



## AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

### “FOR INFORMATION ONLY”

**DATE: OCTOBER 18, 2019**

**TO: BOARD OF HARBOR COMMISSIONERS**

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

Financial performance results for the first three 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 September, cargo volumes (as measured by TEUs or twenty-foot equivalent units) grew 4.1% relative to budget and 3.7% relative to prior fiscal year. In summary, performance results for the Harbor Department are as follows:

FYTD September 2019	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	2,553	↑ 4.1%	↑ 3.7%
Operating Revenues	\$124.3	↑ 0.2%	↑ 4.0%
Operating Expenses	\$60.8	↓ (13.8%)	↑ 11.7%
Operating Income	\$63.5	↑ 18.4%	↓ (2.4%)
Net Income	\$18.7	↑ 146.5%	↓ (45.3%)

Shipping Services slightly lower relative to budget driven by lower wharfage resulting from lower realized rates, partially offset by higher volumes, lower space assignment, and lower pilotage. Relative to the prior fiscal year, Shipping Services increased as higher wharfage more than offset lower space assignment and pilotage. Operating Revenues increased by 0.2% compared to budget primarily driven by higher rentals, higher one-time reimbursements, and higher Clean Truck Program revenues. Relative to prior year, total Operating Revenues increased by 4.0% primarily resulting from higher wharfage, higher rentals, and higher Clean Truck Program revenues.

Lower headcounts and invoicing delays with respect to outside services as well as materials and supplies, were only slightly offset by higher container incentive payouts to drive total Operating Expenses 13.8% below budget. Relative to the prior fiscal year, total

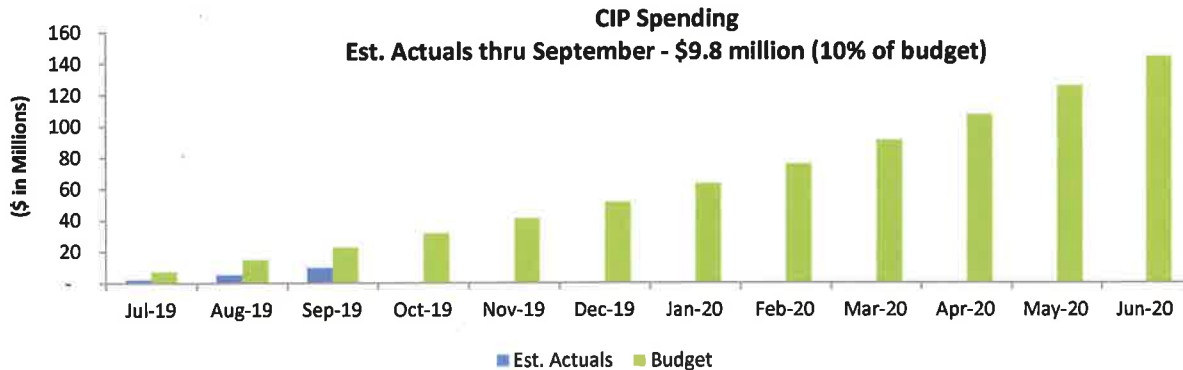
SUBJECT: FINANCIAL PERFORMANCE RESULTS

Operating Expenses increased by 11.7% due primarily to higher container incentive payouts.

Operating margins for the month of September were reported at 51.1% versus a budget of 43.2% and a prior year figure of 54.5%. 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 three-month period ended September 30, 2019 is estimated to reach \$9.8 million or about 7% 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:

