AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

"FOR INFORMATION ONLY"

DATE: **SEPTEMBER 24, 2024**

TO: **THE BOARD OF HARBOR COMMISSIONERS**

SUBJECT: **FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR ENDED JUNE 30, 2024 - PRELIMINARY**

SUMMARY:

This report discusses key factors that impacted the unaudited Fiscal Year ("FY") 2024 financial performance of the City of Los Angeles ("City") Harbor Department ("Harbor Department" or "Department"). Furthermore, this report compares the Harbor Department's FY 2024 financial performance to the results projected within its adjusted Adopted FY 2024 Budget as well as the prior fiscal year. It should be noted that FY 2024 figures are not final and are subject to change pending the year-end audit process.

Cargo volumes (as measured by TEUs or twenty-foot equivalent units) of 9.229 million TEUs for the fiscal year (FY) ending June 30, 2024 represented a 3.4% increase relative to budget and a 6.9% increase relative to the prior FY. In summary, performance results for the Harbor Department are as follows:

FY Ended June 2024*	Actuals - UNAUDITED (in Millions)	Actual-to-Budget Comparison	Year-on-Year Comparison
Cargo Volumes	9.229	↑ 3.4%	↑ 6.9%
Operating Revenues	$709.8	↑ 8.7%	↑ 8.1%
Operating Expenses	$295.0	↓ (20.8%)	↓ (1.5%)
Operating Income	$414.7	↑ 47.8%	↑ 16.2%
Net Income	$291.8	↑ 151.5%	↑ 75.3%

* FY 2024 financial information is UNAUDITED and subject to change.

Cargo volumes increased in FY 2024 primarily due to strong consumer demand driven by a robust U.S. economy and shippers diverting cargo back to the West Coast due to labor uncertainty on the East Coast. On a year-over-year basis, the 6.9% increase in cargo volumes was driven by a 9.8% increase in loaded imports and a 31.1% increase in loaded exports, which was only partially offset by a 5.9% decrease in empty container volumes.

Total Operating Revenues increased by 8.7% versus FY 2023 due to higher wharfage revenue, higher rental revenue and higher collections for the Clean Truck Program, which were only partially offset by lower Harbor Maintenance Tax receipts and lower space assignment revenue. Total Operating Expenses decreased by 1.5% relative to the prior fiscal year due to lower litigation costs, which were only partially offset by higher salary and benefits costs and other miscellaneous expenses. The combination of higher Operating Revenues and lower Operating Expenses led to a 16.2% relative to the prior Fiscal Year.

DISCUSSION:

As of June 30, 2024, the Harbor Department met or exceeded the following key performance metrics indicative of healthy operations:

TABLE 1: KEY FINANCIAL METRICS

Performance Metric	Minimum	As of 6/30/24
Debt Rating	AA	✓ AA+
Debt Service Coverage	2.0x	✓ 6.7x
Operating Margin	45.0%	✓ 58.4%

As noted within Table 1 above, as of June 30, 2024, the Harbor Department has continued to maintain its AA+ debt rating. Additionally, the Department's 6.7x debt service coverage ratio exceeded the 2.0x minimum required under the Port's Financial Policies as well as the 1.25x minimum coverage required under the Port's Bond Indenture. Furthermore, the Harbor Department's 58.4% operating margin (calculated as operating income before depreciation divided by total Operating Revenues) exceeded a separately established key financial metric to maintain a minimum operating margin of 45.0%.

CARGO VOLUMES:

FY 2024 cargo volumes of 9,228,609 TEUs represented a 3.4% increase relative to budget and a 6.9% increase relative to FY 2023 levels. Total loaded containers of 6,279,156 represented a 14.2% increase relative to the prior year. This increase was primarily driven by a 31.1% increase in loaded exports and a 9.8% increase in loaded imports. Empty containers totaling 2,949,453 represented a year-over-year decrease of 5.9%. Transmittal 1 provides a detailed monthly breakout of FY 2024 TEUs relative to both budget and the prior fiscal year.

OPERATING REVENUES:

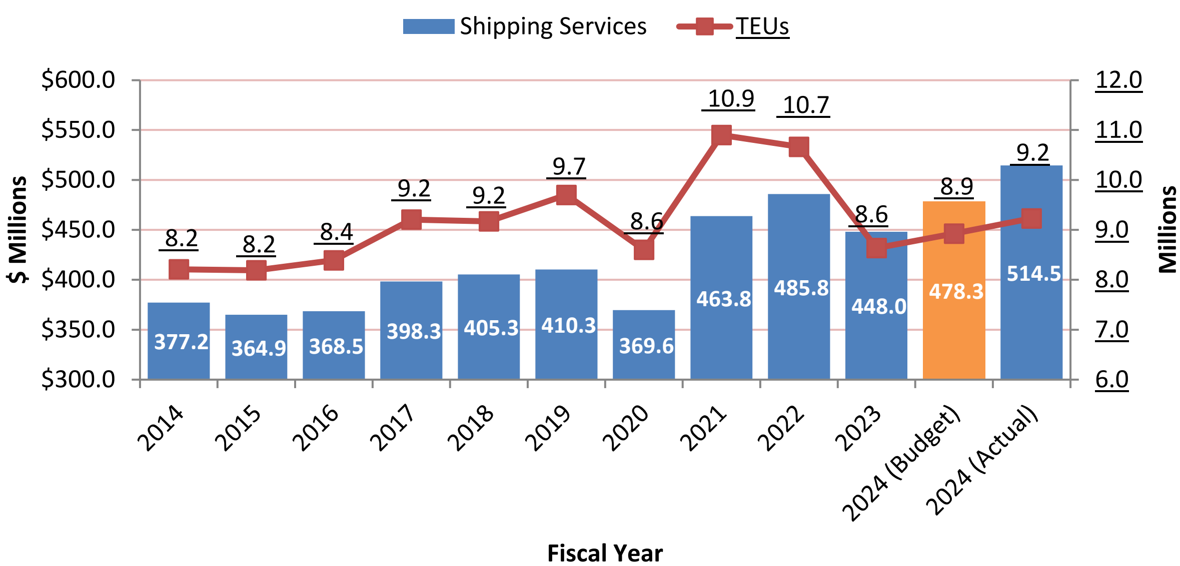
TABLE 2: FY 2024 OPERATING REVENUES (UNAUDITED)

