

*Port of Los Angeles*

# Annual Financial Statements 2004

*Fiscal Year Ending  
June 30, 2004*





# **Annual Financial Statements**

Fiscal Year Ending June 30, 2004

Los Angeles Board of Harbor Commissioners

Nicholas G. Tonsich, President

Elwood Lui, Vice President

James E. Acevedo

Camilla T. Townsend

Thomas H. Warren

Bruce E. Seaton, Interim Executive Director

# Table of Contents

## Section I – Introduction

Letter of Transmittal .....	1
Organization Chart.....	4
Administrative Staff.....	5

## Section II – Financial Statements

Independent Auditors’ Report .....	6
Management’s Discussion and Analysis .....	8
Financial Statements:	
Statements of Net Assets .....	23
Statements of Revenues, Expenses, and Changes in Net Assets .....	25
Statements of Cash Flows .....	27
Notes to Financial Statements .....	29

## Section IV – Supplemental Information - Unaudited

Schedule of Revenue Tonnage Billed .....	59
Revenue Tonnage by Trade Routes .....	60
Five-Year Highlights .....	61
Capital Development Program.....	62
Five-Year Comparisons	
Operating Revenue.....	63
Revenue Tons .....	63
Cash Balance – Harbor Revenue Fund .....	63
Net Income.....	63
Vessel Arrivals .....	64
Containerized Cargo Volume.....	64
Cruise Passengers .....	64
Vehicles .....	64

**August 30, 2004**

Mr. Bruce Seaton  
Interim Executive Director  
Port of Los Angeles  
San Pedro, California

This Component Unit Financial Report of the Harbor Department of the City of Los Angeles, California for the fiscal year ended June 30, 2004, is hereby submitted.

### **Introduction**

The management of the Port of Los Angeles (the Port) has prepared this annual report. The responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the Port. To the best of the 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 results of operations 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 basic financial statements of the Port for the years ended June 30, 2004 and 2003, which have received an unqualified opinion from the Port's independent auditors and are presented in accordance with the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The report is presented in four sections: introduction, management's discussion and analysis, the basic financial statements, and required supplementary information.

The introductory section outlines the relationship of the Port to the City of Los Angeles and describes the organization and reporting entity. It additionally provides an overview of Port properties, operations and key statistical data.

The management's discussion and analysis presents a comparative review of results of operations and changes in financial position for fiscal years 2004 and 2003. Also included in this section are a description of current and proposed capital development plans, a discussion of prospective revenue growth and an overview of the economic conditions and the competitive environment in which the Port operates.

The financial section includes the basic financial statements prepared on an accrual basis and using an economic resources focus. These are accompanied by notes and the auditor's report on the basic financial statements. The basic financial statements are comprised of Statements of Net Assets that present the financial position of the Port as of June 30, 2004 and 2003; Statements of Revenues, Expenses and Changes in Net Assets depicting financial performance for Fiscal Years 2004 and 2003; and Statements of Cash Flows that present the source and application of funds from operations, financing and investment activities for Fiscal Years 2004 and 2003. The accompanying Notes to Basic Financial Statements explain some of the information in the basic financial statements and provide more detailed data.

The statistical section includes selected unaudited financial and statistical information, generally presented on a multi-year basis that further explain and support the information in the basic financial statements.

### **The Port of Los Angeles**

The Port is an Enterprise Fund of the City of Los Angeles (the City) and was created by the City Charter to promote and develop a deep-water port facility. It is governed by a five-member Board of Harbor Commissioners (the

Board), which has the duty to provide for the needs of commerce, navigation, and fishery for the citizens of California. It operates similar to a private business and is substantially autonomous from the City of Los Angeles. In accordance with Generally Accepted Accounting Principles (GAAP), the accompanying basic financial statements are included as a component unit of the City of Los Angeles, based upon the primary oversight responsibility that the City Council (the Council) and the City of Los Angeles have on all matters affecting Port activities.

Also, based on the foregoing criteria of oversight responsibility and accountability of all Harbor related entities, the operations of the Los Angeles Harbor Improvements Corporation, a nonprofit corporation, have been included in the accompanying basic financial statements. 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. The Port also participates in a shareholder agreement that was created to form the Los Angeles Export Terminal (LAXT). Additional information regarding these joint ventures and shareholders agreement may be found in the Notes to the Basic 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 through the Chief Operating Officer. These groups fall under the responsibilities of the Director of Engineering Development, the Director of Planning & Environmental Affairs, the Director of Business Development, the Director of Maritime Services, the Director of Operations & Emergency Management, the Chief Financial Officer and the Director of Public Affairs.

The Director of Engineering Development is responsible for the Construction Management, Engineering and Contracts/Purchasing activities of the Port.

The Director of Planning and Environmental Affairs is responsible for the Environmental Management, Mitigation Coordination and Planning activities of the Port.

The Director of Business Development directs the Property Management and Marketing divisions of the Port.

Reporting to the Director of Maritime Services are the Construction and Maintenance, Wharfing and Information Systems divisions of the Port.

The Director of Operations & Emergency Management has responsibility for the Port Police, Port Pilots and Homeland Security functions of the Port.

The Chief Financial Officer oversees the financial affairs of the Port. Reporting to this position are the Accounting, Financial Management, Treasury Management and Risk Management divisions.

The Director of Public Affairs is charged with the dissemination of information to the public, news media liaison, advertising, and community involvement activities. This position is also responsible for the Communications Services unit which provides multimedia and graphic arts services to the Department.

The Port is located in 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 also landlord to various fish markets, boat repair yards, railroads, restaurants, a shipyard, and other similar activities.

The major sources of income for the Port are from shipping services (wharfage, dockage, pilotage, etc.), land rentals, and warehouse revenues. It currently serves over 80 shipping companies and agents with facilities that include approximately 200 berthing facilities along 43 miles of waterfront.

In terms of its size, the Port is one of the largest West Coast ports. Within its boundaries lie approximately 4,200 acres of land and 3,300 acres of water.

Within the Port are 26 terminals. Two major railroads serve the Port, and it 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 provides leases to more than 250 tenants, ranging from individual stalls at the fish market to a 484-acre container terminal. The Port encompasses container and automobile terminals, dry bulk, liquid bulk and breakbulk facilities and omni terminals. The Intermodal Container Transfer Facility (ICTF) and other intermodal facilities are also on Port property. The Port also provides slips for pleasure craft, sport fishing boats and charter vessels.

The Port has a main channel with a minimum depth of 45 feet below the mean low water mark. The Port's channels are essentially maintenance free because there is no source of sand or silt coming into the harbor.

The economic impact of the Port touches not only the City and County of Los Angeles, but also the surrounding four counties: Orange, Ventura, Riverside, and San Bernardino. The Port directly and indirectly generates employment for approximately 260,000 people in Southern California and accounts for \$1 out of every \$23 in local income.

The Port of Los Angeles currently handles the largest volume of containerized cargo of all U. S. ports, setting records in FY 2004 and FY 2003, and additionally ranks as number one in cargo value for U. S. waterborne foreign traffic.

The Port's major trading partners are concentrated along the Pacific Rim and include China, Japan, Taiwan, Thailand and South Korea. Cargo to and from these countries represents the bulk of the total value of all cargo shipped through the Port.

The Port continues to maintain a double "A" credit rating with Standard and Poor, Moody's and Fitch Investors Services. This is an excellent credit rating for any U.S. port and reflects the confidence of the financial community in the strength, continuing financial performance and competitive position of the Port of Los Angeles.

The Port is not subsidized by tax dollars and has maintained its financial strength through generated revenues. The Port of Los Angeles is one of the few U.S. ports that remain self-sufficient.

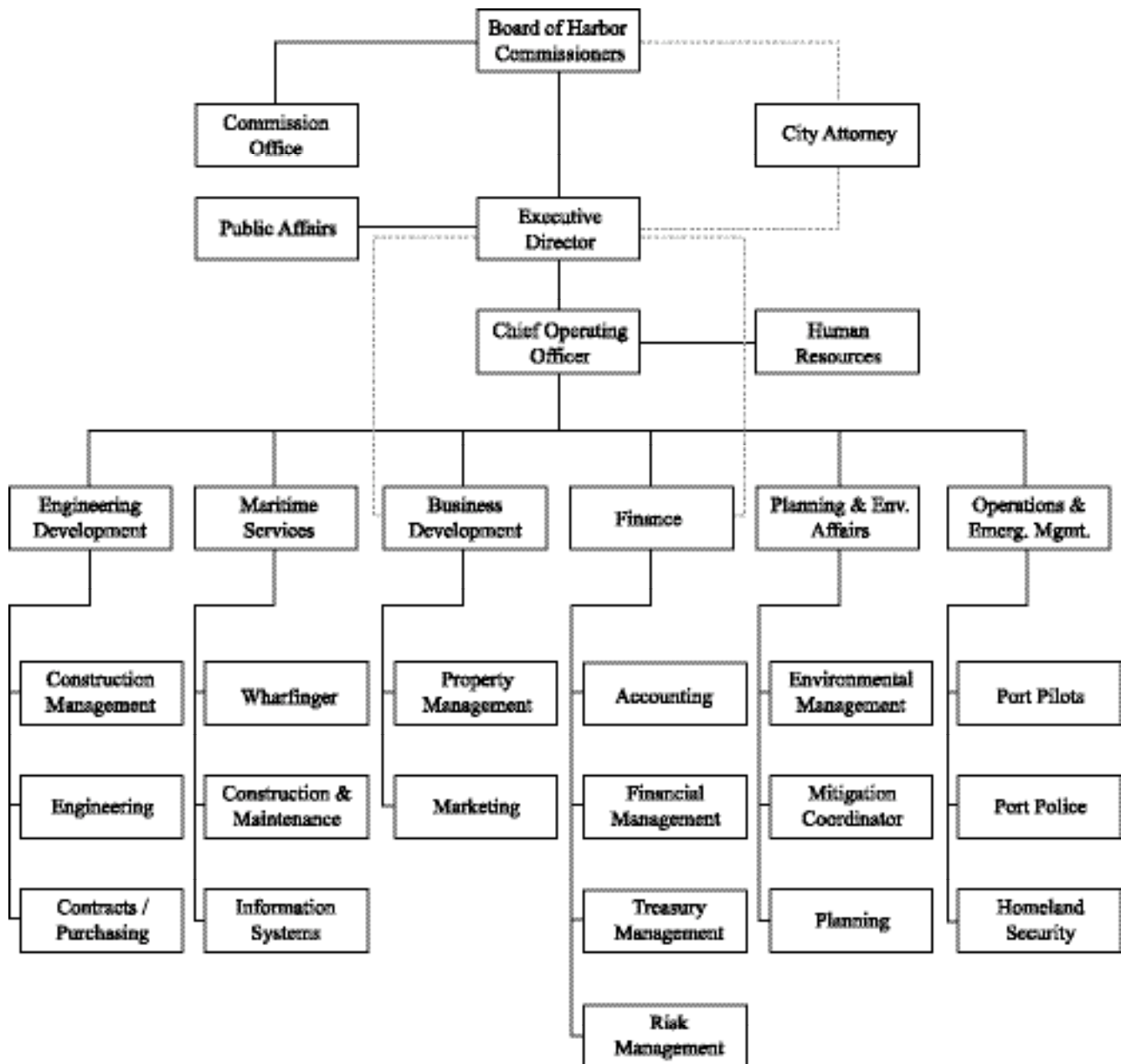
Sincerely,

A handwritten signature in black ink, appearing to read "Jim Garrott", written over a large, loopy circular flourish.

