

**“FOR INFORMATION ONLY”**

**DATE: FEBRUARY 13, 2015**

**TO: BOARD OF HARBOR COMMISSIONERS**

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

Overall congestion within the Port complex significantly drove down January container cargo volumes (as measured by TEUs or twenty-foot equivalent units) such that year-to-date Fiscal Year (FY) 2014/15 volumes are now below budget and prior year-to-date figures. Transmittals 1, 2 and 3 provide financial performance results, and the chart below summarizes those results:

<b>FYTD January 2015</b>	<b>Actuals</b> (Cargo Volumes in Thousands, \$ in Millions)	<b>Actual-to- Budget Comparison</b>	<b>Year-on-Year Comparison</b>
<b>Container Cargo Volumes (Preliminary)</b>	4,762	↓ (4.5%)	↓ (1.7%)
<b>Operating Revenues*</b>	\$ 242.1	↓ (4.1%)	↑ 4.1%
<b>Operating Expenses*</b>	\$ 108.1	↓ (13.3%)	↓ (3.0%)
<b>Operating Income</b>	\$ 134.0	↑ 4.9%	↑ 10.5%
<b>Net Income</b>	\$ 65.6	↑ 14.8%	↑ 61.0%

\*Note: Operating Expenses include \$6.9 million in electricity expenses, of which \$5.1 million are AMP-related. The majority (about 98%) of AMP electricity expenses are reimbursed by AMP-capable customers and reflected in Operating Revenues.

As previously mentioned in each of our monthly financial reports spanning the last 3 months of calendar year 2014, reduced volumes at terminals with higher TEU rates and increased volumes at terminals with lower TEU rates have continued to drive down Shipping Services revenues relative to budget and prior year. Congestion continues to play a significant role in delaying container vessels from making their scheduled January calls, which in turn also delays the processing and invoicing of associated cargo. Although one-time revenue “catch-up” billings related to compensation resets in certain leases have mitigated this lower level of Shipping Services, fiscal year-to-date total Operating Revenues continue to fall short of budget. We expect that total Operating Revenues for FY 2014/15 will be in line with budget as full year compensation adjustments are reconciled and invoices continue to be issued and processed as cargo is unloaded.

**SUBJECT: FINANCIAL PERFORMANCE RESULTS**

We will continue to monitor container traffic; however, if ongoing labor negotiations, chassis deployment and other congestion-related logistical issues impacting the servicing of shipping alliances and bigger ships are not resolved in the short term, total fiscal year Operating Revenues could potentially fall short of our annual budget.

Operating Expenses were down 3.0% year-on-year as lower average headcount, timing of expense recognition and higher indirect overhead capitalization more than offset Memorandum of Understanding salary increases, lower direct salary capitalization, and higher electricity costs related to AMP™. Relative to budget, Operating Expenses were 13.3% below budget due to lower than budgeted salaries, higher indirect overhead capitalization and timing of expense recognition and capitalization.

It is important to note that the fiscal year-to-date total Operating Expense budget through January was increased following a budgetary transfer for unbudgeted AMP™ expenses. In addition, based upon calendar year 2014 TEU counts, we estimate that the Port's obligations under the Ocean Common Carrier Incentive Program (Carrier Incentive Program) will be \$10.5 million. As the FY 2014/15 Adopted Budget included a provision of only \$3.5 million related to the Carrier Incentive Program, we anticipate submitting a separate board report requesting a budgetary adjustment to Operating Expenses to fund any differential between the initial provision of \$3.5 million and the final cost of the Carrier Incentive Program.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ending January 2015 based on internal estimates reached \$102.7 million or about 37% of the total \$281.0 million CIP adopted budget. The Harbor Department is projecting to spend between 80% and 85% of the total CIP adopted budget by fiscal year-end.



EUGENE D. SEROKA  
Executive Director

Transmittals:

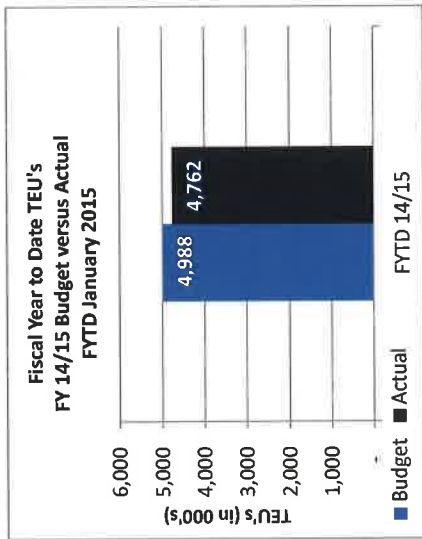
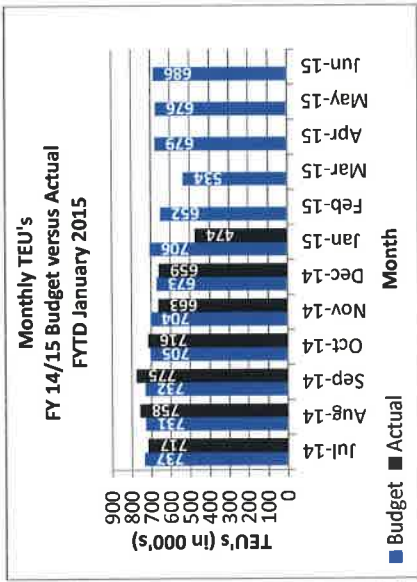
1. TEU Throughput Comparison – FYTD January 2015
2. Actual-to-Budget FY 2014/15 – January 2015
3. Year-to-Year Performance Report YTD January 31, 2015 and 2014

Author: M. Marchese

MB:MM/Finance *MB*  
cc: Deputy Executive Directors

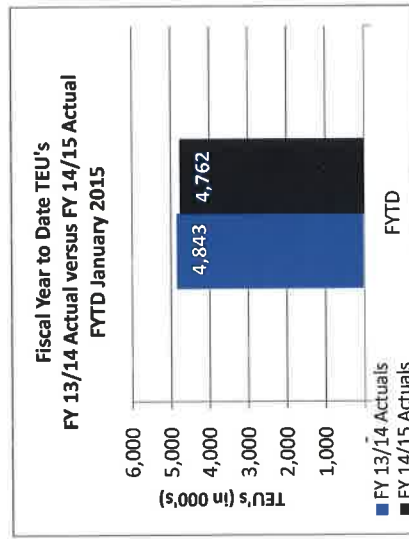
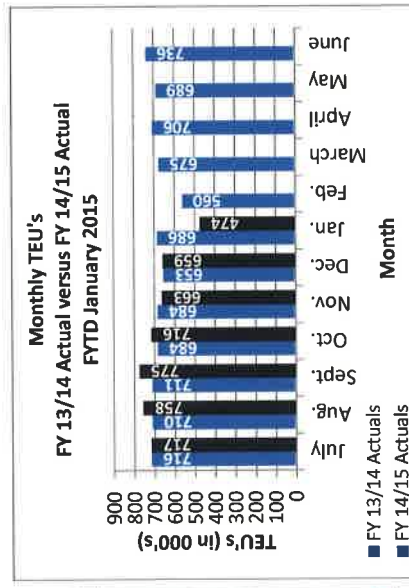
Budget versus Actuals Comparison  
 FY 14/15 Budget vs. FY 14/15 Actuals

(in 000's)	FY 14/15 Budget	FY 14/15 Actuals	% Δ	Δ
Jul-14	737	717	-2.7%	↓
Aug-14	731	758	3.7%	↑
Sep-14	732	775	5.9%	↑
Oct-14	705	716	1.6%	↑
Nov-14	704	663	-5.8%	↓
Dec-14	673	659	-2.1%	↓
Jan-15	706	474	-32.9%	↓
Feb-15	652			
Mar-15	534			
Apr-15	679			
May-15	676			
Jun-15	686			
FYTD 14/15	4,988	4,762	-4.5%	↓
FY 14/15 Budget	8,216			



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

(in 000's)	FY 13/14 Actuals	FY 14/15 Actuals	% Δ	Δ
July	716	717	0.2%	↑
Aug.	710	758	6.8%	↑
Sept.	711	775	9.0%	↑
Oct.	684	716	4.6%	↑
Nov.	684	663	-3.0%	↓
Dec.	653	659	0.8%	↑
Jan.	686	474	-30.9%	↓
Feb	560			
March	675			
April	706			
May	689			
June	736			
FYTD	4,843	4,762	-1.7%	↓
FY 13/14 Actuals	8,210			



# TRANSMITTAL 2

## Harbor Department Actual-to-Budget

Fiscal Year 2014/15 - January  
(Data in thousands of \$, comments in millions of \$)

