



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

“FOR INFORMATION ONLY”

DATE: NOVEMBER 14, 2019

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2019/20 ENDED OCTOBER 31, 2019**

Financial performance results for the first four months of the Fiscal Year 2019/20 are below and have been summarized relative to both budget and the prior fiscal year. For the month of October, cargo volumes (as measured by TEUs or twenty-foot equivalent units) grew 2.2% relative to budget but slightly declined 2.7% relative to prior fiscal year. In summary, performance results for the Harbor Department are as follows:

| FYTD October 2019 | Actuals (Cargo Volumes in Thousands, \$ in Millions) | Actual-to- Budget Comparison | Year-on-Year Comparison |
|---------------------------|--|---|------------------------------------|
| Cargo Volumes | 3,323 | ↑ 2.2% | ↓ (2.7%) |
| Operating Revenues | \$166.8 | ↓ (1.6%) | ↑ 0.0% |
| Operating Expenses | \$82.2 | ↓ (13.6%) | ↑ 10.6% |
| Operating Income | \$84.6 | ↑ 13.8% | ↓ (8.5%) |
| Net Income | \$27.7 | ↑ 160.3% | ↓ (45.2%) |

Shipping Services revenues were slightly lower relative to budget driven by lower wharfage resulting from lower rates, partially offset by higher volumes, lower space assignment, and lower pilotage. Relative to the prior fiscal year, Shipping Services revenues decreased due to lower wharfage, lower space assignment, and lower pilotage. Operating Revenues declined by 1.6% compared to budget primarily driven by lower shipping services, partially offset by higher rental revenues and higher one-time reimbursements. Relative to prior year, total Operating Revenues remained flat primarily due to higher rental revenues, higher Clean Truck Program fees, partially offset by lower shipping services.

Lower headcounts and invoicing delays with respect to outside services as well as materials and supplies, partially offset by higher container and cruise incentive payments

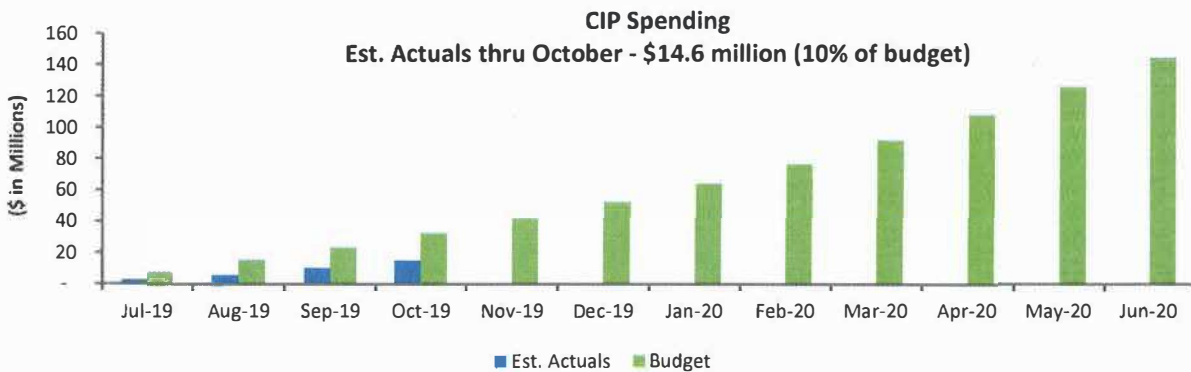
SUBJECT: FINANCIAL PERFORMANCE RESULTS

primarily drove total Operating Expenses 13.6% below budget. Relative to the prior fiscal year, total Operating Expenses increased by 10.6% due primarily to higher container and cruise incentive payouts.

Operating margins for the month of October were reported at 50.7% versus a budget of 43.9% and a prior year figure of 55.4%. 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 2019/20 progresses.

Capital Improvement Program (CIP)

CIP spending for the four-month period ended October 31, 2019 is estimated to reach \$14.6 million or about 10% of the total \$144.4 million CIP adopted budget. At this early stage in the fiscal year, staff expects annual CIP spending to fall within in the adopted FY 2020 CIP budget.



Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director & Chief Financial Officer

Transmittals:

1. TEU Throughput Comparison – FYTD October 2019
2. Actual-to-Budget FY 2019/20 – October
3. Year-to-Year Performance Report FYTD October 31, 2019 and 2018

Author: C. Li

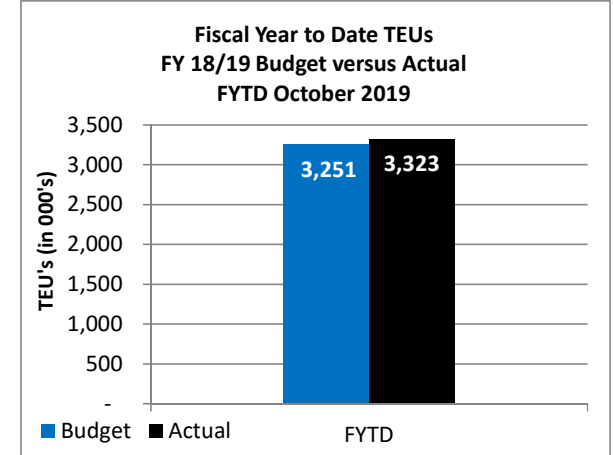
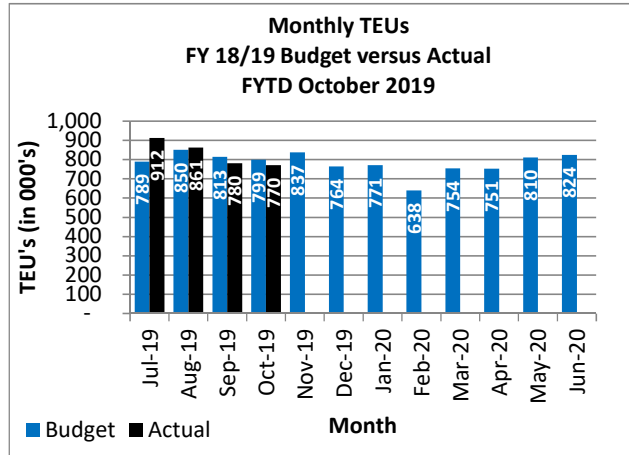
MB:MM/Finance
cc: Deputy Executive Directors

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

TRANSMITTAL 1

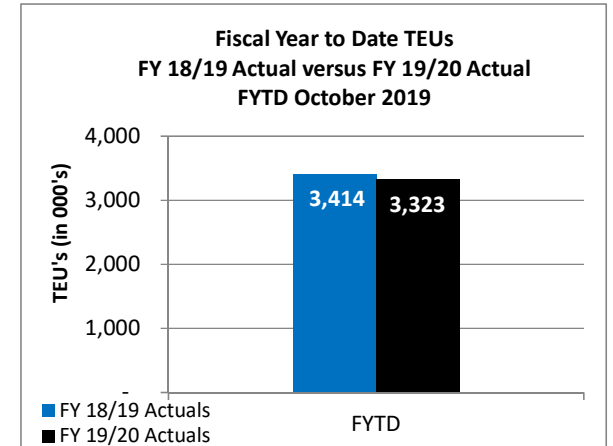
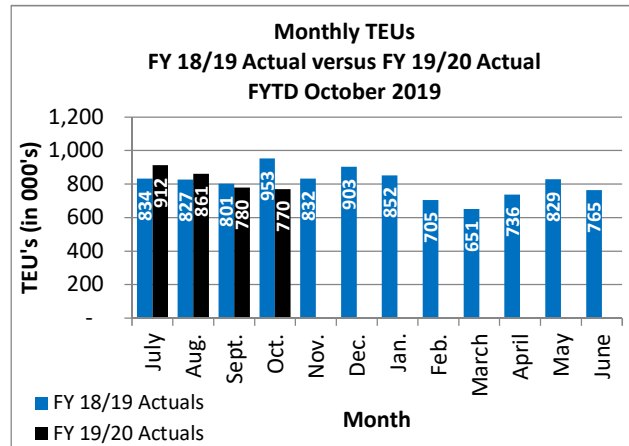
Budget versus Actuals Comparison
FY 19/20 Budget vs. FY 19/20 Actuals

