

DATE: MAY 27, 2026

FROM: FINANCIAL PLANNING & ANALYSIS

SUBJECT: RESOLUTION NO. _____ - ADOPTION OF PROPOSED FISCAL YEAR 2026/27 ANNUAL BUDGET

SUMMARY:

Staff requests approval of the Fiscal Year (FY) 2026/27 Proposed Annual Budget (Proposed Budget) of \$3,370,437,519. The Proposed Budget is aligned with the 2026 – 2030 Strategic Plan (Strategic Plan) and will enable the City of Los Angeles Harbor Department (Harbor Department) to meet its commitments in the upcoming fiscal year. Adoption of the Proposed Budget will position the Port of Los Angeles (Port) to deliver value to its customers by providing superior infrastructure, promoting efficient operations, and forging strong and lasting relationships with its stakeholders.

The Proposed Budget includes sources and appropriations of funds as follows:

TABLE 1: SOURCES AND APPROPRIATIONS OF FUNDS

Sources:		Appropriations:	
Operating Receipts	\$ 826,159,805	Operating Expenses	\$ 451,481,048
Non-Operating Receipts	276,448,802	Non-Operating Expenses	166,885,118
Grant Receipts (Capital)	132,440,191	Capital Budget	362,327,313
Debt Issuance Proceeds	--	Debt Repayments & Other	37,376,263
Available Cash:		Projected Year-End Balances:	
Unrestricted Funds	1,863,383,150	Unappropriated Balance	2,046,062,358
Restricted Funds	272,005,571	Restricted Cash	306,305,419
Total Sources	\$3,370,437,519	Total Appropriations	\$3,370,437,519

The Proposed Budget represents the ongoing commitment of Harbor Department staff to operate and maintain the Port in a fiscally sound manner according to the guidelines, policies, and direction set forth by the Board of Harbor Commissioners (Board). Furthermore, the Proposed Budget complies with the Board-approved Financial Policies that relate to debt rating, debt service coverage, and reserve levels.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;

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2. Adopt the Fiscal Year 2026/27 Proposed Annual Budget for the City of Los Angeles Harbor Department and appropriate funds in accordance herewith, pursuant to Section 511(b) of the City Charter;
3. Authorize the Executive Director, or his/her designee, to make any technical adjustments consistent with the Board action(s) to the Fiscal Year 2026/27 Proposed Annual Budget documents in the implementation of this budget;
4. Approve the transfer of \$7,457,108 from the Harbor Revenue Fund 702, Account 100000 (Cash Harbor Fund – Unrestricted) to the Harbor Special Operating Fund 74J, Account 100045 (Special Pool Cash/Investments – Unrestricted);
5. Direct the Board Secretary to transmit the Resolution and Annual Budget to the Mayor and Controller pursuant to Section 511(b) of the City Charter; and
6. Adopt Resolution No. _____.

DISCUSSION:

Financial Performance Goals

Projected financial performance for FY 2026/27 relative to the current year is summarized below:

TABLE 2: KEY BUDGET COMPONENTS

	Adopted Budget FY 2025/26	Forecast FY 2025/26	Proposed Budget FY 2026/27	Δ% Proposed Budget to Adopted	Δ% Proposed Budget to Forecast
Cargo Volumes (TEUs)	8.20M	10.00M	9.30M	13.4%	(7.0%)
Operating Revenues	\$657.6M	\$760.7M	\$826.2M	25.6%	8.6%
Operating Expenses	\$427.1M	\$409.3M	\$451.5M	5.7%	10.3%
Income before Depreciation	\$230.5M	\$351.4M	\$374.7M	62.5%	6.6%
Net Income	\$196.3M	\$278.7M	\$315.7M	60.8%	13.3%
Capital Improvement Program	\$231.3M	\$179.9M	\$302.2M	30.7%	68.0%

The Proposed Budget enables the Harbor Department to meet debt rating and debt service coverage metrics set forth in its Financial Policies and Strategic Plan.

TABLE 3: KEY FINANCIAL METRICS

Key Financial Metric	Minimum	Proposed FY 2026/27
Debt Rating	AA	AA+
Debt Service Coverage Ratio	2.0x	12.7x
Operating Margin	45.0%	45.4%
Days Cash on Hand	500	500+

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Consistent with the four primary objectives outlined within the Strategic Plan, the Proposed Budget facilitates: (i) world-class infrastructure that promotes growth; (ii) an efficient, secure, and sustainable supply chain; (iii) improved financial performance of Port assets; and (iv) strong relationships with stakeholders. Transmittal 1 provides a detailed narrative as to how the Proposed Budget supports the Strategic Plan.

