THE PORT OF LOS ANGELES

AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

"FOR DISCUSSION ONLY"

DATE: **NOVEMBER 21, 2019**

TO: **AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS**

SUBJECT: **ANNUAL FINANCIAL AUDIT**

Submitted for your review is the draft report of the Harbor Department's Comprehensive Annual Financial Report (CAFR) for fiscal year 2018-19. Macias Gini & O'Connell, LLP (MGO), an independent public accounting firm, has performed an audit on the CAFR.

At the Audit Committee meeting, the partner from MGO will also present its required communications regarding the audit.

TRANSMITTAL:

1. Comprehensive Annual Financial Report as of June 30, 2019 - DRAFT

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director & Chief Financial Officer

MB/FL/Accounting Division
Author: F. Liu

Comprehensive Annual Financial Report

THE PORT OF LOS ANGELES

PORT OF LOS ANGELES

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA

For the Fiscal Years Ended June 30, 2019 and 2018

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

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2019 and 2018

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Prepared by: Finance and Administration Bureau of Port of Los Angeles

INTRODUCTORY SECTION

________, 2019

Mr. Eugene D. Seroka
Executive Director
Port of Los Angeles
San Pedro, California

This Comprehensive Annual Financial Report (CAFR) of the Port of Los Angeles (the Port), Harbor Department of the City of Los Angeles, California (the City), for the years ended June 30, 2019 and 2018, is hereby submitted.

Introduction

The management of the Port has prepared this annual report and assumes responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. 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 fiscal years ended June 30, 2019 and 2018, which have received an unmodified opinion from the Port's independent auditors and are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The report is presented in three sections: Introductory, Financial, and Statistical.

The Introductory Section outlines the relationship of the Port to the City and describes the organization and reporting entity. It additionally provides an overview of Port properties, operations, and key personnel. This letter of transmittal is designed to complement the management discussion and analysis (MD&A), which provides a narrative introduction, overview, and analysis to the financial statements, and should be read in conjunction with it.

The Financial Section includes the independent auditor's report, MD&A, financial statements, and required supplementary information. The MD&A presents a comparative review of financial position and changes in financial position for fiscal years 2019, 2018, and 2017. Also included in this section are a description of current and proposed capital development plans, a discussion of revenue growth, and an overview of the economic conditions and the competitive environment in which the Port operates.

Financial statements are prepared on an accrual basis and use an economic resources measurement focus. Financial statements comprise the statements of net position that present the financial position as of June 30, 2019 and 2018, statements of revenues, expenses, and changes in net position depicting financial performance for fiscal years 2019 and 2018, statements of cash flows that present the source and application of funds from operations, financing (noncapital and capital related), and investment activities for fiscal years 2019 and 2018, and notes to financial statements. The accompanying notes to financial statements further explain and support the information in the statements.

Profile of the Reporting Entity

The Port is a proprietary department of the City and is held in trust by the City for the people of the State of California (the State) pursuant to a series of tidelands grants. The Port is operated independently from the City, generating its own revenues, and administering and controlling its own expenses and fiscal activities. The Port is governed by the Board of Harbor Commissioners (the Board) which consists of five commissioners, appointed by the Mayor and confirmed by the City Council (the Council).

Most of the properties on which the Port's land, docks, wharves, transit sheds, terminals and other facilities are located is owned by the State and administered by the City through the Port, pursuant to certain tidelands grants from the State. The Port has the duty to provide for the needs of maritime commerce, navigation, fishing and recreation and environmental activities that are water-related and are intended to be of statewide benefit. In accordance with GAAP, the accompanying financial statements are included as an Enterprise Fund of the City.

In addition, 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. Activities of Intermodal Container Transfer Facility Joint Powers Authority and Alameda Corridor Transportation Authority, 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. Additional information regarding these joint ventures and shareholders agreement may be found in the notes to 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 or bureaus. These bureaus each consist of multiple divisions and fall under the responsibilities of five senior executives who report directly to the Executive Director. The Port's management structure is described in more detail below.

- The Deputy Executive Director of Stakeholder Engagement leads the Stakeholder Engagement Bureau, which consists of the Communications (including Community Relations and Media Relations), Government Affairs, Labor Relations and Workforce Development, and Trade Development divisions.

- The Deputy Executive Director & Chief Financial Officer leads the Finance and Administration Bureau, which consists of the Contracts and Purchasing, Human Resources, Accounting, Debt and Treasury Management, Financial Management, Management Audit, and Risk Management divisions.

- The Chief of Public Safety & Emergency Management leads the Public Safety & Emergency Management Bureau, which consists of the Los Angeles Pilot Service, Port Police, and Information Technology divisions.

- The Deputy Executive Director of Marketing & Customer Relations leads the Marketing & Customer Relations Bureau, which consists of the Planning & Strategy, Cargo Marketing, Environmental Management, Waterfront/Commercial Real Estate, and Cargo/Industrial Real Estate divisions.

- The Deputy Executive Director of Development leads the Development Bureau, which consists of the Construction, Goods Movement, Construction and Maintenance, and Engineering divisions.

The Port is located in the 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 cargo. The Port is a landlord to close to 300 entities. In addition to major terminal operators, other tenants include marinas, commercial fishing operations, cruise operations, restaurants, and recreational facilities.

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

In terms of its size and volume, the Port is one of the world's largest and busiest ports. The Port encompasses approximately 4,300 acres of land and 3,200 acres of water. The Port is a deep-water port with a minimum depth of 45 feet below mean low water mark and 53 feet in its main channel and at the bulk loader and supertanker channels. Two major railroads serve the Port.

The Port 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 handles the largest volume of containerized cargo of all U.S. ports, and additionally ranks as number one in cargo value for U.S. waterborne foreign traffic. The Port's major trading partners, concentrated along the Pacific Rim, include China/Hong Kong, Japan, South Korea, Taiwan, and Vietnam. Cargo to and from these countries represents the bulk of the total value of all cargo shipped through the Port.

The Port must be financially self-sufficient through the revenues it generates as it has no taxing authority. When appropriate, it seeks to obtain State and Federal funding for defined projects. The Port continues to maintain an AA/Aa2/AA credit ratings with Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings, respectively, with a "stable" outlook. These are the highest credit ratings for any stand-alone U.S. port.

Initiatives and Developments

The Port aims to continue to maintain its competitive edge by developing infrastructure that supports growth and efficiency, secure, and sustainable port operations. As such, the Port has adopted a capital budget of $173.1 million in fiscal year 2020. Comprising 10.7% of its total budget of $1.6 billion, the adopted capital expenditures include $144.4 million for direct costs of capital improvement projects, indirect costs of $16.3 million in overhead and interest costs, and $12.4 million for capital equipment. The adopted capital expenditures of $144.4 million include $64.7 million for terminal improvement projects, $11.7 million for transportation projects, $21.5 million for public access/environmental enhancement projects, $8.5 million for security projects, and $38.0 million for maritime services.

Award and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the Port for its CAFR for the fiscal year ended June 30, 2018. This was the first year that the Port has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This CAFR must satisfy GAAP and applicable legal requirements.

A certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Publication of this CAFR is a reflection of the excellence and professionalism of the Port's entire staff. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Bureau. We wish to thank all Port's divisions for their assistance in providing the data necessary to prepare this report.

Sincerely,

MARLA BLEAVINS
Deputy Executive Director and Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Los Angeles California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)
Organizational Chart

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

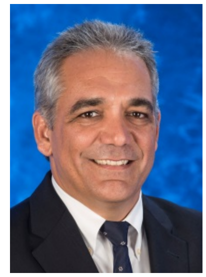
BOARD OF HARBOR COMMISSIONERS

Jaime L. Lee
President

Edward R. Renwick
Vice President

Diane Middleton
Commissioner

Lucia
Moreno-Linares
Commissioner



Anthony Pirozzi, Jr.
Commissioner

EXECUTIVE STAFF

Eugene D. Seroka
Executive Director

Marla Bleavins
Deputy Executive Director &
Chief Financial Officer
Finance & Administration

Tony Gioiello
Deputy Executive Director
Development

Thomas Gazsi
Chief of Public Safety &
Emergency Management

Michael DiBernardo
Deputy Executive Director
Marketing & Customer Relations

David Libatique
Deputy Executive Director
Stakeholder Engagement

MANAGEMENT STAFF

Theresa Adams Lopez
Director of Community Relations

Randall Allen
Deputy Chief of Port Police

Arley Baker
Senior Director of
Communications

Jennifer Bersales
Director of Risk Management

Christopher Cannon
Director of Environmental
Management

Tricia Carey
Director of Contracts &
Purchasing

Eric Caris
Director of Cargo Marketing

Kerry Cartwright
Director of Goods Movement

Tim Clark
Director of Construction &
Maintenance

Marisela Caraballo DiRuggiero
Director of Trade Development

Jennifer Cohen
Director of Policy and Legislative
Affairs

Capt. John Dwyer
Pilot Service

Capt. David Craig Flinn
Pilot Service

Michael Galvin
Director of Waterfront &
Commercial Real Estate

Julie Huerta
Commission Office

Marisa Katnich
Director of Cargo/Industrial Real
Estate

Lance Kaneshiro
Director of Information
Technology

Michael Keenan
Director of Planning & Strategy

Frank Liu
Director of Accounting

Tish Lorenzana
Director of Human Resources

Jim Olds
Director of Management Audits

Soheila Sajadian
Director of Debt & Treasury
Management

Phillip Sanfield
Director of Media Relations

Shaun Shahrestani
Chief Harbor Engineer of
Construction

Avin Sharma
Director of Labor Relations &
Workforce Development

Jeffrey Strafford
Director of Financial Management

Dave Walsh
Chief Harbor Engineer of Design

CITY ATTORNEY STAFF

Janna Sidley
General Counsel

FINANCIAL SECTION

Independent Auditor's Report

[Independent Auditor's Report will be provided by MGO when the CAFR is ready to be finalized.]

Page 2 of Independent Auditor's Report

[Independent Auditor's Report will be provided by MGO when the CAFR is ready to be finalized.]

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

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Using This Financial Report

The management of the Port of Los Angeles (the Port) presents an overview of the Port's financial performance during the years ended June 30, 2019 and 2018. This discussion and analysis should be read in conjunction with the transmittal letter on pages 1-4 and the Port's financial statements starting from page 40.

The Port's financial report consists of this management's discussion and analysis (MD&A), and the following financial statements:

- *Statements of Net Position* – present information of all of the Port's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2019 and 2018. The sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as net position, which over time may increase or decrease and, serves as an indicator of the Port's financial position.

- *Statements of Revenues, Expenses, and Changes in Net Position* – present the results of operations during the current and prior fiscal year. These show the sources of the Port's revenues and its expenses. Revenues and expenses are recorded and reported for some items that will result in cash flows in future periods. Changes in net position are reported when the underlying events occurred, regardless of the timing of the related cash flows.

- *Statements of Cash Flows* – present the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. A reconciliation is also provided to assist in understanding the difference between operating income and cash flows from operating activities.

- *Notes to Financial Statements* – present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of the Port's financial activities.

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

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Overview of the Port's Financial Statements

The Port is a fiscally independent department and an enterprise fund of the City of Los Angeles, California (the City). The Port's financial statements are prepared on an accrual basis using the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). The notes to financial statements on pages 47 to 112 provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights for Fiscal Year 2019

- Current assets exceeded current liabilities by $742.2 million.
- Capital assets, net of accumulated depreciation and amortization of $2.4 billion amounted to $3.8 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.5 billion.
- Bonded debt net of unamortized discounts/premiums of $60.0 million, totaled $870.1 million.
- Operating revenue amounted to $506.4 million.
- Net operating expenses excluding depreciation of $162.0 million amounted to $240.4 million.
- Capital contributions amounted to $3.5 million.

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

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Financial Highlights for Fiscal Year 2018

- Current assets exceeded current liabilities by $581.4 million.
- Capital assets, net of accumulated depreciation and amortization of $2.2 billion amounted to $3.9 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.3 billion.
- Bonded debt net of unamortized discounts/premiums of $68.3 million, totaled $922.4 million.
- Operating revenue amounted to $490.8 million.
- Net operating expenses excluding depreciation of $168.0 million amounted to $237.0 million.
- Capital contributions amounted to $4.5 million.

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

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Analysis of Net Position

Net position is the sum of assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Port's financial position is improving or deteriorating. The following is a condensed summary of the Port's net position as of June 30, 2019, 2018, and 2017 (in thousands):

Condensed Net Position

				Increase (Decrease) Over Prior Year	
	FY 2019	FY 2018	FY 2017	FY 2019	FY 2018
Assets					
Current and other assets	$ 976,353	$ 823,721	$ 753,808	$ 152,632	$ 69,913
Capital assets, net	3,812,608	3,871,402	3,925,084	(58,794)	(53,682)
Total assets	4,788,961	4,695,123	4,678,892	93,838	16,231
Deferred outflows of resources	78,020	66,313	79,575	11,707	(13,262)
Liabilities					
Current liabilities	154,115	164,527	180,822	(10,412)	(16,295)
Long-term liabilities	1,169,568	1,224,655	1,282,205	(55,087)	(57,550)
Total liabilities	1,323,683	1,389,182	1,463,027	(65,499)	(73,845)
Deferred inflows of resources	39,620	37,383	30,042	2,237	7,341
Net position					
Net investment in capital assets	2,957,014	2,964,553	2,972,442	(7,539)	(7,889)
Restricted for debt service	63,325	62,225	62,255	1,100	(30)
Unrestricted	483,339	308,093	230,701	175,246	77,392
Total net position	$ 3,503,678	$ 3,334,871	$ 3,265,398	$ 168,807	$ 69,473

Net Position, Fiscal Year 2019

The largest portion of the Port's net position ($3.0 billion or 84.4%) reflects its net investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($63.3 million or 1.8%) represents resources that are restricted for the debt service reserve fund. The remaining balance of $483.3 million or 13.8% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $152.6 million or 18.5% from $823.7 million in fiscal year 2018 to $976.4 million in fiscal year 2019. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

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PORT OF LOS ANGELES
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Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasury on behalf of the Port. The increase of $160.7 million from $758.5 million at June 30, 2018 to $919.2 million at June 30, 2019 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash increased over the course of the fiscal year as cash receipts derived from operating income and nonoperating sources more than sufficiently covered capital spending needs, debt service obligations, pollution remediation payments and workers' compensation payments. At June 30, 2019, the Port's share in the fair value measurement of the City's pooled investments reflected an increase of $26.5 million. The Port reported additional investments of $0.1 million from its share in the City's investment purchases on June 30, 2019, and $8.2 million in securities lending transactions.

Grants receivable decreased by $1.8 million or 45.3% as lesser amount of grant invoices remained outstanding at fiscal year-end relative to prior fiscal year.

Capital assets, net of depreciation decreased by $58.8 million or 1.5% as the increase in accumulated depreciation associated with the Port's existing facilities and equipment more than offset the increase in new capital assets associated with capital project development and construction in progress.

Current liabilities decreased by $10.4 million or 6.3% as decreases of $3.3 million in obligations from securities lending transactions, $5.8 million in litigation and mitigation reserves, $3.4 million in fiscal year end accruals, $3.5 million for the Port's share in the City's investment purchases on June 30, 2019 settled subsequently in the next fiscal year, and $0.3 million in the net balance of other current liabilities were offset by increases of $2.5 million in current portion of outstanding bonds payable and $3.4 million in accrued salaries and employee benefits.

Long-term liabilities decreased by $55.1 million or 4.5% primarily due to a decrease of $54.9 million in the noncurrent portion of bonds payable arising from the customary repayment of principal in conjunction with the Port's annual servicing of its debt, a decrease of $4.2 million in long-term portion of estimated employee benefits, and a decrease of $5.1 million in estimated pollution remediation obligations. These decreases were offset by an increase of $9.1 million or 4.3% in net pension liabilities attributable to change in the actuarial assumptions. Additional information regarding pollution remediation for these sites may be found in Note 9 on page 74.

Net Position, Fiscal Year 2018

The largest portion of the Port's net position ($3.0 billion or 88.9%) reflects its net investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($62.2 million or 1.9%) represents resources that are restricted for the debt service reserve fund. The remaining balance of $308.1 million or 9.2% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $69.9 million or 9.3% from $753.8 million in fiscal year 2017 to $823.7 million in fiscal year 2018. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

Continued…..

PORT OF LOS ANGELES
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Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasury on behalf of the Port. The increase of $51.0 million from $707.5 million at June 30, 2017 to $758.5 million at June 30, 2018 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash increased over the course of the fiscal year as cash receipts derived from operating income and nonoperating sources more than sufficiently covered capital spending needs, debt service obligations, pollution remediation payments and workers' compensation payments. At June 30, 2018, the Port's share in the fair value measurement of the City's pooled investments reflected a decline of $10.3 million. The Port reported additional investments of $3.5 million from its share in the City's investment purchases on June 30, 2018, and $11.5 million in securities lending transactions.

Grants receivable increased by $3.0 million or 324.6% as larger amount of grant invoices remained outstanding at fiscal year-end relative to prior fiscal year.

Capital assets, net of depreciation decreased by $53.7 million or 1.4% as the increase in accumulated depreciation associated with the Port's existing facilities and equipment more than offset the increase in new capital assets associated with capital project development and construction in progress.

Current liabilities decreased by $16.3 million or 9.0% as a decrease of $31.3 million for the Port's share in the City's investment purchases on June 30, 2018 settled subsequently in the next fiscal year was only slightly offset by increases of $7.2 million in obligations from securities lending transactions, $6.4 million in current portion of outstanding bonds payable and $1.4 million in the net balance of other current liabilities.

Long-term liabilities decreased by $57.6 million or 4.5% primarily due to a decrease of $53.3 million in the noncurrent portion of bonds payable arising from the customary repayment of principal in conjunction with the Port's annual servicing of its debt, a decrease of $20.4 million or 8.8% in net pension liability attributable to the actual investment return rate of plan assets in fiscal year 2016-17 exceeding the investment return rate used in actuarial assumption, and a decrease of $10.2 million in estimated pollution remediation obligations. These decreases were offset by an increase in liabilities following the recognition of $24.4 million for other postemployment benefits (OPEB) liability as a result of implementing the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) and other increases totaling $1.9 million for deposits, accrued employee benefits, and allowance for workers compensation. Additional information regarding pollution remediation for these sites may be found in Note 9 on page 74.

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

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net position changed during fiscal years 2019, 2018 and 2017 (in thousands):

Condensed Changes in Net Position

	FY 2019	FY 2018	FY 2017	Increase (Decrease) Over Prior Year FY 2019	Increase (Decrease) Over Prior Year FY 2018
Operating revenue	$ 506,427	$ 490,760	$ 474,532	$ 15,667	$ 16,228
Less: Operating expenses	240,427	236,955	227,675	3,472	9,280
Operating income before depreciation and amortization	266,000	253,805	246,857	12,195	6,948
Less: Depreciation and amortization	161,977	167,984	172,895	(6,007)	(4,911)
Operating income	104,023	85,821	73,962	18,202	11,859
Net nonoperating revenue (expenses)	61,261	3,006	1,530	58,255	1,476
Income before capital contributions	165,284	88,827	75,492	76,457	13,335
Capital contributions	3,523	4,524	18,801	(1,001)	(14,277)
Extraordinary Item	--	--	9,150	--	(9,150)
Changes in net position	168,807	93,351	103,443	75,456	(10,092)
Net position, July 1	3,334,871	3,265,398	3,161,955	69,473	103,443
Cumulative effect of change in accounting principles	--	(23,878)	--	23,878	(23,878)
Net position, July 1, restated	3,334,871	3,241,520	3,161,955	93,351	79,565
Net position, June 30	$ 3,503,678	$ 3,334,871	$ 3,265,398	$ 168,807	$ 69,473

Changes in Net Position, Fiscal Year 2019

The Port reported a $168.8 million change in net position in fiscal year 2019, an 80.8% increase as compared to fiscal year 2018. Approximately $476.3 million or 94.0% 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 expenses were higher by $3.5 million in fiscal year 2019 compared to the previous fiscal year.

Depreciation expense decreased by $6.0 million to $162.0 million in fiscal year 2019 from $168.0 million in fiscal year 2018, primarily due to certain assets being fully depreciated in the prior year.

Nonoperating revenues for fiscal year 2019 totaled $72.4 million, while nonoperating expenses were $11.1 million, thereby resulting in net nonoperating revenue of $61.3 million. Nonoperating revenues of $72.4 million include: $26.9 million of recovery receipts from an intermodal gateway project that was set up by a court decision, $15.9 million of interest and investment income from the Port's cash in the City's pooled investments and bond funds, $16.9 million of unrealized gain for fair value adjustment of investments, $2.6 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $1.4 million

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from noncapital grants, $4.9 million from pass through grant revenue, as well as $3.8 million from various rebates, reimbursements, and miscellaneous other receipts. Nonoperating expenses of $11.1 million include $1.3 million of interest on indebtedness, $4.9 million from pass through grant expenditures, $4.7 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, and $0.2 million related to maintaining liquidity support for the commercial paper program during the fiscal year.

As a result, income before capital contributions increased by $76.5 million or 86.1% to $165.3 million in fiscal year 2019 from $88.8 million in fiscal year 2018.

Capital contributions decreased by $1.0 million from $4.5 million received in fiscal year 2018 to $3.5 million in fiscal year 2019 following the completion of more grant-funded initiatives in fiscal year 2018 relative to fiscal year 2019. Capital grants in fiscal year 2019 funded initiatives such as Harbor Boulevard/Sampson Way/7th Street Reconfiguration ($2.2 million), Yusen Terminal Efficiency Enhancements and Truck Trip Redesign Program ($0.7 million), I-110/C-Street Access Ramp Improvements ($0.4 million), and I-110/SR-47/Harbor Boulevard Connectors and Vincent Thomas Bridge ($0.2 million).

Changes in Net Position, Fiscal Year 2018

The Port reported a $93.4 million change in net position in fiscal year 2018, a 9.8% decrease as compared to fiscal year 2017. Approximately $466.7 million or 95.1% 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 expenses were higher by $9.3 million in fiscal year 2018 compared to the previous fiscal year.

Depreciation expense decreased by $4.9 million to $168.0 million in fiscal year 2018 from $172.9 million in fiscal year 2017, primarily due to certain assets being fully depreciated in the prior year.

Nonoperating revenues for fiscal year 2018 totaled $10.9 million, while nonoperating expenses were $7.9 million, thereby resulting in net nonoperating revenue of $3.0 million. Nonoperating revenues of $10.9 million include: $2.0 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $0.6 million from interest and investment income from the Port's cash in the City's pooled investments, $1.5 million from noncapital grants, $2.7 million from pass through grant revenue, as well as $4.1 million from various rebates, reimbursements, and miscellaneous other receipts. Nonoperating expenses of $7.9 million include $1.6 million of interest on indebtedness, $2.7 million from pass through grant expenditures, $1.6 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, and $2.0 million related to disposed asset write-offs and maintaining liquidity support for the commercial paper program during the fiscal year.

