"FOR INFORMATION ONLY"

DATE: **NOVEMBER 8, 2023**

TO: **THE BOARD OF HARBOR COMMISSIONERS**

SUBJECT: **FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR ENDED JUNE 30, 2023**

SUMMARY:

This report discusses key factors that impacted the unaudited Fiscal Year ("FY") 2023 financial performance of the City of Los Angeles ("City") Harbor Department ("Harbor Department" or "Department"). Furthermore, this report compares the Harbor Department's FY 2023 financial performance to the results projected within its adjusted Adopted FY 2023 Budget as well as the prior fiscal year. It should be noted that FY 2023 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 8.635 million TEUs for the fiscal year (FY) ending June 30, 2023 represented a 12.3% decrease relative to budget and a 19.0% decrease relative to the prior FY. In summary, performance results for the Harbor Department are as follows:

FY Ended June 2023*	Actuals - UNAUDITED (in Millions)	Actual-to-Budget Comparison	Year-on-Year Comparison
Cargo Volumes	8.635	(12.3%)	(19.0%)
Operating Revenues	$656.4	4.5%	4.5%
Operating Expenses	$299.4	(10.4%)	17.9%
Operating Income	$357.0	21.4%	(4.5%)
Net Income	$166.5	104.8%	6.7%

* FY 2023 financial information is UNAUDITED and subject to change.

Cargo volumes declined from the elevated levels observed in FY 2022 as retailers lowered inventory levels and consumers shifted spending patterns to services rather than physical goods following the COVID-19 pandemic. On a year-over-year basis, the 19.0% decrease in cargo volumes was driven by a 19.7% decrease in loaded imports, a 0.5% decrease in loaded exports, and a 23.3% decrease in empty container volumes.

Total Operating Revenues increased by 4.5% versus FY 2022 due to higher rental revenues, higher Clean Truck Program collections, and higher Harbor Maintenance Tax receipts which were only partially offset by lower wharfage and lower utility reimbursements. Total Operating Expenses increased by 17.9% relative to the prior fiscal year due to higher salaries and benefits, higher litigation costs, higher outside services, higher Clean Truck Program subsidies and higher city services, which were only partially offset by lower electricity costs. Increases in Operating Expenses more than offset increases in Operating Revenues such that Operating Income declined by 4.5% relative to the prior Fiscal Year.

DISCUSSION:

As of June 30, 2023, 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 6/30/23
Debt Rating	AA	✓ AA+/Aa2/AA
Debt Service Coverage	2.0x	✓ 6.0x
Operating Margin	45%	✓ 54%

As noted within Table 1 above, as of June 30, 2023, the Harbor Department has continued to maintain its AA debt rating. Additionally, the Department's 6.0x 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 54% 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%.

CARGO VOLUMES:

FY 2023 cargo volumes of 8,634,636 TEUs represented a 12.3% decrease relative to budget and a 19.0% decrease relative to FY 2022 levels. Total loaded containers of 5,499,153 represented a 16.3% decrease relative to the prior year. This decrease was primarily driven by a 19.7% decrease in loaded imports and a 0.5% decrease in loaded exports. Empty containers totaling 3,135,483 represented a year-over-year decrease of 23.3%. Transmittal 1 provides a detailed monthly breakout of FY 2023 TEUs relative to both budget and the prior fiscal year.

OPERATING REVENUES:

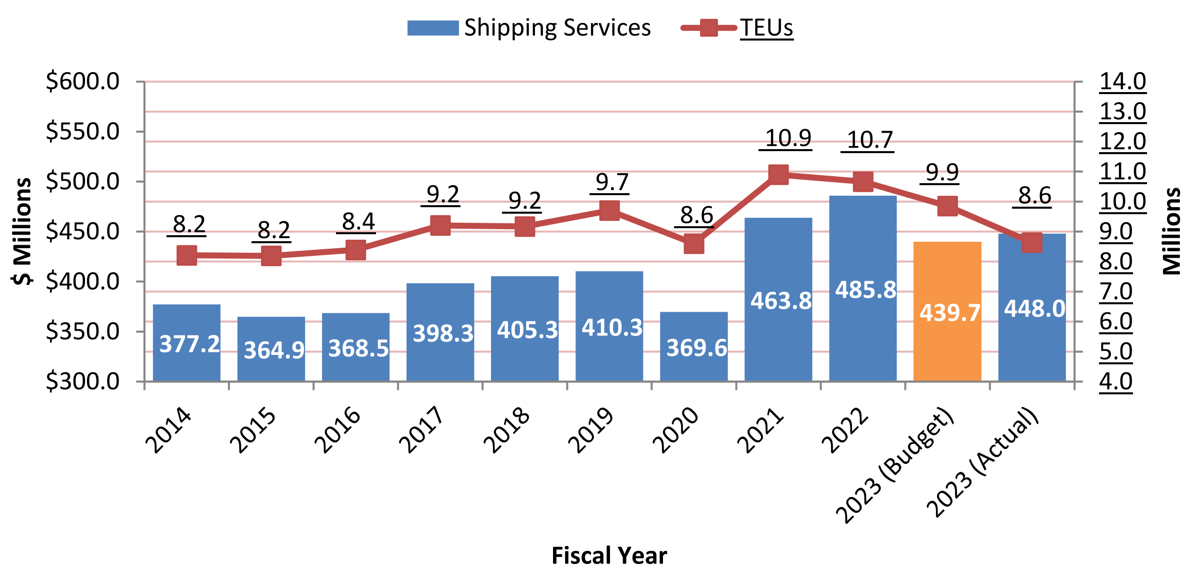
TABLE 2: FY 2023 OPERATING REVENUES (UNAUDITED)