FY 2024 – Ended June 30 UNAUDITED ($ in thousands)	FY 2024 Actual	FY 2024 Budget	FY 2023 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Shipping Services	514,513	478,310	448,009	7.6%	14.8%
Rentals	117,426	98,580	117,289	19.1%	0.1%
Royalties, Fees and Other Revenues	32,288	41,200	49,882	(21.6%)	(35.3%)
Clean Truck Program Revenues	45,539	34,774	41,219	31.0%	10.5%
Total Operating Revenues	**709,766**	**652,864**	**656,399**	**8.7%**	**8.1%**

Higher Wharfage Revenues, Rental Fees, and Clean Truck Fund Collections Drove An Increase in Operating Revenues – Relative to budget, operating revenues increased by 8.7% due to higher wharfage revenues, higher rental fees, higher Clean Truck Fund collection, higher pilotage revenue and space assignment fees, which was only partially offset by lower Harbor Maintenance Tax receipts, lower Utility Charges and lower Operating Reimbursements. Relative to the prior fiscal year, total Operating Revenues increased by 8.7% due to higher wharfage revenues, higher Clean Truck Program collections, higher rental revenues and higher pilotage revenues, which were only partially offset by lower Harbor Maintenance Tax receipts, lower space assignments, and lower one-time reimbursements.

As noted within Table 3 below, TEU volumes grew from FY 2023 and continues to be a key driver of Shipping Services revenues at the Port.

TABLE 3: SHIPPING SERVICES AND TEU TRENDS: FY 2014 – FY 2024



Further details regarding variances within other revenue accounts are provided below:

- **Shipping Services**
  - *Actuals vs. Budget*: Shipping Services increased by $36.2 million relative to budget due to the following:
    - $33.9 million in higher wharfage due to higher cargo volumes and TEU rates;
    - $1.1 million in higher pilotage;
    - $0.7 million in higher space assignment fees; and
    - $0.5 million in higher dockage revenues.

  - *Actuals vs. Prior Year*: Shipping Services increased by $66.5 million relative to the prior fiscal year as $11.4 million in lower space assignment revenues were more than offset by the following:
    - $76.6 million in higher wharfage due to higher cargo volumes and higher TEU rates;
    - $0.9 million in higher pilotage; and
    - $0.4 million in higher dockage revenues.

- **Rentals**
  - *Actuals vs. Budget:* Rentals increased by $18.8 million relative to budget as $0.7 million in lower than budgeted rental receipts from various miscellaneous customers were more than offset by $19.5 million in favorable variances comprise of
    - $14.6 million primarily due to a Union Pacific compensation reset; and
    - $4.9 million due to higher gross receipts from Westrec Marina;

  - *Actuals vs. Prior Year:* Rentals increased by a $0.1 million relative to the prior fiscal year.

- **Royalties, Fees and Other Revenues**
  - *Actuals vs. Budget:* Royalties, fees and other revenues decreased by a net $8.9 million, detailed as follows:
    - $10.3 million in unfavorable variances comprised of: $5.5 million in lower Harbor Maintenance Tax (HMT) Receipts; $2.6 million in lower utility charges; $1.5 million in lower one-time operating reimbursements; $0.3 million in lower parking fees; $0.3 million miscellaneous other operating revenues; $0.1 million in lower oil lease royalties; and
    - A favorable variance of $1.4 million related to $0.7 million in higher permits and fees and $0.7 million in lower credits for tenant services.

  - *Actuals vs. Prior Year:* Royalties, fees and other revenues decreased by $17.6 million, detailed as follows:
    - $19.5 million in unfavorable variances comprised of: $12.6 million in lower Harbor Maintenance Tax receipts; $5.2 million in lower one-

time reimbursements; $1.0 million in lower parking fees; $0.7 million in other operating revenues; and

- A favorable variance of $1.9 million related to $1.0 million in lower credit for tenant services, $0.5 million in higher utility charges; and $0.4 million in higher permit and fees

- **Clean Truck Program ("CTP") Revenues**
  - *Actuals vs. Budget:* CTP revenues increased by $10.8 million relative to budget primarily due to the higher Clean Truck Fund Rate ("CTFR") collections ($10.6 million) and higher concession application fees ($0.2 million).

  - *Actuals vs. Prior Year:* CTP revenues increased by $4.3 million relative to prior year primarily due to the higher CTFR collections ($4.4 million) and higher annual truck fees ($0.2 million), which were partially offset by lower concession application fees ($0.3 million).

