



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

“FOR INFORMATION ONLY”

DATE: DECEMBER 11, 2019

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2019/20 ENDED NOVEMBER 30, 2019**

Financial performance results for the first five months of the Fiscal Year 2019/20 are below and have been summarized relative to both budget and the prior fiscal year. For the month of November, cargo volumes (as measured by TEUs or twenty-foot equivalent units) slightly declined 0.9% relative to budget and 4.6% relative to prior fiscal year. In summary, performance results for the Harbor Department are as follows:

FYTD November 2019	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	4,052	↓ (0.9%)	↓ (4.6%)
Operating Revenues	\$206.0	↓ (2.2%)	↓ (3.3%)
Operating Expenses	\$101.4	↓ (18.4%)	↑ 8.6%
Operating Income	\$104.6	↑ 21.0%	↓ (12.6%)
Net Income	\$33.9	↑ 371.7%	↓ (48.9%)

Shipping Services revenues were slightly lower relative to budget driven by lower wharfage resulting from lower volumes, lower space assignment, and lower pilotage. Relative to the prior fiscal year, Shipping Services revenues decreased due to lower wharfage, lower space assignment, and lower pilotage. Operating Revenues decreased by 2.2% compared to budget primarily driven by lower shipping services, partially offset by higher rentals and higher one-time reimbursements. Relative to prior year, total Operating Revenues decreased by 3.3% primarily resulting from lower shipping services and lower one-time operating reimbursements, partially offset by higher rental revenues.

Lower headcounts and invoicing delays with respect to outside services as well as materials and supplies primarily drove total Operating Expenses 18.4% below budget.

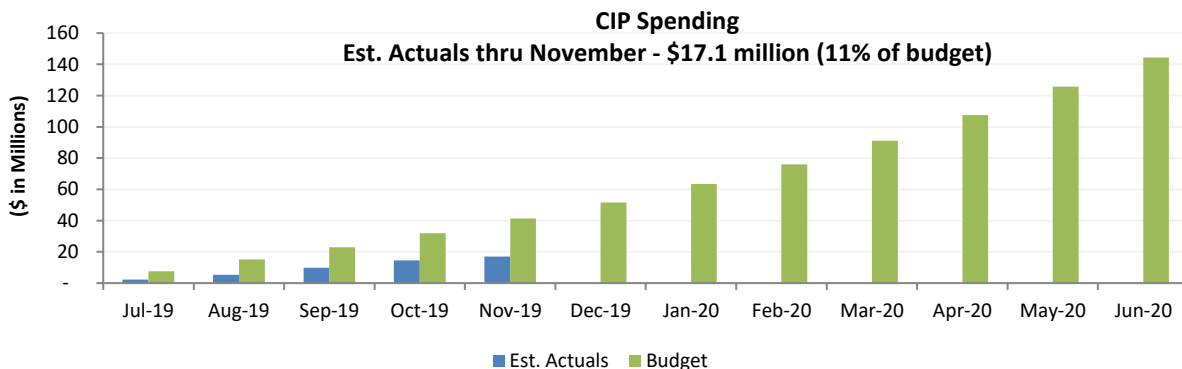
SUBJECT: FINANCIAL PERFORMANCE RESULTS

Relative to the prior fiscal year, total Operating Expenses increased by 8.6% due primarily to higher container and cruise incentive payouts.

Operating margins for the month of November were reported at 50.8% versus a budget of 41.0% and a prior year figure of 56.2%. However, it is important to note that as vacancies are filled, and, as invoicing issues are resolved, operating expenses are anticipated to trend towards budget as FY 2019/20 progresses.

Capital Improvement Program (CIP)

CIP spending for the five-month period ended November 30, 2019 is estimated to reach \$17.1 million or about 12% of the total \$144.4 million CIP adopted budget. At this early stage in the fiscal year, staff expects annual CIP spending to fall within in the adopted FY 2020 CIP budget.



Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director & Chief Financial Officer

Transmittals:

1. TEU Throughput Comparison – FYTD November 2019
2. Actual-to-Budget FY 2019/20 – November
3. Year-to-Year Performance Report FYTD November 30, 2019 and 2018

