



## AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

### “FOR INFORMATION ONLY”

**DATE: MAY 17, 2019**

**TO: BOARD OF HARBOR COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR 2018/19 ENDED APRIL 30, 2019**

Financial performance results for the first ten 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 April, cargo volumes (as measured by TEUs or twenty-foot equivalent units) increased 4.4% relative to April 2018. Fiscal year-to-date (“FYTD”) TEUs are 5.4% higher relative to prior FYTD results. In summary, FYTD performance results for the Harbor Department are as follows:

FYTD April 2019	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	8,095	↑ 3.5%	↑ 5.4%
Operating Revenues	\$423.0	↓ (1.1%)	↑ 2.8%
Operating Expenses	\$188.3	↓ (16.0%)	↑ 5.7%
Operating Income	\$234.7	↑ 15.5%	↑ 0.6%
Net Income	\$143.9	↑ 141.5%	↑ 33.4%

Through the first ten 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, total Operating Revenues decreased by 1.1% 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. Relative to prior fiscal year, total Operating Revenues increased by 2.8% as higher Harbor Maintenance Tax receipts, higher rental revenues, and higher utility reimbursements were only slightly offset by lower shipping services.

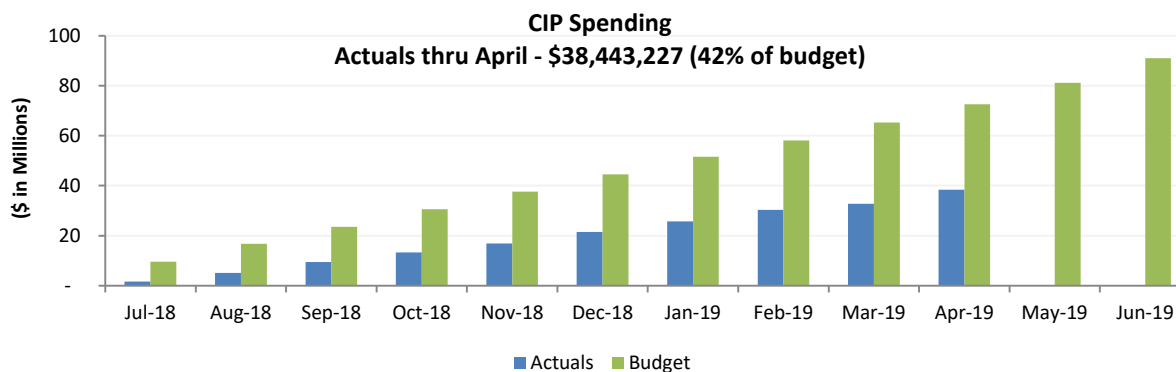
**SUBJECT: FINANCIAL PERFORMANCE RESULTS**

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 16.0% below budget. Relative to the prior fiscal year, total Operating Expenses increased by 5.7% due to higher outside services, higher electricity expenses, and higher city services spending.

Operating margins for the FYTD period were reported at 55.5% versus a budget of 47.5% and a prior year figure of 56.7%. 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 April 30, 2019 reached \$38.4 million or about 42% 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 & Chief Financial Officer

**Transmittals:**

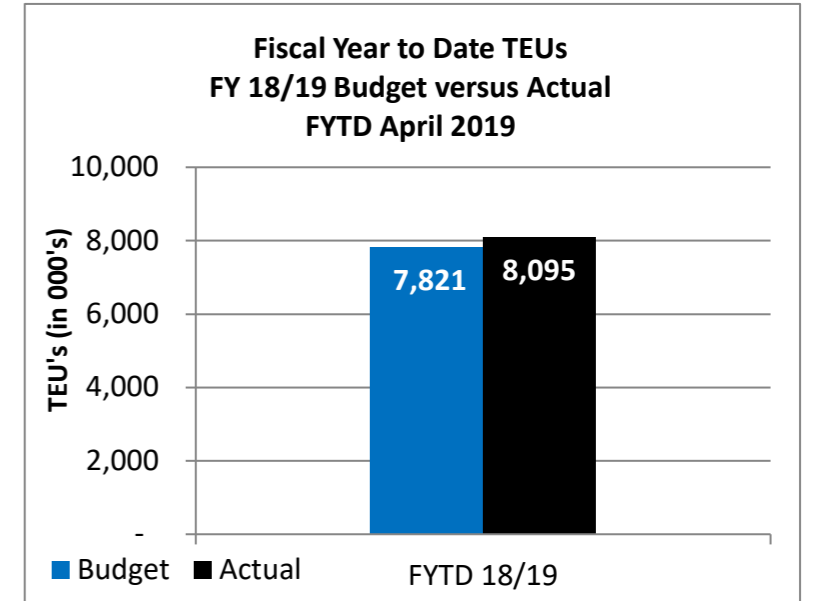
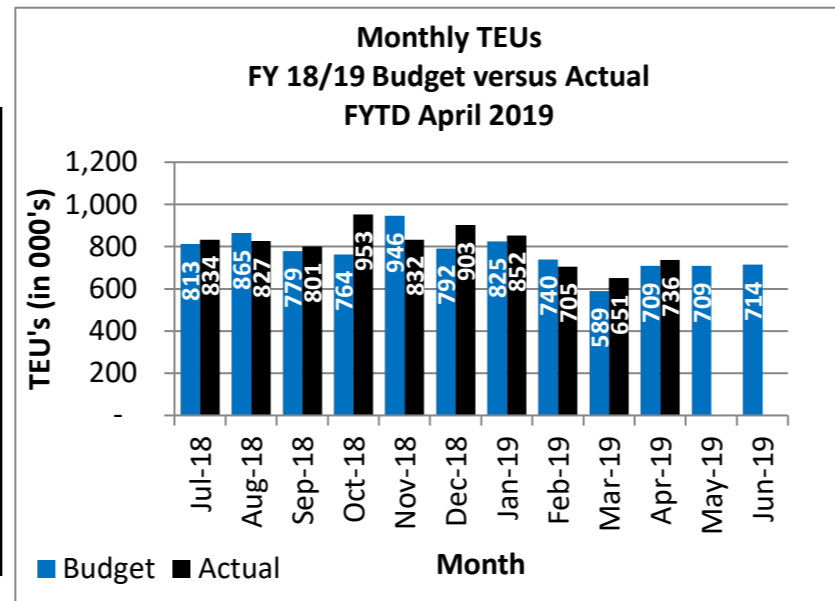
1. TEU Throughput Comparison – FYTD April 2019
2. Actual-to-Budget FY 2018/19 – April
3. Year-to-Year Performance Report YTD April 30, 2019 and 2018

