



“FOR INFORMATION ONLY”

DATE: JUNE 11, 2015

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR-TO-DATE 2014/15 ENDED MAY 31, 2015**

Through the Fiscal Year-to-Date (FYTD) 2014/15 period ended May 31, 2015, cargo volumes (as measured by TEUs or twenty-foot equivalent units) for the month of May increased 2.8% relative to the May 2015 budget and 0.8% relative to May 2014 volumes. Due to this favorable performance in May, FYTD cargo volumes now fall within 1% of the FYTD budget and only slightly below prior FYTD levels. Transmittals 1, 2 and 3 provide financial performance results, and the chart below summarizes those results:

FYTD May 2015	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Container Cargo Volumes	7,470	↓ (0.8%)	↓ (0.1%)
Operating Revenues*	\$ 409.0	↑ 6.2%	↑ 4.9%
Operating Expenses*	\$ 190.2	↓ (8.6%)	↑ 9.4%
Operating Income	\$ 218.8	↑ 23.5%	↑ 1.2%
Net Income	\$ 109.1	↑ 64.8%	↑ 42.5%

* Note: Operating Expenses include \$14.0 million in electricity expenses, of which \$10.8 million are AMP-related. The majority (about 98%) of AMP electricity expenses are reimbursed by AMP-capable customers and reflected in Operating Revenues.

The easing of congestion throughout the Port has favorably impacted Shipping Services revenues relative to budget and prior fiscal year. Even so, this revenue category continues to trail budget and prior fiscal year-to-date figures, although at a narrower range, as the fiscal year comes to an end, as reduced volumes at terminals with higher TEU rates and increased volumes at terminals with lower TEU rates occur. Despite lower Shipping Services revenues, one-time revenue “catch-up” billings related to compensation resets in certain leases, higher than budgeted BNSF/SCIG facility license fees and higher Alternative Maritime Power (AMP™) reimbursements drove total operating revenues to exceed FYTD budget and prior year figures. While the expectation is that total Operating Revenues for Fiscal Year (FY) 2014/15 will be in line

SUBJECT: FINANCIAL PERFORMANCE RESULTS

with budget, we will continue to monitor container traffic and the corresponding impact on revenues.

Operating Expenses increased 9.4% year-on-year due mostly to the recording of \$8.6 million in payouts related to the Ocean Common Carrier Incentive Program (Carrier Incentive Program). Total payouts related to the Carrier Incentive Program are expected to be \$10.5 million by fiscal year end. In addition to Carrier Incentive Program payouts, higher AMP™-related electricity costs, Memorandum of Understanding salary increases, lower direct salary capitalization and timing of city services accruals more than offset lower average headcount and higher indirect overhead capitalization. Operating Expenses were 8.6% below budget due to lower than budgeted salaries, greater capitalization of construction and maintenance, outside services, and timing of expense recognition. Based upon current divisional expectations, once timing issues are resolved, and, once all invoices are processed, operating expenses are expected to fall approximately 4% below the adjusted annual FY 2014/15 budget of \$237.7 million.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended May 31, 2015 based on internal estimates reached \$189.5 million or about 67% of the total \$281.0 million CIP adopted budget. The Harbor Department expects CIP spending to approximate \$240 million by Fiscal Year-End.



EUGENE D. SEROKA
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD May 2015
2. Actual-to-Budget FY 2014/15 – May 2015
3. Year-to-Year Performance Report YTD May 31, 2015 and 2014