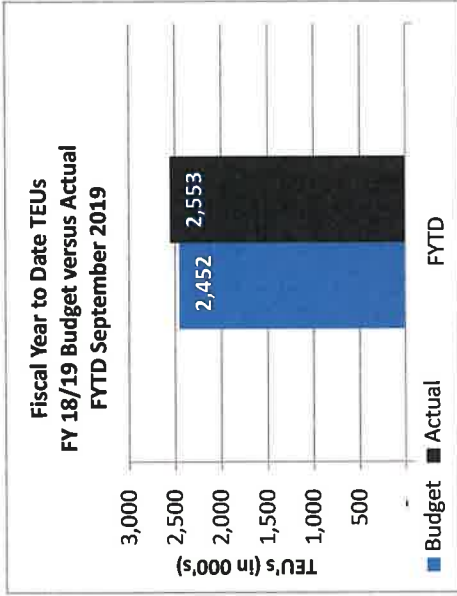
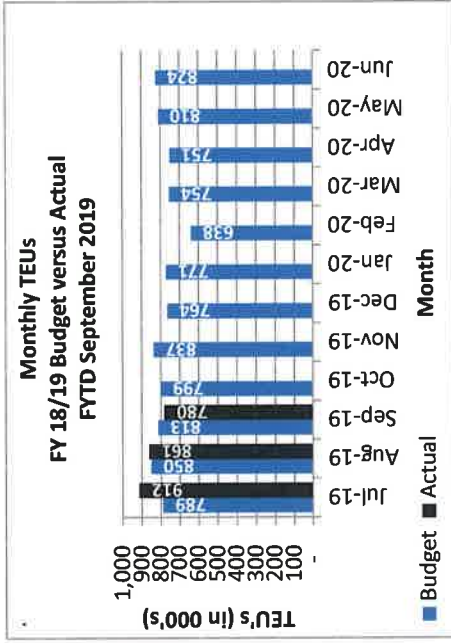
1. TEU Throughput Comparison – FYTD September 2019
2. Actual-to-Budget FY 2019/20 – September
3. Year-to-Year Performance Report FYTD September 30, 2019 and 2018

Author: C. Li

MB:MM/Finance  
cc: Deputy Executive Directors

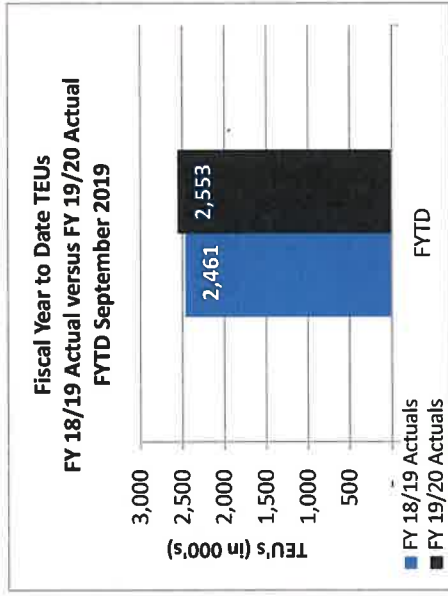
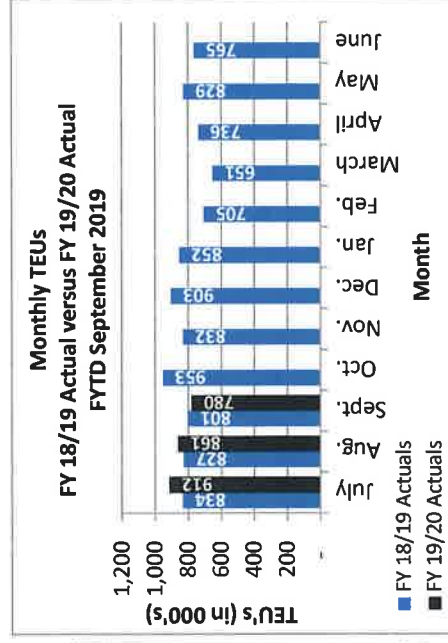
Budget versus Actuals Comparison  
FY 19/20 Budget vs. FY 19/20 Actuals