Budget Development Process

Staff finalized budget priorities and targets in October 2025, and divisions submitted their proposed budgets in mid-November 2025. After holding internal discussions with senior management in early February 2026, Harbor Department staff presented an initial overview of the Proposed Budget to the Board in April 2026.

In March 2026, the Proposed Budget was submitted to the City of Los Angeles (City) City Administrative Officer (CAO) for its review and inclusion in the Mayor's budget submission to the City Council.

Following the April 2026 presentation of the Proposed Budget to the Board, FY 2026/27 Proposed Operating Revenues increased by \$41.1 million or 5.2%. This increase occurred primarily due to increases to forecasts for Harbor Maintenance Tax (HMT) receipts, Wharfage, Parking Fees and Clean Truck Fund Rate revenues, primarily driven by increased projections for cargo and cruise passenger volumes.

In addition, subsequent adjustments and changes were made to the FY 2026/27 Proposed Operating Expenses, with a total overall increase of \$3.5 million or 0.8% as outlined below:

TABLE 4: SUMMARY OF CHANGES TO PROPOSED TOTAL OPERATING EXPENSES FOLLOWING APRIL 2026 BOARD MEETING

Proposed Total Operating Expenses, April 2026	\$ 448,007,358
Additions / (Reductions):	
Increased incentive payments for the Truck Turn Time and OCC Incentive Programs	\$5,131,013
Increased AMP related electricity costs (due to increased cargo volumes)	1,981,552
Funding for consulting costs related to system support, surveys, and studies	1,200,000
Additional funding for the China Shipping Greenhouse Gas Program	1,000,000
Funding for C&M Yard Security Booth and office equipment	107,585
Funding for training related to Port Police systems	16,002
Salaries & Benefits Changes (1 new position & the savings rate increased to 8.5%)	(5,962,462)
Proposed Total Operating Expenses, June 2026	\$ 451,481,048

Upon adoption by the Board, the annual budget will cover the Harbor Department's fiscal year from July 1, 2026, through June 30, 2027.

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Sources of Funds for Proposed Budget

Sources of funds for the Proposed Budget are expected to increase relative to the FY 2025/26 Adopted Budget (Adopted Budget) across all categories, primarily due to higher Operating Receipts, Capital Grant Receipts, and Unrestricted Funds.

TABLE 5: COMPARISON OF PROPOSED BUDGET SOURCES OF FUNDS TO THE FY 2025/26 ADOPTED BUDGET AND FORECAST

(\$ in Thousands)	Adopted Budget FY 2025/26	Forecast FY 2025/26	Proposed Budget FY 2026/27	Δ% Proposed Budget to Adopted	Δ% Proposed Budget to Forecast
Operating Receipts	\$ 657,587	\$ 760,674	\$ 826,160	25.6%	8.6%
Non-Operating Receipts	244,568	120,953	276,449	13.0%	128.6%
Grant Receipts (Capital)	75,668	29,711	132,440	75.0%	345.8%
Debt Issuance Proceeds	--	--	--	--	--
Unrestricted Funds	1,535,577	1,705,860	1,863,383	21.3%	9.2%
Restricted Funds	192,231	217,554	272,006	41.5%	25.0%
Total Sources	\$ 2,705,631	\$ 2,834,752	\$ 3,370,438	24.6%	18.9%

Operating Receipts

Comprising 24.5% of the funding sources within the Proposed Budget, Operating Receipts represent the principal mechanism used by the Harbor Department to fund its day-to-day operations. Table 6 provides a summary of the key components of the proposed Operating Receipts, as well as a comparison to the Adopted Budget and FY 2025/26 Forecast (Forecast).

TABLE 6: COMPARISON OF PROPOSED BUDGET OPERATING RECEIPTS TO THE FY 2025/26 ADOPTED BUDGET AND FORECAST

(\$ in Thousands)	Adopted Budget FY 2025/26	Forecast FY 2025/26	Proposed Budget FY 2026/27	Δ% Proposed Budget to Adopted	Δ% Proposed Budget to Forecast
Shipping Services	\$ 470,315	\$ 550,521	\$ 539,200	14.6%	(2.1%)
Rentals	116,224	117,057	112,080	(3.6%)	(4.3%)
Clean Truck Fees	34,924	46,262	43,271	23.9%	(6.5%)
Royalties, Permits, & Fees	6,987	12,193	12,608	80.4%	3.4%
Other Operating Revenues	29,137	34,641	119,001	308.4%	243.5%
Total Operating Receipts	\$ 657,587	\$ 760,674	\$ 826,160	25.6%	8.6%
Cargo Volumes (TEUs in Thousands)	8,200	10,000	9,300	13.4%	(7.0%)

Cargo volumes of 10.0 million TEUs for the Forecast are projected to decrease by 5.0% relative to FY 2024/25 Actuals, but increase by 22.0% relative to the Adopted Budget. Looking forward to FY 2026/27, proposed cargo volumes of 9.3 million are expected to increase by 13.4% relative to the Adopted Budget, but decrease by 7.0% compared to the Forecast primarily due to ongoing geopolitical volatility impacting the container shipping industry.

