



# AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

## “FOR INFORMATION ONLY”

**DATE: JANUARY 13, 2020**

**TO: BOARD OF HARBOR COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR  
FISCAL YEAR 2019/20 ENDED DECEMBER 31, 2019**

Financial performance results for the first six months of the Fiscal Year (FY) 2019/20 are below and have been summarized relative to both budget and the prior fiscal year. Through December, cargo volumes (as measured by TEUs or twenty-foot equivalent units) declined 1.1% relative to budget and 6.8% relative to the prior fiscal year. In summary, performance results for the Harbor Department are as follows:

<b>FYTD December 2019</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>	4,799	↓ (1.1%)	↓ (6.8%)
<b>Operating Revenues</b>	\$245.2	↓ (1.8%)	↓ (5.1%)
<b>Operating Expenses</b>	\$121.1	↓ (17.2%)	↑ 7.3%
<b>Operating Income</b>	\$124.2	↑ 20.0%	↓ (14.8%)
<b>Net Income</b>	\$40.5	↑ 338.7%	↓ (60.9%)

Shipping Services revenues declined relative to budget driven by lower wharfage resulting from lower volumes, lower space assignments, and lower pilotage. Relative to the prior fiscal year, Shipping Services revenues decreased due to lower wharfage, lower space assignments, and lower pilotage. Operating Revenues decreased by 1.8% compared to budget primarily driven by lower shipping services, which were only partially offset by higher rentals and higher one-time reimbursements. Relative to the prior year, Operating Revenues declined by 5.1% as lower shipping services and lower one-time operating reimbursements, were only partially offset by higher rental revenues.

Lower headcounts and invoicing delays with respect to outside services, materials and supplies, and city services, drove total Operating Expenses 17.2% below budget.

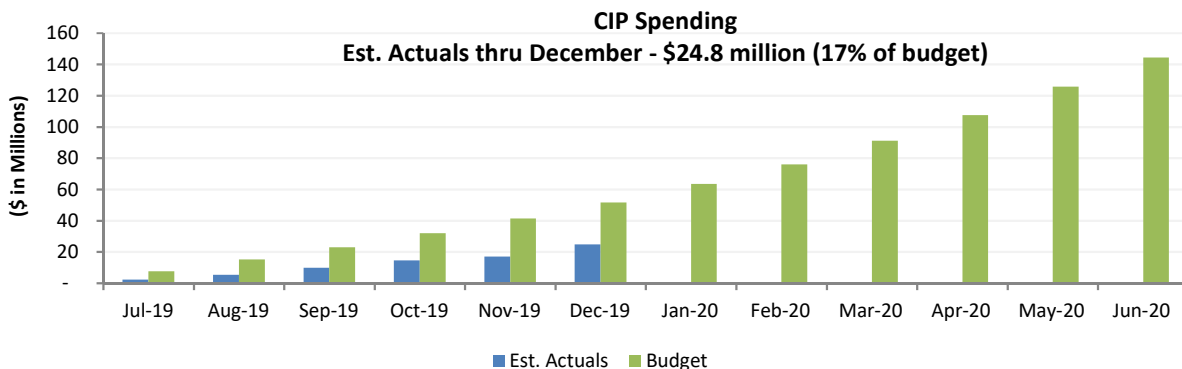
**SUBJECT: FINANCIAL PERFORMANCE RESULTS**

Relative to the prior fiscal year, total Operating Expenses increased by 7.3% due primarily to higher container incentive payouts and higher electricity expenses.

Operating margins for the month of December were reported at 50.6% versus a budget of 41.4% and a prior year figure of 56.4%. 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 six-month period ended December 31, 2019 is estimated to reach \$24.8 million or about 17% 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 December 2019
2. Actual-to-Budget FY 2019/20 – December
3. Year-to-Year Performance Report FYTD December 31, 2019 and 2018

