



“FOR INFORMATION ONLY”

DATE: APRIL 9, 2014

**TO: HONORABLE MEMBERS OF THE BOARD OF HARBOR
COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2013/14 ENDED MARCH 31, 2014**

Our fiscal year-to-date (FYTD) through March 2014 financial results continue to show positive trends in cargo volumes and Operating Revenues, with Operating Income being better than both budget and year-on-year (see Transmittals 1, 2 and 3). In summary, year-on-year performance results for the Harbor Department are as follows:

FYTD March 2014	Year-on-Year
Cargo Volumes*	↑ 2.7%
Operating Revenues	↑ 4.1%
Operating Expenses	↓ 1.7%
Operating Income	↑ 9.6%
Net Income	↓ 16.6%

*Preliminary estimate

Preliminary estimates indicate positive growth in FYTD cargo volumes, which when combined with a temporary rate increase (which expired on November 25, 2013) resulted in FYTD Operating Revenues that exceeded the same period last fiscal year. Less spending primarily in Outside Services continues to drive Operating Expenses lower year-on-year. Comparisons to budget also reflect similar results. Net Income both year-on-year and compared to budget continue to be lower due to cancelled capital projects now expensed. Nevertheless, the Department's financial condition remains healthy, with high levels of Net Assets of approximately \$3.0 billion, including \$287.9 million in unrestricted cash.

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SUBJECT: FINANCIAL PERFORMANCE RESULTS

Capital Improvement Program (CIP)

CIP spending at FYTD March 2014 reached \$242.3 million or 60.6% of the total \$399.9 million CIP adopted budget. The Department is expected to spend approximately \$340 million to \$350 million or 85% to 88% of the total CIP adopted budget by fiscal year-end.


for GARY LEE MOORE, P.E.
Interim Executive Director


GLM:MC:KP:EY

Transmittals:

1. TEU Throughput Comparison – FYTD March 2014 (Preliminary Estimate)
2. Actual-to-Budget FY 2013/14 – March
3. Year-to-Year Performance Report YTD March 31, 2014 and 2013

cc: Deputy Executive Directors

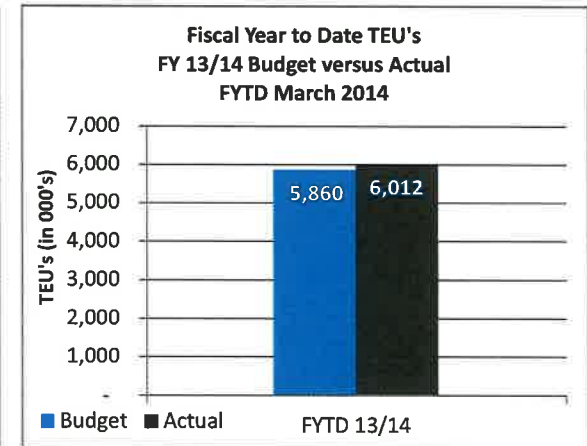
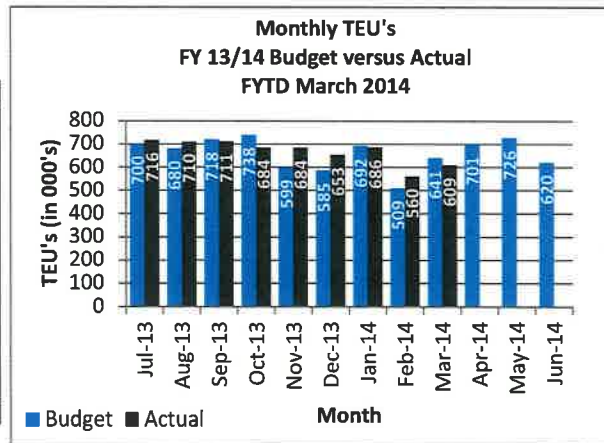
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - FYTD MARCH 2014