JS:MM/Finance  
cc: Deputy Executive Directors

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

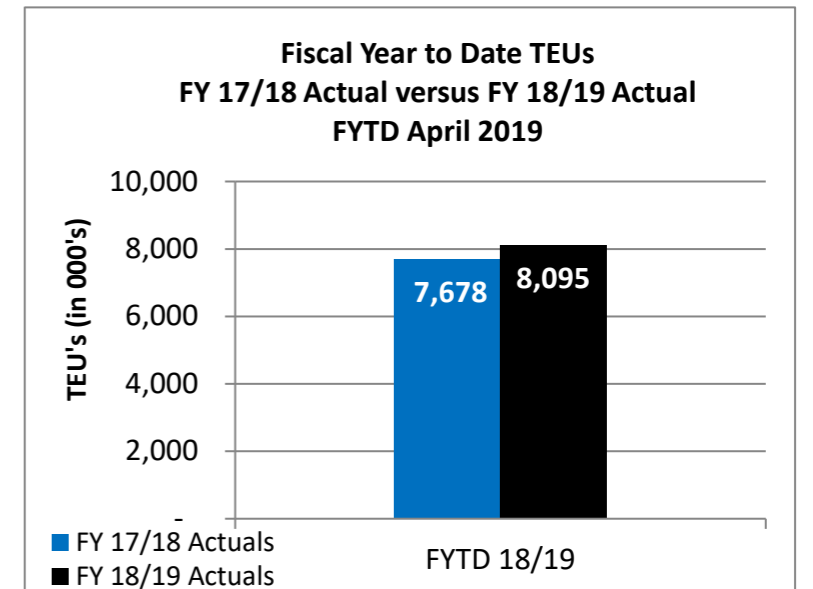
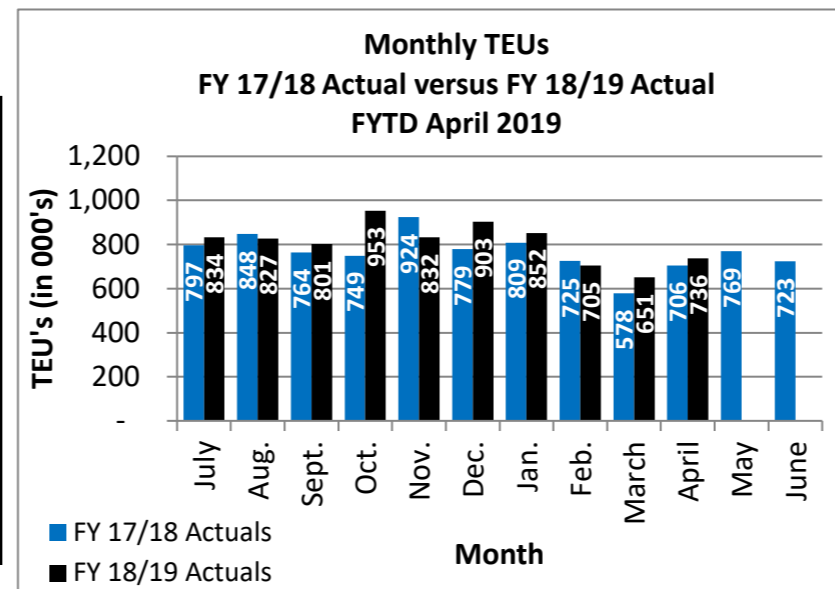
Budget versus Actuals Comparison  
FY 18/19 Budget vs. FY 18/19 Actuals