Jim Garrott  
Controller

**LOS ANGELES HARBOR DEPARTMENT  
Organization Chart**

2003 – 2004



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

**BOARD OF HARBOR COMMISSIONERS**

Nicholas G. Tonsich, President  
Elwood Lui, Vice-President  
James E. Acevedo, Commissioner  
Camilla Townsend, Commissioner  
Thomas H. Warren, Commissioner

**ADMINISTRATIVE STAFF**

**SENIOR MANAGEMENT**

Bruce Seaton, Interim Executive Director  
Stacey Jones, Director of Engineering Development  
Lonnie Tang, Director of Maritime Services  
Molly Campbell, Chief Financial Officer  
Noel Cunningham, Director of Operations and Emergency Management  
David Mathewson, Director of Planning and Environmental Affairs  
Arley Baker, Director of Public Affairs

**MANAGEMENT STAFF**

Ralph Appy, Director of Environmental Management  
Angela Birkenbach, Chief Wharfinger  
Lou Colletta, Director of Finance  
George Cummings, Director of Homeland Security  
Jim Garrott, Controller  
Tony Gioiello, Director of Engineering  
Bill Gonzales, Treasurer  
Margaret Hernandez, Director of Contracts/Purchasing  
Jim MacLellan, Director of Marketing  
Kathy Merkovsky, Director of Risk Management  
Capt. Jim Morgan, Pilot Service Manager  
Joannie Mukai, Director of Construction and Maintenance  
Julia Nagano, Director of Corporate Communications  
Sid Robinson, Director of Property Management  
Shaun Shahrestani, Director of Construction Management  
Rocki Walker, Director of Human Resources

**LEGAL STAFF**

Thomas Russell, Senior Assistant City Attorney





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Suite 2000  
355 South Grand Avenue  
Los Angeles, CA 90071-1568

## **Independent Auditors' Report**

The Board of Harbor Commissioners  
Port of Los Angeles (Harbor Department  
of the City of Los Angeles):

We have audited the accompanying financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles), a component unit of the City of Los Angeles, California, as of and for the years ended June 30, 2004 and 2003 as listed in the table of contents. These financial statements are the responsibility of the Port of Los Angeles' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in note 1, the financial statements referred to above include only the financial activities of the Port of Los Angeles and are not intended to present fairly the financial position and results of operations of the City of Los Angeles in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Los Angeles as of June 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004 on our consideration of the Port of the Los Angeles' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audits.

The management's discussion and analysis on pages 8 to 22 and the pension supplementary information on page 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. The management's discussion and analysis does not include 2002 financial information that accounting principles generally accepted in the United States of America requires to supplement, although not required to be a part of, the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

September 17, 2004

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

This section of the Port of Los Angeles' annual financial report presents a discussion and analysis of the Port's financial performance during the fiscal years that ended June 30, 2004 and 2003. Please read it in conjunction with the transmittal letter at the front of this report and the Port's financial statements, which follow this section.

The Port is an enterprise fund and the financial statements are prepared on an accrual basis using the economic measurement focus in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. Revenues are recognized when earned, not when received, and expenses are recognized when incurred, not when paid. Capital assets are capitalized and are depreciated over their useful lives (except land). See the notes to the financial statements for a description of the Port's significant accounting policies.

The following is a condensed summary of the Port's net assets as of June 30, 2004 and 2003:

**Net Assets**  
(in thousands)

	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>Change</b>
Current and other assets	\$ 325,970	289,370	12.6%
Capital assets	2,707,210	2,634,172	2.8
Total assets	<u>3,033,180</u>	<u>2,923,542</u>	3.8
Long-term debt outstanding	857,811	852,003	0.7
Other liabilities	163,743	140,743	16.3
Total liabilities	<u>1,021,554</u>	<u>992,746</u>	2.9
Net assets:			
Invested in capital assets, net of related debt	1,849,398	1,782,169	3.8
Restricted	17	95	(82.1)
Unrestricted	162,211	148,532	9.2
Total net assets	<u>\$ 2,011,626</u>	<u>1,930,796</u>	4.2%

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

Net assets of the Port increased 4.2% to \$2.0 billion. Less than 1.0% of these net assets are restricted and are comprised of interest income and unspent bond proceeds reserved for cost of issuance. The remaining net assets are either unrestricted or are invested in capital assets (facilities, infrastructure, equipment, and the like), net of related debt. These assets are under the control of the Port and must be used for the operation and maintenance of Port facilities and the acquisition and construction of improvements as provided under the State of California Tidelands Trust Act.

**Liquidity**  
(in thousands)

	<b>Twelve Months Ended</b>		
	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>Change</b>
Working capital	\$ 122,512	116,485	5.2%
Cash and cash equivalents, unrestricted	117,287	84,499	38.8
Cash and cash equivalents, current restricted	98,544	88,426	11.4
Net cash provided by operating activities	208,762	215,117	(3.0)
Net cash provided by investing activities	15,523	21,894	(29.1)
Net cash used in capital and related financing activities	(181,379)	(217,089)	(16.4)

Working capital at June 30, 2004 increased 5.2% from the close of the prior fiscal year to \$122.5 million. The principal reason for the increase is the higher balances in cash and investments in FY 2004.

Net cash provided by operating activities remained unchanged from the prior year. Cash generated from investing activities decreased \$6.4 million due to a decrease of \$3.8 million in interest receipts and another \$0.5 million reduction in cash distribution from the Intermodal Container Transfer Facility.

The \$35.7 million, or 16.4%, decline in net cash used in capital and related financing activities reflects reduced spending levels for capital construction, decreased short-term borrowings, and reductions in proceeds from capital grants.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
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**Management's Discussion and Analysis**

June 30, 2004 and 2003

The following is a condensed summary of the Port's changes in net assets for the years ended June 30, 2004 and 2003:

**Changes in Net Assets**  
(in thousands)

	<b>Twelve Months Ended</b>		
	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>Change</b>
Operating revenues	\$ 349,661	343,654	1.7%
Income from investments in Joint Powers			
Authorities and other entities	2,795	3,717	(24.8)
Interest and investment income	2,298	11,430	(79.9)
Total revenues	<u>354,754</u>	<u>358,801</u>	<u>(1.1)%</u>
Expenses:			
Operating and administrative expenses	139,304	124,046	12.3
Depreciation	67,934	59,365	14.4
Interest expense on bond indebtedness notes payable	43,034	44,293	(2.8)
Other income and expense, net	22,001	63,445	(65.3)
Total expenses	<u>272,273</u>	<u>291,149</u>	<u>(6.5)</u>
Income before contributions	82,481	67,652	21.9
Capital contributions	867	1,386	(37.4)
Deletions of capital contributions	(2,518)	—	—
Changes in net assets	<u>\$ 80,830</u>	<u>69,038</u>	<u>17.1%</u>

Net assets for the Port increased \$80.8 million in fiscal year 2004. Approximately 98.6% 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 and administrative expense increased 12.3% over the prior fiscal year. The \$15.3 million increase mainly reflects an additional \$5 million in Port security expenses, and \$5.8 million in environmental assessment expenditures plus an increase of \$8.7 million in salaries and benefits. Reserves for bad debts were increased \$16.7 million in fiscal year 2004. Los Angeles Export Terminal (LAXT) accounts receivable continue to be fully reserved and totaled \$30.1 million as of June 30, 2004.

**PORT OF LOS ANGELES  
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A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

Other income and expense declined to \$22.0 million in FY 2004 from \$63.4 million recorded in the prior year. Prior year expense included a \$50 million settlement with the Natural Resources Defense Council (NRDC) associated with a major Port container terminal development project. Also included in that amount is a provision to fully reserve the Port's \$19.0 million equity investment in LAXT, a customer of the Port. The future for LAXT operations at the close of fiscal year 2004 is uncertain. The Port also provided an additional \$7.3 million in litigation reserves for amendments to the settlement provisions with the Natural Resources Defense Council China Shipping Company Litigation. Losses of \$13.8 million from disposal and demolition of assets were incurred in fiscal year 2004.

Contributed capital totaling \$0.9 million in grant proceeds was received from South Coast Air Quality Management and the Federal Transportation Security Administration for vehicle purchases and studies relating to the Container Inspection Facility project.

Deletions in capital contributions this year were related to the transfer of \$2.5 million to the City of Los Angeles Department of Public Works for construction of the Port Access Demonstration projects. See note 13 to the basic financial statements for additional information.

Income before capital contributions increased \$14.8 million to \$82.5 million, a 21.9% increase over fiscal year 2003 reported net income of \$67.7 million. This increase was principally the product of reduced provisions to litigation and bad debt reserves.

**Operating Revenues**  
(in thousands)

	<b>Twelve Months Ended</b>		
	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>Change</b>
Shipping services	\$ 311,384	302,078	3.1%
Percentage of total revenues	89.1%	87.9%	
Rentals	33,261	36,563	(9.0)
Percentage of total revenues	9.5%	10.6%	
Royalties, fees, other operating revenues	5,016	5,013	0.1
Percentage of total revenues	1.4%	1.5%	
Total	\$ 349,661	343,654	1.7%

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

Operating revenues for fiscal year 2004 rose to \$349.7 million, reflecting a 1.7% increase from prior year revenues of \$343.7 million and is principally attributed to cargo volume growth. A record 7.4 million twenty-foot equivalent units (TEUs) in container volume moved through Port facilities during fiscal year 2004, a 9.7% increase from the 6.7 million units recorded in fiscal year 2003. Revenue tons billed grew 9.8% over the comparative period to 162.1 million tons.

***Shipping Services***

Shipping service revenues consist of several classifications of fees assessed for various activities relating to vessel or cargo movement, merchandise storage, and use of Port facilities and cranes. Of these fees, wharfage is the most significant and comprised 89.1% and 87.0% of the total shipping service revenues in fiscal years 2004 and 2003, respectively. Wharfage is the fee charged against merchandise for passage over wharf premises, between vessels, onto or from barges.

Income from shipping services in fiscal year 2004 rose to \$311.4 million, reflecting a growth of \$9.3 million, or 3.1%, over fiscal 2003. Increased cargo volumes are the principal reason for the growth and reflect market share gained from other U.S. West Coast ports as well as continuing growth of imports from China. Ongoing development of improved intermodal facilities, the addition of the Pier 400 container terminal, and increasing strength of shipping alliances based in the Port all contributed to growth in market share.

The following are summaries of cargo volumes by major classification handled by the Port and container volumes and associated tonnage:

**Cargo Type in Metric Revenue Tons  
(in thousands)**

	<b>Twelve Months Ended</b>		
	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>Change</b>
Container/general cargo	146,296	131,949	10.9%
Liquid bulk	11,925	11,356	5.0
Dry bulk	3,847	4,236	(9.2)
Total	162,068	147,541	9.8%

**PORT OF LOS ANGELES  
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**Management's Discussion and Analysis**

June 30, 2004 and 2003

**Container Volume in TEUs  
(in thousands)**

	<b>Twelve Months Ended</b>		
	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>Change</b>
Import TEUs	4,053	3,646	11.2%
Export TEUs	3,299	3,056	8.0
Total	7,352	6,702	9.7%

Metric revenue tons are the measure used to determine cargo volumes that move through the Port. The figure represents the actual weight of cargo, when this figure is available, or when cargo weight is not provided, the weight is closely approximated by calculation. A total of 162.1 million revenue tons were billed in fiscal year 2004. This is an increase of 14.5 million tons, or 9.8%, over fiscal year 2003 volume. Revenue tons from general cargo grew 10.9%, or 14.4 million tons.

Tonnage from dry bulk decreased 9.2%, or 0.4 million revenue tons, due principally to declining bulk petroleum coke exports. Petroleum increased 5.0%, or 0.6 million revenue tons. Additional information for volume by cargo type is presented in the Supplementary Information Section of this report in the schedule titled "Schedule of Revenue Tonnage Billed."

***Rentals***

The Port makes available to customers various types of rental properties on Port-controlled lands. These properties include land, buildings, warehouses, wharves, and sheds. Rates are set for these properties using various methodologies and are broken into two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these broad land classifications. 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 through negotiations and will further take into account the condition, location, utility, and other aspects of the property. In all cases, the Port seeks to achieve the 12% rate of return that has been set by Board policy.