Transmittal 1

Preliminary as of 4-7-14

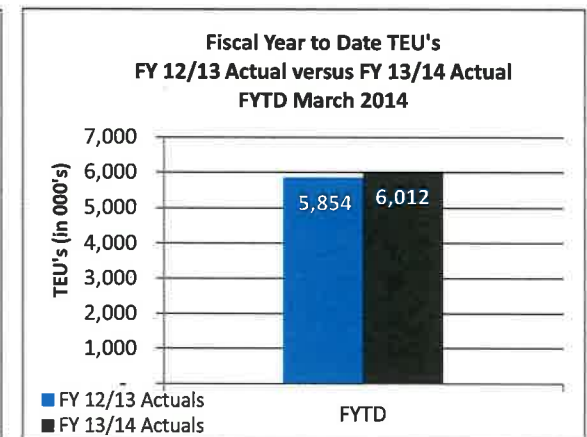
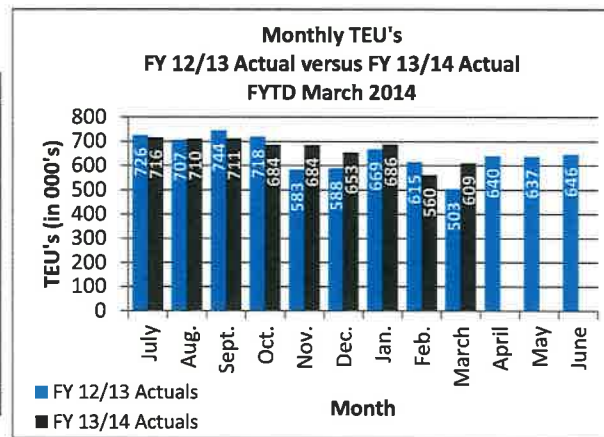
FY 13/14 Budget vs. FY 13/14 Actuals

(in 000's)	TEU's		% Δ	Δ	
	Month	FY 13/14 Budget			FY 13/14 Actuals
Jul-13		700	716	2.2%	↑
Aug-13		680	710	4.4%	↑
Sep-13		718	711	-1.0%	↓
Oct-13		738	684	-7.3%	↓
Nov-13		599	684	14.2%	↑
Dec-13		585	653	11.7%	↑
Jan-14		692	686	-0.9%	↓
Feb-14		509	560	10.1%	↑
Mar-14		641	609	-4.9%	↓
Apr-14	701				
May-14	726				
Jun-14	620				
FYTD 13/14		5,860	6,012	2.6%	↑
FY 13/14 Budget	7,907				



FY 12/13 Actuals vs. FY 13/14 Actuals

(in 000's)	TEU's		% Δ	Δ	
	Month	FY 12/13 Actuals			FY 13/14 Actuals
July		726	716	-1.5%	↓
Aug.		707	710	0.4%	↑
Sept.		744	711	-4.5%	↓
Oct.		718	684	-4.8%	↓
Nov.		583	684	17.3%	↑
Dec.		588	653	11.1%	↑
Jan.		669	686	2.5%	↑
Feb.		615	560	-9.0%	↓
March		503	609	21.0%	↑
April	640				
May	637				
June	646				
FYTD		5,854	6,012	2.7%	↑
FY 12/13 Actuals	7,777				



