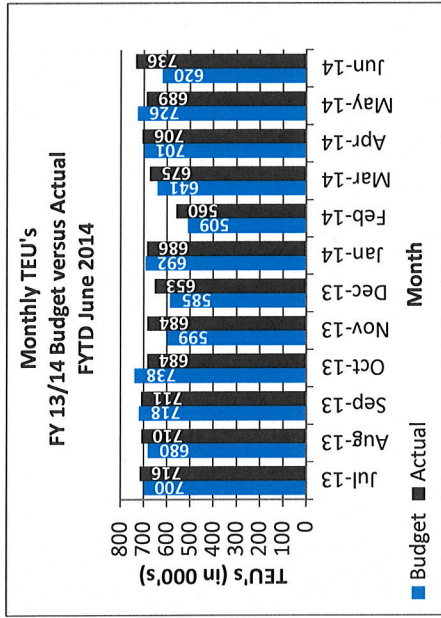
1. TEU Throughput Comparison – FY Ended June 30, 2014
2. Actual-to-Budget FY 2013/14 – June
3. Year-to-Year Performance Report YTD June 30, 2014 and 2013

MC:KP:EY:MC/Finance

cc: Deputy Executive Directors

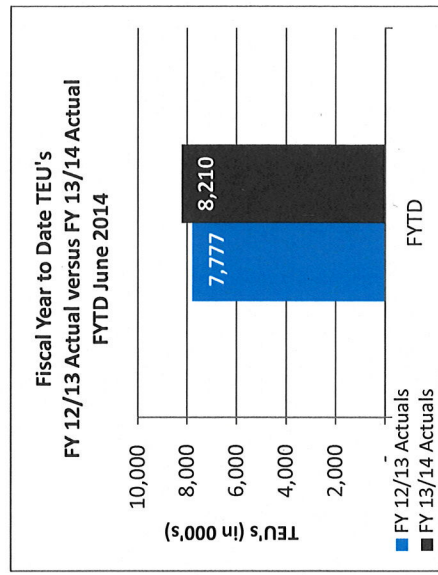
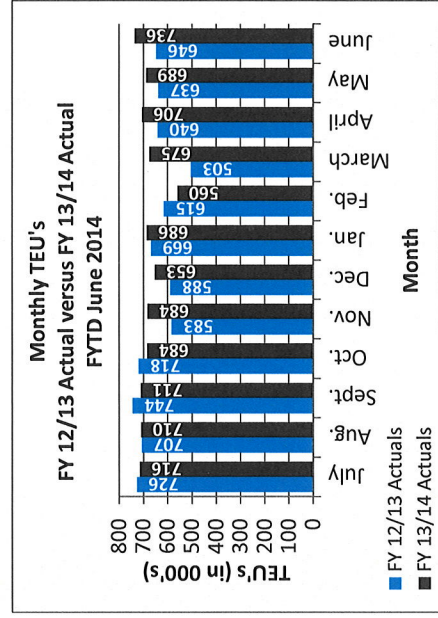
FY 13/14 Budget vs. FY 13/14 Actuals

(in 000's)	FY 13/14 Budget	FY 13/14 Actuals	% Δ
Month			
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	675	641	5.4%
Apr-14	701	706	0.8%
May-14	726	689	-5.1%
Jun-14	620	736	18.8%
FYTD 13/14	7,907	8,210	3.8%
FYTD 13/14 Budget	7,907		



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

(in 000's)	FY 12/13 Actuals	FY 13/14 Actuals	% Δ
Month			
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	689	8.2%
June	646	736	13.9%
FYTD	7,777	8,210	5.6%
FYTD 12/13 Actuals	7,777		