(000s)	Actual (Unaudited) FY 2014/15 (Fiscal YTD Jan 2015) (Preliminary)	Adopted Budget FY 2014/15 (Fiscal YTD Jan 2015)	Δ	Δ%	Comments
<b>Operating Revenues</b>					
Shipping Services	\$ 194,315	\$ 221,718	(27,403)	-12.4%	Higher volumes at terminals with lower TEU rates, lower volumes at terminals with higher TEU rates than budgeted, congestion delaying timing of invoicing and pending true-up's of TEU rate adjustments
Rentals	31,622	26,976	4,646	17.2%	Primarily due to one-time compensation catch-ups and resets, slightly offset by lower rental receipts for buildings and warehouses than budgeted
Royalties, fees and other revenues	13,839	2,937	10,901	371.1%	BNSF/SCIG facility annual license fee \$4.7 (net) and higher AMP reimbursements than budgeted
Clean Truck Program Revenues	2,373	851	1,522	178.8%	Higher concession application renewals than budgeted
<b>Total Operating Revenues</b>	<b>\$ 242,149</b>	<b>\$ 252,482</b>	<b>(10,334)</b>	<b>-4.1%</b>	
<b>Operating Expenses</b>					
<b>Salaries &amp; Benefits</b>					
Gross Salaries & Benefits	77,428	82,805	(5,377)	-6.5%	Lower direct capitalization primarily for Engineering and Construction & Maintenance as capital spending is below budgeted
Capitalization (direct)	(9,433)	(11,460)	2,027	-17.7%	budgeted amounts
Net Salaries & Benefits (Operating)	67,995	71,345	(3,350)	-4.7%	Primarily timing in Public Relations spending for promotional and sponsorships <\$0.5> and lower foreign trade representation services <\$0.2>
Marketing and Public Relations	1,821	2,557	(735)	-28.8%	Timing in capitalization adjustments <\$3.1>, higher capitalization in Construction & Maintenance <\$1.4>, project scheduling for maintenance dredging <\$0.7> and timing in Information Technology <\$0.7>, Business and Trade <\$0.3>, City Attorney <\$0.3>, Government Affairs <\$0.2> and audit <\$0.2> expenses, slightly offset by higher environmental assessment expenses \$0.5
Travel	280	521	(241)	-46.3%	Timing in capitalization adjustments <\$3.1>, higher capitalization in Construction & Maintenance <\$1.4>, project scheduling for maintenance dredging <\$0.7> and timing in Information Technology <\$0.7>, Business and Trade <\$0.3>, City Attorney <\$0.3>, Government Affairs <\$0.2> and audit <\$0.2> expenses, slightly offset by higher environmental assessment expenses \$0.5
Outside Services	8,818	15,181	(6,363)	-41.9%	Timing in capitalization adjustments <\$3.1>, higher capitalization in Construction & Maintenance <\$1.4>, project scheduling for maintenance dredging <\$0.7> and timing in Information Technology <\$0.7>, Business and Trade <\$0.3>, City Attorney <\$0.3>, Government Affairs <\$0.2> and audit <\$0.2> expenses, slightly offset by higher environmental assessment expenses \$0.5
Materials & Supplies	3,764	3,981	(218)	-5.5%	Timing in capitalization adjustments <\$3.1>, higher capitalization in Construction & Maintenance <\$1.4>, project scheduling for maintenance dredging <\$0.7> and timing in Information Technology <\$0.7>, Business and Trade <\$0.3>, City Attorney <\$0.3>, Government Affairs <\$0.2> and audit <\$0.2> expenses, slightly offset by higher environmental assessment expenses \$0.5
City Services	21,768	21,398	371	1.7%	Timing in capitalization adjustments <\$3.1>, higher capitalization in Construction & Maintenance <\$1.4>, project scheduling for maintenance dredging <\$0.7> and timing in Information Technology <\$0.7>, Business and Trade <\$0.3>, City Attorney <\$0.3>, Government Affairs <\$0.2> and audit <\$0.2> expenses, slightly offset by higher environmental assessment expenses \$0.5
Allocations to Capital - Overhead	(10,711)	(9,742)	(969)	10.0%	Timing in capitalization adjustments <\$3.1>, higher capitalization in Construction & Maintenance <\$1.4>, project scheduling for maintenance dredging <\$0.7> and timing in Information Technology <\$0.7>, Business and Trade <\$0.3>, City Attorney <\$0.3>, Government Affairs <\$0.2> and audit <\$0.2> expenses, slightly offset by higher environmental assessment expenses \$0.5
Other Operating Expenses*	13,957	19,027	(5,070)	-26.6%	Timing in capitalization adjustments <\$3.1>, higher capitalization in Construction & Maintenance <\$1.4>, project scheduling for maintenance dredging <\$0.7> and timing in Information Technology <\$0.7>, Business and Trade <\$0.3>, City Attorney <\$0.3>, Government Affairs <\$0.2> and audit <\$0.2> expenses, slightly offset by higher environmental assessment expenses \$0.5
Clean Truck Program Expenses	386	412	(26)	-6.4%	Timing in capitalization adjustments <\$3.1>, higher capitalization in Construction & Maintenance <\$1.4>, project scheduling for maintenance dredging <\$0.7> and timing in Information Technology <\$0.7>, Business and Trade <\$0.3>, City Attorney <\$0.3>, Government Affairs <\$0.2> and audit <\$0.2> expenses, slightly offset by higher environmental assessment expenses \$0.5
<b>Total Operating Expenses</b>	<b>\$ 108,077</b>	<b>\$ 124,680</b>	<b>(16,603)</b>	<b>-13.3%</b>	
<b>Income Before Depreciation</b>	<b>\$ 134,071</b>	<b>\$ 127,803</b>	<b>6,269</b>	<b>4.9%</b>	
Provision for Depreciation	71,340	70,229	1,112	1.6%	Timing of carrier incentives <\$2.0>, insurance premium recognition <\$1.8>, litigation <\$0.4> and workers' compensation <\$0.4> payments and lower electricity <\$1.0>, water <\$0.2> and permits/fees/taxes/assessments <\$0.2> slightly offset by higher equipment purchases \$0.5 and higher environmental incentives \$0.4
<b>Income from Operations</b>	<b>\$ 62,731</b>	<b>\$ 57,574</b>	<b>5,157</b>	<b>9.0%</b>	
Non-Operating Revenue (interest income, grant receipts, etc.)	8,131	4,767	3,364	70.6%	Primarily higher Federal/State grant receipts \$2.5 (previously budgeted as capital, reclassified from capital to operating), higher interest/investment income \$0.6 and higher state pass-through revenues \$0.3
Non-Operating Expenses (bonds/notes/interest expense, etc.)	5,234	5,161	73	1.4%	Lower interest capitalization \$2.9 and higher capital projects cancelled or not completed \$1.4 partially offset by lower interest expense <\$3.2> and lower bond/commercial paper issuance costs <\$1.0>
<b>Net Income</b>	<b>\$ 65,628</b>	<b>\$ 57,180</b>	<b>8,449</b>	<b>14.8%</b>	