Operating Receipts will continue to be driven by cargo-related activities, as Shipping Services Revenue is expected to comprise approximately 65.3% of the \$826.2 million in

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projected total Operating Receipts. The \$65.5 million increase in total Proposed Operating Receipts relative to the Forecast is mainly attributable to higher HMT receipts, which is only partially offset by lower Wharfage revenues and lower Clean Truck Fees stemming from the anticipated reduction in cargo volumes.

Non-Operating Receipts

Proposed Non-Operating Receipts of \$276.4 million include \$118.6 million in Passthrough Grants, a \$75.2 million gain from an anticipated sale of properties, \$62.3 million in interest and investment income, and \$20.3 million in Operating Grants and other miscellaneous receipts. The Federal Departments of Homeland Security, Transportation and Justice, and the Environmental Protection Agency are providing grant funding for various projects including the following: Port Security System operations and maintenance, the addition of new Port Police Officers, and the Clean Ports Program. Proposed Non-Operating Receipts are anticipated to increase relative to the Adopted Budget primarily due to higher interest income and the anticipated sale of properties.

Capital Grant Receipts

Anticipated to comprise \$132.4 million of the Proposed Budget, Capital Grant Receipts are expected to increase by \$56.8 million relative to the Adopted Budget. Major projects receiving capital grant funding in FY 2026/27 include the State Route 47/Vincent Thomas Bridge & Front St./Harbor Blvd. Interchange Reconfiguration and Connector, the Avalon Pedestrian Bridge, the Fenix Container Terminal Intermodal Railyard, and the Goods Movement Workforce Training Facility (which can be categorized as a direct funding appropriation from the State of California).

Available Cash-on-Hand

The Proposed Budget includes Unrestricted Funds and Restricted Funds, which comprise 55.3% and 8.1% of the total budget, respectively. Restricted Funds pertain to certain cash holdings and investments that have limitations or constraints on how these funds may be used pursuant to commitments, bond indenture requirements, or agreements. The Proposed Budget includes Restricted Funds totaling \$272.0 million for purposes such as mitigation projects related to the China Shipping Mitigation Fund, Clean Truck Fund Rate and Goods Movement Workforce Training Facility reserves, and customer security deposits, among others.

Conversely, Unrestricted Funds are not dedicated or limited to any one particular use so long as provisions of the Tidelands Trust and City Charter are maintained. The Harbor Department has made Unrestricted Funds available within the Unappropriated Balance (UB) in order to meet needs that were unanticipated during budget development or that were insufficiently defined to allow for a more specific appropriation. In FY 2026/27, the UB may be used, pending Board approval of each request, to fund unbudgeted expenses which may arise due to unforeseen or extraordinary events.

Additionally, Unrestricted Funds provide sufficient liquidity to support the Harbor Department's key financial metric to maintain strong credit ratings. The Proposed Budget includes \$1.9 billion in unrestricted cash which, based upon proposed Operating

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Expenses of \$451.5 million, would be a major contributing factor in continuing to maintain the Port's current "AA+" debt rating.

Proposed Budget Appropriations

Proposed Budget Appropriations are expected to increase by 24.6% relative to the Adopted Budget, due primarily to increases in the UB, Capital Budget, Restricted Cash, Non-Operating Expenses, and Operating Expenses; partially offset by a reduction in Debt Repayments.

TABLE 7: COMPARISON OF PROPOSED BUDGET APPROPRIATIONS
TO THE FY 2025/26 ADOPTED BUDGET AND FORECAST

(\$ in Thousands)	Adopted Budget FY 2025/26	Forecast FY 2025/26	Proposed Budget FY 2026/27	Δ% Proposed Budget to Adopted	Δ% Proposed Budget to Forecast
Operating Expenses	\$ 427,085	\$ 409,301	\$ 451,481	5.7%	10.3%
Capital Budget	278,125	218,251	362,327	30.3%	66.0%
Non-Operating Expenses	130,035	39,998	166,885	28.3%	317.2%
Debt Repayments and Other	39,233	31,813	37,376	(4.7%)	17.5%
Unappropriated Balance (UB)	1,597,922	1,863,383	2,046,062	28.0%	9.8%
Restricted Cash	233,231	272,006	306,305	31.3%	12.6%
Total Appropriations	\$ 2,705,630	\$ 2,834,751	\$ 3,370,438	24.6%	18.9%

Operating Expenses

The FY 2026/27 Proposed Budget includes total Operating Expenses of \$451.5 million, which represents an increase of 5.7% relative to the Adopted Budget and 10.3% relative to the Forecast. The increases in total Operating Expenses relative to the Adopted Budget and the Forecast are expected to be driven by increases to various expense categories, particularly in Salaries and Benefits; Rentals, Incentives, and Subsidies; and City Services (see Table 11 for more details regarding the specific components of Other Operating Expenses).

