



“FOR INFORMATION ONLY”

DATE: SEPTEMBER 11, 2015

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2015/16 ENDED AUGUST 31, 2015**

Financial performance results for the second month of Fiscal Year 2015/16 are below and have been summarized relative to both budget and prior year. Cargo volumes (as measured by TEUs or twenty-foot equivalent units) in the month of August increased 3.8% relative to August 2014 such that cargo volumes for the Fiscal Year-to-Date (FYTD) period are now 0.7% above the prior FYTD period. In summary, performance results for the Harbor Department are as follows:

FYTD August 2015	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	1,486	↓ (1.3%)	↑ 0.7%
Operating Revenues	\$66.9	↓ (5.4%)	↓ (1.4%)
Operating Expenses	\$31.8	↓ (15.7%)	↓ (2.2%)
Operating Income	\$35.1	↑ 6.3%	↓ (0.6%)
Net Income	\$11.1	↑ 0.1%	↓ (42.5%)

Shipping Services revenues were negatively impacted as reduced volumes at terminals with higher TEU rates and increased volumes at terminals with lower TEU rates continued to persist. In addition, fiscal year-to-date utility reimbursements have declined relative to budget and prior year. Although fiscal year-to-date gross rental receipts have increased relative to budget and prior year, the increase in this revenue category was not enough to overcome the aforementioned declines in Shipping Services and utility reimbursements. Therefore, total Operating Revenues fell short of both budgeted and prior FYTD results. We will continue to monitor container traffic and the corresponding impact on revenues.

SUBJECT: FINANCIAL PERFORMANCE RESULTS

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 below budget. FYTD total Operating Expenses also fell below prior fiscal year-to-date total Operating Expenses as timing differences with respect to City Services spending and lower average headcounts were only partially offset by Memorandum of Understanding salary increases, lower overhead capitalization and higher electricity expenses. These lower FYTD total Operating Expenses mitigated the unfavorable impact of lower FYTD total Operating Revenues such that FYTD operating margins were reported at 52.5% versus a budget of 46.7% and a prior FYTD figure of 52.1%. However, it is important to note that as vacancies are filled, and, as timing issues with respect to outside services and city services spending are resolved, operating expenses would approach budget and prior year figures as FY 2015/16 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended August 31, 2015 based on internal estimates reached \$18.7 million or about 9% of the total \$198.8 million CIP adopted budget. Total projected Harbor Department CIP spending is expected to approximate the total CIP adopted budget by fiscal year-end.


FOR EUGENE D. SEROKA
Executive Director

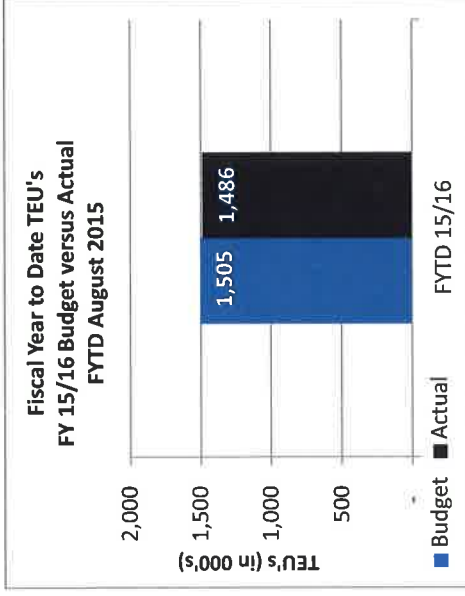
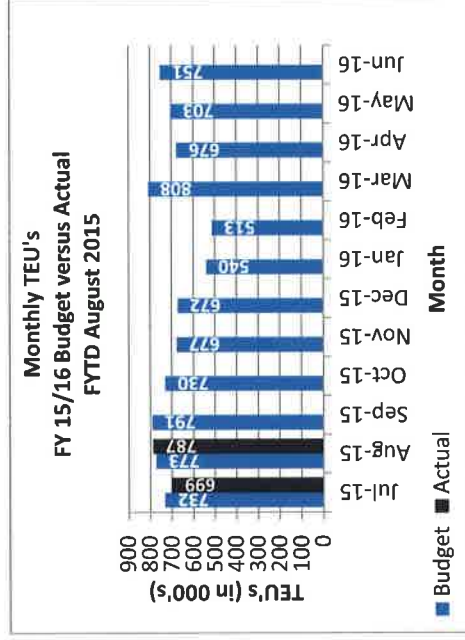
Transmittals:

1. TEU Throughput Comparison – FYTD August 2015
2. Actual-to-Budget FY 2015/16 – August
3. Year-to-Year Performance Report YTD August 31, 2015 and 2014

Author: M. Marchese
MB:MM/Finance MB
cc: Deputy Executive Directors

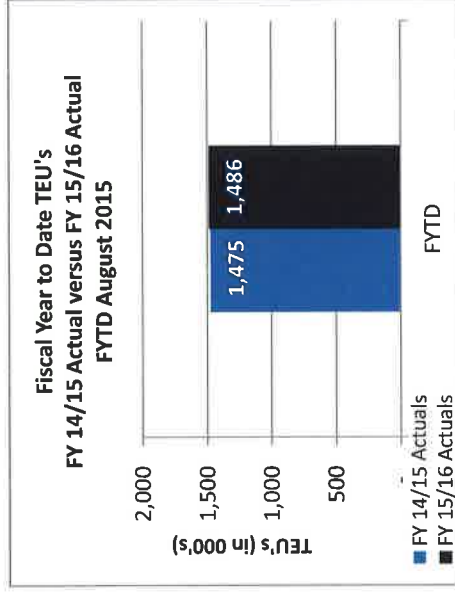
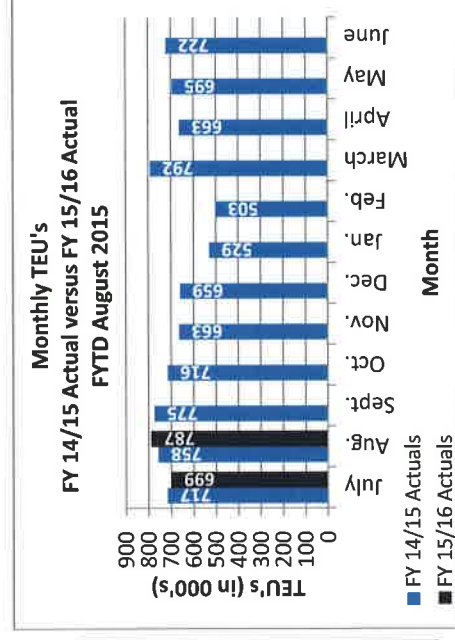
Budget versus Actuals Comparison
FY 15/16 Budget vs. FY 15/16 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 15/16 Budget	FY 15/16 Actuals		
Jul-15	732	699	-4.5%	↓
Aug-15	773	787	1.8%	↑
Sep-15	791			
Oct-15	730			
Nov-15	677			
Dec-15	672			
Jan-16	540			
Feb-16	513			
Mar-16	808			
Apr-16	676			
May-16	703			
Jun-16	751			
FYTD 15/16	1,505	1,486	-1.3%	↓
FY 15/16 Budget	8,365			



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

(in 000's)	TEU's		% Δ	Δ
Month	FY 14/15 Actuals	FY 15/16 Actuals		
July	717	699	-2.5%	↓
Aug.	758	787	3.8%	↑
Sept.	775			
Oct.	716			
Nov.	663			
Dec.	659			
Jan.	529			
Feb.	503			
March	792			
April	663			
May	695			
June	722			
FYTD	1,475	1,486	0.7%	↑
FY 14/15 Actuals	8,192			



