

**“FOR INFORMATION ONLY”**

**DATE:           OCTOBER 8, 2014**

**TO:             BOARD OF HARBOR COMMISSIONERS**

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

Financial performance results for the two months of the new Fiscal Year (FY) 2014/15 reflect positive news in terms of increased TEU (twenty-foot equivalent unit) volumes as economic growth continues; yet this trend is tempered by lower average TEU revenues and timing differences (see Transmittals 1, 2 and 3). In summary, performance results for the Harbor Department are as follows:

<b>FYTD August 2014</b>	<b>Actuals</b> (Cargo Volumes in Thousands, \$ in Millions)	<b>Actual-to- Budget Comparison</b>	<b>Year-on-Year Comparison</b>
<b>Cargo Volumes</b>	<b>1,475</b>	<b>↑ 0.5%</b>	<b>↑ 3.5%</b>
<b>Operating Revenues*</b>	<b>\$67.8</b>	<b>↓ 4.6%</b>	<b>↓ 5.6%</b>
<b>Operating Expenses*</b>	<b>\$32.5</b>	<b>↑ 2.8%</b>	<b>↑ 36.2%</b>
<b>Operating Income</b>	<b>\$35.3</b>	<b>↓ 10.5%</b>	<b>↓ 26.3%</b>
<b>Net Income</b>	<b>\$19.3</b>	<b>↓ 0.1%</b>	<b>↓ 26.7%</b>

\*Note: Operating Expenses include \$1.6 million in utility expenses, most of which are AMP related that are fully reimbursed by our customers and reflected in Operating Revenues.

While cargo volumes as measured by TEUs were up by 3.5% year-on-year, total Operating Revenues (fiscal year-to-date August 2014) were down by \$4.0 million or 5.6% year-on-year as increased volumes occurred primarily at terminals with lower TEU rates; conversely, certain terminals with higher TEU rates experienced a decline in volume. Also contributing to the lower operating revenues was the expiration of the temporary General Rate Increase last fiscal year (effective July 1, 2013 through November 25, 2013). Partially offsetting the lower operating revenues were higher utility reimbursements for the Alternative Maritime Power™ (AMP™) program; these costs are paid by the Harbor Department and passed through to and reimbursed by our customers. Comparisons to budget yielded similar results. Timing differences and the

**SUBJECT: FINANCIAL PERFORMANCE RESULTS**

above stated AMP related costs drove Operating Expenses up by \$8.6 million or 36.2% year-on-year and by \$0.9 million or 2.8% compared to budget. Given the increase in AMP utility expenses, the current spending run rate anticipates about \$12 million in electricity utility expenses by fiscal year-end, which is approximately \$6 million higher than budgeted. At the same time, we expect a similar increase in customer reimbursements; however, this offset resides in Operating Revenues. This will continue to be monitored. Should budgetary adjustments be necessary, they will be requested of the Board at mid-year.

Operating Income and Net Income are lower compared to both prior year and budget. Analysis of the trend of TEU flows at the terminals support expectations that total fiscal year volumes and operating revenues will remain in line with budget projections; however, given the changes in shipping companies' alliances, ongoing monitoring of changes that affect container flow will remain important. Any changes to projections will be reported accordingly.

Capital Improvement Program (CIP)

CIP spending at FYTD August 2014 based on the general ledger reached \$24.5 million or about 9% of the total \$281.0 million CIP adopted budget. The Department is projecting to spend close to the total CIP adopted budget by fiscal year-end.



EUGENE D. SEROKA  
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD August 2014
2. Actual-to-Budget FY 2014/15 – August
3. Year-to-Year Performance Report YTD August 31, 2014 and 2013

