



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

“FOR INFORMATION ONLY”

DATE: SEPTEMBER 24, 2019

TO: BOARD OF HARBOR COMMISSIONERS

SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR 2019/20 ENDED AUGUST 31, 2019

Financial performance results for the first two months of the Fiscal Year 2019/20 are below and have been summarized relative to both budget and the prior fiscal year. For the month of August, cargo volumes (as measured by TEUs or twenty-foot equivalent units) grew 8.2% relative to budget and 6.8% relative to prior fiscal year. In summary, performance results for the Harbor Department are as follows:

FYTD August 2019	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	1,773	↑ 8.2%	↑ 6.8%
Operating Revenues	\$88.3	↑ 6.2%	↑ 15.6%
Operating Expenses	\$41.0	↓ (12.0%)	↑ 12.9%
Operating Income	\$47.3	↑ 29.5%	↑ 18.0%
Net Income	\$16.7	↑ 207.0%	↑ 16.6%

Shipping Services remained flat relative to budget as higher wharfage from higher volumes was offset by lower realized rates, lower pilotage, and lower space assignments. Relative to the prior fiscal year, Shipping Services increased as higher wharfage more than offset lower pilotage and space assignment fees. Operating Revenues increased by 6.2% compared to budget primarily driven by higher rentals, higher one-time reimbursements, and higher Clean Truck Program revenues. Relative to prior year, total Operating Revenues increased by 15.6% primarily resulting from higher wharfage, higher rentals, higher one-time reimbursements, and higher Clean Truck Program revenues.

Lower headcounts and invoicing delays with respect to outside services as well as materials and supplies, were only slightly offset by higher container incentive payouts to drive total Operating Expenses 12.0% below budget. Relative to the prior fiscal year, total

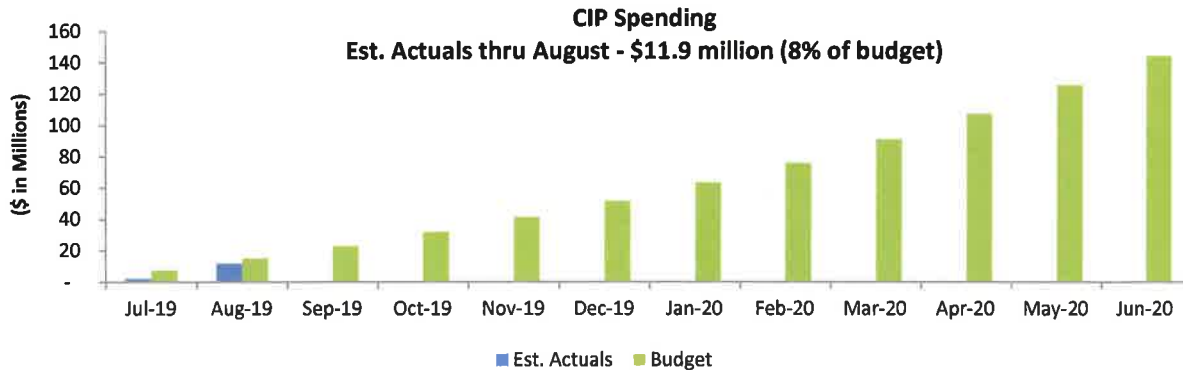
SUBJECT: FINANCIAL PERFORMANCE RESULTS

Operating Expenses increased by 12.9% due primarily to higher container incentive payouts.

Operating margins for the month of August were reported at 53.5% versus a budget of 43.9% and a prior year figure of 52.4%. However, it is important to note that as vacancies are filled, and, as invoicing issues are resolved, operating expenses are anticipated to trend towards budget as FY 2019/20 progresses.

Capital Improvement Program (CIP)

CIP spending for the two-month period ended August 31, 2019 is estimated to reach \$11.9 million or about 8.2% of the total \$144.4 million CIP adopted budget. At this early stage in the fiscal year, staff expects annual CIP spending to fall within in the adopted FY 2020 CIP budget.



Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director & Chief Financial Officer

Transmittals:

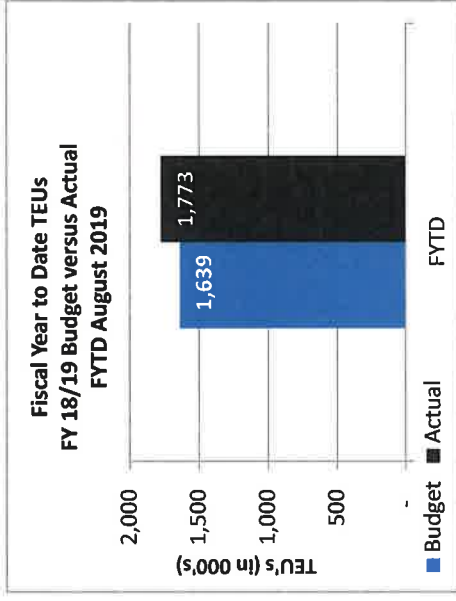
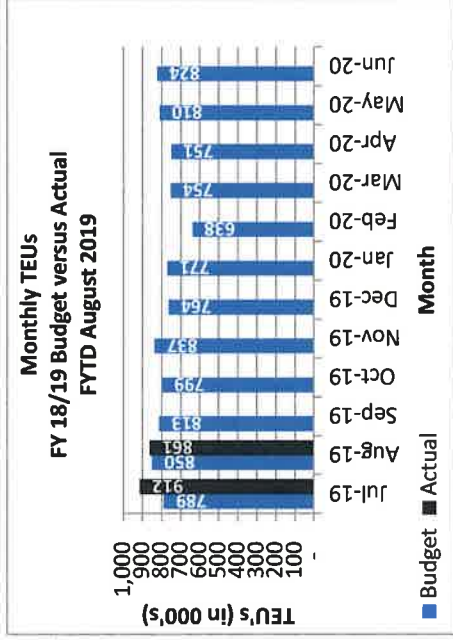
1. TEU Throughput Comparison – FYTD August 2019
2. Actual-to-Budget FY 2019/20 – August
3. Year-to-Year Performance Report FYTD August 31, 2019 and 2018

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MB:MM/Finance
cc: Deputy Executive Directors

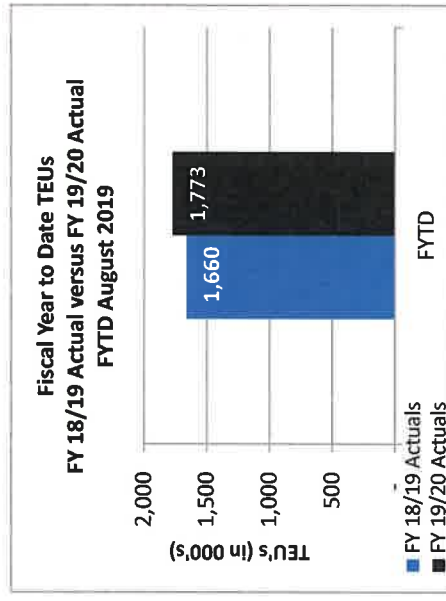
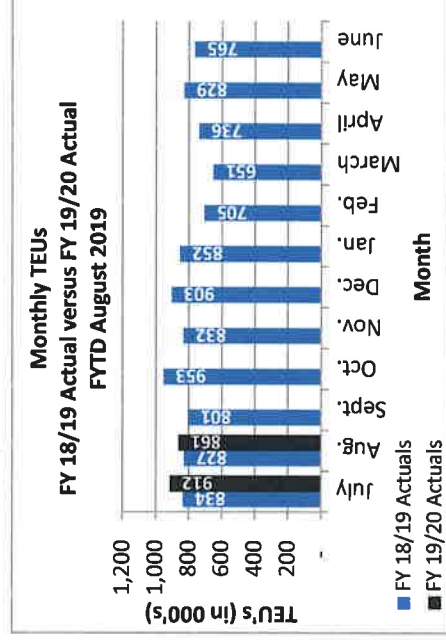
Budget versus Actuals Comparison
FY 19/20 Budget vs. FY 19/20 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 19/20 Budget	FY 19/20 Actuals		
Jul-19	789	912	15.6%	↑
Aug-19	850	861	1.3%	↑
Sep-19	813			
Oct-19	799			
Nov-19	837			
Dec-19	764			
Jan-20	771			
Feb-20	638			
Mar-20	754			
Apr-20	751			
May-20	810			
Jun-20	824			
FYTD	1,639	1,773	8.2%	↑
FY 19/20 Budget	9,400			



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

(in 000's)	TEU's		% Δ	Δ
Month	FY 18/19 Actuals	FY 19/20 Actuals		
July	834	912	9.4%	↑
Aug.	827	861	4.2%	↑
Sept.	801			
Oct.	953			
Nov.	832			
Dec.	903			
Jan.	852			
Feb.	705			
March	651			
April	736			
May	829			
June	765			
FYTD	1,660	1,773	6.8%	↑
FY 18/19 Actuals	9,688			