**PORT OF LOS ANGELES  
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A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

Rental income at the Port decreased \$3.3 million, or 9.0%, over last year and represented 9.5% of fiscal year 2004 total operating revenues. This decline is principally attributable to the lower land rental received from the operator of the Intermodal Container Transfer Facility as a result of lower container throughput.

***Royalties, Fees, and Other Operating Revenue***

The Port levies fees for a variety of activities conducted on 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 in this category totaled \$5.0 million for fiscal year 2004, the change is insignificant over the prior fiscal period.

***Operating and Administrative Expenses***

The Port of Los Angeles is a landlord port. As such, the Port does not manage or participate in the operations of facilities, and expenses incurred are principally administrative and relatively fixed in nature.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

Operating and administrative expenses rose \$15.3 million to \$139.3 million, a 12.3% increase from prior fiscal year expense of \$124.0 million. Categories of expense reflecting more significant increases include salaries and benefits and outside services. Offsetting these increases were reductions in other operating expense. Changes in other categories of expenses were less significant.

**Operating and Administrative Expenses (O & A)**

(in thousands)

		<b>Twelve Months Ended</b>		<b>Change</b>
		<b>June 30, 2004</b>	<b>June 30, 2003</b>	
Salaries and benefits	\$	53,165	44,427	19.7%
Percentage of total O&A		38.2%	35.8%	
Marketing and public relations		3,769	3,654	3.1
Percentage of total O&A		2.7%	2.9%	
Travel and entertainment		758	658	15.2
Percentage of total O&A		0.5%	0.5%	
Outside services		32,104	21,971	46.1
Percentage of total O&A		23.0%	17.7%	
Materials and supplies		4,682	3,771	24.2
Percentage of total O&A		3.4%	3.0%	
City services		18,729	18,525	1.1
Percentage of total O&A		13.4%	14.9%	
Other operating expenses		26,097	31,040	(15.9)
Percentage of total O&A		18.7%	25.0%	
Total O&A	\$	<u>139,304</u>	<u>124,046</u>	<u>12.3%</u>

Salaries and benefits expense rose \$8.7 million from the prior fiscal year. The increase results from scheduled employee pay increases, a one-time \$1.3 million retro pay adjustment to certain union members and expansion of the Port workforce in fiscal year 2004.

The \$10.1 million increase in outside services mainly comes from growth in facility maintenance costs of \$1.7 million and increased professional service costs of \$8.3 million. The increase in professional services reflects \$5.0 million of cost increases for Port security projects and an additional \$5.8 million in environmental assessment expenditures.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

Other operating expense for fiscal year 2004 decreased \$4.9 million from the prior year. Of the \$4.9 million decrease, \$3.0 million can be attributed to reduced provisions to the bad debt reserve, a substantial portion of which relates to the LAXT. As future operations of the LAXT are uncertain at this time, the Port has elected to fully reserve all outstanding receivables due from this customer. Provision for workers' compensation claims declined this year by \$1.0 million, due to the reduction of the Port liability at June 30, 2004 as determined in the most recent actuarial valuation.

***Nonoperating Income and Expense***

Net nonoperating expense for fiscal year 2004 decreased \$32.7 million from the prior year to \$59.9 million.

Provision for litigation, claims, and settlements dropped \$36.5 million to \$8.3 million. Prior year net expense includes \$50 million in settlement costs for the Natural Resources Defense Council lawsuit relating to the China Shipping Company Terminal development project. The Port increased the reserves for this settlement an additional \$7.3 million in fiscal year 2004.

Net other expenses decreased \$5 million from \$18.7 million to \$13.7 million. In fiscal year 2004, the Port incurred losses of \$8.2 million from the sale of properties and \$5.8 million from disposal of other assets. Prior fiscal year comparative figures include \$19.0 million that the Port set aside to fully reserve the investment in Los Angeles Export Terminal. Los Angeles Export Terminal ceased its coal operations in June 2003 and its business future is uncertain.

Income from the Port's investments in the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) decreased 24.8% to \$2.8 million for fiscal year 2004. The decrease reflects the lower container throughput handled by ICTF in fiscal year 2004. Interest and investment income decreased \$9.1 million to \$2.3 million for fiscal year 2004. The decrease includes a \$2.6 million in reduced interest income and a \$6.5 million change in fair value adjustment for the Port's share in the City of Los Angeles' investment pool.

**Long-Term Debt and Capital Assets**

***Long-Term Debt***

On June 30, 2004 and 2003, the Port's total of \$857.8 million and \$852.0 million, respectively, in long-term debt comprised senior debt in the form of Harbor Revenue Bonds, commercial paper, and subordinated debt in the form of loans.

On July 11, 2001, the Port issued \$101.1 million in long-term bonds and entered into an agreement for the forward delivery of \$63.5 million of additional bonds, that were delivered on May 6, 2002, to refund \$158.3 million of the Harbor Revenue Bonds of 1995. On June 30, 2002, a total of \$99.8 million was available for advance refunding of the 1995 Series B Revenue Bonds. On August 2, 2002, the refunding was completed, achieving a present value savings of approximately \$12.6 million. The Refunding Bonds received an underlying AA rating by the three major credit agencies.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

On November 7, 2001, the Port issued its Offering Memorandum for the issuance of commercial paper notes (Notes) not to exceed \$375 million in three series, Series A (Non-AMT), Series B (AMT), and Series C (Taxable). The purpose of the Notes is to provide interim financing for the construction, maintenance, and replacement of the Port's structures, facilities, and equipment. As of June 30, 2004 and 2003, the Port's commercial paper outstanding was \$113,095,000 and \$92,002,000, respectively, in Series B (AMT) Notes.

Under Section 609 of the City Charter of the City of Los Angeles and the Bond Procedural Ordinance, the Port's capacity to issue debt is not limited. However, the Port's capacity is constrained contractually under covenants of the currently outstanding debt to an aggregate ratio of revenue to annual debt service of at least one hundred twenty-five percent (125%). As of June 30, 2004, this capacity is approximately \$1.4 billion, calculated using operating revenues and current interest rate assumptions.

***Capital Assets***

Capital assets, net of accumulated depreciation consisted of the following as of June 30, 2004 and 2003, (in thousands):

	<b>June 30, 2004</b>	<b>June 30, 2003</b>
Land	\$ 859,857	782,392
Harbor facilities and equipment, net	1,186,182	968,960
Construction in progress	448,719	635,257
Preliminary costs - Capital projects	212,452	247,563
Total	<u>\$ 2,707,210</u>	<u>2,634,172</u>

Capital expenditures for fiscal year 2004 decreased to \$146.5 million, a decrease of 38% over the prior year. Spending fell substantially short of the \$288.8 million originally budgeted, primarily due to projects that have been put on hold pending completion of additional environmental assessments. Over 73% of the fiscal year 2004 development funds were expended for terminal development alone, most of it related to Pier 400 and Berth 100 developments. Other significant increases in spending were for dredging.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

**Capital Expenditure – Facilities and the Infrastructure\***  
(in thousands)

		<b>Twelve Months Ended</b>		
		<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>Change</b>
Commercial development	\$	11,416	4,237	169.4%
Dredging		23,652	62,886	(62.4)
Environmental studies and credits		2,229	2,048	8.8
Infrastructure improvements		1,097	5,667	(80.6)
Port security		242	—	—
Terminal development		106,198	160,660	(33.9)
Transportation improvements		1,623	1,934	(16.1)
Total	\$	<u>146,457</u>	<u>237,432</u>	<u>(38.3)%</u>

\* Source: Engineering Division of the Port of Los Angeles. Direct costs only. Does not include overhead and interest allocations.

Projected expenditures for the Port's FY 2005 Capital Improvement Program will increase slightly from the previous fiscal year. The more significant fiscal year 2005 expenditures will include the Waterfront Development Projects, Pier 400 Building – Phase 2, the West Basin redevelopment, Pier 300 40-acre Landfill, Berth 102 35-acre Landfill, Port Security Projects, and the Main Channel Deepening Program.

The Pier 400 program comprises a 484-acre container terminal complex with full rail, highway, and utility access. Phase I was completed and placed in service August 2002. Construction of Phase II wharf and backland began in January 2003. Phase II includes an additional 141-acre container terminal with 3,200 feet of wharf and a marine operations building. Construction was completed in September 2004.

The West Basin development at the China Shipping Terminal includes the development of approximately 140 acres of backland terminal, construction of 2,500 feet of wharf at Berths 100-102, a new gate complex, and two new access bridges between China Shipping and Yang Ming terminals. Phase I of the China Shipping Terminal was completed in January 2004. The Berth 100 is the first Alternate Marine Power (AMP) container ship wharf and the first AMP-powered container ship docked at Berth 100 on May 17, 2004. Phase II of China Shipping is underway, including a 43-acre landfill (part of the channel deepening project) that will become the Berth 102 backlands. Project completion is expected in October 2006.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

In order to accommodate deeper draft container vessels, the Port is working with the U.S. Army Corps of Engineers to dredge eight million cubic yards from the Main Channel Turning Basin, East Basin, West Basin, East Basin Channel, and Cerritos Channel. Existing design depth in the channel is currently -45 ft. mean lower low water (MLLW). The dredging program will provide a depth of -53 ft. MLLW, plus two feet overdepth, and will be complete in April 2005.

The Berths 131-148 terminal projected expansion program is being designed and will upgrade and incorporate an additional 147 acres to the existing 103-acre container terminal. The waterside elements of the project include 2,600 feet of wharf, 100-foot gauge crane rail, and dredging water depth to -53 ft. Additionally, new and upgraded gate facilities and support buildings will be coupled with a yard configuration to optimize container throughput. An associated transportation improvement project will involve the construction of a grade separation near the terminal to reduce rail and truck traffic at-grade crossings. Also included in the program is the relocation and improvement of Harry Bridges Boulevard to improve traffic flow. This consists of a 0.6 mile-long street realignment from Figueroa Street to Island Avenue and a 0.9 mile-long street widening and reconstruction from Island Avenue to Alameda Street. Reduction of traffic congestion, accelerated movement of cargo within the Port, and a buffered parkway adjacent to the community are additional benefits expected from this project.

Terminal Island Improvements include the redevelopment of the existing Container Yard Terminal at Berths 226-236. The project scope includes new construction and improvements to wharves, backland, cranes, crane rails, lighting, utilities as well as the closure of Terminal Way, and the reconstruction of Cannery Street and adjacent rail spur on Barracuda Street. During fiscal year 2004, many projects were designed and constructed on Terminal Island. They include Phase 2 of Berth 210-211 Rail Spur, the temporary Roadability Station at Berth 233, the closure of Earle Street between Ferry and Pilchard Street, the construction of a new primary and secondary entrance gates at Berth 212-225, the development of 16 acres of backland at Berth 224, the Mobile Inspection Platform, 10" Water Line Relocation, RTG Runways, and Container Yard Terminal Striping.

The Transportation Program is comprised of the development of a portwide transportation master plan and traffic improvements to the I-110 Freeway/State Route 47/Harbor Boulevard Ramps interchange and grade separations in South Wilmington. The Transportation Master Plan will serve as a resource to meet existing and future demands of the Port's transportation network. Completion of this plan is scheduled for late 2005. The I-110 Freeway/State Route 47/Harbor Boulevard Ramps Interchange Improvement Project will improve deficiencies of the interchange with a goal to separate truck traffic from general auto traffic on the Harbor Boulevard ramps. As part of the South Wilmington Grade Separations Project, the numerous rail lines in South Wilmington will be graded separately at key locations to provide unimpeded vehicular access for the TraPac Terminal as well as other businesses and the Banning Landing Community Center. Design of these two projects began in early 2004 and includes a community outreach component.

The Port Police Headquarters Project consists of the design and construction of a new 42,000-square-foot Port Police Station at 320 S. Center Street. The project was issued a Notice to Proceed on February 5, 2004. The expected completion of the project is June 2007.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

The Port Security Program consists of five projects: a waterside security surveillance system, facility security enhancements, passenger complex vehicle screening, passenger complex perimeter security, and a waterborne perimeter security barrier. For these projects, the Port is responsible for the design and installation of integrated surveillance systems including cameras, motion detectors, nonintrusive inspection for vehicles, and waterborne perimeter security barriers. Estimated project completion is June 2006.