TABLE 8: COMPARISON OF PROPOSED BUDGET OPERATING EXPENSES
TO THE FY 2025/26 ADOPTED BUDGET AND FORECAST

(\$ in Thousands)	Adopted Budget FY 2025/26*	Forecast FY 2025/26	Proposed Budget FY 2026/27	Δ% Proposed Budget to Adopted	Δ% Proposed Budget to Forecast
Salaries & Benefits	\$ 209,468	\$ 198,531	\$ 217,707	3.9%	9.7%
Marketing & Public Relations	4,409	4,374	4,589	4.1%	4.9%
Travel	1,909	1,603	2,023	5.9%	26.2%
Outside Services	64,625	61,876	63,916	(1.1%)	3.3%
Materials & Supplies	9,924	9,195	9,347	(5.8%)	1.7%
Rentals, Incentives, & Subsidies	36,968	36,051	53,545	44.8%	48.5%
City Services	72,662	70,797	76,793	5.7%	8.5%
Other Operating Expenses	51,682	51,437	59,167	14.5%	15.0%
Allocations to Capital	(24,562)	(24,562)	(35,606)	45.0%	45.0%
Total Operating Expenses	\$ 427,085	\$ 409,301	\$ 451,481	5.7%	10.3%

*The Adopted Budget includes the \$7.1 million in transfers across Operating Expense categories, which were approved by the Board in March 2026. The transfers resulted in no overall change to the Adopted Budget total of \$427.1 million.

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Salaries & Benefits of \$217.7 million (net of \$16.6 million in capitalization) have been included within the Proposed Budget in order to support 1,053 authorized positions. The Harbor Department readjusted the salary savings rate assumption back to 8.5%. In FY 2025/26, the salary savings rate was reduced to 2.8% to facilitate the potential absorption of City of Los Angeles employees facing layoffs. With the 8.5% salary savings rate, the FY 2026/27 Proposed Budget for Salaries and Benefits includes funding for an average of 963 positions. The \$217.7 million Salaries and Benefits budget provides funding for 28 divisions, with Port Police and Construction & Maintenance (C&M) divisions accounting for the largest shares of these expenditures.





Note: The \$16.6 million in capitalized Salaries and Benefits is for staff time spent working directly on capital projects within the Harbor Department's Capital Improvement Program (CIP).

TABLE 9: PROPOSED SALARIES AND BENEFITS (BEFORE CAPITALIZATION, \$234.4 MILLION)



(\$ in Thousands)	Authorized Positions	Proposed Budget FY 2026/27	Proposed Salaries & Benefits as a % of Total
Port Police	243	\$ 54,993	26.0%
Construction and Maintenance	302	47,694	22.5%
Port Pilots	34	15,556	7.4%
Engineering	95	14,120	6.7%
Information Technology	52	13,008	6.1%
Cargo Marketing, Planning, Real Estate Divisions & Wharfingers	60	12,049	5.7%
Commission, Contracts & Purchasing, Human Resources, & Risk Management	55	11,472	5.4%
Construction	70	10,692	5.1%
Finance	51	10,027	4.7%
Stakeholder Engagement Bureau	40	8,800	4.2%
Executive Office & Internal Audit	17	6,063	2.9%
Environmental Management	30	5,873	2.8%
Goods Movement	4	1,222	0.6%
Total	1,053	\$ 211,569	100.0%

*The total Proposed Budget for FY 2026/27 of \$211,569 in this table does not match the net Salaries & Benefits budget of \$217.7 million because the following expenses are excluded from the table: training for City Attorney and global Salaries & Benefits costs within the Harbor Operating division.

Relative to the Adopted Budget, Proposed Salaries and Benefits are projected to increase by \$8.2 million due to:

-  \$10.4 million in higher pension and health care contributions;
-  \$9.6 million in Memorandum of Understanding (MOU) mandated increases to salaries, salary step increases, position upgrades, and the addition of 4 new full-time positions;
-  \$2.3 million in higher bonuses and miscellaneous employee benefits; and
-  \$0.2 million in vacation and sick leave payouts;

partially offset by:

-  \$0.6 million in higher direct Salaries & Benefits allocation to capital; and
-  \$13.7 million in higher Salary & Benefits savings to align with previously budgeted and realized savings rates.

