

“FOR INFORMATION ONLY”

DATE: MARCH 10, 2016

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2015/16 ENDED FEBRUARY 29, 2016**

Financial performance results for the first eight months of Fiscal Year 2015/16 have been provided below and have been summarized relative to both budget and prior year. Cargo volumes (as measured by TEUs or twenty-foot equivalent units) in the month of February increased 42.0% relative to February 2015 such that cargo volumes for the Fiscal Year-to-Date (FYTD) period are 6.7% above the prior FYTD period. However, it is worth noting that prior year cargo volumes, particularly cargo volumes observed in January and February 2015 had been severely negatively impacted by congestion throughout the San Pedro Bay port complex. In summary, performance results for the Harbor Department are as follows:

FYTD February 2016	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	5,675	↑ 4.6%	↑ 6.7%
Operating Revenues	\$ 279.3	↑ 2.8%	↑ 2.8%
Operating Expenses	\$ 131.7	↓ (13.1%)	↑ 4.8%
Operating Income	\$ 147.6	↑ 23.0%	↑ 1.1%
Net Income	\$ 43.3	↑ 24.5%	↓ (34.9%)

FYTD total Operating Revenues have increased relative to budget as all revenue categories currently exceed their respective FYTD budgets. Despite the continuance of reduced volumes at terminals with higher TEU rates and increased volumes at terminals with lower TEU rates, Shipping Services revenues exceeded its FYTD budget due to the aforementioned higher FYTD cargo volumes. In addition to the favorable impact of higher Shipping Services, total Operating Revenues further benefitted from higher than budgeted Rental revenues, one-time settlements related to the September 2014 Pasha terminal fire and higher parking fees. Relative to prior FYTD results, total Operating

SUBJECT: FINANCIAL PERFORMANCE RESULTS

Revenues increased as higher wharfage, the receipt of one-time insurance proceeds and higher land rental rates were only partially offset by the recording of one-time catch-up payments in the prior fiscal year as well as lower utility reimbursements and lower space assignment revenues in the current fiscal year.

Despite higher than budgeted City Services, total FYTD Operating Expenses ultimately fell 13.1% below budget due to lower average headcount, lower than budgeted electricity expenses as well as timing differences with respect to outside services and other operating expenses. Total FYTD Operating Expenses have increased by 4.8% relative to the prior fiscal year as Memorandum of Understanding salary increases, lower salary/outside services/overhead capitalization and higher city services expenditures more than offset salary savings from lower average headcount.

Relative to budgeted figures, the combination of lower total Operating Expenses and higher total Operating Revenues favorably impacted margins such that FYTD operating margins were reported at 52.8% versus a budget of 44.2%. It is important to note that as vacancies are filled, and, as timing issues with respect to outside services and other operating expenses are resolved, total Operating Expenses may approach budget as FY 2015/16 progresses. Furthermore, as evidenced by City Services exceeding budget on a FYTD basis, we anticipate requesting a budget transfer to fund any anticipated shortfalls within the City Services account prior to the June 30 fiscal year end.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended February 29, 2016 based on internal estimates reached \$94.4 million or about 47% of the total \$198.8 million CIP adopted budget. Total projected Harbor Department CIP spending is currently expected to fall below the total CIP adopted budget by fiscal year-end.


EUGENE D. SEROKA
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD February 2016
2. Actual-to-Budget FY 2015/16 – February
3. Year-to-Year Performance Report YTD February 29, 2016 and February 28, 2015

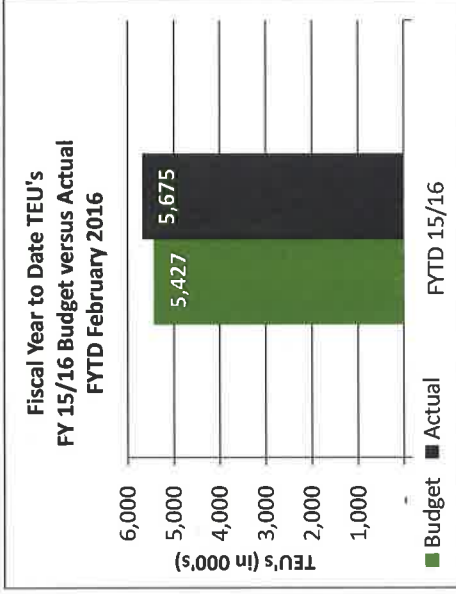
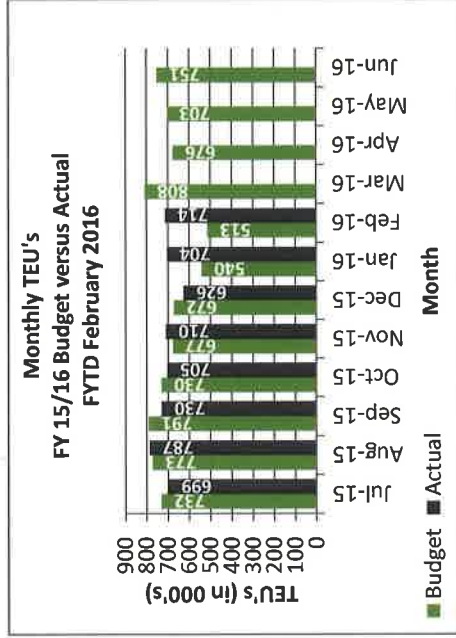
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MB:MM/Finance