Author: M. Marchese


MB:MM/Finance

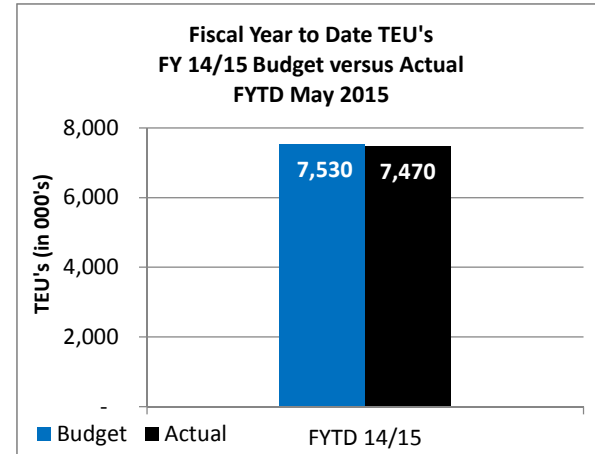
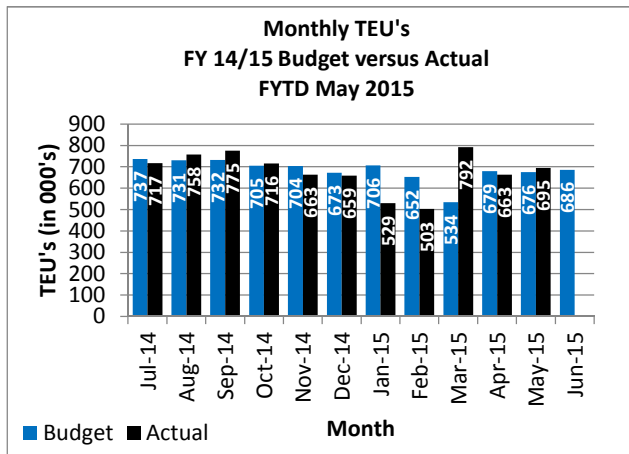
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES TEU THROUGHPUT COMPARISON - FYTD MAY 2015

TRANSMITTAL 1

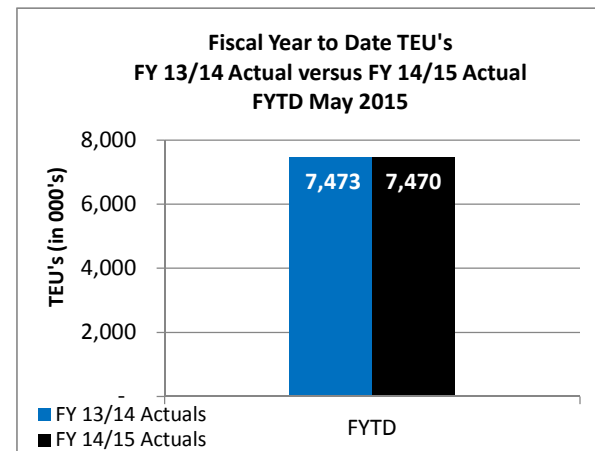
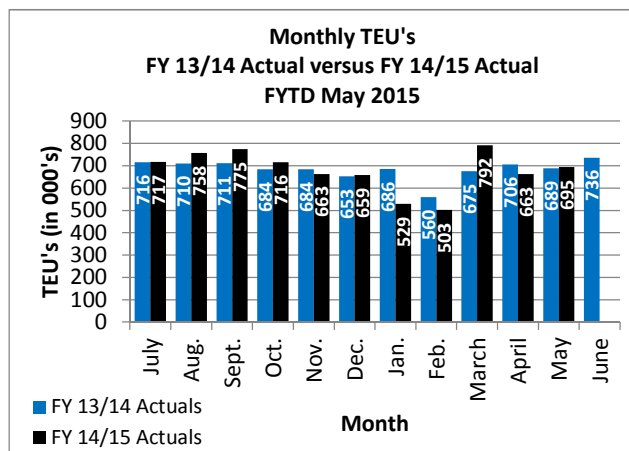
Budget versus Actuals Comparison FY 14/15 Budget vs. FY 14/15 Actuals

(in 000's)	TEU's			
Month	FY 14/15 Budget	FY 14/15 Actuals	% Δ	Δ
Jul-14	737	717	-2.7%	↓
Aug-14	731	758	3.7%	↑
Sep-14	732	775	5.9%	↑
Oct-14	705	716	1.6%	↑
Nov-14	704	663	-5.8%	↓
Dec-14	673	659	-2.1%	↓
Jan-15	706	529	-25.0%	↓
Feb-15	652	503	-23.0%	↓
Mar-15	534	792	48.3%	↑
Apr-15	679	663	-2.4%	↓
May-15	676	695	2.8%	↑
Jun-15	686			
FYTD 14/15	7,530	7,470	-0.8%	↓
FY 14/15 Budget	8,216			



