



## AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

### “FOR INFORMATION ONLY”

**DATE: MARCH 22, 2019**

**TO: AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR 2018/19 ENDED FEBRUARY 28, 2019**

Financial performance results for the first eight 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 February, cargo volumes (as measured by TEUs or twenty-foot equivalent units) decreased 2.7% relative to February 2018. Despite this monthly decline, Fiscal year-to-date (“FYTD”) TEUs are 4.9% higher relative to prior FYTD results. In summary, FYTD performance results for the Harbor Department are as follows:

FYTD February 2019	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	6,707	↑ 2.8%	↑ 4.9%
Operating Revenues	\$340.6	↓ (2.0%)	↓ (2.8%)
Operating Expenses	\$147.4	↓ (18.0%)	↑ 5.6%
Operating Income	\$193.2	↑ 15.2%	↓ (8.3%)
Net Income	\$126.4	↑ 122.5%	↑ 15.6%

Through the first eight months of FY 2018/19, Shipping Services revenues declined relative to both budget and the prior fiscal year due to higher accruals for calendar year-end compensation adjustments and lower realized rates. Relative to budget and the prior fiscal year, total Operating Revenues decreased by 2.0% and 2.8% respectively as lower Shipping Services and higher credits for tenant services were only partially offset by higher rental revenues, higher Harbor Maintenance Tax receipts and higher utility reimbursements.

Operating Expenses were favorably impacted as lower headcounts as well as invoicing delays with respect to outside services and city services drove total Operating Expenses 18.0% below budget. Relative to the prior fiscal year, total Operating Expenses increased

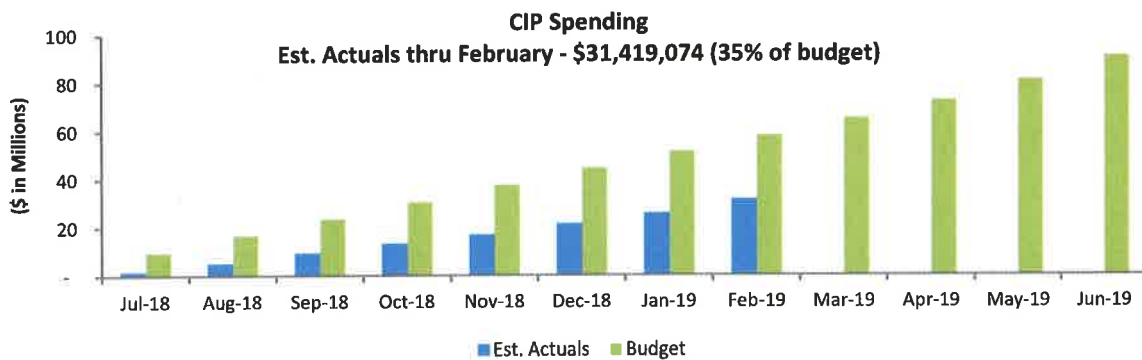
SUBJECT: FINANCIAL PERFORMANCE RESULTS

by 5.6% due to higher outside services, higher electricity expenses, higher city services spending as well as higher cruise incentive payouts.

Operating margins for the FYTD period were reported at 56.7% versus a budget of 48.3% and a prior year figure of 60.1%. 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 February 28, 2019 based on internal estimates reached \$31.4 million or about 35% of the total \$91.0 million CIP adopted budget. The Harbor Department currently expects annual CIP spending to fall below the adopted FY 2019 CIP budget.



*Marla Bleavins*

MARLA BLEAVINS  
Deputy Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD February 2019
2. Actual-to-Budget FY 2018/19 – February
3. Year-to-Year Performance Report YTD February 28, 2019 and 2018