OPERATING EXPENSES:

TABLE 4: FY 2024 OPERATING EXPENSES

FY 2024 – Ended June 30 UNAUDITED* ($ in thousands)	FY 2024 Actual*	FY 2024 Budget	FY 2023 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Net Salaries & Benefits	151,625	175,217	141,734	(13.5%)	7.0%
Marketing & Public Relations	3,279	3,768	2,710	(13.0%)	21.0%
Travel	768	1,221	577	(37.1%)	33.1%
Outside Services	34,668	53,488	33,332	(35.2%)	4.0%
Materials & Supplies	6,438	8,894	5,974	(27.6%)	7.8%
City Services	45,145	66,758	47,823	(32.4%)	(5.6%)
Allocations to Capital - Overhead	-	(19,710)	-	n/a	n/a
Other Operating Expenses	46,945	69,032	61,435	(32.0%)	(23.6%)
Clean Truck Program Expenses	6,169	13,684	5,835	(54.9%)	5.7%
Total Operating Expenses	**295,037**	**372,352**	**299,420**	**(20.8%)**	**(1.5%)**

* FY 2024 Actual Operating Expenses are UNAUDITED and subject to change.

OPERATING EXPENSES (vs. Budget):

Lower Salaries and Benefits as well as Lower Spending on City Services and Outside Services Primarily Drove Total Operating Expenses below Budget – Total Operating Expenses of $295.0 million fell 20.8% or $77.3 million below budget. Details for each major Operating Expense category and a comparison relative to their respective budgets are as follows:

- **Net Salaries & Benefits: $151.6 million by $23.6 million or 13.5%.**
  Net Salaries & Benefits expenses declined relative to budget due to $5.0 million in lower gross salaries, benefits and overtime as well as $18.6 million of greater expense allocations to capital.

Of the $18.6 million in higher expense allocations to capital, $15.1 million of this figure was related to higher indirect overhead allocations which were broadly applied across the Harbor Department's capital program and $3.5 million in higher direct allocations of salaries, benefits and overtime expenses to specific capital projects. It is important to note that the indirect allocations to overhead serve to reduce Net Salaries & Benefits expenses; however, they are budgeted within a separate operating expense account outside of Net Salaries & Benefits expenses.

Salaries, benefits, and overtime expenses, prior to capital allocations decreased by $5.0 million relative to budget. This decrease was primarily driven by lower average positions and lower salaries and benefits expenses per employee relative to budget, which were only partially offset by higher overtime expenses.

- **Marketing and Public Relations: $3.3 million ⬇ by $0.5 million or 13.0%.**
  Spending fell below budget due to $0.3 million in lower promotional, advertising and sponsorship spending. In addition, $0.2 million of overhead costs were capitalized over the course of FY 2024.

- **Travel: $0.8 million ⬇ by $0.5 million or 37.1%.**
  Lower spending relative to budget was the result of fewer trips than expected for both business development and training and employee development purposes.

- **Outside Services: $34.7 million ⬇ by $18.8 million or 35.2%.**
  Primary drivers of the lower spending in Outside Services were as follows:

  - ***Information Technology*** (lower by $6.2 million) due to delays in planned development activities related to the Port Optimizer and delay in invoicing on Oracle ERP migration;
  - ***Construction & Maintenance*** (lower by $2.8 million) due to delays in invoicing, supply chain issues, and lower third-party maintenance expenses;
    Miscellaneous Other (lower by $2.5 million) due to lower overall consultant spending;
  - ***Overhead Capitalization*** (higher by $2.3 million) as overhead capitalization was not budgeted for outside services;
  - ***Environmental Management*** (lower by $1.4 million) due to delay in feasibility studies and environmental assessments;
  - ***Waterfront/Commercial Real Estate*** (lower by $1.3 million) due to lower cruise services;
  - ***City Attorney*** (lower by $1.2 million) due to lower outside counsel costs; and
  - ***MIP*** (lower by $1.1 million) due to lower dredging.

- **Materials and Supplies: $6.4 million ⬇ by $2.5 million or 27.6%.**
  The lower than budget result in this category is primarily driven by materials and supplies spending within the Development Bureau (which accounted for more than

81% of all materials and supplies spending throughout the Department) that was $1.6 million lower than budgeted. Materials and supplies spending were further driven lower by $0.6 million in higher capitalization of materials and supplies expenses than budgeted. Lastly, spending on Port Police, Waterfront/Commercial Real Estate and other divisional expenses was $0.3 million below budget.

- **City Services: $45.1 million by $21.6 million or 32.4%.**
  Lower expenses were driven by: Fire services ($10.0 million lower), higher capitalization of overhead allocations ($5.4 million higher), Recreation and Parks ($5.0 million lower), City Attorney ($0.7 million lower), and Miscellaneous City Services ($0.5 million lower).

- **Other Operating Expenses: $46.9 million by $22.1 million or 32.0%.**
  Other Operating Expenses decreased relative to the budget by $22.1 million as $0.3 million in higher than budgeted environmental incentive payouts were more than offset by $22.4 million in favorable variances comprised of:

  - ***Electricity*** (lower by $8.7 million) due to lower spending on non-AMP™ and AMP™-related electricity expenses;
  - ***Overhead Capitalization*** (higher by $5.0 million) as overhead capitalization were not budgeted for other operating expenses;
  - ***Container Incentives*** (lower by $3.5 million) due to lower Ocean Common Carrier incentive payouts than anticipated;
  - ***Other Expenses*** (lower by $1.4 million) due to lower water and gas expenses, lower equipment rental spending and lower memberships/subscriptions;
  - ***Workers' Compensation*** (lower by $1.3 million) due to lower workers' compensation reserves than anticipated;
  - ***Provision for Bad Debts*** (lower by $1.0 million) due to lower provision for bad debt than anticipated;
  - ***Litigation Claims*** (lower by $0.5 million) due to lower spending on litigation reserves than anticipated;
  - ***Taxes and Assessments*** (lower by $0.5 million) due to lower tax assessments than expected; and
  - ***Telephone Service*** (lower by $0.5 million) due to lower cell phone service costs than estimated.

