# PORT OF LOS ANGELES
# (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Annual Financial Report

June 30, 2009 and 2008

(With Independent Auditor's Report Thereon)

**PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE
CITY OF LOS ANGELES)**

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THE PORT OF LOS ANGELES
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January 29, 2010

Ms. Geraldine Knatz, Ph.D.
Executive Director
Port of Los Angeles
San Pedro, California

This Annual Financial Report of the Port of Los Angeles, Harbor Department of the City of Los Angeles, California, for the years ended June 30, 2009 and 2008, is hereby submitted.

**Introduction**

The management of the Port of Los Angeles (the Port) has prepared this annual report. The responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the Port. To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of the Port. All disclosures necessary to enable the reader to gain an understanding of the Port's financial activities have been included. The report contains the audited financial statements of the Port for the years ended June 30, 2009 and 2008, which have received an unqualified opinion from the Port's independent auditors and are presented in accordance with Governmental Accounting Standards Board Statement No. 34, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The report is presented in four sections: Introduction, Management's Discussion and Analysis, Financial Statements, and Supplemental Information.

The introductory section outlines the relationship of the Port to the City of Los Angeles and describes the organization and reporting entity. It additionally provides an overview of Port properties, operations, and key statistical data.
The management's discussion and analysis presents a comparative review of financial position and changes in financial position for fiscal years 2009, 2008 and 2007. Also included in this section are a description of current and proposed capital development plans, a discussion of prospective revenue growth, and an overview of the economic conditions and the competitive environment in which the Port operates.

The financial section includes the financial statements prepared on an accrual basis and using an economic resources measurement focus. Management's discussion and analysis, notes and the auditor's report accompany these financial statements. The financial statements are comprised of statements of net assets that present the financial position of the Port as of June 30, 2009 and 2008; statements of revenues, expenses, and changes in net assets depicting financial performance for fiscal years 2009 and 2008; and statements of cash flows that present the source and application of funds from operations, financing, and investment activities for fiscal years 2009 and 2008. The accompanying notes to financial statements explain some of the information in the financial statements and provide more detailed data.

The supplemental information section includes selected unaudited financial and statistical information, generally presented on a multi-year basis that further explain and support the information in the financial statements.

**The Port of Los Angeles**

The Port is a proprietary department of the City of Los Angeles (the City) and was created by the City Charter to promote and develop a deep-water port facility. It is governed by a five-member Board of Harbor Commissioners (the Board), which has the duty to provide for the needs of commerce, navigation, and fishery for the citizens of California. It operates similar to a private business and is substantially autonomous from the City. In accordance with generally accepted accounting principles (GAAP), the accompanying financial statements are included as an Enterprise Fund of the City, based upon the primary oversight responsibility that the City Council (the Council) and the City have on all matters affecting Port activities.

Also, based on the foregoing criteria of oversight responsibility and accountability of all Port related entities, the operations of the Los Angeles Harbor Improvements Corporation, a nonprofit corporation, have been included in the accompanying financial statements. Two joint ventures with the Port of Long Beach have been recorded as investments of the Port in accordance with the equity method of accounting. Until March 2007, the Port also participated in a shareholder agreement that was created to form the Los Angeles Export Terminal (LAXT). Additional information regarding these joint ventures and shareholders agreement may be found in the notes to the financial statements for the Port.

The management and operation of the Port are under the direction of the Executive Director, who is responsible for coordinating and directing the activities of several major management groups. These groups fall under the responsibilities of the Deputy Executive Director of Development, Deputy Executive Director of Finance & Administration, Deputy Executive Director of Operations and Deputy Executive Director of Business Development. The Senior Director of Communications and the Senior Director of Governmental Affairs report directly to the Executive Director.

The Deputy Executive Director of Development is responsible for the Environmental Management, Goods Movement, Construction, and Engineering divisions of the Port.

The Deputy Executive Director of Finance & Administration oversees the financial affairs as well as administrative side of the Port. Reporting to this position are the Finance functions made up of the Chief Financial Officer and the following divisions: Accounting, Debt and Treasury Management, Financial Management, Management/Internal Audit, and Risk Management divisions and the Administrative functions comprised of the Commission Office, Contracts & Purchasing; Human Resources; and Information Technology divisions.

Reporting to the Deputy Executive Director of Operations are the Construction & Maintenance, Homeland Security, Los Angeles Pilot Service, Port Police, and Wharfinger divisions of the Port.

The Deputy Executive Director of Business Development directs the Real Estate, Planning, Trade Services, Economic Development, and Marketing divisions of the Port.

The Senior Director of Communications is responsible for the planning, direction and management of the Port's public relations divisions. This position leads strategic analysis to develop and implement policies and programs in the areas of public, community, and media relations; and represents the Port before elected and appointed officials, council committees and news media.

The Senior Director of Governmental Affairs is responsible for coordinating legislative representation for the Port and oversees all in-house and contracted lobbying efforts in Sacramento and Washington D.C. The position helps establish and implement the Port's legislative objectives; reviews legislative bills and serves as the primary contact for the Port with elected officials, city council, state and federal government.

The Port is located by San Pedro Bay, approximately 20 miles south of downtown Los Angeles. The Port's facilities lie within the shelter of a nine-mile long breakwater constructed by the federal government in several stages, the first of which commenced in 1899. The breakwater encloses the largest man-made harbor in the Western hemisphere.

The Port operates primarily as a landlord, as opposed to an operating port. Its docks, wharves, transit sheds, and terminals are leased to shipping or terminal companies, agents, and to other private firms. Although the Port owns these facilities, it has no direct hand in managing the daily movement of cargoes. The Port is also landlord to various fish markets, boat repair yards, railroads, restaurants, a shipyard, and other similar activities.

The major sources of income for the Port are from shipping services (wharfage, dockage, pilotage, assignment charges, etc.), land rentals, and fees, concessions and royalties. It currently serves over 80 shipping companies and agents with facilities that include 270 berthing facilities along 43 miles of waterfront.

In terms of its size, the Port is one of the largest West coast ports. The Port encompasses approximately 4,300 acres of land and 3,200 acres of water. The majority of the main channel has at least a minimum depth of 53 feet below the mean low water mark.

Within the Port are 27 terminals. Two major railroads serve the Port, and it lies at the terminus of two major freeways within the Los Angeles freeway system. Subsurface pipelines link the Port to major refineries and petroleum distribution terminals within the Los Angeles Basin.

The Port provides leases to more than 300 tenants, ranging from individual stalls at the fish market to a 484-acre container terminal. The Port encompasses container and automobile terminals, dry bulk, liquid bulk and break-bulk facilities, and omni terminals. The Intermodal Container Transfer Facility (ICTF) and other intermodal facilities are also on Port property. The Port also provides slips for pleasure craft, sport fishing boats, and charter vessels.

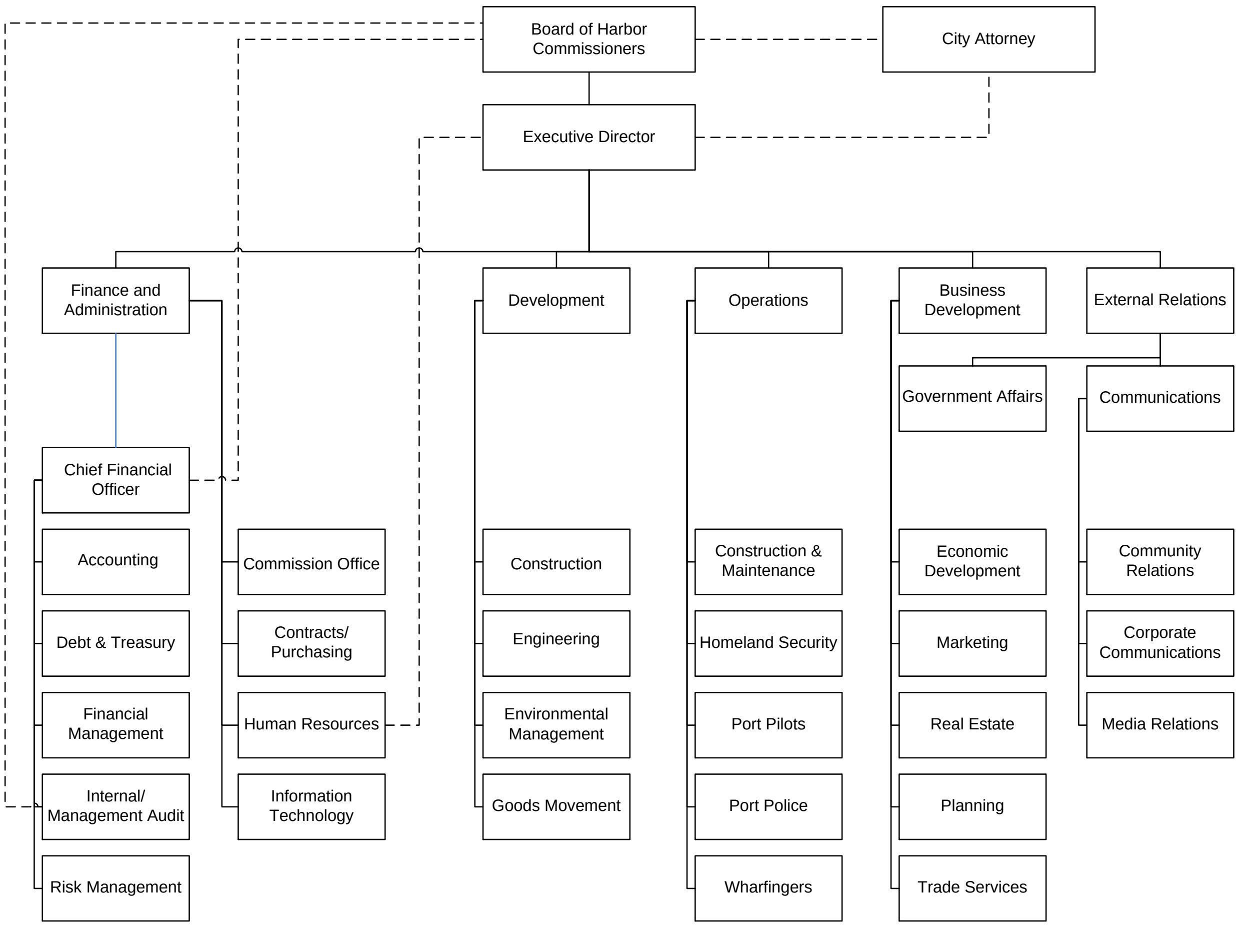
The Port currently handles the largest volume of containerized cargo of all U.S. ports, leading the nation for the past nine years and additionally ranks as number one in cargo value for U.S. waterborne foreign traffic. The Port's major trading partners are concentrated along the Pacific Rim that includes China, Japan, Taiwan, Thailand, and South Korea. Cargo to and from these countries represents the bulk of the total value of all cargo shipped through the Port.

The Port is not subsidized by tax dollars and has maintained its financial strength through self-generated revenues. The Port continues to maintain an AA/Aa2/AA credit ratings with Standard & Poor's, Moody's, and Fitch Investor Services, respectively. These are the highest credit rating for any stand-alone U.S. port and reflect the confidence of the financial community in the strength, continuing financial performance, and competitive position of the Port.

Sincerely,

CHUNGMIN CHU
Director of Accounting

LOS ANGELES HARBOR DEPARTMENT
ORGANIZATION CHART
2009/2010



**Board of Harbor Commissioners**

Cindy Miscikowski, President
Jerilyn López Mendoza, Vice-President
Kaylynn L. Kim, Commissioner
Douglas P. Krause, Commissioner
Joseph R. Radisich, Commissioner

**Senior Management**

Geraldine Knatz, Ph.D. Executive Director
Michael Christensen, Deputy Executive Director, Development
Molly Campbell, Deputy Executive Director, Finance & Administration
Capt. John M. Holmes, Deputy Executive Director, Operations
Kathryn McDermott, Deputy Executive Director, Business Development
Arley Baker, Senior Director of Communications
Isaac Kos-Read, Senior Director of Governmental Affairs

**Management Staff**

Theresa Adams Lopez, Director, Community Relations
Ralph Appy, Director of Environmental Management
Diane Boskovich, Chief Wharfinger
Ronald Boyd, Chief of Port Police
Kerry Cartwright, Director of Goods Movement
Chungmin Chu, Director of Accounting
George Cummings, Director of Homeland Security
Michael DiBernado, Director of Marketing
Michael Galvin II, Director of Real Estate
Tony Gioiello, Chief Harbor Engineer of Design
Margaret Hernandez, Director of Small Business Enterprise
Lance Kaneshiro, Director of Information Technology
Tish Lorenzana, Director of Human Resources
Jim MacLellan, Director of Trade Services
David Mathewson, Director of Planning & Research
Kathy Merkovsky, Director of Risk Management
Capt. Jim Morgan, Pilot Service Manager & Acting Director of Construction & Maintenance Division
Julia Nagano, Director of Corporate Communications
James Olds, Director of Management/Internal Audit
Karl K.Y. Pan, Chief Financial Officer
Soheila Sajadian, Director of Debt and Treasury Management
Shaun Shahrestani, Chief Harbor Engineer of Construction
Eileen Yoshimura, Director of Financial Management
Glenn Robison, Director of Contracts & Purchasing
Phillip Sanfield, Director of Media Relations

**Legal Staff**

Thomas Russell, General Counsel

MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

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SACRAMENTO

OAKLAND

WALNUT CREEK

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

**Independent Auditor's Report**

The Board of Harbor Commissioners
Port of Los Angeles (Harbor Department
of the City of Los Angeles):

We have audited the accompanying basic financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port), an Enterprise Fund of the City of Los Angeles (the City), California, as of and for the year ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2009 and 2008 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1(b) to the financial statements, the Port adopted the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, during the fiscal year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2010 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2009. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 9 to 24 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introduction and supplemental information sections listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introduction and supplemental information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
January 29, 2010

This section of the Port of Los Angeles' (the Port) annual financial report presents a discussion and analysis of the Port's financial performance during the years that ended June 30, 2009 and 2008. Please read it in conjunction with the transmittal letter at the front of this report and the Port's financial statements, which follow this section.

The Port uses enterprise fund accounting and the financial statements are prepared on an accrual basis using the economic resources measurement focus in accordance with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. Revenues are recognized when services are rendered, as opposed to when cash is received, and expenses are recognized when incurred, not when the liability is paid. Capital assets are depreciated over their useful lives (except land and intangible assets). See the notes to the financial statements for a description of the Port's significant accounting policies.

The following is a condensed summary of the Port's net assets as of June 30, 2009, 2008, and 2007:

**Changes in Net Assets**

(In thousands)

| | June 30 | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Current and other assets | $ 639,444 | 772,618 | 652,139 |
| Capital assets | 2,850,568 | 2,758,500 | 2,726,407 |
| Total assets | 3,490,012 | 3,531,118 | 3,378,546 |
| Current and Long-term debt outstanding | 757,535 | 781,752 | 804,815 |
| Other liabilities | 302,890 | 272,323 | 235,862 |
| Total liabilities | 1,060,425 | 1,054,075 | 1,040,677 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 2,101,396 | 1,985,653 | 1,931,037 |
| Restricted | 61,608 | 9 | 62 |
| Unrestricted | 266,583 | 491,381 | 406,770 |
| Total net assets | $ 2,429,587 | 2,477,043 | 2,337,869 |

Net assets of the Port decreased $47.5 million to $2.4 billion in fiscal year 2009. Of these net assets, restricted assets made up 2.5% for fiscal year 2009 and negligible in 2008. The remaining net assets were either unrestricted or were invested in capital assets such as land, facilities, infrastructure, equipment, and the like, net of related debt. These assets are under the management of the Port and must be used for the operation and maintenance of Port facilities and the acquisition and construction of improvements as provided under the State of California Tidelands Trust Act.

Current and other assets of the Port decreased 17.2% to $639.4 million in fiscal year 2009, mainly due to the decrease of cash from lower revenues and interest. In comparison, the increase of 18.5% to $772.6 million in fiscal year 2008 was substantially due to the continued growth of revenues generated from operations.

Current and long-term debt outstanding of the Port decreased 3.1% to $757.5 million in fiscal year 2009 and 2.9% to $781.8 million in fiscal year 2008 due to principal payments.

Other liabilities of the Port increased 11.2% to $302.9 million in fiscal year 2009 and 15.5% to $272.3 million in fiscal year 2008. The Port recorded a $93.4 million Environmental Remediation liability under GASB 49 in fiscal year 2009. Trade payables also increased $13.2 million due to the commencement of new projects during the year which included the Port Police Headquarters, Cabrillo Way Marina, and Harry Bridges Buffer. Liability under securities lending decreased by $73.7 million or 100% upon the suspension of the program by the City in fiscal year 2009.

The following is a condensed summary of the Port's changes in net assets for the years ended June 30, 2009, 2008, and 2007:

**Changes in Net Assets**

(In thousands)

| | Year ended June 30 | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Net operating revenues | $ 402,224 | 426,345 | 417,161 |
| Income from investments in Joint Powers Authorities and other entities | 2,980 | 4,440 | 4,675 |
| Interest and investment income | 18,824 | 34,863 | 23,773 |
| Other income and expense, net | (7,625) | (2,536) | 11,018 |
| Total revenues | 416,403 | 463,112 | 456,627 |
| Expenses: | | | |
| Operating and administrative expenses | 254,143 | 221,752 | 163,775 |
| Depreciation | 83,413 | 78,295 | 88,106 |
| Interest expense on bonds/notes payable | 36,979 | 38,052 | 50,038 |
| Total expenses | 374,535 | 338,099 | 301,919 |
| Income before capital contributions and special item | 41,868 | 125,013 | 154,708 |
| Capital contributions | 4,103 | 14,161 | 4,145 |
| Special item | — | — | (22,291) |
| Changes in net assets | 45,971 | 139,174 | 136,562 |
| Total net assets - beginning of year, as restated - Note 1(b) | 2,383,616 | 2,337,869 | 2,201,307 |
| Total net assets - end of year | $ 2,429,587 | 2,477,043 | 2,337,869 |

## Fiscal Year 2009

Net assets for the Port increased $45.9 million before the GASB 49 pollution remediation obligation adjustment of $93.4 million being charged to net assets. With the adjustment, net assets decreased $47.5 million to $2.4 billion in fiscal year 2009. Approximately 92.4% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating and administrative expense increased $32.4 million, or 14.6% over the prior fiscal year. The increase was mainly from the addition of the Clean Truck Program in fiscal year 2009.



(Continued)

Depreciation expense increased $5.1 million to $83.4 million in fiscal year 2009. The increase was primarily due to the net addition of the depreciable assets of $29.3 million in fiscal year 2008. The Port policy is to start deprecation of the new depreciable assets at the beginning of the next fiscal year.

Other income, net of other expense, decreased $5.1 million to negative $7.6 million in fiscal year 2009, from negative $2.5 million related to discontinued projects recorded in the prior year. The decrease was mainly due to the increase of construction in progress work orders being expensed in fiscal year 2009.

Capital contributions of $4.1 million represents funds for capital grants earned in fiscal year 2009 and $14.2 million in fiscal year 2008. The decrease of capital grants earned was due to less capital grant projects commencing in fiscal year 2009.

Income before capital contributions decreased $83.1 million to $41.9 million, a 66.5% decrease over the fiscal year 2008 amount of $125.0 million. This decrease reflects the combined effect of the $46.7 million decrease in total revenues and the $36.4 million increase in total expenses.

**Fiscal Year 2008**

Net assets for the Port increased $139.2 million in fiscal year 2008. Approximately 90.8% of total revenues were derived from fees for shipping services and leasing of facilities to customers. Operating and administrative expense increased $58.0 million, or 35.4% over the prior fiscal year. The increase is mainly from salaries and benefits due as the Port continues to expand its human resources in fiscal year 2008 primarily in security and construction and maintenance services.

Depreciation expense decreased $9.8 million to $78.3 million in fiscal year 2008. About $3.0 million of the upward adjustment of the depreciation expense recorded in fiscal year 2008 pertains to periods prior to fiscal year 2007. A substantial amount of capital projects put in depreciable capital assets in fiscal year 2007 were actually completed and placed in service before 2007. Catch up in depreciation for these assets increased depreciation expense in fiscal year 2007. LAXT facilities were removed from the capital assets in fiscal year 2007 and further reduced depreciation by $2.0 million in fiscal year 2008.

Other income, net of other expense, decreased $13.6 million to negative $2.5 million in fiscal year 2008, from $11.0 million recorded in the prior year. Delinquent charges for late payments greatly dropped when outstanding LAXT accounts were reversed per settlement agreement with the Port. Also, funds deferred for Todd Shipyard were recognized as other income in fiscal year 2007.

Capital contributions of $14.2 million represent funds for capital grants earned in fiscal year 2008 and $4.1 million in fiscal year 2007. The increase was due to more capital grant projects commencing in fiscal year 2008.