(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			
Nov-19	837			
Dec-19	764			
Jan-20	771			
Feb-20	638			
Mar-20	754			
Apr-20	751			
May-20	810			
Jun-20	824			
FYTD	2,452	2,553	4.1%	↑
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			
Nov.	832			
Dec.	903			
Jan.	852			
Feb.	705			
March	651			
April	736			
May	829			
June	765			
FYTD	2,461	2,553	3.7%	↑
FY 18/19 Actuals	9,688			



	Fiscal Year Actual FY 2019/20		Fiscal Year Budget FY 2019/20		Actual-to-Budget Comparison		Notes (\$ in millions)
	Fiscal YTD - Sep. 2019	Fiscal YTD - Sep. 2019	Fiscal YTD - Sep. 2019	Fiscal YTD - Sep. 2019	\$	%	
<b>Operating Revenues</b>							
Shipping Services	100,371		103,796		(3,426)	(3.3%)	Lower wharfage <\$2.4>, lower space assignments <\$0.5>, and lower pilotage fees <\$0.5>
Rentals	18,288		16,246		2,042	12.6%	Ultramar comp. reset \$0.9, Everport land rent \$0.6, PBF Energy new permit \$0.4, and higher Union Pacific utilization of ICTF \$0.1
Royalties, Fees and Other Revenues	4,239		3,275		964	29.4%	Higher one-time operating refunds/reimbursements primarily related to LADWP MOU \$1.2, partially offset by lower parking fees <\$0.1>, and misc. other revenues <\$0.1>
Clean Truck Program Revenues	1,432		817		615	75.3%	Higher CTP annual fees \$1.2, partially offset by lower CTP concession fees <\$0.6>
<b>Total Operating Revenues</b>	<b>124,330</b>		<b>124,134</b>		<b>196</b>	<b>0.2%</b>	
<b>Operating Expenses</b>							
Gross Salaries & Benefits	35,543	40,665			(5,122)	(12.6%)	Lower average filled positions
Capitalization	(5,067)	(3,325)			(1,742)	52.4%	Overhead allocations <\$2.4>, partially offset by lower direct capitalization \$0.7
Net Salaries & Benefits	30,476	37,340			(6,864)	(18.4%)	Lower promotional/sponsorship activities <\$0.9>
Marketing & Public Relations	341	1,214			(873)	(71.9%)	Environmental Management invoicing delays <\$1.4>, Construction & Maintenance invoicing delays <\$1.3>, GE Portal Project invoicing delays <\$0.5>, Waterfront and Commercial Real Estate invoicing delays <\$0.4>, Port Police invoicing delays <\$0.4>, Port Police invoicing delays <\$0.3>, MIP invoicing delays <\$0.3>, overhead allocations <\$0.3>, Government Affairs invoicing delays <\$0.2>, FP&A invoicing delays <\$0.1>, City Attorney invoicing delays <\$0.1>, and Engineering invoicing delays <\$0.1>
Travel	230	232			(2)	(1.1%)	
Outside Services	4,562	9,919			(5,357)	(54.0%)	C&M invoicing delays <\$1.1>, MIP invoicing delays <\$0.2>, Port Police invoicing delays <\$0.1>, and misc. materials and supplies <\$0.1>
<b>Materials &amp; Supplies</b>	<b>1,004</b>	<b>2,497</b>			<b>(1,493)</b>	<b>(59.8%)</b>	Overhead allocations <\$1.0>, lower city administration services <\$0.1>, and lower city ITA services <\$0.1>
City Services	12,730	13,953			(1,223)	(8.8%)	Higher aggregate overhead allocations \$0.5
Allocations to Capital - Overhead		(4,074)			4,074	(100.0%)	Quicker processing of container inventive payouts \$4.9 and higher electricity costs \$0.3, partially offset by overhead allocations <\$0.8>, insurance payment delays <\$0.8>, delayed workers' comp. provisioning <\$0.6>, environmental incentive payment delays <\$0.3>, telephone invoicing delays <\$0.3>, and cruise incentive payment delays <\$0.1>
Other Operating Expenses	11,409	9,154			2,255	24.6%	
<b>Clean Truck Program Expenses</b>	<b>58</b>	<b>271</b>			<b>(213)</b>	<b>(78.7%)</b>	
<b>Total Operating Expenses</b>	<b>60,809</b>	<b>70,505</b>			<b>(9,696)</b>	<b>(13.8%)</b>	
<b>Income Before Depreciation</b>	<b>63,521</b>	<b>53,629</b>			<b>9,891</b>	<b>18.4%</b>	
Provision For Depreciation	39,431	41,869			(2,438)	(5.8%)	
<b>Income From Operations</b>	<b>24,090</b>	<b>11,760</b>			<b>12,330</b>	<b>104.8%</b>	
Non-Operating Revenue	10,105	13,909			(3,805)	(27.4%)	Timing of federal/state passthrough revenue <\$5.6>, timing of JPA income <\$0.5>, and timing of federal/state operating grants <\$0.4>, partially offset by higher interest income \$1.6, higher delinquency penalties \$0.9, and higher gain on land sale \$0.2
Non-Operating Expenses	(15,486)	(18,081)			2,595	(14.4%)	Timing of state pass-through grant disbursements \$5.6, lower interest expense \$0.6, and lower commercial paper costs \$0.1, partially offset by higher capital projects closed to expense <\$3.0> and higher bond administration costs <\$0.7>
<b>Net Income</b>	<b>18,709</b>	<b>7,589</b>			<b>11,120</b>	<b>146.5%</b>	

