AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

"FOR INFORMATION ONLY"

DATE: **SEPTEMBER 10, 2020**

TO: **THE BOARD OF HARBOR COMMISSIONERS**

SUBJECT: **FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR ENDED JUNE 30, 2020**

SUMMARY:

This report discusses key factors that impacted the unaudited Fiscal Year ("FY") 2020 financial performance of the City of Los Angeles ("City") Harbor Department ("Harbor Department" or "Department"). Furthermore, this report compares the Harbor Department's FY 2020 financial performance to the results projected within its adjusted Adopted FY 2020 Budget as well as the prior fiscal year.

Overall cargo volumes (as measured by TEUs or twenty-foot equivalent units) totaled 8.56 million TEUs in FY 2020 which represented an 8.9% decrease relative to budget, and an 11.6% decrease relative to FY 2019's volumes. In summary, performance results for the Harbor Department are as follows:

FY Ended June 2020*	Actuals - UNAUDITED (in Millions)	Actual-to-Budget Comparison	Year-on-Year Comparison
Cargo Volumes	8.561	(8.9%)	(11.6%)
Operating Revenues	$459.6	(8.0%)	(9.2%)
Operating Expenses	$274.4	(1.3%)	14.1%
Operating Income	$185.2	(16.4%)	(30.4%)
Net Income	$26.2	(4.5%)	(84.2%)

* FY 2020 financial information is UNAUDITED and subject to change.

The significant decrease in cargo volumes was primarily due to the economic impact of the COVID-19 pandemic (Pandemic) as well as the on-going trade war between China and the United States. While budgeted cargo volumes did modestly account for the impact of the on-going trade war, the Pandemic was an unforeseeable event, the impact of which was unbudgeted. Relative to the prior year, similar unfavorable results were evident as empties decreased by 12.2%, loaded imports decreased by 10.3%, and loaded exports decreased by 14.2%.

Total Operating Revenues decreased by 9.2% versus FY 2019 due to lower wharfage revenues, lower Harbor Maintenance Tax receipts, lower utility charges, and lower pilotage fees, which were only partially offset by higher rental revenues and higher annual clean truck program fees. Total Operating Expenses increased by 14.1% relative to the prior fiscal year as Memorandum of Understanding salary increases, retroactive salary payments, higher benefits expenses, higher pollution remediation, higher container incentive payouts and higher city services were only partially offset by lower outside services spending and lower Clean Truck Program subsidies. Both the decrease in Operating Revenues and increase in Operating Expenses resulted in a 30.4% decrease in Operating Income (before depreciation) relative to prior year.

DISCUSSION:

As of June 30, 2020, the Harbor Department met or exceeded its minimum debt rating and debt service coverage minimum requirement, but due to unforeseen events related to the Pandemic, the operating margin fell 5% below target:

TABLE 1: KEY FINANCIAL METRICS

Performance Metric	Minimum	As of 6/30/20
Debt Rating	AA	✓ AA
Debt Service Coverage	2.0x	✓ 2.6x
Operating Margin	45%	40%

As noted within Table 1 above, as of June 30, 2020, the Harbor Department has continued to maintain its AA debt rating. Additionally, the Department's 2.6x debt service coverage ratio exceeded the 2.0x minimum required under the Port's Financial Policies as well as the 1.25x minimum coverage required under the Port's Bond Indenture. On the other hand, the Harbor Department's 40% operating margin (calculated as Operating Income before Depreciation divided by total Operating Revenues) fell 5% below the Harbor Department's internal target of 45%.

CARGO VOLUMES:

FY 2020 cargo volumes of 8,560,882 TEUs represented an 11.6% decrease relative to FY 2019 levels and an 8.9% decrease relative to budget. Total loaded containers of 6,000,240 represented an 11.4% decrease relative to the prior year. This decrease was driven by a decline in both loaded imports and loaded exports. Empty containers totaling 2,560,642 represented a year-over-year decrease of 12.2%. Transmittal 1 provides a detailed monthly breakout of FY 2020 TEUs relative to both budget and the prior fiscal year.

SUBJECT: FINANCIAL PERFORMANCE RESULTS

OPERATING REVENUES:

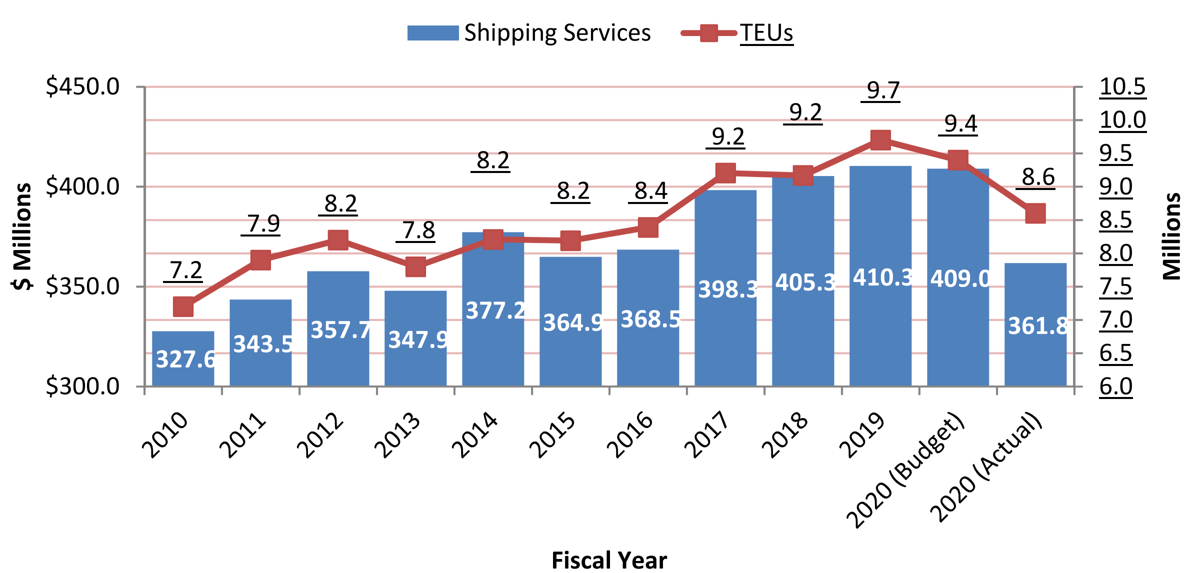
TABLE 2: FY 2020 OPERATING REVENUES

FY 2020 – Ended June 30 UNAUDITED ($ in thousands)	FY 2020 Actual	FY 2020 Budget	FY 2019 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Shipping Services	361,783	408,973	410,327	(11.5%)	(11.8%)
Rentals	73,104	64,768	65,966	12.9%	10.8%
Royalties, Fees and Other Revenues	21,545	22,476	28,677	(4.1%)	(24.9%)
Clean Truck Program Revenues	3,187	3,500	1,457	(9.0%)	118.8%
Total Operating Revenues	**459,619**	**499,717**	**506,426**	**(8.0%)**	**(9.2%)**

Operating Revenues Decline as Lower Wharfage was only Partially Offset by Other Revenues – Total Operating Revenues declined both relative to budget and prior year as lower FY 2020 cargo volumes of 8.56 million drove Shipping Services, the primary source of revenue, down. Relative to budget, operating revenues declined by 8.0% as the decrease in Shipping Services was only partially offset by higher rental revenues and higher Harbor Maintenance Tax receipts. Relative to the prior fiscal year, total Operating Revenues declined by 9.2% due not only to lower wharfage, but also lower cruise wharfage, lower Harbor Maintenance Tax receipts, lower utility charges, and lower pilotage fees. These unfavorable variances were partially offset by higher rental revenues earned and higher annual clean truck program fees.

As noted within Table 3 below, TEU volumes have historically been and continue to be the key driver of Shipping Services revenues at the Port.

TABLE 3: SHIPPING SERVICES AND TEU TRENDS: FY 2010 – FY 2020



Further details regarding variances within other revenue accounts are provided below:

- **Rentals**
  - *Actuals vs. Budget:* Rentals increased by $8.3 million relative to budget primarily driven by $10.5 million in higher receipts, detailed as follows:
    - $3.9 million due to a new revocable permit with Toll Global;
    - $2.0 million due to a one-time Cal-Cartage catch-up payment;
    - $1.9 million due to Ultramar's retroactive compensation reset;
    - $1.2 million due to a new permit with PBF;
    - $0.6 million due to the Fisherman's Pride compensation reset and premises increase;
    - $0.4 million due to higher Everport land rent;
    - $0.4 million due to the Shore Terminals compensation reset; and
    - $0.1 million due to higher miscellaneous rentals.
  - These increases were partially offset by $2.2 million due to lower Union Pacific ICTF volumes.

  - *Actuals vs. Prior Year:* Rentals increased by $7.1 million relative to the prior fiscal year driven by $12.4 million in higher receipts, detailed as follows:
    - $3.9 million due to a new revocable permit with Toll Global;
    - $2.2 million due to a new permit with PBF;
    - $2.0 million due to a one-time Cal-Cartage catch-up payment;
    - $1.9 million due to the Ultramar's retroactive compensation reset;
    - $0.9 million due to the Vopak compensation reset;
    - $0.4 million due to the Fisherman's Pride compensation reset and premises increase;
    - $0.4 million due to the Shore Terminals compensation reset;
    - $0.2 million due to higher gross receipts from Westrec Marina;
    - $0.2 million due to the SA Recycling compensation reset;
    - $0.2 million due to the Catalina Channel Express compensation reset; and
    - $0.1 million due to higher City of Los Angeles rent.
  - These increases were partially offset by $5.3 million in lower receipts, detailed as follows;
    - $3.4 million due to lower Union Pacific ICTF volumes; and
    - $1.9 million due to the expiration of Everport's land rent in September 2019.

- **Royalties, Fees and Other Revenues**
  - *Actuals vs. Budget:* Royalties, fees and other revenues decreased by $0.9 million, broken out as follows:
    - $3.3 million in unfavorable variances comprised of: $1.6 million in lower one-time operating reimbursements, $1.0 million in lower utility reimbursements, $0.4 in lower parking fees, and $0.3 million in lower accommodation work revenues; and

    - $2.4 million in favorable variances comprised of: $1.7 million in higher Harbor Maintenance Tax receipts, $0.6 million in lower credits for tenant services, and $0.1 million in higher miscellaneous other revenues.