FY 2023 – Ended June 30 UNAUDITED ($ in thousands)	FY 2023 Actual	FY 2023 Budget	FY 2022 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Shipping Services	448,008	439,655	485,842	1.9%	(7.8%)
Rentals	117,290	93,944	86,837	24.8%	35.1%
Royalties, Fees and Other Revenues	49,883	46,803	37,164	6.6%	34.2%
Clean Truck Program Revenues	41,219	47,699	17,999	(13.6%)	129.0%
Total Operating Revenues	**656,400**	**628,102**	**627,842**	**4.5%**	**4.5%**

Higher Rentals, Space Assignment Fees, Harbor Maintenance Tax Receipts, and Parking Fees drove increase in Operating Revenues – Relative to budget, operating revenues increased by 4.5% due to higher rental revenues, higher space assignment fees, higher Harbor Maintenance Tax receipts, and greater parking revenues. Relative to the prior fiscal year, total Operating Revenues increased by 4.5% due to higher rental revenues, higher Clean Truck Program collections, higher Harbor Maintenance Tax receipts, higher parking fees, and higher space assignment fees.

As noted within Table 3 below, TEU volumes fell from FY 2022 but continue to be a key driver of Shipping Services revenues at the Port.

TABLE 3: SHIPPING SERVICES AND TEU TRENDS: FY 2014 – FY 2023



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

- **Shipping Services**
  - *Actuals vs. Budget*: Shipping Services increased by $8.4 million relative to budget as $17.8 million in higher space assignment revenues were only partially offset by the following:

    - $7.1 million in lower wharfage due to lower cargo volumes;
    - $1.8 million in lower dockage; and
    - $0.5 million in lower pilotage revenues.

  - *Actuals vs. Prior Year*: Shipping Services declined by $37.8 million relative to the prior fiscal year as $1.6 million in higher space assignment revenues were more than offset by the following:
    - $36.9 million in lower wharfage due to lower cargo volumes;
    - $2.3 million in lower dockage; and
    - $0.2 million in lower pilotage revenues.

- **Rentals**
  - *Actuals vs. Budget:* Rentals increased by $23.3 million relative to budget due to the following favorable variances of $27.3 million.
    - $17.8 million primarily due to a Union Pacific compensation reset;
    - $2.7 million due to higher gross receipts from Westrec Marina;
    - $2.4 million due to higher gross receipts from various customers;
    - $1.3 million due to Innovative Terminal Services' new permit;
    - $1.1 million due to City of LA compensation reset and miscellaneous Consumer Price Index (CPI) increases;
    - $0.6 million due to Fenix Marine CPI increases;
    - $0.6 million due to Kinder Morgan Liquids CPI increases;
    - $0.3 million due to So Cal Ship Services increases;
    - $0.2 million due to Millenium rental increase;
    - $0.2 million due to PBF Energy rental increase;

    These favorable variances were partially offset by an unfavorable variance of $3.9 million due to GASB 87 lease adjustments.

  - *Actuals vs. Prior Year:* Rentals increased by a $30.5 million relative to the prior fiscal year, due to the following increases:
    - $20.0 million due to a Union Pacific compensation reset;
    - $6.3 million due to a new revocable permit for Taylored Transload;
    - $1.7 million due to Innovative Terminal Services new permit;
    - $1.2 million due to City of LA compensation reset and miscellaneous CPI increases;
    - $0.8 million due to a compensation adjustment for Pacific Crane Maintenance; and
    - $0.5 million due to higher Westrec gross receipts.

- **Royalties, Fees and Other Revenues**
  - *Actuals vs. Budget:* Royalties, fees and other revenues increased by a net $3.1 million, detailed as follows:
    - $11.4 million in favorable variances comprised of: $6.9 million in higher Harbor Maintenance Tax proceeds, $3.6 million in higher

parking fees, and $0.9 million in higher other operating revenues; and
- An unfavorable variance of $8.3 related to $7.2 million in lower operating reimbursements and $1.1 million in higher credits for tenant services.

- *Actuals vs. Prior Year:* Royalties, fees and other revenues increased by $12.7 million, detailed as follows:
  - $22.3 million in favorable variances comprised of: $12.6 million in higher Habor Maintenance Tax receipts, $6.7 million in higher operating reimbursements, and $3.0 million due to higher parking fees; and
  - An unfavorable variance of $9.6 million related to $7.6 million in lower utility reimbursements, $1.3 million in higher credits for tenant services, and $0.7 million in lower other operating revenues.

- **Clean Truck Program ("CTP") Revenues**
  - *Actuals vs. Budget:* CTP revenues decreased by $6.5 million relative to budget primarily due to the delayed Clean Truck Fund Rate ("CTFR") collections ($7.1 million), which were partially offset by higher concession application fees ($0.5 million) and higher annual truck fees ($0.1 million).

  - *Actuals vs. Prior Year:* CTP revenues increased by $23.2 million relative to prior year primarily due to the higher CTFR collections ($25.8 million), which were partially offset by lower concession application fees ($2.6 million).

OPERATING EXPENSES:

TABLE 4: FY 2023 OPERATING EXPENSES

FY 2023 – Ended June 30 UNAUDITED* ($ in thousands)	FY 2023 Actual*	FY 2023 Budget	FY 2022 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Net Salaries & Benefits	141,735	161,114	122,410	(12.0%)	15.8%
Marketing & Public Relations	2,710	3,336	2,101	(18.7%)	29.0%
Travel	576	1,106	281	(47.8%)	105.2%
Outside Services	33,332	46,746	27,864	(28.7%)	19.6%
Materials & Supplies	5,974	7,223	5,106	(17.3%)	17.0%
City Services	47,823	61,207	45,531	(21.9%)	5.0%
Allocations to Capital - Overhead	-	(19,476)	-	n/a	n/a
Other Operating Expenses	61,435	62,307	47,994	(1.4%)	28.0%
Clean Truck Program Expenses	5,835	10,477	2,613	(44.3%)	123.3%
Total Operating Expenses	**299,420**	**334,040**	**253,900**	**(10.4%)**	**17.9%**

* FY 2023 Actual Operating Expenses are UNAUDITED and subject to change.