- **Clean Truck Program: $6.2 million by $7.5 million or 54.9%**
  Included in Other Operating Expenses but reported separately are Clean Truck Program expenses. For Fiscal Year 2024, spending was down $7.2 million due to delayed spending on subsidies related to the Clean Truck Fund and down $0.3 million due to lower administrative costs than budgeted.

OPERATING EXPENSES (vs. Prior Year):

Lower Legal Settlement Reserves and Lower City Services Drove A Decrease in Total Operating Expenses versus Prior Year – Total Operating Expenses of $295.0 million decreased 1.5% or $4.4 million relative to the prior fiscal year. Details for each major Operating Expense category and a comparison relative to their respective prior fiscal year figures are as follows:

- **Net Salaries & Benefits: $151.6 million ⬆ by $9.9 million or 7.0%.**
  Net Salaries & Benefits expenses increased relative to the prior fiscal year due to $15.8 million of increases in gross salaries, benefits and overtime which were only partially offset by $5.9 million in greater expense allocations to capital.

  Salaries and benefits increased by $15.8 million relative to the prior year primarily due to MOU salary and benefits increases, higher average positions and more overtime expenses.

  Expense allocations to capital were $5.9 million higher than prior year due to $3.5 million in higher indirect overhead allocations and $2.4 million in higher direct allocations of salaries, benefits and overtime expenses to specific capital projects.

- **Marketing and Public Relations: $3.3 million ⬆ by $0.6 million or 21.0%.**
  Marketing and Public Relations spending increased relative to the prior year due to $0.3 million in higher community promotions, $0.1 million in business promotions, $0.1 million in advertising and $0.1 million in other miscellaneous marketing expenditures.

- **Travel: $0.8 million ⬆ by $0.2 million or 33.1%.**
  Travel expenses increased by $0.2 million relative to the prior fiscal year due to higher marketing and training travel expenses.

- **Outside Services: $34.7 million ⬆ by $1.3 million or 4.0%.**
  Outside Services increased relative to prior year by $1.3 million, detailed as follows.

  $5.1 million in unfavorable variances comprised of:

  - ***Information Technology*** (higher by $3.0 million) due to higher ERP implementation costs;
  - ***Port Police*** (higher by $1.3 million) due to higher security and surveillance maintenance costs; and
  - ***GASB 96*** (higher by $0.8 million) due to a reduction in FY 2023 software costs related to the implementation of Subscription-Based Information Technology Arrangements (SBITA) under GASB 96.

  A favorable variance of $3.8 million as follows:

  - ***Construction & Maintenance*** (lower by $3.6 million) due to lower equipment maintenance; and
  - ***Overhead Capitalization and Other*** (higher by $0.2 million) due to higher overhead capitalization.

- **Materials and Supplies: $6.4 million ↑ by $0.5 million or 7.8%.**
  Materials and supplies expenses increased by $0.5 million due to higher spending within the Information Technology ($0.2 million), Port Police ($0.2 million) and Engineering Divisions ($0.1 million).

- **City Services: $45.1 million ↓ by $2.7 million or 5.6%.**
  City services expenses decreased by $2.7 million due to $1.6 million in lower fire services, $0.8 million in lower Recreation & Park services and higher overhead allocations of $0.6 million. These increases were partially offset by $0.3 million in higher miscellaneous other city services.

- **Other Operating Expenses: $46.9 million ↓ by $14.5 million or 23.6%.**
  Other Operating Expenses decreased relative to the prior year by $14.5 million as $15.2 million in lower litigation reserves were only partially offset by $0.4 million in higher water and gas expenses and $0.3 million in higher workers' compensation reserves.

- **Clean Truck Program: $6.2 million ↑ by $0.3 million or 5.7%.**
  Year-over-year spending increased due to $0.2 million in higher CTFR subsidies and $0.1 million in higher CTFR administrative fees.

OTHER ITEMS:

TABLE 5: FY 2024 OPERATING INCOME AND NET INCOME

FY 2024 – Ended June 30 UNAUDITED ($ in thousands)	FY 2024 Actual	FY 2024 Budget	FY 2023 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Operating Income	**414,729**	**280,511**	**356,979**	↑ **47.8%**	↑ **16.2%**
Less: Depreciation	(147,470)	(154,110)	(194,869)	↓ (4.3%)	↓ (24.3%)
Plus: Non-Operating Revenues	42,320	22,732	50,007	↑ 86.2%	↓ (15.4%)
Less: Non-Operating Expenses	(17,742)	(33,092)	(45,659)	↓ (46.4%)	↓ (61.1%)
Net Income	**291,837**	**116,041**	**166,458**	↑ **151.5%**	↑ **75.3%**

***Depreciation, Non-Operating Revenues and Non-Operating Expenses*:**

- Depreciation: $147.5 million
  - Depreciation decreased by $6.6 million relative to budget due to fewer assets placed into service than anticipated. Depreciation decreased by $47.4 million relative to the prior year due to the non-recurrence of a one-time adjustment in the prior year which reconciled the economic useful life of assets in use and their respective useful life utilized for accounting purposes.

- Non-Operating Revenues: $42.3 million
  - *Actuals vs. Budget*: Non-Operating Revenues increased by $19.6 million relative to budget due to $20.3 million in higher interest income and $0.5 million in higher other non-operating revenues which were only partially offset by $0.8 million in lower JPA income and $0.4 million in lower passthrough grant receipts.

  - *Actuals vs. Prior Year:* Non-Operating Revenues decreased by $7.7 million relative to prior year due $30.9 million in lower passthrough grant receipts and $0.5 million in lower interest income which were only partially offset by $22.3 million in lower unrealized loss on investments, $0.8 million in higher federal non-operating grants, $0.4 million in higher other non-operating revenues and $0.2 million in higher JPA income.

