



“FOR INFORMATION ONLY”

DATE: MAY 8, 2014

**TO: HONORABLE MEMBERS OF THE BOARD OF HARBOR
COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2013/14 ENDED APRIL 30, 2014**

Our fiscal year-to-date (FYTD) through April 2014 financial performance continues to show positive results, with cargo volumes, Operating Revenues and Operating Income being better than both budget and year-on-year (see Transmittals 1, 2 and 3). In summary, year-on-year performance results for the Harbor Department are as follows:

FYTD April 2014	Year-on-Year
Cargo Volumes	3.3%
Operating Revenues	6.3%
Operating Expenses	2.0%
Operating Income	10.2%
Net Income	11.6%

With positive growth in FYTD cargo volumes, as well as a temporary General Rate Increase (effective July 1, 2013 through November 25, 2013) and scheduled rate and compensation resets, FYTD Operating Revenues are exceeding the same period last fiscal year. Higher salary adjustments (mandated by Memoranda of Understanding) and utilities and timing in capitalized overhead allocations drove Operating Expenses higher year-on-year, but at a lower percentage rate than Operating Revenues. While comparisons to budget reflect similar results for Operating Revenues, less spending primarily in Outside Services drove Operating Expenses lower. Net Income both year-on-year and compared to budget continue to be lower due to cancelled capital projects now expensed. Nevertheless, the Department's financial condition remains healthy, with high levels of Net Assets of approximately \$3.0 billion, including \$288.9 million in unrestricted cash.

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SUBJECT: FINANCIAL PERFORMANCE RESULTS

Capital Improvement Program (CIP)

CIP spending at FYTD April 2014 reached \$266.3 million or about 67% of the total \$399.9 million CIP adopted budget. The Department is expected to spend approximately \$340 million to \$350 million or 85% to 88% of the total CIP adopted budget by fiscal year-end.



GARY LEE MOORE, P.E.
Interim Executive Director

GLM:MC:KP:EY

Transmittals:

1. TEU Throughput Comparison – FYTD April 2014 (Preliminary Estimate)
2. Actual-to-Budget FY 2013/14 – April
3. Year-to-Year Performance Report YTD April 30, 2014 and 2013

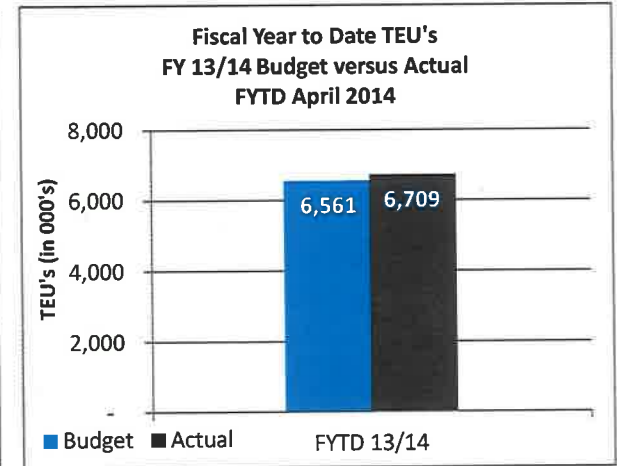
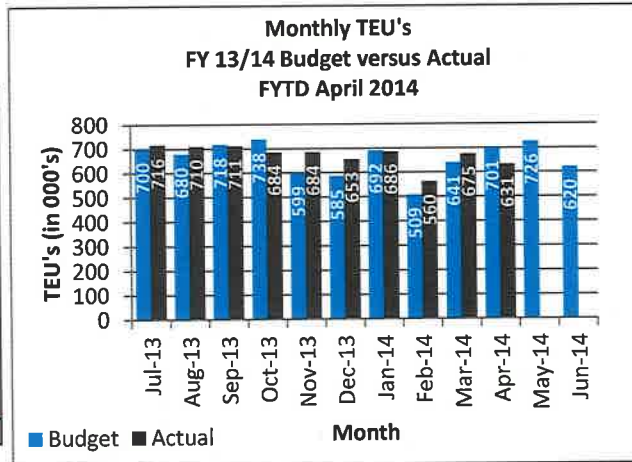
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - FYTD APRIL 2014