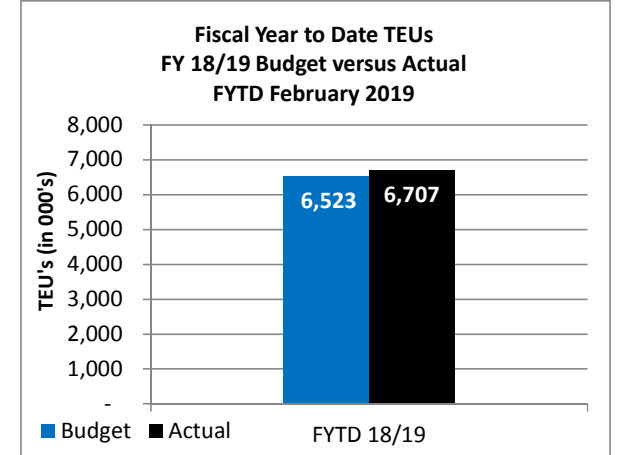
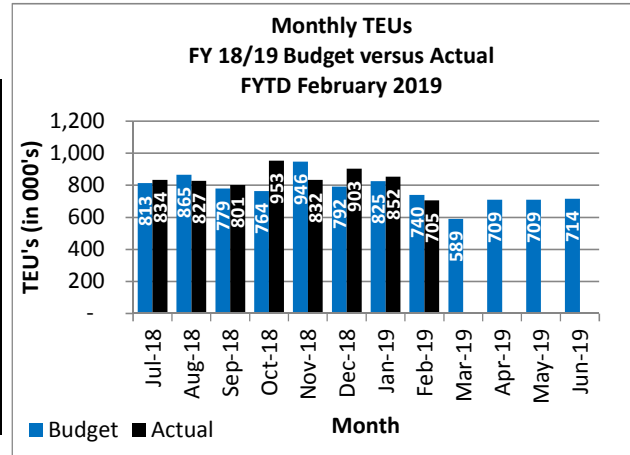
Author: M. Marchese

JS:MM/Finance  
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES  
TEU THROUGHPUT COMPARISON - FYTD FEBRUARY 2019

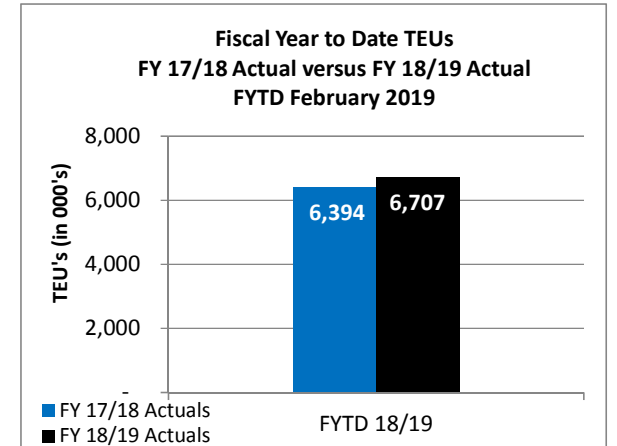
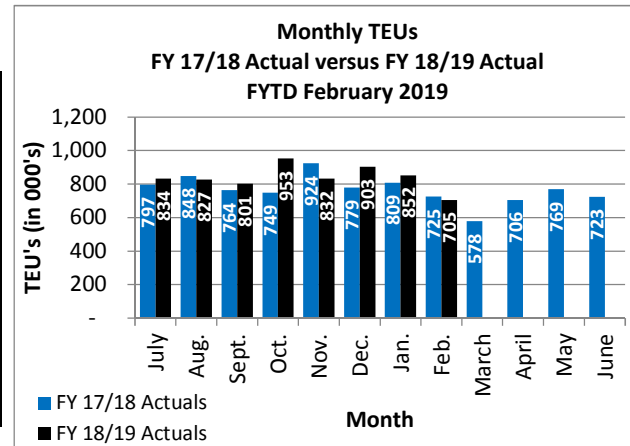
Budget versus Actuals Comparison  
FY 18/19 Budget vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 18/19 Budget	FY 18/19 Actuals		
Jul-18	813	834	2.6%	↑
Aug-18	865	827	-4.5%	↓
Sep-18	779	801	2.9%	↑
Oct-18	764	953	24.7%	↑
Nov-18	946	832	-12.0%	↓
Dec-18	792	903	14.1%	↑
Jan-19	825	852	3.3%	↑
Feb-19	740	705	-4.6%	↓
Mar-19	589			
Apr-19	709			
May-19	709			
Jun-19	714			
FYTD 18/19	6,523	6,707	2.8%	↑
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	801	4.9%	↑
Oct.	749	953	27.2%	↑
Nov.	924	832	-9.9%	↓
Dec.	779	903	15.9%	↑
Jan.	809	852	5.4%	↑
Feb.	725	705	-2.7%	↓
March	578			
April	706			
May	769			
June	723			
FYTD 18/19	6,394	6,707	4.9%	↑
FY 17/18 Actuals	9,170			