- Non-Operating Expenses: $17.7 million
  - *Actuals vs. Budget:* Non-Operating Expenses decreased by $15.4 million relative to budget due to lower: interest expense ($7.5 million), capital projects closed to expense ($7.4 million), passthrough grant disbursements ($0.4 million), and miscellaneous non-operating expenses ($0.1 million).

    Actuals vs. Prior Year: Non-Operating Expenses decreased by $27.9 million relative to the prior year due to lower: passthrough grant disbursements ($27.2 million), miscellaneous non-operating expenses ($0.4 million), lower interest expense ($0.2 million) and lower capital projects closed to expense ($0.1 million).

CAPITAL IMPROVEMENT PROGRAM (CIP):

Budget Performance – Unaudited spending in FY 2024 was $130.5 million or 60.3% of the Adopted Capital Improvement Program Budget of $216.5 million with actual and budgeted spending by category as follows:

TABLE 6: FY 2024 CIP ACTUALS vs. BUDGET

FY 2024 – Ended June 30 UNAUDITED ($ in thousands)	FY 2024 Actual	FY 2024 Budget	$ Variance vs. Budget	% Variance vs. Budget
Terminals	24,832	68,812	43,980	63.9%
Transportation	31,236	52,151	20,915	40.1%
Security	2,701	1,990	(711)	(35.7%)
Public Access:				
Wilmington Waterfront	19,407	2,876	(16,531)	(574.8%)
San Pedro Waterfront	18,520	11,581	(6,939)	(59.9%)
Other Public Access	5,626	4,010	(1,616)	(40.3%)
Environmental Enhancements	2,737	6,028	3,291	54.6%
Maritime Services	25,417	54,071	28,654	53.0%
Unallocated	-	15,000	15,000	n/a
Total CIP	**$130,476**	**$216,519**	**$86,043**	**39.7%**

FY 2024 CIP spending fell $86.0 million below budget due to the following:

- Terminal Improvement Projects were $44.0 million below budget primarily due to delayed spending on the following: Fenix wharf and rail improvements (lower by $21.1 million), Shell and PBF Energy MOTEMS improvements (lower by $15.4 million), Terminal Island Maintenance Support Facility development (lower by $3.6 million), Pasha wharf restoration (lower by $2.0 million) and Outer Harbor Cruise Terminal development (lower by $1.8 million).

- Maritime Services Projects were $28.7 million below budget primarily due to delayed spending on the following: Starkist building demolition and storage lot conversion ($7.7 million), a pile-driving workboat, barge and crane to support wharf maintenance and repairs ($3.8 million), Badger Ave. Bridge wire ropes replacement ($2.7 million), Harbor Administration Building Board Hearing Room remodel ($2.6 million) and Goods Movement Workforce Training Facility ($1.9 million).

- Transportation Improvement Projects were $20.9 million below budget primarily due to delays in construction of the SR-47/Harbor Blvd. Interchange Reconfiguration (lower by $12.3 million) and completion of the Pier 400 Corridor Storage Tracks Expansion was below budget (lower by $6.2 million).

Over the course of FY 2024, $46.1 million was spent to complete construction activities on 20 projects. Major completed projects (FY 2024 CIP spending in parenthesis) include the following:

- **Pier 400 Corridor Storage Tracks Expansion ($23.5 million)**: With a total project budget of $73.2 million, this project included design and construction of an extension to the existing rail bridge, five new railroad storage tracks, an asphalt access roadway, new crossovers and switches, as well as modifications to the existing compressed air system of the Pier 400 Rail Storage Yard and Bridge. Staff estimates that approximately $68.0 million (93% of budget) has been spent through July 2024, pending final project closeouts.

- **Wilmington Waterfront Promenade ($16.8 million)**: With a total project budget of $77.3 million, this project included the removal of the foundation of the Catalina Freight building and all associated underground utilities, asbestos and lead paint abatement as well as the demolition of eight structures totaling approximately 19,000 sf. Work also included the removal of abandoned waterside structures, site removals, reconstruction of the seawall from Berths 183 to 186, realignment of Water Street between Fries Ave and Avalon Blvd, as well as the construction of open green space, public plaza, parking courts, landscaping, hardscaping and 1,200 feet of waterfront promenade. Staff estimates that approximately $73.5 million (95.1% of budget) has been spent through July 2024, pending final project closeouts.

Remaining FY 2024 CIP spending of $84.4 million was utilized to continue design and construction activities on several projects throughout the Port. Major in-process projects (FY 2024 CIP spending in parenthesis) include the following:

- **San Pedro Waterfront – B. 74-83 Promenade Phase II ($14.9 million)**: With a total project budget of $31.4 million, this project includes construction of a 30-foot-wide promenade along the water's edge at the former Ports O'Call site. Construction is anticipated to be completed by March 2025.

- **Oracle ERP Cloud Migration ($9.2 million)**: With a total project budget of $28.6 million, this project migrates the Port's Oracle EBS financial system to a new Oracle ERP Cloud system. The new system will include all new, enhanced, & improved functionalities for various modules as stated in the original scope. Migration is currently projected to be completed by November 2024.

- **SR-47/Harbor Blvd. Interchange Reconfiguration ($6.7 million)**: With a total project budget of $130.0 million, this project began construction in March 2024 and includes modifications to the existing on and off ramps at Harbor Boulevard approaching the Vincent Thomas Bridge. Construction is currently projected to be completed in November 2026.

- **B. 177-178 Wharf Restoration ($6.6 million)**: With a total project budget of $22.0 million, this project will replace an existing timber wharf and demolish the remaining wharf at Berths 177-178 which was damaged by a fire in 2014. Construction began in November 2023 and is expected to be completed by January 2025.

