



“FOR INFORMATION ONLY”

DATE: APRIL 15, 2015

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2014/15 ENDED MARCH 31, 2015**

Following the tentative coast-wide contract agreement reached between the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) on February 20, overall congestion within the Port complex began to subside, and, during the month of March, cargo volumes (as measured by TEUs or twenty-foot equivalent units) dramatically rebounded such that Fiscal Year-to-Date (FYTD) 2014/15 volumes now exceed FYTD 2013/14 volumes. Transmittals 1, 2 and 3 provide financial performance results, and the chart below summarizes those results:

FYTD March 2015	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Container Cargo Volumes	6,112	↓ (1.0%)	↑ 0.6%
Operating Revenues*	\$ 323.8	↑ 3.4%	↑ 3.8%
Operating Expenses*	\$ 143.6	↓ (11.3%)	↓ (0.7%)
Operating Income	\$ 180.3	↑ 19.1%	↑ 7.8%
Net Income	\$ 91.3	↑ 50.8%	↑ 44.4%

* Note: Operating Expenses include \$10.8 million in electricity expenses, of which \$8.1 million are AMP-related. The majority (about 98%) of AMP electricity expenses are reimbursed by AMP-capable customers and reflected in Operating Revenues.

Shipping Services revenues significantly recovered in March as: congestion throughout the Port complex eased; vessels that were previously at anchor made their way to berth; and the processing and invoicing of these vessels' associated cargo occurred. However, as mentioned in prior monthly financial reports, reduced volumes at terminals with higher TEU rates and increased volumes at terminals with lower TEU rates have continued to negatively impact Shipping Services revenues relative to budget and prior year. Despite lower Shipping Services revenues, one-time revenue “catch-up” billings related to compensation resets in certain leases and higher Alternative Maritime Power (AMP™) reimbursements drove total operating revenues to exceed FYTD budget and prior year figures. As the number of ships sitting at anchor continues to decline, and as congestion continues to ease, total Shipping Services revenues will continue to be

SUBJECT: FINANCIAL PERFORMANCE RESULTS

favorably impacted. While the expectation is that total Operating Revenues for Fiscal Year (FY) 2014/15 will be in line with budget, we will continue to monitor container traffic and the corresponding impact on revenues.

Operating Expenses were down 0.7% year-on-year as lower average headcount, timing of expense recognition and higher indirect overhead capitalization more than offset Memorandum of Understanding salary increases, lower direct salary capitalization and higher AMP™-related electricity costs. Relative to budget, Operating Expenses were 11.3% below budget due to lower than budgeted salaries, higher indirect overhead capitalization and timing of expense recognition and capitalization.

Based upon final calendar year 2014 TEU counts, we estimate that the Port's obligations under the Ocean Common Carrier Incentive Program (Carrier Incentive Program) will be \$10.5 million, or \$7.0 million more than budgeted, and this obligation is currently not reflected within FYTD Operating Expenses through March. If this \$10.5 million expense were to be added into FYTD results, FYTD Operating Expenses would continue to fall 4.8% below FYTD budget due mostly to lower average headcount and the timing in recognition of other expenses. Given that we currently do not anticipate sufficient savings within the "Other Operating Expense" category in order to fund the Port's expected obligations under the Carrier Incentive Program, we have submitted a separate board report which requests a budgetary transfer to fund the \$7.0 million differential between the initial \$3.5 million provision and the final cost of the Carrier Incentive Program.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ending March 2015 based on internal estimates reached \$148.6 million or about 53% of the total \$281.0 million CIP adopted budget. The Harbor Department expects CIP spending to approximate \$243 million by Fiscal Year-End.


FOR EUGENE D. SEROKA
Executive Director

Transmittals:

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

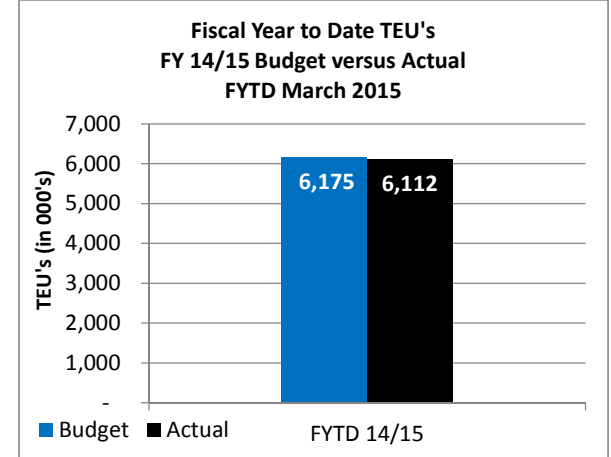
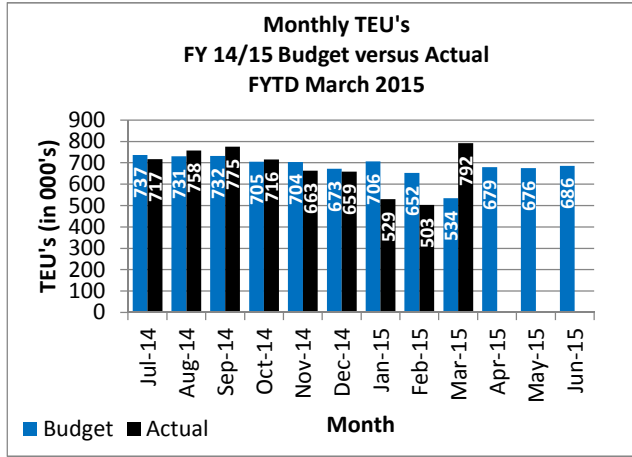
Author: M. Marchese

MB:MM/Finance 
cc: Deputy Executive Directors

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

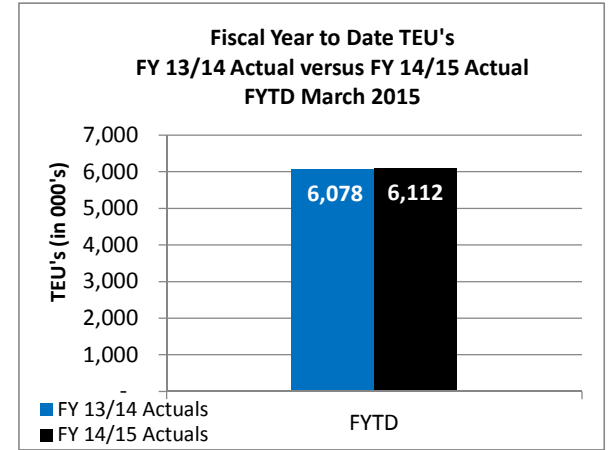
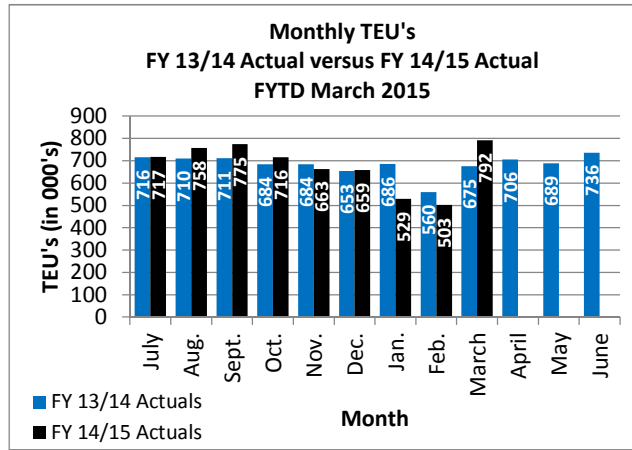
Budget versus Actuals Comparison
FY 14/15 Budget vs. FY 14/15 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 14/15 Budget	FY 14/15 Actuals		
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			
May-15	676			
Jun-15	686			
FYTD 14/15	6,175	6,112	-1.0%	↓
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		% Δ	Δ
Month	FY 13/14 Actuals	FY 14/15 Actuals		
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			
May	689			
June	736			
FYTD	6,078	6,112	0.6%	↑
FY 13/14 Actuals	8,210			



Harbor Department
Actual-to-Budget

TRANSMITTAL 2

Fiscal Year 2014/15 - March

(Data in thousands of \$, comments in millions of \$)

