



## AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

### “FOR INFORMATION ONLY”

**DATE: DECEMBER 17, 2018**

**TO: BOARD OF HARBOR COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR  
FISCAL YEAR 2018/19 ENDED NOVEMBER 30, 2018**

Financial performance results for the first five 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 November, cargo volumes (as measured by TEUs or twenty-foot equivalent units) decreased 9.9% relative to November 2017. However, despite this monthly decline, fiscal year-to-date (“FYTD”) TEUs remained higher relative to prior FYTD results. In summary, FYTD performance results for the Harbor Department are as follows:

FYTD November 2018	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	4,246	↑ 1.9%	↑ 4.0%
Operating Revenues	\$213.0	↓ (5.2%)	↓ (3.9%)
Operating Expenses	\$93.4	↓ (18.5%)	↑ 7.8%
Operating Income	\$119.6	↑ 8.6%	↓ (11.4%)
Net Income	\$66.4	↑ 86.3%	↓ (6.8%)

Through the first five 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. Relative to budget and the prior fiscal year, total Operating Revenues decreased by 5.2% and 3.9% 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 18.5% below budget. Relative to the prior fiscal year, total Operating Expenses increased by 7.8% due

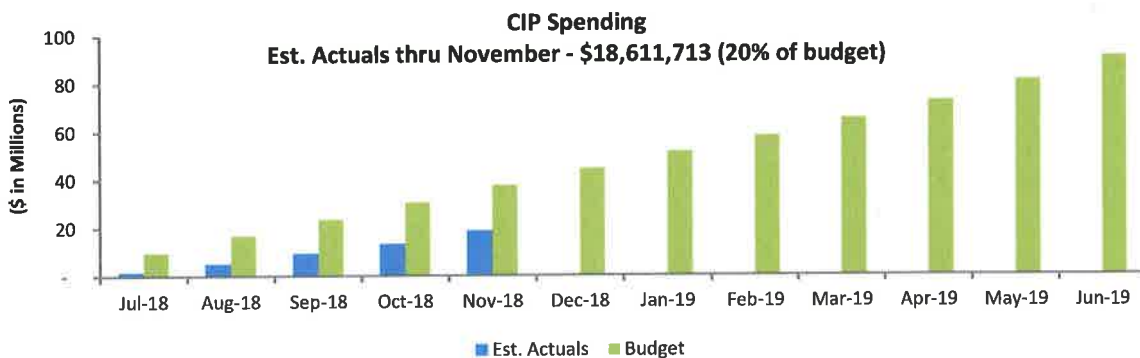
SUBJECT: FINANCIAL PERFORMANCE RESULTS

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 56.2% versus a budget of 49.0% and a prior year figure of 60.9%. 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 November 30, 2018 based on internal estimates reached \$18.6 million or about 20% 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.



*Mark Blewett* FOR  
EUGENE D. SEROKA  
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD November 2018
2. Actual-to-Budget FY 2018/19 – November
3. Year-to-Year Performance Report YTD November 30, 2018 and 2017