\$ in thousands	Fiscal Year Actual FY 2015/16		Fiscal Year Budget FY 2015/16		Actual-to-Budget Comparison		Notes (\$ in millions)
	Fiscal YTD - Aug. 2015	Fiscal YTD - Aug. 2015	Fiscal YTD - Aug. 2015	Fiscal YTD - Aug. 2015	\$	%	
Operating Revenues							
Shipping Services	56,268	60,271			(4,003)	(6.6%)	Higher volumes at terminals with lower overall TEU rates and lower volumes at terminals with higher overall TEU rates; timing of TEU rate adjustments at year end
Rentals	8,388	7,336			1,052	14.3%	Primarily due to higher gross receipts collected than budgeted
Royalties, Fees and Other Revenues	1,896	3,004			(1,108)	(36.9%)	Primarily lower utility reimbursements (mostly AMP)
Clean Truck Program Revenues	336	115			222	193.3%	Higher annual truck fees than budgeted
Total Operating Revenues	66,888	70,726			(3,838)	(5.4%)	
Operating Expenses							
Gross Salaries & Benefits	22,631	24,439			(1,809)	(7.4%)	Primarily due to lower average filled positions (888 vs. 940 budgeted)
Capitalization	(3,723)	(2,922)			(801)	27.4%	Overhead capitalization <\$1.4>, partially offset by lower direct capitalization \$0.6
Net Salaries & Benefits	18,908	21,518			(2,610)	(12.1%)	
Marketing & Public Relations	200	439			(239)	(54.4%)	Lower promotional & sponsorships <\$0.2>
Travel	102	106			(5)	(4.4%)	
Outside Services	1,950	5,441			(3,491)	(64.2%)	Timing of maintenance dredging/lower facility maintenance <\$0.8>, timing of legal fees & services spending <\$0.6>, lower environmental assessment services <\$0.5>, higher capitalization of C&M outside services <\$0.5>, timing of waterfront/commercial real estate spending <\$0.3>, timing of construction division's share of PICS and IT services payments <\$0.2> and overhead allocations <\$0.2>
Materials & Supplies	808	1,005			(197)	(19.6%)	
City Services	5,912	6,392			(480)	(7.5%)	Overhead allocation <\$0.5>
Allocations to Capital - Overhead		(2,985)			2,985	(100.0%)	Lower aggregate overhead allocations \$0.8
Other Operating Expenses	3,858	5,694			(1,836)	(32.2%)	Lower electricity <\$1.0>, lower telephone <\$0.2>, lower equipment rentals <\$0.1>, lower water/gas <\$0.1>, lower insurance <\$0.1> as well as timing of provisioning for litigation <\$0.3> and workers' compensation <\$0.3>, partially offset by timing of environmental incentive payments <\$0.3>
Clean Truck Program Expenses	30	87			(57)	(65.7%)	
Total Operating Expenses	31,768	37,696			(5,928)	(15.7%)	
Income Before Depreciation	35,120	33,030			2,090	6.3%	
Provision For Depreciation	24,348	21,689			2,660	12.3%	
Income From Operations	10,772	11,341			(569)	(5.0%)	
Non-Operating Revenue	950	760			190	25.0%	Higher interest/investment income \$0.3, partially offset by lower rebates/late charges/discounts/misc. <\$0.1>
Non-Operating Expenses	(625)	(1,019)			394	(38.7%)	Lower commercial paper issuance costs <\$0.3> and lower capital projects closed to expense <\$0.2>, partially offset by lower interest expense \$0.1
Net Income	11,097	11,083			15	0.1%	

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 \$2.2 million relative to a budget of \$3.0 million.
- (2) Primarily for: Electricity \$2.0; Insurance \$0.5; Environmental Incentives \$0.5; Water & Gas \$0.3; Telephone \$0.2; Memberships/Subscriptions/Books \$0.2; Equipment Rentals/Permits/License/Fees \$0.1
- (3) Primarily for: Interest/Investment Income \$0.9; Rebates/Late Charges/Discounts/Misc. \$0.1
- (4) Primarily for: Interest Expense \$7.3; Capitalized Interest <\$7.1>; Capital projects closed to expense \$0.3; Commercial Paper Issuance Costs \$0.1