Year-to-Year Actuals Comparison FY 13/14 Actuals vs. FY 14/15 Actuals

(in 000's)	TEU's			
Month	FY 13/14 Actuals	FY 14/15 Actuals	% Δ	Δ
July	716	717	0.2%	↑
Aug.	710	758	6.8%	↑
Sept.	711	775	9.0%	↑
Oct.	684	716	4.6%	↑
Nov.	684	663	-3.0%	↓
Dec.	653	659	0.8%	↑
Jan.	686	529	-22.8%	↓
Feb.	560	503	-10.2%	↓
March	675	792	17.3%	↑
April	706	663	-6.1%	↓
May	689	695	0.8%	↑
June	736			
FYTD	7,473	7,470	-0.1%	↓
FY 13/14 Actuals	8,210			



\$ in thousands	Fiscal Year Actual FY 2014/15	Fiscal Year Budget FY 2014/15	Year-over-Year Change		Notes (\$ in millions)
	Fiscal YTD - May 2015	Fiscal YTD - May 2015	\$	%	
Operating Revenues					
Shipping Services	335,256	340,564	(5,307)	(1.6%)	Higher volumes at terminals with lower TEU rates, lower volumes at terminals with higher TEU rates than budgeted; easing of congestion accretive to shipping revenues as delays in timing of invoicing subsidies
Rentals	43,627	38,725	4,901	12.7%	Primarily due to one-time compensation catch-ups and resets, slightly offset by lower rental receipts for buildings and warehouses than budgeted
Royalties, Fees and Other Revenues	26,623	4,648	21,975	472.8%	BNSF/SCIG facility annual license fee \$11.1 (net) and higher AMP reimbursements than budgeted
Clean Truck Program Revenues	3,465	1,338	2,127	159.0%	Higher concession application renewals than budgeted
Total Operating Revenues	408,971	385,274	23,696	6.2%	
Operating Expenses					
Gross Salaries & Benefits	119,888	129,423	(9,535)	(7.4%)	Primarily due to lower average filled positions (912 vs. 940 budgeted), timing in benefits accruals, payouts, bonuses and other benefits
Direct Capitalization	(13,486)	(18,009)	4,523	(25.1%)	Lower direct capitalization primarily for Engineering and Construction as capital spending is below budgeted amounts
Net Salaries & Benefits	106,402	111,415	(5,012)	(4.5%)	
Marketing & Public Relations	2,786	3,227	(442)	(13.7%)	Lower business promotional / trade representation <\$0.3> and lower advertising <\$0.1>
Travel	592	870	(278)	(32.0%)	
Outside Services	21,389	26,852	(5,464)	(20.3%)	Higher capitalization in Construction & Maintenance <\$2.4>, lower IT support <\$0.9>, lower facility, equipment and dredging maintenance spending <\$0.9> and timing in City Attorney <\$0.5>, Government Affairs <\$0.3>, Marketing <\$0.3>, Port Police <\$0.3> and Audit <\$0.2> expenses as well timing of expense recognition within 9 divisions <\$0.9>, slightly offset by higher environmental assessment expenses \$1.3
Materials & Supplies*	5,909	6,909	(999)	(14.5%)	
City Services	34,177	33,601	577	1.7%	Timing in capitalization adjustments \$1.0, offset by timing of city attorney accruals <\$0.4>
(1) Allocations to Capital - Overhead	(16,818)	(15,308)	(1,510)	9.9%	
(2) Other Operating Expenses**	35,021	39,708	(4,686)	(11.8%)	Timing of environmental remediation <\$2.9>, carrier incentives <\$1.6>, insurance premium recognition <\$0.7>, litigation <\$0.6> and workers' compensation payments <\$0.6>, lower permits/fees/taxes/assessments/misc. <\$0.4> and water/gas <\$0.2>, slightly offset by higher equipment purchases \$1.2, electricity \$0.7, telephone \$0.3 and environmental incentives \$0.1
Clean Truck Program Expenses	741	865	(124)	(14.4%)	
Total Operating Expenses	190,200	208,138	(17,938)	(8.6%)	
Income Before Depreciation	218,771	177,136	41,635	23.5%	
Provision For Depreciation	112,448	110,359	2,088	1.9%	
Income From Operations	106,323	66,777	43,723	65.5%	
(3) Non-Operating Revenue	10,684	7,491	3,193	42.6%	Primarily higher Federal/State grant receipts \$2.5, state pass-through revenues \$0.6, interest/investment income \$0.4 and gain on asset sales \$0.1, partially offset by lower non-operating settlements, rebates and misc. <\$0.4>
(4) Non-Operating Expenses	(7,954)	(8,110)	157	(1.9%)	Lower interest capitalization \$3.7, loss on asset sales \$1.4, higher capital projects cancelled or not completed \$1.1 and state pass-through expenses \$0.6, partially offset by lower interest expense <\$4.2>, lower bond/commercial paper issuance costs <\$2.2> and lower misc. expenses <\$0.5>
Net Income	109,053	66,157	42,896	64.8%	

