



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

“FOR INFORMATION ONLY”

DATE: JANUARY 23, 2019

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2018/19 ENDED DECEMBER 31, 2018**

Financial performance results for the first six months of Fiscal Year (“FY”) 2018/19 are below and have been summarized relative to both budget and the prior fiscal year. For the month of December, cargo volumes (as measured by TEUs or twenty-foot equivalent units) increased 15.9% relative to December 2017, and Fiscal year-to-date (“FYTD”) TEUs are now 5.9% higher relative to prior FYTD results. In summary, FYTD performance results for the Harbor Department are as follows:

FYTD December 2018	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	5,150	↑ 3.9%	↑ 5.9%
Operating Revenues	\$258.5	↓ (3.8%)	↓ (2.2%)
Operating Expenses	\$112.8	↓ (17.4%)	↑ 8.7%
Operating Income	\$145.7	↑ 10.3%	↓ (9.2%)
Net Income	\$103.5	↑ 111.1%	↑ 23.5%

Through the first six months of FY 2018/19, Shipping Services revenues declined relative to both budget and the prior fiscal year due to higher accruals for calendar year-end compensation adjustments and lower realized rates. Relative to budget and the prior fiscal year, total Operating Revenues decreased by 3.8% and 2.2% respectively as lower Shipping Services and higher credits for tenant services were only partially offset by higher Harbor Maintenance Tax receipts and higher rental revenues.

Operating Expenses were favorably impacted as invoicing delays with respect to outside services as well as lower headcounts drove total Operating Expenses 17.4% below budget. Relative to the prior fiscal year, total Operating Expenses increased by 8.7% due

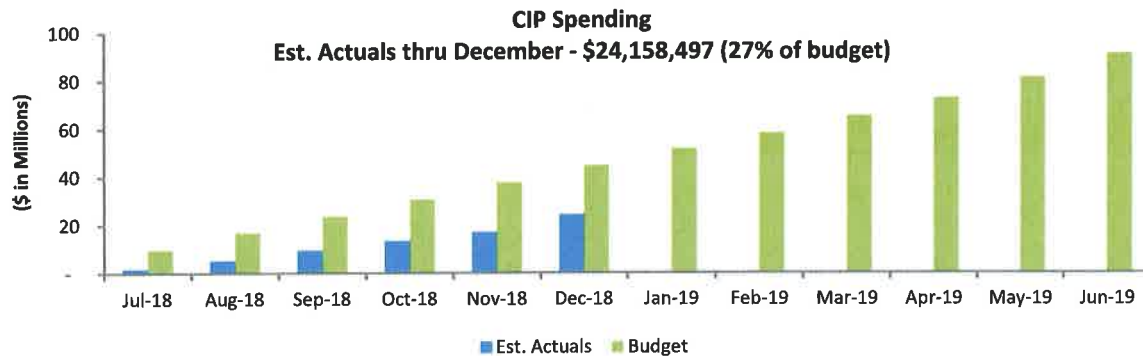
SUBJECT: FINANCIAL PERFORMANCE RESULTS

to higher outside services and higher city services spending as well as higher cruise incentive payouts.

Operating margins for the FYTD period were reported at 56.4% versus a budget of 49.2% and a prior year figure of 60.7%. 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 2018/19 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended December 31, 2018 based on internal estimates reached \$24.2 million or about 27% of the total \$91.0 million CIP adopted budget. At this stage in the fiscal year, the Harbor Department currently expects to stay within the CIP adopted budget through fiscal year-end.



Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD December 2018
2. Actual-to-Budget FY 2018/19 – December
3. Year-to-Year Performance Report YTD December 31, 2018 and 2017