Author: C. Li

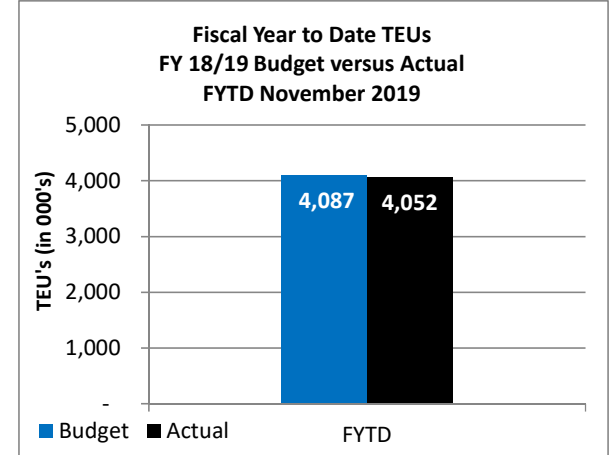
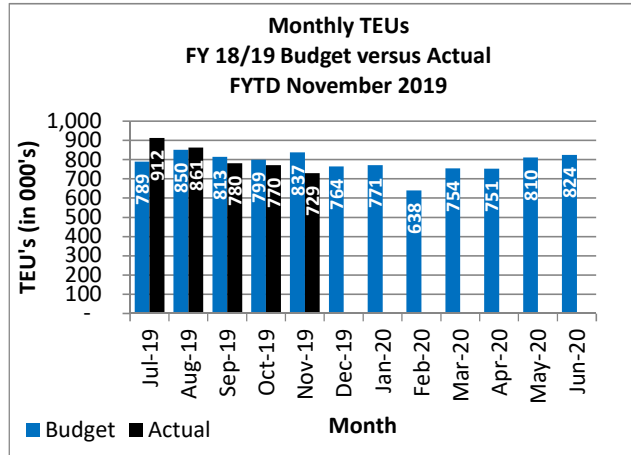
MB:MM/Finance
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - FYTD NOVEMBER 2019

TRANSMITTAL 1

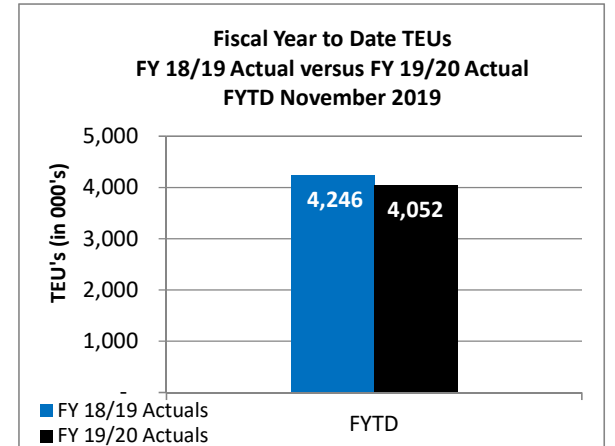
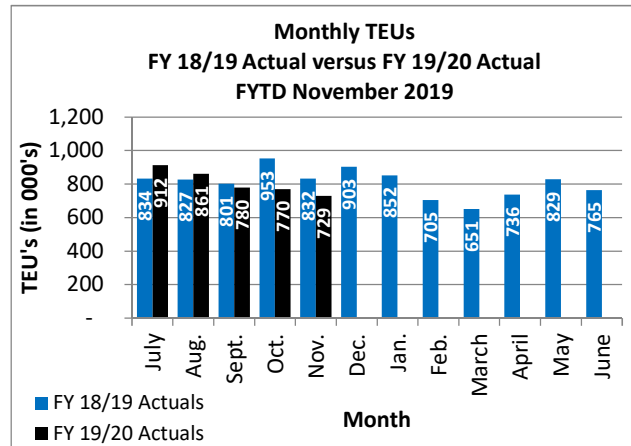
Budget versus Actuals Comparison
FY 19/20 Budget vs. FY 19/20 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 19/20 Budget	FY 19/20 Actuals		
Jul-19	789	912	15.6%	↑
Aug-19	850	861	1.3%	↑
Sep-19	813	780	-4.1%	↓
Oct-19	799	770	-3.6%	↓
Nov-19	837	729	-12.9%	↓
Dec-19	764			
Jan-20	771			
Feb-20	638			
Mar-20	754			
Apr-20	751			
May-20	810			
Jun-20	824			
FYTD	4,087	4,052	-0.9%	↓
FY 19/20 Budget	9,400			



Year-to-Year Actuals Comparison
FY 18/19 Actuals vs. FY 19/20 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 18/19 Actuals	FY 19/20 Actuals		
July	834	912	9.4%	↑
Aug.	827	861	4.2%	↑
Sept.	801	780	-2.7%	↓
Oct.	953	770	-19.1%	↓
Nov.	832	729	-12.4%	↓
Dec.	903			
Jan.	852			
Feb.	705			
March	651			
April	736			
May	829			
June	765			
FYTD	4,246	4,052	-4.6%	↓
FY 18/19 Actuals	9,688			