- **Front Street Beautification ($5.6 million)**: With a total project budget of $10.3 million, this project includes design and construction of a 22-foot wide landscaped area with a multi-use path along the north side of Front Street adjacent to the China Shipping Terminal. A landscaped gateway area will be constructed at the northeast corner of Front Street and Pacific Avenue. Construction is currently projected to be completed in September 2024.

Matthew Marchese

for JEFFREY STRAFFORD
Director of Financial Planning & Analysis and Interim CFO

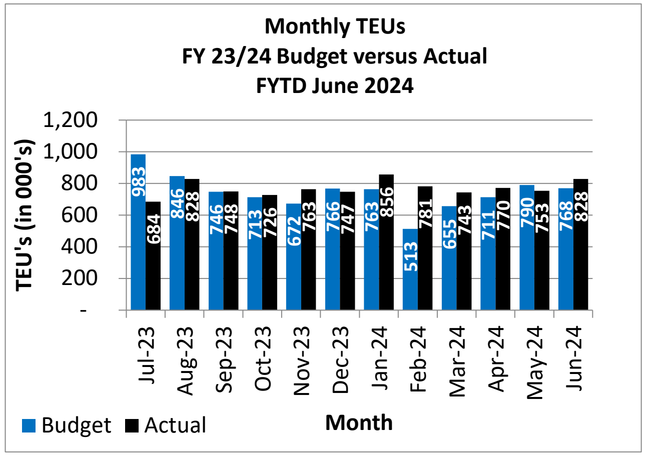
Transmittals:
1. TEU Throughput Comparison – FY Ended June 30, 2024
2. Actual-to-Budget FY 2024 – June
3. Year-to-Year Performance Report FY June 30, 2024 and 2023

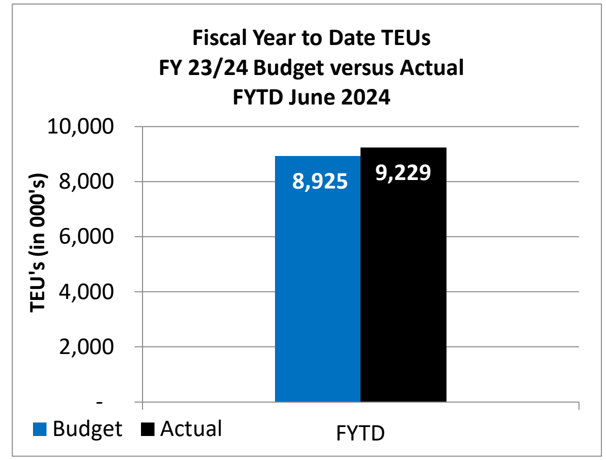
Author: E. Wang
JS:MM/Finance
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - FYTD JUNE 2024

Budget versus Actuals Comparison
FY 23/24 Budget vs. FY 23/24 Actuals

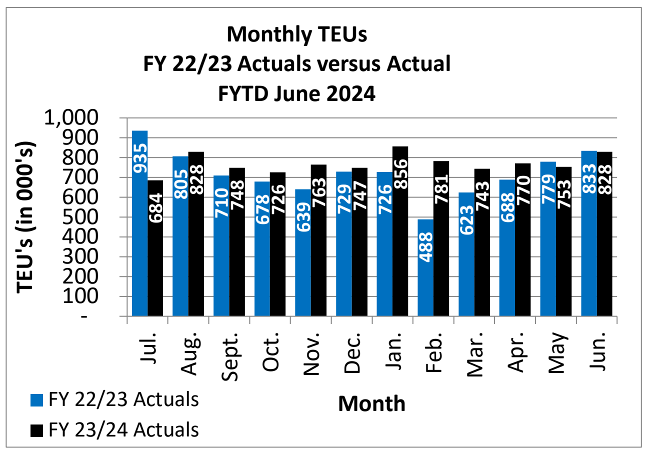
(in 000's)	TEU's			
Month	FY 23/24 Budget	FY 23/24 Actuals	% Δ	Δ
Jul-23	*983*	*684*	*-30.4%*	↓
Aug-23	*846*	*828*	*-2.1%*	↓
Sep-23	*746*	*748*	*0.3%*	↑
Oct-23	*713*	*726*	*1.8%*	↑
Nov-23	*672*	*763*	*13.6%*	↑
Dec-23	*766*	*747*	*-2.4%*	↓
Jan-24	*763*	*856*	*12.2%*	↑
Feb-24	*513*	*781*	*52.5%*	↑
Mar-24	*655*	*743*	*13.5%*	↑
Apr-24	*711*	*770*	*8.3%*	↑
May-24	*790*	*753*	*-4.7%*	↓
Jun-24	*768*	*828*	*7.8%*	↑
FYTD	*8,925*	*9,229*	*3.4%*	↑
FY 23/24 Budget	8,925			