- *Actuals vs. Prior Year*: Royalties, fees and other revenues decreased by $7.1 million, broken out as follows:
    - $7.4 million in unfavorable variances comprised of: $4.7 million in lower Harbor Maintenance Tax receipts, $2.1 million in lower utility reimbursements, and $0.6 million in lower parking fees; and
    - $0.3 million in a favorable variance due to higher operating reimbursements.

- **Clean Truck Program ("CTP") Revenues**
    - *Actuals vs. Budget:* CTP revenues decreased by $313,476 relative to budget as $1,617,908 in lower concession application fees, $35,074 in lower day pass fees, and $12,068 in lower clean truck fees were only partially offset by $1,351,574 in higher annual truck fees.

    - *Actuals vs. Prior Year:* CTP revenues increased by $1,729,941 due to $1,702,211 in higher annual truck fees, $17,730 in higher day pass fees, and $10,000 in higher concession application fees.

OPERATING EXPENSES:

TABLE 4: FY 2020 OPERATING EXPENSES

FY 2020 – Ended June 30 UNAUDITED* ($ in thousands)	FY 2020 Actual*	FY 2020 Budget	FY 2019 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Net Salaries & Benefits	145,826	147,911	123,059	(1.4%)	18.5%
Marketing & Public Relations	2,388	3,080	2,510	(22.5%)	(4.9%)
Travel	508	722	733	(29.6%)	(30.7%)
Outside Services	30,517	36,620	33,418	(16.7%)	(8.7%)
Materials & Supplies	5,672	7,667	6,593	(26.0%)	(14.0%)
City Services	48,366	55,375	45,223	(12.7%)	7.0%
Allocations to Capital - Overhead	-	(16,296)	-	n/a	n/a
Other Operating Expenses	40,117	41,973	25,772	(4.4%)	55.7%
Clean Truck Program Expenses	1,014	994	3,120	2.0%	(67.5%)
Total Operating Expenses	**274,408**	**278,046**	**240,426**	**(1.3%)**	**14.1%**

* FY 2020 Actual Operating Expenses are UNAUDITED and subject to change. Changes which could affect FY 2020 Actual Operating Expenses include, but are not limited to: final adjustments related to GASB 68 pension expenses, GASB 75 Other Postemployment Benefits, pollution remediation, provisions for bad debt, litigation, and workers' compensation expenses as well as fair market value adjustment related to the Harbor Department's investment pool.

OPERATING EXPENSES (vs. Budget):

Lower Spending on City Services and Outside Services Drove Total Operating Expenses below Budget – Total Operating Expenses of $274.4 million fell 1.3% or $3.6 million below budget. Details for each major Operating Expense category and a comparison relative to their respective budgets are as follows:

- **Net Salaries & Benefits: $145.8 million by $2.1 million or 1.4%.**
  Net Salaries & Benefits expenses slightly declined relative to budget as $10.9 million of higher expense allocations to capital were only partially offset by $8.8 million of increases in salaries, benefits and overtime.

  Of the $10.9 million in higher expense allocations to capital, $9.9 million were related to indirect overhead allocations which were broadly applied across the Harbor Department's capital program, and $1.0 million were related to direct allocations of salaries, benefits and overtime expenses to specific capital projects. It is important to note that the indirect allocations to overhead serve to reduce Net Salaries & Benefits expenses; however, they are budgeted within a separate operating expense account outside of Net Salaries & Benefits expenses.

  The $8.8 million increase in Net Salaries & Benefits was primarily driven by $10.5 million in MOU salary and benefit increases which were only partially offset by $2.2 million in lower headcounts than budgeted. The remaining variance of $0.5 million was driven by higher overtime expenses.

- **Marketing and Public Relations: $2.4 million by $0.7 million or 22.5%.**
  Spending fell below budget due to $0.5 million in lower promotional and sponsorship spending. In addition, $0.2 million of higher than budgeted overhead costs were capitalized over the course of FY 2020.

- **Travel: $0.5 million by $0.2 million or 29.6%.**
  Lower spending relative to budget was the result of fewer trips than expected for both business development and training and employee development purposes due to COVID-19 travel restrictions.

- **Outside Services: $30.5 million by $6.1 million or 16.7%.**
  Primary drivers of the lower spending in Outside Services were as follows:

  - ***Overhead Capitalization*** (higher by $1.7 million) as overhead capitalization was not budgeted for outside services;
  - ***Maintenance Services*** (lower by $1.4 million) due to lower spending on dredging maintenance. Several dredging maintenance projects were unable to be executed because of project delays;

- ***Information Technology*** (lower by $0.9 million) due to lower spending on hardware upgrades which were completed as part of the Department's annual maintenance program;
- ***Environmental Assessments and Consulting Services*** (lower by $0.6 million) due to fewer requests for emergency and hazardous waste management, project cancellations and delays as well as lower usage of consulting services;
- ***Miscellaneous*** (lower by $0.5 million) due to lower consultant spending throughout the Department;
- ***Waterfront and Commercial Real Estate Services*** (lower by $0.3 million) primarily due to lower than expected spending for Ports America cruise services and Port Pantry services;
- ***Security*** (lower by $0.3 million) due to lower spending on security camera maintenance and repair, as well as, overall lower other maintenance costs due to new equipment, underutilization of databases, and lower usage of car wash services;
- ***Legal Services*** (lower by $0.2 million) due to COVID-19 court closures; and
- ***Engineering*** (lower by $0.2 million) due to a decrease in the number of CADD licenses and delayed implementation of the CIP Dashboard upgrade process.

