

**“FOR INFORMATION ONLY”**

**DATE: AUGUST 24, 2015**

**TO: BOARD OF HARBOR COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR  
FISCAL YEAR 2015/16 ENDED JULY 31, 2015**

Financial performance results for the first month of the new Fiscal Year 2015/16 are below and have been summarized relative to both budget and prior year. For the month of July, cargo volumes (as measured by TEUs or twenty-foot equivalent units) fell 2.5% relative to the prior year due primarily to container service changes. In summary, performance results for the Harbor Department are as follows:

<b>FYTD July 2015</b>	<b>Actuals (Cargo Volumes In Thousands, \$ in Millions)</b>	<b>Actual-to- Budget Comparison</b>	<b>Year-on-Year Comparison</b>
<b>Cargo Volumes</b>	699	↓ (4.5%)	↓ (2.5%)
<b>Operating Revenues</b>	\$34.2	↓ (7.5%)	↓ (3.2%)
<b>Operating Expenses</b>	\$16.4	↓ (9.3%)	↓ (5.3%)
<b>Operating Income</b>	\$17.8	↓ (5.8%)	↓ (1.1%)
<b>Net Income</b>	\$ 6.1	↓ (21.2%)	↓ (30.1%)

As noted above, cargo volumes declined relative to prior year due to a change in shipping schedules. Given that changes in volumes directly impact Shipping Services revenues, and Shipping Services tend to comprise around 80% of total Operating Revenues, the aforementioned decline in cargo volumes significantly impacted total Operating Revenues. Shipping Services revenues were further negatively impacted as reduced volumes at terminals with higher TEU rates and increased volumes at terminals with lower TEU rates continued to persist. Furthermore and unlike in FY 2014/15, there were neither significant one-time rental revenues nor higher utility reimbursements and higher license fees to offset declines in core Shipping Services revenues. Therefore, Operating Revenues fell short of both budgeted and prior fiscal year results for the month of July. We will continue to monitor container traffic and the corresponding impact on revenues.

**SUBJECT: FINANCIAL PERFORMANCE RESULTS**

Operating expenses were favorably impacted as lower headcounts and timing differences with respect to outside services spending drove total Operating Expenses below both budget and prior fiscal year. These lower operating expenses mitigated the unfavorable impact of lower operating revenues such that operating margins for the month of July were reported at 52.2% versus a budget of 51.2% and a prior year figure of 51.1%. However, it is important to note that as vacancies are filled, and, as timing issues with respect to outside services spending are resolved, operating expenses would approach budget and prior year figures as FY 2015/16 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended July 31, 2015 based on internal estimates reached \$2.3 million or about 1% of the total \$198.8 million CIP adopted budget. The Harbor Department is projecting to spend close to the total CIP adopted budget by fiscal year-end.

  
FOR EUGENE D. SEROKA  
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD July 2015
2. Actual-to-Budget FY 2015/16 – July
3. Year-to-Year Performance Report YTD July 31, 2015 and 2014

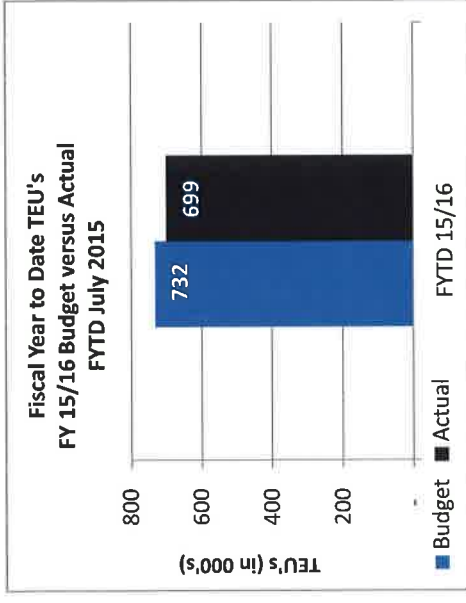
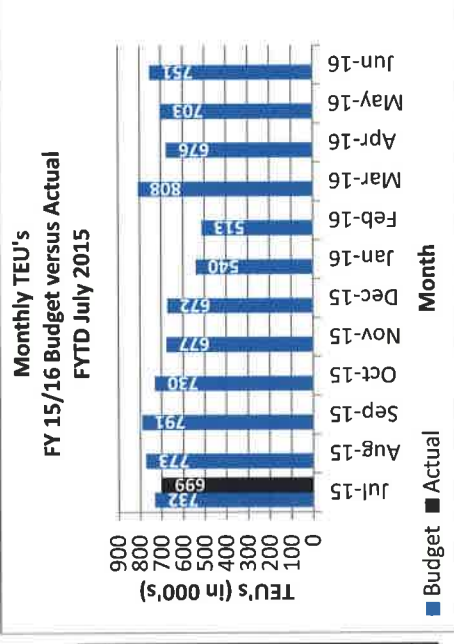
Author: M. Marchese