\$ in thousands	Fiscal Year Actual FY 2019/20		Fiscal Year Budget FY 2019/20		Actual-to-Budget Comparison		Notes (\$ in millions)
	Fiscal YTD - Aug. 2019	Fiscal YTD - Aug. 2019	Fiscal YTD - Aug. 2019	Fiscal YTD - Aug. 2019	\$	%	
Operating Revenues							
Shipping Services	69,502	69,562			(60)	(0.1%)	Lower pilotage fees <\$0.4>, lower space assignments <\$0.4>, and lower dockage <\$0.1>, partially offset by higher wharfage \$0.8
Rentals	14,367	11,326			3,041	26.8%	PBF Energy new permit \$1.6, Ultramar comp. reset \$0.9, Everport land rent \$0.4, higher Union Pacific utilization of ICTF \$0.2, partially offset by lower misc. land rentals <\$0.1>
Royalties, Fees and Other Revenues	3,153	2,141			1,012	47.3%	Higher one-time operating refunds/reimbursements primarily related to LADWP \$1.2, partially offset by lower utility reimbursements <\$0.1>, and misc. other revenues <\$0.1>
Clean Truck Program Revenues	1,291	112			1,179	1054.8%	Higher CTP annual fees \$1.1 and higher CTP concession fees \$0.1
Total Operating Revenues	88,312	83,140			5,172	6.2%	
Operating Expenses							
Gross Salaries & Benefits	23,777	26,842			(3,065)	(11.4%)	Lower average filled positions
Capitalization	(3,521)	(2,217)			(1,304)	58.8%	Overhead allocations <\$1.6>, partially offset by lower direct capitalization \$0.3
Net Salaries & Benefits	20,256	24,625			(4,369)	(17.7%)	Lower promotional/sponsorship activities <\$0.6>
Marketing & Public Relations	129	760			(631)	(83.0%)	Construction & Maintenance invoicing delays <\$0.9>, GE Portal Project invoicing delays <\$0.8>, Environmental Management invoicing delays <\$0.5>, Waterfront and Commercial Real Estate invoicing delays <\$0.4>, misc. outside services invoice delays <\$0.3>, overhead allocations <\$0.2>, Port Police invoicing delays <\$0.2>, MIP invoicing delays <\$0.1>, and Government Affairs invoicing delays <\$0.1>
Travel	132	154			(22)	(14.0%)	
Outside Services	2,230	5,720			(3,490)	(61.0%)	C&M invoicing delays <\$1.0>, MIP invoicing delays <\$0.2>, and misc. invoicing delays <\$0.1>
Materials & Supplies	498	1,764			(1,265)	(71.7%)	Overhead allocations <\$0.7>, lower city ITA services <\$0.1>, and lower city administration services <\$0.1>
City Services	8,506	9,366			(860)	(9.2%)	
(1) Allocations to Capital - Overhead					2,716	(100.0%)	Higher aggregate overhead allocations \$0.3
(2) Other Operating Expenses	9,252	6,797			2,455	36.1%	Quicker processing of container inventories \$4.8 and higher electricity costs \$0.2, partially offset by insurance payment delays <\$1.0>, overhead allocations <\$0.5>, delayed workers' comp. provisioning <\$0.4>, telephone invoicing delays <\$0.3>, and environmental incentives payment delay <\$0.3>
Clean Truck Program Expenses	43	165			(122)	(74.1%)	
Total Operating Expenses	41,046	46,634			(5,588)	(12.0%)	
Income Before Depreciation	47,267	36,507			10,760	29.5%	
Provision For Depreciation	26,274	27,913			(1,639)	(5.9%)	
Income From Operations	20,993	8,594			12,399	144.3%	
Non-Operating Revenue	3,907	8,931			(5,023)	(56.2%)	Timing of federal/state pass-through revenue <\$6.5>, timing of federal/state operating grants <\$0.2>, and misc. non-operating revenue <\$0.1>, partially offset by higher interest income \$1.1 and higher delinquency penalties \$0.7
(4) Non-Operating Expenses	(8,247)	(12,100)			3,853	(31.8%)	Timing of state pass-through grant disbursements \$6.5, lower interest expense \$0.2, lower commercial paper costs \$0.1, and misc. non-operating expenses \$0.1, partially offset by higher capital projects closed to expense <\$3.0>
Net Income	16,653	5,424			11,229	207.0%	

Notes:
 (1) Allocations to capital - overhead are allocated to individual accounts within the presentation of actual results; however, these overhead allocations are not allocated to individual accounts for budgetary purposes. Allocations to capital - overhead for the fiscal year-to-date period totaled \$3.0 million relative to a budget of \$2.7 million.
 (2) Primarily for: Container Incentives \$5.0; Electricity \$2.8; Insurance \$0.5; Water & Gas \$0.5; Equipment Rental/Permits/License/Fees \$0.3; Memberships/Subscriptions/Books \$0.2; Cruise Incentives \$0.1; Telephone \$0.1; Misc. \$0.1; Overhead Capitalization (\$0.5)
 (3) Primarily for: Interest Income \$1.1; Late Charges/Discounts \$0.8
 (4) Primarily for: Interest Expense \$5.2; Capital Projects Closed to Expenses \$3.0