As a result, income before capital contributions increased by $13.3 million or 17.7% to $88.8 million in fiscal year 2018 from $75.5 million in fiscal year 2017.

Continued…..

PORT OF LOS ANGELES
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Capital contributions decreased by $14.3 million from $18.8 million received in fiscal year 2017 to $4.5 million in fiscal year 2018 following the completion of more grant-funded initiatives in fiscal year 2017 relative to fiscal year 2018. Capital grants in fiscal year 2018 funded initiatives such as Harbor Boulevard/Sampson Way/7th Street Reconfiguration ($2.7 million), Yusen Terminal Efficiency Enhancements and Truck Trip Redesign Program ($2.3 million), I-110/C-Street Access Ramp Improvements ($1.2 million), Rail Yard Track Connections at Berth 200 ($1.4 million), and I-110/SR-47/Harbor Boulevard Connectors and Vincent Thomas Bridge ($0.6 million). These grant receipts of $8.2 million were offset by a $3.7 million refund related to TraPac terminal construction.

Continued…..

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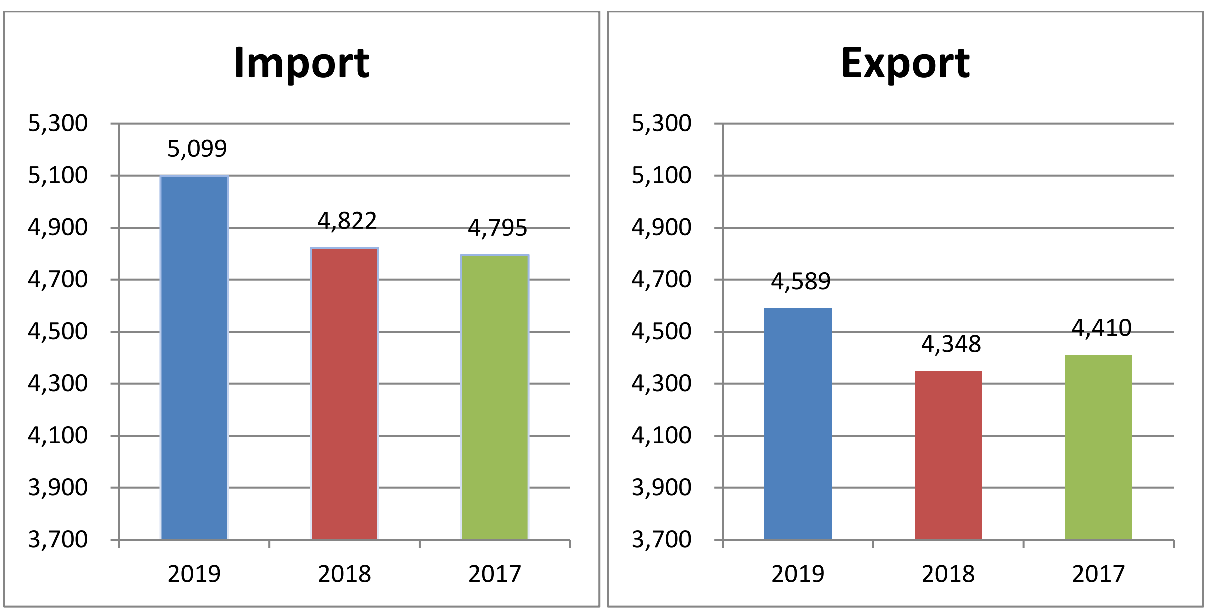
Operating Revenue

Annual container counts for the Port in twenty-foot equivalent units (TEUs), a standard measurement used in the maritime industry for measuring containers of varying lengths, for the last three fiscal years are as follows (in thousand TEUs):

	In TEUs			% Change Over Prior Year	
Container Volume	FY 2019	FY 2018	FY 2017	FY 2019	FY 2018
Import	5,099	4,822	4,795	5.7%	0.6%
Export	4,589	4,348	4,410	5.5%	-1.4%
Total	9,688	9,170	9,205	5.6%	-0.4%

The Port is the number one port by container volume in North America. Fiscal year 2019 marked the third consecutive fiscal year period in which the Port has surpassed the 9.0 million TEU mark. Fiscal Year 2019 cargo volumes of 9.7 million TEUs represented a 5.6% increase relative to the prior fiscal year. Total loaded containers of 6.5 million represented a 6.9% increase relative to the prior fiscal year.

Following is the graphical presentation of the Port's container counts (in thousand TEUs) for fiscal years 2017 to 2019:



In Thousand TEUs

Continued…..

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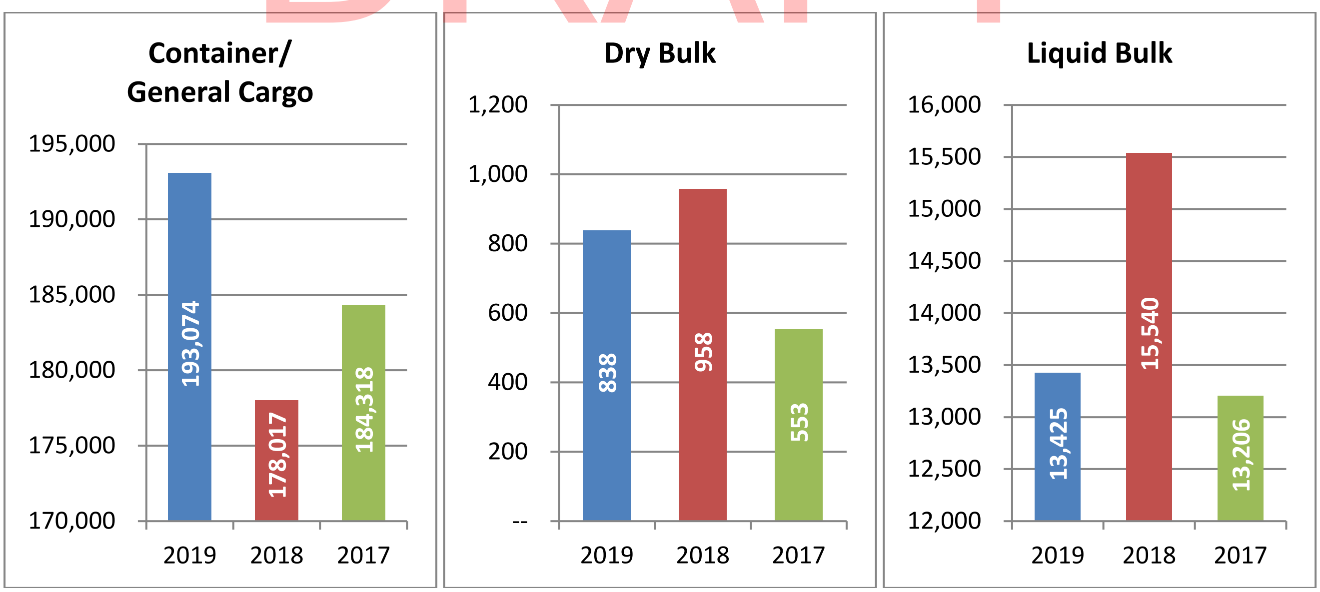
The Port is the leading seaport in North America in terms of shipping container volume. The following presents a summary of cargo volumes by major classification handled by the Port for the last three fiscal years (in thousands):

	In Metric Revenue Tons			% Change Over Prior Year	
Cargo Type	FY 2019	FY 2018	FY 2017	FY 2019	FY 2018
Container/general cargo	193,074	178,017	184,318	8.5%	-3.4%
Dry bulk	838	958	553	-12.5%	73.2%
Liquid bulk	13,425	15,540	13,206	-13.6%	17.7%
Total	207,337	194,515	198,077	6.6%	-1.8%

Information for the cargo volume that moved through the Port for the last ten fiscal years may be found in the Statistical Section on page 121.

Following is the graphical presentation of the Port's cargo volumes for fiscal years 2017 to 2019 in thousand metric tons:



In Thousand Metric Tons

Continued…..

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The Port's major sources of its operating revenues are derived from shipping services, rental fees, royalties and other concession fees. The following table presents a summary of the Port's operating revenues during fiscal years 2019, 2018 and 2017 (in thousands):

Summary of Operating Revenues

				Increase (Decrease) Over Prior Year	
	FY 2019	FY 2018	FY 2017	FY 2019	FY 2018
Shipping services					
Wharfage	$ 383,526	$ 376,127	$ 369,459	$ 7,399	$ 6,668
Dockage and demurrage	4,550	4,751	4,326	(201)	425
Pilotage	10,985	10,502	9,558	483	944
Assignment and other charges	11,267	13,899	14,912	(2,632)	(1,013)
Total shipping services	410,328	405,279	398,255	5,049	7,024
Rentals					
Land	65,291	60,746	50,554	4,545	10,192
Other	674	673	704	1	(31)
Total rentals	65,965	61,419	51,258	4,546	10,161
Royalties and other fees					
Fees, concession and royalties	4,240	10,555	10,436	(6,315)	119
Clean truck program fees	1,457	2,186	2,340	(729)	(154)
Other	24,437	11,321	12,243	13,116	(922)
Total royalties and other fees	30,134	24,062	25,019	6,072	(957)
Total operating revenues	$ 506,427	$ 490,760	$ 474,532	$ 15,667	$ 16,228

Continued…..

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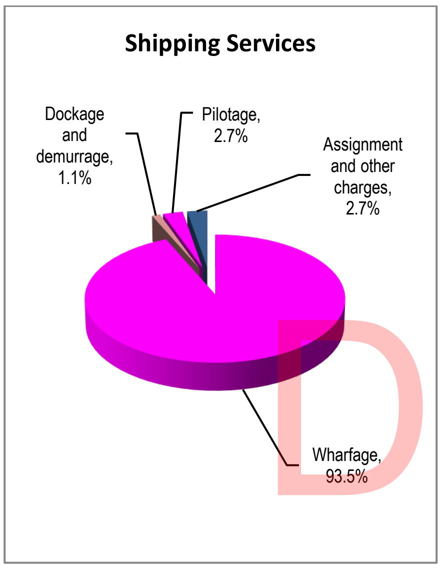
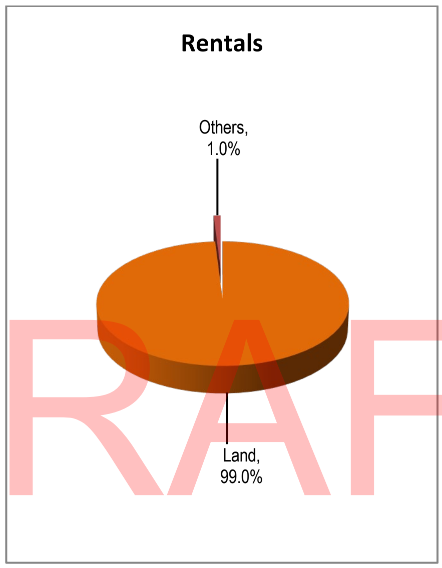
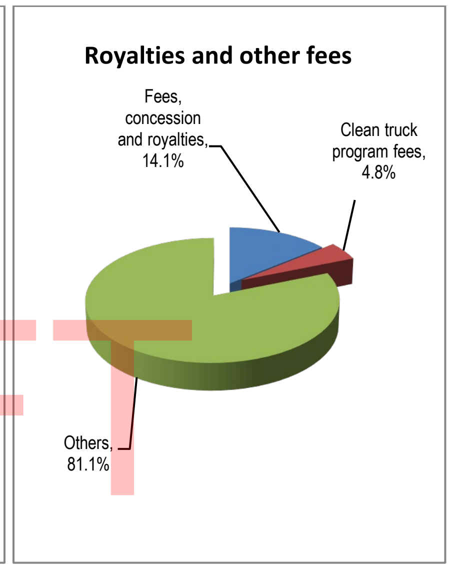
The following charts show the major components of the Port's sources of operating revenue for fiscal years 2019 and 2018:

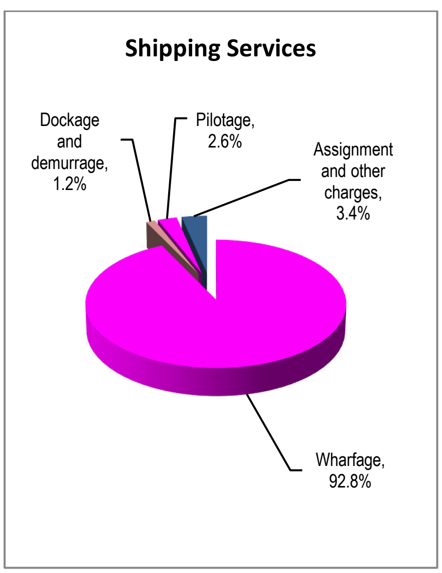
Fiscal Year 2019

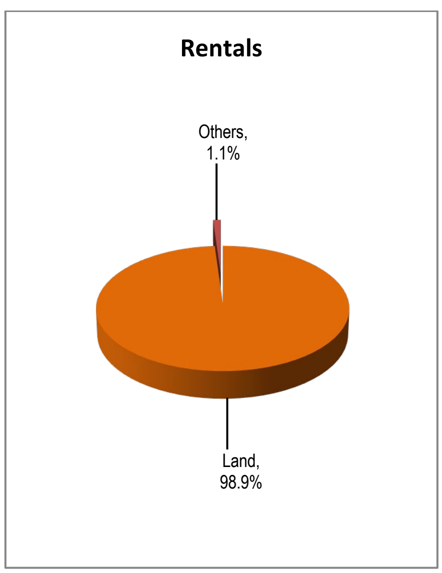


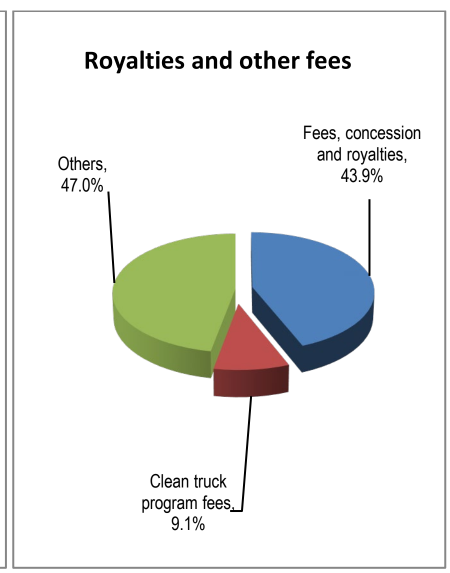




Fiscal Year 2018







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Operating Revenue, Fiscal Year 2019

Operating revenue for fiscal year 2019 increased to $506.4 million, reflecting a 3.2% increase from the prior year revenue of $490.8 million. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues represented 81.0% of fiscal year 2019 total operating revenues and consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 93.5% of the total shipping service revenues in fiscal year 2019. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $7.4 million higher compared to fiscal year 2018 mainly due to higher rates realized on cargo volumes moved through terminals. Other shipping services revenues were $2.3 million lower as dockage and demurrage revenue as well as assignment revenues decreased by $0.2 million and $2.6 million, respectively, due to construction projects at boat docks. These decreases were offset by an increase of $0.5 million in pilotage revenues.

Rentals

The Port generates revenues from making available various types of rental properties such as land, buildings, warehouses, wharves, and sheds. Rates are negotiated for these properties based upon two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these properties. 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 taking into account the condition, location, utility, and other aspects of the property.

During fiscal year 2019, rental income at the Port, which represented 13.0% of fiscal year 2019 total operating revenues, increased by $4.5 million, or 7.4%, over last fiscal year. The increase was mainly due to net rental rate increases and new permits.

Royalties, Fees, and Other Operating Revenue

The Port levies fees for a variety of activities conducted on the 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 fiscal year 2019 was $30.1 million or 6.0% of the total operating revenues. This represented an increase of $6.1 million in this revenue category compared with fiscal year 2018 mainly due to $7.3 million in higher Harbor Maintenance Tax receipts, $3.6 million in higher utility reimbursements, $1.7 million in higher one-time reimbursements and $0.5 million in other miscellaneous receipts, partially offset by $6.8 million in lower license fees due to a terminated project and $0.2 million in lower accommodation work revenues.

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Operating Revenue, Fiscal Year 2018

Operating revenue for fiscal year 2018 increased to $490.8 million, reflecting an 3.4% increase from the prior year revenue of $474.5 million. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues represented 82.6% of fiscal year 2018 total operating revenues and consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 92.8% of the total shipping service revenues in fiscal year 2018. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $6.7 million higher compared to fiscal year 2017 mainly due to higher rates realized on cargo volumes moved through terminals. Other shipping services revenues were $0.3 million higher as dockage and demurrage revenue as well as pilotage revenue increased by $0.4 million and $0.9 million, respectively, while assignment revenues decreased by $1.0 million.

Rentals

The Port generates revenues from making available various types of rental properties such as land, buildings, warehouses, wharves, and sheds. Rates are negotiated for these properties based upon two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these properties. 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 taking into account the condition, location, utility, and other aspects of the property.

During fiscal year 2018, rental income at the Port, which represented 12.5% of fiscal year 2018 total operating revenues, increased by $10.2 million, or 19.8%, over last fiscal year. The increase was due to $11.4 million in net rental rate increases and new permits offset by $0.6 million in the non-recurrence of one-time payments and $0.6 million in permit terminations.

Royalties, Fees, and Other Operating Revenue

The Port levies fees for a variety of activities conducted on the 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 fiscal year 2018 was $24.1 million or 4.9% of the total operating revenues. This represented a decrease of $1.0 million in this revenue category compared with fiscal year 2017 mainly due to $1.4 million in higher credits for tenant services being only partially offset by $0.4 million in higher other miscellaneous receipts.

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(Unaudited)

Operating Expenses

The following table presents a summary of the Port's operating expenses, net of direct and indirect costs allocated to capitalized construction projects for fiscal years 2019, 2018 and 2017. Included in other operating expenses are expenses for workers' compensation, clean truck program, pollution remediation, insurance premiums, travel and entertainment, customer incentive payouts, and miscellaneous other items.

Operating Expenses, Net of Direct and Indirect Costs
(amounts in thousands)

				Increase(Decrease) Over Prior Year	
	FY 2019	FY 2018	FY 2017	FY 2019	FY 2018
Salaries and benefits	$ 123,058	$ 121,533	$ 118,582	$ 1,525	$ 2,951
City services	45,223	42,749	39,554	2,474	3,195
Outside services	33,418	29,904	25,022	3,514	4,882
Utilities	19,946	15,642	15,573	4,304	69
Materials and supplies	6,593	6,960	5,314	(367)	1,646
Marketing and public relations	2,510	2,784	2,583	(274)	201
Other operating expenses	9,679	17,383	21,047	(7,704)	(3,664)
Total Operating Expenses	$ 240,427	$ 236,955	$ 227,675	$ 3,472	$ 9,280

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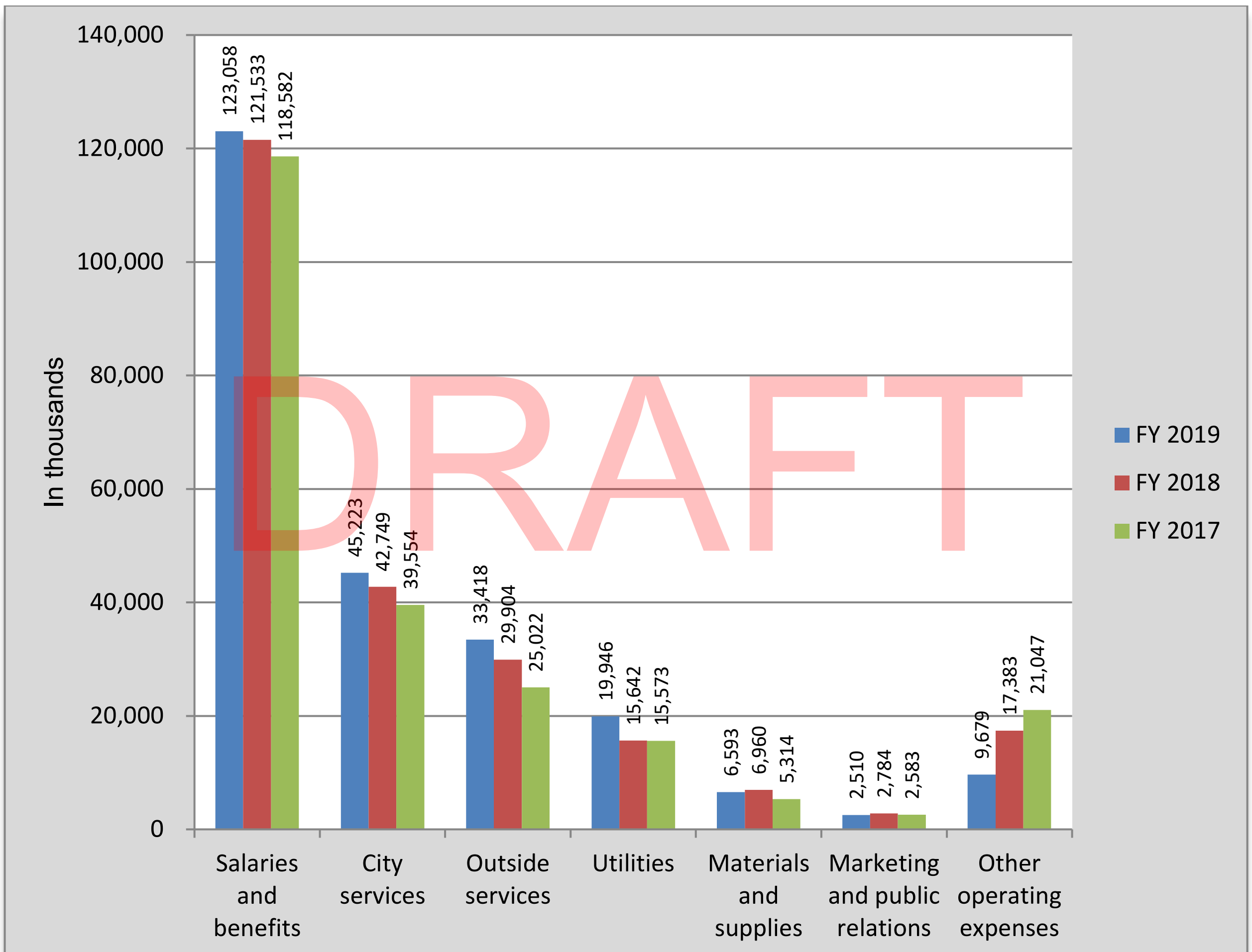
The following chart shows the graphical comparison of the Port's operating expenses, net of direct and indirect costs, for fiscal years 2019, 2018 and 2017:



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Operating Expenses, Fiscal Year 2019

Operating expenses are presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects.

In fiscal year 2019, operating expenses increased by $3.4 million to $240.4 million, a 1.5% increase from prior fiscal year expenses of $237.0 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension expense increased by $1.5 million to $123.0 million, or 1.3% higher than the prior year expense of $121.5 million due to Memorandum of Understanding (MOU) salary increases for employees throughout the Port.

Total payments for City services of $45.2 million increased by $2.5 million or 5.8% relative to the prior fiscal year of $42.7 million due to higher fire and city attorney services.