PRELIMINARY AS OF 5-6-14

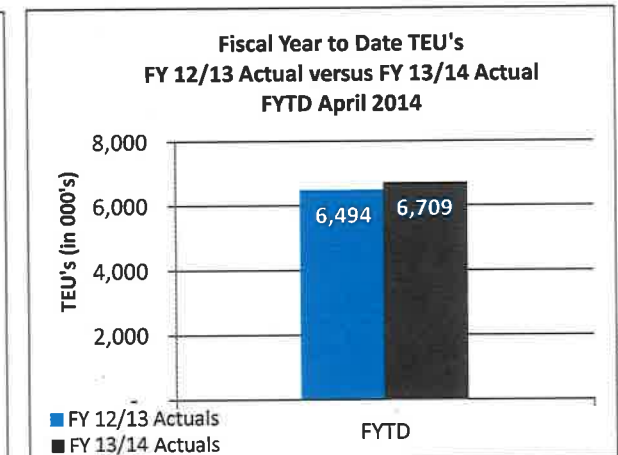
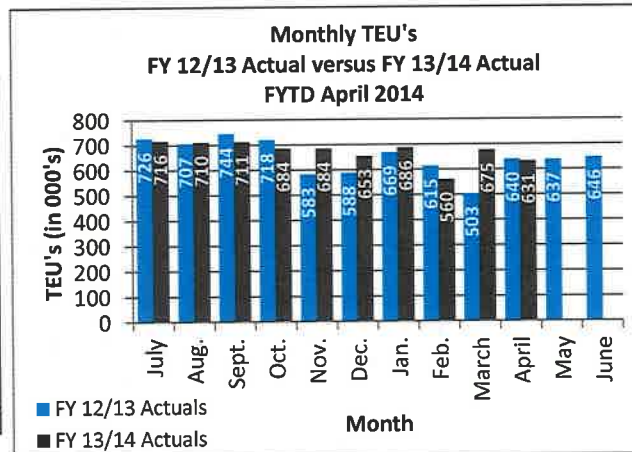
FY 13/14 Budget vs. FY 13/14 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 13/14 Budget	FY 13/14 Actuals		
Jul-13	700	716	2.2%	↑
Aug-13	680	710	4.4%	↑
Sep-13	718	711	-1.0%	↓
Oct-13	738	684	-7.3%	↓
Nov-13	599	684	14.2%	↑
Dec-13	585	653	11.7%	↑
Jan-14	692	686	-0.9%	↓
Feb-14	509	560	10.1%	↑
Mar-14	641	675	5.4%	↑
Apr-14	701	631	-10.0%	↓
May-14	726			
Jun-14	620			
FYTD 13/14	6,561	6,709	2.3%	↑
FY 13/14 Budget	7,907			



FY 12/13 Actuals vs. FY 13/14 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 12/13 Actuals	FY 13/14 Actuals		
July	726	716	-1.5%	↓
Aug.	707	710	0.4%	↑
Sept.	744	711	-4.5%	↓
Oct.	718	684	-4.8%	↓
Nov.	583	684	17.3%	↑
Dec.	588	653	11.1%	↑
Jan.	669	686	2.5%	↑
Feb.	615	560	-9.0%	↓
March	503	675	34.2%	↑
April	640	631	-1.5%	↓
May	637			
June	646			
FYTD	6,494	6,709	3.3%	↑
FY 12/13 Actuals	7,777			



Harbor Department
Actual-to-Budget

Fiscal Year 2013/14 - April

(Data in thousands of \$, comments in millions of \$)