To provide support for the inspection of special and high-risk maritime shipping containers passing through the Port of Los Angeles and Port of Long Beach, a Joint Agency Container Inspection Facility (JCIF) project is proposed to serve the needs of various enforcement agencies. The project will include 85,000 square feet of buildings, security access gates, and parking and queuing areas for vehicles and containers on an approximately 14-acre secure site. Estimated project completion is June 2008.

The San Pedro Waterfront and Promenade Master Development Plan was received by the Harbor Commission in September 2004. The design of the Master Plan of the proposed San Pedro Waterfront and Promenade project emphasizes public access along the waterfront via a pedestrian waterfront promenade and parkway boulevard system. The plan envisions a realigned waterfront boulevard relocating traffic closer to the water's edge and creates a natural traffic artery that insulates waterfront traffic from the San Pedro residential areas while providing a rich, diverse, and flowing waterfront experience for San Pedro residents and visitors.

A new harbor at 7th Street will be the centerpiece of the Downtown Waterfront district. The Downtown Waterfront will become the civic and cultural stage for San Pedro, also serving as an anchor for businesses in the upland downtown areas. The Maritime Museum and City Hall are linked by a new town square across Harbor Boulevard. The Ralph J. Scott historic fireboat will be on display at the Downtown Harbor. There will also be a new Maritime Exposition building providing an international showcase that will include exhibit space, meetings and conference rooms, cultural activities and events, a visitor's center, and office.

The Cruise Ship Promenade is an 800-foot long boardwalk along the water's edge at Berth 93C-94 across from the existing Cruise Center at Berths 93A & B, and a secondary 1,000-foot promenade connecting the Lane Victory at Berth 93 to the intersection at Harbor Boulevard and Swinford Street. Completion is expected in December 2004.

The Harbor Boulevard Parkway is a 75-foot wide multiuse parkway system including a bicycle path, a running path, a concrete promenade and an interactive water feature. The Parkway will also include a hierarchy system of shade trees and palms. The Port anticipates construction completion in Spring 2005.

Plans are underway for the Gateway Plaza at the intersection of Harbor Boulevard and Swinford Street. The design calls for an interactive water feature framed by an arch of stately Canary Island palms designed to open the intersection to the water. The Port anticipates construction completion in Summer 2005.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

Work on the San Pedro Waterfront Red Car Line was completed in October 2003. This project consists of a 1.5-mile, rail-based streetcar line that replicates the historic Pacific Electric Red Cars. The line runs from the Cruise Terminal to 22nd Street, along existing railroad right-of-way. The Red Car Line is intended to provide an infrastructure backbone for commercial development along the west side of the Main Channel and the Cabrillo Marina. The intent of the project is to connect the cruise ship terminal with other attractions along the waterfront.

The Harbor Beautification Program continues to be a high-priority activity for the Port. In addition to the upgrades recently completed at Bloch Field and the Crescent Avenue Pathway, several new areas have been identified for enhancement, including the Pacific Avenue Bike Path and creation of green areas in Wilmington. Terminal entrances and points of public access to port complexes will serve as a gateway to the Port and will include trees, shrubs, benches, and trash receptacles.

The programs described are being designed and constructed to meet the needs of the community and the Port's current container terminal customers. Every major terminal within the Port will be upgraded and expanded over the next three to five years to accommodate growth in container movements and increase cargo capacity.

***Factors That May Affect the Port's Operations***

The revenue growth and profitability of the Port's business depend upon changes in income, global industrial output, and the relative value of world currencies. Real increases in domestic consumer income tends to induce increases in foreign imports of goods, while growth of consumer spending power outside the United States fosters our export market. Expanding industrial production overseas generates more shipments of export raw materials and intermediate or semifinished goods. A rise in the value of the US dollar would typically adversely impact US exports while accelerating imports. Conversely, a significant drop in the value of the US dollar would reduce imports and strengthen the US export market. Changes in the world labor force and transportation costs can impact where goods are made and through which ports goods are shipped.

The Port is addressing a number of trends developing in the industry. Business alliances among shipping lines are creating increasing demand for development of progressively larger container terminals, frequently exceeding 250 acres. The Port is working to expand existing terminals as well as construct new facilities to meet the demand. Environmental mitigation is critical in that process. The Pier 400 container terminal, built for APM Terminals, is one such example and construction at China Shipping's new Berth 100 (phase 2) continues. These Port developments will create larger cargo facilities with improved economies of scale.

Efficient railyard operations represent another important requirement. In addition to the on-dock intermodal rail at Pier 400 and other existing on-dock/near-dock facilities that serve our customers, the Port is developing a new, general-use railyard. The Port is also initiating new programs to address environmental efficiencies for ships in Port and operating equipment on terminals.

Larger container vessels continue to be placed in service. These new generation container vessels require channel depths of more than 50 feet for safe navigation. The Port's Main Channel deepening project, which will lower the channel depth to -53 feet, will be complete in April 2005.



**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Management's Discussion and Analysis**

June 30, 2004 and 2003

***Competitive Environment***

In the fiscal year ended June 30, 2004, 99.3% of the entire U.S. West Coast containerized cargo market were controlled by six major containerports: the ports of Los Angeles, Long Beach and Oakland in California; the ports of Seattle and Tacoma in Washington state; and the Port of Portland in Oregon. The ports of Los Angeles and Long Beach together controlled 72.1% of all U.S. West Coast market share.

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 upon the commitment of customers to long-term leases of 25 to 30 years. Occupancy remains high and West Coast ports have limited capacity for expansion. Additionally, the greater Los Angeles area represents not only a large destination market for waterborne goods, but is also the most attractive point of origin for trans-shipments to Midwest and East Coast destinations.

**West Coast Container Market Share \***  
(in thousands)

	<b>Twelve Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2003</b>
	<b>Loaded TEUs</b>	<b>Loaded TEUs</b>	<b>Market Share</b>	<b>Market Share</b>
	(In thousands)	(In thousands)	Percentage	Percentage
Los Angeles	4,977	4,480	42.6%	43.2%
Long Beach	3,449	2,944	29.5	28.4
Oakland	1,112	1,028	9.5	9.9
Tacoma	943	827	8.1	8.0
Seattle	881	844	7.5	8.1
Portland	231	193	2.0	1.9
All Others	87	54	0.8	0.5
Total	11,680	10,370	100.0%	100.0%

\* Source: Port Import Export Reporting Service.

***Contacting the Port's Financial Management***

Questions about this report or requests for additional financial information should be addressed to the Chief Financial Officer, Port of Los Angeles, 425 S. Palos Verdes Street, San Pedro, CA 90731.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Statements of Net Assets**

June 30, 2004 and 2003

(In thousands of dollars)

	<b>2004</b>	<b>2003</b>
Assets:		
Current assets:		
Cash and investments, unrestricted (note 2)	\$ 117,287	84,499
Cash and investments, restricted (note 2)	98,544	88,426
Accounts receivable, less allowance for doubtful accounts of \$38,025 and \$21,280 in 2004 and 2003, respectively (note 14)	25,966	33,709
Grants receivable (note 13)	1,484	2,671
Materials and supplies inventories	1,675	1,564
Prepaid and deferred expenses	8,673	998
Accrued interest receivable	1,539	1,434
Current portion of notes receivable, less allowance for doubtful accounts of \$2,000 and \$1,000 in 2004 and 2003, respectively (note 10)	3,649	3,516
Total current assets	258,817	216,817
Noncurrent restricted assets (note 2):		
Restricted investments – bond funds	17	95
Other restricted cash and investments	8,716	8,699
Accrued interest receivable	6	2
Total noncurrent restricted assets	8,739	8,796
Capital assets (notes 3 and 8):		
Land	859,857	782,392
Harbor facilities and equipment, less accumulated depreciation of \$764,197 and \$711,852 in 2004 and 2003, respectively	1,186,182	968,960
Construction in progress	448,719	635,257
Preliminary costs – capital projects	212,452	247,563
Net capital assets	2,707,210	2,634,172
Notes receivable (note 10)	48,878	52,517
Investment in Joint Powers Authorities and other entities, less allowance for investment loss of \$19,000 for 2004 and 2003 (notes 4, 10, and 14)	5,295	6,000
Other assets	4,241	5,240
Total assets	3,033,180	2,923,542

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Statements of Net Assets**

June 30, 2004 and 2003

(In thousands of dollars)

	<b>2004</b>	<b>2003</b>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 24,270	21,166
Current installments of notes payable and bond indebtedness (note 5)	22,081	20,503
Accrued interest	13,640	13,941
Accrued employee benefits (note 5)	418	306
Deferred revenue and other deferred credits	1,252	358
Liabilities under the City of Los Angeles' securities lending program (note 2)	19,199	12,956
Accrued construction costs payable	17,833	8,259
Other current liabilities (notes 5, 7, and 15)	37,612	22,843
Total current liabilities	136,305	100,332
Long-term liabilities (note 5):		
Bonds payable, net of current portion and deferred amount on refunding of \$7,729 and \$8,101 in 2004 and 2003, respectively	718,141	734,629
Notes payable, net of current installments	4,494	4,869
Commercial paper to be refunded from bonds	113,095	92,002
Deferred revenue and other deferred credits	2,783	3,119
Accrued employee benefits	10,991	9,815
Other liabilities (notes 7 and 15)	27,201	39,643
Liabilities payable from restricted assets – other liabilities (note 7)	8,544	8,337
Total long-term liabilities	885,249	892,414
Total liabilities	1,021,554	992,746
Commitments and contingencies (notes 4, 5, 7, 8, 9, 11, and 15)		
Net assets:		
Invested in capital assets, net of related debt	1,849,398	1,782,169
Restricted, bond proceeds	17	95
Unrestricted	162,211	148,532
Total net assets	\$ 2,011,626	1,930,796

See accompanying notes to financial statements.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Statements of Revenues, Expenses, and Changes in Net Assets**

Years ended June 30, 2004 and 2003

(In thousands of dollars)

	<b>2004</b>	<b>2003</b>
Operating revenues (note 8):		
Shipping services:		
Wharfage	\$ 270,616	262,712
Dockage	7,150	8,155
Demurrage	361	722
Cranes	3,383	6,329
Pilotage	7,266	7,193
Assignment charges	22,509	16,601
Storage	99	366
Total shipping services	311,384	302,078
Rentals:		
Land	30,908	33,417
Buildings	268	294
Warehouses	1,307	2,088
Wharf and shed revenue	778	764
Total rentals	33,261	36,563
Royalties, fees, and other operating revenues:		
Fees, concessions, and royalties	2,790	3,547
Oil royalties	54	50
Other	2,172	1,416
Total royalties, fees, and other operating revenues	5,016	5,013
Total operating revenues	349,661	343,654
Operating and administrative expenses (notes 1, 7, 9, and 12):		
Salaries and benefits	53,165	44,427
Marketing and public relations	3,769	3,654
Travel and entertainment	758	658
Outside services	32,104	21,971
Materials and supplies	4,682	3,771
City services, net of capitalized amounts of \$10,700 and \$17,253 in 2004 and 2003, respectively (note 12)	18,729	18,525
Provision for bad debts (notes 10, 14, and 15)	17,407	20,378
Other operating expenses	8,690	10,662
Total operating and administrative expenses	139,304	124,046
Income from operations before depreciation	210,357	219,608
Depreciation (note 3)	67,934	59,365
Operating income	142,423	160,243

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Statements of Revenues, Expenses, and Changes in Net Assets**

Years ended June 30, 2004 and 2003

(In thousands of dollars)