cc: Deputy Executive Directors

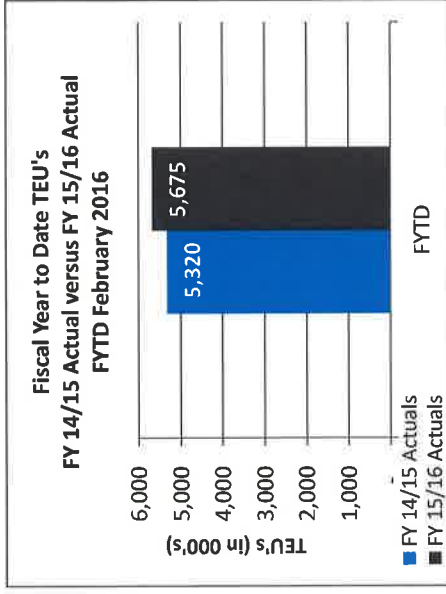
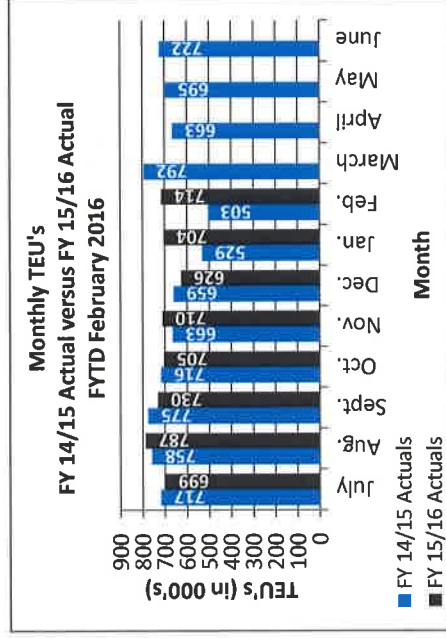
Budget versus Actuals Comparison
FY 15/16 Budget vs. FY 15/16 Actuals

(in 000's)	TEU's			% Δ	Δ
	FY 15/16 Budget	FY 15/16 Actuals			
Month					
Jul-15	732	699	-4.5%	↓	
Aug-15	773	787	1.8%	↑	
Sep-15	791	730	-7.6%	↓	
Oct-15	730	705	-3.5%	↓	
Nov-15	677	710	4.9%	↑	
Dec-15	672	626	-6.9%	↓	
Jan-16	540	704	30.5%	↑	
Feb-16	513	714	39.2%	↑	
Mar-16	808				
Apr-16	676				
May-16	703				
Jun-16	751				
FYTD 15/16	5,427	5,675	4.6%	↑	
FY 15/16 Budget	8,365				