- **Materials and Supplies: $5.7 million by $2.0 million or 26.0%.**
  The lower than budget result in this category is primarily driven by materials and supplies spending within the Development Bureau (which accounted for more than 73% of all materials and supplies spending throughout the Department) that was $1.2 million lower than budgeted. Materials and supplies spending was further driven lower by $0.4 million in higher capitalization of materials and supplies expenses than budgeted. Lastly, spending on Port Police supplies and general materials throughout the Department was $0.4 million below budget.

- **City Services: $48.4 million by $7.0 million or 12.7%.**
  Lower expenses were primarily driven by $3.9 million in higher capitalization of overhead allocations. In addition, the following services were utilized less than budgeted: Fire ($1.1 million lower), Recreation and Parks ($0.7 million lower), City Attorney ($0.5 million lower); Personnel ($0.4 million lower), and Public Works/Controller ($0.4 million lower).

- **Other Operating Expenses: $40.1 million by $1.9 million or 4.4%.**
  The decline in Other Operating Expenses occurred as $4.4 million in favorable variances were only partially offset by $2.5 million in unfavorable variances.
  - Favorable variances of $4.4 million are detailed as follows
    - ***Capitalization*** (higher by $3.0 million) as overhead capitalization was not budgeted for other operating expenses;
    - ***Other Utilities*** (lower by $0.4 million) due to lower than expected water and gas usage;
    - ***Container Incentives*** (lower by $0.3 million) due to lower container incentive payouts than anticipated;

    - ***Electricity*** (lower by \$0.3 million) due to lower spending on non-AMP™ and AMP™-related electricity expenses;
    - ***Memberships*** (lower by \$0.2 million) primarily due to lower spending on memberships than expected; and
    - ***Taxes and Assessments*** (lower by \$0.2 million) due to lower spending on tax and assessment fees.
  - These decreases were partially offset by \$2.5 million in unfavorable variances, detailed as follows:
    - ***Provision for Pollution Remediation*** (higher by \$2.0 million) due to higher anticipated future pollution obligations; and
    - ***Litigation*** (higher by \$0.5 million) due to higher provisions for anticipated future litigation spending.

- **Clean Truck Program: \$1.0 million ⬆ by \$0.0 million or 2.0%**
  Included in Other Operating Expenses but reported separately are Clean Truck program expenses. For Fiscal Year 2020, spending on administrative expenses was \$1.0 million which were only marginally higher relative to budget as costs were generally in line with expectations.

<u>**OPERATING EXPENSES (vs. Prior Year)**</u>:

Retroactive Salary Payments, Memorandum of Understanding Salary Increases, Higher Pollution Remediation, Higher Container Incentives Payouts, and Higher City Services Increase Total Operating Expenses versus Prior Year – Total Operating Expenses of \$274.4 million increased 14.1% or \$34.0 million above the prior fiscal year. Details for each major Operating Expense category and a comparison relative to their respective prior fiscal year figures are as follows:

- **Net Salaries & Benefits: \$145.8 million ⬆ by \$22.8 million or 18.5%.**
  Net Salaries & Benefits expenses slightly increased relative to the prior fiscal year as \$24.7 million of increases in salaries, benefits and overtime were only partially offset by \$1.9 million of higher expense allocations to capital.

  The \$24.7 million increase in Net Salaries & Benefits was primarily driven by \$21.5 million in MOU salary and benefit increases as well as retroactive salary payments. Net Salaries & Benefits further increased by \$3.2 million due to higher average headcounts relative to the prior year.

  Of the \$1.9 million in higher expense allocations to capital, \$1.7 million were related to indirect overhead allocations while the remaining \$0.2 million were related to direct allocations of salaries, benefits and overtime expenses to specific capital projects.

- **Marketing and Public Relations: $2.4 million by $0.1 million or 4.9%.** Marketing and Public Relations spending decreased relative to the prior year as $0.2 million in lower promotional activities were partially offset by $0.1 million in higher overhead allocations relative to the prior fiscal year.

- **Travel: $0.5 million by $0.2 million or 30.7%.** Travel expenses decreased by $225,346 relative to the prior fiscal year as less travel was mandated for fiscal year 2020 by the Pandemic.

- **Outside Services: $30.5 million by $2.9 million or 8.7%.** Outside Services expenditures decreased by $2.9 million relative to the prior fiscal year as $4.1 million of decreases were only partially offset by $1.2 million in increases.

    - Outside Services decreases of $4.1 million were comprised of***:***
        - ***Information Technology*** (lower by $2.3 million) primarily due to decreased spending associated with the supply chain optimization GE Port Optimizer project;
        - ***Maintenance Improvements*** (lower by $1.6 million) due to lower spending on dredging maintenance. Several dredging maintenance projects were unable to be executed because of project delays; and
        - ***Miscellaneous*** (lower by $0.2 million) primarily due to lower spending across various divisions.