Income before capital contributions decreased $29.7 million to $125.0 million; a 19.2% decrease over fiscal year 2007 amount of $154.7 million. This decrease reflects the combined effect of the $6.5 million increase in total revenues and the $36.2 increase in total expenses.

**Operating Revenues**

(In thousands)

| | | Year ended June 30 | | |
|---|---|---|---|---|
| | | 2009 | 2008 | 2007 |
| Shipping services | $ | 329,347 | 374,878 | 375,471 |
| Percentage of total operating revenues | | 81.9% | 87.9% | 88.8% |
| Rentals | | 42,368 | 45,524 | 40,322 |
| Percentage of total operating revenues | | 10.5% | 10.7% | 9.6% |
| Royalties, fees, other operating revenues | | 30,509 | 5,943 | 6,867 |
| Percentage of total operating revenues | | 7.6% | 1.4% | 1.6% |
| Total | $ | 402,224 | 426,345 | 422,660 |

**Fiscal Year 2009**

Operating revenues for fiscal year 2009 decreased to $402.2 million, reflecting a 5.7% decline from the prior year revenues of $426.3 million. The decline was principally attributed to the $39.9 million decrease in wharfage revenue, $10 million customer discount accrued by the Port, $4.0 million drop in space assignment revenue, and $2.7 million decrease in land rental income. Offsetting the decreases is $24.8 million Clean Truck Fees that the Port collected beginning February 2009. There were 7.3 million TEUs (20-foot equivalent units) moved in the Port during fiscal year 2009 compared to 8.1 million in fiscal year 2008, or a 10.2% drop from the prior year.

**Fiscal Year 2008**

Operating revenues for fiscal year 2008 rose to $426.3 million, reflecting a 0.9% increase from prior year revenues of $422.7 million and was principally attributed to the $3.3 million increase in wharfage revenue and the $4.4 million increase in land rental income. The Port moved 8.1 million 20-foot equivalent units (TEUs) in container volume during fiscal year 2008, or a 6.6% drop from the prior year.

**Shipping Services**

Shipping service revenues consist of several classifications of fees assessed for various activities relating to vessel or cargo movement. Of these fees, wharfage is the most significant and comprised 89.7% and 89.4% of the total shipping service revenues in fiscal years 2009 and 2008, respectively. Wharfage is the fee charged against merchandise for passage over wharf premises, between vessels, onto or from barges.

In fiscal year 2009 revenue from shipping services reduced to $329.3 million, reflecting a decline of $45.5 million, or 12.2%, from fiscal year 2008. The considerable decline in container volumes from container terminals led to lower shipping services income. Revenue from shipping services in fiscal year 2008 diminished to $374.9 million, reflecting a decline of $0.6 million, or 0.2%, from fiscal year 2007. The decline in container volume from container terminals coupled with higher efficiency discounts given to the customers on revenue sharing agreements brought down shipping services income.

The following are summaries of cargo volumes by major classification handled by the Port and container volumes and associated tonnage:

**Cargo Type in Metric Revenue Tons**

(In thousands)

| | Year ended June 30 | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Container/general cargo | 144,344 | 161,901 | 171,907 |
| Liquid bulk | 11,127 | 6,208 | 15,433 |
| Dry bulk | 2,023 | 1,862 | 2,766 |
| Total | 157,494 | 169,971 | 190,106 |

**Container Volume in TEUs**

(In thousands)

| | Year ended June 30 | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Import TEUs | 3,866 | 4,325 | 4,628 |
| Export TEUs | 3,395 | 3,758 | 4,029 |
| Total | 7,261 | 8,083 | 8,657 |

Metric revenue tons are the measure used to determine cargo volumes that move through the Port. The figure represents the actual weight of cargo, when the figure is available, or the weight is closely approximated by calculation when cargo weight is not provided. The total metric revenue tons billed in fiscal year 2009 was 157.5 million metric revenue tons, or 7.3% below fiscal year 2008. A total of 170.0 million metric revenue tons were billed in fiscal year 2008, or 10.6% below fiscal year 2007. Decrease in revenue tonnage does not necessarily come with the same effect in revenue dollars. There are other factors such as revenue sharing and other increases that offset the effect of decline in revenue tonnage.

During fiscal year 2009, tonnage from dry bulk increased 5.3% or 0.1 million metric revenue tons over prior fiscal year. Liquid bulk metric revenue tonnage appeared to have drastically increased by 79.2% from prior year. The exceptionally low fiscal year 2008 level was due to the downward one time lump sum adjustment of 7.2 million



(Continued)

revenue tons relating to fiscal years 2005, 2006 and 2007 made in that year. Revenue tonnage for general cargo billed in 2009 went down 10.8% mainly because of the decline in the equivalent revenue tonnage from the container cargoes.

During fiscal year 2008, tonnage from dry bulk decreased 32.7%, or 0.9 million metric revenue tons, due principally to decreases in scrap metal exports and bulk cement imports. Petroleum, or mainly bulk oil, decreased 59.8%, or 9.2 million metric revenue tons. About 7.2 million revenue tons relating to fiscal years 2007, 2006 and 2005 wharfage statistics were adjusted in fiscal year 2008, hence, the drastic drop in petroleum for that year. Tonnage for general cargo billed in fiscal year 2008 was down 10.0 million metric revenue tons compared to the prior year. This represents the drop in equivalent revenue tons of container volume.

Additional information for volume by cargo type is presented in the supplementary information section of this report in the schedule titled "Key Information on Revenue Statistics."

### *Rentals*

The Port makes available to customers various types of rental properties on Port-controlled lands. These properties include land, buildings, warehouses, wharves, and sheds. Rates are set for these properties using various methodologies and are broken into two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these broad land classifications. Rates ultimately set in land rental agreements may be adjusted, within reason, to reflect general market conditions. Rates for other categories of properties are also set through negotiations and will further take into account the condition, location, utility, and other aspects of the property. In all cases, the Port currently seeks to achieve the 12% rate of return on improvements and 10% of land that has been set by Board policy.

Rental income in fiscal year 2009 was $42.4 million, $3.2 million below 2008 and represented 10.5% of the total operating revenues. Land rental income, which comprises the large portion of this income, went down by $2.7 million. Due to the decline in overall container volumes, Union Pacific Railroad Company, operator of the Intermodal Container Transfer Facility (ICTF), moved fewer boxes during this fiscal year. Their remittance from their gross sales decreased $1.6 million. ExxonMobil was billed additional $3.1 million in the prior year when their permit was reset. This retroactive adjustment increased their land rental payments last year and made the current year's income appear lower.

During fiscal year 2008, rental income at the Port increased $5.2 million, or 12.9%, over last year and represented 10.7% of fiscal year 2008 total operating revenues. The growth is the result of the second year increase in land rental rates of the majority of the leases effective September 2007, as a result of the periodic review by the Port.

### *Royalties, Fees, and Other Operating Revenue*

The Port levies fees for a variety of activities conducted on Port properties. Examples include royalties from the production of oil and natural gas, fees for parking lots, motion picture productions, foreign trade zone operations, miscellaneous concessions, distribution of utilities, and maintenance and repair services conducted by the Port at the request of customers.

Revenues from royalties, fees, and other operating revenues in 2009 was $30.5 million, 7.6% of the total revenue.

In February 2009, the Port started collecting fees relative to the Clean Truck Program. The total amount earned was $24.8 million as of June 30, 2009.

Revenues in this category totaled $5.9 million for fiscal year 2008, a decrease of $0.9 million or 13.5% behind the prior fiscal period. The catch up on prior years' reimbursable costs of maintenance jobs performed by the Port has diminished in fiscal year 2008.

### *Operating and Administrative Expenses*

In fiscal year 2009, operating and administrative expenses increased $32.4 million to $254.1 million, a 14.6% increase from prior fiscal year expense of $221.8 million. The addition of Clean Truck Program Expense of $54.0 million and increase of $3.9 million in salaries and benefits were partially offset by the decreases in other categories of expenses.

In fiscal year 2008, operating and administrative expenses increased $58.0 million to $221.8 million, a 35.4% increase from fiscal year 2007 expense of $163.8 million.

**Operating and Administrative Expenses (O&A)**

(In thousands)

| | | Year ended June 30 | | |
|---|---|---|---|---|
| | | **2009** | **2008** | **2007** |
| Salaries and benefits | $ | 99,350 | 95,444 | 74,313 |
| Percentage of total O&A | | 39.1% | 43.0% | 45.4% |
| Marketing and public relations | | 3,676 | 5,274 | 4,521 |
| Percentage of total O&A | | 1.5% | 2.4% | 2.8% |
| Travel and entertainment | | 635 | 1,128 | 604 |
| Percentage of total O&A | | 0.2% | 0.5% | 0.4% |
| Outside services | | 29,498 | 37,937 | 33,277 |
| Percentage of total O&A | | 11.6% | 17.1% | 20.3% |
| Materials and supplies | | 8,121 | 8,950 | 5,813 |
| Percentage of total O&A | | 3.2% | 4.1% | 3.5% |
| City services | | 28,704 | 27,101 | 28,640 |
| Percentage of total O&A | | 11.3% | 12.2% | 17.5% |
| Other operating expenses | | 84,159 | 45,918 | 16,607 |
| Percentage of total O&A | | 33.1% | 20.7% | 10.1% |
| Total O&A | $ | 254,143 | 221,752 | 163,775 |



(Continued)

**Fiscal Year 2009**

Salaries and benefits expense increased $3.9 million to $99.4 million, or 4.1% over the prior fiscal year of $95.4 million. Regular salaries climbed by $7.8 million or 15.5% due to increase in Port workforce mainly in Port Police and Construction and Maintenance. Offsetting this increase were decreases in overtime and benefits. Cost of overtime dropped by $1.7 million or 23.1% from prior year due to tighter control in overtime usage. Employee benefits decreased $2.6 million or 6.8% over prior year. Offsetting this decrease was the $4.6 million increase in employee benefits that was due to the increase of headcount in current year.

Outside services decreased $8.4 million to $29.5 million or 22.2% lower than prior year of $37.9 million due to $2 million decrease in facility maintenance, $4.8 million in professional services, $2.5 million in financial and legal services and $0.2 million in data processing services. Offsetting the decreases was the $1.1 million increase in office equipment maintenance.

City services, net of capitalized amount increased $1.6 million to $28.7 million or 5.9% higher over previous year of $27.1 million. The increase was primarily due to $3.4 million in cost of living allowance and cost allocation plan (CAP) rate increases, which were partially offset by an increase in capital allocations by $1.8 million.

Other operating expenses for fiscal year 2009 increased $38.2 million to $84.2 million or 83.3% over prior year of $45.9 million due to the increases in subsidy payments for the Clean Truck Program (CTP) of $41.5 million, subsidy payments for the Clean Air Action Program of $3.2 million and utilities of $1.0 million. Offsetting these increases was the $6.2 million decrease in litigation and settlement expenses and $1.2 million in miscellaneous expenses.

**Fiscal Year 2008**

Salaries and benefits expense rose $21.1 million, or 28.4% over the prior fiscal year. The increase is the result of scheduled employee pay increases, a $1.1 million retro pay adjustment, a $2.0 million upward adjustment in benefit expense, a $5.2 million one-time payment of City Fire & Police pension for the transfer of Port Police pension from LACERS to LAFPP, and the continued expansion of the Port workforce mainly in Port Police and Construction & Maintenance in fiscal year 2008.

The $4.7 million increase in outside services reflects the combined outcome of the drop of $2.2 million in Port security-related expenditures, $0.8 million decrease in capital construction services, $2.1 million increase in environmental assessment cost (net of capitalized amount), $2.6 million increase in Public and Community Relations expenditures for its community outreach programs, $1.8 million increase in maintenance services, a collective increase of $1.5 million in data processing and financial and legal services.

Materials and supplies grew $3.1 million over the prior fiscal year due to $2.2 million surge in acquisitions of parts and materials made by Construction & Maintenance and the $0.9 million increase in administrative and operating supplies.

City services, net of capitalized amount, decreased $1.5 million during the comparative fiscal years. The decrease reflects the higher capitalized amount of $1.0 million in fiscal year 2008 because higher salary expenses were capitalized.

Other operating expenses for fiscal year 2008 increased $29.3 million over prior year due to $7.2 million in incentive payments for the Clean Truck Program (CTP), a $0.5 million increase in provision for workers' compensation claims, and a $20.7 million increase in litigation and settlement expenses. The net increase of $20.7 million in litigation and settlement expenses over prior year reflects the $17.0 million settlement by the Port for the Westway Oil Terminal, a $1.2 million increase in China Shipping mitigation fund resulting from exceeding the TEU cap, and reduction in litigation reserve of $3.3 million for the settlement received by the Port from Santa Monica Baykeeper in fiscal year 2007.



(Continued)

***Non-operating Income and Expense***

**Fiscal Year 2009**

Net non-operating expenses for fiscal year 2009 increased $21.5 million from the prior year to $22.8 million.

Interest and investment income decreased $16.0 million to $18.8 million for fiscal year 2009. The decrease included an $8.4 million decrease in interest income from Harbor Revenue Fund and restricted funds. It was mainly due to the lower average yields of 3.9% in fiscal year 2009 from 5.1% in fiscal year 2008.

Interest expense showed a decrease of $1.1 million to $37.0 million from prior fiscal year.

Other income, net of other expense, decreased $5.1 million to negative $7.6 million in fiscal year 2009, from negative $2.5 million in prior year. Other income decreased $0.3 million from $2.2 million to $1.9 million. Other Expenses increased $4.8 million from $4.8 million to $9.6 million. Federal operating grants earned in fiscal year 2008 were $0.9 million less than the grants earned last year. The decrease was offset by the increase in delinquency penalties collected in fiscal year 2009. Abandoned projects charged to expense increased $6.2 million and were partially offset by the decrease of $0.7 million in loss on sale of assets in fiscal year 2009.

**Fiscal Year 2008**

Net non-operating expense for fiscal year 2008 decreased $9.3 million from the prior year to $1.3 million.

Interest and investment income increased $11.1 million to $34.9 million for fiscal year 2008. The increase includes a $10.3 million increase in interest income from Harbor Revenue Fund and restricted funds. The average yields as well as the average investable balance were higher this fiscal year than prior year. Unrealized gain from the City of Los Angeles investment pool also went up by $5.6 million over prior year. Offsetting the increase is the $4.1 million interest income recorded in fiscal year 2007 from the refunded 1996 Harbor Revenue Bonds.

Interest expense showed a decrease of $12.0 million to $38.1 million in fiscal year 2008 due to a $13.5 million interest expense recognized in fiscal year 2007 for refunding of 1996 Harbor Revenue Bonds. In addition, Harbor Revenue Bonds principal balances are lower than last fiscal year.

Other income, net of other expense, decreased $13.6 million to negative $2.5 million in fiscal year 2008, from $11.0 million recorded in the prior year. The decrease reflects a $10.9 million decrease in other income and a $2.6 million increase in other expense. Income from delinquent charges for late payments was greatly reduced by $2.6 million, when outstanding LAXT accounts were reversed, per settlement agreement with the Port. Federal operating grants earned in fiscal year 2008 were $5.6 million less than the grants earned last year. A $2.9 million funds deferred for Todd Shipyard were recognized as other income in fiscal year 2007. Fiscal year 2008 also showed a $1.7 million increase in cost of abandoned projects charged to expense as well as a $0.7 million increase in loss on sale of assets.

## Long-Term Debt and Capital Assets

### *Long-Term Debt*

The Port's long-term debt is comprised of senior debt in the form of Harbor Revenue Bonds, and subordinated debt in the form of loans. As of June 30, 2009 and 2008, the Port's outstanding long-term debt was $757.5 million and $781.8 million, respectively. For all outstanding bonds, the Port continues to maintain Aa2, AA and AA credit ratings from Moody's, Standard & Poor's and Fitch Ratings.

### *Bonded Debt*

Under Section 609 of the City Charter of the City of Los Angeles and the Bond Procedural Ordinance, the Port's capacity to issue debt is not limited. However, the Port's capacity is constrained under covenants of the currently outstanding debt to an aggregate ratio of revenue to annual debt service of at least one hundred twenty-five percent (125%). The Port's financial policy requires that a minimum of 2.0 x Debt Service coverage ratio be maintained at all times.

Long-term debt consisted of the following as of June 30, 2009, 2008, and 2007 (in thousands):

| | | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| Revenue bonds payable | $ | 754,709 | 778,481 | 801,118 |
| Notes payable | | 2,826 | 3,271 | 3,697 |
| Total | $ | 757,535 | 781,752 | 804,815 |

### *Capital Assets*

Capital assets, net of accumulated depreciation consisted of the following as of June 30, 2009, 2008, and 2007 (in thousands):

| | | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| Land | $ | 1,040,942 | 1,012,297 | 991,153 |
| Harbor facilities and equipment, net | | 1,320,643 | 1,366,028 | 1,400,854 |
| Intangible assets | | 12,800 | 12,450 | 11,400 |
| Construction in progress | | 309,599 | 239,291 | 211,329 |
| Preliminary costs – capital projects | | 166,584 | 128,434 | 111,671 |
| Total | $ | 2,850,568 | 2,758,500 | 2,726,407 |



(Continued)

Capital expenditures for fiscal year 2009 increased to $175.5 million from $111.0 million in the prior year. Spending was significantly higher in commercial development, environmental studies and credits, port security and terminal development. Approximately 20% of the fiscal year 2009 funds were expended on terminal improvements, 14% on environmental studies and credits, 39% on commercial development and 19% on Port security. The remaining 8% was primarily used for dredging, infrastructure improvements, and transportation improvements.

**Major Capital Expenditure – Facilities and Infrastructure**

(In thousands)

| | Year ended June 30 | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Commercial development | $ 67,838 | 27,981 | 13,147 |
| Dredging | 1,369 | 2,252 | 26,690 |
| Environmental studies and credits | 24,512 | 4,345 | 9,598 |
| Infrastructure improvements | 3,923 | 2,102 | 4,452 |
| Port security | 33,680 | 17,663 | 8,819 |
| Terminal development | 35,429 | 28,957 | 36,232 |
| Transportation improvements | 8,725 | 1,274 | 2,762 |
| Others | — | 26,443 | 6,546 |
| Total | $ 175,476 | 111,017 | 108,246 |

Budgeted expenditures for the Port's fiscal year 2010 Capital Improvement Program has increased from the previous fiscal year. The more significant fiscal year 2010 expenditures will include the Cabrillo Marina Development, Harry Bridges Boulevard Buffer, Port Security projects, AMP and Solar Power projects, TraPac Development, and the B. 100-102 China Shipping Container Terminal Development.

The West Basin project at Berth 100-102 includes the development of approximately 142 acres of backland terminal, construction of 2,500 feet of wharf, two building, and two new access bridges. Phase I of China Shipping Terminal was completed in January 2004. Phase II of China Shipping is proposed, which includes a 925-foot Berth 102 wharf, 35 acres of backland on the Southwest Slip Fill, construction of a Marine Building and Crane Maintenance Building, AMP, and Access Bridge No. 2. Phase II is scheduled to start construction in November 2009. Phase III consists of a 375-foot Berth 100 South wharf extension, AMP, and an additional 24 acres of container yard. Project completion is expected in March 2015.

Construction has begun on the Berth 131-148 (TraPac) terminal expansion program which will redevelop 110 acres of existing container terminal and develop an additional 50+/- acre of container terminal. Improvements include the construction of 705 feet of new wharf and upgrade of 1,022 feet of existing wharf, five new cranes (purchased by TraPac), 100 foot gauge crane rail, alternative maritime power (AMP), dredging to -53 ft., new buildings (including administration building, yard operations, crane maintenance/marine building, longshore toilet, and driver service buildings), new main gate, ICTF, and general container yard and infrastructure improvements. The estimated program completion date is August 2015.

The Port Police Headquarters Project consists of the design and construction of a new 51,000-square-foot three-story Port police station at 320 S. Center Street with subterranean parking and an adjacent two-level parking structure. The expected construction completion of the project is May 2011.

The Homeland Security Program consists of five projects: a waterside security surveillance system, facility security enhancements, passenger complex vehicle screening, passenger complex perimeter security, and a waterborne perimeter security barrier. For these projects, the Port is responsible for the design and installation of integrated surveillance systems including cameras, motion detectors, nonintrusive inspection for vehicles, and waterborne perimeter security barriers. Estimated project completion is August 2010.

The Los Angeles Waterfront is envisioned as a catalyst to provide public access waterfront and includes specific development projects and associated infrastructure improvements. The plan has five major programs: 1) Gateway 2) Enhancements 3) Waterfront 4) Cabrillo Way Marina and 5) Cruise Terminal.

The Waterfront Gateway Program includes approximately 2.5 miles of pedestrian promenade, multi-use parkway, and open space including lighting, signage, landscaping, irrigation, and landscaping. In addition, the program includes water features at the Gateway Plaza and 2nd Street, and automatic restrooms. Program completion is expected by summer 2010.