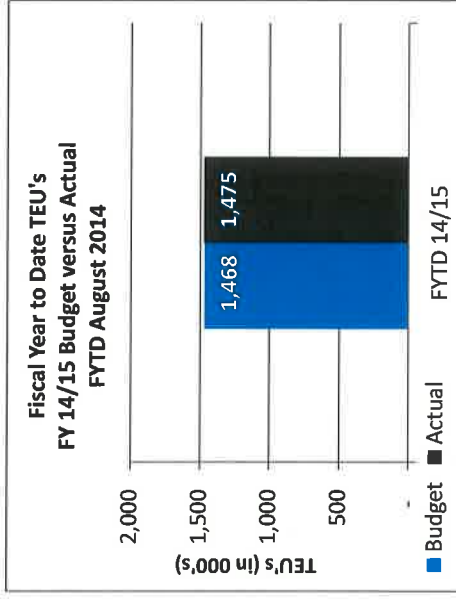
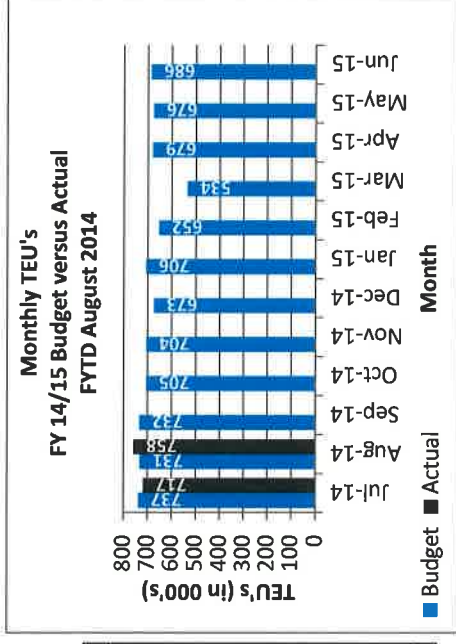
<sup>mcc</sup>  
MC:KP:EY:MM/Finance

cc: Deputy Executive Directors

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

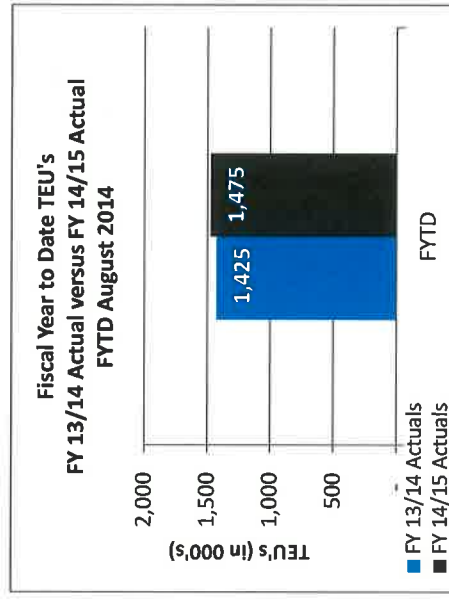
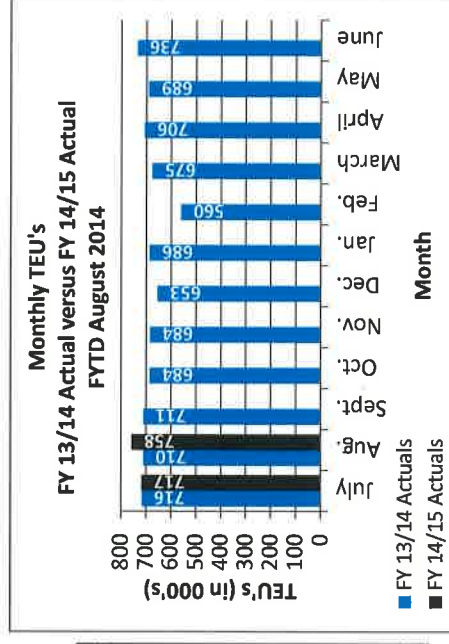
Budget versus Actuals Comparison  
FY 14/15 Budget vs. FY 14/15 Actuals

(in 000's)	FY 14/15 Budget	FY 14/15 Actuals	% Δ	Δ
<b>Jul-14</b>	<b>737</b>	<b>717</b>	<b>-2.7%</b>	<b>↓</b>
<b>Aug-14</b>	<b>731</b>	<b>758</b>	<b>3.7%</b>	<b>↑</b>
Sep-14	732			
Oct-14	705			
Nov-14	704			
Dec-14	673			
Jan-15	706			
Feb-15	652			
Mar-15	534			
Apr-15	679			
May-15	676			
Jun-15	686			
<b>FYTD 14/15</b>	<b>1,468</b>	<b>1,475</b>	<b>0.5%</b>	<b>↑</b>
<b>FY 14/15 Budget</b>	<b>8,216</b>			