	Actual (Unaudited) FY 2013/14 (Fiscal YTD March 2014) (Based on Preliminary Results)	Adjusted* Budget FY 2013/14 (Fiscal YTD March 2014)	Δ	Δ%		Adjusted* Adopted Budget FY 2013/14	FYTD Actual as % of Adopted Budget
Operating Revenues							
Shipping Services	275,869	269,136	6,733	2.5%	Cargo volumes higher than budgeted	360,128	76.6%
Rentals	30,865	29,256	1,609	5.5%		45,377	68.0%
Royalties, fees and other revenues	3,442	4,458	(1,016)	-22.8%		5,980	57.6%
Clean Truck Program Revenues	1,676	1,219	457	37.5%		1,550	108.1%
Total Operating Revenues	311,852	304,069	7,783	2.6%		413,035	75.5%
Operating Expenses							
Salaries & Benefits					Lower salaries & benefits, offset by higher overtime		
Gross Salaries & Benefits	100,740	101,063	(323)	-0.3%			
Capitalization	(13,850)	(16,869)	3,019	-17.9%	Lower capitalization		
Net Salaries & Benefits (Operating)	86,890	84,194	2,696	3.2%		112,113	77.5%
Marketing and Public Relations	2,267	2,752	(485)	-17.6%	Lower spending/timing in payments for Construction & Maintenance, Remediation, Maintenance Improvement, Port Police, and others	3,834	59.1%
Travel	493	710	(217)	-30.6%		963	51.2%
Outside Services	16,630	24,908	(8,278)	-33.2%	Lower spending primarily for Construction & Maintenance and Port Police	35,719	46.6%
Materials & Supplies	5,095	5,874	(779)	-13.3%		7,390	68.9%
City Services	25,916	27,414	(1,498)	-5.5%		36,246	71.5%
Allocations to Capital	(8,151)	(9,178)	1,027	-11.2%	Timing in invoices	(12,235)	66.6%
Other Operating Expenses	14,872	18,921	(4,049)	-21.4%		24,359	61.1%
Clean Truck Program Expenses**	610	1,276	(666)	-52.2%	Lower spending/timing in payments primarily for environmental incentives <\$2.1>, insurance <\$1.4>, work orders for tenants <\$0.6>	1,700	35.9%
Total Operating Expenses	144,622	156,871	(12,249)	-7.8%		210,089	68.8%
Income Before Depreciation	167,230	147,198	20,032	13.6%		202,946	82.4%
Provision for Depreciation	86,016	82,689	3,327	4.0%		110,250	78.0%
Income from Operations	81,214	64,509	16,705	25.9%	Higher Fed/State grant and pass-through receipts \$3.2, settlements and reimbursements \$3.3, partially offset by lower interest and investment income <\$3.1>	92,696	87.6%
Non-Operating Revenue (interest income, grant)	15,833	12,267	3,566	29.1%		16,354	96.8%
Non-Operating Expenses (bond issuance, interest)	33,770	12,447	21,323	-171.3%	Higher capital projects cancelled or not completed \$23.1, primarily for: \$9.4 Berth 408-409 Crude Oil Marine Terminal and EIR, wharf, etc.; \$7.2 Wilmington Waterfront Dev Master Planning and EIR; \$2.9 Cabrillo Beach Recreational Area	17,601	191.9%
Net Income	63,277	64,329	(1,052)	-1.6%		91,449	69.2%

*Includes Unappropriated Balance transfers for City Attorney legal services (\$664K Outside Services) and new container services moving expenses (\$340K Other Operating).

**Includes expenses for incentives and administrative costs (Other Operating Expenses).

Primarily for:
 \$5.7 Utilities
 \$2.3 Insurance
 \$1.6 Provision for Workers Compensation
 \$1.2 Telephone
 \$0.8 Property rental/license user fee
 \$0.6 Taxes, permits, litigation, misc
 \$0.5 Environmental incentives
 \$0.5 Books, manuals, subscriptions, memberships
 \$0.3 Equipment rental
 \$0.1 Container incentives

Primarily for:
 \$27.7 Interest expense
 <\$24.8> Capitalized interest
 \$23.1 Capital projects cancelled or not completed, primarily for:
 \$9.4 Berth 408-409 Crude Oil Marine Terminal and EIR, wharf, etc.; \$7.2 Wilmington Waterfront Dev Master Planning and EIR;
 \$2.9 Cabrillo Beach Recreational Area
 \$ 6.7 Federal/State pass through grant disbursements
 \$ 0.9 Commercial Paper issuance cost

Primarily for:
 \$6.7 Federal/State pass through grant receipts
 \$4.4 Settlements, rebates
 \$3.5 Interest income
 \$0.6 Federal/State grant receipts
 \$0.4 Gain on sale, discounts taken, misc
 \$0.2 Environmental reimbursements