The San Pedro Waterfront Enhancements Program will improve existing, and construct new, pedestrian walks and plazas, create green open spaces, provide additional vehicular parking, construct Angel's Walk LA stanchions, and new landscaping between the Port and waterfront. Program completion is expected in January 2013.

The San Pedro Waterfront will construct new promenades along the water's edge, water cuts, parks and open space, museum and maintenance facilities for the Red Car, roadway improvement and clean-up and development of the former Westway property at Berth 70-71. Estimated program completion date is undetermined at this time.

The Wilmington Waterfront Development Program is a 95-acre development incorporating landscaping, commercial/retail/restaurant development, cultural/community facilities, and transportation improvements. Projects include the Avalon Triangle Park, Catalina Freight Relocation, Harry Bridges Boulevard Buffer, and Avalon Boulevard Corridor – Phase I & II.

Cabrillo Way Marina Phase II will include new floating docks with boat slips, boater restrooms, shower facilities, public restrooms, boater and public parking lots, trailer boat and dry storage, and hoist launching facilities. Estimated completion date is September 2011.

The Cruise Terminal Program includes a proposed upgrade of the existing cruise terminal facilities at Berth 91-93 which includes a temporary cruise terminal baggage building, 2 AMP projects, waterside and landside improvements, gangways, and solar power. This work is expected for completion in early 2011. A proposed new


(Continued)

cruise terminal in the outer harbor at Berth 46-47, and new multi-level/shared use parking structure is unscheduled at this time.

Open purchase orders and uncompleted construction contracts amounted to approximately $514,056,000 as of June 30, 2009.

### *Factors That May Affect the Port's Operations*

In November 2006, the governing boards of the Ports of Los Angeles and Long Beach voted to approve the landmark San Pedro Bay Ports Clean Air Action Plan (CAAP), the most comprehensive plan that addresses emissions from the trucks, oceangoing vessels, trains, terminal equipment and harbor craft that serve the Port. The $2 billion CAAP is expected to reduce Port-related emissions by nearly 50% by 2011.

The major component of this plan is the Clean Truck Program (CTP). This program will replace or retrofit high polluting diesel trucks with ones that meet 2007 EPA emission standards. Revenue from the collection of Clean Truck Fee totaled $24.8 million with expenses of $54.0 million in fiscal year 2009. On January 1, 2010 all 1989-1993 trucks will be banned in addition to 1994-2003 trucks that have not been retrofitted and on January 1, 2012 all trucks that do not meet the 2007 Federal Clean Truck emissions standards will be banned from the Port.

The Vessel Speed Reduction Program (VSRP) provides incentives to vessel operators to reduce vessel speeds from 20 knots or more to 12 knots on approach to and departure from the port.

A $25.7 million economic relief program aimed at helping Port of Los Angeles container terminal operators emerge from the recession was approved by the Los Angeles Harbor Commission on December 10, 2009. The program includes a temporary 6 percent rent reduction for container terminal operators as well as an empty container discount and reduced rates for containerized cargo transferred from one vessel to another within the Port.

### *Competitive Environment*

In the year ended June 30, 2009, 99.4% of the entire U.S. West Coast containerized cargo market was controlled by six major container ports: the ports of Los Angeles, Long Beach, and Oakland in California; the ports of Seattle and Tacoma in Washington State; and the port of Portland in Oregon. The ports of Los Angeles and Long Beach together controlled 72.5% of all U.S. West Coast market share.

The industry is capital intensive and requires long lead times to plan and develop new facilities and infrastructure. Resources are typically allocated and facilities developed upon the commitment of customers to long-term leases of 25 to 30 years. Occupancy remains high and West Coast ports have limited capacity for expansion. Additionally, the greater Los Angeles area represents not only a large destination market for waterborne goods, but is also the most attractive point of origin for trans-shipments to Midwest and East Coast destinations.

**West Coast Container Market Share***

(In thousands)

| | Year ended June 30 | | | Year ended June 30 | | |
|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2007** | **2009** | **2008** | **2007** |
| | **Loaded TEUs** (In thousands) | | | **Market share** Percentage | | |
| Los Angeles | 5,179 | 5,698 | 5,705 | 41.1% | 38.6% | 39.5% |
| Long Beach | 3,956 | 4,908 | 4,743 | 31.4% | 33.2% | 32.8% |
| Oakland | 1,313 | 1,461 | 1,378 | 10.4% | 9.9% | 9.6% |
| Tacoma | 965 | 1,178 | 1,135 | 7.7% | 8.0% | 7.9% |
| Seattle | 939 | 1,246 | 1,218 | 7.4% | 8.4% | 8.4% |
| Portland | 176 | 207 | 189 | 1.4% | 1.4% | 1.3% |
| All others | 75 | 75 | 73 | 0.6% | 0.5% | 0.5% |
| Total | 12,603 | 14,773 | 14,441 | 100.0% | 100.0% | 100.0% |

Import Export Reporting Service.

### *Contacting the Port's Financial Management*

Questions about this report or requests for additional financial information should be addressed to the Chief Financial Officer, Port of Los Angeles, 425 S. Palos Verdes Street, San Pedro, CA 90731.

# BASIC FINANCIAL STATEMENTS

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES)**

Statements of Net Assets

June 30, 2009 and 2008

(In thousands of dollars)

| | | 2009 | 2008 |
|---|---|---|---|
| Assets: | | | |
| Current assets: | | | |
| Cash and investments, unrestricted (note 2) | $ | 363,727 | 488,893 |
| Cash and investments, restricted (note 2) | | 105,631 | 158,769 |
| Accounts receivable, less allowance for doubtful accounts of $8,395 and $8,397 in 2009 and 2008, respectively | | 34,086 | 38,012 |
| Grants receivable (note 13) | | 4,308 | 8,340 |
| Materials and supplies inventories | | 1,905 | 2,311 |
| Prepaid and deferred expenses | | 3,139 | 3,525 |
| Accrued interest receivable | | 3,043 | 5,148 |
| Current portion of notes receivable (note 10) | | 4,263 | 4,136 |
| Total current assets | | 520,102 | 709,134 |
| Noncurrent restricted assets: | | | |
| Restricted investments – bond funds (notes 2 and 19)) | | 61,608 | 9 |
| Other restricted cash and investments (note 2) | | 9,701 | 9,545 |
| Accrued interest receivable | | 15 | 61 |
| Total noncurrent restricted assets | | 71,324 | 9,615 |
| Capital assets (notes 3 and 8): | | | |
| Land | | 1,040,942 | 1,012,297 |
| Harbor facilities and equipment, less accumulated depreciation of $1,131,382 and $1,058,157 in 2009 and 2008, respectively | | 1,320,643 | 1,366,028 |
| Intangible assets | | 12,800 | 12,450 |
| Construction in progress | | 309,599 | 239,291 |
| Preliminary costs – capital projects | | 166,584 | 128,434 |
| Net capital assets | | 2,850,568 | 2,758,500 |
| Notes receivable (note 10) | | 28,621 | 32,902 |
| Investment in Joint Powers Authorities (note 4) | | 11,250 | 12,255 |
| Other assets | | 8,147 | 8,712 |
| Total assets | | 3,490,012 | 3,531,118 |



(Continued)

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES)**

Statements of Net Assets

June 30, 2009 and 2008

(In thousands of dollars)

| | | 2009 | 2008 |
|---|---|---|---|
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | $ | 74,392 | 61,237 |
| Current installments of notes payable and bond indebtedness (note 5) | | 25,075 | 23,655 |
| Accrued interest | | 15,740 | 16,251 |
| Accrued employee benefits (note 5) | | 11,632 | 10,626 |
| Unearned revenue and other deferred credits (note 5) | | 1,649 | 1,865 |
| Liabilities under the City of Los Angeles' securities lending program (note 2) | | — | 73,692 |
| Accrued construction costs payable | | 2,976 | 1,376 |
| Other current liabilities (notes 5, 7 and 17) | | 86,239 | 82,004 |
| Total current liabilities | | 217,703 | 270,706 |
| Long-term liabilities (note 5): | | | |
| Bonds payable, net of deferred amount on refunding and unamortized discount/premium of $10,669 and $11,231 in 2009 and 2008, respectively | | 730,099 | 755,271 |
| Notes payable, net of current installments | | 2,361 | 2,826 |
| Accrued employee benefits | | 9,282 | 7,952 |
| Other liabilities (notes 7 and 17) | | 91,436 | 7,857 |
| Liabilities payable from restricted assets – other liabilities | | 9,544 | 9,463 |
| Total long-term liabilities | | 842,722 | 783,369 |
| Total liabilities | | 1,060,425 | 1,054,075 |
| Commitments and contingencies (notes 11, 15, 16, 17 and 18) | | | |
| Net assets: | | | |
| Invested in capital assets, net of related debt | | 2,101,396 | 1,985,653 |
| Restricted, bond reserve funds | | 61,608 | 9 |
| Unrestricted | | 266,583 | 491,381 |
| Total net assets | $ | 2,429,587 | 2,477,043 |

See accompanying notes to financial statements.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES)**

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2009 and 2008

(In thousands of dollars)

| | | 2009 | 2008 |
|---|---|---|---|
| Operating revenues (note 8): | | | |
| Shipping services: | | | |
| Wharfage | $ | 295,287 | 335,172 |
| Dockage | | 6,234 | 6,957 |
| Demurrage | | 227 | 276 |
| Cranes | | 1,120 | 1,944 |
| Pilotage | | 7,683 | 7,677 |
| Assignment charges | | 18,720 | 22,750 |
| Storage | | 76 | 102 |
| Total shipping services | | 329,347 | 374,878 |
| Rentals: | | | |
| Land | | 38,875 | 41,587 |
| Buildings | | 491 | 501 |
| Warehouses | | 1,797 | 2,169 |
| Wharf and shed revenue | | 1,205 | 1,267 |
| Total rentals | | 42,368 | 45,524 |
| Royalties, fees, and other operating revenues: | | | |
| Fees, concessions, and royalties | | 3,057 | 3,701 |
| Clean Truck Program fees | | 24,787 | — |
| Oil royalties | | 144 | 122 |
| Other | | 2,521 | 2,120 |
| Total royalties, fees, and other operating revenues | | 30,509 | 5,943 |
| Total operating revenues | | 402,224 | 426,345 |
| Operating and administrative expenses: | | | |
| Salaries and benefits (note 9) | | 99,350 | 95,444 |
| Marketing and public relations | | 3,676 | 5,274 |
| Travel and entertainment | | 635 | 1,128 |
| Outside services | | 29,498 | 37,937 |
| Materials and supplies | | 8,121 | 8,950 |
| City services, net of capitalized amounts of $11,088 and $8,342 in 2009 and 2008, respectively (note 12) | | 28,704 | 27,101 |
| Provision for workers' compensation claims | | 1,105 | 1,347 |
| Litigation, claims, and settlement expenses (note 7 and 15) | | 13,838 | 19,836 |
| Clean Truck Program expenses | | 54,003 | 12,464 |
| Other operating expenses | | 15,213 | 12,271 |
| Total operating and administrative expenses | | 254,143 | 221,752 |
| Income from operations before depreciation | | 148,081 | 204,593 |
| Depreciation (note 3) | | 83,413 | 78,295 |
| Operating income | | 64,668 | 126,298 |



(Continued)

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES)**

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2009 and 2008

(In thousands of dollars)

| | | 2009 | 2008 |
|---|---|---|---|
| Nonoperating revenues (expenses): | | | |
| Income from investments in Joint Powers Authorities (note 4) | $ | 2,980 | 4,440 |
| Interest and investment income | | 18,824 | 34,863 |
| Interest expense on bond indebtedness and notes payable (notes 3 and 5) | | (36,979) | (38,052) |
| Other income and expenses, net | | (7,625) | (2,536) |
| Net nonoperating expenses | | (22,800) | (1,285) |
| Income before capital contributions | | 41,868 | 125,013 |
| Capital contributions (note 13) | | 4,103 | 14,161 |
| Changes in net assets | | 45,971 | 139,174 |
| Total net assets – beginning of year, as restated (note 1b) | | 2,383,616 | 2,337,869 |
| Total net assets – end of year | $ | 2,429,587 | 2,477,043 |

See accompanying notes to financial statements.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES)**

Statements of Cash Flows

Years ended June 30, 2009 and 2008

(In thousands of dollars)

| | | 2009 | 2008 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Shipping service fees collected | $ | 332,992 | 383,525 |
| Rentals collected | | 42,362 | 45,627 |
| Royalties, fees, and other operating revenues collected | | 30,796 | 6,072 |
| Payments for employee salaries and benefits, net of capitalized amounts of $14,639 and $12,254 in 2009 and 2008, respectively | | (97,015) | (97,592) |
| Payments for goods and services | | (157,349) | (89,903) |
| Net cash used in other nonoperating income and expenses | | (522) | 5,169 |
| Net cash provided by operating activities | | 151,264 | 252,898 |
| Cash flows from noncapital and related financing activities: | | | |
| Proceeds from non-capital grants | | 1,050 | 1,990 |
| Net cash provided by noncapital and related financing | | 1,050 | 1,990 |
| Cash flows from capital and related financing activities: | | | |
| Payments for property acquisitions and construction | | (171,335) | (124,720) |
| Proceeds from sales of capital assets | | 8 | 168 |
| Proceeds from capital grant | | 8,134 | 7,353 |
| Principal repayment, redemption and defeasance – bonds | | (23,210) | (22,075) |
| Principal repayment – notes | | (445) | (426) |
| Payments to bond sinking fund | | (61,520) | — |
| Interest paid | | (37,673) | (38,849) |
| Net cash used in capital and related financing activities | | (286,041) | (178,549) |
| Cash flows from investing activities: | | | |
| Receipt of interest | | 20,975 | 25,993 |
| Increase (decrease) in liabilities under the City of Los Angeles' securities lending program | | (73,692) | 4,440 |
| Increase (decrease) in fair value of investments | | (14) | 7,633 |
| Net payments received on notes receivable | | 4,154 | 4,031 |
| Distribution from Joint Powers Authorities | | 4,000 | — |
| Net cash provided by (used in) investing activities | | (44,577) | 42,097 |
| Net increase (decrease) in cash and cash equivalents | | (178,304) | 118,436 |
| Cash and cash equivalents, beginning of year | | 647,662 | 529,226 |
| Cash and cash equivalents, end of year | $ | 469,358 | 647,662 |



(Continued)

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES)**

Statements of Cash Flows

Years ended June 30, 2009 and 2008

(In thousands of dollars)

| | | 2009 | 2008 |
|---|---|---|---|
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | $ | 64,668 | 126,298 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | | 83,413 | 78,295 |
| Change in accounts receivable | | 3,926 | 8,878 |
| Change in materials and supplies inventories | | 406 | (338) |
| Change in prepaid and deferred expenses and other assets | | 951 | (2,333) |
| Change in accounts payable | | 1,834 | 23,213 |
| Change in accrued employee benefits | | 2,336 | (2,151) |
| Change in deferred revenue and other deferred credits and other operating liabilities | | (6,270) | 21,036 |
| Total adjustments | | 86,596 | 126,600 |
| Net cash provided by operating activities | $ | 151,264 | 252,898 |
| Noncash investing, capital, and financing activities: | | | |
| Acquisition of capital assets with construction costs payable | $ | 2,976 | 1,376 |
| Acquisition of capital assets with accounts payable | | 17,409 | 6,088 |
| Write-off of discontinued construction projects | | 8,874 | 2,726 |
| Capitalized interest expense, net | | 172 | 307 |

See accompanying notes to financial statements.

## (1) Organization and Summary of Significant Accounting Policies

The financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles), hereafter referred to as "Port of Los Angeles" or "Port," have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Port's accounting policies are described below.

### *(a) Organization and Reporting Entity*

The Port of Los Angeles is an independent, self-supporting department of the City of Los Angeles, California (the City), formed for the purpose of providing shipping, fishing, recreational, and other resources and benefits for the enjoyment of the citizens of Los Angeles and surrounding communities. The Port is under the control of a five-member Board of Harbor Commissioners (appointed by the Mayor and approved by the City Council) and is administered by an Executive Director, subject to the State of California Tidelands Trust Act. The Port is granted control of tidelands, and all monies arising out of the operation of the Port are limited as to use for the operation and maintenance of Port facilities, the acquisition and construction of improvements, and other such trust considerations under the Tidelands Trust and the Charter of the City of Los Angeles. The Port prepares and controls its own financial plan, administers and controls its fiscal activities, and is responsible for all Port construction and operations.

The Port operates as principal landlord for the purpose of assigning or leasing port facilities and land areas. The Port's principal source of revenue is from shipping services under tariffs (dockage and wharfage, etc.), rental of land and facilities, royalties (oil wells), and other fees. Capital construction is financed from operations, bonded debt, and loans secured by future revenues and federal grants. Daily operation of the port facilities and regular maintenance are performed by the Port's permanent work force. Generally, major maintenance and new construction projects are assigned to commercial contractors.

Operations of the Port are financed in a manner similar to that of a private business. The Port recovers its costs of providing services and improvements through tariff charges for shipping services and the leasing of facilities to Port customers.

In evaluating how to define the Port for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, (GASB Statement No. 14) which the Port adopted effective July 1, 1993. The financial statements include only the financial activities of the Port of Los Angeles and are not intended to present fairly the financial position and results of operations of the City in conformity with GAAP.

The Los Angeles Harbor Improvements Corporation (LAHIC) is a nonprofit public benefit corporation organized under the laws of the state of California for public purposes. LAHIC was formed to assist the Port by constructing, replacing, extending, or improving facilities and services that the Board of Harbor Commissioners deems necessary for the promotion and accommodation of commerce. From time to time, LAHIC has issued long-term indebtedness to finance specific capital facilities improvements on behalf of the Port's tenants. The nature of these financings is such that the long-term indebtedness will be that of the Port tenant and not LAHIC, nor the Port, nor the City. Therefore, for purposes of the accompanying financial statements, the long-term indebtedness of LAHIC and the corresponding lease receivable from the tenant are eliminated.

The board of directors of LAHIC consists of five members. Election of the LAHIC board of directors occurs by vote of the Board of Harbor Commissioners.

Although the tenant reimburses LAHIC for its costs of operations, the Board of Harbor Commissioners is financially responsible for LAHIC's activities. Further, although LAHIC is legally separate from the Port, LAHIC is reported as if it were part of the Port in accordance with the provisions of GASB Statement No. 14, because its sole purpose is to finance and construct facilities and improvements, which directly benefit the Port.

LAHIC is included in the reporting entity of the Port, and accordingly, the operations of LAHIC are blended in the Port's accompanying financial statements.

### *(b) Summary of Significant Accounting Policies*

**Method of Accounting** – The Port activities are accounted for as enterprise fund, and as such, its financial statements are presented using the economic resources measurement focus and the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. The measurement focus is on determination of changes in net assets, financial position, and cash flows.

The Port follows private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) and predecessor standard setters prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The Port also has the option of following subsequent private-sector guidance subject to the same limitation. The Port has elected not to follow subsequent private-sector guidance.

**Materials and Supplies Inventories** – Inventories of materials and supplies are stated at average cost on a first-in, first-out basis.

**Capital Assets** – Capital assets are carried at cost or at appraised fair value at the date received, in the case of properties acquired by donation, and by termination of leases for tenant improvements, less allowance for accumulated depreciation. Capital assets include intangible assets for the Port's radio frequency and emission mitigation credits.

**Depreciation** – Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets.

Current ranges of useful lives for depreciable assets are as follows:

| | |
|---|---|
| Wharves and sheds | 10 to 15 years |
| Buildings and facilities | 10 to 50 years |
| Equipment | 3 to 20 years |

**Capitalization** – The Port capitalizes all purchases greater than $5,000.

**Preliminary Costs of Proposed Capital Projects** – Development costs for proposed capital projects that are incurred prior to the finalization of formal construction contracts are capitalized. Upon completion of capital projects, such preliminary costs are transferred to the appropriate property account. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

**Indirect Project Costs** – The Port capitalizes indirect project costs associated with the acquisition, development, and construction of new capital projects of the Port. In addition to the $11,088,000 and $8,342,000 of capitalized City Services, approximately $6,366,000 and $4,759,000 of other indirect project costs were allocated to construction projects for the years 2009 and 2008, respectively.

**Investments in Joint Powers Authorities** – Investments in joint power authorities are accounted for by the equity method.

**Interest Costs** – The Port capitalized interest paid during development and construction of its capital projects, net of any investment income earned during the temporary investment of project related borrowings. During the years ended June 30, 2009 and 2008, the Port capitalized net interest expense of $172,000 and $307,000, respectively. For 2009, gross interest expense of $184,000 related to Harbor Revenue Bonds 2006D was reduced by $12,000 of interest income. For fiscal year 2008, gross interest expense of $309,000, related to Harbor Revenue Bonds 2006D, were reduced by $2,000 of interest income. The remaining interest was expensed as certain projects financed by the commercial paper and Harbor Revenue Bond 2006D proceeds have been completed.



