



“FOR INFORMATION ONLY”

DATE: JANUARY 14, 2016

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2015/16 ENDED DECEMBER 31, 2015**

Financial performance results for the first half 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 December decreased 4.9% relative to December 2014 such that cargo volumes for the Fiscal Year-to-Date (FYTD) period have fallen below the prior FYTD period. In summary, performance results for the Harbor Department are as follows:

FYTD December 2015	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	4,257	↓ (2.7%)	↓ (0.7%)
Operating Revenues	\$ 207.9	↓ (1.6%)	↓ (1.9%)
Operating Expenses	\$ 98.6	↓ (13.3%)	↑ 5.5%
Operating Income	\$ 109.3	↑ 12.0%	↓ (7.7%)
Net Income	\$ 26.7	↓ (17.1%)	↓ (54.3%)

FYTD total Operating Revenues have declined relative to budget as lower Shipping Services revenues and lower utility reimbursements were only partially offset by higher than budgeted land rentals and other revenues. Shipping Services revenues continue to trail budget due to lower than budgeted FYTD cargo volumes as well as the continuance of reduced volumes at terminals with higher TEU rates and increased volumes at terminals with lower TEU rates. The impact of these lower than budgeted Shipping Services revenues was partially mitigated by one-time settlements related to the September 2014 Pasha terminal fire as well as higher land rental compensation rate resets which have been completing at higher rental rates than budgeted. Relative to prior FYTD results, total Operating Revenues declined primarily due to the recording of

SUBJECT: FINANCIAL PERFORMANCE RESULTS

one-time catch-up payments in the prior fiscal year which were only partially offset by the receipt of one-time insurance proceeds in the current fiscal year.

Total FYTD Operating Expenses were favorably impacted as lower average headcounts, timing differences with respect to outside services spending and lower than budgeted electricity expenses drove total FYTD Operating Expenses 13.3% below budget. FYTD total Operating Expenses have increased by 5.5% 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 headcounts.

Relative to budgeted figures, lower total Operating Expenses mitigated the unfavorable impact of lower total Operating Revenues such that FYTD operating margins were reported at 52.6% versus a budget of 46.2%. It is important to note that as vacancies are filled, and, as timing issues with respect to outside services are resolved, total Operating Expenses would approach budget as FY 2015/16 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended December 31, 2015 based on internal estimates reached \$67.8 million or about 34% 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

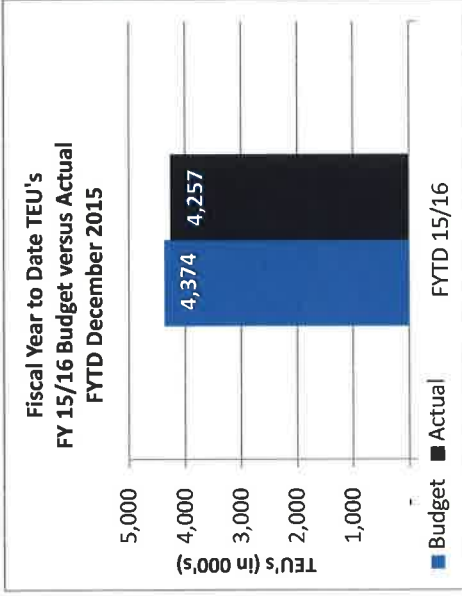
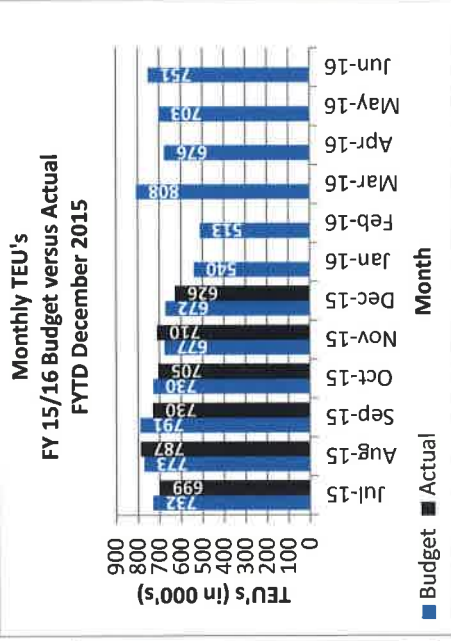
Transmittals:

1. TEU Throughput Comparison – FYTD December 2015
2. Actual-to-Budget FY 2015/16 – December
3. Year-to-Year Performance Report YTD December 31, 2015 and 2014

MB Author: M. Marchese
MB:MM/Finance
cc: Deputy Executive Directors

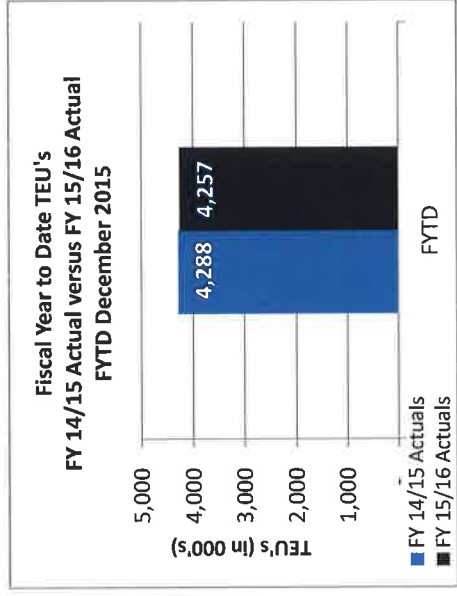
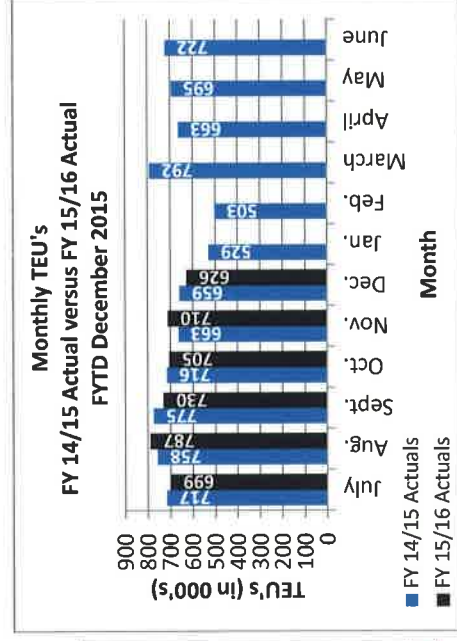
Budget versus Actuals Comparison
FY 15/16 Budget vs. FY 15/16 Actuals

(in 000's)	FY 15/16 Budget	FY 15/16 Actuals	% Δ	Δ
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			
Feb-16	513			
Mar-16	808			
Apr-16	676			
May-16	703			
Jun-16	751			
FYTD 15/16	4,374	4,257	-2.7%	↓
FY 15/16 Budget	8,365			



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

(in 000's)	FY 14/15 Actuals	FY 15/16 Actuals	% Δ	Δ
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			
Feb.	503			
March	792			
April	663			
May	695			
June	722			
FYTD	4,288	4,257	-0.7%	↓
FY 14/15 Actuals	8,191			