Outside services expenses of $33.4 million increased by $3.5 million or 11.8% relative to the prior fiscal year of $29.9 million with spending increases totaling $6.8 million across various divisions throughout the Port offset by $3.3 million spending decreases in various environmental, management audits, photocopier rental service, and bond assistance programs. These increases in outside services expenses were primarily attributable to the following: higher spending on the supply chain optimization GE Portal project by $2.5 million, higher spending on facility maintenance relating to wharf demolition work by $2.3 million, higher spending on external legal service for environmental documents by $0.6 million, higher spending on federal advocacy by $0.3 million, higher spending on consulting costs associated with the lashing training program for local work force by $0.3 million, higher spending across various divisions by $0.8 million.

Materials and supplies expenses of $6.6 million decreased by $0.4 million or 5.3% relative to the prior fiscal year of $7.0 million primarily due to $0.7 million in lower materials and supplies purchases within the Construction and Maintenance division, lower spending of $0.1 million within the Maintenance Improvement Program, and lower spending of $0.1 million in the Waterfront and Commercial Real Estate division which was partially offset by a $0.5 million increase in Port Police supply purchases.

Other operating expenses of $9.7 million represented a decrease of $7.7 million, or 44.3%, relative to prior fiscal year other operating expenses of $17.4 million. This decrease in other operating expenses was primarily attributable to lower provisioning for bad debt by $5.6 million due to the non-recurrence of a prior year provision for anticipated collection issues associated with the Southern California Intermodal Gateway project, lower provisioning for pollution remediation obligations by $0.3 million, lower provisioning for workers' compensation liabilities by $1.3 million, and lower provisioning for litigation and claim expenses by $2.5 million. These decreases were partially offset by payments of $2.0 million related to the clean truck program.

Continued…..

Operating Expenses, Fiscal Year 2018

Operating expenses are presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects.

In fiscal year 2018, operating expenses increased by $9.3 million to $237.0 million, a 4.1% increase from prior fiscal year expenses of $227.7 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension expense increased by $2.9 million to $121.5 million, or 2.4% higher than the prior year expense of $118.6 million due to Memorandum of Understanding (MOU) salary increases for employees throughout the Port.

Total payments for City services of $42.7 million increased by $3.2 million or 8.1% relative to the prior fiscal year of $ 39.6 million due to higher cost allocation plan rates and MOU mandated salary increases as well as higher fireboat maintenance expenses.

Outside services expenses of $29.9 million increased by $4.9 million or 19.5% relative to the prior fiscal year of $25.0 million with spending increases totaling $6.2 million across various divisions throughout the Port offset by $1.3 million spending decreases in maintenance services and legal expenses. These increases in outside services expenses were primarily attributable to the following: higher spending on the supply chain optimization GE Portal project by $2.4 million, higher spending on computer aided dispatch, port security and various police technology by $0.7 million, higher spending on environmental assessments and projects by $0.7 million, initiation of the Metro Bike Share Program of $0.6 million, higher spending on internal audits by $0.5 million, a one-time catch-up payment of $0.4 million for the City's Bond Assistance Program, one-time payment of $0.4 million on terminal security services, higher spending on the Port's website redesign by $0.3 million, and higher general spending on outside consultants by $0.2 million.

Materials and supplies expenses of $7.0 million increased by $1.7 million or 31.0% relative to the prior fiscal year of $5.3 million primarily due to $1.4 million in higher materials and supplies purchases within the construction and maintenance division.

Other operating expenses of $17.4 million represented a decrease of $3.6 million, or 17.1%, relative to prior fiscal year other operating expenses of $21.0 million. This decrease in other operating expenses was primarily attributable to lower provisioning for pollution remediation obligations by $5.3 million and lower provisioning for workers' compensation liabilities by $2.3 million. These decreases were partially offset by higher provisioning for litigation and claim expenses by $1.3 million, payments of $1.1 million related to the cruise incentive program, and higher miscellaneous other operating expenses by $1.6 million.

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Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include income from investment in a joint powers authority, interest income, and expenses along with receipts and expenses related with noncapital grant as well as pass through grant awards. The following table presents a summary of the Port's nonoperating revenues and expenses for fiscal years 2019, 2018 and 2017:

Summary of Nonoperating Revenues and Expenses
(amounts in thousands)

				Increase (Decrease) Over Prior Year	
	FY 2019	FY 2018	FY 2017	FY 2019	FY 2018
Nonoperating revenues					
Income from investments in					
Joint Powers Authority	$ 2,596	$ 2,001	$ 2,162	$ 595	$ (161)
Interest and investment income	32,804	618	1,118	32,186	(500)
Other nonoperating revenue	36,967	8,284	9,994	28,683	(1,710)
Total nonoperating revenues	72,367	10,903	13,274	61,464	(2,371)
Nonoperating expenses					
Interest expense	1,290	1,612	604	(322)	1,008
Other nonoperating expenses	9,816	6,285	11,140	3,531	(4,855)
Total nonoperating expenses	11,106	7,897	11,744	3,209	(3,847)
Net nonoperating revenues (expenses)	$ 61,261	$ 3,006	$ 1,530	$ 58,255	$ 1,476

Nonoperating Revenues and Expenses, Fiscal Year 2019

Net nonoperating revenues (expenses) for fiscal year 2019 of $61.3 million increased by $58.3 million relative to net nonoperating revenues of $3.0 million in fiscal year 2018.

Nonoperating revenues increased by $61.5 million due to higher interest and investment income by $5.7 million, higher unrealized gain for better investment yields by $26.5 million, higher recovery receipts from an intermodal gateway project that was set aside through a court decision by $26.9 million and higher other nonoperating revenues by $2.4 million.

Nonoperating expenses increased by $3.2 million in fiscal year 2019 primarily due to higher discontinued capital project by $3.0 million, higher pass-through grant funding disbursements by $2.2 million. These increases were partially offset by lower losses on assets sales by $1.2 million, lower commercial papers costs by $0.5 million, and lower interest expense by $0.3 million.

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Nonoperating Revenues and Expenses, Fiscal Year 2018

Net nonoperating revenues (expenses) for fiscal year 2018 of $3.0 million increased by $1.5 million relative to net nonoperating revenues of $1.5 million in fiscal year 2017.

Nonoperating revenues decreased by $2.4 million due to lower interest and investment income by $0.5 million and lower other nonoperating revenues by $1.7 million.

Nonoperating expenses decreased by $3.8 million in fiscal year 2018 primarily due to lower pass-through grant funding disbursements by $5.2 million and the non-recurrence of bond issuance costs of $0.9 million incurred in the prior fiscal year. These declines were partially offset by higher discontinued capital project by $0.9 million, higher interest expense by $1.0 million and a loss of $0.4 million related to the retirement of crane assets.

Long-Term Debt

The Port's long-term debt is comprised of senior lien debt in the form of Harbor Revenue Bonds. As of June 30, 2019 and 2018, the Port's outstanding long-term debt was $810.1 million and $854.1 million, respectively. For all outstanding bonds, the Port continues to maintain Aa2, AA, and AA credit ratings from Moody's Investor Services (Moody's), Standard & Poor's Rating Service (S&P), and Fitch Ratings (Fitch), respectively. See Note 7 starting on page 67 of this report for additional information.

Bonded Debt

Under Section 609 of the City Charter 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 annual net revenue to annual debt service of at least one hundred twenty-five percent (125%). The Port's financial policy requires that a minimum of 2.0x debt service coverage be maintained at all times. At June 30, 2019, the Port's debt service coverage was 4.0x debt service.

The Port's long-term debt consisted of the following as of June 30, 2019, 2018, and 2017 (in thousands):

	FY 2019	FY 2018	FY 2017
Revenue bonds payable	$ 810,110	$ 854,125	$ 891,740
Net unamortized premiums	59,950	68,308	77,603
Total	$ 870,060	$ 922,433	$ 969,343

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Capital Assets

The Port's investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2019, 2018 and 2017 amounted to $3.8 billion, $3.9 billion, and $3.9 billion, respectively. These accounted for 79.6%, 82.5%, and 83.9%, of total assets, respectively. The following table presents the Port's capital assets, net of accumulated depreciation for fiscal years 2019, 2018 and 2017 (in thousands):

Summary of Capital Assets

				Increase(Decrease) Over Prior Year	
	FY 2019	FY 2018	FY 2017	FY 2019	FY 2018
Land	$ 1,106,805	$ 1,106,805	$ 1,108,023	$ --	$ (1,218)
Facilities and equipment, net	2,469,595	2,564,113	2,649,576	(94,518)	(85,463)
Intangible assets, net	21,542	22,165	22,788	(623)	(623)
Construction in progress	75,694	55,338	47,477	20,356	7,861
Preliminary costs-capital projects	138,972	122,981	97,220	15,991	25,761
Total	$ 3,812,608	$ 3,871,402	$ 3,925,084	$ (58,794)	$ (53,682)

See Note 5 on pages 64 – 65 of this report for additional information.

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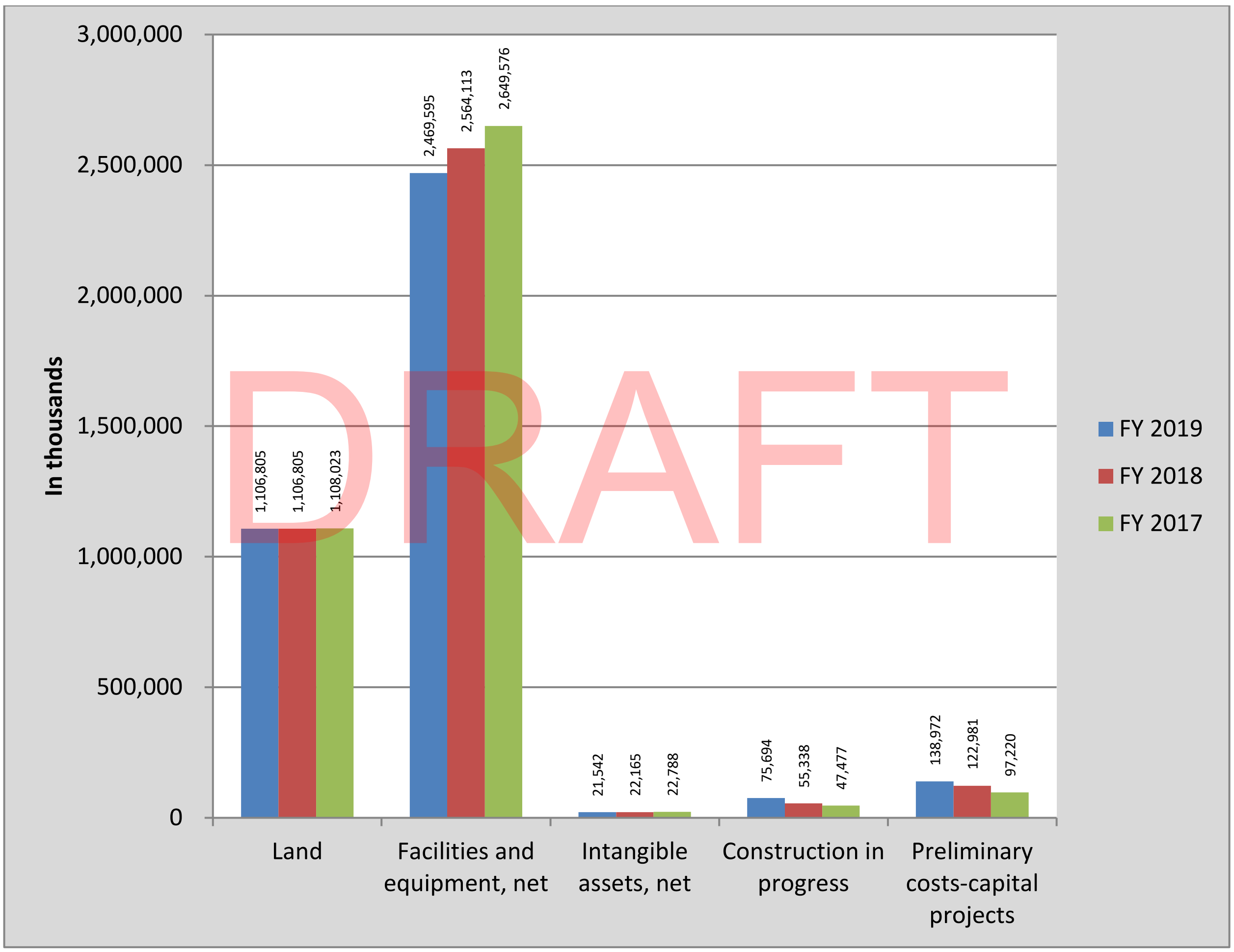
The following chart shows the graphical presentation of the Port's capital assets for the fiscal years 2019, 2018 and 2017:



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

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Capital Assets, Fiscal Year 2019

Major capital assets activities during fiscal year 2019 are as follows:

- $11.5 million – continued design and construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to Sampson Way roadway improvements, the Wilmington Waterfront Promenade, the Avalon Promenade and Gateway, and Ports O' Call Promenade and Town Square.
- $8.2 million – various projects at buildings and facilities of the Port including street modifications, facilities and buildings improvements.
- $5.9 million – various transportation projects including preparation of the interchange reconfiguration project at SR-47/Vincent Thomas Bridge and Front Street/Harbor Boulevard, reconstruction of Navy Way speed hump, construction of Berth 200 rail yard track connection enhancements, and various street resurfacing projects.
- $5.4 million – various miscellaneous projects for sidewalk improvements, berth pile and log replacement, dockside facility improvements.
- $4.8 million – wharf rehabilitation at the WWL Vehicle Services Americas, Inc. terminal and seawall improvement projects.
- $2.3 million – redevelopment projects at the Everport Container Terminal including wharf and backland improvements.
- $2.1 million – various projects at berths with liquid bulk oil cargo handling facilities to comply with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS).
- $2.0 million – various projects at the Port's World Cruise Center including installation and upgrade of Alternative Maritime Power (AMP) system, installation of new elevators, repairs of vehicular and pedestrian ramp, modernization of terminal escalator, and other miscellaneous improvements.
- $1.0 million – projects for various security enhancements.

Continued…..

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

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Capital Assets, Fiscal Year 2018

Major capital assets activities during fiscal year 2018 are as follows:

- $14.6 million – various projects at the Port's World Cruise Center including installation and upgrade of Alternative Maritime Power (AMP) system, design and construction of security improvements required at the U.S. Customs and Border Protection facility, and other miscellaneous improvements.
- $13.2 million – continued design and construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to Sampson Way roadway improvements, the Wilmington Waterfront Promenade, the Avalon Promenade and Gateway, and Ports O' Call Promenade and Town Square.
- $6.3 million – wharf rehabilitation at the WWL Vehicle Services Americas, Inc. terminal as well as bollard repair, and seawall improvement projects.
- $4.0 million – various transportation projects including preparation of the interchange reconfiguration project at SR-47/Vincent Thomas Bridge and Front Street/Harbor Boulevard, C Street/I110 Access Ramp Improvements, John S. Gibson Intersection/North I-110 Access Ramp Improvements, Alameda Street & Dispatch Hall Driveway traffic Signal, and construction of Berth 200 rail yard track connection enhancements.
- $3.5 million – redevelopment projects at the Yusen Terminals Inc. (YTI) terminal including wharf upgrades and expansion of the terminal facilities.
- $2.7 million – various projects at berths with liquid bulk oil cargo handling facilities to comply with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS).
- $2.3 million – redevelopment projects at the TraPac Container Terminal including backland improvements and construction of terminal buildings and facilities.

Continued…..

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

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Factors That May Affect the Port's Operations

There is significant competition for container traffic among North American ports. The availability of alternate port facilities at competitive prices affects the use of the Port's facilities and therefore the revenues of the Port. Formation of shipping alliances adds to the complexity as shipping lines which have ownership in terminals route cargo to terminals that are not owned by them, but by their Alliance partners. While the shipping industry remains volatile in 2019, shipping lines are searching for the best terminal handling rates and even looking to the Port to provide incentives. The Port cannot predict the scope of such impact.

All of the ports on the West Coast of the U.S. compete for discretionary intermodal cargo destined for locations across the U.S. and Canada. Discretionary cargo makes up approximately 33% of cargo arriving at the Port. Currently, this discretionary cargo moves eastward both by rail and through the Panama Canal or westward through the Suez Canal. The use of all-water routes primarily through the Panama and Suez Canal to the East and Gulf Coasts of the U.S. is an alternative to Asian intermodal cargo moving through U.S. West Coast ports. Routing cargo via all-water service has a longer transit time and is usually less expensive to the beneficial cargo owner vs. routing via West Coast Ports and loading via rail. The newly completed Panama Canal Expansion Program added a new set of locks, which allows ships of greater size (up to 12,500 TEU) to transit the Canal. The expansion creates a route to the East and Gulf Coast for ships of greater capacity than the current "Panamax" ships. While the effects of an expanded Canal are unknown, the Port has an existing ability to handle the New Panamax and Super Post-Panamax ships and continues to maintain and improve its strong infrastructure and intermodal capabilities.

The activities at the Port may generate air emissions that are subject to legal and regulatory requirements. Such requirements mandate and offer certain incentives for reductions of air pollution from ships, trains, trucks and other operational activities. Paying for mandated air pollution reduction infrastructure, equipment and other measures may become a significant portion of the Port's capital budget and operating budget. Such expenditures may be necessary even if the Port does not undertake any new revenue-generating capital improvements.

Competitive Environment

As of the fiscal year ended June 30, 2019, five major container ports controlled 99.0% of the entire U.S. West Coast containerized cargo market: the ports of Los Angeles, Long Beach, and Oakland in California, and the ports of Seattle and Tacoma in Washington State. The ports of Los Angeles and Long Beach together had 72.9% of all U.S. West Coast market share based on a loaded TEU basis.

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 based upon the commitment of customers to long-term permits at the Port that currently range from 15 to 30 years before expiration. Occupancy remains high and West Coast ports have limited land areas for expansion. Additionally, the greater Los Angeles area represents not only a large destination market for waterborne goods, but also the most attractive point of origin for trans-shipments to points east as the Port has extensive on-dock rail facilities creating intermodal connections that provide for time-to-market advantages.

Continued…..

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

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

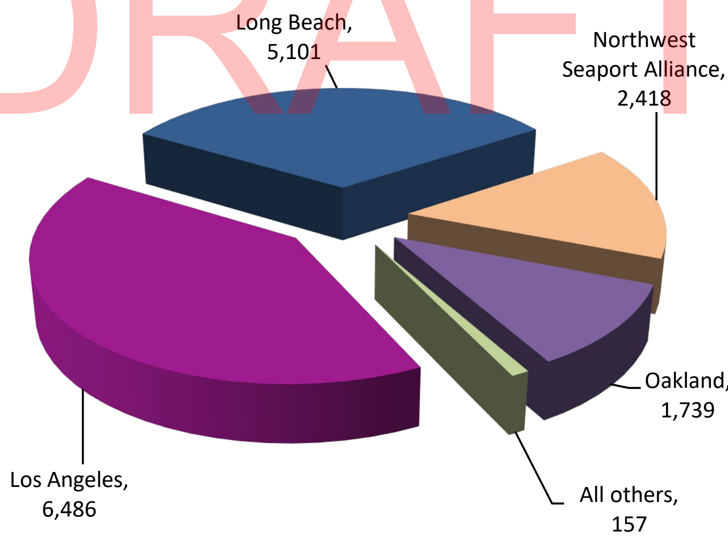
The following presents a summary of the West Coast container market share for fiscal years 2017 to 2019:

	Loaded TEUs (in thousands)*			Percentage Market Share		
Ports	FY 2019	FY 2018	FY 2017	FY 2019	FY 2018	FY 2017
Los Angeles	6,486	6,067	6,266	40.8%	39.4%	41.5%
Long Beach	5,101	5,282	4,734	32.1%	34.3%	31.3%
Northwest Seaport Alliance**	2,418	2,242	2,350	15.2%	14.5%	15.5%
Oakland	1,739	1,675	1,654	10.9%	10.9%	10.9%
All others	157	152	134	1.0%	1.0%	0.9%
	15,901	15,418	15,138	100.0%	100.1%	100.1%

* Source: PIERS

** Northwest Seaport Alliance consists of Seattle and Tacoma, effective August 1, 2015.

Following is the graphical presentation of the West Coast container market share for fiscal year 2019:



Loaded TEUs (in thousands)

Continued…..

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

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Request for Information

This financial report is designed to provide a general overview of the Port's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Marla Bleavins, Deputy Executive Director and Chief Financial Officer, Port of Los Angeles (Harbor Department of the City of Los Angeles), 425 S. Palos Verdes St., San Pedro, CA 90731.

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

Statements of Net Position
June 30, 2019 and 2018
(amounts in thousands)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents, unrestricted	$ 830,703	$ 672,166
Cash and cash equivalents, restricted	14,762	14,218
Accounts receivable, net of allowance for doubtful accounts: 2019 - $6,408; 2018 - $32,780	41,322	49,400
Grants receivable	2,137	3,906
Materials and supplies inventories	2,656	2,464
Prepaid expenses	490	854
Accrued interest receivable	4,207	2,908
Total current assets	896,277	745,916
Noncurrent restricted assets		
Restricted investments – bond funds	63,348	62,230
Other restricted cash and investments	10,399	9,842
Total noncurrent restricted assets	73,747	72,072
Capital assets		
Land	1,106,805	1,106,805
Facilities and equipment net of accumulated depreciation: 2019 - $2,367,994; 2018 - $2,209,444	2,469,595	2,564,113
Intangible assets, net of amortization: 2019 - $3,818; 2018 - $3,195	21,542	22,165
Construction in progress	75,694	55,338
Preliminary costs – capital projects	138,972	122,981
Total capital assets	3,812,608	3,871,402
Investment in Joint Powers Authority	6,329	5,733
TOTAL ASSETS	4,788,961	4,695,123
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	14,467	15,584
Deferred outflows of resources related to pensions	53,660	43,790
Deferred outflows of resources related to other postemployment benefits (OPEB)	9,893	6,939
TOTAL DEFERRED OUTFLOWS OF RESOURCES	78,020	66,313

continued.....