OPERATING EXPENSES (vs. Budget):

Lower Salaries and Benefits as well as Lower Spending City Services and Outside Services Drove Total Operating Expenses below Budget – Total Operating Expenses of $299.4 million fell 10.4% or $34.6 million below budget. Details for each major

Operating Expense category and a comparison relative to their respective budgets are as follows:

- **Net Salaries & Benefits: $141.7 million by $19.4 million or 12.0%.**
  Net Salaries & Benefits expenses declined relative to budget due to $7.9 million in lower gross salaries, benefits and overtime as well as $11.5 million of greater expense allocations to capital.

  Of the $11.5 million in higher expense allocations to capital, $11.6 million of this figure was related to higher indirect overhead allocations which were broadly applied across the Harbor Department's capital program. The indirect overhead was partially offset by $0.1 million in lower 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 $7.9 million relative to budget. This decrease was primarily driven by lower average headcount and lower salaries and benefits expenses per employee relative to budget.

- **Marketing and Public Relations: $2.7 million by $0.6 million or 18.7%.**
  Spending fell below budget due to $0.4 million in lower promotional, advertising and sponsorship spending. In addition, $0.2 million of overhead costs were capitalized over the course of FY 2023.

- **Travel: $0.6 million by $0.5 million or 47.8%.**
  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: $33.3 million by $13.4 million or 28.7%.**
  Primary drivers of the lower spending in Outside Services were as follows:

  - ***Information Technology*** (lower by $3.0 million) due to delays in planned development activities related to the Port Optimizer and lower spending on Oracle EBS support;
  - ***Overhead Capitalization*** (higher by $2.9 million) as overhead capitalization was not budgeted for outside services;
  - ***Maintenance Improvement Program*** (lower by $2.1 million) due to prioritization of CIP projects, staffing shortages, and less repairs than anticipated for wharves and dredging;
  - ***Construction & Maintenance*** (lower by $1.7 million) due to delays in invoicing, supply chain issues, and staffing shortages;
  - ***Legal Services*** (lower by $1.6 million) due to lower outside counsel spending than expected for litigation;

- ***Miscellaneous*** (lower by $0.5 million) due to lower overall consultant spending;
- ***Labor Relations & Government Affairs*** (lower by $0.3 million) due to spending delays related to the Goods Movement Training Campus and environmental advocacy contract;
- ***Waterfront/Commercial Real Estate*** (lower by $0.3 million) due to staffing shortages and project delays;
- ***Executive Office*** (lower by $0.3 million) due to unspent funds for a deferred trucker study;
- ***Environmental Assessments and Consulting Services*** (lower by $0.3 million) due to reduced costs for the Southern California International Gateway project and Conoco Phillips;
- ***Cargo/Industrial Real Estate*** (lower by $0.2 million) due to lower than expected spending and appraisal delays; and
- ***Risk Management*** (lower by $0.2 million) due to project delays.

- **Materials and Supplies: $6.0 million ↓ by $1.2 million or 17.3%.**
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 79% of all materials and supplies spending throughout the Department) that was $0.5 million lower than budgeted. Materials and supplies spending was further driven lower by $0.4 million in higher capitalization of materials and supplies expenses than budgeted. Lastly, spending on Port Police, Waterfront Commercial Real Estate, and other miscellaneous supplies and general materials was $0.3 million below budget.

- **City Services: $47.8 million ↓ by $13.4 million or 21.9%.**
Lower expenses were primarily driven by $4.8 million in higher capitalization of overhead allocations. In addition, the following services were lower than budget: Fire ($5.2 million lower), Recreation and Parks ($2.3 million lower), City Attorney ($0.6 million lower), and Miscellaneous City Services ($0.5 million lower).

- **Other Operating Expenses: $61.4 million ↓ by $0.9 million or 1.4%.**
Other Operating Expenses decreased relative to the budget by $0.9 million, detailed as follows.

  $16.4 million in favorable variances comprised of:
  - ***Overhead Capitalization and Other*** (higher by $4.4 million) as overhead capitalization and GASB 87 lease adjustments were not budgeted for other operating expenses;
  - ***Electricity*** (lower by $4.0 million) due to lower spending on non-AMP™ and AMP™-related electricity expenses;
  - ***Container Incentives*** (lower by $3.8 million) due to lower container incentive payouts than anticipated;
  - ***Workers' Compensation*** (lower by $1.6 million) due to lower workers' compensation reserves than anticipated;

- ***Cruise Incentives*** (lower by $0.8 million) due to lower cruise incentive payouts than anticipated;
- ***Environmental Incentives*** (lower by $0.8 million) due to lower environmental incentive payouts than anticipated;
- ***Taxes and Assessments*** (lower by $0.4 million);
- ***Equipment Rentals*** (lower by $0.2 million) due to lower spending on equipment rentals and fees than anticipated;
- ***Memberships/Subscriptions/Books*** (lower by $0.2 million); and
- ***Insurance*** (lower by $0.2 million).

An unfavorable variance of $15.5 million as follows:

- ***Litigation Claims*** (higher by $14.9 million) due to higher spending on litigation reserves than anticipated;
- ***Provision for Bad Debts*** (higher by $0.4 million); and
- ***Water and Gas*** (higher by $0.2 million).

- **Clean Truck Program: $5.8 million ↓ by $4.6 million or 44.3%**
  Included in Other Operating Expenses but reported separately are Clean Truck Program expenses. For Fiscal Year 2023, spending was down $4.6 million due to delayed spending on subsidies related to the Clean Truck Fund.

OPERATING EXPENSES (vs. Prior Year):

Higher Salaries and Benefits, Higher Outside Services, and Higher Legal Settlement Reserves Drive Increase in Total Operating Expenses versus Prior Year – Total Operating Expenses of $299.4 million increased 17.9% or $45.5 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: $141.7 million ↑ by $19.3 million or 15.8%.**
  Net Salaries & Benefits expenses increased relative to the prior fiscal year due to $21.1 million of increases in gross salaries, benefits and overtime which were only partially offset by $1.8 million in greater expense allocations to capital.