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Marketing & Public Relations expenses of \$4.6 million include Port-wide marketing activities such as customer and community outreach, and sponsorships. Proposed expenses in this category increased slightly by 4.1% as compared to the Adopted Budget and 4.9% as compared to the Forecast because of increases in government/community promotional expenses and sponsorships. The Proposed Budget includes \$2.0 million for the Community Sponsorship Program which is used to provide community grants.

Travel expenses of \$2.0 million, which includes a 5.9% increase compared to the Adopted Budget and a 26.2% increase compared to the Forecast, support key business priorities including marketing efforts to retain and grow cargo volumes, and employee development initiatives. Of this amount, \$500,350, or 24.7%, is budgeted within the Executive Office and \$243,700, or 12.0%, is budgeted within the Cargo Marketing Division for marketing, trade development, and customer retention. The third highest budget is \$234,300, or 11.6%, for the Port Pilots Division for required training. The remaining \$1.0 million, or 51.6%, of the travel budget is distributed across various divisions for representation, legislative advocacy, training, and other business purposes.

Outside Services of \$63.9 million include an overall \$0.7 million reduction relative to the Adopted Budget as funding for Port Optimizer development decreased by \$6.2 million. This was partially offset by increases to cruise center operations and overflow facilities, Fusion ERP managed support services, Digital Evidence Management System Software subscription, and POLA website; and new funding for Residential Sound Installation Program, 24/7 Unmanned Aircraft System Pilot, Wilmington Waterfront Connectivity Plan, and Hospitality Study.

The largest components of proposed Outside Services are \$23.1 million, or 36.1%, for IT services (including information systems consulting, and maintenance for software & hardware); \$8.8 million, or 13.8%, for maintenance services (including buildings, wharves, equipment, dredging, grounds, open facilities & land, streets/bridges & railroads); \$8.7 million, or 13.7%, for environmental assessment services & site restoration; \$4.4 million, or 6.8%, for cruise terminal operations; \$3.1 million or 4.9% for Port security system services; \$2.2 million, or 3.4%, for Hiring Hall Salaries & Benefits; \$1.9 million, or 3.0% for Outside Legal Counsel; and \$11.7 million, or 18.3%, among others as illustrated in the table below. Approximately \$1.5 million in grant reimbursements are expected to be applied against \$4.6 million in Port Optimizer expenses, and \$1.3 million in grant reimbursements are expected to be applied against \$3.1 million in Port security system maintenance service expenses.

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TABLE 10: PROPOSED OUTSIDE SERVICES

(\$ in Thousands)	Proposed Budget FY 2026/27	Proposed as % of Total
IT Systems Consulting and Hardware/Software Maintenance	\$ 23,078	36.1%
Maintenance – Buildings; Wharves; Equipment; Dredging; Grounds; Open Facilities & Land; and Streets, Bridges & Railroads	8,848	13.8%
Environmental Assessment Services & Site Restoration	8,725	13.7%
Cruise Terminal Operations	4,365	6.8%
Security Camera and other Security System Maintenance & Repair	3,100	4.9%
Hiring Hall Salaries and Benefits	2,181	3.4%
Outside Legal Counsel	1,895	3.0%
Other	11,724	18.3%
Total Outside Services	\$ 63,916	100.0%

Materials & Supplies spending of \$9.3 million represents a \$576,862, or 5.8%, reduction compared to the Adopted Budget and a \$152,640, or 1.7%, increase compared to the Forecast. Materials and Supplies are primarily utilized by the C&M division for the ongoing maintenance requirements of land, property, infrastructure, and equipment.

Rentals, Incentives, and Subsidies of \$53.5 million represents a \$16.6 million, or 44.8%, increase compared to the Adopted Budget and a similar \$17.5 million, or 48.5%, increase compared to the Forecast.

The Proposed Budget includes \$22.6 million for container, shipping, and cruise incentive programs to drive business to the Port and to improve efficiency. The Port has budgeted for the following incentive programs: \$12.5 million for the Truck Turn-Time Program, \$6.7 million for the Ocean Common Carrier (OCC) Program, \$0.6 million for the Ultra-Large Container Vessel Program, and \$50,000 for the Dual Transaction Program. The Truck Turn-Time Incentive Program incentivizes container terminal operators to decrease the total time a truck spends at a terminal, while the Dual Transaction Incentive Program incentivizes container terminal operators to increase the number of dual transactions at their terminals, whereby truck drivers drop off a container and pick up another during the same trip. The OCC Incentive Program provides a financial incentive for OCCs whose TEU volumes exceed certain criteria set by the program, while the Ultra-Large Container Vessel Incentive Program provides a financial incentive for OCCs to bring their largest ships to call at the Port. The Proposed Budget also includes \$2.8 million for the Cruise Incentive Program to encourage a greater number of cruise ship calls to the Port.