| (in 000's) | TEU's | | % Δ | Δ |
|-----------------|-----------------|------------------|-------|---|
| Month | FY 19/20 Budget | FY 19/20 Actuals | | |
| Jul-19 | 789 | 912 | 15.6% | ↑ |
| Aug-19 | 850 | 861 | 1.3% | ↑ |
| Sep-19 | 813 | 780 | -4.1% | ↓ |
| Oct-19 | 799 | 770 | -3.6% | ↓ |
| Nov-19 | 837 | | | |
| Dec-19 | 764 | | | |
| Jan-20 | 771 | | | |
| Feb-20 | 638 | | | |
| Mar-20 | 754 | | | |
| Apr-20 | 751 | | | |
| May-20 | 810 | | | |
| Jun-20 | 824 | | | |
| FYTD | 3,251 | 3,323 | 2.2% | ↑ |
| FY 19/20 Budget | 9,400 | | | |



Year-to-Year Actuals Comparison
FY 18/19 Actuals vs. FY 19/20 Actuals

| (in 000's) | TEU's | | % Δ | Δ |
|------------------|------------------|------------------|--------|---|
| Month | FY 18/19 Actuals | FY 19/20 Actuals | | |
| July | 834 | 912 | 9.4% | ↑ |
| Aug. | 827 | 861 | 4.2% | ↑ |
| Sept. | 801 | 780 | -2.7% | ↓ |
| Oct. | 953 | 770 | -19.1% | ↓ |
| Nov. | 832 | | | |
| Dec. | 903 | | | |
| Jan. | 852 | | | |
| Feb. | 705 | | | |
| March | 651 | | | |
| April | 736 | | | |
| May | 829 | | | |
| June | 765 | | | |
| FYTD | 3,414 | 3,323 | -2.7% | ↓ |
| FY 18/19 Actuals | 9,688 | | | |



| \$ in thousands | Fiscal Year Actual | Fiscal Year Budget | Actual-to-Budget Comparison | |
|------------------------------------|------------------------|------------------------|-----------------------------|----------------|
| | FY 2019/20 | FY 2019/20 | \$ | % |
| | Fiscal YTD - Oct. 2019 | Fiscal YTD - Oct. 2019 | | |
| Operating Revenues | | | | |
| Shipping Services | 131,538 | 138,917 | (7,379) | (5.3%) |
| Rentals | 28,217 | 24,092 | 4,125 | 17.1% |
| Royalties, Fees and Other Revenues | 5,446 | 4,666 | 780 | 16.7% |
| Clean Truck Program Revenues | 1,613 | 1,825 | (211) | (11.6%) |
| Total Operating Revenues | 166,815 | 169,500 | (2,686) | (1.6%) |
| Operating Expenses | | | | |
| Gross Salaries & Benefits | 48,550 | 54,001 | (5,451) | (10.1%) |
| Capitalization | (6,968) | (4,434) | (2,534) | 57.2% |
| Net Salaries & Benefits | 41,582 | 49,567 | (7,986) | (16.1%) |
| Marketing & Public Relations | 1,327 | 1,479 | (152) | (10.3%) |
| Travel | 330 | 371 | (41) | (11.1%) |
| Outside Services | 7,059 | 13,288 | (6,229) | (46.9%) |
| Materials & Supplies | 1,604 | 3,210 | (1,607) | (50.0%) |
| City Services | 15,657 | 18,536 | (2,879) | (15.5%) |
| Allocations to Capital - Overhead | | (5,432) | 5,432 | (100.0%) |
| Other Operating Expenses | 14,443 | 13,750 | 693 | 5.0% |
| Clean Truck Program Expenses | 179 | 362 | (183) | (50.5%) |
| Total Operating Expenses | 82,181 | 95,132 | (12,951) | (13.6%) |
| Income Before Depreciation | 84,634 | 74,368 | 10,266 | 13.8% |
| Provision For Depreciation | 52,631 | 55,825 | (3,195) | (5.7%) |
| Income From Operations | 32,003 | 18,543 | 13,460 | 72.6% |
| Non-Operating Revenue | 13,197 | 18,371 | (5,174) | (28.2%) |
| Non-Operating Expenses | (17,532) | (26,283) | 8,752 | (33.3%) |
| Net Income | 27,668 | 10,631 | 17,038 | 160.3% |