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
<b>July</b>	<b>716</b>	<b>717</b>	<b>0.2%</b>	<b>↑</b>
<b>Aug.</b>	<b>710</b>	<b>758</b>	<b>6.8%</b>	<b>↑</b>
Sept.	711			
Oct.	684			
Nov.	684			
Dec.	653			
Jan.	686			
Feb.	560			
March	675			
April	706			
May	689			
June	736			
<b>FYTD</b>	<b>1,425</b>	<b>1,475</b>	<b>3.5%</b>	<b>↑</b>
<b>FY 13/14 Actuals</b>	<b>8,210</b>			



Harbor Department  
Actual-to-Budget

Fiscal Year 2014/15 - August

(Data in thousands of \$, comments in millions of \$)

	Actual (Unaudited) FY 2014/15 (Fiscal YTD Aug 2014) (Preliminary)	Adopted Budget FY 2014/15 (Fiscal YTD Aug 2014)	Δ	Δ%	Adopted Budget FY 2014/15	FYTD Actual as % of Adopted Budget
<b>Operating Revenues</b>						
Shipping Services	58,163	62,380	(4,217)	-6.8%	370,414	15.7%
Rentals	7,689	7,799	(110)	-1.4%	41,585	18.5%
Royalties, fees and other revenues	1,851	676	1,175	173.8%	4,942	37.5%
Clean Truck Program Revenues	112	243	(131)	-53.8%	1,459	7.7%
<b>Total Operating Revenues</b>	<b>67,815</b>	<b>71,098</b>	<b>(3,283)</b>	<b>-4.6%</b>	<b>418,400</b>	<b>16.2%</b>
<b>Operating Expenses</b>						
Salaries & Benefits		24,076	(1,218)	-5.1%		
Gross Salaries & Benefits	22,857	(2,959)	315	-9.6%		
Capitalization (direct)		(3,274)	(903)	-4.3%		
Net Salaries & Benefits (Operating)	19,898	20,801	(903)	-4.3%	122,468	16.2%
Marketing and Public Relations	162	345	(183)	-53.1%	3,734	4.3%
Travel	88	184	(96)	-51.9%	933	9.5%
Outside Services	2,124	3,531	(1,407)	-39.9%	35,144	6.0%
Materials & Supplies	952	935	18	1.9%	7,533	12.6%
City Services	9,074	6,537	2,537	38.8%	36,648	24.8%
Allocations to Capital - Overhead	(3,113)	(2,783)	(330)	11.8%	(16,700)	18.6%
Other Operating Expenses	3,303	2,060	1,243	60.4%	26,164	12.6%
Clean Truck Program Expenses**	3	-	3	-	1,364	0.2%
<b>Total Operating Expenses</b>	<b>32,491</b>	<b>31,609</b>	<b>882</b>	<b>2.8%</b>	<b>217,288</b>	<b>15.0%</b>
<b>Income Before Depreciation</b>	<b>35,324</b>	<b>39,489</b>	<b>(4,165)</b>	<b>-10.5%</b>	<b>201,112</b>	<b>17.6%</b>
Provision for Depreciation	18,824	20,065	(1,241)	-6.2%	120,392	15.6%
<b>Income from Operations</b>	<b>16,500</b>	<b>19,424</b>	<b>(2,924)</b>	<b>-15.1%</b>	<b>80,720</b>	<b>20.4%</b>
Non-Operating Revenue (interest income, grant receipts, etc.)	3,536	1,362	2,174	159.7%	8,172	43.3%
Non-Operating Expenses (bonds/notes/interest expense, etc.)	751	1,475	(723)	-49.0%	8,847	8.5%
<b>Net Income</b>	<b>19,285</b>	<b>19,311</b>	<b>(26)</b>	<b>-0.1%</b>	<b>80,045</b>	<b>24.1%</b>

Higher volumes at terminals with lower TEU rates, lower volumes at terminals with higher TEU rates, and timing differences in TEU rate adjustments

Higher utility reimbursements \$1.4 (primarily for AMP), partially offset by higher rental credits for customers <\$0.2>

Lower average filled positions (927 vs. 940 budgeted) and overtime, and timing in benefits accrual to be adjusted in subsequent months

Primarily lower direct capitalization for Engineering

Timing in spending for Port Police <\$0.5>, cruise terminal operator <\$0.1>, project scheduling for maintenance dredging <\$0.4>, higher capitalization in Construction & Maintenance <\$0.3>