	Actual (Unaudited) FY 2013/14 (Fiscal YTD April 2014) (Based on Preliminary Results)	Adjusted* Budget FY 2013/14 (Fiscal YTD April 2014)	Δ	Δ%		Adjusted* Adopted Budget FY 2013/14	FYTD Actual as % of Adopted Budget
Operating Revenues							
Shipping Services	314,914	304,814	10,100	3.3%	Cargo volumes higher than budgeted and rate and compensation resets	360,128	87.4%
Rentals	36,174	33,622	2,552	7.6%		45,377	79.7%
Royalties, fees and other revenues	4,397	4,589	(192)	-4.2%		5,980	73.5%
Clean Truck Program Revenues	1,702	1,650	52	3.2%		1,550	109.8%
Total Operating Revenues	357,187	344,675	12,512	3.6%		413,035	86.5%
Operating Expenses							
Salaries & Benefits	112,041	112,208	(167)	-0.1%	Lower salaries & benefits, offset by higher overtime		
Gross Salaries & Benefits	(15,782)	(18,750)	2,968	-15.8%	Lower capitalization primarily for Construction & Maintenance		
Capitalization							
Net Salaries & Benefits (Operating)	96,259	93,458	2,801	3.0%	Lower spending/timing in payments for promotional and sponsorships <\$0.8> for Public Relations, and foreign trade representation and business promotional <\$0.2> for Bus & Trade	112,113	85.9%
Marketing and Public Relations	2,324	3,360	(1,036)	-30.8%		3,834	60.6%
Travel	554	787	(233)	-29.6%	Higher capitalization for Construction & Maintenance and lower spending/timing in payments for Remediation, Port Police, Information Technology, City Attorney, and others	963	57.5%
Outside Services	19,910	27,711	(7,801)	-28.2%		35,719	55.7%
Materials & Supplies	5,593	6,399	(806)	-12.6%	Lower spending primarily for Construction & Maintenance and Port Police	7,390	75.7%
City Services	28,850	30,382	(1,532)	-5.0%		36,246	79.6%
Allocations to Capital	(8,980)	(10,197)	1,217	-11.9%	Timing in payments and accruals	(12,235)	73.4%
Other Operating Expenses	16,912	20,257	(3,345)	-16.5%		24,359	69.4%
Clean Truck Program Expenses**	622	1,418	(796)	-56.1%	Lower spending/timing in payments primarily for environmental incentives <\$1.2>, insurance <\$1.1>, work orders for tenants <\$0.7>	1,700	36.6%
Total Operating Expenses	162,844	173,575	(11,531)	-6.6%		210,089	77.1%
Income Before Depreciation	195,143	171,100	24,043	14.1%		202,946	96.2%
Provision for Depreciation	97,367	91,876	5,491	6.0%	Higher settlements and reimbursements \$3.6 and Federal/State grant and pass-through receipts \$2.6, partially offset by lower interest and investment income <\$3.5>	110,250	88.3%
Income from Operations	97,776	79,224	18,552	23.4%		92,696	105.5%
Non-Operating Revenue (int income, grants, etc)	16,896	13,630	3,266	24.0%	Higher capital projects cancelled or not completed \$25.0, primarily for: \$9.4 Berth 408-409 Crude Oil Marine Terminal and EIR, wharf, etc. \$7.2 Wilmington Waterfront Development Master Planning and EIR \$2.9 Cabrillo Beach Recreational Area \$1.2 Berth 155 Catalina Freight Relocation Projects \$0.9 Angel's Walk LA Stanchions	16,354	103.3%
Non-Operating Expenses (bond issuance, int exp, etc)	35,928	13,830	22,098	-159.8%		17,601	204.1%
Net Income	78,744	79,024	(280)	-0.4%		91,449	86.1%

*Includes Unappropriated Balance transfers for City Attorney legal services (\$664K Outside Services) and new container services moving expenses (\$340K Other Operating).

**Includes expenses for incentives and administrative costs (Other Operating Expenses).

Primarily for:
\$7.7 Utilities (\$1.8 reimbursed by tenants)
\$2.6 Insurance
\$1.6 Provision for Workers Compensation
\$1.3 Environmental Incentives
\$1.2 Telephone
\$0.9 Property rental/license user fee
\$0.6 Taxes, permits, litigation, misc
\$0.5 Books, manuals, subscriptions, memberships
\$0.4 Equipment rental
\$0.1 Container incentives

Primarily for:
\$30.7 Interest expense
<\$28.0> Capitalized interest
\$25.0 Capital projects cancelled or not completed
\$ 6.7 Federal/State pass through grant disbursements
\$ 0.9 Commercial Paper issuance cost
\$ 0.5 Retired equipment not fully depreciated

Primarily for:
\$6.7 Federal/State pass through grant receipts
\$4.8 Settlements, rebates
\$3.8 Interest income
\$0.9 Federal/State grant receipts
\$0.4 Gain on sale, discounts taken, misc
\$0.2 Environmental reimbursements

Year-to-Year Performance Report

YTD April 30, 2014 and 2013

(Data in thousands of \$, comments in millions of \$)