	<b>2004</b>	<b>2003</b>
Nonoperating revenues (expenses):		
Income from investments in Joint Powers Authorities and other entities (note 4)	\$ 2,795	3,717
Interest and investment income	2,298	11,430
Interest expense on bond indebtedness and notes payable (note 5)	(43,034)	(44,293)
Litigation, claims, and settlement expenses (notes 7 and 15)	(8,277)	(44,747)
Other income and expenses, net (note 2)	(13,724)	(18,698)
Net nonoperating expenses	(59,942)	(92,591)
Income before capital contributions	82,481	67,652
Capital contributions (note 13)	867	1,386
Deletions of capital contribution (note 13)	(2,518)	—
Changes in net assets	80,830	69,038
Total net assets – beginning of year	1,930,796	1,861,758
Total net assets – end of year	\$ 2,011,626	1,930,796

See accompanying notes to financial statements.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Statements of Cash Flows**

Years ended June 30, 2004 and 2003

(In thousands of dollars)

	<b>2004</b>	<b>2003</b>
Cash flows from operating activities:		
Shipping service fees collected	\$ 318,513	309,539
Rentals collected	35,571	37,126
Royalties, fees, and other operating revenues collected	4,110	6,027
Payments for employee salaries and benefits	(60,107)	(53,671)
Payments for goods and services	(79,496)	(81,180)
Net cash used in other nonoperating income and expenses	(9,829)	(2,724)
Net cash provided by operating activities	208,762	215,117
Cash flows from capital and related financing activities:		
Payments for property acquisitions and construction	(149,111)	(250,309)
Proceeds from sales of capital assets	4,531	—
Proceeds from capital grant	2,314	15,918
Net proceeds from issuance of bonds	—	99,800
Proceeds from new issuance of commercial paper	494,883	391,624
Payment of commercial paper	(473,790)	(320,622)
Principal repayment – bonds	(15,485)	(106,135)
Principal repayment – notes	(357)	(342)
Interest paid	(44,364)	(47,023)
Net cash used in capital and related financing activities	(181,379)	(217,089)
Cash flows from investing activities:		
Receipt of interest	5,788	9,515
Increase in liabilities under the City of Los Angeles' securities lending program	6,243	2,084
Increase (decrease) in fair value of investments	(3,524)	2,883
Payments received on notes receivable	3,516	3,412
Distribution from Joint Powers Authorities and other entities	3,500	4,000
Net cash provided by investing activities	15,523	21,894
Net increase in cash and cash equivalents	42,906	19,922
Cash and cash equivalents, beginning of year	172,925	153,003
Cash and cash equivalents, end of year (note 2)	\$ 215,831	172,925

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Statements of Cash Flows**

Years ended June 30, 2004 and 2003

(In thousands of dollars)

	<b>2004</b>	<b>2003</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 142,423	160,243
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	67,934	59,365
Provision for doubtful accounts	16,745	20,378
Change in accounts receivable	(9,002)	(9,398)
Change in materials and supplies inventories	(111)	(160)
Change in prepaid and deferred expenses and other assets	(6,675)	1,596
Change in accounts payable	3,104	(10,115)
Change in accrued employee benefits	1,288	(1,015)
Change in other long-term operating liabilities	(12,442)	(24,013)
Change in deferred revenue and other deferred credits and other current liabilities	15,327	20,960
Net cash used in other nonoperating income and expense	(9,829)	(2,724)
Total adjustments	66,339	54,874
Net cash provided by operating activities	\$ 208,762	215,117

See accompanying notes to financial statements.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

**(1) Organization and Summary of Significant Accounting Policies**

The financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles), hereafter referred to as “Port of Los Angeles” or “Port,” have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Port’s accounting policies are described below.

**(a) Organization and Reporting Entity**

The Port of Los Angeles is an independent, self-supporting department of the City of Los Angeles, California (the City), formed for the purpose of providing shipping, fishing, recreational, and other resources and benefits for the enjoyment of the citizens of Los Angeles and surrounding communities. The Port is under the control of a five-member Board of Harbor Commissioners (appointed by the Mayor and approved by the City Council) and is administered by an Executive Director, subject to the State of California Tidelands Trust Act. The Port is granted control of tidelands, and all monies arising out of the operation of the Port are limited as to use for the operation and maintenance of Port facilities, the acquisition and construction of improvements, and other such trust considerations under the Tidelands Trust and the Charter of the City of Los Angeles.

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), rental of land and facilities, royalties (oil wells), and other fees. Capital construction is financed from operations, bonded debt, and loans secured by future revenues and federal grants. Daily operation of the Port facilities and regular maintenance are performed by the Port’s permanent work force. Generally, major maintenance and new construction projects are assigned to commercial contractors.

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. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, which the Port adopted effective July 1, 1993.

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 City of Los Angeles by erecting, constructing, replacing, extending, or



**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

improving facilities and services that the Board of Harbor Commissioners deems necessary for the promotion and accommodation of commerce. From time to time, LAHIC has issued long-term indebtedness to finance specific capital facilities improvements on behalf of the Port's tenants. The nature of these financings is such that the long-term indebtedness will be that of the Port tenant and not LAHIC, the Port, or the City of Los Angeles. Therefore, for purposes of the accompanying financial statements, the long-term indebtedness of LAHIC and the corresponding lease receivable from the tenant are eliminated.

The board of directors of LAHIC consists of five members. Election of the LAHIC board of directors occurs by vote of the Board of Harbor Commissioners. In fiscal 2004 and 2003, all five members of the LAHIC Board were employees or Commissioners of the Port. Although the Tenant reimburses LAHIC for its costs of operations, the Board of Harbor Commissioners is financially responsible for LAHIC's activities. Further, although LAHIC is legally separate from the Port, LAHIC is reported as if it were part of the Port in accordance with the provisions of GASB Statement No. 14, because its sole purpose is to finance and construct facilities and improvements, which directly benefit the Port. 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.

**(b) Summary of Significant Accounting Policies**

**Method of Accounting** – The Port is 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 liabilities are incurred without regard to receipt or disbursement of cash. The measurement focus is on determination of changes in net assets, financial position, and cash flows.

Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. In accordance with GASB Statement No. 20, the Port of Los Angeles has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

**Materials and Supplies Inventories** – Inventories of materials and supplies are stated at average cost on a first-in, first-out basis.

**Capital Assets** – Capital assets are carried at cost or at appraised fair market 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.

**Depreciation** – Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

Current ranges of useful lives for depreciable assets are as follows:

Wharves and sheds	10 to 50 years
Buildings and facilities	10 to 50 years
Equipment	3 to 20 years

**Capitalization** – The Port capitalizes all purchases greater than \$5,000.

**Preliminary Costs of Proposed Capital Projects** – Development costs for 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.

**Indirect Project Costs** – The Port capitalizes indirect project costs associated with the acquisition, development, and construction of new capital projects of the Port. Approximately \$3,751,000 and \$3,387,000 of such indirect project costs were allocated to construction projects for the years 2004 and 2003, respectively.

**Investments in Joint Ventures** – Investments in joint power authorities are accounted for by the equity method.

**Interest Costs** – The Port capitalized interest paid during development and construction of its capital projects. All of the \$1,029,000 and \$988,000 commercial paper interest paid in 2004 and 2003 were capitalized.

**Pooled Cash and Investments** – In order to maximize investment return, the Port pools its available cash with that of the City of Los Angeles, California. Investment decisions are made by the City Treasurer.

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 daily cash balances to aggregate pooled cash and investments (see note 2). The change in the fair value of pooled investments is allocated to each participating City department/fund based on the aggregate respective average cash balances.

The Port's investments, including its share of the City's pooled investments, are stated at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of guaranteed investment contracts and other 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 appropriate allocation of fair value of the pool, if separately reported. Certain money market

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

investments with initial maturities at the time of purchase of less than one year are recorded at 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 in 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.

**Securities Lending** – As a participant in the City of Los Angeles Investment Pool, the Port also participates in the City of Los Angeles securities lending program. The investment collateral received by the City together with the corresponding liability created is allocated among the City's participating funds using the same basis as allocation of interest income and realized gains or losses.

**Accrued Employee Benefits** – The Port records all accrued employee benefits, including accumulated vacation and sick pay, as a liability in the period the benefits are earned. Accrued employee benefits are treated as a liability for financial statement presentation.

**Operating Leases** – A substantial portion of the Harbor lands and facilities is leased to others. The majority of these leases provide for cancellation on a 30-day notice by either party and for retention of ownership by the Port or restoration of the property at the expiration of the agreement; accordingly, no leases are considered capital leases for purposes of financial reporting (see note 8).

**Statements of Cash Flows** – For purposes of the statements of cash flows, the Port considers all cash and investments pooled with the City of Los Angeles, California, plus any other cash deposits or investments with initial maturities of three months or less, to be cash and cash equivalents.

**Pension Plan** – All full-time employees of the Port are eligible to participate in the City Employees' Retirement System of the City of Los Angeles, California (the System), a plan available to substantially all City of Los Angeles full-time employees. The Port's policy is to fund its entire share of System pension costs billed by the City. The costs to be funded are determined annually as of July 1 by the System's actuary and are incorporated into the payroll burden rate to reimburse the City for the Port's pro rata share of contributions made (see note 9).

**Capital Contributions** – The Port receives grants for the purpose of acquisition or construction of property and equipment. These grants are recorded as capital contributions when the grant is earned. Grants are generally earned upon expenditure of funds.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles 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 the amounts reported in 2003 in order to conform to the 2004 presentation. Such reclassifications had no effect on previously reported results of operations.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

**(2) Cash and Investments**

**(a) Cash and Pooled Investments**

Substantially all of the Port's operating cash is deposited with the City Treasurer under the City Treasurer's pooled investment program. The California Government Code authorizes the City to invest in obligations of the U.S. Treasury, federal agencies, municipalities, certain commercial paper, bankers' acceptances, and repurchase and reverse repurchase agreements, up to certain specified allowable percentages.

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

	<u>2004</u>	<u>2003</u>
Cash in bank and certificates of deposit	\$ 2,903	4,259
Investment in U.S. Treasury money market fund	72	117
Equity in the City of Los Angeles Investment Pool	<u>221,589</u>	<u>177,343</u>
Total cash and investments	<u>\$ 224,564</u>	<u>181,719</u>

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

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

	<b>2004</b>	<b>2003</b>
Unrestricted cash and investments	\$ 117,287	84,499
Restricted cash and investments:		
Current:		
Earthquake/Disaster Fund	82,729	82,463
China Shipping Mitigation Fund	14,909	4,174
Owner-Controlled Insurance Program	500	500
Other	406	1,289
	98,544	88,426
Noncurrent:		
Harbor Revenue Bond Fund	17	95
Commercial Paper Redemption Fund	55	22
Customer security deposits	1,686	2,061
Batuquitos Environmental Fund	5,000	4,948
Harbor Restoration Fund	467	462
Marinas Credit Fund	1,508	1,206
	8,733	8,794
Total restricted cash and investments	107,277	97,220
Total cash and investments	\$ 224,564	181,719

**(b) Deposits**

The Port has cash deposits and certificates of deposit with several major financial institutions amounting to \$2,903,040 and \$4,259,335 at June 30, 2004 and 2003, respectively, with a corresponding bank balance of \$2,665,939 and \$4,018,156, respectively. The deposits are entirely covered by federal depository insurance or are collateralized by securities held by the financial institutions in the Port's name in conformance with the State Government Code.

**(c) City of Los Angeles Investment Pool**

The Port's equity in the City of Los Angeles Investment Pool is not required to be categorized. However, investments in the City of Los Angeles Investment Pool are categorized by the City to provide an indication of the level of holding risk assumed by the City at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. At June 30, 2004 and 2003, substantially all of the City's investments were classified in Category 1 type investments or were not required to be categorized.