    - Outside Services increases of $1.2 million were comprised of:
        - ***Legal*** (higher by $0.7 million) due to significant legal expenses related to China Shipping's Supplemental Environmental Impact Report, Human Resources investigation for personal matters, and other disputes; and
        - ***Construction & Maintenance*** (higher by $0.5 million) due to the increased use of Hiring Hall labor.

- **Materials and Supplies: $5.7 million by $0.9 million or 14.0%.** The $0.9 million decrease in this category is primarily due to lower materials and supplies purchases within the Construction and Maintenance division. As a direct result from the pandemic, many maintenance projects were deferred to focus on health and safety, maintaining the Port's infrastructure, and to assist Logistics Victory LA (LoVLA). Deferring maintenance projects, as well as delays in delivery of materials and supplies drove lower spending by 14.0%.

- **City Services: $48.4 million by $3.1 million or 7.0%.** City services expenses increased primarily due to $2.7 million related to higher utilization of fire services, $1.2 million in higher recreation and park services, and $0.2 million in higher miscellaneous city services, which was partially offset by $0.5 million in lower personnel services, $0.4 million in lower outside counsel, and $0.1 million in higher general services.

- **Other Operating Expenses: $40.1 million by $14.3 million or 55.7%.**
  Other Operating Expenses increased relative to the prior year as $16.6 million in increases were partially offset by decreases totaling $2.3 million across various categories.
  - Other Operating Expense increases of $16.6 million were comprised of:
    - ***Pollution Remediation*** (higher by $6.1 million) due to last year's downward adjustment to provisioning and this year's estimated provision for future spending to remediate pollution at various sites throughout the port;
    - ***Container Incentives*** (higher by $6.1 million) due to higher container incentive payouts;
    - ***Workers' Compensation*** (higher by $1.7 million) due to higher provisioning for future workers' compensation expenses;
    - ***Litigation*** (higher by $1.4 million) due to last year's downward adjustment to provisioning and this year's provision for anticipated future spending related to litigation;
    - ***Taxes & Assessments*** (higher by $0.7 million) primarily due to higher use taxes; and
    - ***Environmental Incentives*** (higher by $0.6 million) due to higher environmental incentive payouts.

  - Other Operating Expense declines of $2.3 million were comprised of***:***
    - ***Utilities*** (lower by $1.3 million) due to $0.8 million in lower electricity spending, $0.4 million in lower water expenses, and $0.1 million in lower telephone expenses;
    - ***Indirect Capitalization*** (higher by $0.8 million) due to higher overhead allocations; and
    - ***Miscellaneous*** (lower by $0.2 million) due to lower spending across various other operating expense accounts.

- **Clean Truck Program: $1.0 million by $2.1 million or 67.5%.**
  Included in Other Operating Expenses but reported separately are Clean Truck program expenses. Year-over-year spending declined due to $2.0 million in lower subsidies and $0.1 million in lower administrative expenses.

OTHER ITEMS:

TABLE 5: FY 2020 OPERATING INCOME AND NET INCOME

FY 2020 – Ended June 30 UNAUDITED ($ in thousands)	FY 2020 Actual	FY 2020 Budget	FY 2019 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Operating Income	**185,210**	**221,671**	**266,000**	**(16.4%)**	**(30.4%)**
Less: Depreciation	(158,613)	(167,476)	(161,977)	(5.3%)	(2.1%)
Plus: Non-Operating Revenues	36,838	55,607	72,367	(33.8%)	(49.1%)
Less: Non-Operating Expenses	(37,258)	(82,402)	(11,106)	(54.8%)	235.5%
Net Income	**26,177**	**27,400**	**165,284**	**(4.5%)**	**(84.2%)**

***Depreciation, Non-Operating Revenues and Non-Operating Expenses*:**

- Depreciation: $158.6 million
  - Depreciation fell below budget by $8.9 million due to project cancellations and delays, and declined by $3.4 million relative to the prior year due to one-time asset balance adjustments, increased salvage values as well as lower equipment depreciation after several assets reached the end of their useful life in the prior year.

- Non-Operating Revenues: $36.8 million
  - *Actuals vs. Budget:* Non-Operating Revenues underperformed relative to budget by $18.8 million due to an unfavorable variance with respect to lower state pass-through revenue (lower by $31.5 million). This unfavorable variance was partially offset by $12.7 million in favorable variances related to: higher interest income (higher by $8.0 million), higher delinquency penalties (higher by $2.7 million), higher settlements (higher by $0.9 million), higher gain on land (higher by $0.5 million), higher JPA income (higher by $0.4 million), and higher federal non-operating grants (higher by $0.2 million).

  - *Actuals vs. Prior Year:* Non-Operating Revenues decreased by $35.5 million relative to prior year levels due to unfavorable variances with respect to: a one-time prior year BNSF-SCIG settlement (lower by $28.3 million), lower interest income (lower by $13.0 million), and lower Joint Power Authority revenues (lower by $0.1 million). These unfavorable variances were partially offset by higher pass-through revenues (higher by $2.9 million), higher delinquency penalties (higher by $2.6 million), and higher gain on land sales (higher by $0.4 million).