  Salaries and benefits increased by $21.1 million relative to the prior year primarily due to MOU salary and benefits increases. These increases were partially offset by: (i) lower staffing as average headcounts decreased from 853 in FY 2022 to 842 in FY 2023 and (ii) higher costs in FY 2022 due to Separation Incentive Payouts.

  Expense allocations to capital were $1.8 million higher than prior year as $2.6 million in higher direct allocations of salaries, benefits and overtime expenses to specific capital projects were only partially offset by $0.8 million in lower indirect overhead allocations.

- **Marketing and Public Relations: $2.7 million by $0.6 million or 29.0%.**
  Marketing and Public Relations spending increased relative to the prior year due to $0.7 million in higher sponsorships, which was partially offset by $0.1 million in higher indirect overhead allocations.

- **Travel: $0.6 million by $0.3 million or 105.2%.**
  Travel expenses increased by $0.3 million relative to the prior fiscal year due to the resumption of travel which was enabled by fewer Pandemic-related travel restrictions.

- **Outside Services: $33.3 million by $5.5 million or 19.6%.**
  Primary drivers of the higher spending on Outside Services were as follows:

  - ***Waterfront/Commercial Real Estate*** (higher by $1.7 million) due to increase in operational costs to support the growth of the Cruise business;
  - ***Construction & Maintenance*** (higher by $1.4 million) due to price escalations for parts and material and increased hiring hall activity due to staffing shortages;
  - ***GASB 96*** (higher by $0.7 million) due to a reduction in FY 2022 software costs related to implementation of Subscription-Based Information Technology Arrangements (SBITA) under GASB 96;
  - ***Environmental Management*** (higher by $1.2 million) due to higher spending in development activities for the Green Shipping Corridor, environmental monitoring stations, and regulatory support;
  - ***Goods Movement*** (higher by $0.2 million) to produce traffic modeling data and conceptual design drawings for various funding applications; and
  - ***Community Relations*** (higher by $0.2 million) due to invoice delays for advertising agency Sensis that carried over to FY 2023.

- **Materials and Supplies: $6.0 million by $0.9 million or 17.0%.**
  Higher spending in this category was primarily driven by materials and supplies spending within the Development Bureau that was $0.7 million higher than the prior fiscal year. Port Police, Port Pilot, IT, and other miscellaneous supplies and general materials spending increased by $0.2 million relative to the prior year.

- **City Services: $47.8 million by $2.3 million or 5.0%.**
  City services expenses increased by $2.3 million due to $2.9 million in higher fire services and $0.2 million in higher city attorney services. These increases were partially offset by $0.7 million in lower Recreation & Parks Services and $0.1 million in higher overhead allocations.

- **Other Operating Expenses: $61.4 million by $13.4 million or 28.0%.**
  Other Operating Expenses increased relative to the prior year by $13.4 million, detailed as follows.

$22.0 million in unfavorable variances comprised of:

- ***Litigation and Claims*** (higher by $12.4 million);
- ***Container Incentives*** (higher by $3.2 million) due to higher container incentive payouts;
- ***Cruise Incentives*** (higher by $1.6 million) due to higher cruise incentive payouts;
- ***Workers' Compensation*** (higher by $1.5 million) due to higher reserves for workers' compensation payouts;
- ***Pollution Remediation*** (higher by $1.1 million) due to higher provisions for GASB 49 reserves;
- ***Overhead Capitalization and Other*** (lower by $0.9 million) due to lower overhead capitalization and GASB 87 lease adjustments;
- ***Insurance*** (higher by $0.8 million);
- ***Water and Gas*** (higher by $0.3 million);
- ***Equipment Rentals*** (higher by $0.1 million) due to lower spending on equipment rentals and fees than anticipated; and
- ***Memberships/Subscriptions/Books*** (higher by $0.1 million).

Favorable variances of $8.6 million as follows:

- ***Electricity*** (lower by $7.7 million) due to lower spending on non-AMP™ and AMP™-related electricity expenses;
- ***Environmental Incentives*** (lower by $0.6 million); and
- ***Taxes and Assessments*** (lower by $0.3 million).

- **Clean Truck Program: $5.8 million ↑ by $3.2 million or 123.3%.**
  Year-over-year spending increased due to $3.2 million of accrued subsidies for the CTFR that have yet to be paid out.

OTHER ITEMS:

TABLE 5: FY 2023 OPERATING INCOME AND NET INCOME

FY 2023 – Ended June 30 UNAUDITED ($ in thousands)	FY 2023 Actual	FY 2023 Budget	FY 2022 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Operating Income	**356,980**	**294,062**	**373,942**	↑ **21.4%**	↓ **(4.5%)**
Less: Depreciation	(194,869)	(160,250)	(147,569)	↑ 21.6%	↑ 32.1%
Plus: Non-Operating Revenues	72,176	54,483	50,209	↑ 32.5%	↑ 43.8%
Less: Non-Operating Expenses	(67,829)	(107,031)	(120,602)	↓ (36.6%)	↓ (43.8%)
Net Income	**166,456**	**81,264**	**155,980**	**104.8%**	↑ **6.7%**

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

- Depreciation: $194.9 million
  - Depreciation increased by $34.6 million relative to budget and by $47.3 million relative to the prior year due to a one-time adjustment which reconciled the economic useful life of assets in use and their respective useful life utilized for accounting purposes.

- Non-Operating Revenues: $72.2 million
  - *Actuals vs. Budget*: Non-Operating Revenues increased by $17.7 million relative to budget due to $22.0 million in favorable variances with respect to:
    - Higher interest income ($11.7 million), higher GASB 87 lease adjustments ($10.2 million) and higher other non-operating revenues ($0.1 million).