Timing in accruals \$1.9 to be reversed in subsequent month

Higher electricity \$1.2 (primarily for AMP)

Primarily higher Federal/State grant receipts \$2.3

Lower bond issuance costs <\$0.5> and capital projects closed to expense <\$0.1>

Primarily for:  
\$2.6 Federal/State grant receipts  
\$0.5 Interest income  
\$0.3 Pass-through grant receipts

Primarily for:  
\$5.9 Interest expense  
<\$6.3> Capitalized interest  
\$0.5 Capital projects closed to expense  
\$0.3 Commercial paper issuance costs  
\$0.3 Pass-through grant disbursements

Primarily for:  
\$1.3 Electricity  
\$0.5 Insurance  
\$0.4 Customer incentives  
\$0.3 Telephone  
\$0.3 Water & gas  
\$0.3 Property/equipment rental/license  
\$0.1 Equipment capitalization (timing)  
\$0.1 Memberships, subscriptions, books

Overhead allocations are charged directly to each operating expense category and will be reflected in fiscal yearend totals; presented here in total for comparison purposes. FYTD allocation by expense component is as follows:  
<\$1.7> Salaries & Benefits  
<\$0.01> Marketing & Public Relations  
<\$0.01> Travel  
<\$0.2> Outside Services  
<\$0.01> Materials & Supplies  
<\$0.8> City Services  
<\$0.4> Other Operating Expenses



**Year-to-Year Performance Report**  
**YTD August 31, 2014 and 2013**

TRANSMITTAL 3

(Data in thousands of \$, comments in millions of \$)

	Actual (Unaudited) FY 2014/15 (Preliminary)	Actual (Unaudited) FY 2013/14 (Fiscal YTD)	Δ	Δ%	
<b>Operating Revenues</b>					
Shipping Services	58,163	62,894	(4,731)	-7.5%	Higher volumes at terminals with lower TEU rates, lower volumes at terminals with higher TEU rates, no general rate increase, and timing differences in TEU rate adjustments
Rentals	7,689	8,099	(410)	-5.1%	Cancellation of land, building and warehouse rental agreements last fiscal year primarily for California Cartage
Royalties, fees and other revenues	1,851	658	1,193	181.5%	Higher utility reimbursements for AMP, partially offset by higher credit for customer services
Clean Truck Program Revenues	112	160	(48)	-29.7%	Lower annual truck fees
<b>Total Operating Revenues</b>	<b>67,815</b>	<b>71,810</b>	<b>(3,995)</b>	<b>-5.6%</b>	
<b>Operating Expenses</b>					
Salaries & Benefits	22,857	20,452	2,405	11.8%	Primarily due to timing in prior year benefits adjustments partially offset by lower average filled positions (927 vs. 940)
Gross Salaries and Benefits Capitalization (direct)	(2,959)	(3,472)	513	-14.8%	Timing in prior year environmental accruals \$1.7 and higher spending in IT \$0.5
Net Salaries & Benefits (Operating) Marketing and Public Relations	19,898	16,980	2,918	17.2%	Timing and accruals
Travel	162	180	(18)	-10.2%	
Outside Services	88	43	46	107.2%	
Materials & Supplies	2,124	(176)	2,300	-1306.6%	
City Services	952	1,088	(136)	-12.5%	
Allocations to Capital	9,074	5,764	3,310	57.4%	Primarily higher electricity for AMP \$0.3, environmental incentives \$0.4, equipment capitalization (timing) and others (net) \$0.3
Other Operating Expenses	(3,113)	(2,313)	(800)	-34.6%	
Clean Truck Program Expenses*	3,303	2,295	1,007	43.9%	
<b>Total Operating Expenses</b>	<b>32,491</b>	<b>23,861</b>	<b>8,630</b>	<b>36.2%</b>	
<b>Income Before Depreciation</b>	<b>35,324</b>	<b>47,949</b>	<b>(12,625)</b>	<b>-26.3%</b>	
Provision for Depreciation	18,824	19,458	(633)	-3.3%	Lower pass-through grant receipts <\$6.3>, partially offset by higher Federal/State grant receipts \$2.1
<b>Income from Operations</b>	<b>16,500</b>	<b>28,492</b>	<b>(11,992)</b>	<b>-42.1%</b>	
Non-Operating Revenue (interest income, grant receipts, etc.)	3,536	7,853	(4,316)	-55.0%	Lower pass-through grant disbursements <\$6.3>, higher capitalization of interest <\$3.5>, partially offset by higher capital projects closed to expense \$0.5
Non-Operating Expenses (bonds/notes/interest expense, etc.)	751	10,019	(9,267)	-92.5%	
<b>Net Income</b>	<b>19,285</b>	<b>26,326</b>	<b>(7,041)</b>	<b>-26.7%</b>	