Notes:  
 (1) 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 \$4.6 million relative to a budget of \$4.0 million.  
 (2) Primarily for: Container Incentives \$5.2; Electricity \$4.2; Insurance \$0.7; Water & Gas \$0.6; Telephone \$0.3; Equipment Rental/Permits/License/Fees \$0.3; Memberships/Subscriptions/Books \$0.3; Environmental Incentives \$0.3; Cruise Incentives \$0.2; Taxes & Assessments \$0.1; Overhead Capitalization (\$0.8)  
 (3) Primarily for: Interest Income \$4.6; State Passthrough Revenue \$4.2; Late Charges/Discounts \$1.1; Gain on Land Sale \$0.2  
 (4) Primarily for: Interest Expense \$7.6; State Passthrough Expense \$4.2; Capital Projects Closed to Expenses \$3.0; Bond Administration Costs \$0.7

	Current Fiscal Year FY 2019/20		Prior Fiscal Year FY 2018/19		Year-over-Year Change		Notes (\$ in millions)
	Fiscal YTD - Sep. 2019	Fiscal YTD - Sep. 2018	Fiscal YTD - Sep. 2018	Fiscal YTD - Sep. 2018	\$	%	
<b>Operating Revenues</b>							
Shipping Services	100,371	95,389	4,982	5.2%	Higher wharfage \$5.2, higher dockage \$0.1, and higher misc. shipping services \$0.1, partially offset by lower space assignment fees <\$0.3> and lower pilotage <\$0.1>		
Rentals	18,288	16,313	1,974	12.1%	Ultramar comp. reset \$0.9, higher Union Pacific utilization of ICTF \$0.6, Vopak comp. reset \$0.4, PBF Energy comp. reset \$0.3, and misc. rental revenue \$0.3, partially offset by SpaceX lease cancellation <\$0.3> and termination of HPEC lease <\$0.2>		
Royalties, Fees and Other Revenues	4,239	7,338	(3,100)	(42.2%)	Lower one-time operating refunds and reimbursements <\$4.7>, partially offset by lower one-time credits for tenant services \$1.2, higher parking fees \$0.2, and higher one-time operating refunds & reimbursements \$0.2		
Clean Truck Program Revenues	1,432	476	957	201.2%	Higher CTP annual fees \$1.0		
<b>Total Operating Revenues</b>	<b>124,330</b>	<b>119,516</b>	<b>4,813</b>	<b>4.0%</b>			
<b>Operating Expenses</b>							
Gross Salaries & Benefits	35,543	35,383	160	0.5%	Higher average salaries, slightly offset by lower training fees/materials		
Capitalization	(5,067)	(5,693)	626	(11.0%)	Lower direct capitalization \$0.6		
Net Salaries & Benefits	30,476	29,690	786	2.6%			
Marketing & Public Relations	341	1,050	(709)	(67.5%)	Slower processing of invoices for promotional activities than prior year <\$0.8> offset by lower overhead allocations \$0.1		
Travel	230	185	44	23.8%			
Outside Services	4,562	4,387	175	4.0%	Higher C&M spending \$0.2, higher GE Port Optimizer spending \$0.2, higher MIP spending \$0.2, higher external audit spending \$0.1, and higher accounting spending \$0.1; partially offset by lower environmental assessments <\$0.3>, lower utilization of outside counsel services <\$0.2>, and lower Waterfront spending <\$0.1>		