	Actual (Unaudited) FY 2014/15 (Fiscal YTD Mar 2015)	Adopted Budget FY 2014/15 (Fiscal YTD Mar 2015)	Δ	Δ%	
Operating Revenues					
Shipping Services	\$ 267,921	\$ 276,675	(8,755)	-3.2%	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	35,661	31,812	3,849	12.1%	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	17,346	3,697	13,650	369.3%	BNSF/SCIG facility annual license fee \$4.7 (net) and higher AMP reimbursements than budgeted
Clean Truck Program Revenues	2,911	1,094	1,817	166.0%	Higher concession application renewals than budgeted
Total Operating Revenues	\$ 323,839	\$ 313,278	10,561	3.4%	
Operating Expenses					
Salaries & Benefits	98,290	106,113	(7,823)	-7.4%	Primarily due to lower average filled positions (916 vs. 940 budgeted), timing in benefits accruals, payouts, bonuses and other benefits
Gross Salaries & Benefits					
Capitalization (direct)	(11,800)	(14,735)	2,935	-19.9%	Lower direct capitalization primarily for Engineering and Construction & Maintenance as capital spending is below budgeted amounts
Net Salaries & Benefits (Operating)	86,491	91,378	(4,888)	-5.3%	
Marketing and Public Relations	2,411	2,877	(466)	-16.2%	
Travel	377	660	(283)	-42.9%	Timing in capitalization adjustments <\$3.2>, higher capitalization in Construction & Maintenance <\$2.0>, lower spending on Port Police IT support <\$1.1>, project scheduling for maintenance dredging <\$0.6> and timing in City Attorney <\$0.4>, Government Affairs <\$0.3>, Marketing <\$0.3> and Audit <\$0.2> expenses as well timing of expense recognition within 7 divisions <\$0.7>, slightly offset by higher environmental assessment expenses \$1.0
Outside Services	13,598	21,417	(7,819)	-36.5%	
Materials & Supplies	4,643	5,284	(641)	-12.1%	
City Services	27,982	27,684	298	1.1%	
Allocations to Capital - Overhead	(13,507)	(12,525)	(982)	7.8%	
Other Operating Expenses*	21,167	24,497	(3,329)	-13.6%	Timing in capitalization adjustments \$1.0, offset by timing of city attorney and public works accruals <\$0.7>
Clean Truck Program Expenses	393	631	(238)	-37.8%	
Total Operating Expenses	\$ 143,555	\$ 161,902	(18,348)	-11.3%	
Income Before Depreciation	\$ 180,284	\$ 151,376	28,909	19.1%	Timing of carrier incentives <\$2.6>, insurance premium recognition <\$1.2> and litigation <\$0.6>, lower water <\$1.0>, workers' compensation <\$0.5> payments and lower permits/fees/taxes/assessments <\$0.3> slightly offset by higher electricity \$1.3, equipment purchases \$1.1 and environmental incentives \$0.5
Provision for Depreciation	92,114	90,294	1,820	2.0%	
Income from Operations	\$ 88,171	\$ 61,082	27,089	44.3%	
Non-Operating Revenue (interest income, grant receipts, etc.)	9,897	6,129	3,769	61.5%	Primarily higher Federal/State grant receipts \$2.5, interest/investment income \$0.6, higher gain on asset sales \$0.5 and higher state pass-through revenues \$0.4, partially offset by lower non-operating settlements, rebates and misc. <\$0.2>
Non-Operating Expenses (bonds/notes/interest expense, etc.)	6,720	6,636	84	1.3%	
Net Income	\$ 91,348	\$ 60,575	30,773	50.8%	Lower interest capitalization \$3.3, higher capital projects cancelled or not completed \$1.0, loss on asset sales \$1.1 and state pass-through expenses \$0.4, partially offset by lower interest expense <\$3.7>, lower bond/commercial paper issuance costs <\$1.5> and lower misc. expenses <\$0.5>

* Includes Unappropriated Balance transfer for unbudgeted Alternative Maritime Power expenses (\$7.1 million)

Overhead allocations are eventually charged directly to each operating expense category at fiscal year end; presented here in total for comparison purposes. FYTD allocation by expense component is as follows:
 <\$7.5> Salaries & Benefits
 <\$0.2> Marketing & Public Relations
 <\$0.04> Travel
 <\$1.1> Outside Services
 <\$0.4> Materials & Supplies
 <\$2.4> City Services
 <\$1.9> Other Operating Expenses

Primarily for:
 \$10.8 Electricity
 \$2.3 Insurance
 \$2.1 Environmental incentives
 \$1.8 Water & gas
 \$1.4 Telephone
 \$1.1 Equipment purchases
 \$0.9 Property/equipment rental/license
 \$0.5 Memberships, subscriptions, books
 \$0.2 Taxes & assessments

Primarily for:
 \$31.3 Interest expense
 <\$31.0> Capitalized interest
 \$2.9 Capital projects closed to expense
 \$1.1 Bond issuance costs
 \$1.1 Loss on sale of assets
 \$1.0 Commercial paper issuance costs
 \$0.4 Pass-through grant disbursements

Primarily for:
 \$4.6 Interest/investment income
 \$3.7 Federal/State grant receipts
 \$0.7 Rebates, late charges, discounts, misc.
 \$0.6 Gain on asset sales
 \$0.4 Pass-through grant receipts

Year-to-Year Performance Report
YTD March 31, 2015 and 2014

(Data in thousands of \$, comments in millions of \$)

(000s)