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

Statements of Net Position
June 30, 2019 and 2018
(amounts in thousands)

	2019	2018
LIABILITIES		
Current liabilities		
Accounts payable	$ 28,477	$ 34,055
Current maturities of notes payable and bonded debt	46,515	44,015
Accrued interest payable	16,637	17,420
Accrued salaries and employee benefits	22,020	18,642
Obligations under securities lending transactions	8,216	11,535
Accrued construction cost payable	2,998	3,579
Other current liabilities	29,252	35,281
Total current liabilities	154,115	164,527
Long-term liabilities		
Long-term liabilities payable from unrestricted assets		
Bonds payable, net of unamortized discount/premium: 2019 - $59,950; 2018 - $68,308	823,545	878,418
Accrued salaries and employee benefits	3,909	8,135
Net pension liabilities	220,020	210,882
Net OPEB liabilities	24,232	24,416
Other liabilities	85,867	91,606
Total long-term liabilities payable from unrestricted assets	1,157,573	1,213,457
Long-term liabilities payable from restricted assets	11,995	11,198
Total long-term liabilities	1,169,568	1,224,655
TOTAL LIABILITIES	1,323,683	1,389,182
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	31,416	31,374
Deferred inflows of resources related to OPEB	8,204	6,009
TOTAL DEFERRED INFLOWS OF RESOURCES	39,620	37,383
NET POSITION		
Net investment in capital assets	2,957,014	2,964,553
Restricted for debt service	63,348	62,230
Unrestricted	483,316	308,088
TOTAL NET POSITION	$ 3,503,678	$ 3,334,871

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018
(amounts in thousands)

	2019	2018
OPERATING REVENUE		
Shipping services		
Wharfage	$ 383,526	$ 376,127
Dockage	4,348	4,532
Demurrage	202	219
Lay day fees	23	38
Pilotage	10,985	10,502
Assignment charges	11,244	13,861
Total shipping services	410,328	405,279
Rentals		
Land	65,291	60,746
Buildings	55	109
Warehouses	90	87
Wharf and shed	529	477
Total rentals	65,965	61,419
Royalties, fees, and other operating revenues		
Fees, concessions, and royalties	4,240	10,555
Clean truck program fees	1,457	2,186
Other	24,437	11,321
Total royalties, fees, and other operating revenues	30,134	24,062
Total operating revenue	506,427	490,760
OPERATING EXPENSES		
Salaries and other benefits	98,062	96,208
Pension expense	20,913	20,843
OPEB expense	4,083	4,482
City services	45,223	42,749
Outside services	33,418	29,904
Utilities	19,946	15,642
Materials and supplies	6,593	6,960
Marketing and public relations	2,510	2,784
Workers' compensation, claims and settlement	193	4,009
Clean truck program expenses	3,120	831
Other operating expenses	6,366	12,543
Total operating expenses before depreciation and amortization	240,427	236,955
Operating income before depreciation and amortization	266,000	253,805

continued….

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018
(amounts in thousands)

	2019	2018
Operating Income before depreciation and amortization	$ 266,000	$ 253,805
Depreciation and amortization	161,977	167,984
OPERATING INCOME	104,023	85,821
NONOPERATING REVENUE (EXPENSES)		
Nonoperating revenue		
Income from investments in Joint Powers Authority	2,596	2,001
Interest and investment income	32,804	618
Noncapital grant revenue	1,389	1,505
Pass through grant revenue	4,909	2,703
Other nonoperating revenue	30,669	4,076
Total nonoperating revenue	72,367	10,903
Nonoperating expenses		
Interest expense	(1,290)	(1,612)
Pass through grant expenses	(4,908)	(2,703)
Discontinued capital projects	(4,666)	(1,592)
Other nonoperating expenses	(242)	(1,990)
Total nonoperating expenses	(11,106)	(7,897)
Net nonoperating revenue (expenses)	61,261	3,006
INCOME BEFORE CAPITAL CONTRIBUTIONS	165,284	88,827
Capital contributions	3,523	4,524
CHANGES IN NET POSITION	168,807	93,351
NET POSITION, JULY 1	3,334,871	3,265,398
Cumulative effect of change in accounting principle	--	(23,878)
Net position, July 1, restated	3,334,871	3,241,520
NET POSITION, JUNE 30	$ 3,503,678	$ 3,334,871

See accompanying notes to financial statements.

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

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2019 and 2018
(amounts in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Shipping service fees collected	$ 416,872	$ 392,828
Rentals collected	67,018	59,532
Royalties, fees, and other operating revenues collected	30,614	23,323
Payments for employee salaries and benefits, net of capitalized amounts: 2019 - $22,317; 2018 - $21,121	(125,540)	(120,253)
Payments for goods and services	(133,986)	(126,510)
Net cash provided by operating activities	254,978	228,920
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from noncapital grants	1,389	1,505
Net cash provided by noncapital financing activity	1,389	1,505
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for property acquisitions and construction	(72,208)	(81,644)
Proceeds from sale of capital assets	215	2,222
Proceeds from capital grants and contributions	5,292	1,537
Proceeds from insurance recovery for damage of capital assets	29,234	1,032
Principal repayment and redemption – bonds	(44,015)	(37,615)
Payments (from) to bond reserve fund	(1,118)	53
Interest and issuance costs paid	(40,868)	(42,532)
Net cash used in capital and related financing activities	(123,468)	(156,947)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	14,077	9,258
(Decrease) increase in cash collateral received under the securities lending transactions	(3,319)	7,151
Increase (decrease) in fair value of investments	16,870	(9,564)
Net (purchase) sale of investments	(3,446)	(31,267)
Distribution from Joint Powers Authority	2,000	2,000
Net cash (used in) provided by investing activities	26,182	(22,422)
NET INCREASE IN CASH AND CASH EQUIVALENTS	159,081	51,056
CASH AND CASH EQUIVALENTS, JULY 1	686,384	635,328
CASH AND CASH EQUIVALENTS, JUNE 30	$ 845,465	$ 686,384

continued….

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

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2019 and 2018
(amounts in thousands)

	2019	2018
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and cash equivalents, unrestricted	$ 830,703	$ 672,166
Cash and cash equivalents, restricted	14,762	14,218
Total cash and cash equivalents	$ 845,465	$ 686,384
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 104,023	$ 85,821
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	161,977	167,984
Provision for doubtful accounts	600	6,276
Changes in assets, liabilities, and deferred outflows and inflows of resources		
Accounts receivable	7,478	(21,351)
Materials and supplies inventories	(192)	97
Prepaid expenses	363	(339)
Deferred outflows of resources related to pensions and OPEB	(12,824)	12,146
Accounts payable	(5,578)	2,438
Net pension liabilities	9,138	(20,443)
Net OPEB liabilities	(184)	538
Accrued salaries and employee benefits	(848)	1,698
Other liabilities	(11,212)	(13,286)
Deferred inflows of resources related to pensions and OPEB	2,237	7,341
Total adjustments to reconcile operating income to net cash provided by operation activities	150,955	143,099
Net cash provided by operating activities	$ 254,978	$ 228,920
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets with accounts payable	$ 5,205	$ 9,594
Write-off of discontinued construction projects	4,666	1,592
Contributions of capital assets	1,769	(2,987)

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2019 and 2018

The Notes to Financial Statements include disclosures considered necessary for a better understanding of the accompanying financial statements. An index to the Notes follows:

Continued…..

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

Notes to Financial Statements

June 30, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies

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

A. Organization and Reporting Entity

The Harbor Department is a proprietary department of the City of Los Angeles, California (the City), formed for the purpose of managing the tidelands property granted by the State of California commonly known as the Port of Los Angeles and operations thereon for specific maritime related purposes as explained below. The Port is under the control of a five-member Board of Harbor Commissioners (BHC), who are appointed by the Mayor and confirmed by the City Council. The Port is administered by an Executive Director and subject to the State public trust doctrine as described below.

The real property and related assets of the Port include land, waters, docks, wharves, transit sheds, terminals, and other facilities (i.e., Trust Assets), were granted to the City in tidelands grants from the State of California (State), with retained oversight by the State Lands Commission. The State's statutory grants specify the granted tidelands are subject to the Trust Purposes, which require the Trust Assets to be used for maritime commerce, navigation, fisheries, and water-dependent activities for the benefit of the State. The Trust Purposes are also codified in the Charter of the City, which placed management and control of the Trust Assets under the Port. All revenues arising from the Trust Assets (Port operating revenues and proceeds of asset sales) are limited as to use for the Trust Purposes, including operation and maintenance of Port facilities, the acquisition and construction of improvements, and other similar Trust Purposes.

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, fees (parking and foreign trade zones), and royalties (oil wells). Capital construction is financed by cash from operations, debt secured by future revenues, and federal and state grants. The Port's permanent work force attends to the daily operation of the Port facilities and its regular maintenance. Generally, the Port uses commercial contractors for large construction projects.

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 by applying the criteria set forth by the GASB. The financial statements present only the financial activities of the Port in conformity with GAAP and are not intended to present the financial position and results of operations of the City.

Continued…..

Reporting Entity

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 in undertaking financing third party capital expenditures at potentially advantageous terms that the BHC deems necessary for the promotion and accommodation of commerce.

The board of directors of LAHIC consists of five members. Election of the LAHIC board of directors occurs by vote of the BHC. The BHC is financially responsible for LAHIC's activities. Further, although LAHIC is legally separate from the Port, it is reported as if it were part of the Port, because its sole purpose is to help finance and construct facilities and improvements, related to Port activities.

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. Separate financial statements for LAHIC may be obtained from the Deputy Executive Director and Chief Financial Officer, Port of Los Angeles, 425 S. Palos Verdes Street, San Pedro, California 90731.

B. Summary of Significant Accounting Policies

Method of Accounting – The Port's activities are accounted for as an 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 the related liabilities are incurred regardless of the timing of cash flow.

Cash, Cash Equivalents, and Investments – The Port pools its available cash with that of the City. All cash and investments pooled with the City, plus any other cash deposits or investments with initial maturities of three months or less are considered cash and cash equivalents.

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 average daily cash balances to aggregate pooled cash and investments. 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 Investment Pool, are stated at fair value. Fair value is determined based upon market closing prices or bid/ask 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 an 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 amortized 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.

Continued…..

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

Notes to Financial Statements

June 30, 2019 and 2018

Securities Lending – As a participant in the City's Investment Pool, the Port's funds are also part of the City's securities lending program (SLP). The investment collateral received by the City together with the corresponding liability is allocated among the City's participating funds based on the aggregate respective cash balances at fiscal year-end.

Materials and Supplies Inventories – Inventories of materials and supplies are stated at lower of average cost or market.

Capital Assets – Capital assets are carried at cost or at acquisition 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. The Port has a capitalization threshold of $5,000. Capital assets include intangible assets for the Port's radio frequency licenses, emission mitigation credits, and capitalized costs of the Port's integrated financial accounting system, the Enterprise Resource Planning System.

Preliminary costs for developing 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. Preliminary costs - capital projects as of June 30, 2019 and 2018 are $139.0 million and $123.0 million, respectively.

The Port capitalizes interest costs incurred on indebtedness issued in connection with the acquisition, construction or improvement of capital assets, net of interest revenue on reinvested debt proceeds. Interest capitalized in fiscal years 2019 and 2018 were $31.6 million and $32.1 million, respectively.

The Port capitalizes indirect project costs associated with the acquisition, development, and construction of new capital projects. Indirect project costs allocated to construction projects for fiscal years 2019 and 2018 were $18.6 million and $16.6 million, respectively.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the Port's depreciable assets are as follows:

Wharves and sheds	15 to 30 years
Buildings and facilities	10 to 50 years
Equipment	3 to 18 years
Intangible assets	20 years

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

Continued…..

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

Notes to Financial Statements

June 30, 2019 and 2018

Accrued Salaries and Employee Benefits – Aside from accrued salaries, the Port records as liabilities all accrued employee benefits, including estimated liabilities for certain unused vacation and sick leave in the period the benefits are earned. Port employees accumulate annual vacation and sick leave based on their length of service up to a designated maximum. Upon termination or retirement, employees are paid the cash value of their accumulated leave benefits in accordance with the City policy.

Deferred Outflows and Inflows of Resources – In addition to assets, the Port reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Port has three items that qualified for reporting in this category. They are deferred charges on debt refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to postemployment benefits other than pensions (other postemployment benefits or OPEB). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Port reports a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Port has two items that qualified for reporting in this category – deferred inflows of resources related to pensions and deferred inflows of resources related to OPEB.

Deferred inflows and outflows of resources related to pensions result from diverse pension related transactions and events including pension contributions subsequent to measurement date, changes of assumptions or other inputs, difference between expected and actual experience in the total pension liabilities, changes in proportionate share of contributions, and net differences between projected and actual pension plan investment earnings.

Deferred inflows and outflows of resources related to OPEB result from diverse OPEB related transactions and events including OPEB contributions subsequent to measurement date, changes of assumptions or other inputs, difference between expected and actual experience in the total OPEB liabilities, changes in proportionate share of contributions, and net differences between projected and actual plan investment earnings.

Operating and Nonoperating Revenues and Expenses – The Port differentiates between operating revenues and expenses, and nonoperating revenues and expenses. Operating revenues and expenses generally result from the Port's primary ongoing operations. All revenues and expenses other than these are reported as nonoperating revenues and expenses.

Revenues from shipping services, rental fees, and royalties are the major sources of the Port's revenues. Shipping services revenues consist of fees assessed for various activities relating to vessel and cargo movement. Twenty-foot equivalent units (TEUs) and metric tons are the measures used to determine cargo volumes that move through the Port. Rental fees are collected from the lease of various types of rental properties in Port-controlled lands. Rental rates are set using various methodologies, and are appraised periodically to evaluate and establish benchmark rates. Rental rates may be adjusted, within reason, to reflect general market conditions. The Port

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levies fees for various activities such as royalties from oil and natural gas production, fees for parking lots, and miscellaneous concessions.

Operating Expenses – The Port presents operating expenses at net of direct and indirect overhead costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capitalized construction projects. Indirect costs are those that are not directly identifiable with a particular capital project and hence, are allocated to all outstanding construction projects. Indirect overhead costs such as administrative expenses, maintenance salaries and City services are allocated to projects based on the average outstanding balance of capitalized construction projects.

Indirect overhead costs are defined to be the costs not directly attributable to those activities related to a capital project. The overhead rate is calculated based on the ratio of the costs of the direct amount of work assigned to capital projects to the total amount of hours worked by Port staff. The resulting rate is defined as the indirect overhead rate and is applied to the operating expenses of those divisions that participate both directly and indirectly in the activities related to capital projects. The resulting indirect overhead amount is then allocated on a pro-rata basis to capitalized construction projects based on the outstanding balance of each project.

Operating Leases – The Port leases a substantial portion of land and facilities to others. Leases relating to terminal operations tend to be long-term in nature (as long as 50 years), which generate 94.1% of the Port's operating revenues. Short-term real estate entitlement such as revocable permits and space assignments can be canceled on a 30-day notice by either party. Majority of the Port's leases provide retention of ownership by the Port or restoration of the property to pre-leased conditions at the expiration of the agreement; accordingly, no leases are considered capital leases. See note 12 on page 78 for additional information.

Pension and OPEB Plans – All full-time civilian Port employees are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a defined benefit single-employer retirement plan. All full-time Port police officers are eligible to participate in the City of Los Angeles Fire and Police Pension System (LAFPP), a defined benefit single-employer retirement plan. The Port funds fully its entire annual share of LACERS and LAFPP pensions and the respective OPEB contributions. The funding amounts are determined at the start of each fiscal year and are incorporated as part of the Port's payroll to reimburse the City for the Port's pro rata contribution share.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expenses, information about the fiduciary net positions of LACERS and LAFPP, and additions to/deductions from LACERS and LAFPP's fiduciary net positions have been determined on the same basis as they are reported by LACERS and LAFPP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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For fiscal years ended June 30, 2019 and 2018, the Port reported total net pension liability, deferred outflows/inflows or resources related to pensions, and pension expenses as follows (in thousands):

	2019	2018
Net pension liability:		
LACERS - proportionate shares	$ 215,435	$ 204,609
LAFPP - proportionate shares	4,585	6,273
Total net pension liability	$ 220,020	$ 210,882
Deferred outflows of resources related to pensions:		
LACERS - proportionate shares	$ 48,375	$ 38,968
LAFPP - proportionate shares	5,285	4,822
Total deferred outflows of resources related to pensions	$ 53,660	$ 43,790
Deferred inflows of resources related to pensions:		
LACERS - proportionate shares	$ 26,836	$ 26,708
LAFPP - proportionate shares	4,580	4,666
Total deferred inflows of resources related to pensions	$ 31,416	$ 31,374
Pension expenses:		
LACERS - proportionate shares	$ 19,267	$ 18,798
LAFPP - proportionate shares	1,646	2,045
Total pension expenses	$ 20,913	$ 20,843

See note 13 starting on page 79 and note 14 starting on page 94, as well as required supplementary information on pages 113-115, for additional information.

For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net positions of LACERS and LAFPP, and additions to/deductions from LACERS and LAFPP's OPEB fiduciary net positions have been determined on the same basis as they are reported by LACERS and LAFPP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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For the fiscal year ended June 30, 2019, the Port reported total net OPEB liability, deferred outflows/inflows or resources related to OPEB, and OPEB expenses as follows (in thousands):

	2019	2018
Net OPEB liability:		
LACERS - proportionate shares	$ 21,785	$ 21,910
LAFPP - proportionate shares	2,447	2,506
Total net OPEB liability	$ 24,232	$ 24,416
Deferred outflows of resources related to OPEB:		
LACERS - proportionate shares	$ 8,311	$ 5,590
LAFPP - proportionate shares	1,582	1,349
Total deferred outflows of resources related to OPEB	$ 9,893	$ 6,939
Deferred inflows of resources related to OPEB:		
LACERS - proportionate shares	$ 7,726	$ 5,658
LAFPP - proportionate shares	478	351
Total deferred inflows of resources related to OPEB	$ 8,204	$ 6,009
OPEB expenses:		
LACERS - proportionate shares	$ 3,164	$ 3,599
LAFPP - proportionate shares	919	883
Total OPEB expenses	$ 4,083	$ 4,482

See note 13 starting on page 79 and note 14 starting on page 94, as well as required supplementary information on pages 116 -118, for additional information.

Capital Contributions – The Port may receive grants for the purpose of acquisition or construction of property and equipment. These grants are generally structured as reimbursements against expenditures. Grants and similar items are recognized as capital contributions as soon as all eligibility requirements imposed by the provider have been met.

Net Position – The statements of net position are designed to display the financial position of the Port. The Port's equity is reported as net position, which is classified into the following categories:

- *Net investment in capital assets* – This category consists of capital assets, reduced by accumulated depreciation and by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this category.

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- *Restricted* – This category consists of restrictions placed on net position through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments. Constraints may also be imposed by law or constitutional provisions or enabling legislation.
- *Unrestricted* – This category consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Port's policy to use unrestricted resources as needed and restricted resources for the purpose for which the restriction exists first.

Use of Estimates – The preparation of financial statements in conformity with 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 amounts reported in fiscal year 2018 to conform to the fiscal year 2019 presentation. Such reclassification had no impact on the change in net position previously reported.

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2. Adoption of New GASB Pronouncements

GASB Statement No. 83, *"Certain Asset Retirement Obligations."* Issued in November 2016, this statement addresses accounting and financial reporting for certain assets retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital assets. The statement will enhance comparability and usefulness in governmental financial statements by establishing uniform criteria for governments to recognize and measure certain AROs and requiring disclosure related to those AROs. The statement has no material impact on the Port's financial statements.

GASB Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements."* Issued in April 2018, this statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement has no material impact on the Port's financial statements.

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3. Recent GASB Pronouncements for Future Adoption

The GASB has issued several pronouncements that have effective dates that may affect future presentations. The Port is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

GASB Statement No. 84, *"Fiduciary Activities."* Issued in January 2017, this statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and describes four fiduciary funds that should be reported, if applicable. The statement will be effective beginning fiscal year 2020.

GASB Statement No. 87, *"Leases."* Issued in June 2017, this statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement will be effective beginning fiscal year 2021.

GASB Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period."* Issued in June 2018, this statement (1) enhances the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and (2) simplifies accounting for interest cost incurred before the end of a construction period. The statement will be effective beginning fiscal year 2021.

GASB Statement No. 90, *"Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61."* Issued in August 2018, this statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The statement will be effective beginning fiscal year 2020.

GASB Statement No. 91, *"Conduit Debt Obligations."* Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement will be effective beginning fiscal year 2022.

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4. Cash and Investments

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

	2019	2018
Cash in bank and certificates of deposit	$ 239	$ 239
Investment in U.S. Treasury and money market fund	63,348	62,230
Equity in the City of Los Angeles Investment Pool	855,625	695,987
Total cash and investments	$ 919,212	$ 758,456

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

	2019	2018
Unrestricted cash and cash equivalents	$ 830,703	$ 672,166
Restricted cash and cash equivalents		
Current		
China Shipping Mitigation Fund	12,166	11,927
Community Mitigation Trust Fund – Trapac	117	112
Narcotics/Customs Enforcement Forfeiture Fund	598	425
Clean Truck Program and Fee Fund	5	5
Other	1,876	1,749
Subtotal – Current	14,762	14,218
Noncurrent		
Harbor Revenue Bond Funds	63,348	62,230
Customer Security Deposits	3,060	2,990
Batiquitos Environmental Fund	6,753	6,277
Harbor Restoration Fund	586	575
Subtotal – Noncurrent	73,747	72,072
Total restricted cash and investments	88,509	86,290
Total cash and investments	$ 919,212	$ 758,456

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A. Deposits

The Port had cash deposits and certificates of deposit with several major financial institutions amounting to $0.2 million at June 30, 2019 and 2018. The deposits were entirely covered by federal depository insurance or collateralized by securities held by the financial institutions in the Port's name in conformance with the California Government Code.

B. 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 and recorded in certain participating funds, as authorized by the Los Angeles City Council (City Council) and permitted by the City Charter and the California Government Code, based on each fund's average daily deposit balance. Investments in the City Treasury are measured and categorized by using fair value measurement guidelines established by generally accepted accounting principles.

Pursuant to California Government Code Section 53607 (State Code) and the City Council File No. 94-2160, the City Treasury provides the City Council a statement of investment policy (the Policy) annually. City Council File No. 11-1740 was adopted for the City's investment policy effective September 1, 2018. This Policy shall remain in effect until the City Council and the Mayor approve a subsequent revision. The Policy governs the City's pooled investment practices. The Policy addresses soundness of financial institutions in which the City Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53638, 16340 and 16429.1. The City Treasury further reports that the current policy allows for the purchase of investments with maturities up to thirty (30) years.

Examples of investments permitted by the Policy are obligations of the U.S. Treasury and agencies, local agency bonds, commercial paper notes, certificates of deposit (CD) placement service, bankers' acceptances, medium term notes, repurchase agreements, mutual funds, money market mutual funds, and the State of California Local Agency Investment Fund.

The Port had $855.6 million and $696.0 million invested in the City's General Pool and three Special Investment Pools, representing approximately 7.3% and 7.0% of the City Treasury's General Pool and Special Investment Pools at June 30, 2019 and 2018, respectively.

The complete disclosures for the entire cash and investment pool are included in a publicly available financial report issued by the City. The report may be obtained by writing or calling: City of Los Angeles Office of the City Controller, 200 N. Main Street, City Hall East Room 300, Los Angeles, CA 90012, (213) 978-7555 or the Los Angeles City Controller's website http://www.lacontroller.org/reports.

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C. Special Investment Pools

Out of $855.6 million and $696.0 million invested in the City's pooled investments, $57.0 million and $55.3 million were invested in the City's Special Investment Pools as of June 30, 2019 and 2018, respectively. They are Emergency/ACTA Reserve Fund 751, Restoration Fund 70L, and Batiquitos Long-term Investment Fund 72W. Investments in the Special Investment Pools are managed in accordance with the California Government Code Sections 53600-53635 and the City's Policy.