Harbor Department
Actual-to-Budget

Fiscal Year 2013/14 - June

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

	Actual (Unaudited) FY 2013/14 (Fiscal YTD June 2014) (Based on Preliminary Results)	Adopted Budget FY 2013/14 (Fiscal YTD June 2014)	Δ	Δ%	
Operating Revenues					
Shipping Services	377,873	360,128	17,745	4.9%	Higher cargo volumes and TEU rate and compensation adjustments
Rentals	40,156	45,377	(5,221)	-11.5%	
Royalties, fees and other revenues	5,980	483	5,497	8.1%	
Clean Truck Program Revenues	2,119	1,550	569	36.7%	
Total Operating Revenues	426,611	413,035	13,576	3.3%	
Operating Expenses					
Salaries & Benefits					Lower salaries offset by higher overtime and provision for benefits liability
Gross Salaries & Benefits	136,252	134,606	1,646	1.2%	Higher overhead capitalization, partially offset by lower capitalized salaries for construction & maintenance
Capitalization (direct & indirect)	(24,199)	(22,493)	(1,706)	7.6%	Lower promotional and sponsorships <\$0.8> and foreign trade representation and business promotional <\$0.2>
Net Salaries & Benefits (Operating)	112,053	112,113	(60)	-0.1%	
Marketing and Public Relations	2,710	3,834	(1,124)	-29.3%	
Travel	548	963	(415)	-43.1%	
Outside Services	26,328	35,719	(9,391)	-26.3%	Lower environmental assessment services <\$4.1>, information technology <\$1.4>, maintenance services <\$1.3>, cruise terminal operations <\$0.7>, legal services <\$0.5>, Engineering <\$0.4>, executive coaching services <\$0.3>, other prof services <\$1.1>
Materials & Supplies	6,883	7,390	(507)	-6.9%	
City Services	33,503	36,246	(2,743)	-7.6%	
Allocations to Capital	24,037	(12,235)	36,272	-400.0%	Lower City Attorney <\$0.5>, higher capitalization <\$1.7>
Other Operating Expenses	1,100	24,359	(23,259)	-1.3%	Comprised of those overhead expenses related to capital spending for FY 13/14; these expenses are being charged directly to each operating expense category
Clean Truck Program Expenses**	1,700	1,700	(600)	85.3%	
Total Operating Expenses	207,162	210,089	(2,927)	-1.4%	
Income Before Depreciation	219,448	202,946	16,502	8.1%	Primarily lower environmental incentives <\$2.2>, provision for bad debt <\$1.5>, litigation <\$0.8>, higher capitalization <\$1.0>, partially offset by higher pollution remediation \$3.2, electricity \$1.4, workers compensation \$0.4
Provision for Depreciation	124,221	110,250	13,971	12.7%	
Income from Operations	95,227	92,696	2,531	2.7%	
Non-Operating Revenue (interest income, grant r	20,966	16,354	4,612	28.2%	Primarily higher settlements/rebates \$3.5, Federal/State grants \$0.9 and pass-through grant receipts \$1.8, partially offset by lower interest/investment income <\$1.9>
Non-Operating Expenses (bond issuances, intere	43,839	17,601	26,238	-149.1%	Higher capital projects cancelled or not completed \$33.7, primarily for: \$9.4 Barn 408-409 Crude Oil Marine Terminal and EIR, wharf, etc. \$2.2 Wilmington Waterfront Development Master Planning, EIR \$6.9 Walton Blvd. Corridor \$3.1 San Pedro Waterfront \$4.7 Long Beach Pier Demolition \$1.2 Barn 155 Caballero Freight Relocation Projects \$0.5 Pier 500 Preliminary Studies
Net Income	72,354	91,449	(19,095)	-20.9%	

*Includes Unappropriated Balance transfers for City Attorney legal services (\$654K Outside Services) and new container services moving expenses (\$340K Other Operating).