\* Includes Unappropriated Balance transfer for unbudgeted Alternative Maritime Power expenses (\$5.0 million)

Overhead allocations are eventually charged directly to each operating expense category at fiscal year end; presented here in total for comparison purposes. FYTD allocation by expense component is as follows:

- <\$6.1> Salaries & Benefits
- <\$0.2> Marketing & Public Relations
- <\$0.03> Travel
- <\$0.7> Outside Services
- <\$0.3> Materials & Supplies
- <\$2.0> City Services
- <\$1.4> Other Operating Expenses

Primarily for:

- \$6.9 Electricity
- \$1.8 Insurance
- \$1.6 Water & gas
- \$1.1 Telephone
- \$0.9 Environmental incentives
- \$0.7 Property/equipment rental/license
- \$0.6 Equipment purchases
- \$0.4 Memberships, subscriptions, books

Primarily for:

- \$24.0 Interest expense
- <\$23.8> Capitalized interest
- \$2.9 Capital projects closed to expense
- \$1.1 Bond issuance costs
- \$0.7 Commercial paper issuance costs
- \$0.4 Pass-through grant disbursements

Primarily for:

- \$3.7 Interest/investment income
- \$3.3 Federal/State grant receipts
- \$0.6 Rebates, late charges, gain on asset sales, misc.
- \$0.4 Pass-through grant receipts

**Year-to-Year Performance Report**  
**YTD January 31, 2015 and 2014**  
 (Data in thousands of \$, comments in millions of \$)

	Actual (Unaudited) FY 2014/15 (Fiscal YTD Jan 2015) (Preliminary)	Actual (Unaudited) FY 2013/14 (Fiscal YTD)	Δ	Δ%
<b>Operating Revenues</b>				
Shipping Services	\$ 194,315	\$ 201,869	(7,554)	-3.7%
Rentals	31,622	27,172	4,451	16.4%
Royalties, fees and other revenues	13,839	2,655	11,184	421.3%
Clean Truck Program Revenues	2,373	1,011	1,362	134.6%
<b>Total Operating Revenues</b>	<b>\$ 242,149</b>	<b>\$ 232,706</b>	<b>9,442</b>	<b>4.1%</b>

**Operating Expenses**

Salaries & Benefits  
 Gross Salaries and Benefits

Capitalization (direct)