At June 30, 2019 and 2018, investments held in the City's Special Investment Pools and their maturities are as follows (in thousands):

Fiscal Year 2019

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Agencies securities	$ 53,942	$ 39,190	$ --	$ 7,999	$ 6,753
Commercial papers	3,105	--	--	3,105	--
Short term investment funds	2	2	--	--	--
Total investments in special pools	$ 57,049	$ 39,192	$ --	$ 11,104	$ 6,753

Fiscal Year 2018

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 7,823	$ 7,823	$ --	$ --	$ --
U.S. Agencies securities	44,442	--	38,303	--	6,139
Commercial papers	3,029	--	--	3,029	--
Short term investment funds	1	1	--	--	--
Total investments in special pools	$ 55,295	$ 7,824	$ 38,303	$ 3,029	$ 6,139

Interest Rate Risk. The Policy limits the maturity of its investments to five years for the U.S. Treasury and U.S. Agencies securities, medium term notes, CD placement service, negotiable certificates of deposit, collateralized bank deposits, mortgage pass-through securities, supranational obligations, and bank/time deposits; one year for repurchase agreements; 270 days for commercial paper; 180 days for bankers' acceptances; 92 days for reverse repurchase agreements; and no maturity for mutual funds. The Policy also allows City funds with longer-term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

Credit Risk. The Policy establishes minimum credit rating requirements for investments. There are no credit quality requirements for U.S. Treasury securities and U.S. Agencies securities. Investments in U.S. Agencies securities were not rated individually by S&P nor Moody's (issuers of these securities are rated "AA+/A-1+" by S&P and "Aaa/P-1" by Moody's).

Commercial paper issues must have the highest letter and number rating by nationally recognized statistical rating organization (NRSRO). The issuing corporation must be organized and operating within the United States and have assets in excess of $500.0 million. The Port's investments in commercial papers were rated A-1+ by S&P and P-1 by Moody's.

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Concentration of Credit Risk. The Policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers' acceptances, 30% in certificates of deposit and medium term notes, 20% in mutual funds, money market mutual funds or mortgage pass-through securities. The Policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. Treasury and government agencies. The City's pooled investments comply with these requirements.

D. Other Investments

In each issuance of a parity obligation, the Port is required to establish a reserve fund with a trustee pursuant to the indenture. All moneys in the reserve funds or accounts shall be invested by the trustee solely in permitted investments. Permitted investments on deposit in the debt service reserve funds are valued at fair market value and marked to market at least once per half year to meet the specific requirement under the indenture. Investments held in the debt service reserve funds shall mature no later than the final maturity of the bonds.

The Port evaluates the value of the reserve funds on or at August 1 of each year, in accordance with the Indenture of Trust (Indenture). The common reserve was $63.3 million at June 30, 2019 versus $62.2 million at June 30, 2018. The reserve funds were invested in money market funds and U.S. Treasuries.

At June 30, 2019 and 2018, investments held in the reserve funds and their maturities are as follows (in thousands):

Fiscal Year 2019

Type of Investments	Amount	Investment Maturities 1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 62,781	$ --	$ 20,602	$ --	$ 42,179
Short term investment funds	567	567	--	--	--
Total investments in special pools	$ 63,348	$ 567	$ 20,602	$ --	$ 42,179

Fiscal Year 2018

Type of Investments	Amount	Investment Maturities 1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 61,161	$ 30,034	$ --	$ --	$ 31,127
Short term investment funds	1,069	1,069	--	--	--
Total investments in reserve funds	$ 62,230	$ 31,103	$ --	$ --	$ 31,127

Proceeds from any new money bonds should be invested in the "Permitted Investments" specified as follows: (1) direct obligations of the United States of America or obligations of the principal of and interest on which are unconditionally guaranteed by the United States of America; (2) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by the federal or U.S. government agencies identified in the Indenture; (3) money market funds registered under the Federal Securities Act of 1933, and having a rating of AAAm-G, AAA-m, or AA-m by S&P and

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Aaa, Aa1, or Aa2 by Moody's; (4) certificates of deposit issued by commercial bank, savings and loan associations, or mutual saving banks and secured at all times by collateral held by a third party; (5) certificates of deposits, savings accounts, deposit accounts, or money market deposits, which are fully insured by the Federal Deposit Insurance Corporation (FDIC), including the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF); (6) investment agreements including guaranteed investment contracts, forward purchase agreements, and reserve fund agreements with a provider whose long-term unsecured debt is rated not lower than the second highest rating category of Moody's, and S&P; (7) commercial paper rated at the time of purchase, "Prime-1" by Moody's, and "A-1" or better by S&P; (8) bonds or notes issued by any state or municipality, which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies; (9) federal funds or bankers acceptances with a maximum term of one year of any bank, which has an unsecured, uninsured, and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P; and (10) repurchase agreements between the Port and a dealer bank and securities firm. The term of the repurchase agreement may be up to 30 days and the value of the collateral must be equal to 104% of the amount of cash transferred to the dealer bank plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Port, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) then the value of collateral must equal to 105%.

E. City of Los Angeles Securities Lending Program

Portions of the Port funds are also used by the City in a Securities Lending Program (SLP) as part of the investment strategy relative to the total pool of funds invested by the City. 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.

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 within 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) is available for lending. The City loans out U.S. Treasury Notes, U.S. Agencies securities (e.g., Fannie Mae, Freddie Mac, Federal Home Loan Bank, Farmer Mac, Federal Farm Credit Bank and Tennessee Valley Authority), Medium-term Notes, and Supranational Obligations. The City receives cash as collateral on the loaned securities, which is reinvested in securities permitted under the Policy. In

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addition, the City receives securities as collateral on loaned securities, which the City has no ability to pledge or sell without borrower default. 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 have a maximum life of 60 days. Earnings from securities lending accrue to the Pool and are allocated on a pro-rata basis to all Pool participants.

During fiscal years 2019 and 2018, collateralizations on all loaned securities were compliant with the required 102% of the market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. 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.

The Port's share in the assets and liabilities from the reinvested cash collateral amounted to $8.2 million and $11.5 million as of June 30, 2019 and 2018, respectively.

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F. Fair Value Measurement

The Port categorizes its fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1: Observable inputs that reflect quoted prices (unadjusted) in active markets for identical assets;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; and
- Level 3: Unobservable inputs for an asset.

The Port has the following recurring fair value measurements as of June 30, 2019:

	Total	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 62,781	$ 62,781	$ --	$ --
Money market fund	567	--	567	--
Total investments - bond funds	$ 63,348	$ 62,781	$ 567	$ --
U.S. Agencies Securities	$ 53,942	$ --	$ 53,942	$ --
Commerical papers	3,105	--	3,105	--
Total investments - special pools	$ 57,047	$ --	$ 57,047	$ --

The Port has the following recurring fair value measurements as of June 30, 2018:

	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	$ 61,161	$ 61,161	$ --	$ --
Money market fund	1,069	--	1,069	--
Total investments - bond funds	$ 62,230	$ 61,161	$ 1,069	$ --
U.S. Treasury securities	$ 7,823	$ 7,823	$ --	$ --
U.S. Agencies securities	44,442	--	44,442	--
Commercial papers	3,029	--	3,029	--
Total investments - special pools	$ 55,294	$ 7,823	$ 47,471	$ --

Investments in Short Term Investment Funds of the City's Special Investment Pools are considered cash equivalents due to their liquidity and are excluded from the fair value measurement.

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5. Capital Assets

The Port's capital assets consist of the following activities for the fiscal year ended June 30, 2019 (in thousands):

	Balance July 1, 2018	Increase	Decrease	Adjustments and Transfers	Balance June 30, 2019
Capital assets not depreciated					
Land	$ 1,106,805	$ --	$ --	$ --	$ 1,106,805
Construction in progress	55,338	88,249	(7,632)	(60,261)	75,694
Preliminary costs – capital projects	122,981	32,178	(20,087)	3,900	138,972
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,298,024	120,427	(27,719)	(56,361)	1,334,371
Capital assets depreciated/amortized					
Wharves and sheds	1,195,956	--	--	3,172	1,199,128
Buildings/facilities	3,404,585	--	--	51,537	3,456,122
Equipment	173,016	19,684	(12,013)	1,652	182,339
Intangible assets	12,460	--	--	--	12,460
Total capital assets depreciated/amortized	4,786,017	19,684	(12,013)	56,361	4,850,049
Less accumulated depreciation/ amortization					
Wharves and sheds	(533,874)	(32,997)	--	--	(566,871)
Buildings/facilities	(1,532,169)	(116,447)	--	--	(1,648,616)
Equipment	(143,401)	(11,910)	2,804	--	(152,507)
Intangible assets	(3,195)	(623)	--	--	(3,818)
Total accumulated depreciation/amortization	(2,212,639)	(161,977)	2,804	--	(2,371,812)
Total capital assets depreciated/ amortized, net	2,573,378	(142,293)	(9,209)	56,361	2,478,237
Capital assets, net	$ 3,871,402	$ (21,866)	$ (36,928)	$ --	$ 3,812,608

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June 30, 2019 and 2018

The Port's capital assets consist of the following activities for the fiscal year ended June 30, 2018 (in thousands):

	Balance July 1, 2017	Increase	Decrease	Adjustments and Transfers	Balance June 30, 2018
Capital assets not depreciated					
Land	$ 1,108,023	$ --	$ (1,218)	$ --	$ 1,106,805
Construction in progress	47,477	75,978	--	(68,117)	55,338
Preliminary costs – capital projects	97,220	36,534	(6,682)	(4,091)	122,981
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,265,620	112,512	(7,900)	(72,208)	1,298,024
Capital assets depreciated/amortized					
Wharves and sheds	1,181,381	--	--	14,575	1,195,956
Buildings/facilities	3,353,689	--	(5,253)	56,149	3,404,585
Equipment	163,627	10,940	(3,035)	1,484	173,016
Intangible assets	12,460	--	--	--	12,460
Total capital assets depreciated/amortized	4,711,157	10,940	(8,288)	72,208	4,786,017
Less accumulated depreciation/ amortization					
Wharves and sheds	(500,735)	(33,139)	--	--	(533,874)
Buildings/facilities	(1,417,200)	(118,991)	4,022	--	(1,532,169)
Equipment	(131,186)	(15,231)	3,016	--	(143,401)
Intangible assets	(2,572)	(623)	--	--	(3,195)
Total accumulated depreciation/amortization	(2,051,693)	(167,984)	7,038	--	(2,212,639)
Total capital assets depreciated/ amortized, net	2,659,464	(157,044)	(1,250)	72,208	2,573,378
Capital assets, net	$ 3,925,084	$ (44,532)	$ (9,150)	$ --	$ 3,871,402

Net interest expense of $31.6 million and $32.1 million was capitalized for fiscal years 2019 and 2018, respectively.

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Notes to Financial Statements

June 30, 2019 and 2018

6. Investment in Joint Powers Authorities and Other Entities

The Port has entered into two joint powers agreements as follows:

A. Intermodal Container Transfer Facility Joint Powers Authority

The Port and the Harbor Department of the City of Long Beach, California (POLB) entered into a joint 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 $2.5 million to the ICTF as part of the agreement. The facility, which began operations in December 1986, was developed and operated by Southern Pacific Transportation Company (SPTC) under a long-term lease agreement. SPTC was subsequently merged and continues operations as Union Pacific Corporation (UPC). 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 and POLB share income and equity distributions equally.

ICTF has issued bonds in prior years. At June 30, 2019 and 2018, there were no outstanding bonds.

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 the facility, including acquiring, constructing, leasing, and selling any of its property. The Port's share of the ICTF's net position totaled $6.3 million and $5.7 million at June 30, 2019 and 2018, respectively. Separate financial statements for ICTF may be obtained from the Executive Director, Intermodal Container Transfer Facility Joint Powers Authority, 4801 Airport Plaza Drive, Long Beach, California 90815 or the ICTF's website at http://ictf-jpa.org/document_library.php.

B. Alameda Corridor Transportation Authority

In August 1989, the Alameda Corridor Transportation Authority (ACTA) was established through a Joint Exercise of Powers Agreement between the Cities of Los Angeles and Long Beach, California. The purpose of ACTA is to acquire, construct, finance, and operate a consolidated transportation corridor; including an improved railroad expressway between the Port, POLB, and downtown Los Angeles.

The Port has no share of the ACTA's net position and income at June 30, 2019 and 2018, and accordingly, they have not been recorded in the accompanying financial statements. If in the future, ACTA is entitled to distribute income or make equity distributions, the Port and POLB shall share such income and equity distributions equally.

Separate financial statements for ACTA may be obtained from the ACTA's website http://www.acta.org/revenue_finance/financial_statement.asp or the Chief Financial Officer, Alameda Corridor Transportation Authority, 3760 Kilroy Airport Way, Suite 200, Long Beach, California, 90806.

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Notes to Financial Statements

June 30, 2019 and 2018

7. Long-Term Debt

A. Bonded Debt, Commercial Paper and Other Indebtedness

Bonds issued by the Port are payable solely from the Port's revenues pledged under indentures and are not general obligations of the City. The Port has agreed to certain covenants with respect to bonded indebtedness. Significant covenants include the requirement that the Port's revenues, as defined under indentures, will be sufficient to pay future bond interest and principal maturities. In compliance with the bond indenture Article VII, Sections 7.01 and 7.02 in the event of default by the Port in the due and punctual payment of parity obligations, the trustee may and shall at the direction of the bond certificate owners of not less than a majority in aggregate principal amount of the bonds at the time outstanding, upon notice in writing to the Port, shall declare the principal of all of the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. Proceeds from sales of bonds are used to finance capital projects around the Port or refund prior issuances to generate debt service savings.

The Port's activities for bonded debt and other indebtedness for fiscal year 2019 are as follows (in thousands):

Bond Issues	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2018	Additions	Deductions	Ending Balance June 30, 2019	Principal Due Within One Year
Issue 2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00% – 5.25%	2030	$ 100,000	$ 70,315	$ --	$ (4,425)	$ 65,890	$ 4,605
Issue 2009, Series C	8/1/2019 @ 100%	7/9/2009	4.00% – 5.25%	2032	230,160	169,310	--	--	169,310	10,000
Issue 2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00% – 5.00%	2023	58,930	42,175	--	(7,855)	34,320	8,250
Issue 2011, Series B	8/1/2021 @ 100%	7/7/2011	4.00% – 5.00%	2026	32,820	32,820	--	--	32,820	--
Issue 2014, Series A	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	203,280	192,990	--	(4,865)	188,125	5,160
Issue 2014, Series B	8/1/2024 @ 100%	9/18/2014	3.00% – 5.00%	2045	89,105	84,840	--	(1,545)	83,295	1,615
Issue 2014, Series C	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	44,890	42,545	--	(835)	41,710	870
Issue 2015, Series A	8/1/2025 @ 100%	10/14/2015	2.00% – 5.00%	2027	37,050	31,460	--	(2,950)	28,510	3,100
Issue 2016, Series A	Not applicable	10/13/2016	3.00% – 5.00%	2025	97,970	84,915	--	(20,685)	64,230	12,025
Issue 2016, Series B	8/1/2026 @ 100%	10/13/2016	2.00% – 5.00%	2037	68,385	67,550	--	(855)	66,695	890
Issue 2016, Series C	8/1/2026 @ 100%	10/13/2016	4.00%	2040	35,205	35,205	--	--	35,205	--
Total principal amount					$ 997,795	854,125	--	(44,015)	810,110	46,515
Unamortized bond premium						68,308	--	(8,358)	59,950	--
Net revenue bonds						922,433	--	(52,373)	870,060	46,515
Less: current maturities of long-term debt						(44,015)	(46,515)	44,015	(46,515)	--
Total long-term debt net of current maturities						$ 878,418	$ (46,515)	$ (8,358)	$ 823,545	$ 46,515

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June 30, 2019 and 2018

The Port's activities for bonded debt and other indebtedness for fiscal year 2018 are as follows (in thousands):

Bond Issues	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2017	Additions	Deductions	Ending Balance June 30, 2018	Principal Due Within One Year
Issue 2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00% – 5.25%	2030	$ 100,000	$ 74,570	$ --	$ (4,255)	$ 70,315	$ 4,425
Issue 2009, Series C	8/1/2019 @ 100%	7/9/2009	4.00% – 5.25%	2032	230,160	171,575	--	(2,265)	169,310	--
Issue 2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00% – 5.00%	2023	58,930	49,665	--	(7,490)	42,175	7,855
Issue 2011, Series B	8/1/2021 @ 100%	7/7/2011	4.00% – 5.00%	2026	32,820	32,820	--	--	32,820	--
Issue 2014, Series A	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	203,280	197,585	--	(4,595)	192,990	4,865
Issue 2014, Series B	8/1/2024 @ 100%	9/18/2014	3.00% – 5.00%	2045	89,105	86,320	--	(1,480)	84,840	1,545
Issue 2014, Series C	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	44,890	43,350	--	(805)	42,545	835
Issue 2015, Series A	8/1/2025 @ 100%	10/14/2015	2.00% – 5.00%	2027	37,050	34,295	--	(2,835)	31,460	2,950
Issue 2016, Series A	Not Applicable	10/13/2016	3.00% – 5.00%	2025	97,970	97,970	--	(13,055)	84,915	20,685
Issue 2016, Series B	8/1/2026 @ 100%	10/13/2016	2.00% – 5.00%	2037	68,385	68,385	--	(835)	67,550	855
Issue 2016, Series C	8/1/2026 @ 100%	10/13/2016	4.00%	2040	35,205	35,205	--	--	35,205	--
Total principal amount					$ 997,795	891,740	--	(37,615)	854,125	44,015
Unamortized bond premium						77,603	--	(9,295)	68,308	--
Net revenue bonds						969,343	--	(46,910)	922,433	44,015
Less: current maturities of long-term debt						(37,615)	(69,925)	63,525	(44,015)	--
Total long-term debt net of current maturities						$ 931,728	$ (69,925)	$ 16,615	$ 878,418	$ 44,015

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June 30, 2019 and 2018

B. Bond Premium

Original bond premium is amortized over the life of the bonds. At the time of bond refunding, the unamortized premium is amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

The unamortized premium for the outstanding bonds for fiscal years 2019 and 2018 are as follows (in thousands):

Harbor Revenue Bonds	2019	2018
Issue of 2009, Series A	$ 331	$ 490
Issue of 2009, Series C	1,684	2,149
Issue of 2011, Series A	589	1,016
Issue of 2011, Series B	1,614	1,906
Issue of 2014, Series A	18,754	20,547
Issue of 2014, Series B	9,932	10,734
Issue of 2014, Series C	4,965	5,303
Issue of 2015, Series A	3,003	3,869
Issue of 2016, Series A	4,404	6,624
Issue of 2016, Series B	10,938	11,793
Issue of 2016, Series C	3,736	3,877
Total	$ 59,950	$ 68,308

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C. Principal Maturities and Interest

The Port's scheduled annual debt service payments for bonded debt and other indebtedness as of June 30, 2019 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2020	$ 46,515	$ 38,836	$ 85,351
2021	48,295	36,547	84,842
2022	51,280	34,069	85,349
2023	54,080	31,414	85,494
2024	57,980	28,559	86,539
2025 – 2029	215,475	101,620	317,095
2030 – 2034	109,910	67,669	177,579
2035 – 2039	125,530	38,610	164,140
2040 – 2044	84,160	13,920	98,080
2045	16,885	422	17,307
Total	$ 810,110	$ 391,666	$ 1,201,776

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D. New Issuances

Fiscal Year 2019

There were no new issuances in fiscal year 2019.

Fiscal Year 2018

There were no new issuances in fiscal year 2018.

E. Commercial Paper

The Port has established a Commercial Paper program (Program) supported by bank credit lines to issue commercial paper notes to provide interim financing primarily for the construction, maintenance, and replacement of the Port's structures, facilities, and equipment needs. The term of the Program expired in August 2018.

Pursuant to an Indenture of Trust dated as of June 1, 2019 by and between the Port and U.S. Bank, National Association and the credit agreement dated as of June 1, 2019 by and between the Port and PNC Bank, National Association, the Port is authorized to issue and to have outstanding up to $150.0 million aggregate principal amount of the Harbor Department of the City of Los Angeles Revenue Revolving Obligations (Revolving Obligations) which constitute parity obligations.

There was no outstanding revolving obligations as of June 30, 2019 and 2018.

F. Prior Years' Defeasance of Debt

The Port defeased previous issued bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Port's financial statements.

At June 30, 2019 and 2018, zero and $10.8 million, respectively, of defeased 1988 bonds remain outstanding.

An escrow for the advance refunding of 2009 Series B Bonds was established in October 2016 with remaining balance of $102.2 million and $106.5 million at June 30, 2019 and 2018, respectively.

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Notes to Financial Statements

June 30, 2019 and 2018

8. Changes in Long-Term Liabilities

The changes in the Port's long-term liabilities for the year ended June 30, 2019 are as follows (in thousands):

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due within one year
Revenue bonds	$ 854,125	$ --	$ (44,015)	$ 810,110	$ 46,515
Unamortized (discount)/ premium	68,308	--	(8,358)	59,950	--
Net revenue bonds	922,433	--	(52,373)	870,060	46,515
Accrued salaries and employee benefits	26,777	294,863	(295,711)	25,929	22,020
Net pension liabilities	210,882	10,826	(1,688)	220,020	--
Net OPEB liabilities	24,416	--	(184)	24,232	--
Litigation	3,622	--	(2,590)	1,032	1,032
Workers compensation	15,309	1,826	(2,818)	14,317	1,557
Pollution remediation	82,901	25,530	(31,797)	76,634	8,720
Deposits	11,198	907	(110)	11,995	--
Others	5,118	102	(27)	5,193	--
Total long-term liabilities	$ 1,302,656	$ 334,054	$ (387,298)	$ 1,249,412	$ 79,844

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June 30, 2019 and 2018

The changes in the Port's long-term liabilities for the year ended June 30, 2018 are as follows (in thousands):

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due within one year
Revenue bonds	$ 891,740	$ --	$ (37,615)	$ 854,125	$ 44,015
Unamortized (discount)/ premium	77,603	--	(9,295)	68,308	--
Net revenue bonds	969,343	--	(46,910)	922,433	44,015
Accrued salaries and employee benefits	25,079	298,122	(296,424)	26,777	18,642
Net pension liabilities	231,325	--	(20,443)	210,882	--
Net OPEB liabilities	--	33,047	(8,631)	24,416	--
Litigation	1,909	1,957	(244)	3,622	3,622
Workers compensation	14,755	2,065	(1,511)	15,309	1,860
Pollution remediation	95,061	2,700	(14,860)	82,901	9,862
Deposits	10,299	1,381	(482)	11,198	--
Others	5,098	60	(40)	5,118	--
Total long-term liabilities	$ 1,352,869	$ 339,332	$ (389,545)	$ 1,302,656	$ 78,001

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Notes to Financial Statements

June 30, 2019 and 2018

9. Pollution Remediation Obligations

The Port's estimated pollution remediation liability as of June 30, 2019 and 2018 totaled $76.6 million and $82.9 million, respectively. These costs relate mostly to soil and ground water contamination on sites within the Port premises. As certain sites were formerly used for a variety of industrial purposes, legacy contamination or environmental impairments exist. As environmental risks may be managed, the Port has adopted 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 estimates of potential liability. Certain remediation contracts are included in site development plans as final uses for the sites have been identified.