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

Primarily for:
 \$11.3 Utilities
 \$3.2 Pollution remediation
 \$3.1 Insurance
 \$2.1 Environmental/customer incentives
 \$2.0 Provision for Workers Compensation disbursements
 \$1.6 Telephone
 \$1.2 Property rental/license user fee
 \$0.6 Taxes, permits, litigation, misc
 \$0.6 Books, manuals, subscriptions, memberships
 \$0.5 Equipment rental
 <\$1.5> Provision for bad debts

Primarily for:
 \$36.0 Interest expense
 <\$34.5> Capitalized interest
 \$33.7 Capital projects cancelled or not completed
 \$ 6.8 Federal/State pass through grant disbursements
 \$ 1.2 Commercial Paper issuance cost
 \$ 0.5 Retired equipment not fully depreciated

Primarily for:
 \$6.8 Federal/State pass through grant receipts
 \$6.8 Interest/investment income
 \$5.0 Settlements, rebates
 \$1.4 Federal/State grant receipts
 \$0.6 Gain on sale, discounts taken, misc
 \$0.4 Environmental reimbursements

Year-to-Year Performance Report
YTD June 30, 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)	A	Δ%
Operating Revenues				
Shipping Services	377,873	347,875	29,998	8.6%
Rentals	40,156	42,890	(2,734)	-6.4%
Royalties, fees and other revenues	6,463	5,194	1,269	24.4%
Clean Truck Program Revenues	2,119	1,409	710	50.4%
Total Operating Revenues	426,611	397,368	29,242	7.4%
Operating Expenses				
Salaries & Benefits	136,252	130,543	5,709	4.4%
Gross Salaries and Benefits Capitalization (direct & indirect)	(24,199)	(21,080)	(3,119)	14.8%
Net Salaries & Benefits (Operating)	112,053	109,463	2,590	2.4%
Marketing and Public Relations	2,710	3,092	(382)	-12.4%
Travel	548	1,224	(677)	-55.3%
Outside Services	26,328	31,905	(5,578)	-17.5%
Materials & Supplies	6,883	6,436	447	7.0%
City Services	33,503	33,393	110	0.3%
Allocations to Capital	(14,109)	(14,109)	14,109	-100.0%
Other Operating Expenses	24,037	32,831	(8,793)	-26.8%
Clean Truck Program Expenses*	1,100	934	166	17.8%
Total Operating Expenses	207,162	205,169	1,993	1.0%
Income Before Depreciation	219,448	192,199	27,249	14.2%
Provision for Depreciation	124,221	108,037	16,184	15.0%
Income from Operations	95,227	84,162	11,066	13.1%
Non-Operating Revenue (Interest Income, grant receipts, etc.)	20,966	34,578	(13,612)	-39.4%
Non-Operating Expenses (Bonds/Notes Interest Expense, etc.)	43,839	18,421	25,418	138.0%
Net Income	\$72,354	\$100,319	(27,965)	-27.9%

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

Higher cargo volumes, GRI (general rate increase ended Nov 2013), and TEU rate and compensation adjustments

Higher salaries (MOU adjustments) and benefits (pension/medical contributions), partially offset by higher capitalization

Lower spending for environmental assessment services <\$4.2>, building maintenance services, hiring hall, higher capitalization for Construction & Maintenance <\$3.4>, partially offset by higher spending for security camera maintenance \$1.4, City Attorney legal services \$0.8, cruise terminal operator \$0.6, public relations \$0.3, higher capitalization <-\$1.3>

Comprised of those overhead expenses related to capital spending for FY 13/14; these expenses are being charged directly to each operating expense category

Lower remediation spending <-\$8.4>, provision for bad debt <-\$1.4>, environmental incentives <-\$1.3>, workers compensation <-\$1.1>, equipment/higher capitalization <-\$1.7>, litigation <-\$0.5>, partially offset by higher electricity \$5.1 and water \$0.7

Lower Federal/State grants <-\$14.6>, lower pass-through grant receipts <-\$4.7>, lower interest/investment income <-\$2.4>, lower environmental reimbursements <-\$1.0>, partially offset by lower unrealized gain \$6.3 and higher settlements/rebates \$2.7

Higher capital projects cancelled or not completed \$31.4, lower interest capitalization \$1.3 and higher loss on asset sales \$0.5, partially offset by lower Federal/State pass-through expenses <-\$4.7>, lower interest expense <-\$2.2> and lower debt issuance costs <-\$0.8>