The \$29.4 million appropriation for environmental initiatives includes \$20.0 million for zero emission trucks subsidies and infrastructure and technology investments, which are funded by the Clean Truck Fund Rate (CTFR); \$3.9 million for administration of the legacy Clean Truck Program and collection of the more recently implemented CTFR; and additional incentive payouts including: \$2.5 million for the Technology Advancement Program; \$2.1 million for the Vessel Speed Reduction Program; and \$0.9 million for the Environmental Shipping Index.

Additionally, \$1.5 million is appropriated for various leases and rentals for property, equipment, and vehicles.

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City Services of \$76.8 million are for services rendered by other City departments for Port operations. The primary drivers of this budget category include \$48.8 million for Fire Department services (LAFD), \$15.4 million for recreational facilities operated by the Department of Recreation & Parks (i.e. Cabrillo Marine Aquarium, parks, museums), and \$7.8 million for City Attorney services. Proposed expenses have increased by 5.7% as compared to the Adopted Budget and 8.5% as compared to the Forecast due to mandated MOU increases for Salaries and Benefits, and increased levels of staffing for LAFD and Recreation & Parks.

Other Operating Expenses are summarized as follows:

TABLE 11: COMPARISON OF PROPOSED BUDGET OTHER OPERATING EXPENSE, EXCLUDING OVERHEAD ALLOCATIONS TO THE FY 2025/26 ADOPTED BUDGET AND FORECAST

(\$ in Thousands)	Adopted Budget FY 2025/26	Forecast FY 2025/26	Proposed Budget FY 2026/27	Δ% Proposed Budget to Adopted	Δ% Proposed Budget to Forecast
Utilities	\$ 36,264	\$ 37,047	\$ 40,698	12.2%	9.9%
Insurance	7,133	5,983	7,086	(0.7%)	18.4%
Litigation/Workers' Comp. Claims	2,000	2,000	3,000	50.0%	50.0%
Taxes, Assessments, & Fees	1,225	1,985	2,919	138.4%	47.1%
Telephone	2,074	1,836	2,215	6.8%	20.6%
Memberships, Books, & Subscriptions	1,264	1,277	1,351	6.8%	5.8%
Other Operating Expenses	1,721	1,309	1,898	10.3%	45.0%
Total Other Operating Expenses	\$ 51,682	\$51,437	\$ 59,167	14.5%	15.0%

The \$40.7 million appropriation for Utilities represents 68.8% of total Other Operating Expenses within the Proposed Budget. Consisting primarily of \$35.2 million for electricity expenses, the overall proposed utility spending is budgeted to increase by 9.9% in the coming year compared to this year's Forecast. Proposed electricity expenses, largely consisting of reimbursable Alternative Maritime Power (AMP™) related electricity, are expected to increase in FY 2026/27 due to more forecasted ship calls.

Overhead Allocations to Capital (OH) of \$35.6 million are indirect expenses that support the global Capital Improvement Program. Relative to both the Adopted Budget and Forecast, OH are anticipated to increase by 45.0% for this offset account. Increased OH reduce Operating Expenses as a larger portion of expenses are transferred to the Capital Budget.

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Capital Budget

The Proposed Capital Budget of \$362.3 million is projected to increase by 30.3% relative to the Adopted Budget, and 66.0% relative to the Forecast.

TABLE 12: COMPARISON OF PROPOSED CAPITAL BUDGET
TO THE FY 2025/26 ADOPTED BUDGET AND FORECAST

(\$ in Thousands)	Adopted Budget FY 2025/26	Forecast FY 2025/26	Proposed Budget FY 2026/27	Δ% Proposed Budget to Adopted	Δ% Proposed Budget to Forecast
Capital Improvement Program:					
Terminal Improvements	\$ 83,806	\$ 73,233	\$ 117,594	40.3%	60.6%
Transportation Projects	52,974	56,826	35,486	(33.0%)	(37.6%)
Security Projects	4,546	5,652	3,976	(12.5%)	(29.6%)
Public Access / Env. Enhancements	23,168	13,414	94,831	309.3%	606.9%
Maritime Services	66,830	30,807	50,360	(24.6%)	63.5%
Capital Improvement Program, Total	231,325	179,932	302,247	30.7%	68.0%
Capitalized Expenditures	24,562	24,562	35,606	45.0%	45.0%
Land & Property Acquisition	-	-	-		
Equipment Purchases	22,238	13,757	24,475	10.1%	77.9%
Total Capital Budget	\$ 278,125	\$ 218,251	\$ 362,328	30.3%	66.0%

Capital Improvement Program (CIP) – The Proposed FY 2026/27 Capital Improvement Program (CIP) Budget totals \$302.2 million, reflecting an increase of 30.7% compared to the Adopted Budget and 68.0% compared to the Forecast.