\$ in thousands	Fiscal Year Actual	Fiscal Year Budget	Actual-to-Budget	
	FY 2018/19	FY 2018/19	Comparison	
	Fiscal YTD - Feb. 2019	Fiscal YTD - Feb. 2019	\$	%
<b>Operating Revenues</b>				
Shipping Services	279,331	292,606	(13,275)	(4.5%)
Rentals	46,266	38,575	7,692	19.9%
Royalties, Fees and Other Revenues	14,071	15,188	(1,116)	(7.3%)
Clean Truck Program Revenues	949	1,189	(240)	(20.2%)
<b>Total Operating Revenues</b>	<b>340,618</b>	<b>347,558</b>	<b>(6,940)</b>	<b>(2.0%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	91,341	104,176	(12,834)	(12.3%)
Capitalization	(14,669)	(8,977)	(5,692)	63.4%
Net Salaries & Benefits	76,673	95,199	(18,526)	(19.5%)
Marketing & Public Relations	1,838	2,616	(778)	(29.7%)
Travel	457	650	(193)	(29.7%)
Outside Services	17,502	28,900	(11,398)	(39.4%)
Materials & Supplies	3,634	5,644	(2,010)	(35.6%)
City Services	27,904	34,886	(6,983)	(20.0%)
Allocations to Capital - Overhead		(8,824)	8,824	(100.0%)
Other Operating Expenses	19,097	20,011	(914)	(4.6%)
Clean Truck Program Expenses	318	723	(405)	(56.0%)
<b>Total Operating Expenses</b>	<b>147,422</b>	<b>179,805</b>	<b>(32,383)</b>	<b>(18.0%)</b>
<b>Income Before Depreciation</b>	<b>193,196</b>	<b>167,753</b>	<b>25,443</b>	<b>15.2%</b>
Provision For Depreciation	104,005	117,075	(13,071)	(11.2%)
<b>Income From Operations</b>	<b>89,191</b>	<b>50,677</b>	<b>38,514</b>	<b>76.0%</b>
Non-Operating Revenue	45,434	17,380	28,054	161.4%
Non-Operating Expenses	(8,180)	(11,236)	3,056	(27.2%)
<b>Net Income</b>	<b>126,445</b>	<b>56,821</b>	<b>69,624</b>	<b>122.5%</b>

\$ in thousands	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2018/19	FY 2017/18	Change	
	Fiscal YTD - Feb. 2019	Fiscal YTD - Feb. 2018	\$	%
<b>Operating Revenues</b>				
Shipping Services	279,331	296,233	(16,902)	(5.7%)
Rentals	46,266	42,137	4,130	9.8%
Royalties, Fees and Other Revenues	14,071	10,685	3,386	31.7%
Clean Truck Program Revenues	949	1,275	(326)	(25.5%)
<b>Total Operating Revenues</b>	<b>340,618</b>	<b>350,330</b>	<b>(9,712)</b>	<b>(2.8%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	91,341	90,859	482	0.5%
Capitalization	(14,669)	(13,728)	(940)	6.8%
Net Salaries & Benefits	76,673	77,131	(458)	(0.6%)
Marketing & Public Relations	1,838	2,083	(245)	(11.8%)
Travel	457	511	(54)	(10.6%)
Outside Services	17,502	13,170	4,332	32.9%
Materials & Supplies	3,634	4,258	(624)	(14.7%)
City Services	27,904	26,570	1,334	5.0%
Other Operating Expenses	19,097	15,498	3,599	23.2%
Clean Truck Program Expenses	318	433	(115)	(26.6%)
<b>Total Operating Expenses</b>	<b>147,422</b>	<b>139,655</b>	<b>7,767</b>	<b>5.6%</b>
<b>Income Before Depreciation</b>	<b>193,196</b>	<b>210,675</b>	<b>(17,479)</b>	<b>(8.3%)</b>
Provision For Depreciation	104,005	107,881	(3,877)	(3.6%)
<b>Income From Operations</b>	<b>89,191</b>	<b>102,794</b>	<b>(13,603)</b>	<b>(13.2%)</b>
Non-Operating Revenue	45,434	11,350	34,083	300.3%
Non-Operating Expenses	(8,180)	(4,806)	(3,374)	70.2%
<b>Net Income</b>	<b>126,445</b>	<b>109,338</b>	<b>17,107</b>	<b>15.6%</b>