(Continued)

**Pooled Cash and Investments** – In order to maximize investment return, the Port pools its available cash with that of the City. The City Treasurer makes investment decisions.

Interest income and realized gains and losses arising from such pooled cash and investments are apportioned to each participating City department/fund based on the relationship of such department/fund's respective daily cash balances to aggregate pooled cash and investments (see note 2). The change in the fair value of pooled investments is allocated to each participating City department/fund based on the aggregate respective cash balances at year-end.

The Port's investments, including its share of the City's pooled investments, are stated at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of investments with no regular market is estimated based on similar traded investments. The fair value of mutual funds, government-sponsored investment pools, and other similar investments is stated at share value or appropriate allocation of fair value of the pool, if separately reported. Certain money market investments with initial maturities at the time of purchase of less than one year are recorded at cost. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year and the current year.

**Securities Lending** – As a participant in the City of Los Angeles Investment Pool, the Port also participates in the City of Los Angeles securities lending program. The investment collateral received by the City together with the corresponding liability created is allocated among the City's participating funds using the same basis as allocation of interest income and realized gains or losses.

**Accrued Employee Benefits** – The Port records all accrued employee benefits, including accumulated vacation and sick pay, as a liability in the period the benefits are earned. Accrued employee benefits are treated as a liability for financial statement presentation.

**Operating Leases** – A substantial portion of the Port lands and facilities is leased to others. The majority of these leases provide for cancellation on a 30-day notice by either party and for retention of ownership by the Port or restoration of the property at the expiration of the agreement; accordingly, no leases are considered capital leases for purposes of financial reporting (see note 8).

**Statements of Cash Flows** – For purposes of the statements of cash flows, the Port considers all cash and investments pooled with the City, plus any other cash deposits or investments with initial maturities of three months or less, to be cash and cash equivalents.

**Pension and OPEB Plans** – All full-time employees of the Port are eligible to participate in the City Employees' Retirement System of the City (the System), a plan available to substantially all City full-time employees. Also, starting FY 2007, all full-time Port Police Officers are eligible to participate in the Los Angeles Fire and Police Pension System (LAFPP), a defined benefit single-employer pension plan available to all full-time active sworn firefighters and police officers (except

Airport Police) of the City of Los Angeles. The Port's policy is to fund its entire share of the System and LAFPP pensions and the respective other postemployment benefit (OPEB) costs billed by the City. The costs to be funded are determined annually as of July 1 by the System's actuary and are incorporated into the payroll burden rate to reimburse the City for the Port's pro rata share of contributions made (see note 9).

**Capital Contributions** – The Port receives grants for the purpose of acquisition or construction of property and equipment. These grants are recorded as capital contributions when the grant is earned. Grants are generally earned upon expenditure of funds.

**Statement of Net Assets** – The statements of net assets are designed to display the financial position of the Port. The Port's equity is reported as net assets, which is classified into three categories defined as follows:

- *Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, and then unrestricted resources, as they are needed.

**Operating Revenues and Expenses** – Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Port. Operating revenues consist primarily of charges for services and rentals of properties. Non-operating revenues and expenses consist of those revenues and expenses that relate to financing and investing activities and result from ancillary activities.

**Effects of Recent Governmental Accounting Standards Board (GASB) Pronouncements** –

The following GASB Statement has been implemented in current fiscal year 2009:

In December 2006, GASB issued Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations."* This statement requires state and local governments to provide the public with better information about the financial impact of environmental cleanup and identifies the circumstances under which a government entity would be required to report a liability related to pollution remediation and how to measure that liability. The statement also requires governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. GASB Statement No. 49 became effective for financial statements for periods beginning after December 15, 2007, but liabilities will be measured at the beginning of that period so that beginning net assets can be restated.

Effective FY 2009 pollution remediation costs are being charged in accordance with the provisions of GASB Statement No. 49. Pollution remediation obligations occur when any one of the following obligating events takes place:

1. An imminent threat to public health due to pollution exists;
2. The Port is in violation of a pollution prevention-related permit or license;
3. The Port is named by a regulator as a responsible or potentially responsible party to participate in remediation;
4. The Port is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities; or
5. The Port voluntarily commences or legally obligates itself to commence remediation efforts.

The Port implemented GASB Statement No. 49 in FY 2009. The Port has identified obligating events under GASB Statement No. 49 and the estimated remediation liability totaled $93,427,000 as of June 30, 2008. These are mostly soil and ground water contamination on sites within the Port premises. As sites formally used for industrial purposes, there would always be legacy contamination or environment impairment associated with the parcel. However, environmental risks can be managed and the presence of contamination on the parcel does not necessarily mean that an extensive clean up is required. For this reason the Port adopts the “Managed Environmental Risk” approach in estimating the remediation liability. The Port uses a combination of in-house specialists as well as outside consultants to perform such estimates. These are current best estimates of potential liability. Certain remediation project contracts are included in the site development contracts as defined final uses for the sites have been identified.

Since all of these obligating events existed in prior years, the Port has recorded the full liability amount by charging it to prior year earnings. FY 2009 beginning Net Assets were restated to reflect this charge. The Port does not have objective and verifiable information to apply the provisions of GASB Statement No. 49 to periods prior to FY 2009.



(Continued)

| | Fiscal Year 2009 |
|---|---|
| Beginning Net Assets | $ 2,477,043 |
| Pollution Remediation Expense | ( 93,427) |
| Beginning Net Assets, restated | $ 2,383,616 |

**Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications** – Certain reclassifications have been made to the amounts reported in 2008 in order to conform to the 2009 presentation. Such reclassifications had no effect on previously reported change in net assets.

**(2) Cash and Investments**

***(a) Cash and Pooled Investments***

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities but safety and liquidity still take precedence over return. Interest earned on pooled investments is allocated to the participating funds based on each fund's average daily deposit balance during the allocation period with all remaining interest allocated to the General Fund. Investments in the City Treasury are stated at fair value based on quoted market prices except for money market investments that have remaining maturities of one year or less at time of purchase, which are reported at amortized cost.

Pursuant to California Government Code Section 53607 and the Los Angeles City Council File No. 94-2160, the City Treasury provides an Annual Statement of Investment Policy (the Policy) to the City Council. The policy governs the City's pooled investment practices. The Policy addresses soundness of financial institutions in which the Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53636 and 16429.1.

The Investment Advisory Committee (IAC) reviews investment performance and strategy. The IAC is composed of the City Treasurer as chairperson, the Office of the Mayor, City Controller, Chief Legislative Analyst, City Administrative Officer, Director of Office of Finance, and an external investment advisor.

The City Treasurer manages the General and Special Investment Pools. Refer to the City's basic financial statements included in its comprehensive annual financial report for complete disclosures related to the City's General and Special Investment pools.



(Continued)

The Port's cash and investments consist of the following (in thousands):

| | | 2009 | 2008 |
|---|---|---|---|
| Cash in bank and certificates of deposit | $ | 374 | 2,415 |
| Investments | | 61,608 | 9 |
| Equity in the City of Los Angeles Investment Pool | | 478,685 | 654,792 |
| Total cash and investments | $ | 540,667 | 657,216 |

Certain of the Port's cash and investments are restricted as to use either by reason of bond indenture requirements or actions of the Board. The Port's unrestricted and restricted cash and investments are as follows (in thousands):

| | | 2009 | 2008 |
|---|---|---|---|
| Unrestricted cash and investments: | $ | 363,727 | 488,893 |
| Restricted cash and investments: | | | |
| Current: | | | |
| Emergency Fund | | 37,122 | 96,839 |
| China Shipping Mitigation Fund | | 48,547 | 51,539 |
| Community Aesthetics Mitigation Fund for Parks | | 3,448 | 3,490 |
| Community Mitigation Trust Fund - Trapac | | 11,421 | - |
| Clean Trucks Program-Truck Fees Fund | | 4,551 | - |
| U.S. Customs House, Terminal Island | | - | 6,349 |
| Other | | 542 | 552 |
| Sub-total- Current | | 105,631 | 158,769 |
| Noncurrent: | | | |
| Harbor Revenue Bond Funds | | 61,608 | 9 |
| Customer Security Deposits | | 3,199 | 3,206 |
| Batiquitos Long-Term Investment Fund | | 5,947 | 5,796 |
| Harbor Restoration Fund | | 555 | 543 |
| Sub-total - Noncurrent | | 71,309 | 9,554 |
| Total restricted cash and investments | | 176,940 | 168,323 |
| Total cash and investments | $ | 540,667 | 657,216 |



(Continued)

***(b) Deposits – Custodial Credit Risk***

The Port has cash deposits and certificates of deposit with several major financial institutions amounting to $374,000 and $2,415,000 at June 30, 2009 and 2008, respectively, with corresponding bank balances of $183,000 and $167,000, respectively. The deposits are entirely covered by federal depository insurance or are collateralized by securities held by the financial institutions in the Port's name in conformance with the State Government Code.

***(c) Investments Authorized by the City's Investment Policy***

General Pool Investments

The table below identifies the investment types that are authorized for the Port by the City's investment policy for its General Investment Pool, which conforms to the State Government Code. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk. The City's investment policy is the same for 2009 and 2008.

| | Maximum maturities | Maximum concentration |
|---|---|---|
| U.S. Treasury and Federal Agency Securities | 5 years | 100 |
| Bonds issued by local agencies | 5 years | 100 |
| Registered State Warrants and Municipal Notes | 5 years | 100 |
| Bankers' Acceptances | 180 days | 40 |
| Commercial Paper | 270 days | 40 |
| Negotiable certificates of deposit or time deposits | 180 days | 30 |
| Yankee certificates of deposit | 180 days | 30 |
| CRA Certificates of Deposit or Time Deposits | 180 days | 30 |
| Repurchase Agreements | 32 days | 15 |
| Reverse Repurchase Agreements | 92 days | 5* |
| Medium Term Corporate Notes | 5 years | 30 |
| Shares of a Money Market Mutual Fund | N/A | 20 |
| Securities Lending Program | N/A | 20 |
| Asset Backed Securities | 5 years | 20** |
| Collateralized Mortgage Obligations | 5 years | 20** |
| Local Agency Investment Fund (LAIF) | | (per state limit)*** |

* The total of reverse repurchase agreements and the securities subject to a securities lending agreement may not exceed 20% of the total portfolio.

** Combined total for mortgage-backed and asset-backed securities

*** Current account limit is $40 million.



(Continued)

*Credit Risk:* The City's pooled investment policy requires that for all classes of investments, except linked banking program certificates of deposits, the issuers' minimum credit ratings shall be by Standard and Poor's Corporation (S&P) A-1/A or Moody's Investor Services (Moody's) P-1/A2 and, if available Fitch IBCA F1/A. In addition, domestic banks are limited to those with a current Fitch Ratings BankWatch of "B/C" or better and an A-1 short-term rating.

<u>Special Investment Pool Investments</u>

The Port has three restricted funds that are invested in the City's Special Investment Pool. These are Emergency Fund 751, Restoration Fund 70L, and Batiquitos Long-term Investment Fund 72W. Investments in the Special Investment Pool are managed in accordance with the pool's policy. If none exists, the pool's policy will be deemed to be the California State Government Code Sections 53600-53636 et seq. Funds in the three restricted funds were solely invested in government agency securities with maturities of 182 days or less per Harbor department instruction, thus the lower rate of return.

The Port has $478,685,000 and $654,792,000 invested in the City's General Pool and three Special Investment Programs, which represent approximately 8.5% and 8.9% of the City Treasury's General and Special Investment Pools at June 30, 2009 and 2008, respectively. Refer to the City's basic financial statements for complete disclosures of the investments in the pools and related interest rate risk, credit risk, and concentration of credit risk for the City's General and Special Investment Pools.

***(d) City of Los Angeles Securities Lending Program***

The Securities Lending Program (the SLP) is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are: safety of loaned securities; and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines, with oversight responsibility of the Investment Advisory Committee.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction and shall make a reasonable effort for two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the General Investment Pool (the Pool) shall be available for lending. The City receives cash as collateral on loaned securities, which is reinvested in securities permitted under the Policy.

In accordance with the California Government Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans shall have a maximum life of 90 days. Earnings from securities lending shall accrue to the Pool and shall be allocated on a pro-rata basis to all Pool participants.

The Port participates in the City of Los Angeles securities lending program. Under this program, the City lends investment securities to broker-dealers for collateral that will be returned for the same securities in the future. These activities are governed by a contractual agreement with the City's bank limiting the nature and amount of transactions subject to full collateralization. Collateral securities are initially pledged at 102.0% of the fair value of the securities lent, and additional collateral has to be provided by the next business day if its value falls to less than 101.5% of the fair value of the securities lent. Under the City's program, no more than 20.0% of the par value of the City's General Investment Pool shall be available for lending. There was no credit risk exposure to the City because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk. Net revenues earned by the City on its securities lending program totaled $688,000 and $3,918,000 for the years ended June 30, 2009 and 2008, respectively.

Due to the extreme volatility in the financial markets over the past twelve months resulting from the worst global financial crisis, and counterparty risks, the City temporarily suspended its SLP in November 2008. The City, however, continues to monitor the financial markets and will re-enter the SLP market when deemed appropriate. The Port's share of cash collateral received and corresponding liability aggregated approximately $0 and $73,692,000 at June 30, 2009 and 2008, respectively.

***(e) Other Investments***

As a result of the recent credit downgrades for the bond insurance companies, the Port cash funded its debt service reserve funds. The reserve funds increased from $9,000 at June 30, 2008 to $61,608,000 at June 30, 2009. The majority of the debt reserve funds were invested at First American Government Obligations Fund. Approximately $10 million, or 16.1%, were invested in Fidelity Treasury. With an objective of seeking maximum current income to the extent consistent with preservation of capital and maintenance of liquidity, these investments are made through the bond fund trustee bank and they may be invested, as specified in the indenture of trust, with a portfolio consisting of: (1) U.S. dollar denominated deposit account, certificates of deposit, federal funds and banker's acceptances with domestic commercial banks, which have a rating on their short term certificates of deposit on the date of purchase of the highest rating by Fitch, if Fitch rates such instruments, "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase; (2) commercial paper which is rated at the time of purchase in the single highest classification, by Fitch, if Fitch rates such instruments, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; (3) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P and "Aaa" by Moody's; and (4) pre-refunded municipal obligations defined as any bonds or other obligations of any state of the U.S. or any agency, instrumentality or local government unit of any such state; (5) investment agreements approved in writing by each Insurer with a provider whose long-term unsecured debt is rated in not lower than the second highest rating category of at least two of the rating agencies and which will not adversely affect Fitch, Moody's or S&P's underlying rating on the Bonds; (6) municipal obligations rated Aaa/AAA or general obligations of states rated in not lower than the second highest rating category of at least two of the rating agencies; and, (7) other forms of investments (including repurchase agreements) approved in writing by each Insurer and which will not adversely affect Fitch, Moody's or S&P's underlying rating on the Bonds.

As of June 30, 2009, these money market funds were rated “Aaa” by Moody’s and “AAAm” by S&P.



(Continued)

## (3) Capital Assets

The Port's capital assets consist of the following activity for the years ended June 30, 2009 and 2008 (in thousands):

| | July 1, 2008 | Increases | Decreases | June 30, 2009 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 1,012,297 | 28,645 | - | 1,040,942 |
| Construction in progress | 239,291 | 113,737 | (43,429) | 309,599 |
| Preliminary costs – capital projects | 128,434 | 52,718 | (14,568) | 166,584 |
| Intangible asset - radio frequency/ mitigation credits | 12,450 | 350 | - | 12,800 |
| Total capital assets not being depreciated | 1,392,472 | 195,450 | (57,997) | 1,529,925 |
| Capital assets being depreciated/amortized: | | | | |
| Wharves and sheds | 660,308 | 25,122 | - | 685,430 |
| Buildings/facilities | 1,689,553 | 3,378 | - | 1,692,931 |
| Equipment | 74,324 | 9,613 | (10,273) | 73,664 |
| Total capital assets being depreciated/amortized | 2,424,185 | 38,113 | (10,273) | 2,452,025 |
| Less accumulated depreciation/ amortization for: | | | | |
| Wharves and sheds | (284,190) | (18,274) | - | (302,464) |
| Buildings/facilities | (731,832) | (58,893) | - | (790,725) |
| Equipment | (42,135) | (6,246) | 10,188 | (38,193) |
| Subtotal | (1,058,157) | (83,413) | 10,188 | (1,131,382) |
| Total capital assets being depreciated/amortized, net | 1,366,028 | (45,300) | (85) | 1,320,643 |
| Total capital assets, net | $ 2,758,500 | 150,150 | (58,082) | 2,850,568 |

| | July 1, 2007 | Increases | Decreases | June 30, 2008 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 991,153 | 21,144 | - | 1,012,297 |
| Construction in progress | 211,329 | 85,895 | (57,933) | 239,291 |
| Preliminary costs – capital projects | 111,671 | 17,936 | (1,173) | 128,434 |
| Intangible asset - radio frequency/ mitigation credits | 11,400 | 1,050 | - | 12,450 |
| Total capital assets not being depreciated | 1,325,553 | 126,025 | (59,106) | 1,392,472 |
| Capital assets being depreciated/ amortized: | | | | |
| Wharves and sheds | 661,963 | 4,932 | (6,587) | 660,308 |
| Buildings/facilities | 1,669,330 | 33,712 | (13,489) | 1,689,553 |
| Equipment | 63,549 | 12,136 | (1,361) | 74,324 |
| Total capital assets being depreciated/amortized | 2,394,842 | 50,780 | (21,437) | 2,424,185 |
| Less accumulated depreciation/ amortization for: | | | | |
| Wharves and sheds | (265,915) | (18,275) | - | (284,190) |
| Buildings/facilities | (689,588) | (54,959) | 12,715 | (731,832) |
| Equipment | (38,485) | (5,061) | 1,411 | (42,135) |
| Total accumulated depreciation | (993,988) | (78,295) | 14,126 | (1,058,157) |
| Total capital assets being depreciated/ amortized, net | 1,400,854 | (27,515) | (7,311) | 1,366,028 |
| Total capital assets, net | $ 2,726,407 | 98,510 | (66,417) | 2,758,500 |

Net interest expense of $172,000 and $307,000 were capitalized for 2009 and 2008, respectively.



(Continued)

## (4) Investment in Joint Powers Authorities and Other Entities

The Port has entered into two joint exercise of powers agreements and a shareholders' agreement as follows:

### *(a) Intermodal Container Transfer Facility Joint Powers Authority*

The Port and the Harbor Department of the City of Long Beach, California (Port of Long Beach) entered into a joint exercise of powers agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) for the purpose of financing and constructing a facility to transfer cargo containers between trucks and railroad cars. The Port contributed $2,500,000 to the ICTF as part of the agreement. The facility, which began operations in December 1986, was developed by Southern Pacific Transportation Company (SPTC, subsequently a wholly owned subsidiary of Union Pacific Corporation), which operates the facility under a long-term lease agreement. The Port appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. Both the Port of Los Angeles and the Port of Long Beach share income and equity distributions equally.

Pursuant to an indenture of trust dated November 1, 1984, the ICTF issued $53,915,000 in bonds (1984 Bonds) on behalf of the SPTC to construct the facility. In 1989, the ICTF issued $52,315,000 in refunding bonds (1989 Bonds) on behalf of the SPTC to advance refund all of the 1984 Bonds. In 1999, the ICTF, on behalf of the SPTC, again issued $42,915,000 of refunding bonds (1999 Bonds) to advance refund all of the 1989 Bonds. The 1999 Bonds are payable solely from payments by the SPTC under the lease agreement for use of the facility. The nature of the bonds is such that the indebtedness is that of the SPTC and not of the ICTF, nor the Port of Los Angeles, nor the Port of Long Beach.

The ICTF's operations are financed from lease revenues by ICTF activities. The ICTF is empowered to perform those actions necessary for the development of its facilities and related facilities, including acquiring, constructing, leasing, and selling any of its property. The Port's share of the ICTF's share of net assets at June 30, 2009 and 2008 is $11,250,000 and $12,255,000, respectively.

Separate financial statements for ICTF may be obtained from the Executive Director, Port of Long Beach, 925 Harbor Plaza, Long Beach, California 90802.

### *(b) Alameda Corridor Transportation Authority*

In August 1989, the Port and the Port of Long Beach entered into a joint exercise of powers agreement and formed the Alameda Corridor Transportation Authority (ACTA) for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and the Ports of Los Angeles and Long Beach in San Pedro Bay linking the two ports to the central Los Angeles area. The Port of Los Angeles and the Port of Long Beach share income and equity distributions equally.