MB:MM/Finance   
cc: Deputy Executive Directors

Budget versus Actuals Comparison

FY 15/16 Budget vs. FY 15/16 Actuals

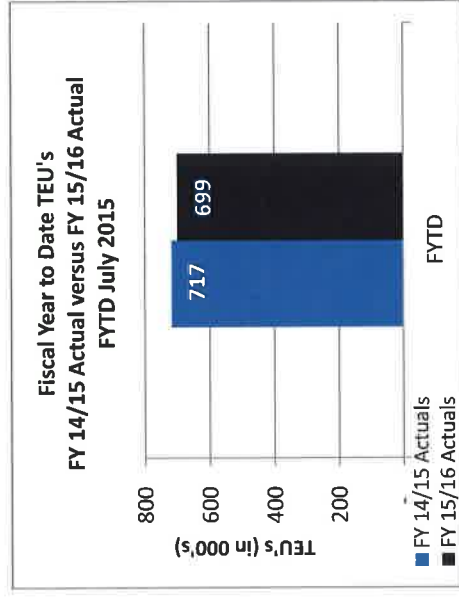
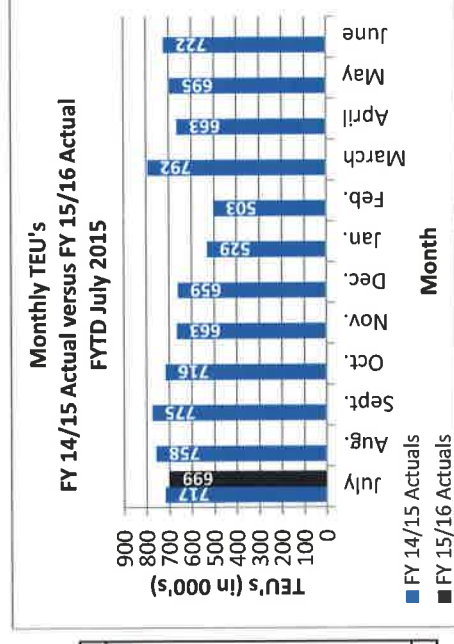
(in 000's)	TEU's		% Δ	Δ
Month	FY 15/16 Budget	FY 15/16 Actuals		
<b>Jul-15</b>		<b>732</b>		
Aug-15	773	699	-4.5%	↓
Sep-15	791			
Oct-15	730			
Nov-15	677			
Dec-15	672			
Jan-16	540			
Feb-16	513			
Mar-16	808			
Apr-16	676			
May-16	703			
Jun-16	751			
<b>FYTD 15/16</b>	<b>732</b>	<b>699</b>	<b>-4.5%</b>	<b>↓</b>
<b>FY 15/16 Budget</b>	<b>8,365</b>			



Year-to-Year Actuals Comparison

FY 14/15 Actuals vs. FY 15/16 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 14/15 Actuals	FY 15/16 Actuals		
<b>July</b>		<b>717</b>		
Aug.	758	699	-2.5%	↓
Sept.	775			
Oct.	716			
Nov.	663			
Dec.	659			
Jan.	529			
Feb.	503			
March	792			
April	663			
May	695			
June	722			
<b>FYTD</b>	<b>717</b>	<b>699</b>	<b>-2.5%</b>	<b>↓</b>
<b>FY 14/15 Actuals</b>	<b>8,192</b>			