    These favorable variances were only partially offset by $4.3 million in unfavorable variances with respect to:
    - Lower late charge receipts ($1.5 million), lower JPA income ($1.1 million), lower federal non-operating grants ($1.1 million) and lower passthrough grant receipts ($0.6 million).
  - *Actuals vs. Prior Year:* Non-Operating Revenues increased by $22.0 million relative to prior year due to $27.5 million in favorable variances with respect to:
    - Higher interest income ($14.5 million), higher passthrough revenue ($12.6 million), and higher Joint Power Authority Income ($0.4 million).

    These favorable variances were only partially offset by $5.5 million in unfavorable variances with respect to:
    - Lower other non-operating revenue ($5.2 million), lower federal non-operating grant revenues (lower by $0.2 million), and lower GASB 87 lease adjustments (lower by $0.1 million).

- Non-Operating Expenses: $67.8 million
  - *Actuals vs. Budget:* Non-Operating Expenses decreased by $39.2 million relative to budget due to lower: capital projects closed to expense ($38.7 million), interest expense ($9.3 million), ACTA reserves ($9.0 million), passthrough grant disbursements ($4.2 million), and miscellaneous non-operating expenses ($0.2 million) which were only partially offset by a higher unrealized investment losses ($22.2 million).

  - *Actuals vs. Prior Year:* Non-Operating Expenses decreased by $52.8 million relative to the prior year due to lower: unrealized investment losses ($37.7 million), capital projects closed to expense ($22.4 million), interest expense ($1.2 million), and miscellaneous non-operating expenses ($0.2 million) which were only partially offset by higher passthrough grant disbursements ($8.7 million).

CAPITAL IMPROVEMENT PROGRAM (CIP):

Budget Performance – Unaudited spending in FY 2023 was $114.3 million or 63% of the Adopted Capital Improvement Program Budget of $180.5 million with actual and budgeted spending by category as follows:

TABLE 6: FY 2023 CIP ACTUALS vs. BUDGET

FY 2023 – Ended June 30 UNAUDITED ($ in thousands)	FY 2023 Actual	FY 2023 Budget	$ Variance vs. Budget	% Variance vs. Budget
Terminals	$ 63,867	$ 69,690	$ 5,823	8.4%
Transportation	$ 7,214	$ 11,542	$ 4,328	37.5%
Security	$ 2,645	$ 4,231	$ 1,586	37.5%
Public Access				
San Pedro Waterfront	$ 2,188	$ 10,548	$ 8,360	79.3%
Wilmington Waterfront	$ 17,058	$ 27,891	$ 10,833	38.8%
Other Public Access	$ 3,622	$ 10,456	$ 6,834	65.4%
Maritime Services	$ 9,928	$ 34,188	$ 24,260	71.0%
Unallocated CIP	$ 7,784	$ 12,000	$ 4,216	35.1%
Total	**$114,306**	**$180,546**	**$ 66,240**	**36.7%**

FY 2023 CIP spending fell $66.2 million below budget due to the following:

- Maritime Services Projects were $24.3 million below budget primarily due to delayed spending on an HVAC replacement at the Harbor Administration Building (lower by $8.3 million) and delayed spending on a pile-driving barge, crane and workboat (lower by $5.8 million).
- Furthermore, Wilmington Waterfront spending fell $10.8 million below budget primarily due to delayed spending on the Wilmington Waterfront Promenade (lower by $8.8 million).
- Lastly, San Pedro Waterfront spending fell $8.4 million relative to budget primarily due to delayed spending on Phase II of the Berths 74-83 Promenade (lower by $6.5 million) as well as delayed spending on waterfront utility upgrades (lower by $1.4 million).

Over the course of FY 2023, $4.4 million was spent to complete construction activities on 15 projects. Major completed projects (FY 2023 CIP spending in parenthesis) include the following:

- **Port Cyber Resilience Center ($2.5 million)**: With a total project budget of $7.6 million, this project included development of Cyber Resilience Center (CRC) requirements with stakeholders, project prioritization and phasing, facility infrastructure build out, computer hardware and software installation, testing, and implementation.

- **Liberty Hill Plaza Atrium Skylight Replacement ($0.6 million)**: With a total project budget of $0.8 million, this project included removal of existing skylights, installation of a new aluminum structure that will add extra height to allow better drainage of rainwater and the use of glazing panels.

- **Harbor Admin Building – 1st Floor Employee Restrooms and Showers Remodel ($0.3 million)**: With a total project budget of $1.5 million, this project included installation of five new single unit showers and fixtures, three new ADA shower compartments, three new toilets, and replacement of all piping.

Remaining FY 2023 CIP spending of $109.9 million was utilized to continue design and construction activities on several projects throughout the Port. Major in-process projects (FY 2023 CIP spending in parenthesis) include the following:

- **Pier 400 Corridor Storage Tracks Expansion ($40.2 million)**: With a total project budget of $73.2 million, this project includes 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 at the Pier 400 rail storage yard and bridge. Construction is currently projected to be completed in May 2024 with full project closeout occurring in FY 2025.

- **Wilmington Waterfront Promenade ($16.4 million)**: With a total project budget of $77.3 million, this project includes 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, located at 115 North Avalon Blvd and 121-133 North Avalon Blvd, totaling approximately 19,000 sf. Construction is currently projected to be completed in December 2023 with full project closeout occurring in FY 2025.

- **B. 167-169 MOTEMS – Shell ($13.4 million)**: With a total project budget of $44.8 million, this project includes the design and construction of a wharf structure at Berths 167-169 to conform with Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS). Construction is currently projected to be completed in January 2024 with full project closeout occurring in FY 2025.