Author: M. Marchese

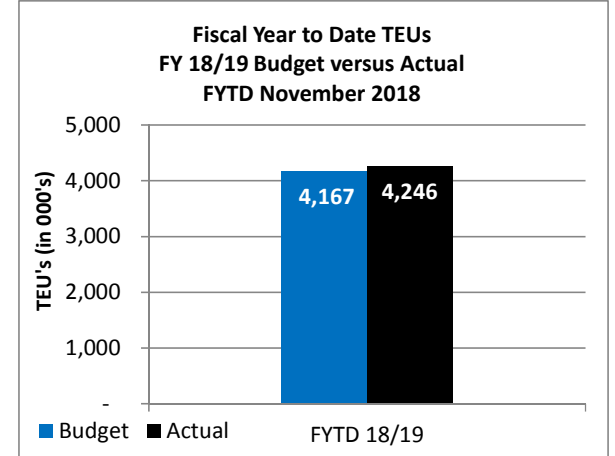
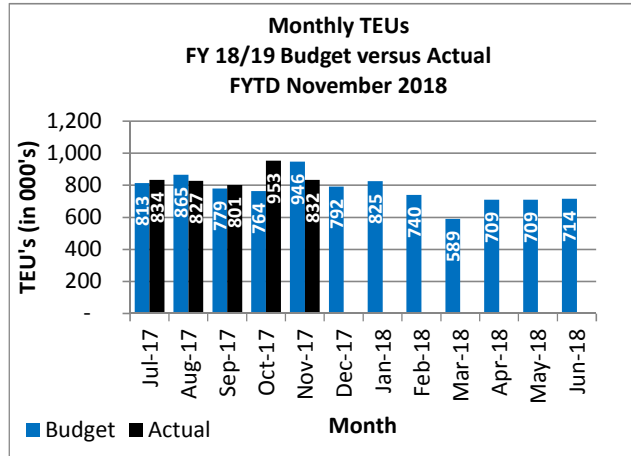
MB:MM/Finance

cc: Deputy Executive Directors

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

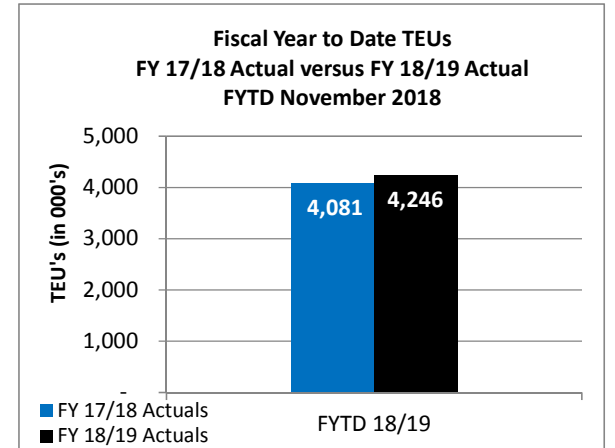
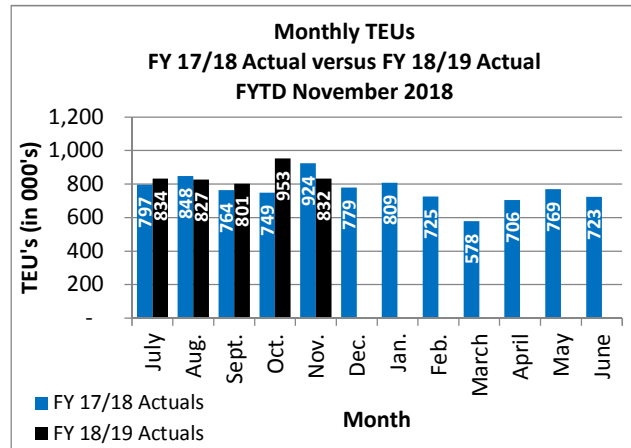
Budget versus Actuals Comparison  
FY 18/19 Budget vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 18/19 Budget	FY 18/19 Actuals		
Jul-17	813	834	2.6%	↑
Aug-17	865	827	-4.5%	↓
Sep-17	779	801	2.9%	↑
Oct-17	764	953	24.7%	↑
Nov-17	946	832	-12.0%	↓
Dec-17	792			
Jan-18	825			
Feb-18	740			
Mar-18	589			
Apr-18	709			
May-18	709			
Jun-18	714			
FYTD 18/19	4,167	4,246	1.9%	↑
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			
Jan.	809			
Feb.	725			
March	578			
April	706			
May	769			
June	723			
FYTD 18/19	4,081	4,246	4.0%	↑
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 - Nov. 2018	Fiscal YTD - Nov. 2018	\$	%
<b>Operating Revenues</b>				
Shipping Services	175,481	191,388	(15,906)	(8.3%)
Rentals	27,864	25,234	2,630	10.4%
Royalties, Fees and Other Revenues	8,884	7,200	1,684	23.4%
Clean Truck Program Revenues	812	893	(81)	(9.1%)
<b>Total Operating Revenues</b>	<b>213,041</b>	<b>224,715</b>	<b>(11,673)</b>	<b>(5.2%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	58,434	65,427	(6,994)	(10.7%)
Capitalization	(9,241)	(5,610)	(3,630)	64.7%
Net Salaries & Benefits	49,193	59,817	(10,624)	(17.8%)
Marketing & Public Relations	1,415	1,680	(265)	(15.8%)
Travel	336	467	(131)	(28.0%)
Outside Services	10,102	19,696	(9,594)	(48.7%)
Materials & Supplies	2,284	3,712	(1,428)	(38.5%)
City Services	19,177	21,775	(2,597)	(11.9%)
Allocations to Capital - Overhead		(5,515)	5,515	(100.0%)
Other Operating Expenses	10,764	12,431	(1,667)	(13.4%)
Clean Truck Program Expenses	108	448	(340)	(76.0%)
<b>Total Operating Expenses</b>	<b>93,380</b>	<b>114,511</b>	<b>(21,131)</b>	<b>(18.5%)</b>
<b>Income Before Depreciation</b>	<b>119,662</b>	<b>110,204</b>	<b>9,458</b>	<b>8.6%</b>
Provision For Depreciation	63,263	73,172	(9,909)	(13.5%)
<b>Income From Operations</b>	<b>56,399</b>	<b>37,032</b>	<b>19,367</b>	<b>52.3%</b>
Non-Operating Revenue	13,546	4,272	9,274	217.1%
Non-Operating Expenses	(3,594)	(5,684)	2,090	(36.8%)
<b>Net Income</b>	<b>66,351</b>	<b>35,620</b>	<b>30,730</b>	<b>86.3%</b>