During fiscal year 1995, the Port and the Port of Long Beach purchased railroad rights-of-way and other assets totaling approximately $370 million along the proposed corridor route.

At June 30, 1998, the Port had advanced a total of $13,334,000 to the ACTA to fund its share of planning and other costs incurred to date. During fiscal year 1999, the ACTA reimbursed the Port for all amounts advanced plus approximately $3.2 million of interest on such advances out of debt or grant financing proceeds. In addition, the ACTA reimbursed the Port for approximately $81.7 million of capital assets directly related to the ACTA's mission, which the Port had previously included in construction in progress. Of the capital assets transferred, approximately $22.2 million had been funded by capital grants, which the Port had previously included in contributions/land valuation equity. The Port has no share of the ACTA's net assets and income at June 30, 2009 and 2008 and, accordingly, they have not been recorded in the accompanying financial statements.

Separate financial statements for ACTA may be obtained from the Chief Financial Officer, Alameda Corridor Transportation Authority, One Civic Plaza Drive, Suite 350, Carson, California 90745.

**(c)** ***Los Angeles Export Terminal, Inc.***

On April 12, 1993, the Port entered into a shareholders' agreement, which formed the LAXT for the purpose of financing, constructing, and managing a dry bulk handling facility for the export of coal, petroleum coke, and related products on land leased by permit from the Port.

The Port has contributed $19,000,000 to LAXT as part of the agreement. Such contribution represents a 13.2% share of the total committed capital of $143,174,000. This capital was raised from the shareholders through a purchase of stock in LAXT. The Port had the right to nominate two directors to a 19-member board of directors. As of June 30, 1998, the terminal began operating under a long-term lease agreement with a terminal manager/operator.

In June 2003, LAXT loaded the last coal vessel, thereby ceasing the coal operations at the facility. As a result of a Settlement Agreement, Mutual Release and Compromise, and Permit Termination Agreement, the Port, in March 2007, wrote off its $19,000,000 investment, or 100% of its share of equity participation in the LAXT (see note 14).

## (5) Long-Term Liabilities

**Long-term debt consists of the following at June 30, 2009 and 2008 (in thousands):**

| Parity Bonds | Call Provisions | Interest Rate | Fiscal Maturity Year | Original Amount | Beginning Balance July 1, 2008 | Additions | Reductions | Ending Balance June 30, 2009 | Principal Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| Harbor Revenue bonds, Issue 2001, Series A | 8/1/2011 @ 100% | 5.00 % | 2026 | $ 36,180 | $ 36,180 | $ - | $ - | $ 36,180 | $ - |
| Harbor Revenue bonds, Issue 2001, Series B | 8/1/2011 @ 100% | 5.25 -5.50 | 2023 | 64,925 | 64,925 | - | - | 64,925 | - |
| Harbor Revenue bonds, Issue 2002, Series A | 8/1/2012 @ 100% | 5.50 | 2016 | 63,520 | 45,995 | - | 5,000 | 40,995 | 5,275 |
| Harbor Revenue bonds, Issue 2005, Series A | 8/1/2015 @ 102% | 3.25 -5.00 | 2027 | 29,930 | 29,930 | - | - | 29,930 | - |
| Harbor Revenue bonds, Issue 2005, Series B | 8/1/2015 @ 102% | 3.00 -5.00 | 2027 | 30,110 | 30,110 | - | 125 | 29,985 | 850 |
| Harbor Revenue bonds, Issue 2005, Series C-1 | 8/1/2015 @ 102% | 3.50 -5.00 | 2018 | 43,730 | 38,685 | - | 4,145 | 34,540 | 1,540 |
| Harbor Revenue bonds, Issue 2006, Series A | 8/1/2016 @ 102% | 5.00 | 2027 | 200,710 | 189,400 | - | 7,545 | 181,855 | 8,515 |
| Harbor Revenue bonds, Issue 2006, Series B | 8/1/2016 @ 102% | 5.00 | 2027 | 209,815 | 205,825 | - | 4,430 | 201,395 | 5,975 |
| Harbor Revenue bonds, Issue 2006, Series C | 8/1/2016 @ 102% | 5.00 | 2026 | 16,545 | 16,545 | - | 235 | 16,310 | 635 |
| Harbor Revenue bonds, Issue 2006, Series D | 8/1/2016 @ 102% | 4.50 -5.00 | 2037 | 111,300 | 109,655 | - | 1,730 | 107,925 | 1,820 |
| **Total Parity Bonds** | | | | **$ 806,765** | **$ 767,250** | **$ -** | **$ 23,210** | **$ 744,040** | **$ 24,610** |
| | | | | | | | | | |
| **Dept. of Boating and Waterways (DBW) Loans** | | | | | | | | | |
| C#82-21-148 | | 4.50 % | 2014 | $ 4,000 | $ 1,547 | $ - | $ 230 | $ 1,317 | $ 240 |
| C#83-21-147 | | 4.50 | 2015 | 4,000 | 1,724 | - | 215 | 1,509 | 225 |
| **Total Loan** | | | | **$ 8,000** | **$ 3,271** | **$ -** | **$ 445** | **$ 2,826** | **$ 465** |
| | | | | | | | | | |
| **Unamortized bond (discount) premium** | | | | | $ 26,290 | $ - | $ 1,618 | $ 24,672 | $ - |
| **Unamortized deferred amount on refunding** | | | | | (15,059) | - | (1,056) | (14,003) | - |
| **Current maturities of long-term debt** | | | | | (23,655) | (1,420) | - | (25,075) | - |
| **Total Debt** | | | | | **$ 758,097** | **$ (1,420)** | **$ 24,217** | **$ 732,460** | **$ 25,075** |

**Long-term debt consists of the following at June 30, 2008 and 2007 (in thousands):**

| Parity Bonds | Call Provisions | Interest Rate | Fiscal Maturity Year | Original Amount | Beginning Balance July 1, 2007 | Additions | Reductions | Ending Balance June 30, 2008 | Principal Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| Harbor Revenue bonds, Issue 2001, Series A | 8/1/2011 @ 100% | 5.00 % | 2026 | $ 36,180 | $ 36,180 | $ - | $ - | $ 36,180 | $ - |
| Harbor Revenue bonds, Issue 2001, Series B | 8/1/2011 @ 100% | 5.25 -5.50 | 2023 | 64,925 | 64,925 | - | - | 64,925 | - |
| Harbor Revenue bonds, Issue 2002, Series A | 8/1/2012 @ 100% | 5.50 | 2016 | 63,520 | 50,735 | - | 4,740 | 45,995 | 5,000 |
| Harbor Revenue bonds, Issue 2005, Series A | 8/1/2015 @ 102% | 3.25 -5.00 | 2027 | 29,930 | 29,930 | - | - | 29,930 | - |
| Harbor Revenue bonds, Issue 2005, Series B | 8/1/2015 @ 102% | 3.00 -5.00 | 2027 | 30,110 | 30,110 | - | - | 30,110 | 125 |
| Harbor Revenue bonds, Issue 2005, Series C-1 | 8/1/2015 @ 102% | 3.50 -5.00 | 2018 | 43,730 | 42,025 | - | 3,340 | 38,685 | 4,145 |
| Harbor Revenue bonds, Issue 2006, Series A | 8/1/2016 @ 102% | 5.00 | 2027 | 200,710 | 197,760 | - | 8,360 | 189,400 | 7,545 |
| Harbor Revenue bonds, Issue 2006, Series B | 8/1/2016 @ 102% | 5.00 | 2027 | 209,815 | 209,815 | - | 3,990 | 205,825 | 4,430 |
| Harbor Revenue bonds, Issue 2006, Series C | 8/1/2016 @ 102% | 5.00 | 2026 | 16,545 | 16,545 | - | - | 16,545 | 235 |
| Harbor Revenue bonds, Issue 2006, Series D | 8/1/2016 @ 102% | 4.50 -5.00 | 2037 | 111,300 | 111,300 | - | 1,645 | 109,655 | 1,730 |
| **Total Parity Bonds** | | | | **$ 806,765** | **$ 789,325** | **$ -** | **$ 22,075** | **$ 767,250** | **$ 23,210** |

| Dept. of Boating and Waterways (DBW) Loans | Call Provisions | Interest Rate | Fiscal Maturity Year | Original Amount | Beginning Balance July 1, 2007 | Additions | Reductions | Ending Balance June 30, 2008 | Principal Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| C#82-21-148 | | 4.50 % | 2014 | $ 4,000 | $ 1,767 | $ - | $ 220 | $ 1,547 | $ 230 |
| C#83-21-147 | | 4.50 | 2015 | 4,000 | 1,930 | - | 206 | 1,724 | 215 |
| **Total** | | | | **$ 8,000** | **$ 3,697** | **$ -** | **$ 426** | **$ 3,271** | **$ 445** |

| | Beginning Balance July 1, 2007 | Additions | Reductions | Ending Balance June 30, 2008 | Principal Due Within One Year |
|---|---|---|---|---|---|
| **Unamortized bond (discount) premium** | $ 27,906 | $ - | $ 1,616 | $ 26,290 | $ - |
| **Unamortized deferred amount on refunding** | (16,113) | - | (1,054) | (15,059) | - |
| **Current maturities of long-term debt** | (22,501) | (24,248) | (23,094) | (23,655) | - |
| **Total Debt** | **$ 782,314** | **$ (24,248)** | **$ (31)** | **$ 758,097** | **$ 23,655** |



(Continued)

**Bond Premium and Discount**

The Port amortizes the original issue discount or premium over the life of each bond issue. Unamortized bond discount or premium, at the time of refunding, is amortized over the shorter of the life of the refunded bonds or the life of the refunding bonds. The unamortized amount for each Port issue is as follows (in thousands):

| Bond Issue | 2009 (Discount) Premium | 2008 (Discount) Premium |
|---|---|---|
| 2001A | $ (819) | $ (871) |
| 2001B | 674 | 725 |
| 2002A | 1,097 | 1,277 |
| 2005A | 1,645 | 1,742 |
| 2005B | 1,680 | 1,779 |
| 2005C-1 | 1,780 | 2,000 |
| 2006A | 7,295 | 7,724 |
| 2006B | 7,138 | 7,556 |
| 2006C | 865 | 918 |
| 2006D | 3,317 | 3,440 |
| Total | $ 24,672 | $ 26,290 |

The Port's required debt service payments for long-term debt for years ending June 30 are as follows (in thousands):

| Fiscal Year Ending | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $ 25,075 | $ 37,004 | $ 62,079 |
| 2011 | 26,386 | 35,709 | 62,095 |
| 2012 | 27,673 | 34,357 | 62,030 |
| 2013 | 29,111 | 32,944 | 62,055 |
| 2014 | 30,560 | 31,456 | 62,016 |
| 2015-2019 | 175,335 | 131,954 | 307,289 |
| 2020-2024 | 225,720 | 81,052 | 306,772 |
| 2025-2029 | 160,025 | 24,141 | 184,166 |
| 2030-2034 | 27,140 | 8,358 | 35,498 |
| 2035-2037 | 19,841 | 1,456 | 21,297 |
| Subtotal | 746,866 | 418,431 | 1,165,297 |
| Unamortized bond (discount) premium, net | 24,672 | - | 24,672 |
| Unamortized deferred loss on refunding | (14,003) | - | (14,003) |
| Current maturities of long term debt | (25,075) | - | (25,075) |
| Total | $ 732,460 | $ 418,431 | $ 1,150,891 |



(Continued)

A summary of the Port's long-term indebtedness is as follows:

***(a) Bonds Payable***

**2001 Series A Refunding Bonds**

The 2001 Series A Refunding Bonds were issued on July 11, 2001 in the aggregate principal amount of $36,180,000 to advance refund, on a crossover basis, $33,330,000 of the 1995 Series B Bonds. Interest on the 2001 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2002. The 2001 Series A Refunding Bonds with maturity dates ranging from August 1, 2022 to 2025; bear interest at a rate of 5.0%. The bonds maturing on or after August 1, 2011 are subject to optional redemption without an early redemption premium.

The outstanding balances on the 2001 Series A Refunding Bonds, net of unamortized discount of $819,000 and $871,000 and unamortized deferred amount on refunding of $747,000 and $793,000 were $34,614,000 and $34,516,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's 2001 Series A Refunding Bonds is as follows (in thousands):

| | Annual Debt Service Requirement | | |
|---|---|---|---|
| Fiscal Year | Principal | Interest | Total |
| 2010 | $ - | $ 1,809 | $ 1,809 |
| 2011 | - | 1,809 | 1,809 |
| 2012 | - | 1,809 | 1,809 |
| 2013 | - | 1,809 | 1,809 |
| 2014 | - | 1,809 | 1,809 |
| 2015-2019 | - | 9,045 | 9,045 |
| 2020-2024 | 12,220 | 8,685 | 20,905 |
| 2025-2026 | 23,960 | 1,213 | 25,173 |
| Sub-total | 36,180 | 27,988 | 64,168 |
| Unamortized Deferred Amount on Refunding of 1995 Series B | (747) | | (747) |
| Unamortized Discount | (819) | | (819) |
| Total | $ 34,614 | $ 27,988 | $ 62,602 |

**2001 Series B Refunding Bonds**

The Port issued the 2001 Series B Refunding Bonds in the aggregate principal amount of $64,925,000 to purchase $60,850,000 of the 1995 Series B Bonds tendered by bondholders in response to an open market purchase solicitation conducted through its underwriters.

Interest on the 2001 Series B Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing on February 1, 2002. The 2001 Series B Refunding Bonds with maturity dates ranging from August 1, 2015 to 2022; bear interest at rates from 5.25% to 5.50%. The bonds maturing on or after August 1, 2011 are subject to optional redemption without an early redemption premium.

The outstanding balances on the 2001 Series B Refunding Bonds, net of unamortized premium of $674,000 and $725,000 and unamortized deferred amount on refunding of $2,781,000 and $2,994,000, were $62,818,000 and $62,656,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port’s 2001 Series B Refunding Bonds is as follows (in thousands):

| | Annual Debt Service Requirement | | |
|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Total** |
| 2010 | $ - | $ 3,547 | $ 3,547 |
| 2011 | - | 3,547 | 3,547 |
| 2012 | - | 3,547 | 3,547 |
| 2013 | - | 3,547 | 3,547 |
| 2014 | - | 3,547 | 3,547 |
| 2015-2019 | 26,900 | 15,278 | 42,178 |
| 2020-2024 | 38,025 | 4,153 | 42,178 |
| Sub-total | 64,925 | 37,166 | 102,091 |
| Unamortized Deferred Amount on Refunding of 1995 Series B | (2,781) | | (2,781) |
| Unamortized Premium | 674 | | 674 |
| Total | $ 62,818 | $ 37,166 | $ 99,984 |

### 2002 Series A Refunding Bonds

The 2002A Series A Refunding Bonds were issued in the aggregate principal amount of $63,520,000 on May 6, 2002, on a crossover basis, to advance refund $64,110,000 of the outstanding 1995 Series B Bonds at their first redemption date of August 1, 2002, with the exception of 1995 Series B Bonds maturing on August 1, 2002 and 2003.

Interest on the 2002 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2002. The 2002 Series A Refunding Bonds with maturity ranging from August 1, 2004 to 2015 bear interest at a rate of 5.50%. The bonds maturing on or after August 1, 2012 are subject to optional redemption without an early redemption premium.

Prior to the Crossover Date, interest on the 2002 Series A Refunding Bonds was secured and payable solely from amounts held in a crossover refunding escrow account created pursuant to the issue's indenture. The outstanding balances on the 2002 Series A Refunding Bonds, net of unamortized premium of $1,097,000 and $1,277,000 and unamortized deferred amount on refunding of $942,000 and $1,096,000 were $41,150,000 and $46,176,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's 2002 Series A Refunding Bonds is as follows (in thousands):

| | Annual Debt Service Requirement | | |
|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Total** |
| 2010 | $ 5,275 | $ 2,110 | $ 7,385 |
| 2011 | 5,565 | 1,812 | 7,377 |
| 2012 | 5,865 | 1,497 | 7,362 |
| 2013 | 6,190 | 1,166 | 7,356 |
| 2014 | 6,535 | 816 | 7,351 |
| 2015-2016 | 11,565 | 575 | 12,140 |
| Sub-total | 40,995 | 7,976 | 48,971 |
| Unamortized Deferred Amount on Refunding of 1995 Series B | (942) | | (942) |
| Unamortized Premium | 1,097 | | 1,097 |
| Total | $ 41,150 | $ 7,976 | $ 49,126 |

On August 1, 2002, the refunding of 1995 Series B Bonds was completed and resulted in a difference between the reacquisition price and the net carrying amount of the 1995 Series B Bonds of $3,819,000. The difference is prorated to 2001 Series A Bonds, 2001 Series B Bonds, and 2002 Series A Bonds based on the face value. They are reported in the accompanying financial statements as a deduction from bonds payable and charged to operations through 2025 using the straight-line method.

**2005 Series A Refunding Bonds**

The 2005 Series A Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $29,930,000 to advance refund, on a crossover basis, $30,935,000 of the 1996 Series A Bonds on their call date (the Crossover Date) of August 1, 2006.

Interest on the 2005 Series A Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2006. The 2005 Series A Bonds with maturity dates ranging from August 1, 2010 to 2026; bear interest at rates from 3.25% to 5.00%. The bonds maturing on or after August 1, 2015 are subject to optional redemption at the redemption price of 102%.

Prior to the Crossover Date, interest on the Series 2005 Series A Bonds is payable from and secured solely by investment receipts from and amounts on deposit in the related crossover refunding escrow accounts. Until the crossover date, the 2005 Series A Bonds are not on parity with other outstanding Harbor Revenue Bonds.

The outstanding balance on the 2005 Series A Bonds, plus the unamortized premium of $1,645,000 and $1,742,000 and unamortized deferred amount on refunding of $498,000 and $527,000 were $31,077,000 and $31,144,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's 2005 Series A Bonds is as follows (in thousands):

| | Annual Debt Service Requirement | | |
|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Total** |
| 2010 | $ - | $ 1,433 | $ 1,433 |
| 2011 | 275 | 1,428 | 1,703 |
| 2012 | 1,285 | 1,401 | 2,686 |
| 2013 | 1,315 | 1,358 | 2,673 |
| 2014 | 1,370 | 1,310 | 2,680 |
| 2015-2019 | 7,960 | 5,466 | 13,426 |
| 2020-2024 | 10,230 | 3,203 | 13,433 |
| 2025-2027 | 7,495 | 575 | 8,070 |
| Sub-total | 29,930 | 16,174 | 46,104 |
| Unamortized Deferred Amount on Refunding of 1996 Series A | (498) | | (498) |
| Unamortized Premium | 1,645 | | 1,645 |
| Total | $ 31,077 | $ 16,174 | $ 47,251 |

### 2005 Series B Refunding Bonds

The 2005 Series B Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $30,110,000, on a crossover basis, to advance refund $31,690,000 of the 1996 Series B Bonds on their call date (the Crossover Date) of November 1, 2006.

Interest on the 2005 Series B Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2006. The 2005 Series B Bonds with maturity dates ranging from August 1, 2008 to August 1, 2026, bear interest at rates from 3.00% to 5.00%. The bonds maturing on or after August 1, 2015 are subject to optional redemption at the redemption price of 102%.

Prior to the Crossover Date, interest on the 2005 Series B Bonds is payable from and secured solely by investment receipts from deposits in the related crossover refunding escrow funds. Until the Crossover Date, the 2005 Series B Bonds are not on parity with other outstanding Harbor Revenue Bonds.

The outstanding balance on the 2005 Series B Bonds, plus the unamortized premium of $1,680,000 and $1,779,000 and unamortized deferred amount on refunding of $480,000 and $508,000 were $31,185,000 and $31,381,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's 2005 Series B Bonds is as follows (in thousands):

| | Annual Debt Service Requirement | | |
|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Total** |
| 2010 | $ 850 | $ 1,419 | $ 2,269 |
| 2011 | 1,200 | 1,382 | 2,582 |
| 2012 | 1,215 | 1,334 | 2,549 |
| 2013 | 1,280 | 1,284 | 2,564 |
| 2014 | 1,345 | 1,232 | 2,577 |
| 2015-2019 | 7,835 | 5,083 | 12,918 |
| 2020-2024 | 10,070 | 2,856 | 12,926 |
| 2025-2027 | 6,190 | 418 | 6,608 |
| Sub-total | 29,985 | 15,008 | 44,993 |
| Unamortized Deferred Amount on Refunding of 1996 Series B | (480) | | (480) |
| Unamortized Premium | 1,680 | | 1,680 |
| Total | $ 31,185 | $ 15,008 | $ 46,193 |

## 2005 Series C Refunding Bonds

The 2005 Series C-1 Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $43,730,000, to reimburse Citigroup and De La Rosa for and to pay fees associated with the purchase on the open market of the purchased 1996 Bonds.