Author: C. Li

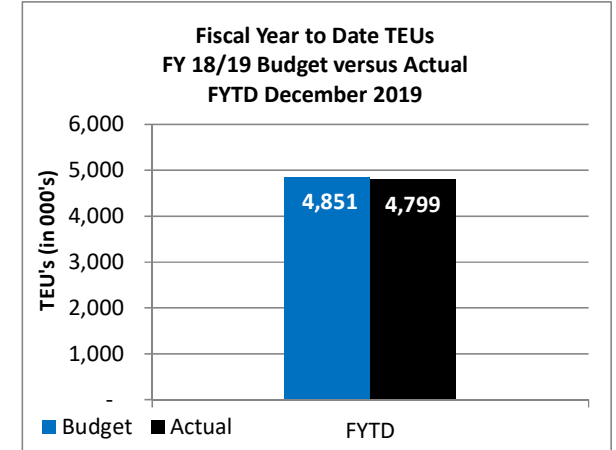
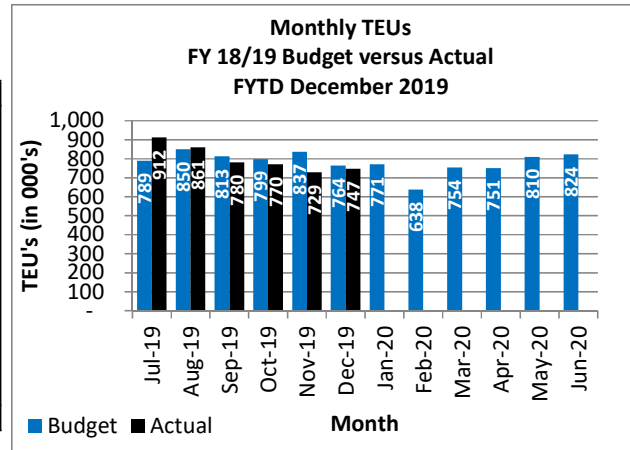
MB:MM/Finance  
cc: Deputy Executive Directors

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

TRANSMITTAL 1

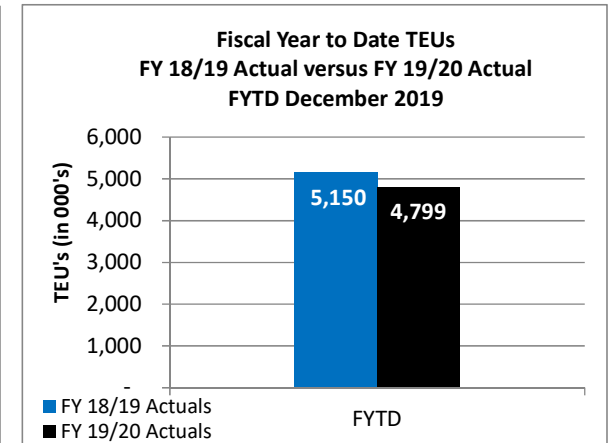
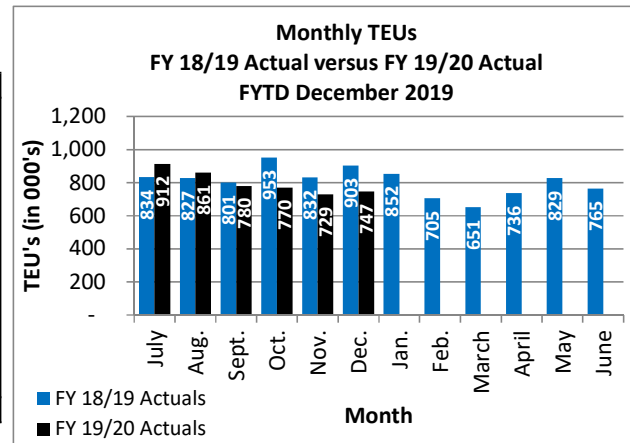
Budget versus Actuals Comparison  
FY 19/20 Budget vs. FY 19/20 Actuals

(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	747	-2.2%	↓
Jan-20	771			
Feb-20	638			
Mar-20	754			
Apr-20	751			
May-20	810			
Jun-20	824			
FYTD	4,851	4,799	-1.1%	↓
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	747	-17.3%	↓
Jan.	852			
Feb.	705			
March	651			
April	736			
May	829			
June	765			
FYTD	5,150	4,799	-6.8%	↓
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 - Dec. 2019	Fiscal YTD - Dec. 2019	\$	%
<b>Operating Revenues</b>				
Shipping Services	198,101	207,665	(9,564)	(4.6%)
Rentals	37,205	32,573	4,632	14.2%
Royalties, Fees and Other Revenues	7,998	7,340	658	9.0%
Clean Truck Program Revenues	1,929	2,107	(178)	(8.5%)
<b>Total Operating Revenues</b>	<b>245,234</b>	<b>249,685</b>	<b>(4,451)</b>	<b>(1.8%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	73,257	80,570	(7,313)	(9.1%)
Capitalization	(10,636)	(6,651)	(3,985)	59.9%
Net Salaries & Benefits	62,621	73,919	(11,298)	(15.3%)
Marketing & Public Relations	1,594	2,185	(592)	(27.1%)
Travel	436	491	(55)	(11.1%)
Outside Services	10,674	20,158	(9,484)	(47.0%)
Materials & Supplies	2,393	4,710	(2,317)	(49.2%)
City Services	24,372	27,691	(3,319)	(12.0%)
Allocations to Capital - Overhead		(8,148)	8,148	(100.0%)
Other Operating Expenses	18,667	24,703	(6,036)	(24.4%)
Clean Truck Program Expenses	308	528	(220)	(41.6%)
<b>Total Operating Expenses</b>	<b>121,065</b>	<b>146,237</b>	<b>(25,172)</b>	<b>(17.2%)</b>
<b>Income Before Depreciation</b>	<b>124,169</b>	<b>103,448</b>	<b>20,721</b>	<b>20.0%</b>
Provision For Depreciation	78,914	83,738	(4,824)	(5.8%)
<b>Income From Operations</b>	<b>45,254</b>	<b>19,710</b>	<b>25,545</b>	<b>129.6%</b>
Non-Operating Revenue	19,297	27,809	(8,512)	(30.6%)
Non-Operating Expenses	(24,076)	(38,291)	14,216	(37.1%)
<b>Net Income</b>	<b>40,475</b>	<b>9,227</b>	<b>31,248</b>	<b>338.7%</b>