* Includes \$325 thousand Capital Improvement Program (CIP) transfer for materials, supplies and tools purchases within the Construction and Maintenance division which were originally not adopted within the FY 2014/15 Budget.

** Includes \$18.9 million in transfers for the following items which were originally not adopted within the FY 2014/15 Budget:

- Unappropriated Balance transfer for unbudgeted Alternative Maritime Power expenses: \$9.0 million
- CIP transfer for unbudgeted SCIG remediation and Front Street Beautification expenses: \$2.9 million
- CIP transfer for unbudgeted carrier incentive program expenses: \$7.0 million

Notes:

(1) Overhead allocations are eventually charged directly to each operating expense category at fiscal year end and are presented here in total for comparison purposes. FYTD allocation by expense component is as follows: Salaries & Benefits <\$8.8>; Marketing & Public Relations<\$0.2>; Travel <\$0.05>; Outside Services <\$1.6>; Materials & Supplies <\$0.5>; City Services <\$2.8>; Other Operating Expenses <\$2.9>.

(2) Primarily for: Electricity \$14.0; Container incentives \$8.6; Insurance \$2.8; Environmental incentives \$2.7; Water & gas \$2.1; Telephone \$1.7; Equipment purchases \$1.2; Property/equipment rental/license/misc. \$1.0; Memberships, subscriptions, books \$0.5; Taxes & assessments \$0.4

(3) Primarily for: Interest/investment income \$5.3; Federal/State grant receipts \$3.9; Rebates, late charges, discounts, misc. \$0.8; Pass-through grant receipts \$0.6; Gain on asset sales \$0.1

(4) Primarily for: Interest expense \$38.6; Capitalized interest <\$38.2>; Capital projects closed to expense \$3.4; Loss on sale of assets \$1.4; Bond issuance costs \$1.1; Commercial paper issuance costs \$1.1; Pass-through grant disbursements \$0.6