- Non-Operating Expenses: $37.3 million
  - *Actuals vs. Budget:* Non-Operating Expenses decreased by $45.1 million relative to budget due to favorable variances with respect to: pass-through grant disbursements (lower by $31.2 million), interest expense (lower by $8.3 million), capital projects closed to expenses (lower by $3.8 million), bond administration costs (lower by $1.4 million), and commercial paper costs (lower by $0.4 million).

  - *Actuals vs. Prior Year:* Non-Operating Expenses increased by $26.2 million relative to prior year due to unfavorable variances with respect to: no capitalized interest due to GASB 89 implementation (lower by $31.6 million), pass-through grant disbursements (higher by $3.1 million), and bond administration costs (higher by $0.7 million). These unfavorable variances were partially offset by favorable variances with respect to interest expense (lower by $8.1 million) and capital projects closed to expense (lower by $1.1 million).

CAPITAL IMPROVEMENT PROGRAM (CIP):

Budget Performance – Unaudited spending in FY 2020 was $70.8 million or 49% of the Adopted Capital Improvement Program Budget of $144.4 million. CIP spending fell below budget primarily due to lower than budgeted spending in FY 2020 on certain key projects such as:

- Berths 222-236 (Everport) – Terminal Improvements to Wharf, Backlands, AMP systems, Infrastructure, and Cargo Handling Development projects (lower by $20.0 million);
- Marine Oil Terminal Engineering Maintenance Standards projects (lower by $11.7 million);
- Berths 176-181 (Pasha) – Terminal improvements to Wharf, Bollard, Electrical Infrastructure, and Window/Door Replacement (lower by $8.8 million);
- San Pedro Waterfront Redevelopment (lower by $8.2 million);
- Harbor Administration Building- HVAC Replacement (lower by $5.1 million);
- Wilmington Waterfront Redevelopment (lower by $4.6 million);
- Transportation projects (lower by $3.9 million).

Major projects completed include (with amount of FY 2020 CIP spending in parenthesis):

- **B. 200 – Rail Yard and Track Connections Enhancements ($4.4 million)** included design and construction of a drainage collection system;
- **R.B. 206-209 (Pasha) Demolition ($2.7 million)** included environmental assessments, preparation of plans, demolition of structures, re-pavement of area, abandonment of utilities and division of the existing electrical meter into 3 meters;
- **249 Cannery Street Building Demolition ($1.7 million)** included the removal and disposal of building, foundation, pavement, utilities, and lead abatement, as well as new pavement work with asphalt concrete;
- **HAB – Patio Leaks – Phase III ($1.3 million)** included concrete repair, three trellis planter repairs, closure of pass-throughs, addition and replacement of 26 drains, removal of existing light poles, sealing of joints, and grinding of the existing waterproofing in all planters at the Harbor Administration Building patio;
- **B. 196-199 (WWL) Wharf Rehabilitation ($0.5 million)** included rehabilitating and replacing of concrete and timber piles, cap beams, joists, bracing and decks; and
- **B. 155A (Pasha) Building Improvements ($0.5 million)** included design and construction improvements to the interior of the building, storage cages, and traffic flow inside the building.

Major in-process projects include the following efforts which continued over the course of FY 2020:

- **B. 226 – 236 Terminal Improvements - Everport ($7.7 million)** for continued efforts related to the improvement of wharf, backlands, AMP systems, infrastructure, and cargo handling development;
- **San Pedro Waterfront Redevelopment ($7.5 million)** for the continuation of development efforts along the San Pedro Waterfront, including but not limited to: Ports O' Call Promenade and Town Square design and roadway improvements on Harbor Boulevard from Miner Street to SP Slip;
- **Wilmington Waterfront Redevelopment ($2.2 million)** for the continuation of development efforts along the Wilmington Waterfront, including but not limited to: The Wilmington Waterfront Promenade and the Avalon Promenade and Gateway;
- **State Route 47/Vincent Thomas Bridge & Front St./ Harbor Blvd. Interchange Reconfiguration ($1.5 million)** for the continuation of development efforts to design and modify the existing on and off ramps of the existing State Route 47/Vincent Thomas Bridge & Front Street/Harbor Boulevard Interchange to improve safety and access, and to increase operation efficiency;
- **Pier 400 Corridor Storage Tracks Expansion ($1.4 million)** for continued efforts to construct an extension to the existing rail bridge, five new railroad storage tracks, an asphalt access roadway, new crossovers and switches, as well as, to make modifications to the existing compressed air system of the Pier 400 Rail Storage Yard and Bridge;
- **B. 238 - 239 - Marine Oil Terminal Engineering Maintenance Standards – PBF Energy ($0.6 million)** for continued efforts to design and construction of new marine oil terminal at Berths 238 – 239; and
- **B. 167 – 169 - Marine Oil Terminal Engineering Maintenance Standards - Shell ($0.5 million)** for the continued efforts to design and construction of new wharf structure at Berths 167-169.