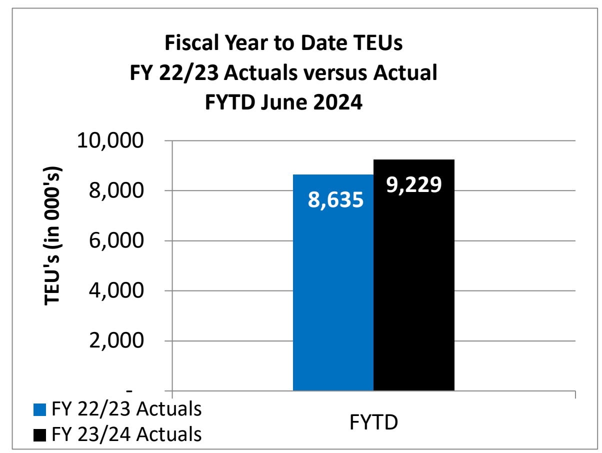




Year-to-Year Actuals Comparison
FY 22/23 Actuals vs. FY 23/24 Actuals

(in 000's)	TEU's			
Month	FY 22/23 Actuals	FY 23/24 Actuals	% Δ	Δ
Jul.	*935*	*684*	*-26.8%*	↓
Aug.	*805*	*828*	*2.8%*	↑
Sept.	*710*	*748*	*5.4%*	↑
Oct.	*678*	*726*	*7.0%*	↑
Nov.	*639*	*763*	*19.4%*	↑
Dec.	*729*	*747*	*2.5%*	↑
Jan.	*726*	*856*	*17.9%*	↑
Feb.	*488*	*781*	*60.2%*	↑
Mar.	*623*	*743*	*19.3%*	↑
Apr.	*688*	*770*	*11.9%*	↑
May	*779*	*753*	*-3.4%*	↓
Jun.	*833*	*828*	*-0.6%*	↓
FYTD	*8,635*	*9,229*	*6.9%*	↑
FY 22/23 Actuals	8,635			





TRANSMITTAL 2

The Port of Los Angeles - Harbor Department
FY Ended JUNE 30, 2024

$ in thousands	Preliminary Fiscal Year Actual FY 2023/24 Fiscal YTD - Jun 2024	Fiscal Year Budget FY 2023/24 Fiscal YTD - Jun 2024	Actual-to-Budget Comparison $	Actual-to-Budget Comparison %	Notes ($ in millions)
Operating Revenues					
Shipping Services	514,513	478,310	36,203	7.6%	Higher revenue from wharfage $33.9, pilotage $1.1, space assignment $0.7 and dockage $0.5
Rentals	117,426	98,580	18,847	19.1%	Union Pacific comp. reset $14.6 and Westrec higher gross receipts $4.9, partially offset by <$0.7> in lower receipts from various customers
Royalties, Fees and Other Revenues	32,288	41,200	(8,912)	(21.6%)	Lower revenue from HMT receipts <$5.5>, utility charges <$2.6> and one-time operating reimbursements <$1.5>, partially offset by higher revenues from credit for tenant servics $0.7
Clean Truck Program Revenues	45,539	34,774	10,765	31.0%	Higher revenue from CTFR collections $10.6 and concession app fees $0.2
Total Operating Revenues	**709,766**	**652,864**	**56,903**	**8.7%**	
Operating Expenses					
Gross Salaries & Benefits	185,824	190,801	4,977	2.6%	Lower S&B costs per person and lower average positions, partially offset by higher overtime
Capitalization	(34,199)	(15,584)	18,615	(119.4%)	Higher overhead allocations $15.1 and higher direct allocations $3.5
Net Salaries & Benefits	151,625	175,217	23,592	13.5%	
Marketing & Public Relations	3,279	3,768	489	13.0%	Lower promotional/sponsorship activities $0.3 and higher overhead allocations $0.2
Travel	768	1,221	453	37.1%	Lower travel activities $0.4 and higher overhead allocations $0.1
Outside Services	34,668	53,488	18,821	35.2%	Invoice delays for IT $6.2, C&M $2.8, overhead allocations $2.3, EMD $1.4, WCRED $1.3, City Attorney $1.2, MIP $1.1, Executive Office $0.4, Labor Relations and Govt Affairs $0.3, Goods Movement $0.2, Port Police $0.2, Cargo Marketing $0.2, CIRED $0.2, Graphics $0.1, Engineering $0.1, FPA $0.1, HR $0.1, Community Relations $0.1, Special Projs and Ops $0.1, Debt & Treasury $0.1, Port Pilot $0.1, Risk Management $0.1 and Media Relations $0.1
Materials & Supplies	6,438	8,894	2,456	27.6%	Lower spending from C&M $1.4, overhead allocations $0.6, MIP $0.3, Port Police $0.1 and WCRED $0.1
City Services	45,145	66,758	21,613	32.4%	Lower spending from Fire $10.0, overhead allocations $5.4, Recreation & Park $5.0, City Attorney $0.7 and Misc. City Services $0.5
(1) Allocations to Capital - Overhead		(19,710)	(19,710)	100.0%	Higher aggregate overhead allocations $8.9
(2) Other Operating Expenses	46,945	69,032	22,087	32.0%	Lower spending for electricity $8.7, overhead allocations $5.0, container incentives $3.5, workers' compensation $1.3, provision for bad debts $1.0, litigation/claims $0.5, taxes & assessments $0.5, telephone $0.5, water & gas $0.3, equipment rental/permits/license/fees $0.3, memberships/subscriptions/books $0.2, misc. other operating expenses $0.2, insurance expense classified as prepaid $0.2, cruise incentives $0.1, inventory adjustments $0.1 and environmental incentives <$0.3>
Clean Truck Program Expenses	6,169	13,684	7,515	54.9%	Delayed CTFR subsidies $7.2 and CTFR admin fees $0.3
Total Operating Expenses	**295,037**	**372,352**	**77,315**	**20.8%**	
Income Before Depreciation	**414,729**	**280,511**	**134,218**	**47.8%**	
Provision For Depreciation	147,470	154,110	6,640	4.3%	
Income From Operations	**267,260**	**126,401**	**140,858**	**111.4%**	
(3) Non-Operating Revenue	42,320	22,732	19,589	86.2%	Higher revenue from Interest Income $20.3, Settlements/Rebates $0.3 and Gain on Land Sale $0.2, partially offset by lower JPA Income <$0.8> and Passthrough Revenue <$0.4>
(4) Non-Operating Expenses	17,742	33,092	15,350	46.4%	Lower interest expense $7.5, capital projects closed to expense $7.4, pass-through grant disbursements $0.4 and misc. non-operating expenses $0.1
Net Income	**291,837**	**116,041**	**175,795**	**151.5%**	

Notes:

(1) Overhead are allocated to individual accounts for presentation of actual results; however, they are not allocated to individual accounts for budgetary purposes. Allocation to Overhead - Capital for the fiscal year-to-date period totaled $28.6 million relative to a budget of $19.7 million.