(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	651	10.4%	↑
Apr-19	709	736	3.9%	↑
May-19	709			
Jun-19	714			
FYTD 18/19	7,821	8,095	3.5%	↑
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	651	12.7%	↑
April	706	736	4.4%	↑
May	769			
June	723			
FYTD 18/19	7,678	8,095	5.4%	↑
FY 17/18 Actuals	9,170			



\$ in thousands	Fiscal Year Actual	Fiscal Year Budget	Actual-to-Budget Comparison	
	FY 2018/19 Fiscal YTD - Apr. 2019	FY 2018/19 Fiscal YTD - Apr. 2019	\$	%
<b>Operating Revenues</b>				
Shipping Services	340,070	358,474	(18,404)	(5.1%)
Rentals	58,169	49,062	9,107	18.6%
Royalties, Fees and Other Revenues	23,363	18,147	5,216	28.7%
Clean Truck Program Revenues	1,394	1,811	(417)	(23.0%)
<b>Total Operating Revenues</b>	<b>422,996</b>	<b>427,495</b>	<b>(4,498)</b>	<b>(1.1%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	114,606	129,940	(15,334)	(11.8%)
Capitalization	(18,644)	(11,221)	(7,423)	66.2%
Net Salaries & Benefits	95,962	118,719	(22,757)	(19.2%)
Marketing & Public Relations	2,067	2,914	(847)	(29.1%)
Travel	619	851	(232)	(27.3%)
Outside Services	22,956	34,518	(11,562)	(33.5%)
Materials & Supplies	5,076	7,024	(1,947)	(27.7%)
City Services	37,320	43,550	(6,230)	(14.3%)
Allocations to Capital - Overhead		(11,030)	11,030	(100.0%)
Other Operating Expenses	23,710	26,813	(3,103)	(11.6%)
Clean Truck Program Expenses	572	920	(347)	(37.8%)
<b>Total Operating Expenses</b>	<b>188,282</b>	<b>224,278</b>	<b>(35,996)</b>	<b>(16.0%)</b>
<b>Income Before Depreciation</b>	<b>234,715</b>	<b>203,217</b>	<b>31,498</b>	<b>15.5%</b>
Provision For Depreciation	132,958	146,344	(13,386)	(9.1%)
<b>Income From Operations</b>	<b>101,756</b>	<b>56,873</b>	<b>44,884</b>	<b>78.9%</b>
Non-Operating Revenue	50,784	19,464	31,320	160.9%
Non-Operating Expenses	(8,615)	(16,742)	8,127	(48.5%)
<b>Net Income</b>	<b>143,925</b>	<b>59,595</b>	<b>84,331</b>	<b>141.5%</b>

\$ in thousands	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2018/19	FY 2017/18	Change	
	Fiscal YTD - Apr. 2019	Fiscal YTD - Apr. 2018	\$	%
<b>Operating Revenues</b>				
Shipping Services	340,070	343,615	(3,545)	(1.0%)
Rentals	58,169	52,902	5,267	10.0%
Royalties, Fees and Other Revenues	23,363	13,035	10,328	79.2%
Clean Truck Program Revenues	1,394	1,996	(602)	(30.2%)
<b>Total Operating Revenues</b>	<b>422,996</b>	<b>411,548</b>	<b>11,449</b>	<b>2.8%</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	114,606	113,604	1,002	0.9%
Capitalization	(18,644)	(17,409)	(1,236)	7.1%
Net Salaries & Benefits	95,962	96,195	(233)	(0.2%)
Marketing & Public Relations	2,067	2,468	(401)	(16.2%)
Travel	619	614	4	0.7%
Outside Services	22,956	18,086	4,870	26.9%
Materials & Supplies	5,076	5,412	(335)	(6.2%)
City Services	37,320	33,291	4,029	12.1%
Other Operating Expenses	23,710	21,528	2,182	10.1%
Clean Truck Program Expenses	572	586	(14)	(2.4%)
<b>Total Operating Expenses</b>	<b>188,282</b>	<b>178,181</b>	<b>10,101</b>	<b>5.7%</b>
<b>Income Before Depreciation</b>	<b>234,715</b>	<b>233,367</b>	<b>1,348</b>	<b>0.6%</b>
Provision For Depreciation	132,958	135,399	(2,440)	(1.8%)
<b>Income From Operations</b>	<b>101,756</b>	<b>97,968</b>	<b>3,788</b>	<b>3.9%</b>
Non-Operating Revenue	50,784	15,011	35,773	238.3%
Non-Operating Expenses	(8,615)	(5,075)	(3,540)	69.7%
<b>Net Income</b>	<b>143,925</b>	<b>107,904</b>	<b>36,021</b>	<b>33.4%</b>