	Fiscal Year Actual FY 2015/16		Fiscal Year Budget FY 2015/16		Actual-to-Budget Comparison		Notes (\$ in millions)
	Fiscal YTD - July 2015	Fiscal YTD - July 2015	Fiscal YTD - July 2015	Fiscal YTD - July 2015	\$	%	
<b>Operating Revenues</b>							
Shipping Services	27,327	29,903	(2,577)	(8.6%)	Lower TEUs than budgeted; higher volumes at terminals with lower overall TEU rates and lower volumes at terminals with higher overall TEU rates; timing of TEU rate adjustments at year end		
Rentals	6,009	5,547	462	8.3%	Primarily due to higher gross receipts collected than budgeted		
Royalties, Fees and Other Revenues	773	1,490	(717)	(48.1%)	Primarily due to lower utility reimbursements (mostly AMP)		
Clean Truck Program Revenues	77	16	61	374.3%	Higher truck concession contracts renewed than budgeted		
<b>Total Operating Revenues</b>	<b>34,186</b>	<b>36,957</b>	<b>(2,771)</b>	<b>(7.9%)</b>			
<b>Operating Expenses</b>							
Gross Salaries & Benefits	11,659	12,318	(659)	(5.3%)	Primarily due to lower average filled positions (885 vs. 940 budgeted)		
Capitalization	(1,960)	(1,461)	(499)	34.2%			
Net Salaries & Benefits	9,700	10,857	(1,158)	(10.7%)			
Marketing & Public Relations	91	215	(124)	(57.8%)	Lower promotional & sponsorships <\$0.1>		
Travel	57	49	8	15.2%			
Outside Services	795	1,832	(1,037)	(56.6%)	Higher capitalization of C&M outside services <\$0.1> as well as timing of legal fees & services <\$0.3>; timing of construction division's share of PICS and IT services payments <\$0.2>; timing of waterfront & commercial real estate spending <\$0.2> and environmental assessment services <\$0.1>		
Materials & Supplies	330	463	(133)	(28.8%)			
City Services	3,083	3,326	(243)	(7.3%)	Overhead allocation <\$0.2>		
Allocations to Capital - Overhead		(1,493)	1,493	(100.0%)	Lower aggregate overhead allocations \$0.5		
Other Operating Expenses	2,293	2,776	(484)	(17.4%)	Timing of telephone <\$0.3>; provisioning for litigation <\$0.2> and workers' compensation <\$0.1>; partially offset by higher memberships/subscriptions/books \$0.1		
Clean Truck Program Expenses	2	0	2				
<b>Total Operating Expenses</b>	<b>16,350</b>	<b>18,026</b>	<b>(1,676)</b>	<b>(9.3%)</b>			
<b>Income Before Depreciation</b>	<b>17,836</b>	<b>18,931</b>	<b>(1,095)</b>	<b>(5.8%)</b>			
Provision For Depreciation	12,053	10,844	1,209	11.1%			
<b>Income From Operations</b>	<b>5,783</b>	<b>8,086</b>	<b>(2,304)</b>	<b>(28.5%)</b>			
Non-Operating Revenue	505	381	123	32.3%	Higher interest/investment income \$0.2, partially offset by lower rebates/late charges/discounts/misc. <\$0.1>		
Non-Operating Expenses	(156)	(684)	528	(77.2%)	Lower commercial paper issuance costs <\$0.3> and lower capital projects closed to expense <\$0.2>		
<b>Net Income</b>	<b>6,131</b>	<b>7,784</b>	<b>(1,653)</b>	<b>(21.2%)</b>			

Notes:

- (1) Allocations to capital - overhead are allocated to individual 2-digit accounts within the presentation of actual results; however, these overhead allocations are not allocated to individual 2-digit accounts for budgetary purposes. Allocations to capital - overhead for the fiscal year-to-date period totaled \$1.0 million relative to a budget of \$1.5 million.
- (2) Primarily for: Electricity \$1.5; Insurance \$0.3; Water & Gas \$0.2; Memberships/Subscriptions/Books \$0.2; Equipment Rental/Permits/License/Fees \$0.1
- (3) Primarily for: Interest/Investment Income \$0.45; Rebates/Late Charges/Discounts/Misc. \$0.05
- (4) Primarily for: Interest Expense \$3.7; Capitalized Interest <\$3.6>; Commercial Paper Issuance Costs \$0.1