Interest on the 2005 Series C-1 Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2006, with principal payments commencing August 1, 2006. The 2005 Series C-1 Bonds with maturity dates ranging from August 2006 to 2017; bear interest at rates from 3.50% to 5.00%. The bonds maturing on or after August 1, 2015 are subject to optional redemption at the redemption price of 102%.

The outstanding balances on the 2005 Series C Refunding Bonds, net of unamortized premium of $1,780,000 and $2,000,000 ~~a~~nd unamortized deferred amount on refunding of $1,240,000 and $1,393,000 were $35,080,000 and $39,293,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port’s 2005 Series C Bonds is as follows (in thousands):

| | Annual Debt Service Requirement | | |
|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Total** |
| 2010 | $ 1,540 | $ 1,680 | $ 3,220 |
| 2011 | 7,125 | 1,463 | 8,588 |
| 2012 | 15,290 | 903 | 16,193 |
| 2013 | - | 521 | 521 |
| 2014 | - | 521 | 521 |
| 2015-2019 | 10,585 | 1,717 | 12,302 |
| Sub-total | 34,540 | 6,805 | 41,345 |
| Unamortized Deferred Amount on Refunding of 1996 Series A & 1996 Series B | (1,240) | | (1,240) |
| Unamortized Premium | 1,780 | | 1,780 |
| Total | $ 35,080 | $ 6,805 | $ 41,885 |

**2006 Series A Refunding Bonds**

The 2006 Series A Refunding Bonds were issued on May 4, 2006 in the aggregate principal amount of $200,710,000, on a forward delivery basis, to currently refund $202,705,000 of the 1996A Bonds.

Interest on the 2006 Series A Bonds is payable semiannually on February 1 and August 1 of each year. Principal and interest are payable commencing August 1, 2006. The 2006 Series A Bonds bear interest at rate of 5.00% with maturity dates ranging from August 1, 2007 to August 1, 2026. The bonds maturing on or after August 1, 2016 are subject to optional redemption at the redemption price of 102%.

The outstanding balance on the 2006 Series A Bonds, net of unamortized premium of $7,295,000 and $7,723,000 and unamortized deferred amount on refunding of $3,196,000 and $3,383,000 were $185,954,000 and $193,739,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's 2006 Series A Bonds is as follows (in thousands):

| | Annual Debt Service Requirement | | |
|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Total** |
| 2010 | $ 8,515 | $ 8,880 | $ 17,395 |
| 2011 | 1,270 | 8,635 | 9,905 |
| 2012 | 800 | 8,584 | 9,384 |
| 2013 | 7,015 | 8,388 | 15,403 |
| 2014 | 6,915 | 8,040 | 14,955 |
| 2015-2019 | 46,910 | 33,374 | 80,284 |
| 2020-2024 | 57,635 | 20,778 | 78,413 |
| 2025-2027 | 52,795 | 4,049 | 56,844 |
| Sub-total | 181,855 | 100,728 | 282,583 |
| Unamortized Deferred Amount on Refunding of 1996 Series A | (3,196) | | (3,196) |
| Unamortized Premium | 7,295 | | 7,295 |
| Total | $ 185,954 | $ 100,728 | $ 286,682 |

**2006 Series B Refunding Bonds**

The 2006 Series B Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $209,815,000, on a forward delivery basis, to currently refund $211,895,000 of the 1996B Bonds.

Interest on the 2006 Series B Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series B Bonds bear interest at rate of 5.00% with maturity dates ranging from August 1, 2007 to August 1, 2026. The bonds maturing on or after August 1, 2016 are subject to optional redemption at the redemption price of 102%.

The outstanding balance on the 2006 Series B Bonds, net of unamortized premium of $7,138,000 and $7,556,000 and unamortized deferred amount on refunding of $3,818,000 and $4,042,000 was $204,715,000 and $209,339,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's 2006 Series B Bonds is as follows (in thousands):

| | Annual Debt Service Requirement | | |
|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Total** |
| 2010 | $ 5,975 | $ 9,920 | $ 15,895 |
| 2011 | 7,885 | 9,574 | 17,459 |
| 2012 | - | 9,377 | 9,377 |
| 2013 | 9,935 | 9,128 | 19,063 |
| 2014 | 10,850 | 8,609 | 19,459 |
| 2015-2019 | 45,895 | 36,187 | 82,082 |
| 2020-2024 | 75,235 | 21,101 | 96,336 |
| 2025-2027 | 45,620 | 3,556 | 49,176 |
| Sub-total | 201,395 | 107,452 | 308,847 |
| Unamortized Deferred Amount on Refunding of 1996 Series B | (3,818) | | (3,818) |
| Unamortized Premium | 7,138 | | 7,138 |
| Total | $ 204,715 | $ 107,452 | $ 312,167 |

## 2006 Series C Refunding Bonds

The 2006 Series C Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $16,545,000, on a forward delivery basis, to currently refund $17,065,000 of the 1996 Series C Bonds.

Interest on the 2006 Series C Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series C Bonds bear interest at rate of 5.00% with maturity dates ranging from August 1, 2008 to August 1, 2025. The bonds maturing on or after August 1, 2016 are subject to optional redemption at the redemption price of 102%.

The outstanding balance on the 2006 Series C Bonds, net of unamortized premium of $865,000 and $918,000 and unamortized deferred amount on refunding of $301,000 and $320,000 was $16,873,000 and $17,143,000 at June 30, 2009 and 2008, respectively.



(Continued)

Debt service of the Port's 2006 Series C Bonds is as follows (in thousands):

| | Annual Debt Service Requirement | | |
|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Total** |
| 2010 | $ 635 | $ 800 | $ 1,435 |
| 2011 | 665 | 767 | 1,432 |
| 2012 | 700 | 733 | 1,433 |
| 2013 | 730 | 697 | 1,427 |
| 2014 | 765 | 660 | 1,425 |
| 2015-2019 | 4,465 | 2,667 | 7,132 |
| 2020-2024 | 5,685 | 1,404 | 7,089 |
| 2025-2027 | 2,665 | 135 | 2,800 |
| Sub-total | 16,310 | 7,863 | 24,173 |
| Unamortized Deferred Amount on Refunding of 1996 Series C | (301) | | (301) |
| Unamortized Premium | 865 | | 865 |
| Total | $ 16,874 | $ 7,863 | $ 24,737 |

### 2006 Series D Refunding Bonds

The 2006 Series D Refunding Bonds were issued on August 31, 2006 in the aggregate principal amount of $111,300,000, to refund $113,561,000 of the Commercial Paper Notes.

Interest on the 2006 Series D Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series D Bonds bear interest at rates ranging from 4.5% to 5.00% with maturity dates from August 1, 2007 to August 1, 2036. The bonds maturing on or after August 1, 2016 are subject to optional redemption at the redemption price of 102%.

The outstanding balance on the 2006 Series D Bonds, net of unamortized premium of $3,317,000 and $3,440,000 was $111,242,000 and $113,095,000 at June 30, 2009 and 2008, respectively.



(Continued)

Debt service of the Port's 2006 Series D Bonds is as follows (in thousands):

| | Annual Debt Service Requirement | | |
|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Total** |
| 2010 | $ 1,820 | $ 5,279 | $ 7,099 |
| 2011 | 1,915 | 5,186 | 7,101 |
| 2012 | 2,010 | 5,088 | 7,098 |
| 2013 | 2,115 | 4,984 | 7,099 |
| 2014 | 2,225 | 4,876 | 7,101 |
| 2015-2019 | 12,940 | 22,549 | 35,489 |
| 2020-2024 | 16,620 | 18,872 | 35,492 |
| 2025-2029 | 21,300 | 14,196 | 35,496 |
| 2030-2034 | 27,140 | 8,358 | 35,498 |
| 2035-2037 | 19,840 | 1,455 | 21,295 |
| Sub-total | 107,925 | 90,843 | 198,768 |
| Unamortized Premium | 3,317 | | 3,317 |
| Total | $ 111,242 | $ 90,843 | $ 202,085 |

## Pledged Revenues

The Port issued revenue bonds in 2001, 2002, 2005 and 2006 to fund various Port improvement projects and to refund previously issued debt. All revenues used specifically for repayment of bonds are defined in the Port's bond official statements as net pledged revenues. Net pledged revenues means, for any given period, the pledged revenues for such period less, for such period, the maintenance and operation expense.

### *(b) Other Debt*

**California Department of Boating and Waterways**

The Port obtained two loans aggregating $8,000,000 from the California Department of Boating and Waterways. The notes currently bear interest at 4.5%. The Port makes annual payments of interest and principal and the notes will mature in 2014 and 2015, respectively. The Port's obligation with respect to the payment of such notes is subordinate to the lien of the Port's Parity Obligations on the Harbor Revenue Funds. The outstanding balances on such notes were $2,826,000 and $3,271,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's indebtedness is as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $ 465 | $ 128 | $ 593 |
| 2011 | 486 | 107 | 593 |
| 2012 | 508 | 84 | 592 |
| 2013 | 531 | 61 | 592 |
| 2014 | 555 | 38 | 593 |
| 2015 | 281 | 13 | 294 |
| Total | $ 2,826 | $ 431 | $ 3,257 |

### *(c) Current Year and Prior Years' Defeasance of Debt*

Bonds were defeased through the establishment of irrevocable escrow funds with a major financial institution. Monies placed in trust, when considered with interest to be earned thereon, will be sufficient to make required debt service payments through the earliest possible debt retirement dates. Accordingly, the liability for those bonds has been removed from the accompanying financial statements.

The remaining bonds in the defeasance escrows held by the trustee at June 30, 2009 and 2008 were as follows (in thousands):

| | 2009 | 2008 |
|---|---|---|
| 1988 Bonds | $ 79,440 | $ 84,665 |

### *(d) Changes in Long Term Liabilities*

Long-term liability activity for the years ended June 30, 2009 and 2008 was as follows (in thousands):

| | July 1, 2008 | Additions | Reductions | June 30, 2009 | Due within one year |
|---|---|---|---|---|---|
| Revenue bonds payable | $ 767,250 | — | (23,210) | 744,040 | 24,610 |
| Less unamortized discount/premium | 26,290 | — | (1,618) | 24,672 | — |
| Unamortized deferred amount on refunding | (15,059) | — | 1,056 | (14,003) | — |
| Total revenue bonds payable | 778,481 | — | (23,772) | 754,709 | 24,610 |
| Notes payable | 3,271 | — | (445) | 2,826 | 465 |
| Unearned revenue and other deferred credit | 1,865 | — | (216) | 1,649 | 1,649 |
| Accrued employee benefits | 18,578 | 2,336 | — | 20,914 | 11,632 |
| Other liabilities (notes 7, 16, 18 and 19) | 99,324 | 115,813 | (27,918) | 187,219 | 86,239 |
| Total long-term liabilities | $ 901,519 | 118,149 | (52,351) | 967,317 | 124,595 |

| | July 1, 2007 | Additions | Reductions | June 30, 2008 | Due within one year |
|---|---|---|---|---|---|
| Revenue bonds payable | $ 789,325 | — | (22,075) | 767,250 | 23,210 |
| Less unamortized discount/premium | 27,906 | — | (1,616) | 26,290 | — |
| Unamortized deferred amount on refunding | (16,113) | — | 1,054 | (15,059) | — |
| Total revenue bonds payable | 801,118 | — | (22,637) | 778,481 | 23,210 |
| Notes payable | 3,697 | — | (426) | 3,271 | 445 |
| Unearned revenue and other deferred credit | 358 | 1,507 | — | 1,865 | 1,865 |
| Accrued employee benefits | 20,729 | — | (2,151) | 18,578 | 10,626 |
| Other liabilities (notes 7 and 16) | 84,782 | 49,135 | (34,593) | 99,324 | 82,004 |
| Total long-term liabilities | $ 910,684 | 50,642 | (59,807) | 901,519 | 118,150 |

## (6) Employee-Deferred Compensation Plan

The City offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to its employees, in which the Port and its employees participate, allowing them to defer or postpone receipt of income. Amounts so deferred may not be paid to the employee during employment with the City, except for a catastrophic circumstance creating an undue financial hardship for the employee.

As a result of changes to Section 457 deferred compensation plans resulting from the Small Business Job Protection Act of 1996, the City's deferred compensation plan administrator established a custodial account on behalf of the plan participants. All amounts deferred by the Port's employees are paid to the City, which in turn pays them to the deferred compensation plan administrator. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such custodial account for the exclusive benefit of the employee participants and their beneficiaries. Information on the Port employees' share of plan assets is not available.

While the City has full power and authority to administer and to adopt rules and regulations for the plan, all investment decisions under the plan are the responsibility of the plan participants. The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Under certain circumstances, employees may modify their arrangements with the plan to provide for greater or lesser contributions or to terminate their participation. If participants retire under the plan or terminate service with the City, they may be eligible to receive payments under the plan in accordance with the provisions thereof. In the event of serious financial emergency, the City may approve, upon request, withdrawals from the plan by the participants, along with their allocated contributions.

## (7) Risk Management

The Port purchases insurance on certain risk exposures such as property, railroad, automobiles, fleet, pilotage, and public official. The Port is, however, self-insured for general liability/litigation-type claims and workers' compensation of the Port's employees. In addition, during fiscal years 2009 and 2008, the Port carried excess insurance on certain claims over $1,000,000. There have been no settlements related to these programs that exceeded insurance coverage in the last three years.

Claims expenses and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The Port utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. At June 30, 2009 and 2008, approximately $8,733,000 and $8,733,000, respectively, were accrued for litigation claims and workers' compensation claims, which are included in other liabilities in the accompanying statements of net assets.

Changes in the reported liability for the years ended June 30, 2009 and 2008 are as follows (in thousands):

| | Beginning liability | Current year claims and estimate changes | Claim payments | Balance at fiscal year end |
|---|---|---|---|---|
| 2008 – 2009: | | | | |
| Workers' compensation | $ 8,633 | 1,220 | (1,220) | 8,633 |
| General liability/litigation | 100 | 10 | (10) | 100 |
| 2007 – 2008: | | | | |
| Workers' compensation | $ 8,400 | 2,812 | (2,579) | 8,633 |
| General liability/litigation | 6,655 | (6,459) | (96) | 100 |

## (8) Leases, Rentals, and Minimum Annual Guarantee (MAG) Agreements

A substantial portion of the Port lands and facilities is leased to others. The majority of these leases provide for cancellation on a 30-day notice by either party and for retention of ownership by the Port or restoration of the property at the expiration of the agreement; accordingly, no leases are considered capital leases for purposes of financial reporting.

MAG agreements relate to shipping services and provide for the additional payment beyond the fixed portion, based upon tenant usage, revenues, or volumes.

These agreements are intended to be long-term in nature (as long as 30 years) and to provide the Port with a firm tenant commitment for a minimum fixed-income stream. In addition, these agreements are generally subject to periodic inflationary escalation of base amounts due to the Port. For the years ended June 30, 2009 and 2008, the minimum rental income from such lease agreements were approximately $42,368,000 and $45,524,000, respectively. For the years ended June 30, 2009 and 2008, the MAG payments approximated $219,272,000 and $213,971,000, respectively, and were reported under shipping services revenue.

The property on lease at June 30, 2009 consists of the following (in thousands):

| | |
|---|---|
| Wharves and sheds | $ 685,430 |
| Cranes and bulk facilities | 57,032 |
| Municipal warehouses | 10,646 |
| Port pilot facilities and equipment | 6,043 |
| Buildings and other facilities | 742,197 |
| Cabrillo Marina | 53,794 |
| | 1,555,142 |
| Less accumulated depreciation | (741,264) |
| Total | $ 813,878 |

Assuming that current agreements are carried to contractual termination, minimum tenant commitments due to the Port over the next five years are as follows (in thousands):

| Year ended June 30: | Rental Income | MAG Income |
|---|---|---|
| 2010 | $ 42,792 | $ 227,338 |
| 2011 | 43,220 | 227,338 |
| 2012 | 43,652 | 227,338 |
| 2013 | 44,088 | 227,338 |
| 2014 | 44,529 | 227,338 |
| Total | $ 218,281 | $ 1,136,690 |



(Continued)

## (9) Retirement Plan

### Los Angeles City Employees Retirement System

#### *(a) Retirement Plan Description*

All full-time employees of the Port are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS) of the City of Los Angeles, California, a single employer defined benefit pension plan. LACERS serves as a common investment and administrative agent for various City departments and agencies that participate in LACERS. The Port makes contributions to LACERS for its pro rata share of retirement costs attributable to its employees. The Port Police joined the Los Angeles Fire and Police Retirement System effective July 1, 2007.

LACERS provides retirement, disability, death benefits, postemployment healthcare benefits and annual cost-of-living adjustments based on the employees' years of service, age and final compensation. Employees with ten or more years of service may retire if they are at least 55 years old, or if the retirement date is between October 2, 1996 and September 30, 1999 at age 50 or older with at least 30 years of service. Normal retirement allowances are reduced for employees under age 60 at the time of retirement, unless they have more than 30 years of service and are age 55 or older. Employees aged 70 or above may retire at any time with no required minimum period of service. LACERS does not have a mandatory retirement age and none of the Port's employees are required to contribute to LACERS.

#### *(b) Actuarially Determined Contribution Requirements and Contributions Made*

The Board of Administration of LACERS establishes and may amend the contribution requirements of System members and the City. Covered employees contribute to LACERS at a rate (8.22% to 13.33%) established through the collective bargaining process for those whose membership began prior to January 1, 1983 and at a fixed rate of 6% of salary for those who entered membership on or after January 1, 1983. The City subsidizes member contributions as determined by the actuarial consultant of LACERS. The Port's pro rata share of the combined actuarially required contributions (ARC) for pension and postemployment healthcare benefits and actual contributions made to LACERS were approximately $14,526,000 (100% of ARC), $13,765,000 (100% of ARC) and $10,908,000 (100% of ARC) for the years ended June 30, 2009, 2008, and 2007, respectively. The allocation of contributions between the pension and postemployment healthcare benefits is not available.

The City's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for fiscal year 2009 and the two preceding years for the plan are as follows (in thousands):

| | Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|---|
| LACERS | 06/30/09 | $ 272,332 | 100% | $ (77,749) |
| | 06/30/08 | 286,368 | 100% | (79,972) |
| | 06/30/07 | 276,190 | 100% | (81,723) |

The City allocated a pro rata share of its net pension obligation to the Port and the amounts recorded at June 30, 2009 and 2008 were $2,529,000 and $2,172,000, respectively.

### *(c) Funded Status of LACERS*

Actuarial valuations involve the estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For complete information related to the funded status of LACERS and contribution information, refer to LACERS' basic financial statements. The LACERS' basic financial statements can be obtained from LACERS, 360 East Second Street, 2nd Floor, Los Angeles, CA 90012.

### *(d) Other Postemployment Benefits (OPEB)*

The Port, as a participant in LACERS, also provides a Retiree Health Insurance Premium Subsidy. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for this health insurance premium subsidy. This subsidy is to be funded entirely by the City. Employees with ten or more years of service who retire after age 55, or employees who retire at age 70 with no minimum service requirement, are eligible for a health premium subsidy with a City-approved health carrier. LACERS is advance funding the retiree health benefits on an actuarial-determined basis.

Projections of benefits are based on the substantive plan and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset (obligation) for fiscal year 2009 and the two preceding years for the plan are as follows (dollars in thousands):

| | Year Ended | Annual OPEB Cost (AOC) | Percentage of OPEB Cost Contributed | Net OPEB Asset (Obligation) |
|---|---|---|---|---|
| LACERS | 06/30/09 | $ 95,122 | 100% | - |
| | 06/30/08 | 108,849 | 100% | - |
| | 06/30/07 | 115,233 | 100% | - |

From the most recent data made available by the City, as of June 30, 2009, LACERS membership consists of 30,065 active plan participants and 14,991 retired members. Amounts contributed specifically to the Retiree Health Insurance Premium Subsidy by the Port alone are not available.

Actuarial valuations involve estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For complete information related to the funded status of LACERS and contribution information, refer to LACERS' basic financial statements. The LACERS' basic financial statements can be obtained from LACERS, 360 East Second Street, 2nd Floor, Los Angeles, CA 90012.

## City of Los Angeles Fire and Police Pensions

### *(a) Retirement Plan Description*

The Los Angeles City Council approved Ordinance No. 177214 that allows Harbor Department (Port Police Officers) the option to transfer from LACERS to Tier 5 of Los Angeles Fire and Police Pensions (LAFPP). The election period was from January 8, 2006 to January 5, 2007 and the decision to transfer is irrevocable.

Only "sworn" service with the Harbor Department is transferable to LAFPP. Other "non-sworn" service with other City Departments is not eligible for transfer. All new employees hired by the Harbor Department after the effective date of the Ordinance automatically go into Tier 5 of LAFPP.

LACERS transferred $6.1 million of allocated discounted Harbor Port Police assets to LAFPP in October 2007 for fiscal year 2007.