Year-to-Year Performance Report
YTD March 31, 2014 and 2013
 (Data in thousands of \$, comments in millions of \$)

	Actual (Unaudited) FY 2013/14 (Fiscal YTD)	Actual (Unaudited) FY 2012/13 (Fiscal YTD)	Δ	Δ%	
Operating Revenues					
Shipping Services	275,869	261,731	14,138	5.4%	Higher cargo volumes, higher number of vessels, higher space assignments, and GRI (general rate increase ended Nov 2013)
Rentals	30,865	32,495	(1,630)	-5.0%	
Royalties, fees and other revenues	3,442	4,155	(713)	-17.2%	
Clean Truck Program Revenues	1,676	1,216	460	37.8%	
Total Operating Revenues	311,852	299,597	12,255	4.1%	
Operating Expenses					
Salaries & Benefits					
Gross Salaries and Benefits	100,740	95,323	5,417	5.7%	Higher salaries (MOU adjustments) and benefits (pension/medical contributions)
Capitalization	(13,850)	(11,058)	(2,792)	25.2%	
Net Salaries & Benefits (Operating)	86,890	84,265	2,625	3.1%	Lower spending primarily in environmental assessment services <\$4.3>, timing in capitalization <\$2.9>, maintenance services and higher capitalization in Construction & Maintenance services <\$2.2>, maintenance improvement <\$1.1>
Marketing and Public Relations	2,267	2,214	53	2.4%	
Travel	493	713	(220)	-30.9%	
Outside Services	16,630	27,580	(10,950)	-39.7%	
Materials & Supplies	5,095	4,622	473	10.2%	Timing in accruals and payments last fiscal year
City Services	25,916	24,740	1,176	4.8%	
Allocations to Capital	(8,151)	(9,671)	1,520	-15.7%	Higher utilities \$3.3 (of which \$1.7 is prior year expense and accrual timing) and timing in capitalization \$2.9, partially offset by lower environmental incentives <\$2.5>
Other Operating Expenses	14,872	11,665	3,207	27.5%	
Clean Truck Program Expenses*	610	954	(344)	-36.1%	
Total Operating Expenses	144,622	147,082	(2,460)	-1.7%	
Income Before Depreciation	167,230	152,515	14,715	9.6%	Lower Federal/State pass-through grant receipts <\$4.2> and interest/investment income <\$3.7>, partially offset by higher settlements and rebates \$2.4
Provision for Depreciation	86,016	79,597	6,419	8.1%	
Income from Operations	81,214	72,918	8,296	11.4%	Higher capital projects cancelled or not completed \$20.7, partially offset by lower Federal/State pass-through grant receipts <\$4.1>
Non-Operating Revenue (Interest Income, grant receipts, etc.)	15,833	21,260	(5,427)	-25.5%	
Non-Operating Expenses (Bonds/Notes Interest Expense, etc.)	33,770	18,341	15,429	84.1%	
Net Income	\$63,277	\$75,837	(12,560)	-16.6%	

*Includes expenses for incentives and administrative costs (Other Operating Expenses) and legal services (Outside Services).

Primarily for:
 \$6.7 Utilities
 \$2.3 Insurance
 \$1.6 Provision for Workers Compensation
 \$1.2 Telephone
 \$0.8 Property rental/license user fee
 \$0.6 Taxes, permits, litigation, misc
 \$0.5 Environmental incentives
 \$0.5 Books, manuals, subscriptions, memberships
 \$0.3 Equipment rental
 \$0.1 Container incentives

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 \$ 6.7 Federal/State pass through grant disbursements
 \$ 0.9 Commercial Paper issuance cost

Primarily for:
 \$5.7 Federal/State pass through grant receipts
 \$4.4 Settlements, rebates
 \$3.5 Interest income
 \$0.6 Federal/State grant receipts
 \$0.4 Gain on sale, discounts taken, misc
 \$0.2 Environmental reimbursements