**(d) *City of Los Angeles Securities Lending Program***

The Port participates in the City of Los Angeles securities lending program. Under this program, the City lends investment securities to broker-dealers for collateral that will be returned for the same securities in the future. These activities are governed by a contractual agreement with the City's bank limiting the nature and amount of transactions subject to full collateralization. Collateral securities are initially pledged at 102% of the fair value of the securities lent, and additional collateral has to be provided by the next business day if its value falls to less than 101.5% of the fair value of the securities lent. Under the City's program, no more than 20% of the par value of the City's General Investment Pool shall be available for lending. Total cash collateral received by the City was \$746,110,601 and \$702,382,993 at June 30, 2004 and 2003, respectively. No noncash collateral was received by the City at June 30, 2004. Net revenues earned by the City on its securities lending program totaled \$720,158 and \$699,395 for the years ended June 30, 2004 and 2003, respectively. The Port's share of cash collateral received and corresponding liability aggregated approximately \$19,199,450 and \$12,956,077 at June 30, 2004 and 2003, respectively.

**(e) *Other Investments***

Other investments of \$71,816 and \$117,156 at June 30, 2004 and 2003, respectively, consist of investments in a U.S. Treasury securities money market fund. At June 30, 2004, these investments were not required to be categorized.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

**(3) Capital Assets**

The Port's capital assets consist of the following activity for the years ended June 30, 2004 and 2003 (in thousands of dollars):

	<u>July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2004</u>
Capital assets not being depreciated:				
Land	\$ 782,392	90,773	(13,308)	859,857
Construction in progress	635,257	149,293	(335,831)	448,719
Preliminary costs – capital projects	247,563	37,622	(72,733)	212,452
Total capital assets not being depreciated	<u>1,665,212</u>	<u>277,688</u>	<u>(421,872)</u>	<u>1,521,028</u>
Capital assets being depreciated/ amortized:				
Wharves and sheds	439,621	136,335	(5,609)	570,347
Buildings/facilities	1,197,383	219,811	(82,491)	1,334,703
Equipment	43,808	2,644	(1,123)	45,329
Total capital assets being depreciated/amortized	<u>1,680,812</u>	<u>358,790</u>	<u>(89,223)</u>	<u>1,950,379</u>
Less accumulated depreciation/ amortization for:				
Wharves and sheds	(197,100)	(19,575)	4,872	(211,803)
Buildings/facilities	(482,983)	(45,279)	9,621	(518,641)
Equipment	(31,769)	(3,080)	1,096	(33,753)
Total accumulated depreciation	<u>(711,852)</u>	<u>(67,934)</u>	<u>15,589</u>	<u>(764,197)</u>
Total capital assets being depreciated/ amortized, net	<u>968,960</u>	<u>290,856</u>	<u>(73,634)</u>	<u>1,186,182</u>
Total capital assets, net	<u>\$ 2,634,172</u>	<u>568,544</u>	<u>(495,506)</u>	<u>2,707,210</u>

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

	<u>July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2003</u>
Capital assets not being depreciated:				
Land	\$ 739,483	43,494	(585)	782,392
Construction in progress	492,562	231,834	(89,139)	635,257
Preliminary costs – capital projects	248,188	51,281	(51,906)	247,563
Total capital assets not being depreciated	<u>1,480,233</u>	<u>326,609</u>	<u>(141,630)</u>	<u>1,665,212</u>
Capital assets being depreciated/ amortized:				
Wharves and sheds	439,029	592	—	439,621
Buildings/facilities	1,159,551	38,263	(431)	1,197,383
Equipment	41,349	3,425	(966)	43,808
Total capital assets being depreciated/amortized	<u>1,639,929</u>	<u>42,280</u>	<u>(1,397)</u>	<u>1,680,812</u>
Less accumulated depreciation/ amortization for:				
Wharves and sheds	(183,578)	(13,522)	—	(197,100)
Buildings/facilities	(439,558)	(43,425)	—	(482,983)
Equipment	(30,236)	(2,418)	885	(31,769)
Total accumulated depreciation	<u>(653,372)</u>	<u>(59,365)</u>	<u>885</u>	<u>(711,852)</u>
Total capital assets being depreciated/ amortized, net	<u>986,557</u>	<u>(17,085)</u>	<u>(512)</u>	<u>968,960</u>
Total capital assets, net	<u>\$ 2,466,790</u>	<u>309,524</u>	<u>(142,142)</u>	<u>2,634,172</u>

Interest expense of \$1,029,000 and \$988,000 was capitalized for 2004 and 2003, respectively.



**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

**(4) Investment in Joint Powers Authorities and Other Entities**

The Port has entered into two joint exercise of powers agreements and a shareholders' agreement as follows:

**(a) *Intermodal Container Transfer Facility Joint Powers Authority***

The Port and the Harbor Department of the City of Long Beach, California (Port of Long Beach) entered into a joint exercise of 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 \$2,500,000 to the ICTF as part of the agreement. The facility, which began operations in December 1986, was developed by Southern Pacific Transportation Company (SPTC, subsequently a wholly owned subsidiary of Union Pacific Corporation), which operates the facility under a long-term lease agreement. 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 of Los Angeles and the Port of Long Beach share income and equity distributions equally.

Pursuant to an indenture of trust dated November 1, 1984, the ICTF issued \$53,915,000 in bonds (1984 Bonds) on behalf of the SPTC to construct the facility. In 1989, the ICTF issued \$52,315,000 in refunding bonds (1989 Bonds) on behalf of the SPTC to advance refund all of the 1984 Bonds. In 1999, the ICTF, on behalf of the SPTC, again issued \$42,915,000 of refunding bonds (1999 Bonds) to advance refund all of the 1989 Bonds. The 1999 Bonds are payable solely from payments by the SPTC under the lease agreement for use of the facility. The nature of the bonds is such that the indebtedness is that of the SPTC and not of the ICTF, the Port of Los Angeles, or the Port of Long Beach.

The ICTF's operations are financed from lease revenues by ICTF activities. The ICTF is empowered to perform those acts necessary for the development of its facilities and related facilities, including acquiring, constructing, leasing, and selling any of its property. The Port's share of the ICTF's operations and assets, liabilities, and equity at June 30, 2004 and 2003 is \$5,295,000 and \$6,000,000, respectively.

Separate financial statements for ICTF may be obtained from the Executive Director, Port of Long Beach, 925 Harbor Plaza, Long Beach, California 90802.

**(b) *Alameda Corridor Transportation Authority***

In August 1989, the Port and the Port of Long Beach entered into a joint exercise of powers agreement and formed the Alameda Corridor Transportation Authority (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

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

the Santa Monica Freeway and the Ports of Los Angeles and Long Beach in San Pedro Bay linking the two ports to the central Los Angeles area. The Port of Los Angeles and the Port of Long Beach share income and equity distributions equally.

During fiscal year 1995, the Port and the Port of Long Beach purchased railroad rights-of-way and other assets totaling approximately \$370 million along the proposed corridor route.

At June 30, 1998, the Port had advanced a total of \$13,334,000 to the ACTA to fund its share of planning and other costs incurred to date. During fiscal year 1999, the ACTA reimbursed the Port for all amounts advanced plus approximately \$3.2 million of interest on such advances out of debt or grant financing proceeds. In addition, the ACTA reimbursed the Port for approximately \$81.7 million of capital assets directly related to the ACTA's mission, which the Port had previously included in construction in progress. Of the capital assets transferred, approximately \$22.2 million had been funded by capital grants, which the Port had previously included in contributions/land valuation equity. The Port's share of the ACTA's operations, and assets, liabilities, and equity at June 30, 2004 and 2003 is immaterial to the accompanying financial statements.

Separate financial statements for ACTA may be obtained from the Controller, Alameda Corridor Transportation Authority, One Civic Plaza Drive, Suite 650, Carson, California 90745.

**(c) *Los Angeles Export Terminal, Inc.***

On April 12, 1993, the Port entered into a shareholders' agreement which formed the Los Angeles Export Terminal, Inc. (LAXT) for the purpose of financing, constructing, and managing a dry bulk handling facility for the export of coal, petroleum coke, and related products on land leased by permit from the Port.

The Port has contributed \$19,000,000 to LAXT as part of the agreement. Such contribution represents a 13.2% share of the total committed capital of \$143,174,231. This capital was raised from the shareholders through a purchase of stock in LAXT. The Port's investments totaled \$19,000,000 at June 30, 2004 and 2003, respectively. The Port has the right to nominate two directors to a 19-member board of directors. As of June 30, 1998, the terminal began operating under a long-term lease agreement with a terminal manager/operator.

In June 2003, LAXT loaded the last coal vessel, thereby ceasing the coal operations at the facility. Due to these circumstances, the Port has set aside \$19,000,000 as 100% investment loss reserve for its share of equity participation in the LAXT.

Separate financial statements for LAXT may be obtained from the General Manager of LAXT, Post Office Box 1769, San Pedro, California 90733.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

**(5) Long-Term Liabilities**

A summary of the Port's long-term indebtedness is as follows.

**(a) Bonds Payable**

**1995 Bonds**

The Revenue Bonds, Issue of 1995 Series A and Series B (the 1995 Bonds), were issued by the Harbor Department of the City of Los Angeles in the aggregate principal amount of \$200,000,000 on January 1, 1995. Proceeds from the sale of these insured 1995 Bonds were used to finance construction of and improvements to certain facilities owned by the Port, to redeem at maturity certain short-term revenue certificates previously issued by the Port, and to pay certain costs of issuance in connection with the 1995 Bonds.

In fiscal year 1997, the Port issued \$21,350,000 of 1996 Revenue Bonds, Series C to defease the \$19,750,000 of outstanding 1995 Series A bonds. On August 1, 2002, all remaining 1995 Series A Bonds were redeemed.

On July 11, 2001, the Port issued Harbor Revenue Bonds of \$36,189,000, Series A Bonds (2001 A Refunding Bonds) to provide funds to advance refund, on a crossover basis, \$33,330,000 of the 1995 B Bonds, and the Port also issued Harbor Revenue Bonds, of \$64,925,000, Series B Bonds (2001B Refunding Bonds) to provide funds to purchase \$60,850,000 of the 1995 Series B Bonds tendered by bondholders in response to an open market purchase solicitation conducted through its underwriters. The Port issued The Harbor Revenue Bonds, of \$63,520,000, Series A Bonds (2002 A Refunding Bonds) on May 6, 2002, on a crossover basis, to refund \$64,110,000 of the outstanding 1995 Series B Bonds on a forward-delivery basis and to provide funds (together with the 2001 A Refunding Bonds) to currently refund the 1995 Series B Bonds at their first redemption date of August 1, 2002, with the exception of the 1995 Series B Bonds maturing on August 1, 2002 and 2003. On August 1, 2003, the Port paid the matured principal of \$3,300,000, and the 1995 Series B Bonds were fully redeemed.

**1996 Series A Bonds**

The Revenue Bonds, Issue of 1996 (the 1996 Series A Bonds), were issued by the Port of the City of Los Angeles in the aggregate principal amount of \$300,000,000 on April 23, 1996. Proceeds from the sale of these insured 1996 Series A Bonds were used to finance construction of and improvements to certain facilities owned by the Port, to redeem at maturity certain short-term revenue certificates previously issued by the Port, and to pay certain costs of issuance in connection with the 1996 Series A Bonds.

Interest on the 1996 Series A Bonds is payable semiannually on February 1 and August 1 of each year commencing August 1, 1996, with principal payments commencing August 1, 1997. The 1996 Series A Bonds, which will mature in 2026, bear interest at rates ranging from 5% to 6.25%. The

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

term bonds are subject to mandatory early redemption. The bonds maturing on or after August 1, 2006 are subject to optional redemption with an early redemption premium. The bonds maturing on or after August 1, 2008 are subject to optional redemption without an early redemption premium.

The 1996 Series A Bonds are legal obligations of the Port payable solely from revenues of the Port and do not constitute or evidence indebtedness of the City of Los Angeles. The balances outstanding on the 1996 Series A Bonds, net of unamortized discount of \$1,369,393 and \$1,495,314, were \$265,820,607 and \$271,177,647 at June 30, 2004 and 2003, respectively.