### (b) *Actuarially Determined Contribution Requirements and Contributions Made*

The Board of Administration/Commissioners of LAFPP establishes and may amend the contribution requirements of members and the City. The City's annual cost for the plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the applicable GASB Statements. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions. The Port's pro rata share of the combined actuarially required contribution (ARC) for pension and postemployment healthcare benefits and actual contributions made to LAFPP was approximately $1,485,000 (100% of ARC) and $1,573,000 (100% of ARC) for the years ended June 30, 2009 and 2008, respectively. The allocation of contributions between the pension and postemployment healthcare benefits is not available.

The City's annual pension cost and the percentage of annual pension cost contributed to the plan for fiscal year 2009 and the two preceding years for the plan are as follows (dollars in thousands):

| | Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed |
|---|---|---|---|
| LAFPP | 06/30/09 | $ 238,698 | 100% |
| | 06/30/08 | 261,635 | 100% |
| | 06/30/07 | 224,946 | 100% |

### (c) *Funded Status of LAFPP*

Actuarial valuations involve estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For complete information related to the funded status of LAFPP and contribution information, refer to LAFPP's basic financial statements. The LAFPP's basic financial statements can be obtained from LAFPP, 360 East Second Street, Suite 400, Los Angeles, CA 90012.

### (d) *Other Postemployment Benefits (OPEB)*

The City Charter, the Administrative Code and related ordinance define the postemployment healthcare benefits. There are no member contributions for healthcare benefits. The Port, as a participant in LAFPP, also provides a Retiree Health Insurance Premium Subsidy.

Projections of benefits are based on the substantive plan and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset (obligation) for fiscal year 2009 and the two preceding years for the plan are as follows (in thousands):

| | Year Ended | Annual OPEB Cost (AOC) | Percentage of OPEB Cost Contributed | Net OPEB (Obligation) |
|---|---|---|---|---|
| LAFPP | 06/30/09 | $ 106,453 | 89% | $ (11,536) |
| | 06/30/08 | 105,876 | 79% | (21,358) |
| | 06/30/07 | 55,163 | 100% | - |

From the most recent data made available by the City, as of June 30, 2009, LAFPP membership consists of 13,802 active plan participants, 81 vested terminated members, and 12,327 retired members and beneficiaries. Amounts contributed specifically to the Retiree Health Insurance Premium Subsidy by the Port alone are not available.

Actuarial valuations involve estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For complete information related to the funded status of LAFPP and contribution information, refer to LAFPP's basic financial statements. The LAFPP's basic financial statements can be obtained from LAFPP, 360 East Second Street, Suite 400, Los Angeles, CA 90012.

## (10) Notes Receivable

### *(a) City of Los Angeles Settlement*

In 1994, the City undertook a series of studies to determine whether or not the Port received services from the City for which the Port had not been inclusively billed. These studies, collectively referred to as the Nexus Study, were conducted under the auspices of the City Attorney. The studies found that the City could have billed the Port for substantial amounts for services undertaken on behalf of the Port by the City or for City services conducted within the Harbor's jurisdiction.

It is and has been the policy of the Port to pay the City all of the amounts to which the City is entitled. In light of these studies, the Board of Harbor Commissioners adopted a resolution providing for the reimbursement to the City of certain expenditures incurred by the City on behalf of the Port, but which the City had never inclusively billed the Port. Under its resolution, the Board of Harbor Commissioners authorized the Port to make, and the Port paid to the City, two annual payments of $20,000,000 for the 1994/95 and 1995/96 fiscal years. The Board of Harbor Commissioners further authorized the Executive Director to negotiate additional amounts as may be determined to be due, and accordingly, a memorandum of understanding with the City was executed on June 27, 1997 (1997 MOU).

The California State Lands Commission is responsible for oversight of the State's Tideland Trust Lands. This Commission, together with the State Office of Attorney General, has expressed concerns regarding the methodologies employed in the studies and whether such transfers of monies from the Port to the City comply with the criteria for compliance with applicable California State Tidelands Trust Land laws. Prior to the adoption of the above-referenced resolution, the California State Lands Commission officials and the Office of the Attorney General requested the Board of Harbor Commissioners to postpone any decision involving these trust funds until the California State Lands Commission and Office of Attorney General could complete an inquiry into the studies and transfers. Subsequently, various organizations, including the Steamship Association of Southern California, which represents carriers using the Port, together with the California State Lands Commission and Office of Attorney General, have brought legal action against the City and Port regarding the Board of Harbor Commissioners' action.

On January 19, 2001, the City, along with the Port and the California State Lands Commission, entered into a settlement and mutual release agreement to amicably resolve their disputes concerning the City's entitlement to historic and future reimbursements for costs the City incurred or would incur providing services to the Port. The settlement agreement provides that the City, as reimbursement for payments made by the Port to the City for retroactive billings for City services provided during the period July 1, 1977 through June 30, 1994, inclusive, pay the Port $53,400,000 in principal plus 3% simple interest over a 15-year period.

The settlement agreement also provides that the City reimburse the Port for the payment differential, that amount representing the difference between the actual payments and the amount to which the City would have been entitled to reimbursement during fiscal year 1994-95 through fiscal year 2000-2001, inclusive, had the reimbursement been computed during each of those fiscal years using the settlement formula. This amount is estimated at $8,352,000. Payment for this period is to be reimbursed to the Port over 15 years, including 3% simple interest. The agreement also states that at any time after five years from January 19, 2001, the City, the Port, and California State Lands Commission may negotiate to amend this agreement to account for new or changed circumstances.

The State, the City, and the Port agreed to mutually release and discharge the other from any and all claims, demands, obligations, and causes of action, of whatever kind or nature pertaining in any way to the use, payment, transfer, or expenditure for any of the services or facilities identified in the Nexus Study or the 1997 MOU and provided for during the period July 1, 1977 through June 30, 2002.

Accordingly, the Port of Los Angeles had recorded the amount due from the City as a long-term note receivable of $28,060,000 and $32,264,000 and a current portion of notes receivable of $4,206,000 and $4,083,000 as of June 30, 2009 and 2008, respectively.

### *(b) Note Receivable – Yusen*

In order to settle the then outstanding $2,351,000 terminal construction cost overruns, the Port agreed in 1994 that Yusen, one of the Port container terminal tenants, be permitted to pay over 22 years in equal monthly installments of $107,000. To record the transaction, an amortization schedule using a 5% interest rate was prepared and the note balance was adjusted to $1,477,000, with the balance of $874,000 recognized as the Port's capital assets in fiscal year 1995. The note matures in October 2015. The balance outstanding on the Yusen note is $618,000 and $691,000 at June 30, 2009 and 2008, respectively.

## (11) Commitments and Contingencies

Open purchase orders and uncompleted construction contracts amounted to approximately $514,056,000 as of June 30, 2009. Such open commitments do not lapse at the end of the Port's fiscal year and are carried forth to succeeding periods until fulfilled.

In 1985, the Port received a parcel of land, with an estimated value of $14,000,000 from the federal government, for the purpose of constructing a marina. The Port has agreed to reimburse the federal government up to $14,000,000 from excess revenues, if any, generated from marina operations after the Port has recovered all costs of construction. No such payments were made in 2009 or 2008.

The Port has certain operating leases whose future minimum payments are insignificant.

The Port is also involved in certain litigation arising in the normal course of business. In the opinion of management, there is no pending litigation or unasserted claims, the outcome of which would materially affect the financial position of the Port.

### *Alameda Corridor Transportation Authority Agreement (ACTA)*

In August 1989, the Port and the Port of Long Beach (the POLB and, together with the Port, the Ports) entered into a joint exercise of powers agreement and formed ACTA for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and the Ports in San Pedro Bay, linking the two Ports to the central Los Angeles area. The Alameda Corridor began operating on April 15, 2002. ACTA is governed by a seven-member board which is comprised of two members from each Port, one each from the Cities of Los Angeles and Long Beach and one from the Metropolitan Transportation Authority. In 2003, ACTA agreed to an expanded mission to develop and support projects that more effectively move cargo to points around Southern California, ease truck congestion, improve air quality, and make roads safer. If in the future ACTA becomes entitled to distribute income or make equity distributions, the Ports shall share any such income or equity distributions equally.

In October 1998, the Ports, ACTA, and the railroad companies, which operate on the corridor, entered into a Corridor Use and Operating Agreement (Corridor Agreement). The Corridor Agreement obligates the railroad companies to pay certain use fees and container charges (Use Fees), which ACTA will assess for the privilege of using the corridor to transport cargo into and out of the Ports. ACTA negotiated with BNSF Railway Company (BNSF) and Union Pacific (UP) regarding certain types of cargo movements (transload movements) for which BNSF and UP are not paying Use Fees. In the Settlement and Release Agreement (the Agreement), dated as July 5, 2006, ACTA, BNSF, and UP agreed to resolve the "Transloading Dispute." ACTA, the Ports, the City of Los Angeles, and the City of Long Beach (the ACTA Releasing Parties) each release, acquit, and discharge BNSF and UP of all liability and costs, as stated in the Agreement, arising from or relating to the Transloading Dispute. BNSF and UP (the Railroad Releasing Parties) each release, acquit, and discharge the ACTA Releasing Parties from any and all liability and costs, as stated in the Agreement, arising from or relating to any claim by the Railroad Releasing Parties. These Use Fees are used to pay (a) the debt service that ACTA incurs on approximately $1.2 billion of bonds, which ACTA issued in early 1999 and approximately $686 million of bonds issued in 2004, and (b) for the cost of funding required reserves and costs associated with the financing, including credit enhancement and rebate requirements, if any (collectively, ACTA Obligations). Use Fees end after 35 years or sooner if the ACTA Obligations are paid off earlier.

If ACTA revenues are insufficient to pay ACTA Obligations, the Corridor Agreement obligates each Port to pay up to twenty percent (20%) of the shortfall (Shortfall) on an annual basis. If this contingency occurs, the Ports' payments to ACTA are intended to provide cash for debt service payments and to assure that the Alameda Corridor is available to maintain continued cargo movement through the Ports. The Ports are required to include expected Shortfall payments in their budgets, but Shortfall payments are subordinate to other obligations of the Port, including the 2005 and 2006 Bonds, and neither the Port nor the POLB is required to take Shortfall payments into account when determining whether it may incur additional indebtedness or when calculating compliance with rate covenants under their respective bond indentures and resolutions.

In April 2004, it was estimated by ACTA that the Ports would be required to make Shortfall payments totaling approximately $20.5 million (the Port and POLB each being liable for their one-half share of $10.25 million) through 2027. Pursuant to the ACTA Operating Agreement, the Port is obligated to include any forecasted Shortfall payments in its budget each fiscal year. No Shortfall payments were payable by the Port in the prior years. The total amount of Shortfall Advance for the next fiscal year ending June 30, 2010 is estimated to be zero and no Shortfall Advance is required for fiscal year 2010 per the ACTA's latest Notice of Estimated Shortfall Advances and Reserve Account Funding dated March 27, 2009.

Estimates of Shortfalls are prepared by ACTA and such Shortfalls could vary materially from the estimates. It is not possible to predict whether, when, or how much the Port will be liable for Shortfall payments. In the opinion of management, shortfall payments, if any, would not materially affect the financial position of the Port.

***Community Redevelopment Agency Agreement***

On September 20, 2007, the Los Angeles Board of Harbor Commissioners approved the agreement between the City of Los Angeles and the Community Redevelopment Agency of the City of Los Angeles (CRALA) for the purpose of readying the underutilized and contaminated industrial properties within the Wilmington Industrial Park, the project area for development.

CRALA may execute note(s) in an aggregate amount not to exceed $25 million. The note(s) will accrue interest at the General Pool Rate compounded monthly. All notes will become due and payable sixty months from the date of the first executed note pursuant to this agreement unless the term of the note(s) is otherwise extended and approved in writing by CRALA and the Port. The CRALA and the Port may agree in writing to no more than two options to extend the term of this agreement and the notes granted hereunder, each option period not to exceed five additional years.

CRALA shall pay down the line of credit by applying proceeds generated from the periodic sale and disposition of acquired properties. Repayment of each draw (principal and accruing interest) is deferred until such time as the property that was acquired with the funds at issue is disposed of. CRALA shall repay any outstanding draw (principal and interest) at the end of the term of the line of credit. The line of credit will be frozen if any fund draws are outstanding for longer than sixty months. CRALA shall repay the then outstanding principal together with the interest, promptly upon selling a property, provided that the amount shall be repaid in one balloon payment no later than the 72$^{nd}$ month.

As of June 30, 2009 there has been no drawdown made by CRALA from this line of credit.

***Trapac Project and Environmental Impact Report***

On December 6, 2007, the Board of Harbor Commissioners (Board) certified the Final Environmental Impact Report (FEIR) for Trapac and approved the Trapac project. The project involves the development of the various improvements to Berths 136-147, currently occupied by Trapac. Subsequent to the project approval, certain entities (Appellants) appealed to the City Council the certification/project approval under the provisions of the California Environmental Quality Act (CEQA).

On April 3, 2008, the Board approved a Memorandum of Understanding (MOU) between the City and the Appellants of the Trapac EIR. The term of the MOU is five years and after the first five years, the agreement may be renewed for a successive five-year period by mutual agreement of the Port and a majority of the Appellants. The MOU provides for the revocation of the appeals and the establishment of a Port Community Mitigation Trust Fund.

The Port has provided the first year funding of $11,240,000 in the Community Mitigation Trust Fund geared towards the identified Trapac projects in the MOU. Additionally the Port has set aside a reserve of $800,000 to cover other first year commitments as specified in the MOU. Contributions from the Port to the Fund over the subsequent four years of the initial MOU term may vary based on the volume of cargo processed at the Port.

## (12) Related-Party Transactions

During the normal course of business, the Port is charged for services provided and use of land owned by the City, the most significant of which is related to fire protection, museum/park maintenance, and legal services. Total amounts charged by the City for services approximate $39,792,000 and $35,443,000 in fiscal years 2009 and 2008, respectively.

## (13) Capital Contributions

Amounts either received or to be reimbursed for the restricted purpose of the acquisition, construction of capital assets, or other grant-related capital expenditures are recorded as capital contributions. During the years ended June 30, 2009 and 2008, the Port reported capital contributions of $4,103,000 and $14,161,000 respectively, for certain capital construction and grant projects.

## (14) Los Angeles Export Terminal

Los Angeles Export Terminal (LAXT) is an approximately 120-acre dry bulk facility that handled coal and petroleum coke destined for Asia and the Americas. When incorporated, LAXT's ownership was comprised of a coalition of 51% US firms involved in the coal chain and 49% Japanese utility, steel, and energy companies. Since LAXT's formation, the Port has made equity contributions of $19.0 million. Beginning in fiscal year 2001, business conditions have been such that LAXT has been unable to meet its minimum rent guarantee to the Port. Accordingly, the Port fully reserved for its share of investment in LAXT and any trade receivables due from LAXT.

On June 10, 2004, LAXT, Oxbow Carbon & Minerals, Inc., and Oxbow Terminals LLC (collectively, the Claimants) filed a claim against the City for damages in excess of $400 million (the LAXT Claim). The Claimants assert, among other things, that the City breached fiduciary duties to LAXT, breached its lease with LAXT, and interfered with LAXT's efforts to raise additional revenues. The City rejected the LAXT claim on June 23, 2004. The Claimants subsequently filed a court action in which they claimed damages in excess of $600 million. The Port filed an answer and cross-claim to the court action. The parties reached a Settlement Agreement, Mutual Release and Compromise, and Permit Termination Agreement (Settlement Agreement) effective March 16, 2007 and the City paid the claimants a total of $27,412,000 as part of the settlement. The Port also wrote off $66,922,000 in accounts receivable and $2,000,000 in note receivable that are due from LAXT and $19,000,000 in LAXT investment against reserves specifically made for LAXT in prior years.

As a result of this settlement, certain Port capital assets that are related to LAXT operations have suffered permanent impairment of their value and are due for demolition. The Port charged a total of $22,291,000 as a special item in fiscal year 2007 and reduced the book value of these impacted assets to zero.

## (15) Natural Resources Defense Council Settlement Judgment

In March 2003, the Port of Los Angeles settled a lawsuit entitled: Natural Resources Defense Council, Inc., et al. v. City of Los Angeles, et al., regarding the environmental review of a Port project. The settlement calls for a total of $50 million in mitigation measures to be undertaken by the Port. This $50 million charge was recorded to expense in fiscal year 2003.

The terms of the agreement require that the Port fund various mitigation activities in the amount of $10 million per year over a five-year term ending fiscal year 2007. As of June 30, 2009, a total of $50.0 million has been transferred from Harbor Revenue Fund to the restricted mitigation funds.

Pursuant to the settlement, the Port is also obligated to expend up to $5 million to retrofit customer vessels to receive shore-side power as an alternative to using on-board diesel fueled generators. Through the end of fiscal year 2009, the Port has spent $5.0 million for this program.

In June 2004, the Port agreed to amend the original settlement to include, and transferred to the restricted fund an additional $3.5 million for the creation of parks and open space in San Pedro.

The settlement agreement also established a throughput restriction at China Shipping Terminal per calendar year. Actual throughput at the terminal exceeded the cap for calendar years 2008, 2007, 2006, 2005 were $1,770,000, $6,931,000, $5,767,000 and $3,862,000, and the Port charged to non-operating expense and deposited in the restricted mitigation funds the said amounts in June 2009, June 2008, May 2007 and April 2006, respectively. Total deposits for the four years were $18,330,000 with the June 2009 deposit for calendar year 2008 being the last payment for excess throughput required under the settlement agreement.

As of June 30, 2009 the Port has disbursed a total of $27.9 million, $5.5 million of this amount was made in FY 2009, as provided in accordance with the provisions of the settlement.

**(16) Alleged Misuse of Federal Funds – Stanley D. Mosler vs. City of Los Angeles**

An individual has brought a lawsuit under the Federal Civil False Claims Act against the Port, the City, and the Port's former Executive Director, challenging the use by the Port of certain federal funds obtained from the United States under the Water Resources Development Act of 1986 and State funds in the form of Tidelands Revenues for the construction of Pier 400 at the Port. The plaintiff alleges that the federal contribution amount to the construction of Pier 400 was $108 million and the State contribution was approximately $1 billion. The case was under seal from 2002 to 2005 while the federal government determined whether to join as a plaintiff. In 2005, the federal government decided not to join as a plaintiff. An amended complaint was served on the Port in August 2005 requesting treble damages. The Port believes that any claims alleging misuse of federal funds and State funds are without merit. After an initial dismissal for failure to have counsel and an appeal by the Relator to the Ninth circuit, on remand all of the defendants, including the City, filed motions for Summary Judgment. The trial court granted motions for summary judgment on behalf of all defendants. The Relator has again appealed to the Ninth Circuit. The matter is being briefed.

## (17) Westway Terminal Co., Inc. Settlement Agreement

Westway operates a marine liquid bulk terminal at the Port under a permit that expires in March 2025. On August 21, 2007, the City of Los Angeles approved the Port's Settlement Agreement, Mutual Release and Compromise, and Permit Termination Agreement with Westway. Under the settlement, Westway's permit will be early terminated and Westway will vacate and surrender the premises on or before February 23, 2009. Within 30 days after the vacate and surrender date, the Port will pay Westway $17 million, less any applicable charges, as settlement payment. On August 21, 2007, the City (Port) assumed responsibility for the cleanup and abatement order that the Regional Water Quality Control Board had issued to Westway. On and after the vacate and surrender date, the City (Port) assumed responsibility for all claims, demands and damages related to the environmental conditions. Estimate of costs for clean up and abatement of the property was $33,359,000 and is recorded as other liability as of June 30, 2009.

Westway Terminal vacated the San Pedro premises effective September 15, 2008. In accordance with the terms of the Settlement Agreement, the Port wired the $17 million to the account of Westway Terminal on October 2, 2008, within 30 calendar days after the Vacate and Surrender Date. This amount was accrued as of June 30, 2008.

## (18) Alleged Breach of Contract – Halcrow, Inc.

A dispute arose between Halcrow and City regarding program management services Halcrow rendered pursuant to Agreement No. 2402 and 2639 issued by the City's Harbor Department on the San Pedro Waterfront Redevelopment Project and the Wilmington Waterfront Redevelopment Project Halbrow lodged a claim with the City's City Clerk in the amount of $614,000 and the Port was notified on June 23, 2009. The claim (City Clerk Claim number 20095500) was subsequently approved and paid in the amount of $400,000 with the Settlement Agreement, Mutual Release and Compromise and Indemnity Agreement executed on September 11, 2009.

## (19) Cash Funding of Reserve Fund

As of June 30, 2009, the Department had $744.0 million of outstanding parity bonds. Each Indenture for the outstanding bonds requires the Department to establish a reserve fund and authorizes the Department to obtain one or more reserve sureties in lieu of fully funding the reserve fund with cash. Three bond insurers (Ambac, FGIC and MBIA) provide the reserve sureties for the Department's outstanding bonds.