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director and Chief Financial Officer

Transmittals:
1. TEU Throughput Comparison – FY Ended June 30, 2023
2. Actual-to-Budget FY 2023 – June
3. Year-to-Year Performance Report YTD June 30, 2023 and 2022

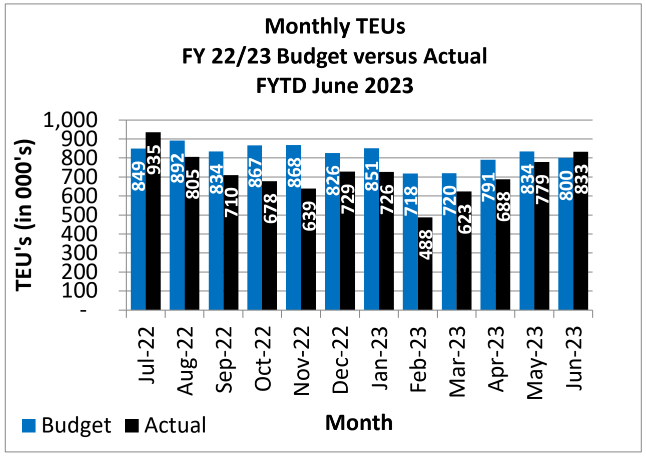
Author: E. Wang
MB:JS:MM/Finance
cc: Deputy Executive Directors

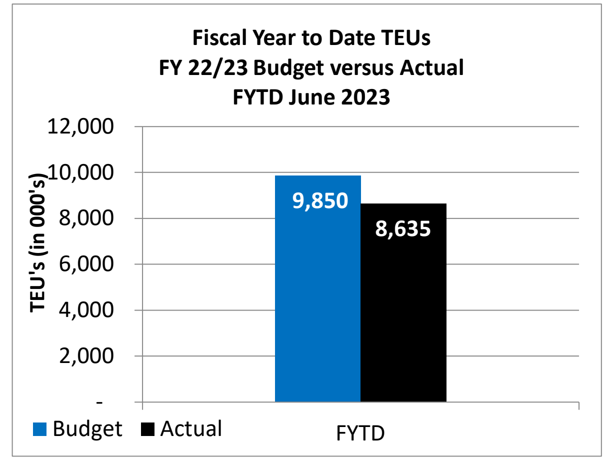
TRANSMITTAL 1

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - JUNE 2023

Budget versus Actuals Comparison
FY 22/23 Budget vs. FY 22/23 Actuals

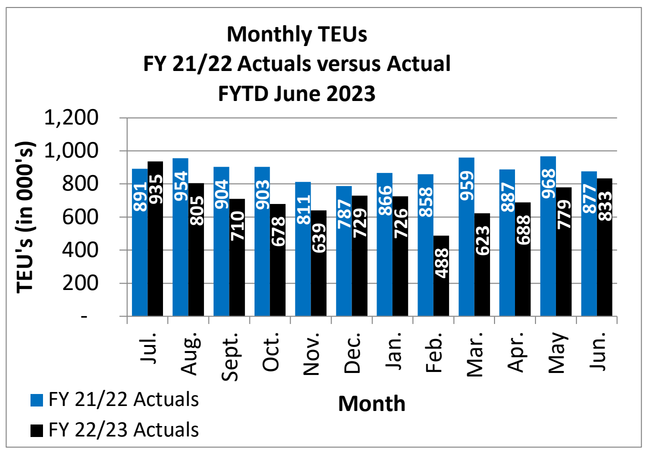
(in 000's)	TEU's			
Month	FY 22/23 Budget	FY 22/23 Actuals	% Δ	Δ
Jul-22	*849*	*935*	*10.2%*	↑
Aug-22	*892*	*805*	*-9.7%*	↓
Sep-22	*834*	*710*	*-14.9%*	↓
Oct-22	*867*	*678*	*-21.7%*	↓
Nov-22	*868*	*639*	*-26.3%*	↓
Dec-22	*826*	*729*	*-11.8%*	↓
Jan-23	*851*	*726*	*-14.6%*	↓
Feb-23	*718*	*488*	*-32.0%*	↓
Mar-23	*720*	*623*	*-13.4%*	↓
Apr-23	*791*	*688*	*-13.0%*	↓
May-23	*834*	*779*	*-6.6%*	↓
Jun-23	*800*	*833*	*4.1%*	↑
FYTD	*9,850*	*8,635*	*-12.3%*	↓
FY 22/23 Budget	9,850			

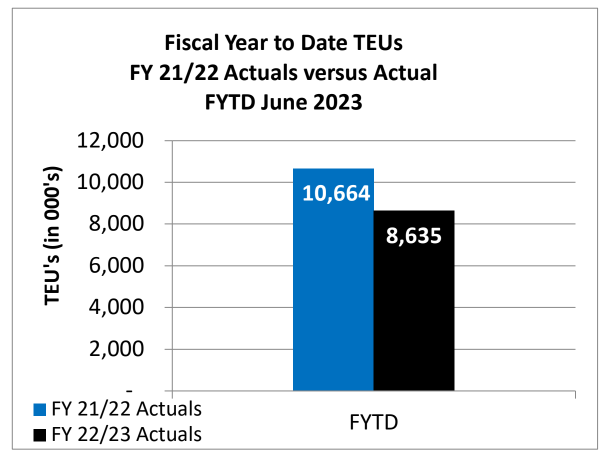




Year-to-Year Actuals Comparison
FY 21/22 Actuals vs. FY 22/23 Actuals

(in 000's)	TEU's			
Month	FY 21/22 Actuals	FY 22/23 Actuals	% Δ	Δ
Jul.	*891*	*935*	*5.0%*	↑
Aug.	*954*	*805*	*-15.6%*	↓
Sept.	*904*	*710*	*-21.5%*	↓
Oct.	*903*	*678*	*-24.8%*	↓
Nov.	*811*	*639*	*-21.2%*	↓
Dec.	*787*	*729*	*-7.3%*	↓
Jan.	*866*	*726*	*-16.1%*	↓
Feb.	*858*	*488*	*-43.1%*	↓
Mar.	*959*	*623*	*-35.0%*	↓
Apr.	*887*	*688*	*-22.5%*	↓
May	*968*	*779*	*-19.5%*	↓
Jun.	*877*	*833*	*-5.0%*	↓
FYTD	*10,664*	*8,635*	*-19.0%*	↓
FY 21/22 Actuals	10,664			