Overhead allocations are charged directly to each operating expense category and will be reflected in fiscal year-end totals; presented here in total for comparison purposes. FYTD allocation by expense component is as follows:

- <\$1.7> Salaries & Benefits
- <\$0.01> Marketing & Public Relations
- <\$0.01> Travel
- <\$0.2> Outside Services
- <\$0.01> Materials & Supplies
- <\$0.8> City Services
- <\$0.4> Other Operating Expenses

Primarily for:

- \$1.3 Electricity
- \$0.5 Insurance
- \$0.4 Customer incentives
- \$0.3 Telephone
- \$0.3 Water & gas
- \$0.3 Property/equipment rental/license
- \$0.1 Equipment capitalization (timing)
- \$0.1 Memberships, subscriptions, books

Primarily for:

- \$5.9 Interest expense
- <\$6.2> Capitalized interest
- \$0.5 Capital projects closed to expense
- \$0.3 Commercial paper issuance costs
- \$0.3 Pass-through grant disbursements

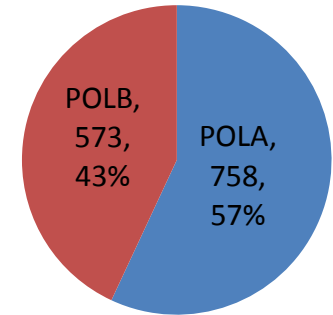
Primarily for:

- \$2.6 Federal/State grant receipts
- \$0.5 Interest income
- \$0.3 Pass-through grant receipts

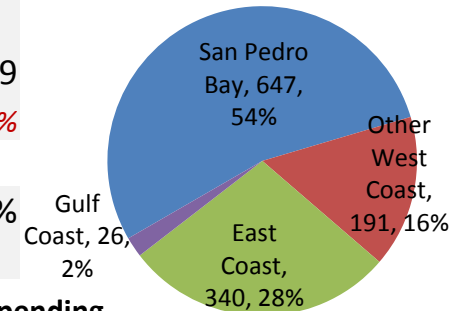
# Port of Los Angeles Monthly Key Performance Statistics for August 2014

TEUs and Financials	Current Month			Fiscal Year to Date		
	Aug-14 Actual	Aug-14 Budget	Aug-13 Actual	FY 14/15 Actual	FY 14/15 Budget	FY 13/14 Actual
<b>TEUs</b> (in thousands)	758	731	710	1,475	1,468	1,425
% change vs. <i>As of 9/12/14</i>		↑ 3.7%	↑ 6.8%	<i>As of 9/12/14</i>	↑ 0.5%	↑ 3.5%
				CY 2014- 5,527	CY 2014- 5,356	CY 2013- 5,136
<b>Operating Revenue</b> (in millions)	\$32.5	\$33.4	\$30.9	\$67.8	\$71.1	\$71.8
% change vs.		↓ -2.6%	↑ 5.2%		↓ -4.6%	↓ -5.6%
<b>Operating Expenses</b> (in millions)	\$15.2	\$16.4	\$14.0	\$32.5	\$31.6	\$23.9
% change vs.		↓ -7.0%	↑ 9.1%		↑ 2.8%	↑ 36.2%
<b>Operating Margin</b> Annual Target : 45%	53.2%	50.9%	54.7%	52.1%	55.5%	66.8%

**Market Share**  
Thousands of TEUs, August 2014  
Change versus 2013: **4.0%**



**Asian Imports**  
Change versus 2013: **0.4%**



## CIP Status (data as of Aug. 2014)

Design Completions	Number	Value of Projects	Construction Completions	Number	Value of Projects
Planned designs for FY 14/15	18	\$119.4 million	Planned construction for FY 14/15	53	\$288.7 million
Completed year-to-date	2	\$1.9 Million	Completed year-to-date	9	\$146.4 Million
Percent of goal met	11%	2%	Percent of goal met	17%	51%

## CIP Spending