Year-to-Year Actuals Comparison
FY 14/15 Actuals vs. FY 15/16 Actuals

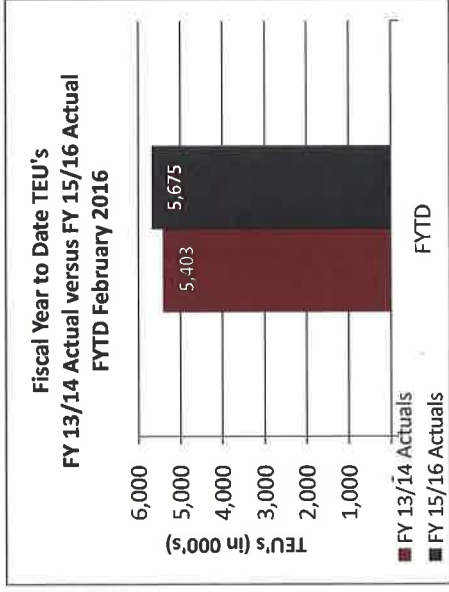
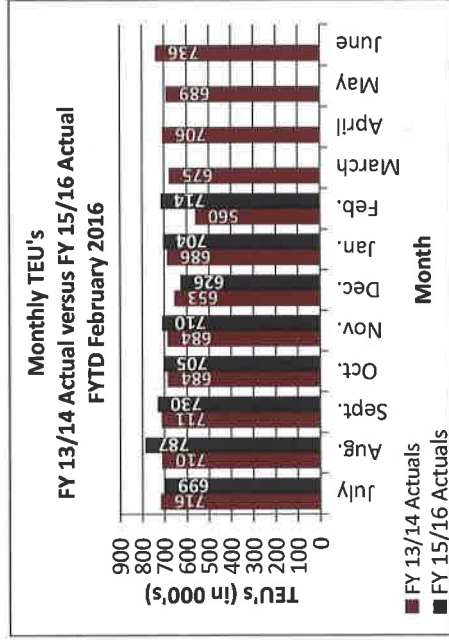
(in 000's)	TEU's			% Δ	Δ
	FY 14/15 Actuals	FY 15/16 Actuals			
Month					
July	717	699	-2.5%	↓	
Aug.	758	787	3.8%	↑	
Sept.	775	730	-5.8%	↓	
Oct.	716	705	-1.6%	↓	
Nov.	663	710	7.0%	↑	
Dec.	659	626	-4.9%	↓	
Jan.	529	704	33.0%	↑	
Feb.	503	714	42.0%	↑	
March	792				
April	663				
May	695				
June	722				
FYTD	5,320	5,675	6.7%	↑	
FY 14/15 Actuals	8,191				



HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - FYTD FEBRUARY 2016

Year-to-Year Actuals Comparison
FY 13/14 Actuals vs. FY 15/16 Actuals

(in 000's)	TEU's		% Δ	Trend
	FY 13/14 Actuals	FY 15/16 Actuals		
July	716	699	-2.3%	↓
Aug.	710	787	10.8%	↑
Sept.	711	730	2.7%	↑
Oct.	684	705	3.0%	↑
Nov.	684	710	3.8%	↑
Dec.	653	626	-4.1%	↓
Jan.	686	704	2.8%	↑
Feb.	560	714	27.5%	↑
March	675			
April	706			
May	689			
June	736			
FYTD	5,403	5,675	5.0%	↑
FY 13/14 Actuals	8,210			