$ in thousands	Fiscal Year Actual FY 2022/23 June 2023	Fiscal Year Budget FY 2022/23 June 2023	Actual-to-Budget Comparison $	%	Notes ($ in millions)
Operating Revenues					
Shipping Services	448,009	439,655	8,353	1.9%	Higher space assignments $17.8, partially offset by lower revenue from wharfages <$7.1>, lower dockages <$1.8>, and lower pilotages <$0.5>.
Rentals	117,289	93,944	23,345	24.8%	Union Pacific ICTF comp. adjustment $17.8, Higher Westrec gross receipts $2.7, higher receipts from various customers $2.4, Innovative's new Permit $1.3, City of LA comp. reset and CPI increase $1.1, Fenix CPI increase $0.6, Kinder Morgan Liquids CPI increase $0.6, So Cal Ship Services increase $0.3, Millennium Maritime increase $0.2, and PBF Energy increase $0.2, partially offset by GASB 87 lease adjustment <$3.9>
Royalties, Fees and Other Revenues	49,882	46,803	3,079	6.6%	Higher revenues from Harbor Maintenance Tax receipts $6.9, parking fees $3.6, and misc. other oper. revenue $0.9, partially offset by lower revenue from one-time operating reimbursements <$7.2> and lower credit for tenant services <$1.1>
Clean Truck Program Revenues	41,219	47,699	(6,480)	(13.6%)	Delayed CTFR collection recordings <$7.1>, partially offset by higher revenue from concession app fees $0.5. and annual truck fees $0.1.
Total Operating Revenues	**656,400**	**628,102**	**28,298**	**4.5%**	
Operating Expenses					
Gross Salaries & Benefits	169,996	177,915	7,920	4.5%	Lower average positions
Capitalization	(28,261)	(16,801)	11,460	(68.2%)	Higher overhead allocations $11.6, partially offset by lower direct allocations <$0.1>
Net Salaries & Benefits	141,734	161,114	19,379	12.0%	
Marketing & Public Relations	2,710	3,336	625	18.7%	Lower promotional/sponsorship activities $0.4 and overhead allocations $0.2
Travel	577	1,106	529	47.8%	Lower travel activities $0.4 and overhead allocations $0.1
Outside Services	33,332	46,746	13,414	28.7%	Invoice delays for IT $3.0, overhead allocations $2.9, MIP $2.1, C&M $1.7, City Attorney $1.6, Labor Relations and Govt Affairs $0.3, WCRED $0.3, Executive Office $0.3, EMD $0.3, CIRED $0.2, Risk Management $0.2, Port Police $0.1, Management Audits $0.1, FPA $0.1, Debt & Treasury $0.1, and Graphics $0.1
Materials & Supplies	5,974	7,223	1,249	17.3%	Lower spending Development Bureau $0.5, higher capitalization $0.4, and lower spending in other divisions $0.3
City Services	47,823	61,207	13,384	21.9%	Overhead allocations $4.8, lower fire services $5.2, lower rec. & parks services $2.3, lower City Attorney services $0.6, and lower misc. city services $0.5
(1) Allocations to Capital - Overhead		(19,476)	(19,476)	100.0%	Higher aggregate overhead allocations $3.3
(2) Other Operating Expenses	61,435	62,307	872	1.4%	Higher overhead allocations and GASB 87 lease adjustments $4.4, lower electricity $4.0, container incentives $3.8, workers' compensation $1.6, cruise incentives $0.8, environmental incentives $0.8, taxes $0.4, equipment rental/permits/license/fees $0.2, memberships/subscriptions/books $0.2, and insurance $0.2, partially offset by higher reserves for litigation/claims <$14.9>, provisions for bad debts <$0.4> and water & gas <$0.2>
Clean Truck Program Expenses	5,835	10,477	4,642	44.3%	Delayed CTFR subsidies $4.6
Total Operating Expenses	**299,421**	**334,040**	**34,619**	**10.4%**	
Income Before Depreciation	**356,979**	**294,062**	**62,917**	**21.4%**	
Provision For Depreciation	194,869	160,250	(34,620)	(21.6%)	
Income From Operations	**162,109**	**133,813**	**28,297**	**21.1%**	
(3) Non-Operating Revenue	72,176	54,483	17,693	32.5%	Higher interest income $11.7, higher GASB 87 lease adjustments $10.2 and higher misc. non-operating revenues $0.1 partially offset by lower late charge receipts <$1.5>, lower JPA income <$1.1>, lower federal non-operating grants <$1.1> and lower passthrough grant receipts <$0.6>
(4) Non-Operating Expenses	67,829	107,031	39,203	36.6%	Lower capital projects closed to expense $38.7, lower interest expense $9.3, lower ACTA reserves $9.0, lower passthrough grant disbursements $4.2 and lower misc. non-operating expenses $0.2, partially offset by higher unrealized investment losses <$22.2>
Net Income	**166,457**	**81,265**	**85,192**	**104.8%**	

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 $22.8 million relative to a budget of $19.5 million.

(2) Primarily for: Electricity $24.7, Litigation $15.2, Container Incentives $6.7, Insurance $4.5, Environmental Incentives $3.1, Water & Gas $2.7, Telephone $1.9, Cruise Incentives $1.6, Memberships/Subscriptions/Books $1.2, Pollution Remediation Reserves $1.1, Bad Debts $0.9, Equipment Rentals $0.7, Taxes $0.5, Workers' Compensation Reserves $0.4 and Overhead Allocations <$3.8>.