(000s)	Actual (Unaudited) FY 2013/14 (Fiscal YTD)	Actual (Unaudited) FY 2012/13 (Fiscal YTD)	Δ	Δ%	
	(Based on Preliminary Results)				
Operating Revenues					
Shipping Services	314,914	292,084	22,830	7.8%	Higher cargo volumes, higher number of vessels, higher space assignments, GRI (general rate increase ended Nov 2013), and rate and compensation resets
Rentals	36,174	38,037	(1,863)	-4.9%	
Royalties, fees and other revenues	4,397	4,651	(254)	-5.5%	
Clean Truck Program Revenues	1,702	1,232	470	38.1%	
Total Operating Revenues	357,187	336,004	21,183	6.3%	
Operating Expenses					
Salaries & Benefits					Higher salaries (MOU adjustments) and benefits (pension/medical contributions)
Gross Salaries and Benefits	112,041	106,874	5,167	4.8%	
Capitalization	(15,782)	(12,383)	(3,399)	27.4%	
Net Salaries & Benefits (Operating)	96,259	94,491	1,768	1.9%	Lower spending primarily in environmental assessment services <\$3.4>, maintenance services and higher capitalization in Construction & Maintenance services <\$2.2>, partially offset by higher spending in Real Estate for cruise terminal operator \$1.1 and timing in capitalization \$1.4, City Attorney legal services \$0.7, information technology consulting services \$0.5
Marketing and Public Relations	2,324	2,375	(51)	-2.1%	
Travel	554	964	(410)	-42.5%	
Outside Services	19,910	21,775	(1,865)	-8.6%	
Materials & Supplies	5,593	4,874	719	14.8%	
City Services	28,850	28,888	(38)	-0.1%	Generally higher spending for Port Police and Construction & Maintenance
Allocations to Capital	(8,980)	(9,671)	691	-7.1%	
Other Operating Expenses	16,912	14,287	2,625	18.4%	
Clean Truck Program Expenses*	622	905	(283)	-31.3%	Higher utilities \$4.2 (of which \$2.1 is prior year expense and accrual timing), partially offset by lower environmental incentives <\$0.3>, litigation and settlements <\$0.3>, timing in equipment and other capitalization <\$0.9>
Total Operating Expenses	162,044	158,888	3,156	2.0%	
Income Before Depreciation	195,143	177,116	18,027	10.2%	
Provision for Depreciation	97,367	89,131	8,236	9.2%	
Income from Operations	97,776	87,985	9,791	11.1%	
Non-Operating Revenue (Interest Income, grant receipts, etc.)	16,896	23,463	(6,567)	-28.0%	Lower Federal/State pass-through grant receipts <\$4.8> and interest/investment incomes <\$4.5>, partially offset by higher settlements and rebates \$2.8
Non-Operating Expenses (Bonds/Notes Interest Expense, etc.)	35,928	22,327	13,601	60.9%	
Net Income	\$78,744	\$69,121	(10,377)	-11.6%	Higher capital projects cancelled or not completed \$22.6, partially offset by lower Federal/State pass-through grant receipts <\$4.8>, capitalized interest <\$2.9>

*Includes expenses for incentives and administrative costs (Other Operating Expenses) and legal services (Outside Services).

Primarily for:
 \$7.7 Utilities (\$1.8 reimbursed by tenants)
 \$2.6 Insurance
 \$1.6 Provision for Workers Compensation
 \$1.3 Environmental incentives
 \$1.2 Telephone
 \$0.9 Property rental/license user fee
 \$0.6 Taxes, permits, litigation, misc
 \$0.5 Books, manuals, subscriptions, memberships
 \$0.4 Equipment rental
 \$0.1 Container incentives

Primarily for:
 \$30.7 Interest expense
 <\$28.0> Capitalized interest
 \$25.0 Capital projects cancelled or not completed
 \$ 6.7 Federal/State pass through grant disbursements
 \$ 0.9 Commercial Paper issuance cost
 \$ 0.5 Retired equipment not fully depreciated

Primarily for:
 \$6.7 Federal/State pass through grant receipts
 \$4.8 Settlements, rebates
 \$3.8 Interest income
 \$0.9 Federal/State grant receipts
 \$0.4 Gain on sale, discounts taken, misc
 \$0.2 Environmental reimbursements