The changes in the Port's pollution remediation obligations for fiscal year 2019 are as follows (in thousands):

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
Obligating Event					
Violation of pollution prevention related permit or license	$ 1,050	$ --	$ (108)	$ 942	$ 350
Named by regulator as a potential party to remediation	77,611	3,100	(5,213)	$ 75,498	$ 8,330
Voluntary commencement	4,240	303	(4,349)	194	40
Total	$ 82,901	$ 3,403	$ (9,670)	$ 76,634	$ 8,720
Pollution Type					
Soil and/or groundwater remediation	$ 82,901	$ 3,403	$ (9,670)	$ 76,634	$ 8,720

The changes in the Port's pollution remediation obligations for fiscal year 2018 are as follows (in thousands):

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Obligating Event					
Violation of pollution prevention related permit or license	$ 1,130	$ --	$ (80)	$ 1,050	$ 500
Named by regulator as a potential party to remediation	88,239	2,500	(13,128)	$ 77,611	$ 9,222
Voluntary commencement	5,692	200	(1,652)	4,240	140
Total	$ 95,061	$ 2,700	$ (14,860)	$ 82,901	$ 9,862
Pollution Type					
Soil and/or groundwater remediation	$ 95,061	$ 2,700	$ (14,860)	$ 82,901	$ 9,862

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Notes to Financial Statements

June 30, 2019 and 2018

10. 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 Port employees participate, allowing them to defer receipt of income. All amounts deferred by the Port's employees are paid to the City, which in turn transfers 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 and is not recorded in the Port's financial statements.

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.

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June 30, 2019 and 2018

11. Risk Management

The Port purchases insurance for a variety of exposures associated with property, automobiles, vessels, employment practices, travel, police, pilotage, special events, and terrorism. The City is self-insured for workers' compensation, and the Port participates in the City's self-insurance program. Prior to October 1, 2017, third party general liability exposures were self-insured by the Port for $1.0 million and the excess liability is maintained over the self-insured retention. The Port has purchased a primary general liability insurance policy effective on October 1, 2017 to cover general liability up to $1 million with $500,000 deductible for indemnity defense. There have been no settlements in the past three years that have exceeded the Port's insurance coverage.

The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The Port's accrued workers' compensation liability at June 30, 2019 and 2018 were $14.3 million and $15.3 million, respectively.

A number of lawsuits were pending against the Port that arose in the normal course of operations. The Port recognizes a liability for claims and 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 City Attorney provides estimates for the amount of liabilities to be probable of occurring from lawsuits. The Port's liability for litigation and other claims at June 30, 2019 and 2018 were $1.0 million and $3.6 million, respectively.

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Notes to Financial Statements

June 30, 2019 and 2018

The changes in the Port's estimated claims payable are as follows (in thousands):

	2019	2018	2017
Unpaid claims, July 1			
Workers compensation	$ 15,309	$ 14,755	$ 12,508
General liability/litigation	3,622	1,909	1,524
Total unpaid claims, July 1	18,931	16,664	14,032
Provision for current year's events and changes in provision for prior year's events			
Workers compensation	746	2,066	4,353
General liability/litigation	(572)	1,943	624
Total provision	174	4,009	4,977
Claims payments			
Workers compensation	(1,738)	(1,512)	(2,106)
General liability/litigation	(2,018)	(230)	(239)
Total claims payments	(3,756)	(1,742)	(2,345)
Unpaid claims, June 30			
Workers' compensation	14,317	15,309	14,755
General liability/litigation	1,032	3,622	1,909
Total unpaid claims, June 30	$ 15,349	$ 18,931	$ 16,664
Current portion			
Workers compensation	$ 1,557	$ 1,860	$ 1,820
General liability/litigation	1,032	3,622	1,909
Total current portion	$ 2,589	$ 5,482	$ 3,729

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Notes to Financial Statements

June 30, 2019 and 2018

12. Leases, Rentals, and Minimum Annual Guarantee (MAG) Agreements

The Port leases a substantial portion of lands and facilities to others. Leases relating to terminal operations tend to be long-term in nature (as long as 50 years), which generate 94.1% and 95.1% of the Port's operating revenues for the years ended June 30, 2019 and 2018, respectively. Short-term real estate entitlement such as revocable permits and space assignments can be canceled on a 30-day notice by either party. Majority of the Port's leases provide retention of ownership by the Port or restoration of the property to pre-leased conditions at the expiration of the agreement; accordingly, no leases are considered capital leases.

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

Agreements relating to terminal operations tend to be long-term in nature (as long as 50 years) and are made to provide the Port with a firm tenant commitment. These agreements are subject to periodic review and reset of base amounts. For the years ended June 30, 2019 and 2018, the minimum rental income from such lease agreements was approximately $66.0 million and $61.4 million, respectively. For the years ended June 30, 2019 and 2018, the MAG payments were approximately $291.2 million and $274.6 million, respectively, and were reported under shipping services revenue. 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):

Fiscal Year	Rental income	MAG income
2020	$ 66,625	$ 296,677
2021	67,292	297,286
2022	67,964	297,294
2023	68,644	296,850
2024	69,331	296,850
Total	$ 339,856	$ 1,484,957

The carrying cost and related accumulated depreciation of property held for operating leases as of June 30, 2019 and 2018 are as follows (in thousands):

	2019	2018
Wharves and sheds	$ 1,199,128	$ 1,195,956
Cranes and bulk facilities	27,028	27,028
Municipal warehouses	13,949	13,949
Port pilot facilities and equipment	8,881	9,691
Buildings and other facilities	1,055,015	1,082,969
Cabrillo Marina	180,131	180,015
Total	2,484,132	2,509,608
Less accumulated depreciation	(1,351,420)	(1,279,809)
Net	$ 1,132,712	$ 1,229,799

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13. Los Angeles City Employees' Retirement System (LACERS)

A. General Information about LACERS

Plan description. All full-time employees of the Port are eligible to participate in LACERS, a single-employer public employee retirement system (the System) whose main function is to provide pension benefits such as service and disability retirement benefits as well as death benefits to the civilian employees of the City of Los Angeles. LACERS also administers and provides other postemployment benefits (OPEB) to eligible retirees and their eligible spouses/domestic partners. Under the provisions of the City Charter and California State Constitution, the Board of Administration (LACERS Board) has the responsibility and authority to administer LACERS and to invest its assets. Consisting of seven members of retiree and active employee members, the LACERS Board serve as trustees and must act in the exclusive interest of the LACERS' members and beneficiaries. Changes to the benefit terms require approval of the City Council.

LACERS issues a publicly available financial report that may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012, (800) 779-8328 or LACERS' website http://lacers.org/aboutlacers/reports/index.html.

Plan Memberships. As of June 30, 2018 and 2017 (measurement date), pension plan membership consisted of the following:

	2018	2017
Retired members or beneficiaries currently receiving benefits	19,379	18,805
Vested terminated members entitled to, but not yet receiving benefits	8,028	7,428
Active members	26,042	25,457
Total	53,449	51,690

As of June 30, 2018 and 2017 (measurement date), OPEB plan membership consisted of the following:

	2018	2017
Retired members or surviving spouses currently receiving benefits	15,144	14,652
Vested terminated members entitled to, but not yet receiving benefits	1,401	1,280
Active members	26,042	25,457
Total	42,587	41,389

Benefits provided – Pension. LACERS provides service retirement, disability, death and survivor benefits to eligible employees based on employees' years of service, age, and final compensation. There are two tiers of memberships. Under Tier 1, employees with 10 or more years of continuous service may retire if they are at age 60 or at least 30 years of service at age 55, or with any years of service at age 70 or older. Full-unreduced retirement benefits are determined as 2.16% per year of the employee's service credit (not greater than 100%), multiplied by the employee's average monthly pensionable salary during the employee's last 12 months of

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service, or during any other 12 consecutive months of service. Normal retirement allowances are reduced for employees who retire at age 55 with 10 or more years of continues service, or at any age with 30 or more years of service. Membership to Tier 1 is closed to new entrants. Eligible employees hired on or after July 1, 2013 become members of Tier 2. However, on July 9, 2015, the City and the Coalition of the Los Angeles City Unions representing more than half of the City's civilian workforce reached an agreement which rescinded Tier 2 and created a new tier of benefits. As a result, Ordinance 184134 was adopted on January 12, 2016, and all active Tier 2 members were transferred to Tier 1 as of February 21, 2016.

On or after February 21, 2016, new members became Tier 3 members of LACERS. Under Tier 3, employees may retire at age 60 with at least 10 or more years of service (including 5 years of continuous service) to receive full-unreduced benefits with a 1.50% retirement factor, or at age 55 with at least 30 years of service (including 5 years of continuous service) to receive full-unreduced retirement benefits with a 2.0% retirement factor. In addition, the employee may retire at age 63 with at least 10 years of service to receive an enhanced retirement benefit with a 2.0% retirement factor, or at age 63 with 30 years of service with a 2.1% retirement factor. Full-unreduced retirement benefits are determined as the applicable retirement factor (1.5%, 2.0%, or 2.1%) per year of the employee's service credit (not greater than 80%), multiplied by the employee's last 36 months of final average compensation or any other 36 consecutive months of service. Normal retirement allowances are reduced for employees who retire prior to age 55. LACERS does not have a mandatory retirement age.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are made each July 1 based on the percentage change in the average Consumer Price Index for the Los Angeles-Long Beach-Anaheim Area – All Items For All Urban Consumers, to a maximum increase in retirement allowance of 3% per year, excess banked, for Tier 1 members and 2% per year, excess not banked, for Tier 3 members.

LACERS covers all full-time personnel and department-certified part-time employees of the Port, except for sworn employees of certain Port Police officers.

Benefits provided – OPEB. LACERS also provides postemployment health care benefits to eligible retirees and their eligible spouses/domestic partners who participate in the pension plan. These benefits may also extend to the coverage of other eligible dependent(s). Eligible retirees and their eligible spouses/domestic partners can choose from health plans including medical, dental, and vision benefits or participate in a premium reimbursement program. Members 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 the benefits with an approved health carrier. The eligible employees earn 4% per year of service credit for their annual medical subsidy. Eligible spouse/domestic partners of plan members are entitled to the postemployment health care benefits after the retired member's death.

Contributions – Pension. The LACERS Board establishes and may amend the contribution requirements of the System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at

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actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. For fiscal year 2019, the employer contribution rate for both pension and other postemployment benefits as calculated by LACERS' actuary is 28.31% for Tier 1 members (i.e., all LACERS members hired prior to February 21, 2016) and 25.88% for Tier 3 members (i.e., all City employees who became members of LACERS on or after February 21, 2016). For fiscal year 2018, the employer contribution rate as calculated by LACERS' actuary is 27.22% for Tier 1 members and 24.64% Tier 3 members.

Based on the Port's reported covered payroll of $84.0 million for fiscal year 2019, $80.6 million is subject to the 28.31% rate and $3.4 million is subject to the 25.88% rate. Based on the Port's reported covered payroll of $82.3 million for fiscal year 2018, $80.7 million is subject to the 27.22% rate and $1.6 million is subject to the 24.64% rate. The Port's actual contribution to LACERS for both pension and other postemployment benefits, including family death benefit, excess benefit, and limited term plans is $22.1 million ($18.1 million for pension benefits and $4.0 million for other postemployment benefits) and $21.2 million ($17.3 million for pension benefits and $3.9 million for other postemployment benefits) for the fiscal years ended June 30, 2019 and 2018, respectively. The Port has made 100% of the actuarially determined contributions for both fiscal years.

All members are required to make pension contributions to LACERS regardless of the tier in which they are included. Currently, Tiers 1 and 3 members contribute at 11% of compensation.

Contributions – OPEB. The LACERS Board establishes and may amend the contribution requirements of the System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The employer contribution rates as calculated by LACERS' actuary are 4.78% and 4.69% for the fiscal years ended June 30, 2019 and 2018, respectively.

Pension plan fiduciary net position and OPEB plan fiduciary net position. Detailed information about the pension and OPEB plans' fiduciary net positions are available in the separately issued LACERS financial report.

B. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At June 30, 2019 and 2018, the Port reported a liability of $215.4 million and $204.6 million, respectively, for its proportionate shares of the net pension liability of LACERS. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on the Port's share of actual contributions to the pension plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 3.773% and 3.877% for fiscal years ended June 30, 2019 and 2018, respectively.

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For the years ended June 30, 2019 and 2018, the Port recognized pension expense of $19.3 million and $18.8 million, respectively.

At June 30, 2019 and 2018, the Port reported deferred outflows of resources related to pensions from the following sources (in thousands).

	2019	2018
Pension contributions subsequent to measurement date	$ 18,050	$ 17,317
Changes of assumptions or other inputs	25,921	19,432
Differences between actual and expected experience in the total pension liability	4,404	--
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	--
Net difference between projected and actual earnings on pension plan investments	--	2,219
Total	$ 48,375	$ 38,968

At June 30, 2019 and 2018, the Port reported deferred inflows of resources related to pensions from the following sources (in thousands).

	2019	2018
Changes in proportion and differences between employer's contributions and proportionate share of contributions	$ 11,650	$ 10,757
Changes of assumptions or other inputs	--	--
Net excess of actual over projected earnings on pension investments	4,928	--
Differences between expected and actual experience in the total pension liability	10,258	15,951
Total	$ 26,836	$ 26,708

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June 30, 2019 and 2018

At June 30, 2019 and 2018, the net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the next five years and thereafter is as follows (in thousands):

Year ended June 30	Deferred outflows/(inflows) 2019	Deferred outflows/(inflows) 2018
2019	$ N/A	$ (2,249)
2020	5,281	4,085
2021	(680)	(2,053)
2022	(3,484)	(4,983)
2023	1,531	143
2024	841	--
Thereafter	--	--

The amortization table does not include pension contributions made after the measurement date. Deferred outflows of $18,050 thousand related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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June 30, 2019 and 2018

Actuarial assumptions. The Port's net pension liabilities as of June 30, 2019 and 2018 were determined by actuarial valuations as of June 30, 2018 and 2017, respectively. The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2014 through June 30, 2017. The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2011 through June 30, 2014. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2018 and 2017 actuarial valuations:

Actuarial assumption	2019	2018
Inflation	3.00%	3.00%
Projected salary increases	Ranges from 3.90% to 10.00% based on years of service	Ranges from 3.90% to 10.00% based on years of service
Investment rate of return	7.25%	7.25%
Mortality (Post-Retirement)	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2017	Healthy: RP-2000 Combined table projected with Scale BB to 2020, setback one year for males and with no setback for females

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Long-term expected rate of return by asset class. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

	June 30, 2019	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Larger Cap Equity	14.00%	5.32%
U.S. Small Cap Equity	5.00%	6.07%
Developed International Large Cap Equity	17.00%	6.67%
Developed International Small Cap Equity	3.00%	7.14%
Emerging Market Equity	7.00%	8.87%
Core Bonds	13.75%	1.04%
High Yield Bond	2.00%	3.09%
Bank Loan	2.00%	3.00%
TIPS	3.50%	0.97%
Emerging Market Equity (External)	4.50%	3.44%
Real Estate	7.00%	4.68%
Cash	1.00%	0.01%
Commodities	1.00%	3.36%
Additional Public Real Assets	1.00%	4.76%
Real Estate Investment Trust	0.50%	5.91%
Private Debt	3.75%	5.50%
Private Equity	14.00%	8.97%
Total	100.00%	

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June 30, 2019 and 2018

	June 30, 2018	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Larger Cap Equity	19.00%	5.61%
U.S. Small Cap Equity	5.00%	6.48%
Developed International Equity	19.00%	7.08%
Developed International Small Cap Equity	3.00%	7.32%
Emerging Market Equity	7.00%	9.35%
Core Bonds	19.00%	1.08%
Private Real Estate	5.00%	4.44%
Public Real Assets	5.00%	3.35%
Private Equity	12.00%	8.97%
Credit Opportunities	5.00%	3.75%
Cash	1.00%	-0.06%
Total	100.00%	

Discount rate. The discount rate used to measure the Total Pension Liability was 7.25% as of June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at rates equal to actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2018 and 2017.

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Sensitivity of the Port's proportionate share of net pension liability to change in the discount rate. The following presents the Port's proportionate share of the net pension liability as of June 30, 2019 and 2018, calculated using the discount rate of 7.25%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

Port's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2019	$318,845	$215,435	$130,219

Port's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2018	$299,386	$204,609	$125,738

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C. OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources, and Funded Status Related to OPEB

At June 30, 2019 and 2018, the Port reported a liability of $21.8 million and $21.9 million for its proportionate shares of the net OPEB liability of LACERS. The net OPEB liability was measured as of June 30, 2018 and 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port's proportion of the net OPEB liability was based on the Port's share of actual contributions to the OPEB plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 3.753% and 3.865% for the fiscal year ended June 30, 2019 and 2018, respectively.

For the year ended June 30, 2019 and 2018, the Port recognized OPEB expense of $3.2 million and $3.6 million, respectively.

At June 30, 2019 and 2018, the Port reported deferred outflows of resources related to OPEB from the following sources (in thousands).

	2019	2018
OPEB contributions subsequent to measurement date	$ 4,011	$ 3,857
Changes of assumptions or other inputs	3,793	1,092
Differences between expected and actual experience in the total OPEB liability	507	641
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	--
Net excess of actual over projected earnings on OPEB plan investments	--	--
Total	$ 8,311	$ 5,590

At June 30, 2019 and 2018, the Port reported deferred inflows of resources related to OPEB from the following sources (in thousands).

	2019	2018
Changes in proportion and differences between employer's contributions and proportionate share of contributions	$ 991	$ 457
Changes of assumptions or other inputs	--	--
Net excess of actual over projected earnings on OPEB plan investments	6,502	5,201
Differences between expected and actual experience in the total OPEB liability	233	--
Total	$ 7,726	$ 5,658

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June 30, 2019 and 2018

At June 30, 2019 and 2018, the net amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the next five years and thereafter is as follows (in thousands):

	Deferred outflows/(inflows)	
Year ended June 30	2019	2018
2019	$ N/A	$ (1,064)
2020	(1,337)	(1,064)
2021	(1,337)	(1,064)
2022	(1,337)	(1,064)
2023	(74)	237
2024	465	94
2025	198	
Thereafter	--	--

The amortization table does not include OPEB contributions made after the measurement date. Deferred outflows of $4,011 thousand related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

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June 30, 2019 and 2018

Actuarial assumptions. The Port's net OPEB liability as of June 30, 2019 and 2018 were determined by actuarial valuations as of June 30, 2018 and 2017, respectively. The actuarial valuations used in the June 30, 2018 actuarial valuation were based on the result of an actuarial experience study for the period from July 1, 2014 through June 30, 2017. The actuarial valuations used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2011 through June 30, 2014. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2018 and 2017 actuarial valuations:

Actuarial assumption	2019	2018
Inflation	3.00%	3.00%
Projected salary increases	Ranges from 3.90% to 10.00% based on years of service	Ranges from 3.90% to 10.00% based on years of service
Investment rate of return	7.25%	7.25%
Cost-of-living adjustments	3.00% maximum for Tier 1 and 2.00% maximum for Tier 3	3.00% maximum for Tier 1 and 2.00% maximum for Tier 3
Mortality (Post-Retirement)	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2017	Healthy: RP-2000 Combined table projected with Scale BB to 2020, setback one year for males and with no setback for females
Healthcare cost trend rates	6.87% graded down to 4.50% over 10 years for non-Medicare medical plan costs; 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.00% for all years for dental and Medicare Part B costs	6.87% graded down to 4.50% over 10 years for non-Medicare medical plan costs; 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.50% for all years for dental and Medicare Part B costs

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June 30, 2019 and 2018

Long-term expected rate of return by asset class. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

	June 30, 2019	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Larger Cap Equity	14.00%	5.32%
U.S. Small Cap Equity	5.00%	6.07%
Developed International Large Cap Equity	17.00%	6.67%
Developed International Small Cap Equity	3.00%	7.14%
Emerging Market Equity	7.00%	8.87%
Core Bonds	13.75%	1.04%
High Yield Bond	2.00%	3.09%
Bank Loan	2.00%	3.00%
TIPS	3.50%	0.97%
Emerging Market Debt (External)	4.50%	3.44%
Real Estate	7.00%	4.68%
Cash	1.00%	0.01%
Commodities	1.00%	3.36%
Additional Public Real Assets	1.00%	4.76%
Real Estate Investment Trust (REIT)	0.50%	5.91%
Private Debt	3.75%	5.50%
Private Equity	14.00%	8.97%
Total	100.00%	

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June 30, 2019 and 2018

	June 30, 2018	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Larger Cap Equity	19.00%	5.61%
U.S. Small Cap Equity	5.00%	6.48%
Developed International Equity	19.00%	7.08%
Developed International Small Cap Equity	3.00%	7.32%
Emerging Market Equity	7.00%	9.35%
Core Bonds	19.00%	1.08%
Private Real Estate	5.00%	4.44%
Public Real Assets	5.00%	3.35%
Private Equity	12.00%	8.97%
Credit Opportunities	5.00%	3.75%
Cash	1.00%	-0.06%
Total	100.00%	

Discount rate. The discount rate used to measure the Total OPEB Liability were 7.25% as of June 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of both June 30, 2018 and June 30, 2017.

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June 30, 2019 and 2018

Sensitivity of the Port's proportionate share of net OPEB liability to change in the discount rate. The following presents the Port's proportionate share of the net OPEB liability, calculated using the discount rate of 7.25%, as well as what the Port's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

Port's proportionate share of the net OPEB liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2019	$39,347	$21,785	$7,432

Port's proportionate share of the net OPEB liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2018	$37,619	$21,910	$8,866

Sensitivity of the Port's proportionate share of net OPEB liability to change in the healthcare cost trend rate. The following presents the Port's proportionate share of the net OPEB liability, as well as what LACERS' net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current healthcare trend rate (in thousands):

Port's proportionate share of the net OPEB liability	1% Decrease	Current healthcare trend rate*	1% Increase
June 30, 2019	$5,439	$21,785	$43,215

Port's proportionate share of the net OPEB liability	1% Decrease	Current healthcare trend rate*	1% Increase
June 30, 2018	$6,827	$21,910	$41,449

*See page 90 for current healthcare trend rate.

Note 13. A to C on LACERS retirement and OPEB plans were derived from information prepared by LACERS and the City.