Terminal Improvement projects account for \$117.6 million, or 38.9% of the Proposed CIP Budget. Compared to the Adopted Budget, funding for these projects increased by approximately \$33.8 million, or 40.3%. At the cruise terminals, \$39.9 million is budgeted to accommodate a range of vessel classes and to support compliance with California Air Resources Board (CARB) regulations. Another \$30.2 million is allocated for the Fenix Marine terminal on-dock railyard expansion project, which will enhance intermodal railyard capacity and efficiency through the installation of five new rail tracks and modifications to three existing tracks. To support public safety and environmental protection, \$22.7 million is budgeted for improvements at Shell, PBF Energy, and other marine oil terminals to ensure compliance with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS). An additional \$24.8 million is allocated for miscellaneous terminal improvement projects throughout the Port.

The Proposed CIP Budget includes \$35.5 million, or 11.7% of the CIP budget for **Transportation** projects. These projects are intended to improve traffic safety and enhance the efficient movement of goods throughout the Port. The largest transportation project is the continued construction of the State Route 47/Vincent Thomas Bridge and Front Street/Harbor Boulevard Interchange Reconfiguration project, which has a proposed budget of \$27.4 million. The project will replace the existing westbound off-ramps and improve overall traffic safety. Intersection improvements at Navy Way and Seaside Avenue are budgeted at \$2.4 million, while various other transportation-related projects account for the remaining \$5.7 million.

SUBJECT: ADOPTION OF PROPOSED FISCAL YEAR 2026/27 BUDGET

To support Port Police and Information Technology initiatives at the Port, **Security** projects total \$4.0 million, or 1.3% of the Proposed CIP Budget. Included in this category is \$1.3 million for the Port of Los Angeles Digital Twin project, which will create a real-time representation of the Port's physical assets and operations to support planning, monitoring, and operational decision-making. The remaining \$2.7 million is allocated for other security-related projects.

Public Access/Environmental Enhancement projects total 31.4% of the Proposed CIP Budget at \$94.8 million. Relative to the Adopted Budget, funding for these projects increased by approximately \$71.7 million. Public Access Investment Plan (PAIP) projects at the Wilmington Waterfront account for \$60.3 million of the total. These projects include the Avalon Pedestrian Bridge and Promenade Gateway project, which will provide safe and direct pedestrian access over active rail tracks, as well as construction of a new restroom facility and utility connections at the Wilmington Waterfront Park. At the San Pedro Waterfront, PAIP projects total \$16.8 million and include redevelopment of the East 22nd Street parking lot and related site improvements. Environmental Enhancement and Zero Emissions projects are budgeted at \$16.3 million. The remaining \$1.4 million is allocated for other public access and environmental enhancement projects.

The Proposed CIP Budget includes \$50.4 million, or 16.7% of the CIP budget, for **Maritime Services**. These projects support repairs and improvements to Harbor Department facilities and other Port locations. Funding includes \$9.6 million for replacement of the Harbor Administration Building heating, ventilation, and air-conditioning (HVAC) system. The upgraded system will support compliance with the City of Los Angeles Green Building Code and sustainability initiatives. An additional \$5.8 million is budgeted for the Port of Los Angeles Goods Movement Workforce Training Facility, which is intended to support training and workforce development within the maritime and goods movement industries. Various other Maritime Services projects account for \$20.0 million, while an additional \$15.0 million has been reserved within the unallocated CIP fund for unforeseen capital project needs that may arise during the fiscal year.

In support of the Proposed FY 2026/27 CIP Budget, a five-year capital expenditure plan has been prepared (Transmittal 2). The plan includes the proposed FY 2026/27 budget allocation, estimated funding levels for the following four fiscal years, and total projected project costs. Between FY 2025/26 and FY 2029/30, the Harbor Department anticipates investing approximately \$1.4 billion in capital projects across the Port. In addition to guiding capital investment planning, the five-year plan has been incorporated into the Harbor Department's 10-year financial forecast to support long-term financial planning efforts. Because the Harbor Department adopts its budget annually in accordance with the City Charter, only the FY 2026/27 portion of the plan is being presented to the Board for adoption.