(3) Primarily for: Passthrough Receipts $30.9, Interest Income $26.7, GASB 87 Adjustments $10.2, Federal Non-Operating Grants $2.0, JPA Income $1.9, Misc. Non-Operating $0.3, Gain on Land Sales $0.1 and Late Charges $0.1.

(4) Primarily for: Passthrough Disbursements $27.3, Unrealized Investment Losses $22.2, Interest Expense $17.8, Misc. Non-Operating $0.4, Capital Projects Closed to Expense $0.1.

$ in thousands	Fiscal Year Actual FY 2022/23 June 2023	Prior Fiscal Year FY 2021/22 June 2022	Year-over-Year Change (Unfavorable)/Favorable $	%	Notes ($ in millions)
Operating Revenues					
Shipping Services	448,009	485,843	(37,834)	(7.8%)	Lower wharfage <$36.9>, lower dockage <$2.3>, lower pilotage <$0.2>, and partially offset by higher space assignments $1.6
Rentals	117,289	86,837	30,453	35.1%	Union Pacific ICTF comp. adjustment $20.0, Taylored Transload, LLC new RP $6.3, Innovative Terminal Services new permit $1.7, City of LA comp. reset and CPI increase $1.2, Pacific Crane Maintenance comp. adjustment $0.8, and higher Westrec gross receipts $0.5
Royalties, Fees and Other Revenues	49,882	37,164	12,719	34.2%	Higher revenue from Harbor Maintenance Tax receipts $12.6, one-time operating reimbursements $6.7, and parking fees $3.0, partially offset by lower revenue from utility charges <$7.6>, lower credits for tenant services <$1.3>, accommodation work rev. <$0.7>
Clean Truck Program Revenues	41,219	17,999	23,221	129.0%	CTFR collections $25.8, partially offset by lower concession app fees <$2.6>
Total Operating Revenues	**656,400**	**627,842**	**28,558**	**4.5%**	
Operating Expenses					
Gross Salaries & Benefits	169,996	148,863	(21,132)	(14.2%)	Lower average positions and prior year SIP payouts, partially offset by MOU increases
Capitalization	(28,261)	(26,454)	1,807	(6.8%)	Higher direct allocations $2.6 and partially offset by lower overhead allocations <$0.8>
Net Salaries & Benefits	141,734	122,409	(19,325)	(15.8%)	
Marketing & Public Relations	2,710	2,101	(609)	(29.0%)	Higher promotional/sponsorship activities <$0.7> partially offset by higher overhead allocations $0.1
Travel	577	281	(296)	(105.2%)	Higher travel activities <$0.4>
Outside Services	33,332	27,864	(5,468)	(19.6%)	Higher spending from WCRED <$1.7>, C&M <$1.4>, EMD <$1.2>, GASB 96 implementation <$0.7>, Community Relations <$0.2> and Goods Movement <$0.2>
Materials & Supplies	5,974	5,106	(868)	(17.0%)	Higher spending from C&M <$0.7>, CIP <$0.1> and Port Police <$0.1>.
City Services	47,823	45,531	(2,292)	(5.0%)	Higher spending for Fire Services <$2.9>, City Attorney <$0.2>, partially offset by lower spending for Rec & Parks $0.7 and overhead allocation $0.1
(1) Other Operating Expenses	61,435	47,994	(13,441)	(28.0%)	Higher reserves for litigation/claims <$12.4>, container incentives <$3.2>, cruise incentives <$1.6>, workers' compensation reserves <$1.5>, pollution remediation reserves <$1.1>, overhead allocations and other <$0.9>, insurance <$0.8>, water & gas <$0.3>, equipment rentals <$0.1>, and memberships/subscriptions/books <$0.1>, partially offset by lower electricity $7.7, environmental incentives $0.6 and taxes and assessments $0.3
Clean Truck Program Expenses	5,835	2,613	(3,222)	(123.3%)	CTFR subsidies <$3.2>
Total Operating Expenses	**299,421**	**253,900**	**(45,521)**	**(17.9%)**	
Income Before Depreciation	**356,979**	**373,943**	**(16,964)**	**(4.5%)**	
Provision For Depreciation	194,869	147,569	(47,300)	(32.1%)	
Income From Operations	**162,109**	**226,374**	**(64,264)**	**(28.4%)**	
(2) Non-Operating Revenue	72,176	50,209	21,968	43.8%	Higher passthrough grant receipts $12.6, higher interest income $4.6, higher JPA income $0.4, partially offset by lower other non-operating revenues <$5.3>, lower non-operating grant revenues <$0.2> and lower GASB 87 lease adjustments <$0.1>.
(3) Non-Operating Expenses	67,829	120,602	52,774	43.8%	Lower unrealized investment losses $37.7, lower capital projects closed to expense $22.4, lower interest expense $1.2 and lower misc. non-operating expenses $0.2, partially offset by higher passthrough grant receipts $8.7
Net Income	**166,457**	**155,980**	**10,477**	**6.7%**	

Notes:

(1) Primarily for: Electricity $24.7, Litigation $15.2, Container Incentives $6.7, Insurance $4.5, Environmental Incentives $3.1, Water & Gas $2.7, Telephone $1.9, Cruise Incentives $1.6, Memberships/Subscriptions/Books $1.2, Pollution Remediation Reserves $1.1, Bad Debts $0.9, Equipment Rentals $0.7, Taxes $0.5, Workers' Compensation Reserves $0.4 and Overhead Allocations <$3.8>.

(2) Primarily for: Passthrough Receipts $30.9, Interest Income $26.7, GASB 87 Adjustments $10.2, Federal Non-Operating Grants $2.0, JPA Income $1.9, Misc. Non-Operating $0.3, Gain on Land Sales $0.1 and Late Charges $0.1.

(3) Primarily for: Passthrough Disbursements $27.3, Unrealized Investment Losses $22.2, Interest Expense $17.8, Misc. Non-Operating $0.4, Capital Projects Closed to Expense $0.1.