Primarily for:
 \$11.3 Utilities
 \$3.2 Pollution remediation
 \$3.1 Insurance
 \$2.1 Environmental/customer incentives
 \$2.0 Provision for Workers Compensation
 \$1.6 Telephone
 \$1.2 Property rental/license user fee
 \$0.6 Taxes, permits, litigation, misc.
 \$0.6 Books, manuals, subscriptions, memberships
 \$0.5 Equipment rental
 <-\$1.5> Provision for bad debts

Primarily for:
 \$36.0 Interest expense
 <-\$34.5> Capitalized interest
 \$33.7 Capital projects cancelled or not completed
 \$ 6.8 Federal/State pass through grant disbursements
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Port of Los Angeles Monthly Key Performance Statistics for June 2014

TEUs and Financials

	Current Month		Fiscal Year to Date	
	Jun-14 Actual	Jun-14 Budget	FY 13/14 Actual	FY 12/13 Actual

TEUs (in thousands)	736	620	8,210	7,907	7,777
% change vs.	18.8%	13.9%	3.8%	5.6%	
Operating Revenue (in millions)	\$36.7	\$33.5	\$426.6	\$413.1	\$397.4
% change vs.	9.7%	20.0%	3.3%	7.4%	
Operating Expenses (in millions)	\$33.4	\$20.6	\$207.2	\$209.4	\$205.2
% change vs.	62.1%	3.3%	-1.1%	1.0%	
Operating Margin	51.4%	38.5%	51.4%	49.3%	48.4%
Annual Target : 45%					

CIP Status (data as of June 2014)

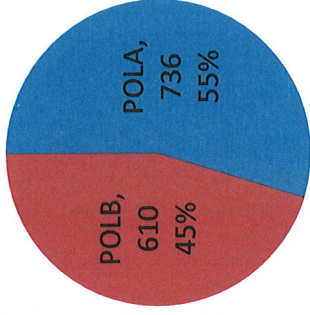
CIP Project Starts	Number	Value of Projects	CIP Project Completions	Number	Value of Projects
Planned starts for FY 13/14	20	\$386.6 million	Planned completions for FY 13/14	36	\$343.9 million
Actual starts for FY 13/14	15	\$358.1 million	Actual completions for FY 13/14	32	\$339.8 million
Percent of goal met	75%	93%	Percent of goal met	89%	99%