	Current Fiscal Year		Prior Fiscal Year		Year-over-Year		Notes (\$ in millions)
	FY 2015/16	Aug. 2015	Fiscal YTD - Aug. 2014	FY 2014/15	Change	%	
\$ in thousands	Fiscal YTD - Aug. 2015	Aug. 2015	Fiscal YTD - Aug. 2014	FY 2014/15	\$	%	
Operating Revenues							
Shipping Services	56,268		58,163		(1,894)	(3.3%)	Lower overall wharfage <\$1.2>, lower space assignment <-\$0.6> and lower pilotage <-\$0.1>
Rentals	8,388		7,689		699	9.1%	Higher land rentals \$0.7
Royalties, Fees and Other Revenues	1,896		1,851		45	2.4%	Higher parking fees \$0.1 and higher operating refunds/reimbursements \$0.1 partially offset by lower utility reimbursements <\$0.2>
Clean Truck Program Revenues	336		112		224	199.2%	Higher concession application, annual truck and day pass fees
Total Operating Revenues	66,888		67,815		(927)	(1.4%)	
Operating Expenses							
Gross Salaries & Benefits	22,631		22,857		(227)	(1.0%)	Lower average filled positions (888 vs. 927 prior year) almost fully offset by MOU salary increases
Capitalization	(3,723)		(4,651)		928	(20.0%)	Lower direct capitalization \$0.6 and lower overhead capitalization \$0.3
Net Salaries & Benefits	18,908		18,206		702	3.9%	
Marketing & Public Relations	200		147		53	36.0%	
Travel	102		78		23	30.0%	
Outside Services	1,950		1,948		2	0.1%	
Materials & Supplies	808		875		(67)	(7.7%)	
City Services	5,912		8,298		(2,385)	(28.7%)	Timing of Recreation and Parks accruals <\$1.8>, paving services <-\$0.9>, partially offset by lower overhead capitalization \$0.3
(1) Other Operating Expenses	3,858		2,936		922	31.4%	Higher electricity (primarily due to AMP) \$0.7, lower indirect capitalization \$0.3, higher memberships/subscriptions/books \$0.1 and higher environmental incentives \$0.1, partially offset by lower equipment rentals/purchases <-\$0.2> and lower telephone <-\$0.1>
Clean Truck Program Expenses	30		3		27	891.6%	
Total Operating Expenses	31,768		32,491		(723)	(2.2%)	
Income Before Depreciation	35,120		35,324		(204)	(0.6%)	
Provision For Depreciation	24,346		18,824		5,524	29.3%	
Income From Operations	10,772		16,500		(5,728)	(34.7%)	
(2) Non-Operating Revenue	950		3,536		(2,586)	(73.1%)	Lower federal/state operating grants <\$2.6> and lower state pass-through revenues <-\$0.3>, partially offset by higher interest/investment income \$0.3
(3) Non-Operating Expenses	(625)		(751)		126	(16.8%)	Higher interest capitalization <-\$0.8>, lower capital projects closed to expense <-\$0.3>, lower commercial paper issuance costs <\$0.2> and lower pass-through grant disbursements <\$0.2>, partially offset by higher interest expense \$1.4
Net Income	11,097		19,285		(8,187)	(42.5%)	

Notes:

- (1) Primarily for: Electricity \$2.0; Insurance \$0.5; Environmental Incentives \$0.5; Water & Gas \$0.3; Telephone \$0.2; Memberships/Subscriptions/Books \$0.2; Equipment Rental/Permits/License/Fees \$0.1
- (2) Primarily for: Interest/Investment Income \$0.9; Rebates/Late Charges/Discounts/Misc. \$0.1
- (3) Primarily for: Interest Expense \$7.3; Capitalized Interest <\$7.1>; Capital projects closed to expense \$0.3; Commercial Paper Issuance Costs \$0.1