Capitalized Expenditures of \$35.6 million include indirect overhead allocations that support the overall CIP.

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Capital Equipment Purchases total \$24.5 million for equipment such as vehicles, vessels, and information technology hardware. Equipment purchases are projected to increase by 10.1% relative to the Adopted Budget, and by 77.9% relative to the Forecast.

Non-Operating Expenses

Budgeted at \$166.9 million, proposed Non-Operating Expenses are expected to be driven by \$126.2 million in Passthrough Grants and Subsidies; \$27.2 million for possible ACTA shortfall payments; \$12.2 million in interest expenses; and \$1.3 million in other non-operating expenses. Proposed Non-Operating Expenses are expected to increase by 317.2% as compared to the Forecast primarily due to significantly higher Passthrough Grants for the Clean Ports Program, slightly offset by lower interest expense.

Debt Service

At \$51.5 million, Debt Service is expected to increase by \$1.5 million, or 2.8%, in FY 2026/27 relative to the FY 2025/26 Forecast of \$50.0 million due to an increase in scheduled principal payments. Staff does not expect to issue any new money revenue bonds or execute any refunding transactions in FY 2026/27. As of June 30, 2026, the Harbor Department has \$261.5 million in outstanding senior lien fixed rate debt which is rated AA+/AA/Aa2 by S&P, Fitch, and Moody's, with a stable outlook.

Proposed Transfer to the Harbor Special Operating Fund

Section 5 of the Harbor Department's Financial Policies states that the Harbor Department must establish financial reserves to provide liquidity to maintain strong debt ratings. Currently, the Harbor Department's reserve funds include an Emergency/ACTA Fund, Debt Service Reserve Fund, Harbor Special Operating Fund, and a variety of mitigation reserve funds.

As dictated by the Harbor Department's Financial Policies, the target balance in the Harbor Special Operating Fund should be the difference between the average of the Harbor Department's operating expenses over a five-year period and the balance within the Emergency/ACTA Fund. The five-year average period is comprised of audited operating expenses for the four previous most recent fiscal years and the adopted budget for operating expenses for the current fiscal year.

With increasing Adopted and Proposed Operating Expenses, staff is recommending that \$7,457,108 be transferred from the Harbor Revenue Fund to the Harbor Special Operating Fund in order to meet the Harbor Special Operating Fund's target balance requirements as provided within the Harbor Department's Financial Policies. The \$7,457,108 transfer has been calculated as follows:

SUBJECT: ADOPTION OF PROPOSED FISCAL YEAR 2026/27 BUDGET

TABLE 13: PROPOSED SPECIAL OPERATING FUND TRANSFER

FY 2022 Operating Expenses – Audited & Restated	253,899,846
FY 2023 Operating Expenses – Audited	299,420,024
FY 2024 Operating Expenses – Audited & Restated	290,533,659
FY 2025 Operating Expenses – Audited	346,390,354
FY 2026 Operating Expenses – Adopted	427,084,553
Equals: Five Years of Operating Expenses	\$ 1,617,328,436
Five Year Average Operating Expenses	\$ 323,465,687
Less: Special Operating Fund Balance – Current	(256,204,842)
Less: Emergency/ACTA Fund Balance – Current	(59,803,737)
Equals: Required Transfer	\$ 7,457,108

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the FY 2026/27 Annual Budget, which is an administrative activity. This action does not constitute approval of specific projects. Any projects financed through the Resolution would require separate environmental analysis and Board approval, as appropriate. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the FY 2026/27 Proposed Annual Budget will appropriate the necessary funds for the Harbor Department's operations and development in the next fiscal year. The \$3,370,437,519 Proposed Budget is aligned with the Port's Strategic Plan and meets or exceeds the financial metrics set forth in the Harbor Department's Financial Policies. Any expenditure that exceeds amounts authorized in the Annual Budget will require separate Board authorization.

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CITY ATTORNEY:

The Office of the City Attorney has been consulted and has no concerns regarding the approval of the FY 2026/27 Proposed Annual Budget.

TRANSMITTALS:

1. Fiscal Year 2026/27 Proposed Annual Budget
2. Five-Year Capital Expenditure Plan

FIS Approval: JS (initials)

CA Approval: SO (initials)

Jeffrey Strafford
JEFFREY STRAFFORD
Chief Financial Officer &
Director, Financial Planning & Analysis

Jeffrey Strafford for
ERICA M. CALHOUN
Deputy Executive Director &
Executive Officer

APPROVED:



EUGENE D. SEROKA
Executive Director

Author: Flora Khaw
FK:JS:CL:MU:CD:EO:MM:EW