Market Share

Thousands of TEUs, Jun 2014

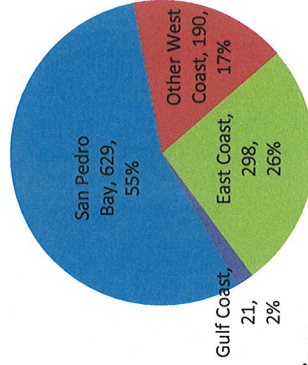
San Pedro Bay

Change versus 2013: +1.3%

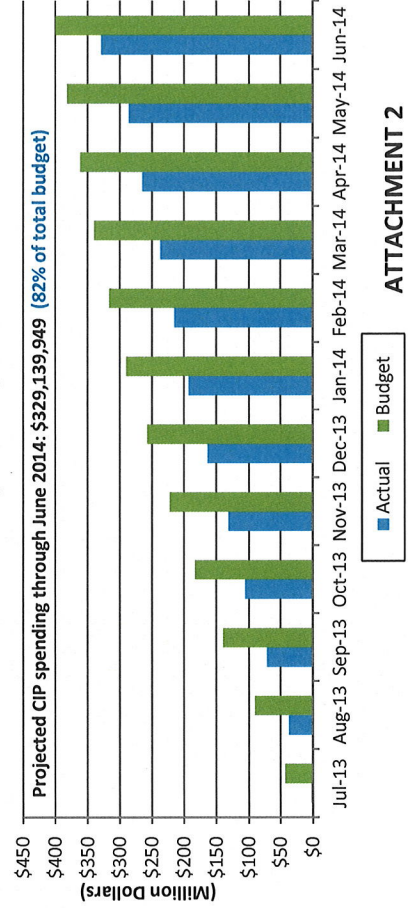


Asian Imports

Change versus 2013: +1%



CIP Spending



ATTACHMENT 2

Project Name	Date Open	Date Closed	Additional Description	Amount Expensed	Reason for Cancellation
Berth 408-409 Crude Oil Marine Terminal and EIR, wharf, etc.					
	11/2/2004	1/31/2014	Crude Oil Marine	4,069,773	Project cancelled as Plains (tenant) gave notice that they would not be moving forward with this project.
	2/18/2004	3/31/2014	Crude Oil Marine Terminal - Environmental Impact Report Wharf, Berth	2,950,620	
	11/2/2004	1/31/2014	Electrical System	2,219,473	
	11/2/2004	1/31/2014	Crude Oil Control Building	193,824	
	11/2/2004	1/31/2014	Open Storage	1,942	
			Total Berth 408-409 Crude Oil Marine Terminal and EIR, wharf, etc.	9,436,100	
Wilmington Waterfront Development Master Planning, Environmental Impact Report (EIR)					
	1/4/2005	9/30/2013	Wilmington Waterfront Development Master Planning and EIR	7,246,865	In September 2013, the Port opted not to continue this project due to new priorities. Though Wilmington waterfront projects may be considered in the future, there are currently no projects related to this EIR proposed to move forward in the current 5-year CJP.
Avalon Blvd. Corridor					
	8/21/2007	5/31/2014	Phase 1 - South	5,449,946	In May 2014, the Port opted not to continue this project due to new priorities. Though Wilmington waterfront projects may be considered in the future, there are currently no projects related to these work orders proposed to move forward in the current 5-year CJP.
	8/21/2007	5/31/2014	Phase 1 - North	1,490,558	
			Total Avalon Blvd. Corridor	6,940,504	
San Pedro Waterfront					
	10/21/2004	3/31/2014	Cabrillo Beach Recreational Area	2,923,682	These project are not proposed within the current 5-year CJP. Expenses were related to mostly design, no construction. Port opted not to continue these projects due to new priorities. Additionally, USS Iowa is not an asset owned by the Port; therefore, it cannot be capitalized.
	12/13/2004	3/31/2014	Angel's Walk LA Stanchions	932,642	
	3/8/2004	3/31/2014	Red Car Maintenance Facility	797,173	
	1/26/2011	10/31/2013	B-87 USS IOWA EIR	368,307	
	1/31/2008	3/31/2014	City Dock No. 1 Promenade	94,011	
			Total San Pedro Waterfront	5,115,814	
Ports O'Call Building Demolition					
	4/3/2009	5/31/2014	Ports O'Call Bldg Demolition	1,708,290	This involved the demolition of a dilapidated building for which there was no tenant. Demolition work was initially capitalized; however, it should have been expensed as no tenant occupies the site.
Berth 155 Catalina Freight Relocation Projects					
	4/22/2005	4/30/2014	B.155 Catalina Freight Relocation Project	1,208,853	No lease, project cancelled.
Berth 121-131 Projects					
	9/19/2005	10/31/2013	Marine Operations Building Replacement	107,874	Project not included in current term sheet with Yang Ming.
	9/22/2005	10/31/2013	Backland Improvements	488,553	
			Total Berth 121-131 Projects	596,427	
Berth 183-199 Projects					
	10/18/2007	10/31/2013	Berth 194 C&M Maintenance Yard Improvements	224,876	Project cancelled due to possible change of land use.
	10/18/2007	10/31/2013	Fences	145,337	
	10/18/2007	10/31/2013	Electrical Systems	142,993	
	10/18/2007	10/31/2013	Open Storage	1,202	
			Total Berth 183-199 Projects	514,408	
Pier 500 Preliminary Studies					
	1/5/2012	4/30/2014	Pier 500 Preliminary Studies	479,805	No project as a result of study and low volumes.
Enterprise Resource Planning					
	12/20/2010	12/31/2013	Training	161,820	Training expenses which are unable to be capitalized.
Other cancelled projects					
			Other cancelled work orders	308,624	
			Total cancelled work orders	33,717,510	