	Fiscal Year Actual FY 2015/16		Fiscal Year Budget FY 2015/16		Actual-to-Budget Comparison		Notes (\$ in millions)
	Fiscal YTD - Feb. 2016	Fiscal YTD - Feb. 2016	Fiscal YTD - Feb. 2016	Fiscal YTD - Feb. 2016	\$	%	
\$ in thousands							
Operating Revenues							
Shipping Services	233,156		232,338		818	0.4%	Higher than budgeted wharfage revenues of \$2.7 resulting from higher than budgeted TEUs, higher lay day fees \$0.6 and higher dockage \$0.3, partially offset by lower than budgeted space assignment <\$2.4> and pilotage revenues <\$0.4>
Rentals	30,714		25,463		5,251	20.6%	Higher revenues than budgeted for Westrec Marina/Cathay Pacific \$2.0, Union Pacific Railroad \$1.5 and higher land rental rates due to resets and CPI increases, \$1.7
Royalties, Fees and Other Revenues	14,129		12,805		1,323	10.3%	Higher operating refunds & reimbursements of \$5.7 and parking fees \$0.8, partially offset by lower utility reimbursements <\$3.9> and higher credits for tenant services <\$1.3>
Clean Truck Program Revenues	1,270		1,002		268	26.7%	Higher annual truck fees and concession application fees than budgeted \$0.2
Total Operating Revenues	279,268		271,607		7,661	2.8%	
Operating Expenses							
Gross Salaries & Benefits	86,512		96,185		(9,673)	(10.1%)	Primarily due to lower average filled positions (892 vs. 940 budgeted)
Capitalization	(14,470)		(11,686)		(2,783)	23.8%	Overhead capitalization <\$5.4>, partially offset by lower direct capitalization \$2.6
Net Salaries & Benefits	72,042		84,499		(12,456)	(14.7%)	
Marketing & Public Relations	1,817		2,511		(694)	(27.6%)	Timing of promotional, sponsorships and advertising <\$0.4> and overhead capitalization <\$0.2>
Travel	378		734		(355)	(48.5%)	
Outside Services	13,285		23,189		(9,904)	(42.7%)	Timing of legal fees & services spending <\$2.1>, timing of environmental assessment services <\$2.0>, higher capitalization of C&M outside services <\$1.9>, timing of maintenance spending <\$0.9>, timing of port security spending <\$0.6>, timing of IT spending <\$0.4>, timing of waterfront and commercial real estate services <\$0.4>, timing of cargo marketing spending <\$0.2>, timing of government services <\$0.2> and overhead allocations <\$1.0>
Materials & Supplies	3,722		4,720		(998)	(21.1%)	
City Services	25,683		25,124		559	2.2%	Higher fire services \$1.4, higher city attorney \$0.7 and higher recreation and parks services \$0.4, partially offset by overhead allocation <\$1.9>
(1) Allocations to Capital - Overhead	(1,083)		(11,941)		10,859	(90.9%)	Lower aggregate overhead allocations \$1.3
(2) Other Operating Expenses	15,501		22,158		(6,656)	(30.0%)	Lower electricity <\$2.9>, higher overhead capitalization <\$0.7>, lower water/gas <\$0.7>, lower insurance <\$0.3>, lower telephone <\$0.2>, lower equipment rental <\$0.1>, lower memberships/subscriptions/books <\$0.1> and lower environmental incentives <\$0.1>, as well as timing of workers' compensation <\$1.0>, litigation <\$0.4> and bad debt <\$0.1> expenses
Clean Truck Program Expenses	358		618		(260)	(42.1%)	
Total Operating Expenses	131,705		151,611		(19,906)	(13.1%)	
Income Before Depreciation	147,563		119,997		27,567	23.0%	
Provision For Depreciation	108,752		86,755		21,996	25.4%	
Income From Operations	38,812		33,241		5,570	16.8%	
Non-Operating Revenue	7,500		5,047		2,452	48.6%	Higher interest/investment income \$2.9, higher rebates/late charges/discounts/misc. \$1.0 and higher pass-through grant receipts \$0.2, partially offset by lower federal/state operating grants <\$1.7>
(3) Non-Operating Expenses	(2,989)		(3,500)		511	(14.6%)	Lower interest expense <\$1.0>, lower capital projects closed to expense <\$0.4>, lower misc. non-operating expenses <\$0.4> and lower commercial paper costs <\$0.3>, partially offset by lower interest capitalization \$0.8, bond redemption accounting adjustment \$0.3, higher bond issuance costs \$0.3 and higher pass-through grant disbursements \$0.2
Net Income	43,323		34,789		8,534	24.5%	

Notes:
(1) Allocations to capital - overhead are allocated to individual accounts within the presentation of actual results; however, these overhead allocations are not allocated to individual accounts for budgetary purposes. Allocations to capital - overhead for the fiscal year-to-date period totaled \$10.6 million, relative to a budget of \$11.9 million.
(2) Primarily for: Electricity \$8.9; Insurance \$2.1; Telephone \$2.1; Water & Gas \$1.0; Environmental Incentives \$1.0; Litigation/Claims \$0.8; Equipment Rental/Permits/License/Fees \$0.7; Memberships/Subscriptions/Books \$0.6; Taxes & Assessments \$0.1; Overhead Allocations <\$0.7>
(3) Primarily for: Interest/Investment Income \$5.0; Rebates/Late Charges/Discounts/Misc. \$2.0; Federal/State Operating Grants \$0.3; Pass-through Grant Receipts \$0.2
(4) Primarily for: Interest Expense \$27.7; Capitalized Interest <\$27.4>; Capital Projects Closed to Expense \$1.2; Commercial Paper Costs \$0.5; Bond Redemption Accounting Adjustment \$0.3; Bond Issuance Costs \$0.3; Pass-through Grant Disbursements \$0.2; Misc. Non-Op \$0.1

