“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:

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

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
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.

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

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

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 18/19 Budget</th>
<th>FY 18/19 Actuals</th>
<th>% Δ</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-18</td>
<td>813</td>
<td>834</td>
<td>2.6%</td>
<td>200</td>
</tr>
<tr>
<td>Aug-18</td>
<td>865</td>
<td>827</td>
<td>-4.5%</td>
<td>-38</td>
</tr>
<tr>
<td>Sep-18</td>
<td>779</td>
<td>801</td>
<td>2.9%</td>
<td>22</td>
</tr>
<tr>
<td>Oct-18</td>
<td>764</td>
<td>953</td>
<td>24.7%</td>
<td>189</td>
</tr>
<tr>
<td>Nov-18</td>
<td>946</td>
<td>832</td>
<td>-12.0%</td>
<td>-114</td>
</tr>
<tr>
<td>Dec-18</td>
<td>792</td>
<td>903</td>
<td>14.1%</td>
<td>111</td>
</tr>
</tbody>
</table>

FYTD 18/19

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 18/19 Budget</th>
<th>FY 18/19 Actuals</th>
<th>% Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-19</td>
<td>825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb-19</td>
<td>740</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar-19</td>
<td>569</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr-19</td>
<td>709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>May-19</td>
<td>709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jun-19</td>
<td>714</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FYTD 18/19 Budget 9,244

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

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 17/18 Actuals</th>
<th>FY 18/19 Actuals</th>
<th>% Δ</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>797</td>
<td>834</td>
<td>4.6%</td>
<td>37</td>
</tr>
<tr>
<td>Aug.</td>
<td>848</td>
<td>827</td>
<td>-2.5%</td>
<td>-21</td>
</tr>
<tr>
<td>Sept.</td>
<td>764</td>
<td>801</td>
<td>4.9%</td>
<td>37</td>
</tr>
<tr>
<td>Oct.</td>
<td>749</td>
<td>953</td>
<td>27.2%</td>
<td>204</td>
</tr>
<tr>
<td>Nov.</td>
<td>924</td>
<td>832</td>
<td>-9.9%</td>
<td>-92</td>
</tr>
<tr>
<td>Dec.</td>
<td>779</td>
<td>903</td>
<td>16.9%</td>
<td>124</td>
</tr>
</tbody>
</table>

FYTD 18/19

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 17/18 Actuals</th>
<th>FY 18/19 Actuals</th>
<th>% Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>809</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb.</td>
<td>725</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>578</td>
<td></td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>706</td>
<td></td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>769</td>
<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>723</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FYTD 18/19 Actuals 9,170

Fiscal Year to Date TEUs
FY TD December 2018

<table>
<thead>
<tr>
<th>Month</th>
<th>TEUs (in 000's)</th>
<th>FYTD 18/19</th>
<th>% Δ</th>
<th>FY 17/18 Actuals</th>
<th>FY 18/19 Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>834</td>
<td>4,861</td>
<td></td>
<td>797</td>
<td>834</td>
</tr>
<tr>
<td>Aug.</td>
<td>827</td>
<td>4,958</td>
<td>2.6%</td>
<td>848</td>
<td>834</td>
</tr>
<tr>
<td>Sept.</td>
<td>801</td>
<td>5,150</td>
<td>-2.5%</td>
<td>764</td>
<td>801</td>
</tr>
<tr>
<td>Oct.</td>
<td>953</td>
<td>5,150</td>
<td>27.2%</td>
<td>749</td>
<td>953</td>
</tr>
<tr>
<td>Nov.</td>
<td>832</td>
<td>5,150</td>
<td>-9.9%</td>
<td>924</td>
<td>832</td>
</tr>
<tr>
<td>Dec.</td>
<td>903</td>
<td>5,150</td>
<td>16.9%</td>
<td>779</td>
<td>903</td>
</tr>
</tbody>
</table>

FYTD 18/19

<table>
<thead>
<tr>
<th>Month</th>
<th>TEUs (in 000's)</th>
<th>FYTD 18/19</th>
<th>% Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>809</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb.</td>
<td>725</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>578</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>706</td>
<td></td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>769</td>
<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>723</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FY TD December 2018
### Actual-to-Budget Performance Report

**The Port of Los Angeles - Harbor Department**  
**FYTD December 31, 2018**

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

**The Port of Los Angeles - Harbor Department**  
**FYTD December 31, 2018 and 2017**

### TRANSMITTAL 3

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