Operating Revenues

	Actual (Unaudited) FY 2014/15 (Fiscal YTD Mar 2015)	Actual (Unaudited) FY 2013/14 (Fiscal YTD)	Δ	Δ%
Shipping Services	\$ 267,921	\$ 275,869	(7,948)	-2.9%
Rentals	35,661	30,865	4,796	15.5%
Royalties, fees and other revenues	17,346	3,442	13,904	404.0%
Clean Truck Program Revenues	2,911	1,676	1,235	73.7%
Total Operating Revenues	\$ 323,839	\$ 311,852	11,988	3.8%

Operating Expenses

Salaries & Benefits				
Gross Salaries and Benefits	98,290	100,740	(2,449)	-2.4%
Capitalization (direct)	(11,800)	(13,850)	2,050	-14.8%
Net Salaries & Benefits (Operating)	86,491	86,890	(399)	-0.5%
Marketing and Public Relations	2,411	2,267	144	6.4%
Travel	377	493	(116)	-23.5%
Outside Services	13,598	16,630	(3,032)	-18.2%
Materials & Supplies	4,643	5,095	(452)	-8.9%
City Services	27,982	25,916	2,066	8.0%
Allocations to Capital - Overhead	(13,507)	(8,150)	(5,357)	65.7%
Other Operating Expenses	21,167	14,962	6,205	41.5%
Clean Truck Program Expenses	393	520	(128)	-24.5%
Total Operating Expenses	\$ 143,555	\$ 144,622	(1,067)	-0.7%

Income Before Depreciation

	\$ 180,284	\$ 167,229	13,055	7.8%
Provision for Depreciation	92,114	86,016	6,098	7.1%

Income from Operations

	\$ 88,171	\$ 81,213	6,957	8.6%
Non-Operating Revenue (interest Income, grant receipts, etc.)	9,897	15,833	(5,936)	-37.5%
Non-Operating Expenses (bonds/notes/interest Expense, etc.)	6,720	33,770	(27,050)	-80.1%

Net Income

	\$ 91,348	\$ 63,277	28,072	44.4%
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Higher volumes at terminals with lower TEU rates, lower volumes at terminals with higher TEU rates <\$9.2> and lower pilotage <\$0.4>, partially offset by higher space assignment \$0.9 and dockage \$0.7

Intermodal customer rate increase and minimum annual guarantee (MAG) payment \$5.2, slightly offset by lower rental receipts for buildings and warehouses <\$0.7>

Higher utility reimbursements mostly related to AMP \$8.0, BNSF/SCIG facility annual license fee \$4.7 (net), refunds related to environmental projects \$0.9 and higher parking fees \$0.4

Higher concession application fees with some renewals and higher day pass fees

Primarily due to lower average filled positions (916 vs. 939 prior year) slightly offset by MOU salary increases

Higher promotional and sponsorship spending for Public Relations \$0.3, partially offset by lower foreign trade representation <\$0.2>

Timing in capitalization adjustments <\$5.0>, lower hiring hall salaries in Construction & Maintenance <\$0.6>, lower outside counsel <\$0.4>, lower Contracts and Purchasing services <\$0.2> and lower executive services <\$0.2> spending, partially offset by higher environmental assessment services \$1.3, land/building/bridge maintenance \$0.9, Port Police security camera maintenance \$0.8 and IT hardware/software maintenance \$0.4

Timing in capitalization \$1.0 and higher fire \$0.6, recreation and parks \$0.4 and personnel services \$0.1

Higher operating expense base subject to overhead capitalization

Higher electricity (primarily for AMP) \$6.0 and environmental incentives \$1.7 as well as lower capitalization \$1.1, partially offset by lower provision for workers' compensation <\$1.6>, property rental/license user fees <\$0.6> and lower permits/fees/taxes/assessments <\$0.4>

Lower pass-through grant receipts <\$6.4>, settlements/rebates/misc. <\$3.9> and environmental reimbursements <\$0.2>, partially offset by higher Federal/State grant receipts \$3.1, higher interest/investment income \$1.1 and higher gain on asset sales \$0.4

Lower capital projects cancelled or not completed <\$20.2>, pass-through grant disbursements <\$6.4> and higher capitalization of interest <\$6.2>, partially offset by higher interest expense \$3.6, new bond issuance costs \$1.1 and higher loss on asset sales \$1.0

Overhead allocations are eventually charged directly to each operating expense category at fiscal year end; presented here in total for comparison purposes. FYTD allocation by expense component is as follows:
<\$7.5> Salaries & Benefits
<\$0.2> Marketing & Public Relations
<\$0.04> Travel
<\$1.1> Outside Services
<\$0.4> Materials & Supplies
<\$2.4> City Services
<\$1.9> Other Operating Expenses

Primarily for:
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\$1.8 Water & gas
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\$4.6 Interest/investment income
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