14. City of Los Angeles Fire and Police Pension System (LAFPP)

A. General Information about LAFPP

Plan description. LAFPP is a single-employer public employee retirement system whose main function is to provide defined benefit pension benefits to the safety members employed by the City of Los Angeles. Members of LAFPP are entitled to other postemployment benefits (OPEB) such as healthcare subsidy. LAFPP is administered by a Board of Commissioners (LAFPP Board) composed of five commissioners who are appointed by the Mayor, two commissioners elected by Police members of the plan and two commissioners elected by Fire members of the plan. Under provisions of the City Charter, the City Administrative Code and the State Constitution, the LAFPP Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

LAFPP is composed of six tiers. Tier 6 is the current tier for all Harbor Port Police Officers hired on or after July 1, 2011. Tier 5 was the tier for all Harbor Port Police officers hired on or after January 8, 2006 through June 30, 2011. The Los Angeles City Council approved Ordinance No. 177214 that allows Harbor Port Police Officers the option to transfer from LACERS to Tier 5 of 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 Port is transferable to LAFPP. Other "non-sworn" services with other City Departments are not eligible for transfer. All new employees hired by the Port after the effective date of the Ordinance automatically go into either Tier 5 or Tier 6 of LAFPP.

LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension system, 360 E. Second Street, Suite 400, Los Angeles, CA 90012, (213) 978-4545 or LAFPP's website https://www.lafpp.com/about/financial-reports.

Plan Memberships. As of June 30, 2018 and 2017 (measurement date), pension plan membership consisted of the following:

	2018	2017
Retired members or beneficiaries currently receiving benefits	12,890	12,836
Vested terminated members entitled to, but not yet receiving benefits	534	374
Active members	13,442	13,327
Total	26,866	26,537

As of June 30, 2018 and 2017 (measurement date), OPEB plan membership consisted of the following:

	2018	2017
Retired members, married dependents and beneficiaries currently receiving benefits	17,160	17,034
Vested terminated members entitled to, but not yet receiving benefits	899	882
Active members	13,442	13,327
Total	31,501	31,243

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Benefits provided – Pension. LAFPP provides service retirement, disability, death and survivor benefits to eligible sworn members. Sworn employees become members upon graduation from the Police Academy or Fire Drill Tower. Information about benefits for Tiers 1 through 4 members is available in the separately issued LAFPP financial report. Tier 5 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 5 provides for postemployment COLAs based on the Consumer Price Index (CPI) to a maximum of 3% per year. However, any increase in CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Tier 6 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for postemployment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Benefits Provided – OPEB. LAFPP provides the following other postemployment benefits (OPEB) to eligible members:

- Subsidy for members not eligible for Medicare A & B – 4% per year of service, to a maximum of 100%, times a monthly maximum subsidy amount, subject to a maximum of actual premium paid to the LAFPP Board's approved health carrier.
- Subsidy for members eligible for Medicare A & B – For retirees, the health subsidy is provided subject to the following vesting schedule. Surviving spouses/domestic partners are eligible for benefits upon the death of the member.

Completed Years of Services	Vested Percentage
10-14	75%
15-19	90%
20+	100%

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- Medicare Part B Related Subsidy – For retired members enrolled in Medicare A & B who are receiving a subsidy, the LAFPP provides payment of Part B premiums.
- Dental Subsidy – 4% per year of service, to a maximum of 100%, times a monthly maximum subsidy amount, subject to a maximum of the single-party premium paid to the LAFPP Board approved dental carrier.

Contributions – Pension. The LAFPP Board establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and 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.

All members are required to make contributions to LAFPP regardless of tier in which they are included. However, members are exempt from making contributions when their continuous service exceeds 30 years for Tier 1 through 4, and 33 years for Tier 5 and Tier 6.

For fiscal years 2019 and 2018, the Port's contribution rates for sworn employees that are members of the Harbor Tier 5 plan, as determined by the actuary are 34.59% and 33.46%, respectively, of covered payroll. The Harbor Tier 6 rates are 30.54% and 28.80%, respectively.

Based on the Port's reported sworn covered payroll of $12.7 million and $12.5 million for Tier 5, and $1.9 million and $1.7 million for Tier 6, the Port's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $5.0 million ($3.9 million for pension benefits and $1.1 million for other postemployment benefits) and $4.7 million ($3.7 million for pension benefits and $1.0 million for other postemployment benefits) for the years ended June 30, 2019 and 2018, respectively. The Port has made 100% of the actuarially determined contributions for both fiscal years.

Contributions – OPEB. The LAFPP Board establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is expected to be sufficient to make all benefit payments to current members. The City Administrative Code and related ordinance define member contributions. The employer contribution rate as calculated by LAFPP's actuary is 7.43% and 7.19% for fiscal years ended June 30, 2019 and 2018, respectively.

Pension plan fiduciary net position and OPEB plan fiduciary net position. Detailed information about the LAFPP's pension and OPEB plans' fiduciary net position is available in the separately issued LAFPP financial report.

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B. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At June 30, 2019 and 2018, the Port reported a liability of $4.6 million and $6.3 million, respectively, for its proportionate shares of the net pension liability of LAFPP. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability (TPL) was determined based on rolling forward the TPL from actuarial valuations as of June 30, 2017 and 2016, respectively. The Port's proportion of the net pension liability was based on the Port's share of actual contributions to the pension plan relative to the actual contributions of all participating employers, actuarially determined. The Port's proportionate share was determined to be 0.365% and 0.345% for fiscal years ended June 30, 2019 and 2018, respectively.

For the years ended June 30, 2019 and 2018, the Port recognized pension expense of $1.6 million and $2.0 million, respectively.

At June 30, 2019 and 2018, the Port reported deferred outflows of resources related to pensions from the following sources (in thousands).

	2019	2018
Pension contributions subsequent to measurement date	$ 3,883	$ 3,646
Changes of assumptions or other inputs	928	1,176
Differences between actual and expected experience in the total pension liability	474	--
Net excess of actual over projected earnings on pension plan investments	--	--
Total	$ 5,285	$ 4,822

At June 30, 2019 and 2018, the Port reported deferred inflows of resources related to pensions from the following sources (in thousands).

	2019	2018
Changes of assumptions or other inputs	$ 60	$ 145
Differences between expected and actual experience in the total pension liability	2,805	3,857
Net excess of actual over projected earnings on pension plan investments	1,715	664
Total	$ 4,580	$ 4,666

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At June 30, 2019 and 2018, the net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the next five years and thereafter is as follows (in thousands):

	Deferred outflows/(inflows)	
Year ended June 30	2019	2018
2019	$ N/A	$ (1,297)
2020	(844)	(578)
2021	(922)	(655)
2022	(1,150)	(884)
2023	(343)	(76)
2024	81	--
Thereafter	--	--

The amortization table does not include pension contributions made after the measurement date. Deferred outflows of $3,883 thousand related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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Actuarial assumptions. The Port's net pension liabilities as of June 30, 2019 and 2018 were determined by actuarial valuations as of June 30, 2018 and 2017, respectively. The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 through June 30, 2016. The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 through June 30, 2016. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2018 and 2017 actuarial valuations:

Actuarial assumption	2019	2018
Inflation	3.00%	3.00%
Projected salary increases	Ranges from 4.30% to 12.00% based on years of service	Ranges from 4.30% to 12.00% based on years of service
Investment rate of return	7.25%	7.25%
Cost-of-living adjustments	3.25% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, 5 and 6 retirement income	3.25% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, 5 and 6 retirement income
Mortality (Post-Retirement)	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2016	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2016

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Long-term expected rate of return by asset class. The long-term expected rate of return on pension plan investments was determined in 2017 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each measurement class, after deducting inflation, but before reduction for investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2018 and June 30, 2017. The information will change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	23.00%	5.61%
Small Cap U.S. Equity	6.00%	6.37%
Developed International Equity	16.00%	6.96%
Emerging Market Equity	5.00%	9.28%
U.S. Core Fixed Income	12.00%	1.06%
High Yield Bonds	3.00%	3.65%
Real Estate	10.00%	4.37%
TIPS	5.00%	0.94%
Commodities	5.00%	3.76%
Cash	1.00%	-0.17%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	12.00%	7.50%
Total	100.00%	5.11%

Discount rate. The discount rate used to measure the Total Pension Liability were 7.25% as of June 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate for each tier and that employer contributions will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments

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was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2018 and 2017.

Sensitivity of the Port's proportionate share of net pension liability to change in the discount rate. The following presents the Port's proportionate share of the net pension liability as of June 30, 2019 and 2018, calculated using the discount rate of 7.25%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate what is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

Port's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2019	$17,997	$4,585	$(6,119)

Port's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2018	$18,243	$6,273	$(3,269)

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C. OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources, and Funded Status Related to OPEB

At June 30, 2019 and 2018, the Port reported a liability of $2.4 million and $2.5 million for its proportionate shares of the net OPEB liability of LAFPP. The net OPEB liability was measured as of June 30, 2018 and 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port's proportion of the net OPEB liability was based on the Port's share of actual contributions to the OPEB plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 0.143% and 0.148%% for the fiscal year June 30, 2019 and 2018, respectively.

For both years ended June 30, 2019 and 2018, the Port recognized OPEB expense of $0.9 million each.

At June 30, 2019 and 2018, the Port reported deferred outflows of resources related to OPEB from the following sources (in thousands).

	2019	2018
OPEB contributions subsequent to measurement date	$ 1,084	$ 1,018
Changes of assumptions or other inputs	222	--
Differences between expected and actual experience in the total OPEB liability	276	331
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	--
Net excess of actual over projected earnings on OPEB plan investments	--	--
Total	$ 1,582	$ 1,349

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At June 30, 2019 and 2018, the Port reported deferred inflows of resources related to OPEB from the following sources (in thousands).

	2019	2018
Changes of assumptions or other inputs	$ 28	$ 33
Differences between expected and actual experience in the total OPEB liability	27	--
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	--
Net excess of actual over projected earnings on OPEB plan investments	423	318
Total	$ 478	$ 351

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

	Deferred outflows/(inflows)	
Year ended June 30	2019	2018
2019	$ N/A	$ (30)
2020	(45)	(30)
2021	(45)	(30)
2022	(45)	(30)
2023	35	49
2024	81	49
Thereafter	39	2

The amortization table does not include OPEB contributions made after the measurement date. Deferred outflows of $1,084 thousand related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

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Actuarial assumptions. The Port's net OPEB liability as of June 30, 2019 and 2018 were determined by actuarial valuations as of June 30, 2018 and 2017, respectively. The actuarial valuations used in the June 30, 2018 actuarial valuation were based on the result of an actuarial experience study for the period from July 1, 2013 through June 30, 2016. The actuarial valuations used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2011 through June 30, 2014. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2018 and 2017 actuarial valuations:

Actuarial assumption	2019	2018
Inflation	3.00%	3.00%
Projected salary increases	Ranges from 4.30% to 12.00% based on years of service	Ranges from 4.30% to 12.00% based on years of service
Investment rate of return	7.25%	7.25%
Mortality (Post-Retirement)	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2016	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2016
Healthcare cost trend rates	7.00% graded down to 4.50% over 10 years for non-Medicare medical plan costs; 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.00% for all years for dental and Medicare Part B costs.	7.00% graded down to 4.50% over 10 years for non-Medicare medical plan costs; 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.50% for all years for dental and Medicare Part B costs.

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Long-term expected rate of return by asset class. The long-term expected rate of return on pension plan investments was determined in 2017 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each measurement class, after deducting inflation, but before reduction for investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2018 and June 30, 2017. The information will change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	23.00%	5.61%
Small Cap U.S. Equity	6.00%	6.37%
Developed International Equity	16.00%	6.96%
Emerging Market Equity	5.00%	9.28%
U.S. Core Fixed Income	12.00%	1.06%
High Yield Bonds	3.00%	3.65%
Real Estate	10.00%	4.37%
TIPS	5.00%	0.94%
Commodities	5.00%	3.76%
Cash	1.00%	-0.17%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	12.00%	7.50%
Total	100.00%	5.11%

Discount rate. The discount rate used to measure the Total OPEB Liability was 7.25% as of June 30, 2018 and 2017. As contributions that are required to be made by the City to amortize the unfunded actuarial accrued liability in the funding valuation are determined on an actuarial basis, the future actuarially determined contributions are current plan assets, when projected in accordance with the method prescribed by GASBS 75, are expected to be sufficient to make all benefit payments to current members.

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Sensitivity of the Port's proportionate share of net OPEB liability to change in the discount rate. The following presents the Port's proportionate share of the net OPEB liability as of June 30, 2019 and 2018, calculated using the discount rate of 7.25%, as well as what the Port's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

Port's proportionate share of the net OPEB liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2019	$5,332	$2,447	$179

Port's proportionate share of the net OPEB liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2018	$4,944	$2,506	$586

Sensitivity of the Port's proportionate share of net OPEB liability to change in the healthcare cost trend rate. The following presents the Port's proportionate share of the net OPEB liability, as well as what LAFPP net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current healthcare trend rate (in thousands):

Port's proportionate share of the net OPEB liability	1% Decrease	Current healthcare trend rate*	1% Increase
June 30, 2019	$(419)	$2,447	$6,822

Port's proportionate share of the net OPEB liability	1% Decrease	Current healthcare trend rate*	1% Increase
June 30, 2018	$88	$2,506	$6,129

*See page 104 for current healthcare trend rate.

Note 14. A to C on LAFPP retirement and OPEB plans were derived from information prepared by LAFPP and the City.

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15. Commitments, Litigation and Contingencies

A. Commitments

Open purchase orders and uncompleted construction contracts amounted to approximately $21.0 million and $22.8 million as of June 30, 2019 and 2018, respectively. 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 $14.0 million from the federal government, for the purpose of constructing a marina. The Port has agreed to reimburse the federal government up to $14.0 million from excess revenues, if any, generated from marina operations after the Port has recovered all costs of construction. No such payments were made in fiscal years 2019 and 2018.

B. Litigation

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.

C. Alameda Corridor Transportation Authority (ACTA) Agreement

In August 1989, the Port and the POLB (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 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. If in the future, ACTA is able to distribute income or make equity distributions, the Ports shall share such income and 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 provides for operation of the corridor to transport cargo into and out of the Ports. Payment of use fees and container charges, as defined in the Corridor Agreement are used to pay (a) the debt service that ACTA incurs on approximately $2.2 billion of outstanding bonds, (b) for the cost of funding required reserves and costs associated with the financing, including credit enhancement and rebate requirements, and (c) repayment and reimbursement obligations to the Ports, (collectively, ACTA Obligations). Use fees end in 2062 or sooner if the ACTA Obligations are paid off earlier.

If ACTA revenues are insufficient to pay ACTA Obligations outlined in (a) and (b) above, the Corridor Agreement obligates each Port to pay up to twenty percent (20%) of the shortfall (Shortfall) for each debt service payment date. If this event occurs, the Ports' payments to ACTA

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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 bonds and commercial paper currently outstanding. The Port does not and is not required to take Shortfall payments into account when determining whether it may incur additional indebtedness or when calculating compliance with rate covenants under the respective bond indentures and resolutions related to each Port bond or indebtedness.

An amended and restated Corridor Agreement became effective December 15, 2016, which (1) incorporated the July 5, 2006 First Amendment to the Corridor Agreement; (2) replaced the Operating Committee with an alternative decision making process for management of Alameda Corridor maintenance and operations; and (3) removed construction related provisions and updated certain other provisions to reflect current conditions and practices. The Los Angeles Board of Harbor Commissioners approved the amended and restated Corridor Agreement at a meeting held on October 24, 2016.

In 2016, ACTA issued Tax-Exempt First and Second Subordinate Lien Revenue Refunding Bonds, Series 2016A and Series 2016B (Series 2016 Bonds). The issuance of the Series 2016 Bonds advance refunded most of ACTA's Refunding Series 2004A Bonds and reduced potential future Shortfall payments. There were no Shortfall payments in both fiscal years 2019 and 2018.

D. TraPac Project and Environmental Impact Report

On December 6, 2007, the Board of Harbor Commissioners (BHC) certified the Final Berths 136-147 Environmental Impact Report for TraPac, Inc. (TraPac), a terminal operator, and approved the TraPac project. The TraPac project involves the development and 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 BHC approved a Memorandum of Understanding (MOU) between the City and the Appellants to resolve the appeal of the TraPac Environmental Impact Report (EIR). The MOU provides for the revocation of the appeals and the establishment of a Port Community Mitigation Trust Fund (PCMTF) to be operated by a nonprofit entity to fund grants selected by the nonprofit and approved by the Board of Harbor Commissioners, to address off-Port environmental impacts from Port-related operations. The nonprofit created to provide administrative services for this fund is the Harbor Community Benefit Foundation (HCBF).

Pursuant to the MOU, the Port had provided the first two years PCMTF funding of $12.0 million and $4.0 million in a special Community Mitigation Trust Fund (CMTF) account maintained by the Port in its Harbor Revenue Fund account to meet its obligations in the MOU. The MOU required additional contributions of $2.00 per TEU to be made in the event of incremental cargo increases over calendar year 2007 cargo levels during the 2008-2013 term of the MOU. Based on the reduced volume of cargo processed in the applicable term due to the recession, no additional PCMTF funding was necessary for incremental volume during the 2008-2013 MOU term, and no further funding obligations exist for this purpose under the expired MOU.

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On October 26, 2010, the BHC approved the Operating Agreement of the TraPac MOU (Operating Agreement), which provided for more detailed procedures for the implementation of the MOU. The Operating Agreement also provided for the management of the PCMTF by an independent financial manager. In accordance with the Operating Agreement, in 2011 the Port transferred the unspent balance of PCMTF funding from its CMTF to the PCMTF, an escrow account maintained by an independent financial manager, which is currently J.P. Morgan Bank.

While the five-year MOU expired in April 2013, the Operating Agreement provided that the Port shall continue to fund the PCMTF with contributions on account of a list of specific Port expansion projects that have environmental impact reports certified within five years after the first HCBF Board of Directors meeting (said certification deadline established as May 19, 2016). The Operating Agreement provides that if the listed MOU expansion projects have EIRs certified by the May 2016 deadline and proceeds with construction; the Port will make a one-time additional contribution at a rate of $3.50 per incremental increase in TEU (or $1.50 per cruise passenger increase, and $0.15 per ton of bulk cargo increase) per project for growth associated with such expansion projects. Funds will be transferred to the PCMTF within 21 days following award of a construction contract or commencement of construction of each project that had an EIR certified prior to May 19, 2016. In fiscal year 2016, $0.8 million was contributed to the PCMTF based upon the Yusen container terminal project contract award. There were no contributions made since fiscal year 2016.

As of June 30, 2019, a total of $17.7 million has been disbursed from the Port's CMTF to PCMTF. The remaining CMTF fund balance including interest earned as of June 30, 2019 is $0.1 million.

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16. Related-Party Transactions

During the normal course of business, the Port is charged for services provided 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 $45.2 million and $42.7 million in fiscal years 2019 and 2018, respectively. In addition, the amounts charged by the City for water and electricity usage approximate $19.5 million and $14.7 million in fiscal years 2019 and 2018, respectively.

17. 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, 2019 and 2018, the Port reported capital contributions of $3.5 million and $4.5 million, respectively, for certain capital construction and grant projects.

18. Natural Resources Defense Council Settlement Judgment

In March 2003, the Port 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 at the China Shipping Terminal. The settlement called for a total of $50.0 million in mitigation measures to be undertaken by the Port. This $50.0 million charge was recorded as an expense in fiscal year 2003.

The terms of the settlement agreement require that the Port fund various mitigation activities in the amount of $10.0 million per year over a five-year term ending in fiscal year 2007. As of June 30, 2009, a total of $50.0 million were transferred from Harbor Revenue Fund to the restricted mitigation funds.

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

Pursuant to the settlement agreement, the Port is also obligated to expend up to $5.0 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.

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, and 2005, and payments of $1.8 million, $6.9 million, $5.8 million, and $3.9 million, respectively, were made for having exceeded the caps. The Port charged to nonoperating expense and deposited in the restricted mitigation fund the said amounts in June 2009, June 2008, May 2007, and April 2006, respectively. Total deposits for the four years were $18.4 million, with the June 2009 deposit for calendar year 2008 being the last payment for excess throughput required under the settlement agreement.

In April 2011, the Port contributed $3.2 million to the restricted mitigation funds as payment for four low profile cranes installed on Berth 102 designed to reduce visual impact by the use of a horizontal boom that does not need to be raised up when the crane is not in use.

Continued…..

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

Notes to Financial Statements

June 30, 2019 and 2018

The settlement agreement also provided that if at the conclusion of the five years any of the $50 million set aside for restricted mitigation funds had not been allocated, such funds shall be applied to an independent air quality mitigation program available to administer the funds and mutually agreeable to parties to reduce Port-related emissions. That five-year term lapsed effective June 14, 2009 with approximately $9.2 million remained unallocated. Therefore, in November 2015, two separate Memoranda of Agreements were approved and authorized to reallocate (1) $5.2 million to the Harbor Community Benefit Foundation (HCBF) to administer air quality improvement projects (AQIP) in accordance with the China Shipping settlement terms, separately from the TraPac PCMTF administered under TraPac MOU terms, and (2) $4 million to the South Coast Air Quality Management District to assist in funding the AQIP demonstration of a catenary zero emission truck project.

As of June 30, 2019, the Port has contributed a total of $75.0 million to the restricted mitigation funds in accordance with the provisions of the settlement.

19. Cash Funding of Reserve Fund

As of June 30, 2019 and 2018, the Port had $870.1 million and $922.4 million of outstanding parity bonds (including net unamortized premiums). The Port holds cash reserves for each Indenture of the outstanding bonds. On September 18, 2008, the BHC approved the full cash funding of the entire reserve requirement of $61.5 million that was transferred to the Port's bond trustee in December 2008. The cash funding of the reserve took place to reassure bondholders of the strong commitment of the Port to its financial wherewithal as rating agencies had reduced the AAA ratings of the surety companies that had provided insurance for the bonds that the Port had issued.

As of June 30, 2019 and 2018, the balance in the Common Reserve fund totaled $63.3 million and $62.2 million, respectively. Any excess amounts in the Common Reserve resulting from principal repayments will be transferred to the interest fund and/or redemption fund to be used to pay interest and redeem bonds. The required amount for the reserve fund will be reevaluated on a yearly basis. The funds in the reserve are invested in the U.S. Treasury securities and money market funds.

20. Restatement

The net position at July 1, 2017 was restated by $23.9 million to adjust for the cumulative effect of a change in accounting principle as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	FY 2018
Net position, July 1, as previously reported	$ 3,265,398
Cumulative effect of change in accounting principle	(23,878)
Net position, July 1, as restated	$ 3,241,520

Continued…..

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

Notes to Financial Statements

June 30, 2019 and 2018

21. Subsequent Events

On September 19, 2019 the Port redeemed an aggregate par amount of $215.6 million of its outstanding bonds comprised of all of 2009 Series A Bonds for total of $61.3 million and all of 2009 Series C Bonds for total of $154.3 million except for the non-callable 2009 Series C Bonds for $5.0 million maturing in 2021 with coupon of 5.25%.

The 2019 Refunding Revenue Bonds were issued on September 18, 2019 in aggregate principal amount of $163.1 million. The 2019 Refunding Bonds were issued in four series; Series A (AMT) for $115.1 million; Series B (Non-AMT) for $32.3 million; Series C-1 (AMT) Green Bonds for $5.0 million; and Series C-2 (Non-AMT) Green Bonds for $10.7 million.