(2) Primarily for: electricity $24.4; container incentives $6.2; insurance expense classified as prepaid $5.9; environmental incentives $4.3; water & gas $3.2; cruise incentives $2.9

(3) Primarily for: Interest Income $36.4; Federal Non-Operating Grants $2.8; JPA Income $2.2; Late Charges/Discounts $0.4; Settlements/Rebates $0.3; Gain on Land Sale $0.2

(4) Primarily for: Interest Expense $17.6; Capital Projects Closed to Expense $0.1

The Port of Los Angeles - Harbor Department
FY Ended June 30, 2024 and 2023

TRANSMITTAL 3

$ in thousands	Preliminary Fiscal Year Actual FY 2023/24 Fiscal YTD - Jun 2024	Prior Fiscal Year FY 2022/23 Fiscal YTD - Jun 2023	Year-over-Year Change (Unfavorable)/Favorable $	%	Notes ($ in millions)
Operating Revenues					
Shipping Services	514,513	448,009	66,504	14.8%	Higher revenues from wharfage $76.6, pilotage $0.9 and dockage $0.4, partially offset by lower revenues from space assignments <$11.4>
Rentals	117,426	117,289	137	0.1%	Other misc. rental revenues up $0.1
Royalties, Fees and Other Revenues	32,288	49,882	(17,594)	(35.3%)	Lower revenues from HMT receipts <$12.6>, one-time operating reimbursements <$5.2>, parking fees <$1.0>, misc. other oper. revenue <$0.7>, partially offset by lower credits for tenant servics $1.0, higher utility charges $0.5 and higher misc. permits and fees $0.4
Clean Truck Program Revenues	45,539	41,219	4,320	10.5%	Higher revenues from CTFR collections $4.4 and annual truck fees $0.2, partially offset by lower revenues from concession app fees <$0.3>
Total Operating Revenues	**709,766**	**656,399**	**53,366**	**8.1%**	
Operating Expenses					
Gross Salaries & Benefits	185,824	169,996	(15,829)	(9.3%)	Primarily due to MOU increases and higher average positions
Capitalization	(34,199)	(28,261)	5,938	(21.0%)	Higher overhead allocations $3.5 and higher direct allocations $2.4
Net Salaries & Benefits	151,625	141,734	(9,891)	(7.0%)	
Marketing & Public Relations	3,279	2,710	(569)	(21.0%)	Higher promotional/sponsorship activities <$0.6>
Travel	768	577	(191)	(33.1%)	Higher travel activities <$0.2>
Outside Services	34,668	33,332	(1,336)	(4.0%)	Higher spending from IT <$3.0>, Port Police <$1.3> and GASB 96 reduction in FY23 software costs <$0.8>, partially offset by lower spending from C&M $3.6 and higher overhead allocations $0.2
Materials & Supplies	6,438	5,974	(464)	(7.8%)	Higher spending from IT <$0.2>, Port Police <$0.2> and Engineering <$0.1>
City Services	45,145	47,823	2,678	5.6%	Lower spending from Fire $1.6, Recreation & Park $0.8 and overhead allocations $0.6, partially offset by higher Misc. City Services <$0.3>
(1) Other Operating Expenses	46,945	61,435	14,490	23.6%	Lower spending from litigation/claims $15.2, partially offset by higher spending from water & gas <$0.4> and workers' compensation <$0.3>
Clean Truck Program Expenses	6,169	5,835	(334)	(5.7%)	Delayed CTFR subsidies <$0.2> and CTFR admin fees <$0.1>
Total Operating Expenses	**295,037**	**299,420**	**4,383**	**1.5%**	
Income Before Depreciation	**414,729**	**356,979**	**57,750**	**16.2%**	
Provision For Depreciation	147,470	194,869	47,400	24.3%	
Income From Operations	**267,259**	**162,110**	**105,149**	**64.9%**	
(2) Non-Operating Revenue	42,320	50,007	(7,686)	(15.4%)	Lower revenues from Passthrough Revenue <$30.9> and Interest Income <$0.5>, partially offset by lower unrealized loss on investments $22.3 as well as higher Federal Non-Operating Grants $0.8, Settlements/Rebates $0.3, JPA income $0.2 and Late Charges/Discounts $0.1
(3) Non-Operating Expenses	17,742	45,659	27,917	61.1%	Lower spending on pass-through grant disbursements $27.2, misc. non-operating expenses $0.4, interest expense $0.2 and capital projects closed to expense $0.1
Net Income	**291,837**	**166,458**	**125,379**	**75.3%**	

Notes:

(1) Primarily for: electricity $24.4; container incentives $6.2; insurance expense classified as prepaid $5.9; environmental incentives $4.3; water & gas $3.2; cruise incentives $2.9

(2) Primarily for: Interest Income $36.4; Federal Non-Operating Grants $2.8; JPA Income $2.2; Late Charges/Discounts $0.4; Settlements/Rebates $0.3; Gain on Land Sale $0.2

(3) Primarily for: Interest Expense $17.6; Capital Projects Closed to Expense $0.1