	Current Fiscal Year FY 2019/20		Prior Fiscal Year FY 2018/19		Year-over-Year Change		Notes (\$ in millions)
	Fiscal YTD - Aug. 2019	Fiscal YTD - Aug. 2018	Fiscal YTD - Aug. 2018	Fiscal YTD - Aug. 2018	\$	%	
\$ in thousands							
Operating Revenues							
Shipping Services	69,502	63,899	63,899	63,899	5,603	8.8%	Higher wharfage \$6.0, partially offset by lower space assignment fees <\$0.3> and lower pilotage <\$0.1>
Rentals	14,367	10,446	10,446	10,446	3,920	37.5%	PBF Energy new permit \$1.6, higher Union Pacific utilization of ICTF \$1.4, Ultramar comp. reset \$0.9, and Vopak comp. reset \$0.4, partially offset by SpaceX lease cancellation <\$0.2> and termination of HPEC lease <\$0.2>
Royalties, Fees and Other Revenues	3,153	1,737	1,737	1,737	1,416	81.5%	Higher one-time operating refunds and reimbursements \$1.1, higher parking fees \$0.2, and higher misc. other revenues \$0.1
Clean Truck Program Revenues	1,291	307	307	307	983	319.9%	Higher CTP annual fees \$0.9 and higher concession/day-pass fees \$0.1
Total Operating Revenues	88,312	76,390	76,390	76,390	11,923	15.6%	
Operating Expenses							
Gross Salaries & Benefits	23,777	24,054	24,054	24,054	(277)	(1.2%)	Lower training fees/materials and average salaries, slightly offset by higher average filled positions
Capitalization	(3,521)	(3,932)	(3,932)	(3,932)	411	(10.4%)	Lower direct capitalization \$0.4
Net Salaries & Benefits	20,256	20,122	20,122	20,122	134	0.7%	
Marketing & Public Relations	129	736	736	736	(607)	(82.5%)	Slower processing of invoices for promotional activities than prior year <\$0.7> offset by lower overhead allocations \$0.1
Travel	132	164	164	164	(32)	(19.6%)	
Outside Services	2,230	2,539	2,539	2,539	(309)	(12.2%)	GE Port Optimizer invoicing delays <\$0.3>, lower WCRED spending <\$0.2>, lower outside counsel spending <\$0.1>, lower govt. advocacy spending <\$0.1>, and lower environmental/assessment spending <\$0.1>, offset by higher C&M spending \$0.2, higher misc. outside services \$0.2, and higher external audit spending \$0.1
Materials & Supplies	498	939	939	939	(441)	(46.9%)	Lower C&M spending <\$0.4>
City Services	8,506	8,117	8,117	8,117	388	4.8%	Higher utilization of fire services \$0.3, higher utilization of recreation and park services \$0.1, and higher utilization of city attorney services \$0.1, partially offset by lower utilization of public works services <\$0.1>
Other Operating Expenses	9,252	3,719	3,719	3,719	5,533	148.8%	Higher container incentive payouts \$5.0, higher electricity \$0.7 and higher cruise incentives \$0.1, partially offset by higher overhead capitalization <\$0.2> and lower environmental incentives <\$0.1>
Clean Truck Program Expenses	43	11	11	11	32	287.0%	
Total Operating Expenses	41,046	36,347	36,347	36,347	4,699	12.9%	
Income Before Depreciation	47,267	40,043	40,043	40,043	7,224	18.0%	
Provision For Depreciation	26,274	28,391	28,391	28,391	(2,118)	(7.5%)	
Income From Operations	20,993	11,651	11,651	11,651	9,342	80.2%	
Non-Operating Revenue	3,907	3,199	3,199	3,199	708	22.1%	Higher interest income \$1.0 and higher delinquency penalties \$0.5, partially offset by lower settlements/rebates <\$0.5> and lower federal/state pass-through revenue <\$0.3>
Non-Operating Expenses	(8,247)	(574)	(574)	(574)	(7,673)	1336.0%	Lower capitalized interest due to GASB 89 implementation \$5.3, higher capital projects closed to expense \$3.0, partially offset by lower pass-through grant disbursements <\$0.3>, lower interest expense <\$0.2>, and lower commercial paper costs <\$0.1>
Net Income	16,653	14,276	14,276	14,276	2,377	16.6%	

Notes:

- (1) Primarily for: Container Incentives \$5.0; Electricity \$2.8; Insurance \$0.5; Water & Gas \$0.5; Equipment Rental/Permits/License/Fees \$0.3; Memberships/Subscriptions/Books \$0.2; Cruise Incentives \$0.1; Telephone \$0.1; Misc. \$0.1; Overhead Capitalization (\$0.5)
- (2) Primarily for: Interest Income \$3.1; Late Charges/Discounts \$0.8
- (3) Primarily for: Interest Expense \$5.2; Capital Projects Closed to Expenses \$3.0