Marla Bleavins

MARLA BLEAVINS
Executive Director, Finance & Administration
and Chief Financial Officer

Transmittals:
1. TEU Throughput Comparison – FY Ended June 30, 2020
2. Actual-to-Budget FY 2020 – June
3. Year-to-Year Performance Report YTD June 30, 2020 and 2019

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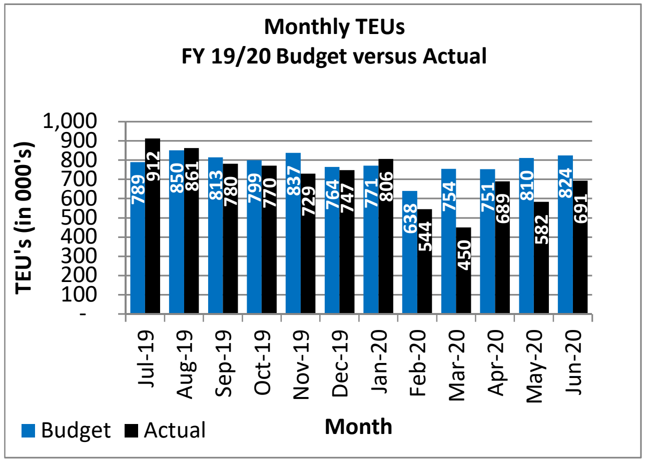
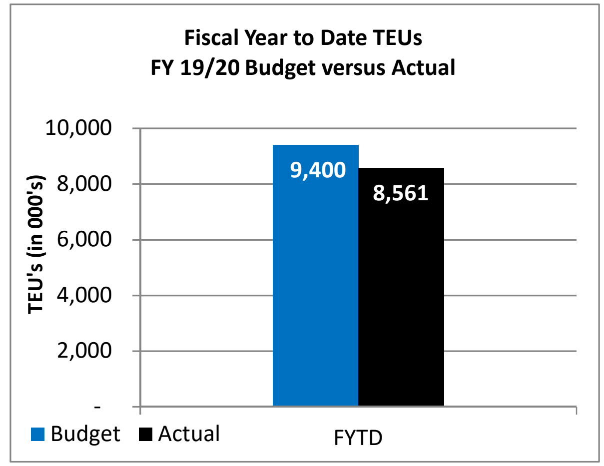
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - FYTD JUNE 2020

TRANSMITTAL 1

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

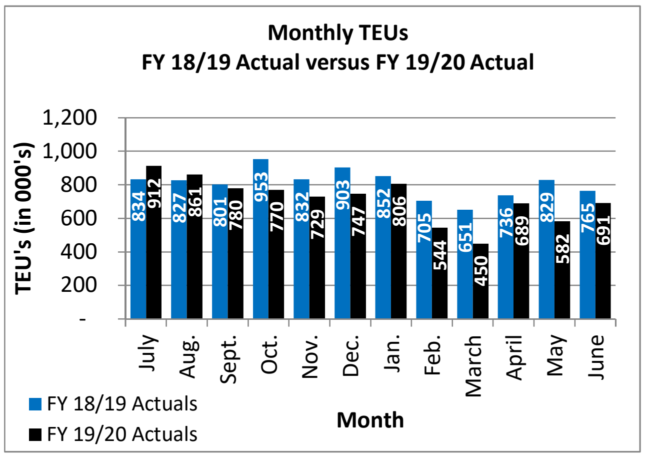
(in 000's)	TEU's			
Month	FY 19/20 Budget	FY 19/20 Actuals	% Δ	Δ
Jul-19	*789*	*912*	*15.6%*	↑
Aug-19	*850*	*861*	*1.3%*	↑
Sep-19	*813*	*780*	*-4.1%*	↓
Oct-19	*799*	*770*	*-3.6%*	↓
Nov-19	*837*	*729*	*-12.9%*	↓
Dec-19	*764*	*747*	*-2.2%*	↓
Jan-20	*771*	*806*	*4.5%*	↑
Feb-20	*638*	*544*	*-14.8%*	↓
Mar-20	*754*	*450*	*-40.4%*	↓
Apr-20	*751*	*689*	*-8.3%*	↓
May-20	*810*	*582*	*-28.2%*	↓
Jun-20	*824*	*691*	*-16.1%*	↓
FYTD	*9,400*	*8,561*	-8.9%	↓
FY 19/20 Budget	9,400			