The 2019 Refunding Revenue Bonds were issued without contributing to the Common Reserve and therefore an excess of $22.2 million was released from the Common Reserve toward the transaction reducing the total borrowing.

The maturity of the refunding bonds remain the same as the maturity of the refunded bonds in 2030. Total present value savings from the transaction was $43.7 million or 26.8%. The nominal savings in debt service due to refunding is $71.7 million or an average of $5.5 million per fiscal year.

Continued…..

REQUIRED SUPPLEMENTARY INFORMATION

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

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll (1)	Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2014	4.248%	$ 200,801	$ 73,746	272.29%	68.23%
2015	4.224%	$ 188,299	$ 76,040	247.60%	72.57%
2016	4.152%	$ 207,158	$ 75,963	272.71%	70.49%
2017	3.940%	$ 221,275	$ 75,092	294.67%	67.77%
2018	3.877%	$ 204,609	$ 76,204	268.50%	71.41%
2019	3.773%	$ 215,435	$ 77,580	277.70%	71.37%

(1) Covered payroll represents the collective total of the pensionable wages of all LACERS membership tiers.

Los Angeles Fire and Police Pension Plan (LAFPP)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll (2)	Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2014	0.400%	$ 14,320	$ 10,302	139.00%	68.00%
2015	0.559%	$ 10,463	$ 11,619	90.05%	79.16%
2016	0.425%	$ 8,671	$ 12,301	70.49%	83.98%
2017	0.408%	$ 10,050	$ 12,148	82.49%	83.02%
2018	0.345%	$ 6,273	$ 13,541	46.33%	90.41%
2019	0.365%	$ 4,585	$ 14,168	32.36%	93.77%

(2) Covered payroll represents the collective total of the LAFPP eligible wages of all LAFPP member categories.

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 115.

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

Required Supplementary Information

Schedule of Pension Contributions – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 18,050	$ 17,317	$ 17,582	$ 17,557	$ 15,765
Contributions in relation to the actuarially determined contribution	18,050	17,317	17,582	17,557	15,765
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --
Port's covered payroll	$ 83,998	$ 82,308	$ 79,924	$ 78,061	$ 77,126
Contributions as a percentage of covered payroll	21.49%	21.04%	22.00%	22.49%	20.44%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 3,883	$ 3,645	$ 3,716	$ 3,462	$ 3,648
Contributions in relation to the actuarially determined contribution	3,883	3,645	3,716	3,462	3,648
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --
Port's covered payroll	$ 14,584	$ 14,168	$ 13,541	$ 12,184	$ 12,301
Contributions as a percentage of covered payroll	26.63%	25.73%	27.44%	28.41%	29.66%

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 115.

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

Required Supplementary Information

Notes to Schedules of Proportionate Share of the Net Pension Liability and Pension Contributions

For the Fiscal Year Ended June 30, 2019

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2019	Fiscal Year 2018
Mortality (Post-Retirement)	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2017	Healthy: RP-2000 Combined table projected with Scale BB to 2020, setback one year for males and with no setback for females
Rate of termination with less than 5 years of service	From 12.00% to 7.75%	From 13.25% to 5.75%
Retirement rate at age 55 with 30 years of service	24% for Tier 1 and 23% for Tier 3	20% for Tier 1 and 19% for Tier 3
Age of spouse	Male retirees are assumed to be 3 years older than their female spouses.	Male retirees are assumed to be 4 years older than their female spouses.

Los Angeles Fire and Police Pension Plan (LAFPP)

Changes of benefit terms: There were no changes in benefits terms since the prior valuation.

Changes of assumptions: There were no changes in assumptions since the prior valuation.

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

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net OPEB Liability	Proportionate Share of Net OPEB Liability	Covered Payroll	Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2017	3.947%	$ 26,002	$ 75,092	34.63%	76.42%
2018	3.865%	$ 21,910	$ 76,204	28.75%	81.14%
2019	3.753%	$ 21,785	$ 77,579	28.08%	82.18%

Los Angeles Fire and Police Pension Plan (LAFPP)

Fiscal Year	Proportion of the Net OPEB Liability	Proportionate Share of Net OPEB Liability	Covered Payroll	Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2017	0.156%	$ 2,563	$ 12,184	21.04%	74.45%
2018	0.148%	$ 2,506	$ 13,541	18.51%	78.65%
2019	0.143%	$ 2,447	$ 14,168	17.27%	81.87%

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 118.

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

Required Supplementary Information

Schedule of OPEB Contributions – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2019	2018
Actuarially determined contribution	$ 4,011	$ 3,857
Contributions in relation to the actuarially determined contribution	4,011	3,857
Contribution deficiency (excess)	$ --	$ --
Port's covered employee payroll	$ 83,998	$ 82,308
Contributions as a percentage of covered employee payroll	4.78%	4.69%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2019	2018
Actuarially determined contribution	$ 1,084	$ 1,018
Contributions in relation to the actuarially determined contribution	1,084	1,018
Contribution deficiency (excess)	$ --	$ --
Port's covered employee payroll	$ 14,584	$ 14,168
Contributions as a percentage of covered employee payroll	7.43%	7.19%

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 118.

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

Required Supplementary Information

Notes to Schedules of Proportionate Share of the Net OPEB Liability and OPEB Contributions

For the Fiscal Year Ended June 30, 2019

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2019	Fiscal Year 2018
Healthcare cost trend rates for Medicare Part B and Dental	4.00%	4.50%
Mortality (Post-Retirement)	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2017	Healthy: RP-2000 Combined table projected with Scale BB to 2020, setback one year for males and with no setback for females
Rate of termination with less than 5 years of service	From 12.00% to 7.75%	From 13.25% to 5.75%
Retirement rate at age 55 with 30 years of service	24% for Tier 1 and 23% for Tier 3	20% for Tier 1 and 19% for Tier 3

Los Angeles Fire and Police Pension Plan (LAFPP)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2019	Fiscal Year 2018
Healthcare cost trend rates for Medicare Part B and Dental	4.00%	4.50%

STATISTICAL SECTION

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

Statistical Section

For the Fiscal Year Ended June 30, 2019

(Unaudited)

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Port's overall financial health.

Contents **Page**

Financial Trends

These schedules contain trend information to help the reader understand how the Port's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Port's most significant local revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Port's current level of outstanding debt and the Port's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help readers understand the environment within which the Port's financial activities occur.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Port's financial report relates to the services the Port's provides and the activities it performs.

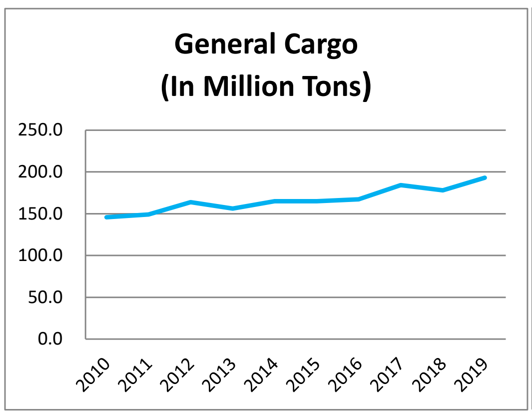
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)
Summary of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

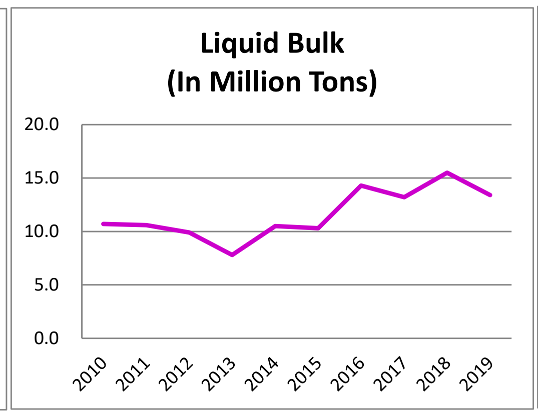
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenues										
Shipping services	$ 327,630	$ 343,498	$ 357,716	$ 347,876	$ 377,213	$ 364,899	$ 368,470	$ 398,255	$ 405,279	$ 410,328
Rentals	43,141	45,428	43,143	42,890	40,156	46,233	46,571	51,258	61,419	65,965
Royalties, fees, and other operating revenues	36,047	11,577	8,928	6,602	8,582	35,763	21,085	25,019	24,062	30,134
Total operating revenues	406,818	400,503	409,787	397,368	425,951	446,895	436,126	474,532	490,760	506,427
Operating expenses										
Salaries and benefits	92,930	98,837	98,614	101,861	112,053	111,788	114,719	118,582	121,533	123,058
Marketing and public relations	2,490	2,912	3,177	2,877	2,711	2,771	2,567	2,583	2,784	2,510
Outside services	25,776	29,367	27,660	29,690	26,331	28,983	28,970	25,022	29,904	33,418
Materials and supplies	6,366	6,249	6,314	5,989	6,883	6,257	6,340	5,314	6,960	6,593
City services	37,147	29,964	32,014	31,074	33,633	34,749	37,421	39,554	42,749	45,223
Other operating expenses	45,526	42,366	32,027	33,678	23,743	49,701	36,244	36,620	33,025	29,625
Total operating expenses before depreciation	210,235	209,695	199,806	205,169	205,354	234,249	226,261	227,675	236,955	240,427
Operating Income before depreciation	196,583	190,808	209,981	192,199	220,597	212,646	209,865	246,857	253,805	266,000
Depreciation	87,255	90,468	100,485	108,037	124,221	137,384	163,933	172,895	167,984	161,977
Operating Income	109,328	100,340	109,496	84,162	96,376	75,262	45,932	73,962	85,821	104,023
Nonoperating revenues (expenses)										
Income from investments in Joint Powers Authorities	2,270	(333)	1,851	2,049	2,129	2,811	2,544	2,162	2,001	2,596
Interest and investment income	15,233	6,436	9,486	826	4,654	5,039	9,326	1,118	618	32,804
Interest expense	(35,663)	(3,704)	(10,538)	(2,473)	(1,530)	(331)	(507)	(604)	(1,612)	(1,290)
Other income and expenses, net	(2,951)	(6,667)	(8,359)	784	(27,364)	(2,226)	(3,851)	(1,146)	1,999	27,151
Net nonoperating revenues (expenses)	(21,111)	(4,268)	(7,560)	1,186	(22,111)	5,293	7,512	1,530	3,006	61,261
Income before capital contributions	88,217	96,072	101,936	85,348	74,265	80,555	53,444	75,492	88,827	165,284
Capital contributions	16,950	12,059	31,307	17,630	80,374	111,852	40,489	18,801	4,524	3,523
Special and extraordinary items	--	--	--	13,387	15,002	--	5,123	9,150	--	--
Changes in net position	105,167	108,131	133,243	116,365	169,641	192,407	99,056	103,443	93,351	168,807
Total net position – beginning of year	2,429,587	2,534,754	2,642,885	2,776,128	2,884,351	3,064,554	3,062,899	3,161,955	3,265,398	3,334,871
Cumulative effect of change in accounting principle	--	--	--	--	--	(194,062)	--	--	(23,878)	--
Net adjustment for write off prior period bond issues costs	--	--	--	(8,142)	10,562	--	--	--	--	--
Net position July 1, restated	2,429,587	2,534,754	2,642,885	2,767,986	2,894,913	2,870,492	3,062,899	3,161,955	3,241,520	3,334,871
Total net position – end of year	$ 2,534,754	$ 2,642,885	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899	$ 3,161,955	$ 3,265,398	$ 3,334,871	$ 3,503,678
Net position:										
Net investment in capital assets	2,164,885	2,286,360	2,397,744	2,634,840	2,863,795	2,856,561	2,945,412	2,972,442	2,964,553	2,957,014
Restricted	67,844	67,341	67,796	57,913	58,054	68,373	66,599	62,255	62,225	63,348
Unrestricted	302,025	289,184	310,588	191,598	142,705	137,965	149,944	230,701	308,093	483,316
Total net position	$ 2,534,754	$ 2,642,885	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899	$ 3,161,955	$ 3,265,398	$ 3,334,871	$ 3,503,678

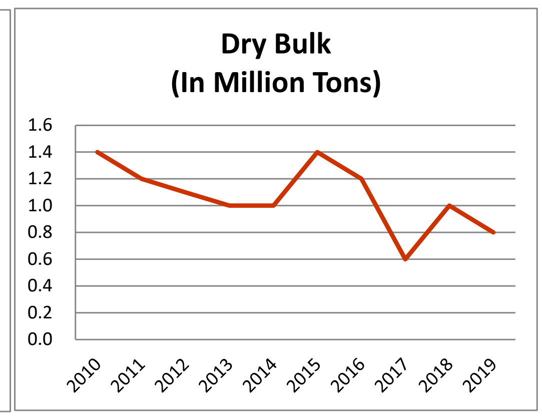
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Revenue Statistics
Last Ten Fiscal Years
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue Information										
Revenue Rates										
General cargo tariff rate	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25
Basic dockage (600')	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465
Required rate of return on improvements	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Required rate of return on land	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Containerized cargo volume										
(in millions of TEUs)	7.2	7.9	8.2	7.8	8.2	8.2	8.4	9.2	9.2	9.7
Inbound tonnage (million tons)	88.2	93.7	98.3	93.1	99.1	102.9	105.6	105.8	103.0	113.8
Outbound tonnage (million tons)	66.7	67.8	74.6	71.5	74.3	74.6	79.3	92.4	88.3	97.4
Revenue tons (million)										
General cargo	145.8	149.1	163.9	156.3	165.0	165.1	167.3	184.3	178.0	193.1
Liquid bulk	10.7	10.6	9.9	7.8	10.5	10.3	14.3	13.2	15.5	13.4
Dry bulk	1.4	1.2	1.1	1.0	1.0	1.4	1.2	0.6	1.0	0.8
Total revenue tons (million)	157.9	160.9	174.9	165.1	176.5	176.8	182.8	198.1	194.5	207.3







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

Top Ten Individual Sources of Revenue by Alphabetical Order
Fiscal Year 2019 and Fiscal Year 2010
(Unaudited)

Fiscal Year 2019	Fiscal Year 2010
APM Terminals Pacific, Ltd.	APM Terminals Pacific, Ltd.
Eagle Marine Services, Ltd.	Eagle Marine Services, Ltd.
Yusen Terminal, Inc./N.Y.K. (North America), Inc.	Everport Terminal Services, Inc.
Yang Ming Marine Transport Corporation	Yusen Terminal, Inc./N.Y.K. (North America), Inc.
Everport Terminal Services, Inc.	Yang Ming Marine Transport Corporation
TraPac, LLC	China Shipping Holding Company, Ltd.
China Shipping Holding Company, Ltd.	TraPac, LLC
Union Pacific Railroad Company	Rio Doce Pasha Terminal, LP
Ports America Cruise, Inc.	Union Pacific Railroad Company
WWL Vehicle Services Americas, Inc.	WWL Vehicle Services Americas, Inc.

The Port of Los Angeles terminal tenants compete against each other for business. The Port feels disclosure of revenue by tenant would give advantages or disadvantages to certain tenants and therefore revenues and percentage of total revenue have been excluded from this report.

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

Summary of Debt Service Coverage (Pledged Revenue)
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenues (including investment/interest income and noncapital grant revenues) (1)	$ 424,306	$ 412,962	$ 435,291	$ 416,974	$ 446,910	$ 460,364	$ 452,398	$ 487,806	$ 501,663	$ 578,794
Operating expenses (2)	210,235	209,695	199,806	205,169	205,354	234,249	226,261	227,675	236,955	240,427
Net available revenue	$ 214,071	$ 203,267	$ 235,485	$ 211,805	$ 241,556	$ 226,115	$ 226,137	$ 260,131	$ 264,708	$ 338,367
Debt service, revenue bonds	$ 66,851	$ 72,736	$ 71,382	$ 72,204	$ 65,323	$ 69,916	$ 91,831	$ 87,570	$ 80,147	$ 84,884
Debt service, commercial papers	—	191	227	194	165	187	—	—	—	—
Total debt service (3)	$ 66,851	$ 72,927	$ 71,609	$ 72,398	$ 65,488	$ 70,103	$ 91,831	$ 87,570	$ 80,147	$ 84,884
Net available revenue coverage	3.2	2.8	3.3	2.9	3.7	3.2	2.5	3.0	3.3	4.0
Net cash flow from operations	$ 185,416	$ 158,268	$ 217,113	$ 234,234	$ 131,284	$ 213,184	$ 184,869	$ 274,581	$ 228,920	$ 254,978
Net operating cash flow coverage	2.8	2.2	3.0	3.2	2.0	3.0	2.0	3.1	2.9	3.0

(1) Operating revenues include pledged pooled investment/interest income and non-capital grant revenues.
(2) Depreciation and amortization expenses, 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. 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 financial statements.

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

Demographic and Economic Statistics for the City of Los Angeles
Last Ten Calendar Years
(Unaudited)

Year	Estimated Population (1)	Personal Income ($000s) (2)	Per Capita Personal Income (2)	Median Age (3)	Public School Enrollment (4)	Unemploy-ment Rate (5)
2010	3,792,621	$ 428,045,182	$ 43,569	33.7	748,273	13.2 %
2011	3,818,120	459,098,093	46,439	33.9	738,113	12.9
2012	3,859,854	492,424,430	49,459	34.1	701,208	11.5
2013	3,901,412	491,016,518	49,010	34.3	598,020	10.3
2014	3,938,037	525,088,691	52,130	34.6	594,891	8.7
2015	3,972,348	560,484,548	55,366	34.9	582,430	7.0
2016	3,999,237	577,071,787	56,851	35.0	560,991	5.6
2017	4,041,707	593,741,110	58,419	35.2	547,246	4.4
2018	4,054,400	N/A	N/A	N/A	532,102	5.1
2019	4,040,079	N/A	N/A	N/A	N/A	4.7

(1) Data was based on California Department of Finance report E-1 Population Estimates for Cities, Counties, and the State.

(2) U.S. Department of Commerce, Bureau of Economic Analysis - revised estimates of personal income for Los Angeles County updated on March 6, 2019 with estimates for 2010 to 2017.

(3) Data was obtained from the U.S. Census Bureau American Community Survey 5-Year Estimates which is available at https://factfinder.census.gov.

(4) Enrollment data determined at the beginning of each school year (October). Data include the City and all or significant portions of a number of smaller cities and unincorporated territories.

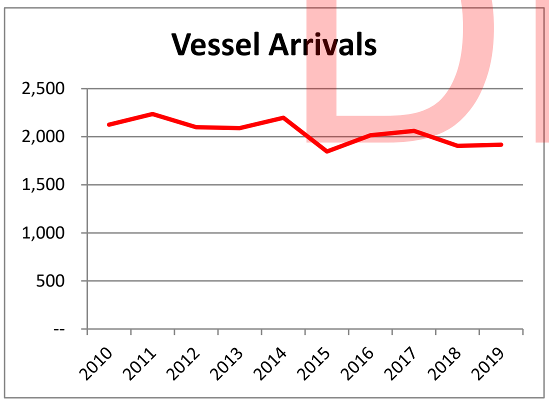
(5) Data based on California Employment Development Department for City of Los Angeles, not seasonally adjusted.

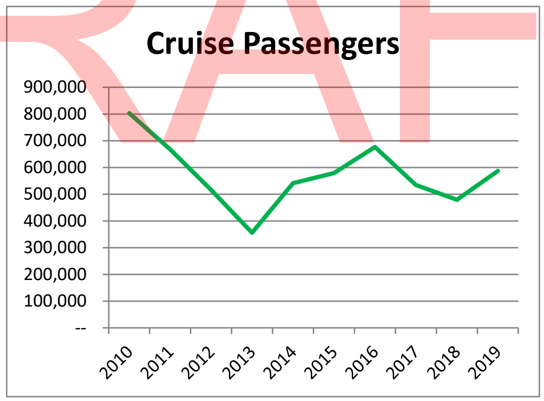
N/A Data was not readily available at the time of issuance.

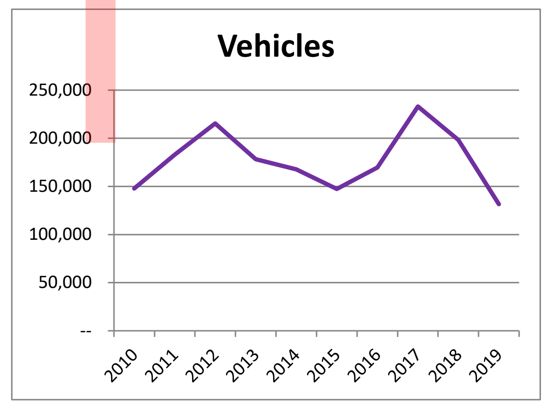
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Operating Information
Last Ten Fiscal Years
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Miles of waterfront	43	43	43	43	43	43	43	43	43	43
Number of major container terminals	8	8	8	8	8	8	8	8	8	8
Number of cargo terminals	24	24	24	24	23	23	23	23	23	23
Vessel arrivals	2,124	2,236	2,100	2,089	2,196	1,846	2,014	2,060	1,904	1,917
Cruise passengers	802,899	667,434	515,827	355,875	541,418	578,902	676,644	534,484	479,388	586,783
Vehicles	147,935	183,126	215,374	178,252	167,826	147,457	169,561	233,013	198,326	131,553
Full time employees	948	959	958	947	949	885	906	883	884	880







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

Principal Employers in the Los Angeles County
FY 2019 and FY 2010 [1]
(Unaudited)

	2019			2010		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Kaiser Permanente	40,309	1	0.8 %	32,700	1	0.8 %
University of Southern California	21,710	2	0.4	15,121	3	0.4
Northrop Grumman Corp.	18,000	3	0.4	19,000	2	0.4
Providence Health & Services Southern California	15,952	4	0.3	9,960	10	0.2
Target Corp.	15,000	5	0.3	13,000	6	0.3
Cedars-Sinai Medical Center	14,713	6	0.3	10,467	8	0.2
Allied Universal	13,972	7	0.3	—	—	—
Ralphs/Food 4 Less (Kroger Co. Division)	13,271	8	0.3	13,500	5	0.3
Walt Disney Co.	13,000	9	0.3	—	—	—
NBC Universal	12,000	10	0.2	—	—	—
Boeing Co.	—	—	—	13,623	4	0.3
Bank of America	—	—	—	12,000	7	0.3
Home Depot	—	—	—	10,000	9	0.2
All Others	4,718,573	—	96.4	4,152,929	—	96.7
Total [2]	4,896,500		100.0 %	4,302,300		100.1 %

[1] Data pertaining to principal employers was obtained from Los Angeles Business Journal (LABJ) dated August 26, 2019. LABJ note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several companies may have qualified for this list, but failed to submit information or do not break out local employment data.

[2] Total County employment amounts are obtained from California Employment Development Department labor force report which is available at https://www.labormarketinfo.edd.ca.gov.

OTHER REPORT

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To be provided by MGO when the CAFR is ready to be finalized.