Net Salaries & Benefits (Operating)  
 Marketing and Public Relations

Travel

Outside Services

Materials & Supplies

City Services

Allocations to Capital - Overhead

Other Operating Expenses

Clean Truck Program Expenses

**Total Operating Expenses**

	77,428	78,974	(1,546)	-2.0%
	(9,433)	(12,042)	2,609	-21.7%
	67,995	66,931	1,063	1.6%
	1,821	1,550	271	17.5%
	280	831	(551)	-66.3%
	8,818	12,486	(3,668)	-29.4%
	3,764	4,006	(243)	-6.1%
	21,768	20,001	1,767	8.8%
	(10,711)	(4,667)	(1,767)	77.2%
	13,957	2,695	11,262	23.9%
	386	355	30	8.5%
	<b>\$ 108,077</b>	<b>\$ 111,379</b>	<b>(3,302)</b>	<b>-3.0%</b>

**Income Before Depreciation**

Provision for Depreciation

**Income from Operations**

	\$ 134,071	\$ 121,327	12,744	10.5%
	71,340	66,928	4,412	6.6%
	<b>\$ 62,731</b>	<b>\$ 54,399</b>	<b>8,332</b>	<b>15.3%</b>

Non-Operating Revenue (interest income, grant receipts, etc.)

Non-Operating Expenses (bonds/notes/interest expense, etc.)

	8,131	12,047	(3,916)	-32.5%
	5,234	25,684	(20,451)	-79.6%

**Net Income**

	<b>\$ 65,628</b>	<b>\$ 40,762</b>	<b>24,867</b>	<b>61.0%</b>
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Overhead allocations are eventually charged directly to each operating expense category at fiscal year end; presented here in total for comparison purposes; FYTD allocation by expense component is as follows:

- <\$6.1> Salaries & Benefits
- <\$0.2> Marketing & Public Relations
- <\$0.03> Travel
- <\$0.7> Outside Services
- <\$0.3> Materials & Supplies
- <\$2.0> City Services
- <\$1.4> Other Operating Expenses

Primarily for:

- \$6.9 Electricity
- \$1.8 Insurance
- \$1.6 Water & gas
- \$1.1 Telephone
- \$0.9 Environmental incentives
- \$0.7 Property/equipment rental/license
- \$0.6 Equipment purchases
- \$0.4 Memberships, subscriptions, books

Primarily for:

- \$24.0 Interest expense
- <\$23.8> Capitalized interest
- \$2.9 Capital projects closed to expense
- \$1.1 Bond issuance costs
- \$0.4 Pass-through grant disbursements

Primarily for:

- \$3.7 Interest/investment income
- \$3.3 Federal/State grant receipts
- \$0.6 Rebates, late charges, gain on asset sales, misc.
- \$0.4 Pass-through grant receipts

Higher volumes at terminals with lower TEU rates, lower volumes at terminals with higher TEU rates, lower overall TEU volumes <\$8.8 (aggregate)> and lower pilotage <\$0.4>, partially offset by higher space assignment \$1.0, dockage \$0.5 and layday fees \$0.1

Intermodal customer rate increase and minimum annual guarantee (MAG) payment \$4.9, slightly offset by lower rental receipts for buildings and warehouses <\$0.6>

Higher utility reimbursements mostly related to AMP \$5.8, BNSF/SCIG facility annual license fee \$4.7 (net) and refunds related to environmental projects \$0.6

Higher concession application fees with some renewals, and higher annual truck fees and day pass fees

Primarily due to lower average filled positions (920 vs. 941 prior year) slightly offset by MOU salary increases

Higher sponsorship spending for Public Relations \$0.4, partially offset by lower foreign trade representation <\$0.1>

Timing in capitalization adjustments <\$4.8> and lower hiring hall salaries in Construction & Maintenance <\$0.6> partially offset by higher environmental assessment services \$0.4 as well as timing in Port Police \$0.7 and Information Technology \$0.6 expense recognition

Timing in capitalization \$1.0 and lower capitalization \$0.8

Higher operating expense base subject to overhead capitalization

Higher electricity (primarily for AMP) \$2.9 and environmental incentives \$0.5 as well as lower capitalization \$1.4, partially offset by lower provision for workers' compensation <\$1.4>, property rental/license user fees <\$0.5> and lower permits/fees <\$0.1>

Lower pass-through grant receipts <\$5.0>, settlements/rebates/misc. <\$1.7> and environmental reimbursements <\$0.2>, partially offset by higher Federal/State grant receipts \$2.7, higher interest/investment income \$1.2 and higher delinquency penalties \$0.1

Lower capital projects cancelled or not completed <\$12.5>, pass-through grant disbursements <\$6.0> and higher capitalization of interest <\$5.4>, partially offset by higher interest expense \$2.4 and new bond issuance costs \$1.1