Debt service of the Port's 1996 Series A Bonds is as follows (in thousands):

<b>Fiscal year</b>	<b>Annual debt service requirement</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 5,700	15,951	21,651
2006	6,000	15,650	21,650
2007	6,325	15,327	21,652
2008	6,675	14,975	21,650
2009	7,050	14,597	21,647
2010-2014	42,105	66,143	108,248
2015-2019	56,815	51,433	108,248
2020-2024	77,260	30,992	108,252
2025-2027	59,260	5,690	64,950
Subtotal	267,190	230,758	497,948
Unamortized discount	(1,369)	—	(1,369)
Total	\$ 265,821	230,758	496,579

**1996 Series B and C Bonds**

The Revenue Bonds, Issue of 1996 Series B and Series C (1996 Series B and C Bonds), were issued by the Port of the City of Los Angeles in the aggregate principal amount of \$320,000,000 on December 4, 1996. Proceeds from the sale of these insured 1996 Series B and C Bonds were used to finance construction of and improvements to certain facilities owned by the Port, to pay certain costs of issuance in connection with the 1996 Series B and C Bonds, and to advance refund the outstanding balance of the 1995 Series A Bonds.

Interest on the 1996 Series B and C Bonds is payable semiannually on May 1 and November 1 of each year commencing May 1, 1997, with principal payments commencing November 1, 1997. The 1996 Series B and C Bonds consist of serial and term bonds maturing in amounts ranging from \$340,000 to \$21,960,000 at rates ranging from 4.875% to 6.25%. The 1996 Series B Bonds will

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

mature on November 1, 2026 and the 1996 Series C Bonds will mature on November 1, 2025. The term bonds are subject to mandatory early redemption. The bonds maturing on or after November 1, 2006 are subject to optional redemption with an early redemption premium. The bonds maturing on or after November 1, 2008 are subject to optional redemption without an early redemption premium.

The \$21,350,000 of 1996 Series C Bonds was issued to advance refund \$19,750,000 of outstanding 1995 Series A Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the 1995 Series A Bonds of \$1,175,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through 2025 using the straight-line method. The Port advance refunded the 1995 Series A Bonds to reduce its total debt service payments over the next 27 years by almost \$1,755,000 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$1,209,000.

The 1996 Series B and C Bonds are legal obligations of the Port payable solely from revenues of the Port and do not constitute or evidence indebtedness of the City of Los Angeles. The balances outstanding on the 1996 Series B and C Bonds, net of unamortized discount of \$792,240 and \$827,581, and unamortized deferred amount on refunding of \$877,929 and \$917,093, were \$309,244,832 and \$315,935,326 at June 30, 2004 and 2003, respectively.

Debt service of the Port's 1996 Series B and C Bonds is as follows (in thousands):

<b>Fiscal year</b>	<b>Annual debt service requirement</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 7,125	16,965	24,090
2006	7,500	16,583	24,083
2007	7,905	16,180	24,085
2008	8,325	15,757	24,082
2009	8,770	15,310	24,080
2010-2014	51,485	68,917	120,402
2015-2019	67,240	53,132	120,372
2020-2024	87,925	32,404	120,329
2025-2027	64,640	6,116	70,756
Subtotal	310,915	241,364	552,279
Unamortized deferred amount on refunding of HRB 1995 Series A	(878)	—	(878)
Unamortized discount	(792)	—	(792)
Total	\$ 309,245	241,364	550,609

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

**2001 Series A Refunding Bonds**

On July 11, 2001, the Department issued Harbor Revenue Bonds, of \$36,180,000, Series A Refunding Bonds (2001 A Refunding Bonds) to provide funds to advance refund, on a crossover basis, \$33,330,000 of the 1995 B Bonds. Interest on the 2001 A Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2002, with principal payments commencing annually on August 1, 2022. The 2001 A Refunding Bonds, which will mature in 2025, bear interest at a rate of 5.0%. The bonds maturing on or after August 1, 2011 are subject to optional redemption without an early redemption premium.

The balances outstanding on the 2001 A Refunding Bonds, net of unamortized discount of \$1,075,405 and \$1,126,615 and unamortized deferred amount on refunding of \$979,794 and \$1,026,450, were \$34,124,801 and \$34,026,934 at June 30, 2004 and 2003, respectively.

Debt service of the Port's 2001 A Refunding Bonds is as follows (in thousands):

Fiscal year	Annual debt service requirement		
	Principal	Interest	Total
2005	\$ —	1,809	1,809
2006	—	1,809	1,809
2007	—	1,809	1,809
2008	—	1,809	1,809
2009	—	1,809	1,809
2010-2014	—	9,045	9,045
2015-2019	—	9,045	9,045
2020-2024	12,220	8,685	20,905
2025-2027	23,960	1,213	25,173
Subtotal	36,180	37,033	73,213
Unamortized deferred amount on refunding of 1995 Series B	(980)	—	(980)
Unamortized discount	(1,075)	—	( 1,075)
Total	\$ 34,125	37,033	71,158

**2001 Series B Bonds**

The Department issued the Harbor Revenue Bonds, of \$64,925,000, Series B Bonds (2001 B Refunding Bonds) to provide funds to purchase \$60,850,000 of the 1995 Series B Bonds tendered by bondholders in response to an open market purchase solicitation conducted through its underwriters.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

Interest on the 2001 B Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing on February 1, 2002, with principal payments commencing August 1, 2015. The 2001 B Refunding Bonds, which will mature in 2022, bear interest at rates ranging from 5.25% to 5.50%. The bonds maturing on or after August 1, 2011 are subject to optional redemption without an early redemption premium.

The balances outstanding on the 2001 B Refunding Bonds, net of unamortized premium of \$932,692 and \$984,508 and unamortized deferred amount on refunding of \$3,849,937 and \$4,063,823, were \$62,007,755 and \$61,845,685 at June 30, 2004 and 2003, respectively.

Debt service of the Port's 2001 B Refunding Bonds is as follows (in thousands):

Fiscal year	Annual debt service requirement		
	Principal	Interest	Total
2005	\$ —	3,547	3,547
2006	—	3,547	3,547
2007	—	3,547	3,547
2008	—	3,547	3,547
2009	—	3,547	3,547
2010-2014	—	17,735	17,735
2015-2019	18,365	15,278	33,643
2020-2023	46,560	4,153	50,713
Subtotal	64,925	54,901	119,826
Unamortized deferred amount on refunding of 1995 Series B	(3,850)	—	(3,850)
Unamortized premium	933	—	933
Total	\$ 62,008	54,901	116,909

**2002 Series A Bonds**

The Harbor Revenue Bonds, of \$63,520,000, Series A Bonds (2002 A Refunding Bonds) were issued on May 6, 2002 on a crossover basis, to refund \$64,110,000 of the outstanding 1995 Series B Bonds on a forward-delivery basis and to provide funds to currently refund the 1995 Series B Bonds at their first redemption date of August 1, 2002, with the exception of 1995 Series B Bonds maturing on August 1, 2002 and 2003.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

Interest on the 2002 A Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2002, with principal payments commencing August 1, 2004. The 2002 A Refunding Bonds, which will mature in 2015, bear interest at a rate of 5.50%. The bonds maturing on or after August 1, 2012 are subject to optional redemption without an early redemption premium.

The 2002 A Refunding Bonds are secured and payable solely from amounts held in a crossover refunding escrow account created pursuant to the issue's indenture. The balances outstanding on the 2002 A Refunding Bonds, net of unamortized premium of \$1,998,251 and \$2,178,544 and unamortized deferred amount on refunding of \$1,715,589 and \$1,870,379, were \$63,802,662 and \$63,828,165 at June 30, 2004 and 2003, respectively.

Debt service of the Port's 2002 A Refunding Bonds is as follows (in thousands):

<b>Fiscal year</b>	<b>Annual debt service requirement</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 4,035	3,383	7,418
2006	4,255	3,155	7,410
2007	4,495	2,914	7,409
2008	4,740	2,660	7,400
2009	5,000	2,392	7,392
2010-2014	29,430	7,400	36,830
2015-2016	11,565	575	12,140
Subtotal	63,520	22,479	85,999
Unamortized deferred amount on refunding of 1995 Series B	(1,716)	—	(1,716)
Unamortized premium	1,998	—	1,998
Total	\$ 63,802	22,479	86,281

On August 1, 2002, the refunding of 1995 B Bonds was completed and resulted in a difference between the reacquisition price and the net carrying amount of the 1995 Series B Bonds of \$3,818,649. The difference is prorated to 2001 A Bonds, 2001 B Bonds, and 2002 A Bonds based on the face value. They are reported in the above accompanying financial statements as a deduction from bonds payable and charged to operations through 2025 using the straight-line method. As a result of the refunding, the Port in effect reduced its aggregate debt service payments by approximately \$22,307,000 over the next 24 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately \$12,633,000.



**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

**(b) Other Long-Term Debt**

**Commercial Paper**

On November 1, 2001, the Port obtained a credit agreement to provide liquidity support for the issuance of Commercial Paper Notes not to exceed \$375,000,000 as a means of interim financing primarily for the construction, maintenance, and replacement of the Port's structures, facilities, and equipment. The Port intends to refinance the commercial paper on a long-term basis by uninterrupted renewal of the commercial paper and future issuance of revenue bonds. Rates vary on the commercial paper from 0.85% to 1.17% during the fiscal year ended June 30, 2004. Due dates also vary but within the limit of 270 days from the issue dates. As of June 30, 2004 and 2003, the Port's commercial paper outstanding was \$113,095,000 and \$92,002,000, respectively.

**California Department of Boating and Waterways**

The Port obtained two loans aggregating \$8,000,000 from the California Department of Boating and Waterways. The notes currently bear interest at 4.5%. The Port makes annual payments of interest and principal and the notes will mature in 2014 and 2015, respectively. The notes are secured by the future revenues of the Port and do not constitute a general obligation of the City of Los Angeles. The balances outstanding on such notes were \$4,868,292 and \$5,225,607 at June 30, 2004 and 2003, respectively.

Debt service of the Port's indebtedness is as follows (in thousands):

<b>Fiscal year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 373	219	592
2006	390	202	592
2007	408	185	593
2008	426	166	592
2009	445	147	592
2010-2014	2,547	418	2,965
2015	280	13	293
Total	<u>\$ 4,869</u>	<u>1,350</u>	<u>6,219</u>

**Ports O' Call Restaurant Corporation**

In May 1999, a judgment was rendered and settlement reached in a case involving the City of Los Angeles vs. the Ports O' Call Restaurant Corporation, whereby the City took back a portion of the Ports O' Call properties controlled by Ports O' Call Restaurant Corporation. The judgment provided that the City (Port of Los Angeles) pay the note balance of \$3.8 million to Ports O' Call Restaurant Corporation for leasehold interests in one parcel at the note value on or before June 30, 2004.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

The \$3.8 million face amount of the note is reduced by any increase in minimum annual guarantee over \$346,000 per year. Any adjustment made at a date, other than the start of the compensation period (July 1 through June 30), will be prorated for the period effective. Simple interest is applied at 5.5% for the first three years of the term of the note and interest at prime rate applied for the last two years. Interest will be prorated for any partial year in which the note is retired. The leasehold interest purchased (deferred expenses) is amortized over the term of the note (five years).

At June 30, 2004 and 2003, the note payable totaled \$4,847,495 and \$4,661,053, respectively.

**(c) *Prior Years' Defeasance of Debt***

In December 1989, June 1993, and December 1996, the Port defeased its outstanding Harbor Revenue Bond indebtedness issues of 1985, 1988, and 1995 Series A, aggregating \$33,800,000, \$131,960,000, and \$19,750,000, respectively. Such debt was defeased through the establishment of irrevocable escrow funds with a major financial institution. Monies placed in trust, when considered with interest to be earned thereon, will be sufficient to make required debt service payments through the earliest possible debt retirement dates. Accordingly, the liability for those bonds has been removed from the accompanying financial statements. On August 1, 2002, all 1995 Series A Bonds were redeemed.