\$ in thousands	Fiscal Year Actual FY 2015/16		Fiscal Year Budget FY 2015/16		Actual-to-Budget Comparison		Notes (\$ in millions)
	Fiscal YTD - Dec. 2015	Fiscal YTD - Dec. 2015	Fiscal YTD - Dec. 2015	Fiscal YTD - Dec. 2015	\$	%	
Operating Revenues							
Shipping Services	172,881		182,539		(9,657)	(5.3%)	Higher volumes at terminals with lower overall TEU rates and lower volumes at terminals with higher overall TEU rates; lower than budgeted TEU volumes; timing of TEU rate adjustments at calendar year end
Rentals	22,081		18,288		3,794	20.7%	Primarily due to higher execution rate of compensation resets at higher rental rates than budgeted
Royalties, Fees and Other Revenues	11,929		9,728		2,201	22.6%	Higher operating refunds & reimbursements of \$5.7 and parking fees \$0.5, partially offset by lower utility reimbursements <\$3.2> and higher credits for tenant services <\$0.8>
Clean Truck Program Revenues	975		690		286	41.4%	Higher annual truck fees \$0.2 and concession application fees than budgeted \$0.1
Total Operating Revenues	207,867		211,244		(3,377)	(1.6%)	
Operating Expenses							
Gross Salaries & Benefits	66,066		72,377		(6,310)	(8.7%)	Primarily due to lower average filled positions (891 vs. 940 budgeted)
Capitalization	(11,787)		(8,765)		(3,022)	34.5%	Overhead capitalization <\$4.9>, partially offset by lower direct capitalization \$1.5
Net Salaries & Benefits	54,279		63,612		(9,333)	(14.7%)	Timing of promotional, sponsorships and advertising <\$0.4> and overhead capitalization <\$0.2>
Marketing & Public Relations	1,433		2,025		(593)	(29.3%)	
Travel	285		594		(310)	(52.1%)	
Outside Services	8,828		17,161		(8,333)	(48.6%)	Timing of legal fees & services spending <\$1.7>, timing of environmental assessment services <\$1.6>, timing of Pan Pacific building demolition <\$1.5>, higher capitalization of C&M outside services <\$1.3>, timing of port security spending <\$0.5>, timing of construction division's share of PICS and IT services payments <\$0.2>, timing of government services <\$0.2>, timing of accounting services spending <\$0.1> and overhead allocations <\$0.9>
Materials & Supplies	2,408		3,454		(1,046)	(30.3%)	
City Services	19,152		18,751		402	2.1%	Higher fire services \$1.3, higher city attorney \$0.6 and personnel services \$0.2, partially offset by overhead allocation <\$1.7>
Allocations to Capital - Overhead	11,936		(8,956)		8,956	(100.0%)	Lower aggregate overhead allocations \$0.5
Other Operating Expenses			16,567		(4,631)	(28.0%)	Lower electricity <\$2.2>, higher overhead capitalization <\$0.6>, lower water/gas <\$0.4>, lower telephone <\$0.3>, lower insurance <\$0.2> and lower memberships/subscriptions/books <\$0.1>, as well as timing of workers' compensation <\$0.8>, bad debt <\$0.1> and litigation <\$0.1> expenses, partially offset by timing of environmental incentive payments \$0.2
Clean Truck Program Expenses	256		436		(180)	(41.3%)	
Total Operating Expenses	98,576		113,643		(15,067)	(13.3%)	
Income Before Depreciation	109,291		97,601		11,689	12.0%	
Provision For Depreciation	83,661		65,067		18,594	28.6%	
Income From Operations	25,630		32,535		(6,905)	(21.2%)	
Non-Operating Revenue	4,329		2,310		2,019	87.4%	Higher interest/investment income \$1.8, higher federal/state operating grants \$0.3 and higher pass-through grant receipts \$0.2, partially offset by lower rebates/late charges/discounts/misc. <\$0.3>
Non-Operating Expenses	(3,212)		(2,596)		(616)	23.7%	Lower interest capitalization \$0.7, bond redemption accounting adjustment \$0.3, timing of bond issuance costs \$0.3 and higher pass-through grant disbursements \$0.2, partially offset by lower interest expense <\$0.4>, lower misc. non-operating expenses <\$0.3> and lower commercial paper costs <\$0.2>
Net Income	26,747		32,249		(5,503)	(17.1%)	

Notes:

- (1) Allocations to capital - overhead are allocated to individual 2-digit accounts within the presentation of actual results; however, these overhead allocations are not allocated to individual 2-digit accounts for budgetary purposes. Allocations to capital - overhead for the fiscal year-to-date period totaled \$6.5 million relative to a budget of \$9.0 million.
- (2) Primarily for: Electricity \$6.8; Insurance \$1.6; Water & Gas \$0.9; Litigation/Claims \$0.8; Telephone \$0.7; Environmental Incentives \$0.6; Equipment Rental/Permits/License/Fees \$0.6; Memberships/Subscriptions/Books \$0.5; Overhead Allocations <\$0.6>
- (3) Primarily for: Interest/Investment Income \$3.3; Rebates/Late Charges/Discounts/Misc. \$0.5; Federal/State Operating Grants \$0.3; Pass-through Grant Receipts \$0.2
- (4) Primarily for: Interest Expense \$21.1; Capitalized Interest <\$20.4>; Capital Projects Closed to Expense \$1.2; Commercial Paper Costs \$0.4; 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 - Dec. 2015	FY 2014/15	Fiscal YTD - Dec. 2014	\$	%	
Operating Revenues							
Shipping Services	172,881		171,413		1,469	0.9%	Higher overall wharfrage \$2.2 and higher dockage \$0.2, partially offset by lower space assignment <\$0.9>
Rentals	22,081		25,925		(3,844)	(14.8%)	Prior year one-time ICTF catch-up payment <\$4.8>, partially offset by higher land rental rates \$1.0
Royalties, Fees and Other Revenues	11,929		12,392		(463)	(3.7%)	One-time BNSF/SCIG catch-up billing in the prior year <\$4.9>, lower utility reimbursements <\$0.8> and higher tenant credits <\$0.2>, partially offset by higher operating refunds/reimbursements \$5.0 and higher parking fees \$0.4
Clean Truck Program Revenues	975		2,120		(1,144)	(54.0%)	Lower concession application fees <\$1.3>, partially offset by higher annual truck fees \$0.2
Total Operating Revenues	207,867		211,850		(3,983)	(1.9%)	
Operating Expenses							
Gross Salaries & Benefits	66,066		66,739		(673)	(1.0%)	Lower average filled positions (891 vs. 922 prior year) partially offset by MOU salary increases
Capitalization	(11,787)		(13,414)		1,627	(12.1%)	Lower direct capitalization \$1.2 and lower overhead capitalization \$0.4
Net Salaries & Benefits	54,279		53,325		954	1.8%	Timing of promotional, sponsorship and advertising spending <\$0.1>
Marketing & Public Relations	1,433		1,581		(148)	(9.4%)	
Travel	285		310		(26)	(8.4%)	
Outside Services	8,828		6,179		2,648	42.9%	Lower direct expense capitalization \$4.1 and higher C&M building services \$0.3, partially offset by timing of environmental services <\$0.5>, timing of engineering services spending <\$0.4>, higher overhead capitalization <\$0.3>, lower cruise terminal services <\$0.2>, lower planning and strategy services spending <\$0.2> and timing of Port Police security spending <\$0.1>
Materials & Supplies	2,408		2,959		(551)	(18.6%)	
City Services	19,152		17,022		2,131	12.5%	Higher fire services \$1.8, higher city attorney \$1.1, higher miscellaneous services \$0.3, partially offset by elimination of one-time paving expenses <\$0.9> and lower city administrative officer <\$0.2>
(1) Other Operating Expenses	11,936		11,726		210	1.8%	Higher litigation/claims \$0.8, lower overhead capitalization \$0.7 and timing of electricity accruals \$0.2, partially offset by lower water & gas <\$0.6>, equipment rentals/purchases <\$0.6>, environmental incentives <\$0.2> and telephone expenses <\$0.1>
Clean Truck Program Expenses	256		299		(43)	(14.5%)	
Total Operating Expenses	98,576		93,402		5,174	5.5%	
Income Before Depreciation	109,291		118,448		(9,157)	(7.7%)	
Provision For Depreciation	83,661		61,365		22,296	36.3%	
Income From Operations	25,630		57,082		(31,452)	(55.1%)	
(2) Non-Operating Revenue	4,329		6,604		(2,274)	(34.4%)	Lower federal/state operating grants <\$3.0>, lower rebates/late charges/misc. <\$0.2> and lower pass-through grant receipts <\$0.1>, partially offset by higher interest/investment income \$1.0
(3) Non-Operating Expenses	(3,212)		(5,179)		1,967	(38.0%)	Lower capital projects closed to expense <\$1.6>, lower bond issuance costs <\$0.8>, lower commercial paper costs <\$0.3>, lower pass-through grant disbursements <\$0.2> and higher interest capitalization <\$0.1>, partially offset by higher interest expense \$0.7 and bond redemption accounting adjustment \$0.3
Net Income	26,747		58,507		(31,760)	(54.3%)	

Notes:

- (1) Primarily for: Electricity \$6.8; Insurance \$1.6; Water & Gas \$0.9; Litigation/Claims \$0.8; Telephone \$0.7; Environmental Incentives \$0.6; Equipment Rental/Permits/License/Fees \$0.6; Memberships/Subscriptions/Books \$0.5; Overhead Allocations <\$0.6>
- (2) Primarily for: Interest/Investment Income \$3.3; Rebates/Late Charges/Discounts/Misc. \$0.5; Federal/State Operating Grants \$0.3; Pass-through Grant Receipts \$0.2
- (3) Primarily for: Interest Expense \$21.1; Capitalized Interest <\$20.4>; Capital Projects Closed to Expense \$1.2; Commercial Paper Costs \$0.4; Bond Redemption Accounting Adjustment \$0.3; Bond Issuance Costs \$0.3; Pass-through Grant Disbursements \$0.2; Misc. Non-Op \$0.1