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 \$9.5 million relative to a budget of \$8.1 million. Primarily for: Electricity \$8.6; Container Incentives \$5.2; Insurance \$1.4; Cruise Incentives \$1.2; Water & Gas \$1.2; Taxes & Assessments \$0.7; Telephone \$0.7; Equipment Rental/Permits/License/Fees \$0.6; Memberships/Subscriptions/Books \$0.4; Environmental Incentives \$0.3; Overhead Capitalization (\$1.6). Primarily for: Interest Income \$9.4; State Passthrough Revenue \$6.7; Late Charges/Discounts \$1.8; JPA Income \$0.7; Gain on Land Sale \$0.4; Federal Operating Grants \$0.3. Primarily for: Interest Expense \$13.6; State Passthrough Expense \$6.7; Capital Projects Closed to Expenses \$3.0; Bond Administration Costs \$0.7; Misc. Non-Operating

\$ in thousands	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2019/20	FY 2018/19	Change	
	Fiscal YTD - Dec. 2019	Fiscal YTD - Dec. 2018	\$	%
<b>Operating Revenues</b>				
Shipping Services	198,101	212,784	(14,683)	(6.9%)
Rentals	37,205	34,517	2,689	7.8%
Royalties, Fees and Other Revenues	7,998	10,423	(2,424)	(23.3%)
Clean Truck Program Revenues	1,929	812	1,118	137.7%
<b>Total Operating Revenues</b>	<b>245,234</b>	<b>258,535</b>	<b>(13,301)</b>	<b>(5.1%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	73,257	69,698	3,559	5.1%
Capitalization	(10,636)	(11,172)	536	(4.8%)
Net Salaries & Benefits	62,621	58,526	4,095	7.0%
Marketing & Public Relations	1,594	1,486	108	7.3%
Travel	436	344	92	26.8%
Outside Services	10,674	13,430	(2,756)	(20.5%)
Materials & Supplies	2,393	2,705	(311)	(11.5%)
City Services	24,372	23,126	1,246	5.4%
Other Operating Expenses	18,667	12,811	5,856	45.7%
Clean Truck Program Expenses	308	394	(86)	(21.7%)
<b>Total Operating Expenses</b>	<b>121,065</b>	<b>112,821</b>	<b>8,244</b>	<b>7.3%</b>
<b>Income Before Depreciation</b>	<b>124,169</b>	<b>145,714</b>	<b>(21,545)</b>	<b>(14.8%)</b>
Provision For Depreciation	78,914	76,210	2,704	3.5%
<b>Income From Operations</b>	<b>45,254</b>	<b>69,504</b>	<b>(24,249)</b>	<b>(34.9%)</b>
Non-Operating Revenue	19,297	41,888	(22,591)	(53.9%)
Non-Operating Expenses	(24,076)	(7,932)	16,143	(203.5%)
<b>Net Income</b>	<b>40,475</b>	<b>103,459</b>	<b>(62,984)</b>	<b>(60.9%)</b>

Primarily for: Electricity \$8.6; Container Incentives \$5.2; Insurance \$1.4; Cruise Incentives \$1.2; Water & Gas \$1.2; Taxes & Assessments \$0.7; Telephone \$0.7; Equipment Rental/Permits/License/Fees \$0.6; Memberships/Subscriptions/Books \$0.4; Environmental Incentives \$0.3; Overhead \$0.3; Gain on Land Sale \$0.4; Federal Primarily for: Interest Income \$9.4; State Passthrough Revenue \$6.7; Late Charges/Discounts \$1.8; JPA Income \$0.7; Gain on Land Sale \$0.4; Federal Primarily for: Interest Expense \$13.6; State Passthrough Expense \$6.7; Capital Projects Closed to Expenses \$3.0; Bond Administration Costs \$0.7; Misc.