\$ in thousands	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2018/19	FY 2017/18	Change	
	Fiscal YTD - Nov. 2018	Fiscal YTD - Nov. 2017	\$	%
<b>Operating Revenues</b>				
Shipping Services	175,481	187,809	(12,327)	(6.6%)
Rentals	27,864	25,724	2,140	8.3%
Royalties, Fees and Other Revenues	8,884	7,315	1,569	21.5%
Clean Truck Program Revenues	812	938	(127)	(13.5%)
<b>Total Operating Revenues</b>	<b>213,041</b>	<b>221,786</b>	<b>(8,745)</b>	<b>(3.9%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	58,434	57,585	849	1.5%
Capitalization	(9,241)	(8,219)	(1,021)	12.4%
Net Salaries & Benefits	49,193	49,366	(172)	(0.3%)
Marketing & Public Relations	1,415	1,730	(315)	(18.2%)
Travel	336	362	(26)	(7.1%)
Outside Services	10,102	6,945	3,157	45.5%
Materials & Supplies	2,284	2,491	(207)	(8.3%)
City Services	19,177	16,272	2,906	17.9%
(1) Other Operating Expenses	10,764	9,257	1,507	16.3%
Clean Truck Program Expenses	108	233	(125)	(53.7%)
<b>Total Operating Expenses</b>	<b>93,380</b>	<b>86,655</b>	<b>6,725</b>	<b>7.8%</b>
<b>Income Before Depreciation</b>	<b>119,662</b>	<b>135,131</b>	<b>(15,470)</b>	<b>(11.4%)</b>
Provision For Depreciation	63,263	67,582	(4,319)	(6.4%)
<b>Income From Operations</b>	<b>56,399</b>	<b>67,550</b>	<b>(11,151)</b>	<b>(16.5%)</b>
(2) Non-Operating Revenue	13,546	6,621	6,925	104.6%
(3) Non-Operating Expenses	(3,594)	(3,016)	(578)	19.1%
<b>Net Income</b>	<b>66,351</b>	<b>71,154</b>	<b>(4,803)</b>	<b>(6.8%)</b>