	Current Fiscal Year		Prior Fiscal Year		Year-over-Year		Notes (\$ in millions)
	FY 2015/16	Fiscal YTD - Feb. 2016	FY 2014/15	Fiscal YTD - Feb. 2015	Change	%	
\$ in thousands							
Operating Revenues							
Shipping Services	233,156	219,913	13,243	6.0%	Higher overall wharfage \$14.0 (due to congestion in the prior year), higher pilotage \$0.2 and cruise ship lay day fees \$0.2, partially offset by lower space assignment <\$1.2>		
Rentals	30,714	33,722	(3,008)	(8.9%)	Prior year ICTF catch-up payments <\$4.8 (net)>, partially offset by higher land rental rates \$1.8		
Royalties, Fees and Other Revenues	14,129	15,537	(1,409)	(9.1%)	One-time BNSF/SCIG catch-up billing in the prior year <\$4.7>, lower utility reimbursements <\$1.8>, higher tenant credits <\$0.4> and lower oil lease royalties <\$0.1>, partially offset by higher operating refunds/reimbursements \$5.1 and higher parking fees \$0.5		
Clean Truck Program Revenues	1,270	2,426	(1,156)	(47.7%)	Lower concession application fees <\$1.4>, partially offset by higher annual truck fees \$0.2		
Total Operating Revenues	279,268	271,598	7,670	2.8%			
Operating Expenses							
Gross Salaries & Benefits	86,512	87,519	(1,007)	(1.2%)	Lower average filled positions (892 vs. 919 prior year) partially offset by MOU salary increases		
Capitalization	(14,470)	(17,478)	3,008	(17.2%)	Lower direct capitalization \$1.5 and lower overhead capitalization \$1.5		
Net Salaries & Benefits	72,042	70,041	2,001	2.9%	Lower promotional, sponsorships and advertising <\$0.2>		
Marketing & Public Relations	1,817	2,068	(250)	(12.1%)	Lower direct expense capitalization \$3.8, higher demolition expenses (Pan Pacific) \$0.8, lower capitalization of C&M services \$0.3 and higher legal expenses \$0.1, partially offset by timing of environmental services <\$1.1>, lower port security spending <\$0.5> and lower red car spending <\$0.4>		
Travel	378	385	(7)	(1.7%)			
Outside Services	13,285	10,278	3,007	29.3%	Higher fire services \$1.8, higher city attorney \$1.2, higher recreation and parks services \$0.4, higher miscellaneous services \$0.3 and lower overhead allocations \$0.3, partially offset by elimination of one-time paving expenses in the prior fiscal year <\$1.0>		
Materials & Supplies	3,722	3,707	15	0.4%			
City Services	25,683	22,515	3,168	14.1%			
Allocations to Capital - Overhead	(1,083)	(1,083)					
Other Operating Expenses	15,501	16,320	(819)	(5.0%)	Lower electricity expenses <\$1.0>, lower equipment rentals/purchases <\$0.9>, water & gas <\$0.7> and telephone expenses <\$0.2>, partially offset by lower overhead capitalization \$1.0, higher litigation/claims \$0.8 and higher memberships/subscriptions/books \$0.2		
Clean Truck Program Expenses	358	393	(35)	(8.9%)			
Total Operating Expenses	131,705	125,708	5,997	4.8%			
Income Before Depreciation	147,563	145,890	1,673	1.1%			
Provision For Depreciation	108,752	81,583	27,169	33.3%			
Income From Operations	38,812	64,307	(25,496)	(39.6%)			
Non-Operating Revenue	7,500	8,911	(1,411)	(15.8%)	Lower federal/state operating grants <\$3.3> and lower pass-through grant receipts <\$0.1>, partially offset by higher rebates/late charges/discounts/misc. \$1.2 and higher interest/investment income \$0.8		
Non-Operating Expenses	(2,989)	(6,669)	3,681	(55.2%)	Lower capital projects closed to expense <\$1.6>, lower loss on asset sales <\$1.1>, lower bond issuance costs <\$0.8>, lower commercial paper costs <\$0.4>, higher interest capitalization <\$0.4> and lower pass-through grant disbursements <\$0.1>, partially offset by higher interest expense \$0.4 and bond redemption accounting adjustment \$0.3		
Net Income	43,323	66,549	(23,226)	(34.9%)			

Notes:
 (1) Primarily for: Electricity \$8.9; Insurance \$2.1; Telephone \$1.0; Water & Gas \$1.0; Environmental Incentives \$1.0; Litigation/Claims \$0.8; Equipment Rental/Permits/License/Fees \$0.7; Memberships/Subscriptions/Books \$0.6; Taxes & Assessments \$0.1; Overhead Allocations <\$0.7>
 (2) Primarily for: Interest/Investment Income \$5.0; Rebates/Late Charges/Discounts/Misc. \$2.0; Federal/State Operating Grants \$0.3; Pass-through Grant Receipts \$0.2
 (3) Primarily for: Interest Expense \$27.7; Capitalized Interest <\$27.4>; Capital Projects Closed to Expense \$1.2; Commercial Paper Costs \$0.5; Bond Redemption Accounting Adjustment \$0.3; Bond Issuance Costs \$0.3; Pass-through Grant Disbursements \$0.2; Misc. Non-Op \$0.1