\$ in thousands	Fiscal Year Actual	Fiscal Year Budget	Actual-to-Budget	
	FY 2019/20	FY 2019/20	Comparison	
	Fiscal YTD - Nov. 2019	Fiscal YTD - Nov. 2019	\$	%
Operating Revenues				
Shipping Services	164,952	175,097	(10,145)	(5.8%)
Rentals	32,868	27,708	5,159	18.6%
Royalties, Fees and Other Revenues	6,410	5,935	475	8.0%
Clean Truck Program Revenues	1,753	1,926	(173)	(9.0%)
Total Operating Revenues	205,983	210,667	(4,684)	(2.2%)
Operating Expenses				
Gross Salaries & Benefits	60,960	67,490	(6,530)	(9.7%)
Capitalization	(9,004)	(5,542)	(3,461)	62.5%
Net Salaries & Benefits	51,956	61,948	(9,991)	(16.1%)
Marketing & Public Relations	1,388	1,787	(399)	(22.3%)
Travel	401	450	(49)	(10.9%)
Outside Services	9,075	17,035	(7,961)	(46.7%)
Materials & Supplies	1,931	4,005	(2,074)	(51.8%)
City Services	20,004	23,116	(3,113)	(13.5%)
Allocations to Capital - Overhead		(6,790)	6,790	(100.0%)
Other Operating Expenses	16,364	22,274	(5,910)	(26.5%)
Clean Truck Program Expenses	285	437	(151)	(34.7%)
Total Operating Expenses	101,404	124,262	(22,858)	(18.4%)
Income Before Depreciation	104,579	86,405	18,174	21.0%
Provision For Depreciation	66,084	69,782	(3,698)	(5.3%)
Income From Operations	38,495	16,623	21,872	131.6%
Non-Operating Revenue	17,463	22,833	(5,370)	(23.5%)
Non-Operating Expenses	(22,034)	(32,264)	10,231	(31.7%)
Net Income	33,925	7,192	26,733	371.7%

Allocations to capital - overhead are allocated to individual accounts within the presentation of actual results; however, these overhead allocations are not allocated to individual accounts for budgetary purposes. Allocations to capital - overhead for the fiscal year-to-date period totaled \$7.8 million relative to a budget of \$6.8 million. Primarily for: Electricity \$7.2; Container Incentives \$5.2; Cruise Incentives \$1.2; Insurance \$1.2; Water & Gas \$0.9; Telephone \$0.6; Taxes & Assessments \$0.4; Equipment Rental/Permits/License/Fees \$0.4; Memberships/Subscriptions/Books \$0.4; Environmental Incentives \$0.3; Overhead Capitalization (\$1.4). Primarily for: Interest Income \$7.7; State Passthrough Revenue \$6.7; Late Charges/Discounts \$1.7; JPA Income \$0.7; Gain on Land Sale \$0.4; Federal Operating Grants \$0.3. Primarily for: Interest Expense \$11.6; State Passthrough Expense \$6.7; Capital Projects Closed to Expenses \$3.0; Bond Administration Costs \$0.7.

\$ in thousands	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2019/20	FY 2018/19	Change	
	Fiscal YTD - Nov. 2019	Fiscal YTD - Nov. 2018	\$	%
Operating Revenues				
Shipping Services	164,952	175,481	(10,529)	(6.0%)
Rentals	32,868	27,864	5,003	18.0%
Royalties, Fees and Other Revenues	6,410	8,884	(2,474)	(27.8%)
Clean Truck Program Revenues	1,753	812	941	115.9%
Total Operating Revenues	205,983	213,041	(7,059)	(3.3%)
Operating Expenses				
Gross Salaries & Benefits	60,960	58,434	2,526	4.3%
Capitalization	(9,004)	(9,241)	237	(2.6%)
Net Salaries & Benefits	51,956	49,193	2,763	5.6%
Marketing & Public Relations	1,388	1,415	(27)	(1.9%)
Travel	401	336	65	19.4%
Outside Services	9,075	10,102	(1,027)	(10.2%)
Materials & Supplies	1,931	2,284	(353)	(15.5%)
City Services	20,004	19,177	826	4.3%
Other Operating Expenses	16,364	10,764	5,600	52.0%
Clean Truck Program Expenses	285	108	177	164.9%
Total Operating Expenses	101,404	93,380	8,024	8.6%
Income Before Depreciation	104,579	119,662	(15,083)	(12.6%)
Provision For Depreciation	66,084	63,263	2,821	4.5%
Income From Operations	38,495	56,399	(17,904)	(31.7%)
Non-Operating Revenue	17,463	13,546	3,918	28.9%
Non-Operating Expenses	(22,034)	(3,595)	(18,438)	512.8%
Net Income	33,925	66,349	(32,424)	(48.9%)

Primarily for: Electricity \$7.2; Container Incentives \$5.2; Cruise Incentives \$1.2; Insurance \$1.2; Water & Gas \$0.9; Telephone \$0.6; Taxes & Assessments \$0.4; Equipment Rental/Permits/License/Fees \$0.4; Memberships/Subscriptions/Books \$0.4; Environmental Incentives \$0.3; Overhead
Primarily for: Interest Income \$7.7; State Passthrough Revenue \$6.7; Late Charges/Discounts \$1.7; JPA Income \$0.7; Gain on Land Sale \$0.4; Federal
Primarily for: Interest Expense \$11.6; State Passthrough Expense \$6.7; Capital Projects Closed to Expenses \$3.0; Bond Administration Costs \$0.7