	Current Fiscal Year FY 2015/16		Prior Fiscal Year FY 2014/15		Year-over-Year Change		Notes (\$ in millions)
	Fiscal YTD - July 2015	Fiscal YTD - July 2014	Fiscal YTD - July 2015	Fiscal YTD - July 2014	\$	%	
<b>\$ in thousands</b>							
<b>Operating Revenues</b>							
Shipping Services	27,327	28,586	(1,260)	(4.4%)	Lower overall wharfage <\$1.0>, lower space assignment <\$0.2> and lower pilotage <\$0.1>		
Rentals	6,009	5,694	315	5.5%	Higher land rentals \$0.3		
Royalties, Fees and Other Revenues	773	1,010	(237)	(23.5%)	Lower utility reimbursements <\$0.3> and lower permits/fees <\$0.1>, partially offset by higher refunds and reimbursements \$0.1 and lower tenant credits \$0.1		
Clean Truck Program Revenues	77	16	61	383.8%	Higher concession application and day pass fees		
<b>Total Operating Revenues</b>	<b>34,186</b>	<b>35,306</b>	<b>(1,120)</b>	<b>(3.2%)</b>			
<b>Operating Expenses</b>							
Gross Salaries & Benefits	11,659	11,598	62	0.5%	MOU salary increases almost fully offset by lower average filled positions (885 vs. 927 prior year)		
Capitalization	(1,960)	(2,328)	368	(15.8%)			
Net Salaries & Benefits	9,700	9,270	430	4.6%			
Marketing & Public Relations	91	39	52	133.7%			
Travel	57	10	46	454.1%			
Outside Services	795	2,105	(1,310)	(62.2%)	Lower adjustments of capitalized expenses to operating expenses <\$1.1> and timing of IT consulting services <\$0.2>		
Materials & Supplies	330	680	(350)	(51.5%)			
City Services	3,083	3,854	(770)	(20.0%)	Lower paving services <\$0.9>, partially offset by lower overhead capitalization \$0.1		
Other Operating Expenses	2,293	1,310	983	75.0%	Higher electricity (primarily due to AMP) \$0.7, higher misc. other operating expenses \$0.4 and higher memberships/subscriptions/books \$0.1, partially offset by lower equipment rentals/purchases <\$0.1> and lower water & gas <\$0.1>		
Clean Truck Program Expenses	2	1	2	215.5%			
<b>Total Operating Expenses</b>	<b>16,350</b>	<b>17,268</b>	<b>(918)</b>	<b>(5.3%)</b>			
<b>Income Before Depreciation</b>	<b>17,836</b>	<b>18,038</b>	<b>(202)</b>	<b>(1.1%)</b>			
Provision For Depreciation	12,053	9,813	2,240	22.8%			
<b>Income From Operations</b>	<b>5,783</b>	<b>8,224</b>	<b>(2,442)</b>	<b>(29.7%)</b>	Lower state pass-through revenues <\$0.2> and lower rebates/late charges/misc. <\$0.1>, partially offset by higher interest/investment income \$0.2		
Non-Operating Revenue	505	555	(51)	(9.1%)			
Non-Operating Expenses	(156)	(7)	(149)	2057.7%	Higher interest expense \$0.6, partially offset by higher interest capitalization <\$0.4> and lower pass-through grant disbursements <\$0.1>		
<b>Net Income</b>	<b>6,131</b>	<b>8,773</b>	<b>(2,641)</b>	<b>(30.1%)</b>			

Notes:

- (1) Primarily for: Electricity \$1.5; Insurance \$0.3; Water & Gas \$0.2; Memberships/Subscriptions/Books \$0.2; Equipment Rental/Permits/License/Fees \$0.1
- (2) Primarily for: Interest/Investment Income \$0.45; Rebates/Late Charges/Discounts/Misc. \$0.05
- (3) Primarily for: Interest Expense \$3.7; Capitalized Interest <\$3.6>; Commercial Paper Issuance Costs \$0.1