Allocations to capital - overhead are allocated to individual accounts within the presentation of actual results; however, these overhead allocations are not allocated to individual accounts for budgetary purposes. Allocations to capital - overhead for the fiscal year-to-date period totaled \$6.0 million relative to a budget of \$5.4 million. Primarily for: Electricity \$5.7; Container Incentives \$5.2; Cruise Incentives \$1.2; Insurance \$0.9; Water & Gas \$0.8; Telephone \$0.4; Equipment Rental/Permits/License/Fees \$0.4; Environmental Incentives \$0.4; Memberships/Subscriptions/Books \$0.3; Taxes & Assessments \$0.2; Overhead Capitalization (\$1.1). Primarily for: Interest Income \$6.2; State Passthrough Revenue \$4.2; Late Charges/Discounts \$1.5; JPA Income \$0.7; Gain on Land Sale \$0.4; Federal Operating Grants \$0.2. Primarily for: Interest Expense \$9.6; State Passthrough Expense \$4.2; Capital Projects Closed to Expenses \$3.0; Bond Administration Costs \$0.7.

| \$ in thousands | Current Fiscal Year | Prior Fiscal Year | Year-over-Year | |
|------------------------------------|------------------------|------------------------|-----------------|----------------|
| | FY 2019/20 | FY 2018/19 | Change | |
| | Fiscal YTD - Oct. 2019 | Fiscal YTD - Oct. 2018 | \$ | % |
| Operating Revenues | | | | |
| Shipping Services | 131,538 | 134,263 | (2,725) | (2.0%) |
| Rentals | 28,217 | 23,879 | 4,338 | 18.2% |
| Royalties, Fees and Other Revenues | 5,446 | 7,837 | (2,391) | (30.5%) |
| Clean Truck Program Revenues | 1,613 | 812 | 802 | 98.8% |
| Total Operating Revenues | 166,815 | 166,791 | 24 | 0.0% |
| Operating Expenses | | | | |
| Gross Salaries & Benefits | 48,550 | 47,502 | 1,048 | 2.2% |
| Capitalization | (6,968) | (7,627) | 658 | (8.6%) |
| Net Salaries & Benefits | 41,582 | 39,876 | 1,706 | 4.3% |
| Marketing & Public Relations | 1,327 | 1,120 | 207 | 18.5% |
| Travel | 330 | 295 | 35 | 11.7% |
| Outside Services | 7,059 | 6,849 | 210 | 3.1% |
| Materials & Supplies | 1,604 | 1,903 | (299) | (15.7%) |
| City Services | 15,657 | 16,112 | (455) | (2.8%) |
| Other Operating Expenses | 14,443 | 8,076 | 6,367 | 78.8% |
| Clean Truck Program Expenses | 179 | 104 | 76 | 73.1% |
| Total Operating Expenses | 82,181 | 74,335 | 7,846 | 10.6% |
| Income Before Depreciation | 84,634 | 92,455 | (7,822) | (8.5%) |
| Provision For Depreciation | 52,631 | 50,333 | 2,298 | 4.6% |
| Income From Operations | 32,003 | 42,123 | (10,120) | (24.0%) |
| Non-Operating Revenue | 13,197 | 9,409 | 3,788 | 40.3% |
| Non-Operating Expenses | (17,532) | (1,068) | (16,464) | 1541.7% |
| Net Income | 27,668 | 50,464 | (22,796) | (45.2%) |

Primarily for: Electricity \$5.7; Container Incentives \$5.2; Cruise Incentives \$1.2; Insurance \$0.9; Water & Gas \$0.8; Telephone \$0.4; Equipment Rental/Permits/License/Fees \$0.4; Environmental Incentives \$0.4; Memberships/Subscriptions/Books \$0.3; Taxes & Assessments \$0.2; Overhead
Primarily for: Interest Income \$6.2; State Passthrough Revenue \$4.2; Late Charges/Discounts \$1.5; JPA Income \$0.7; Gain on Land Sale \$0.4; Federal
Primarily for: Interest Expense \$9.6; State Passthrough Expense \$4.2; Capital Projects Closed to Expenses \$3.0; Bond Administration Costs \$0.7