\$ in thousands	Current Fiscal Year FY 2014/15	Prior Fiscal Year FY 2013/14	Year-over-Year Change		Notes (\$ in millions)
	Fiscal YTD - May 2015	Fiscal YTD - May 2014	\$	%	
Operating Revenues					
Shipping Services	335,256	344,618	(9,362)	(2.7%)	Higher volumes at terminals with lower TEU rates, lower volumes at terminals with higher TEU rates <\$11.1> and lower pilotage <\$0.4>, partially offset by higher space assignment \$1.1 and dockage \$1.1
Rentals	43,627	38,133	5,493	14.4%	Intermodal customer rate increase / minimum annual guarantee (MAG) payment \$5.7, and other land rental receipts \$0.7, slightly offset by lower rental receipts for buildings and warehouses <\$1.0>
Royalties, Fees and Other Revenues	26,623	5,215	21,408	410.5%	BNSF/SCIG facility annual license fee \$10.9 (net), higher utility reimbursements mostly related to AMP \$9.3, higher parking fees \$0.5 and refunds related to environmental projects \$0.9, partially offset by credit to customer services <\$0.9>
Clean Truck Program Revenues	3,465	1,944	1,521	78.3%	Higher concession application fees with some renewals and higher day pass fees \$2.0, slightly offset by lower clean truck fees <\$0.5>
Total Operating Revenues	408,971	389,910	19,061	4.9%	
Operating Expenses					
Gross Salaries & Benefits	119,888	123,805	(3,917)	(3.2%)	Primarily due to lower average filled positions (912 vs. 938 prior year) slightly offset by MOU salary increases
Direct Capitalization	(13,486)	(17,236)	3,751	(21.8%)	
Net Salaries & Benefits	106,402	106,568	(166)	(0.2%)	
Marketing & Public Relations	2,786	2,512	273	10.9%	Higher promotional and sponsorship spending for Public Relations \$0.5, partially offset by lower foreign trade representation <\$0.2>
Travel	592	615	(24)	(3.8%)	
Outside Services	21,389	22,000	(611)	(2.8%)	Timing in capitalization adjustments <\$1.8>, lower maintenance dredging <\$0.6>, outside counsel <\$0.3>, public relations <\$0.3>, Contracts and Purchasing services <\$0.2>, C&M hiring hall salaries <\$0.2>, executive services <\$0.2> spending, partially offset by higher environmental assessment services \$1.8, Port Police security camera maintenance \$0.9 and cruise terminal operation expenses \$0.3
Materials & Supplies	5,909	6,381	(471)	(7.4%)	
City Services	34,177	26,461	7,717	29.2%	Timing of fire \$4.5, city attorney \$1.0, city controller \$0.1, CAO \$0.1 and personnel services \$0.1 accruals, timing in capitalization adjustments \$1.0 and MOU increases \$0.9
(1) Allocations to Capital - Overhead	(16,818)	(9,902)	(6,916)	69.8%	Higher operating base subject to overhead capitalization
(2) Other Operating Expenses	35,021	18,344	16,677	90.9%	Higher container incentives \$8.5, electricity (primarily for AMP) \$7.9, equipment purchases \$1.6, environmental incentives \$1.1, partially offset by timing of workers' compensation payouts <\$1.6>, property rental/license user fees <\$0.7>, higher capitalization <\$0.2> and lower permits/fees/taxes/assessments <\$0.1>
Clean Truck Program Expenses	741	838	(97)	(11.6%)	
Total Operating Expenses	190,200	173,817	16,383	9.4%	
Income Before Depreciation	218,771	216,092	2,678	1.2%	
Provision For Depreciation	112,448	113,081	(633)	(0.6%)	
Income From Operations	106,323	103,011	2,045	2.0%	
(3) Non-Operating Revenue	10,684	18,294	(7,610)	(41.6%)	Lower pass-through grant receipts <\$6.3> and settlements/rebates/misc. <\$4.5>, partially offset by higher Federal/State grant receipts \$2.3 and higher interest/investment income \$0.9
(4) Non-Operating Expenses	(7,954)	(44,760)	36,807	(82.2%)	Lower capital projects cancelled or not completed <\$30.4> and pass-through grant disbursements <\$6.3> as well as higher capitalization of interest <\$6.9>, partially offset by higher interest expense \$4.7, new bond issuance costs \$1.1 and higher loss on asset sales/misc. \$0.9
Net Income	109,053	76,545	32,508	42.5%	

Notes:

(1) Overhead allocations are eventually charged directly to each operating expense category at fiscal year end and are presented here in total for comparison purposes. FYTD allocation by expense component is as follows: Salaries & Benefits <\$8.8>; Marketing & Public Relations<\$0.2>; Travel <\$0.05>; Outside Services <\$1.6>; Materials & Supplies <\$0.5>; City Services <\$2.8>; Other Operating Expenses <\$2.9>.

(2) Primarily for: Electricity \$14.0; Container incentives \$8.6; Insurance \$2.8; Environmental incentives \$2.7; Water & gas \$2.1; Telephone \$1.7; Equipment purchases \$1.2; Property/equipment rental/license/misc. \$1.0; Memberships, subscriptions, books \$0.5; Taxes & assessments \$0.4

(3) Primarily for: Interest/investment income \$5.3; Federal/State grant receipts \$3.9; Rebates, late charges, discounts, misc. \$0.8; Pass-through grant receipts \$0.6; Gain on asset sales \$0.1

(4) Primarily for: Interest expense \$38.6; Capitalized interest <\$38.2>; Capital projects closed to expense \$3.4; Loss on sale of assets \$1.4; Bond issuance costs \$1.1; Commercial paper issuance costs \$1.1; Pass-through grant disbursements \$0.6