Materials & Supplies	1,004	1,373	(370)	(26.9%)	Lower C&M spending <\$0.5>, partially offset by misc. \$0.1		
City Services	12,730	12,095	635	5.3%	Higher utilization of fire services \$0.5, higher utilization of recreation and park services \$0.2, and higher utilization of city attorney services \$0.1, partially offset by lower utilization of public works services <\$0.1> and lower misc. city services <\$0.1>		
Other Operating Expenses	11,409	5,622	5,787	102.9%	Higher container incentive payouts \$5.2, higher electricity \$0.7, higher cruise incentives \$0.2, higher telephone \$0.1, and higher misc. other operating expense \$0.1, partially offset by higher overhead capitalization <\$0.4> and lower environmental incentives <\$0.1>		
Clean Truck Program Expenses	58	24	34	140.2%			
<b>Total Operating Expenses</b>	<b>60,809</b>	<b>54,426</b>	<b>6,383</b>	<b>11.7%</b>			
<b>Income Before Depreciation</b>	<b>63,521</b>	<b>65,090</b>	<b>(1,570)</b>	<b>(2.4%)</b>			
Provision For Depreciation	39,431	37,405	2,026	5.4%			
<b>Income From Operations</b>	<b>24,090</b>	<b>27,685</b>	<b>(3,595)</b>	<b>(13.0%)</b>			
Non-Operating Revenue	10,105	7,250	2,855	39.4%	Higher state passthrough revenue \$3.9, higher interest income \$1.4, higher delinquency penalties \$0.8, and higher misc. non-operating revenue \$0.2, partially offset by lower settlements/rebates <\$3.4>		
Non-Operating Expenses	(15,486)	(724)	(14,762)	2040.2%	Lower capitalized interest due to GASB 89 implementation \$7.8, higher state passthrough grant disbursements \$3.9, higher capital projects closed to expense \$3.0, higher bond administration costs \$0.7, and higher misc. non-operating expense \$0.1, partially offset by lower interest expense <\$0.5>, and lower commercial paper costs <\$0.2>		
<b>Net Income</b>	<b>18,709</b>	<b>34,211</b>	<b>(15,503)</b>	<b>(45.3%)</b>			

Notes:

- (1) Primarily for: Container Incentives \$5.2; Electricity \$4.2; Insurance \$0.7; Water & Gas \$0.6; Telephone \$0.3; Equipment Rental/Permits/License/Fees \$0.3; Memberships/Subscriptions/Books \$0.3; Environmental Incentives \$0.3; Cruise Incentives \$0.2; Taxes & Assessments \$0.1; Overhead Capitalization (\$0.8)
- (2) Primarily for: Interest Income \$4.6; State Passthrough Revenue \$4.2; Late Charges/Discounts \$1.1; Gain on Land Sale \$0.2
- (3) Primarily for: Interest Expense \$7.6; State Passthrough Expense \$4.2; Capital Projects Closed to Expenses \$3.0; Bond Administration Costs \$0.7