Author: M. Marchese

JS:MM/Finance

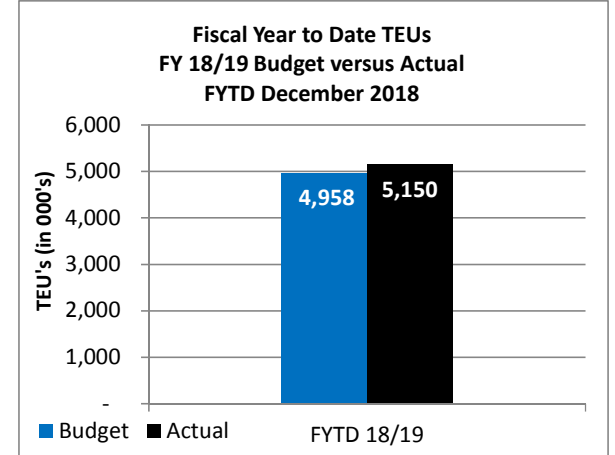
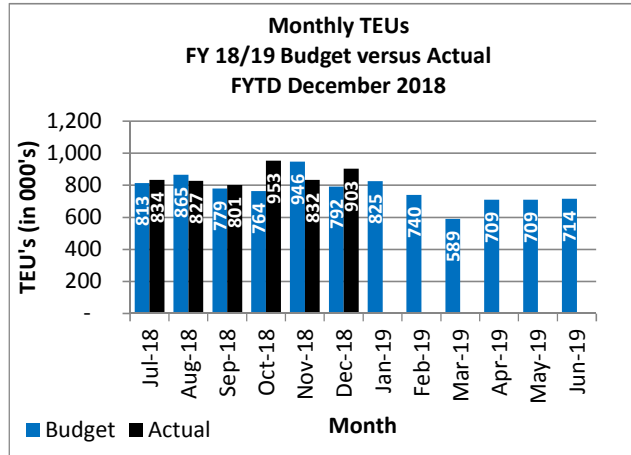
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - FYTD DECEMBER 2018

TRANSMITTAL 1

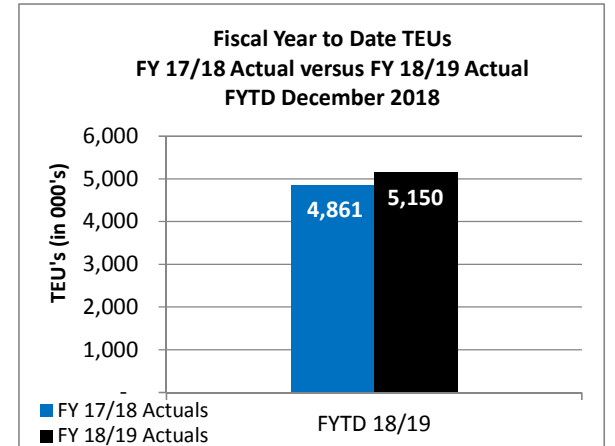
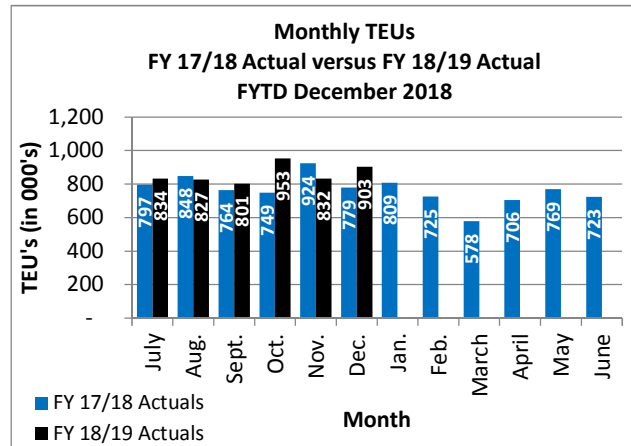
Budget versus Actuals Comparison
FY 18/19 Budget vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 18/19 Budget	FY 18/19 Actuals		
Jul-18	813	834	2.6%	↑
Aug-18	865	827	-4.5%	↓
Sep-18	779	801	2.9%	↑
Oct-18	764	953	24.7%	↑
Nov-18	946	832	-12.0%	↓
Dec-18	792	903	14.1%	↑
Jan-19	825			
Feb-19	740			
Mar-19	589			
Apr-19	709			
May-19	709			
Jun-19	714			
FYTD 18/19	4,958	5,150	3.9%	↑
FY 18/19 Budget	9,244			