Until December 2007, these bond insurers maintained "AAA" ratings from the three rating agencies: Fitch, Moody's and Standard & Poor's (S&P). Starting in January 2008, the rating agencies began downgrading the bond insurers. The Department filed material event notices as part of its continuing disclosure undertakings subsequent to each of the related downgrades or placements on negative outlook.

The downgrade of MBIA by S&P on June 5, 2008 triggered certain specific requirements in compliance with the 2005/2006 indenture. The Department opted to cash fund its reserve funds in order to comply with its bond covenants. In so doing, the Board of Harbor Commissioners on September 18, 2008 approved the one-time cash funding of the entire reserve requirement of $61.5 million and transferred from the Harbor Emergency Fund (Fund 751) to the Department's bond trustee in December 2008.

## (20) Subsequent Events

### *(a) New Money Bonds and Refunding Bonds*

In early July 2009, the Department issued New Money Bonds for $200 million and Refunding Bonds for $230 million, which refunded a portion of the 2005C-1 Bonds, 2006 Series A Bonds, 2006 Series B Bonds, and 2006 Series D Bonds in order to take advantage of the American Recovery and Reinvestment Tax Act of 2009. The Acts allows the Department to issue Non-AMT Bonds (Alternative Minimum Tax) to refund the existing AMT Bonds, which could realize the present value savings of $7 to $10 million.

The New Money Bonds were issued for the purpose of financing the construction costs of the new money projects approved during the Tax Equity and Fiscal Responsibility Act (TEFRA) hearing, providing for the funding of a debt service reserve fund with respect to the New Money Bonds and paying the issuance costs incidental to the issuance. The Refunding Bonds are to be issued for the purpose of refunding the refunded bonds through the open market purchase/formal tender process, providing for the funding of the debt service reserve funds and paying the issuance costs related to the refunding bonds as well.

### *(b) Customer Incentive Program*

On December 10, 2009, the Los Angeles Harbor Commission approved a $25.7 million economic relief program in addition to the $10.5 million discount given to Port's customers in fiscal year 2009.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES),**

Capital Development Program Budget

Fiscal Year 2009/2010

(In thousands of dollars)

| **Project description** | | **Estimated expenditure** |
|---|---|---|
| Terminal Improvements, General | $ | 3,935,080 |
| Minor Capital Projects | | 2,647,129 |
| POLA Administrative Building Modifications | | 1,902,382 |
| Environmental Assessment & Remediation | | 4,527,314 |
| World Cruise Center - General Improvements | | 5,948,386 |
| Berth 161 - Maintenance - Yard Improvements | | 747,440 |
| Wilmington Waterfront | | 40,195,467 |
| Berths 97-115 Redevelopment | | 16,655,758 |
| West Channel Cabrillo Beach Recreation Complex - Phase II | | 61,186,000 |
| Harry S. Bridges Blvd. Improvement | | 11,400,079 |
| Berths 142-147 Terminal Redevelopment | | 45,963,870 |
| Pier 300 - Wharf & Backland Improvements | | 13,335,012 |
| Pier 400 - Dredging, Landfill and Terminal Development | | 335,134 |
| Berths 225-236 Container Terminal Redevelopment | | 469,144 |
| Main Channel Deepening | | 22,537,735 |
| Pier A Street Yard Redevelopment | | 221,919 |
| Berths 115-131 Redevelopment | | 631,254 |
| Future Port Development | | 15,000,000 |
| Berths 212-225 Backland Development | | 1,780,390 |
| San Pedro Waterfront Project - San Pedro Waterfront | | 3,623,308 |
| Berth 195-199 Container Terminal Development | | 91,958 |
| Port-Wide Transportation Improvements | | 6,066,432 |
| Berth 49-50 Sediment Removal | | 73,887 |
| Pacific Energy Liquid Bulk Terminal | | 1,815,975 |
| Port Security | | 6,388,826 |
| Porrtwide Wharf Upgrade Program | | 58,367 |
| LA Port Police Headquarters | | 15,649,538 |
| San Pedro Waterfront Project - B. San Pedro Downtown Harbor | | 69,116 |
| Alternative Maritime Power Port-wide | | 19,523,474 |
| B. 258 - 269 (Fish Harbor) Rehabilitation | | 207,790 |
| Intermodal Container Transfer Facility (ICTF) South | | 687,885 |
| San Pedro Slip Improvements | | 1,203,518 |
| B. 191-194 Improvements | | 669,475 |
| Marine Oil Terminal Engineering | | 4,168,601 |
| Port-Wide Solar Panel Program | | 9,859,329 |
| Supplemental Eng./Arch.Services | | 20,800,000 |
| Total Estimated Capital Improvement Program Cost | $ | **340,376,972** |



(Continued)

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES),**

Schedule of Net Assets by Components

Last Ten Fiscal Years

(Unaudited)

(In thousands of dollars)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net assets: | | | | | | | | | | |
| Invested in capital assets, net of related debt | $ 1,347,288 | 1,446,072 | 1,682,470 | 1,786,780 | 1,853,776 | 1,890,002 | 1,854,468 | 1,931,037 | 1,985,653 | 2,101,396 |
| Restricted | 204 | 29 | 195 | 95 | 17 | 16 | 63,917 | 62 | 9 | 61,608 |
| Unrestricted | 238,278 | 299,319 | 179,093 | 143,921 | 157,833 | 216,678 | 282,922 | 406,770 | 491,381 | 266,583 |
| Total net assets | $ 1,585,770 | 1,745,420 | 1,861,758 | 1,930,796 | 2,011,626 | 2,106,696 | 2,201,307 | 2,337,869 | 2,477,043 | 2,429,587 |



(Continued)

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES),**

Schedule of Key Information on Revenue Statistics

Last Ten Fiscal Years

(Unaudited)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Rates: | | | | | | | | | | |
| General cargo tariff rate | $ 5.67 | 5.67 | 5.67 | 5.95 | 5.95 | 5.95 | 6.25 | 6.25 | 6.25 | 6.25 |
| Basic dockage (600’) | 2,236 | 2,236 | 2,236 | 2,236 | 2,348 | 2,348 | 2,465 | 2,465 | 2,465 | 2,465 |
| Required rate of return | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% |
| Containerized cargo volume (in millions of TEUs) | 4.37 | 4.99 | 5.63 | 6.70 | 7.35 | 7.27 | 7.80 | 8.66 | 8.08 | 7.26 |
| Revenue tons (million): | | | | | | | | | | |
| General cargo | 81.9 | 97.6 | 107.1 | 131.9 | 146.3 | 145.0 | 155.2 | 171.9 | 161.9 | 144.3 |
| Liquid bulk | 12.5 | 10.9 | 12.9 | 11.4 | 11.9 | 12.8 | 22.8 | 15.4 | 6.2 | 11.1 |
| Dry bulk | 7.1 | 5.4 | 6.2 | 4.2 | 3.9 | 4.3 | 3.6 | 2.8 | 1.9 | 2.0 |
| Total | 101.5 | 113.9 | 126.2 | 147.5 | 162.1 | 162.1 | 181.6 | 190.1 | 170.0 | 157.4 |
| Vessel arrivals | 3,060 | 2,899 | 2,778 | 2,845 | 2,812 | 2,646 | 2,771 | 2,920 | 2,467 | 2,322 |
| Cruise passengers | 1,110,053 | 1,073,357 | 1,099,552 | 1,057,293 | 803,308 | 1,097,204 | 1,205,947 | 1,194,984 | 1,191,449 | 990,965 |
| Vehicles | 388,619 | 312,248 | 314,986 | 347,067 | 213,933 | 242,024 | 232,149 | 144,068 | 185,978 | 109,634 |



(Continued)

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES),**

Summary of Revenues, Expenses, and Changes in Net Assets

Last Ten Fiscal Years

(Unaudited)

(In thousands of dollars)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | | |
| Shipping services | $ 208,436 | 232,749 | 248,624 | 281,700 | 293,977 | 315,615 | 353,390 | 369,972 | 374,878 | 329,347 |
| Rentals | 35,594 | 36,554 | 34,691 | 36,563 | 33,261 | 34,630 | 33,876 | 40,322 | 45,524 | 42,368 |
| Royalties, fees, and other operating revenues | 5,059 | 4,195 | 5,362 | 5,013 | 5,016 | 5,384 | 4,893 | 6,867 | 5,943 | 30,509 |
| Total operating revenues | 249,089 | 273,498 | 288,677 | 323,276 | 332,254 | 355,629 | 392,159 | 417,161 | 426,345 | 402,224 |
| Operating and administrative expenses: | | | | | | | | | | |
| Salaries and benefits | 35,274 | 39,554 | 40,682 | 44,427 | 53,165 | 58,182 | 65,705 | 74,313 | 95,444 | 99,350 |
| Marketing and public relations | 2,229 | 2,385 | 3,064 | 3,654 | 3,769 | 3,455 | 3,333 | 4,521 | 5,274 | 3,676 |
| Travel and entertainment | 557 | 716 | 713 | 658 | 758 | 743 | 822 | 604 | 1,128 | 635 |
| Outside services | 12,715 | 16,583 | 21,468 | 21,971 | 32,104 | 39,672 | 33,673 | 33,277 | 37,937 | 29,498 |
| Material and supplies | 3,069 | 3,108 | 3,508 | 3,771 | 4,682 | 5,320 | 5,400 | 5,813 | 8,950 | 8,121 |
| City services and payments | 22,961 | 20,395 | 19,210 | 18,525 | 18,729 | 22,361 | 20,821 | 28,640 | 27,101 | 28,704 |
| Other operating expenses | 7,189 | 7,275 | 10,632 | 55,409 | 16,967 | 41,158 | 54,378 | 16,607 | 45,918 | 84,159 |
| Total operating and administrative expenses | 83,994 | 90,016 | 99,277 | 148,415 | 130,174 | 170,891 | 184,132 | 163,775 | 221,752 | 254,143 |
| Income from operations before depreciation | 165,095 | 183,482 | 189,400 | 174,861 | 202,080 | 184,738 | 208,027 | 253,386 | 204,593 | 148,081 |
| Depreciation | 56,205 | 63,187 | 59,680 | 59,365 | 67,934 | 70,040 | 98,779 | 88,106 | 78,295 | 83,413 |
| Operating income | 108,890 | 120,295 | 129,720 | 115,496 | 134,146 | 114,698 | 109,248 | 165,280 | 126,298 | 64,668 |
| Nonoperating revenues/(expenses): | | | | | | | | | | |
| Income from investments in JPAs and other entities | 2,146 | 4,485 | 4,912 | 3,717 | 2,795 | 3,543 | 4,302 | 4,675 | 4,440 | 2,980 |
| Interest and investment income | 12,432 | 20,092 | 11,003 | 11,430 | 2,298 | 7,266 | 9,582 | 23,773 | 34,863 | 18,824 |
| Interest expense | (37,300) | (45,983) | (47,555) | (44,293) | (43,034) | (42,279) | (37,787) | (50,038) | (38,052) | (36,979) |
| Other income and expenses, net | (2,716) | (1,146) | (1,123) | (18,698) | (13,724) | 11,842 | 7,222 | 11,018 | (2,536) | (7,625) |
| Net nonoperating expenses | (25,438) | (22,552) | (32,763) | (47,844) | (51,665) | (19,628) | (16,681) | (10,572) | (1,285) | (22,800) |
| Income before capital contributions | 83,452 | 97,743 | 96,957 | 67,652 | 82,481 | 95,070 | 92,567 | 154,708 | 125,013 | 41,868 |
| Capital contributions | 2,809 | 7,500 | 17,203 | 1,386 | 867 | — | 2,044 | 4,145 | 14,161 | 4,103 |
| Special item | — | 61,752 | 2,178 | — | — | — | — | (22,291) | — | — |
| Deletions of capital contribution | (6,846) | (7,345) | — | — | (2,518) | — | — | — | — | — |
| Changes in net assets | 79,415 | 159,650 | 116,338 | 69,038 | 80,830 | 95,070 | 94,611 | 136,562 | 139,174 | 45,971 |
| Total net assets – beginning of year | 1,506,355 | 1,585,770 | 1,745,420 | 1,861,758 | 1,930,796 | 2,011,626 | 2,106,696 | 2,201,307 | 2,337,869 | 2,383,616 |
| Total net assets – end of year | $ 1,585,770 | 1,745,420 | 1,861,758 | 1,930,796 | 2,011,626 | 2,106,696 | 2,201,307 | 2,337,869 | 2,477,043 | 2,429,587 |



(Continued)

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES),**

Schedule of Revenue Tonnage by Trade Routes

Last Ten Fiscal Years

(Unaudited)

(In thousands of metric revenue tons)

| Trade routes | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Far East | 73,707 | 83,727 | 102,482 | 131,304 | 143,005 | 142,385 | 151,971 | 166,277 | 158,442 | 144,453 |
| Domestic | 9,905 | 9,465 | 10,979 | 10,171 | 8,808 | 8,408 | 15,941 | 9,750 | 4,899 | 8,267 |
| Australia and New Zealand | 2,797 | 2,755 | 3,233 | 3,004 | 3,649 | 3,716 | 4,204 | 4,577 | 2,203 | 952 |
| Western Mexico, Central and Western S. America | 2,960 | 3,185 | 2,332 | 2,246 | 2,077 | 1,797 | 1,360 | 1,586 | 1,311 | 1,305 |
| India, Persian Gulf, and Red Sea | 5,485 | 2,225 | 2,614 | 1,970 | 1,795 | 1,888 | 2,502 | 2,258 | 1,455 | 1,901 |
| Eastern South America | 1,665 | 1,009 | 1,665 | 988 | 754 | 1,099 | 1,409 | 800 | 542 | 505 |
| Western Europe | 1,496 | 1,953 | 1,671 | 882 | 960 | 1,128 | 1,752 | 1,642 | 339 | 1,192 |
| Caribbean | 930 | 860 | 676 | 612 | 1,102 | 1,369 | 1,432 | 1,273 | 906 | 1,667 |
| Mediterranean | 560 | 148 | 206 | 159 | 157 | 151 | 227 | 165 | 208 | 240 |
| Africa | 31 | 88 | 77 | 94 | 54 | 188 | 25 | 28 | 37 | 5 |
| Advance Wharfage and Accruals | 1,973 | 8,539 | (2,523) | (3,887) | (292) | (20) | 811 | 1,749 | (371) | (3,938) |
| APM rail/Truck Wharfage | — | — | — | — | — | — | — | — | — | 945 |
| Total | 101,509 | 113,954 | 123,412 | 147,543 | 162,069 | 162,109 | 181,634 | 190,105 | 169,971 | 157,494 |

| Percentage of total volume<br>Trade routes | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Far East | 72.6% | 73.5% | 83.0% | 89.0% | 88.2% | 87.8% | 83.7% | 87.5% | 93.2% | 91.7% |
| Domestic | 9.8% | 8.3% | 8.9% | 6.9% | 5.4% | 5.2% | 8.8% | 5.1% | 2.9% | 5.2% |
| Australia and New Zealand | 2.8% | 2.4% | 2.6% | 2.0% | 2.3% | 2.3% | 2.3% | 2.4% | 1.3% | 0.6% |
| Western Mexico, Central and Western S. America | 2.9% | 2.8% | 1.9% | 1.5% | 1.3% | 1.1% | 0.7% | 0.8% | 0.8% | 0.8% |
| India, Persian Gulf, and Red Sea | 5.4% | 2.0% | 2.1% | 1.3% | 1.1% | 1.2% | 1.4% | 1.2% | 0.9% | 1.2% |
| Eastern South America | 1.6% | 0.9% | 1.3% | 0.7% | 0.5% | 0.7% | 0.8% | 0.4% | 0.3% | 0.3% |
| Western Europe | 1.5% | 1.7% | 1.4% | 0.6% | 0.6% | 0.7% | 1.0% | 0.9% | 0.2% | 0.8% |
| Caribbean | 0.9% | 0.7% | 0.5% | 0.4% | 0.7% | 0.8% | 0.8% | 0.7% | 0.5% | 1.1% |
| Mediterranean | 0.6% | 0.1% | 0.2% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.2% |
| Africa | 0.0% | 0.1% | 0.1% | 0.1% | 0.0% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% |
| Advance Wharfage and Accruals | 1.9% | 7.5% | (2.0)% | (2.6)% | (0.2)% | (0.0)% | 0.4% | 0.9% | (0.2)% | (2.5)% |
| APM rail/Truck Wharfage | —% | —% | —% | —% | —% | —% | —% | —% | —% | 0.6% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |



(Continued)

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES),**

Summary of Debt Service Coverage (Pledged Revenue)

Last Ten Fiscal Years

(Unaudited)

(In thousands of dollars)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating Revenues (Including Investment/Interest Income) (1) | $ 263,667 | 298,075 | 304,592 | 338,423 | 337,347 | 366,438 | 406,043 | 445,609 | 465,648 | 424,028 |
| Operating Expenses (2) | 83,994 | 90,016 | 99,277 | 148,415 | 130,174 | 170,891 | 184,132 | 163,775 | 221,752 | 254,143 |
| Net available revenue (3) = (+1) - (2) | 179,673 | 208,059 | 205,315 | 190,008 | 207,173 | 195,547 | 221,911 | 281,834 | 243,896 | 169,885 |
| Debt service, revenue bonds | 53,336 | 53,333 | 54,310 | 54,097 | 57,994 | 58,515 | 58,143 | 58,293 | 61,318 | 61,298 |
| Debt service, commercial papers | — | — | — | 988 | 1,029 | 2,021 | 3,431 | 792 | — | — |
| Total debt service (4) | $ 53,336 | 53,333 | 54,310 | 55,085 | 59,023 | 60,536 | 61,574 | 59,085 | 61,318 | 61,298 |
| **Coverage (5) = (3) / (4)** | **3.4** | **3.9** | **3.8** | **3.4** | **3.5** | **3.2** | **3.6** | **4.8** | **4.0** | **2.8** |
| Net cash flow from operations (6) | $ 167,228 | 200,342 | 176,083 | 215,117 | 208,762 | 226,037 | 201,575 | 246,665 | 252,898 | 151,264 |
| Coverage (7) = (6) / (4) | 3.1 | 3.8 | 3.2 | 3.9 | 3.5 | 3.7 | 3.3 | 4.2 | 4.1 | 2.5 |

(1) Operating Revenues include pledged pooled investment and interest income.
(2) Depreciation and amortization expense, interest expense, and other nonoperating expenses are not included
(3) Debt service includes principal and interest payments on issued bonds as well as on commercial paper notes, which are senior debt backed by pledged-revenue
(4) Debt service does not include loans from the California Department of Boating and Waterways, which are not backed by pledged-revenue

Note: Details regarding the Port of Los Angeles' outstanding debt can be found in the notes to the financial statements.



(Continued)

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE**
**CITY OF LOS ANGELES)**

Highlights of Operating Information

Last Ten Fiscal Years

(Unaudited)

(In millions of dollars)

| | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash: | | | | | | | | | | | |
| Cash balance – Harbor revenue fund | $ | 201.6 | 246.4 | 74.2 | 84.5 | 117.3 | 211.2 | 256.3 | 380.1 | 488.9 | 363.7 |
| Cash balance – Restricted | | 73.5 | 82.7 | 87.2 | 97.1 | 107.3 | 122.4 | 201.3 | 158.3 | 168.3 | 115.3 |
| Property: | | | | | | | | | | | |
| Total property | $ | 2,675.5 | 2,810.9 | 3,120.2 | 3,346.0 | 3,471.4 | 3,556.1 | 3,664.0 | 3,720.4 | 3,816.7 | 3,982.0 |
| Allowance for depreciation | | 535.0 | 594.0 | 653.4 | 711.8 | 764.2 | 833.7 | 931.3 | 994.0 | 1,058.2 | 1,131.4 |
| Net property | $ | 2,140.5 | 2,216.9 | 2,466.8 | 2,634.2 | 2,707.2 | 2,722.4 | 2,732.7 | 2,726.4 | 2,758.5 | 2,850.6 |
| Construction and maintenance: | | | | | | | | | | | |
| Additions to properties | $ | 542.3 | 154.2 | 330.4 | 227.8 | 208.0 | 85.3 | 109.3 | 104.2 | 117.7 | 175.6 |
| Maintenance expenses | | 13.1 | 12.4 | 13.4 | 15.2 | 17.4 | 18.4 | 21.0 | 23.5 | 28.1 | 30.5 |
| Employees: | | | | | | | | | | | |
| Salaries | $ | 37.5 | 39.0 | 41.2 | 43.9 | 48.9 | 53.0 | 56.9 | 64.9 | 75.9 | 85.7 |
| Number of employees | | 541 | 542 | 557 | 594 | 634 | 659 | 706 | 737 | 850 | 975 |