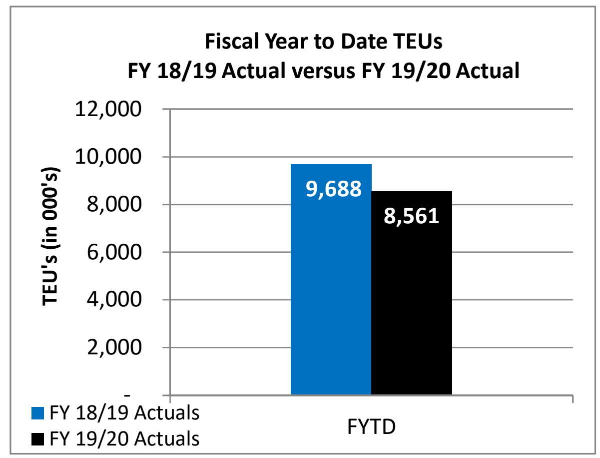




Year-to-Year Actuals Comparison
FY 18/19 Actuals vs. FY 19/20 Actuals

(in 000's)	TEU's			
Month	FY 18/19 Actuals	FY 19/20 Actuals	% Δ	Δ
July	*834*	*912*	*9.4%*	↑
Aug.	*827*	*861*	*4.2%*	↑
Sept.	*801*	*780*	*-2.7%*	↓
Oct.	*953*	*770*	*-19.1%*	↓
Nov.	*832*	*729*	*-12.4%*	↓
Dec.	*903*	*747*	*-17.3%*	↓
Jan.	*852*	*806*	*-5.4%*	↓
Feb.	*705*	*544*	*-22.9%*	↓
March	*651*	*450*	*-30.9%*	↓
April	*736*	*689*	*-6.4%*	↓
May	*829*	*582*	*-29.8%*	↓
June	*765*	*691*	*-9.6%*	↓
FYTD	*9,688*	*8,561*	-11.6%	↓
FY 18/19 Actuals	9,688			





Actual-to-Budget Performance Report

The Port of Los Angeles - Harbor Department
FYTD June 30, 2020

TRANSMITTAL 2

$ in thousands		Fiscal Year Actual FY 2019/20 Fiscal YTD - Jun. 2020		Fiscal Year Budget FY 2019/20 Fiscal YTD - Jun. 2020	Actual-to-Budget Comparison (Unfavorable)/Favorable $	%
Operating Revenues						
Shipping Services		361,783		408,973	(47,190)	(11.5%)
Rentals		73,104		64,768	8,336	12.9%
Royalties, Fees and Other Revenues		21,545		22,476	(931)	(4.1%)
Clean Truck Program Revenues		3,187		3,500	(313)	(9.0%)
Total Operating Revenues		**459,619**		**499,717**	**(40,099)**	**(8.0%)**
Operating Expenses						
Gross Salaries & Benefits	170,033		161,212		(8,821)	(5.5%)
Capitalization	(24,207)		(13,301)		10,905	(82.0%)
Net Salaries & Benefits		145,826		147,911	2,084	1.4%
Marketing & Public Relations		2,388		3,080	692	22.5%
Travel		508		722	214	29.6%
Outside Services		30,517		36,620	6,103	16.7%
Materials & Supplies		5,672		7,667	1,996	26.0%
City Services		48,366		55,375	7,009	12.7%
Allocations to Capital - Overhead				(16,296)	(16,296)	100.0%
Other Operating Expenses		40,117		41,973	1,856	4.4%
Clean Truck Program Expenses		1,014		994	(20)	(2.0%)
Total Operating Expenses		**274,408**		**278,046**	**3,638**	**1.3%**
Income Before Depreciation		**185,210**		**221,671**	**(36,461)**	**(16.4%)**
Provision For Depreciation		158,613		167,476	8,863	5.3%
Income From Operations		**26,597**		**54,195**	**(27,597)**	**(50.9%)**
Non-Operating Revenue		36,838		55,607	(18,769)	(33.8%)
Non-Operating Expenses		37,258		82,402	45,144	54.8%
Net Income		**26,177**		**27,400**	**(1,222)**	**(4.5%)**

Year-to-Year Performance Report

TRANSMITTAL 3

The Port of Los Angeles - Harbor Department
FYTD June 30, 2020 and 2019

$ in thousands		Current Fiscal Year FY 2019/20 Fiscal YTD - Jun. 2020		Prior Fiscal Year FY 2018/19 Fiscal YTD - Jun. 2019	Year-over-Year Change (Unfavorable)/Favorable $	%
Operating Revenues						
Shipping Services		361,783		410,327	(48,544)	(11.8%)
Rentals		73,104		65,966	7,138	10.8%
Royalties, Fees and Other Revenues		21,545		28,677	(7,132)	(24.9%)
Clean Truck Program Revenues		3,187		1,457	1,730	118.8%
Total Operating Revenues		**459,619**		**506,426**	**(46,808)**	**(9.2%)**
Operating Expenses						
Gross Salaries & Benefits	170,033		145,375		(24,658)	(17.0%)
Capitalization	(24,207)		(22,317)		1,890	(8.5%)
Net Salaries & Benefits		145,826		123,059	(22,768)	(18.5%)
Marketing & Public Relations		2,388		2,510	122	4.9%
Travel		508		733	225	30.7%
Outside Services		30,517		33,418	2,901	8.7%
Materials & Supplies		5,672		6,593	921	14.0%
City Services		48,366		45,223	(3,144)	(7.0%)
Other Operating Expenses		40,117		25,772	(14,345)	(55.7%)
Clean Truck Program Expenses		1,014		3,120	2,106	67.5%
Total Operating Expenses		**274,408**		**240,426**	**(33,982)**	**(14.1%)**
Income Before Depreciation		**185,210**		**266,000**	**(80,789)**	**(30.4%)**
Provision For Depreciation		158,613		161,977	3,363	2.1%
Income From Operations		**26,597**		**104,023**	**(77,426)**	**(74.4%)**
Non-Operating Revenue		36,838		72,367	(35,529)	(49.1%)
Non-Operating Expenses		37,258		11,106	(26,152)	(235.5%)
Net Income		**26,177**		**165,284**	**(139,107)**	**(84.2%)**