Year-to-Year Actuals Comparison
FY 17/18 Actuals vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 17/18 Actuals	FY 18/19 Actuals		
July	797	834	4.6%	↑
Aug.	848	827	-2.5%	↓
Sept.	764	801	4.9%	↑
Oct.	749	953	27.2%	↑
Nov.	924	832	-9.9%	↓
Dec.	779	903	15.9%	↑
Jan.	809			
Feb.	725			
March	578			
April	706			
May	769			
June	723			
FYTD 18/19	4,861	5,150	5.9%	↑
FY 17/18 Actuals	9,170			



\$ in thousands	Fiscal Year Actual	Fiscal Year Budget	Actual-to-Budget	
	FY 2018/19	FY 2018/19	Comparison	
	Fiscal YTD - Dec. 2018	Fiscal YTD - Dec. 2018	\$	%
Operating Revenues				
Shipping Services	212,784	226,819	(14,035)	(6.2%)
Rentals	34,517	29,311	5,205	17.8%
Royalties, Fees and Other Revenues	10,423	11,477	(1,054)	(9.2%)
Clean Truck Program Revenues	812	1,008	(196)	(19.4%)
Total Operating Revenues	258,535	268,615	(10,080)	(3.8%)
Operating Expenses				
Gross Salaries & Benefits	69,698	78,312	(8,614)	(11.0%)
Capitalization	(11,172)	(6,733)	(4,439)	65.9%
Net Salaries & Benefits	58,526	71,579	(13,054)	(18.2%)
Marketing & Public Relations	1,486	2,007	(522)	(26.0%)
Travel	344	508	(164)	(32.3%)
Outside Services	13,430	23,338	(9,908)	(42.5%)
Materials & Supplies	2,705	4,304	(1,599)	(37.2%)
City Services	23,126	26,085	(2,958)	(11.3%)
Allocations to Capital - Overhead		(6,618)	6,618	(100.0%)
Other Operating Expenses	12,963	14,816	(1,853)	(12.5%)
Clean Truck Program Expenses	242	540	(298)	(55.2%)
Total Operating Expenses	112,821	136,559	(23,738)	(17.4%)
Income Before Depreciation	145,714	132,056	13,658	10.3%
Provision For Depreciation	76,210	87,806	(11,596)	(13.2%)
Income From Operations	69,504	44,249	25,254	57.1%
Non-Operating Revenue	41,888	15,922	25,966	163.1%
Non-Operating Expenses	(7,932)	(11,154)	3,222	(28.9%)
Net Income	103,459	49,017	54,443	111.1%

\$ in thousands	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2018/19	FY 2017/18	Change	
	Fiscal YTD - Dec. 2018	Fiscal YTD - Dec. 2017	\$	%
Operating Revenues				
Shipping Services	212,784	222,659	(9,876)	(4.4%)
Rentals	34,517	32,306	2,211	6.8%
Royalties, Fees and Other Revenues	10,423	8,203	2,219	27.1%
Clean Truck Program Revenues	812	1,066	(254)	(23.8%)
Total Operating Revenues	258,535	264,234	(5,700)	(2.2%)
Operating Expenses				
Gross Salaries & Benefits	69,698	68,919	778	1.1%
Capitalization	(11,172)	(10,001)	(1,171)	11.7%
Net Salaries & Benefits	58,526	58,918	(393)	(0.7%)
Marketing & Public Relations	1,486	1,927	(442)	(22.9%)
Travel	344	390	(46)	(11.9%)
Outside Services	13,430	8,522	4,908	57.6%
Materials & Supplies	2,705	2,843	(139)	(4.9%)
City Services	23,126	19,628	3,499	17.8%
Other Operating Expenses	12,963	11,259	1,705	15.1%
Clean Truck Program Expenses	242	307	(66)	(21.4%)
Total Operating Expenses	112,821	103,794	9,027	8.7%
Income Before Depreciation	145,714	160,440	(14,726)	(9.2%)
Provision For Depreciation	76,210	81,099	(4,889)	(6.0%)
Income From Operations	69,504	79,341	(9,837)	(12.4%)
Non-Operating Revenue	41,888	7,522	34,366	456.9%
Non-Operating Expenses	(7,932)	(3,102)	(4,830)	155.7%
Net Income	103,459	83,760	19,699	23.5%