The remaining bonds to be redeemed by the trusts at June 30, 2004 and 2003 were as follows (in thousands):

	2004	2003
1988 Bonds	\$ 102,160	105,815
Total	\$ 102,160	105,815

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

**(d) Changes in Long-Term Liabilities**

Long-term liability activity for the years ended June 30, 2004 and 2003 was as follows (in thousands):

	<u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2004</u>	<u>Due within one year</u>
Revenue bonds payable	\$ 758,215	—	(15,485)	742,730	16,860
Less unamortized discount/premium	(224)	—	(81)	(305)	—
Unamortized deferred amount on refunding	<u>(7,877)</u>	<u>—</u>	<u>453</u>	<u>(7,424)</u>	<u>—</u>
Total revenue bonds payable	750,114	—	(15,113)	735,001	16,860
Notes payable	9,887	186	(358)	9,715	5,221
Commercial paper	92,002	494,883	(473,790)	113,095	—
Deferred revenue and other deferred credit	3,119	893	23	4,035	1,252
Accrued employee benefits	10,121	1,288	—	11,409	418
Other liabilities (note 7)	<u>70,477</u>	<u>59,713</u>	<u>(56,833)</u>	<u>73,357</u>	<u>37,612</u>
Total long-term liabilities	\$ <u>935,720</u>	<u>556,963</u>	<u>(546,071)</u>	<u>946,612</u>	<u>61,363</u>

	<u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2003</u>	<u>Due within one year</u>
Revenue bonds payable	\$ 864,350	—	(106,135)	758,215	15,485
Less unamortized discount/premium	(760)	—	536	(224)	—
Unamortized deferred amount on refunding	<u>(4,504)</u>	<u>(3,590)</u>	<u>217</u>	<u>(7,877)</u>	<u>—</u>
Total revenue bonds payable	859,086	(3,590)	(105,382)	750,114	15,485
Notes payable	10,030	199	(342)	9,887	5,018
Commercial paper	21,000	391,624	(320,622)	92,002	—
Deferred revenue and other deferred credit	3,119	—	—	3,119	—
Accrued employee benefits	11,136	—	(1,015)	10,121	306
Other liabilities (note 7)	<u>40,926</u>	<u>81,997</u>	<u>(52,446)</u>	<u>70,477</u>	<u>22,497</u>
Total long-term liabilities	\$ <u>945,297</u>	<u>470,230</u>	<u>(479,807)</u>	<u>935,720</u>	<u>43,306</u>

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

**(6) 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 the Port and its employees participate, allowing them to defer or postpone receipt of income. Amounts so deferred may not be paid to the employee during employment with the City, except for a catastrophic circumstance creating an undue financial hardship for the employee.

As a result of changes to Section 457 deferred compensation plans resulting from the Small Business Job Protection Act of 1996, the City's deferred compensation plan administrator established a custodial account on behalf of the plan participants. All amounts deferred by the Port's employees are paid to the City, which in turn pays 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.

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.

**(7) Risk Management**

The Port purchases insurance on certain risk exposures such as automobiles, fleet, pilotage, wharfinger, kidnap, and public official. The Port is, however, self-insured for general liability/litigation-type claims and workers' compensation of the Port's employees. In addition, the Port carries excess insurance on certain claims over \$1,000,000. There have been no settlements related to these programs that exceeded insurance coverage in the last three years.

Claims expenditures and liabilities are reported 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 Port utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. At June 30, 2004 and 2003, approximately \$9,356,000 and \$16,789,000, respectively, were accrued for litigation claims and workers' compensation claims, which are included in other liabilities in the accompanying statements of net assets.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

Changes in the reported liability for the years ended June 30, 2004 and 2003 are as follows (in thousands):

	<u>Beginning liability</u>	<u>Current year claims and estimate changes</u>	<u>Claim payments</u>	<u>Balance at fiscal year end</u>
2003 – 2004:				
Workers' compensation	\$ 3,932	(84)	942	2,906
Litigation	12,857	(5,910)	497	6,450
2002 – 2003:				
Workers' compensation	4,365	835	1,268	3,932
Litigation	28,011	(13,153)	2,001	12,857

**(8) Leases, Rentals, and Revenue Sharing Agreements**

A substantial portion of the harbor lands and facilities is leased to others. The majority of these leases provide for cancellation on a 30-day notice by either party and for retention of ownership by the Port or restoration of the property at the expiration of the agreement; accordingly, no leases are considered capital leases for purposes of financial reporting.

These lease agreements are intended to be long term in nature (as long as 30 years) and to provide the Port with a firm tenant commitment for a minimum fixed income stream. Many agreements also provide for additional payment beyond the fixed portion, based upon tenant usage, revenues, or volume. These agreements are also generally subject to periodic inflationary escalation of base amounts due the Port. For the years ended June 30, 2004 and 2003, revenues from such agreements aggregated approximately \$208,433,779 and \$195,542,875, respectively.

The property on lease at June 30, 2004 consists of the following (in thousands of dollars):

Wharves and sheds	\$ 570,347
Cranes and bulk facilities	63,818
Municipal warehouses	10,448
Port pilot facilities and equipment	5,147
Buildings and other facilities	596,700
Cabrillo Marina	35,457
	<u>1,281,917</u>
Less accumulated depreciation	<u>(512,311)</u>
Total	<u>\$ 769,606</u>

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

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 of dollars):

Year ending June 30:		
2005	\$	209,339
2006		210,017
2007		210,150
2008		210,296
2009		211,016
Total	\$	<u>1,050,818</u>

**(9) Retirement Plan**

**(a) Plan Description**

All full-time employees of the Port are eligible to participate in the Los Angeles City Employees' Retirement System (the System), a single-employer defined benefit public employee retirement system (PERS). The System is under the management and control of the System's Board of Administration, whose authority is granted by the City Charter (Article XI). The System is an independent department of the City and its financial statements are included in the City's Comprehensive Annual Financial Report as a retirement trust fund. The Port makes contributions to the System for its pro rata share of retirement costs attributable to its employees. The total payroll for Port employees covered by the System for the years ended June 30, 2003, 2002, and 2001 was \$40,241,000, \$37,181,000, and \$35,276,000, respectively (2.9%, 2.9%, and 2.9% of total System-covered payroll in 2003, 2002, and 2001, respectively); the Port's total payroll for 2003, 2002, and 2001 was \$43,975,000, \$41,199,000, and \$39,043,000, respectively.

The System provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. Employees with ten or more years of service may retire if they are at least 55 years old. Normal retirement allowances are reduced for employees under age 60 at the time of retirement, unless they have 30 or more years of service and are age 55 or older. Employees age 70 or above may retire at any time with no required minimum period of service. The System does not have a mandatory retirement age and none of the Port's employees are required to contribute to the System under state statute.

Covered employees contribute to the System at a rate established through the collective bargaining process for those whose membership began prior to February 1, 1983 and at a fixed rate of 6% of salary for those who entered membership on or after February 1, 1983. The City contributes the remaining amounts necessary to pay benefits when due, as determined by the actuarial consultant of the System. Amounts charged to the Port by the City for its pro rata share of actuarially determined

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

contributions to the System were \$2,863,000, \$2,308,000, and \$2,679,000 for the years ended June 30, 2003, 2002, and 2001, respectively, representing 7.1%, 6.2%, and 7.2% of the Port's covered payroll for the respective years and 5.5%, 7.1%, and 4.5% of total System employer contributions, respectively.

**(b) Funding Status and Progress**

The "pension benefit obligation" is a standardized disclosure measure that results from applying actuarial assumptions to estimate the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the fund to which contributions are made on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used. The System does not make separate measurements of assets and pension benefit obligation for individual entities of the City.

The pension benefit obligation has been computed for the System as a whole as part of an actuarial valuation performed as of June 30, 2003, the date of the latest actuarial valuation of System pension benefits, but reflects all plan amendments adopted through June 30, 2003. The valuation was performed using the projected-unit-credit-cost method using the following significant actuarial assumptions:

- A rate of return on the investment of present and future assets of 8% per year compounded annually
- Annual cost-of-living increases of 3% for retirees
- Total annual payroll increases of 4%
- Annual salary increases for individuals that vary by age averaging 4% per year over a full 30-year career.

The total unfunded pension benefit obligation applicable to the System as a whole was \$660,199,000 at June 30, 2003, as follows (in thousands):

Total pension benefit obligation	\$ 7,659,846
Actuarial value of available plan assets	6,999,647
Unfunded pension benefit obligation	\$ 660,199

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

***(c) Actuarially Determined Contribution Requirements and Contributions Made***

The System's funding policy provides for actuarially determined periodic contributions at rates such that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined primarily by using the projected-unit-credit-cost method to amortize the unfunded actuarial accrued liability over the period ending June 30, 2010. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are essentially the same as those used to compute the pension benefit obligation.

Total annual pension costs for the City were \$51,604,000, \$32,296,000, and \$59,153,000, for the years ended June 30, 2003, 2002, and 2001, respectively, representing 100% of annual required contributions for each year.

Other contribution information and ten-year historical trend information can be found in the System's Comprehensive Annual Financial Report. This CAFR can be obtained from the Los Angeles City Employees' Retirement System (LACERS), 360 E. Second Street, 8th Floor, Los Angeles, California 90012.

***(d) Required Supplemental Information (Unaudited)***

The following represents the Los Angeles City Employees' Retirement System Schedule of Funding Progress, separate information for the Port of Los Angeles was not available (in thousands of dollars):

Valuation date (June 30)	Actuarial accrued liability (AAL)	Actuarial value of assets	Unfunded (overfunded) AAL	Funded ratio	Covered payroll	Overfunded AAL as a % of covered payroll
2003	\$ 7,659,846	6,999,647	660,199	91.4%	\$ 1,405,058	47.0%
2002	7,252,118	7,060,188	191,930	97.4	1,334,335	14.4
2001	6,468,066	6,988,782	(520,716)	108.1	1,293,350	(40.3)

***(e) Other Postemployment Benefits***

The Port, as a participant in the System, also provides a Retiree Health Insurance Premium Subsidy. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for this health insurance premium subsidy. This subsidy is to be funded entirely by the City. Employees 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 a health premium subsidy with a City-approved health carrier. The contributions to the health care subsidy represent approximately 34% of total actuarially determined City contributions to the System for FY 2003/04. Amounts contributed specifically to the Retiree Health Insurance Premium Subsidy by the Port alone are not available.



**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

At June 30, 2003, the date of the latest actuarial valuation of the City's Retiree Health Insurance Premium Subsidy, the total unfunded health benefit subsidy applicable to the System as a whole was approximately \$356,828,000 as follows (in thousands):

Total health benefit liability	\$	1,205,811
Reserve for health benefits		848,983
Unfunded benefit liability	\$	2,054,794

**(10) Notes Receivable**

**(a) City of Los Angeles Settlement**

In 1994, the City of Los Angeles undertook a series of studies to determine whether or not the Port received services from the City of Los Angeles for which the Port had not been inclusively billed. These studies, collectively referred to as the Nexus Study, were conducted under the auspices of the City Attorney. The studies found that the City of Los Angeles could have billed the Port for substantial amounts for services undertaken on behalf of the Port by the City or for City services conducted within the Harbor's jurisdiction.

It is and has been the policy of the Port to pay the City all of the amounts to which the City is entitled. In light of these studies, the Board of Harbor Commissioners adopted a resolution providing for the reimbursement to the City of Los Angeles of certain expenditures incurred by the City on behalf of the Port, but which had never been inclusively billed by the City to the Port. Under its resolution, the Board authorized the Port to make, and the Port paid to the City, two annual payments of \$20,000,000 for the 1994/95 and 1995/96 fiscal years. The Board further authorized the Executive Director to negotiate additional amounts as may be determined to be due, and accordingly, a memorandum of understanding with the City was executed on June 27, 1997 (1997 MOU).

The California State Lands Commission is responsible for oversight of the State's Tidelands Trust Lands. This Commission, together with the State Office of Attorney General, has expressed concerns regarding the methodologies employed in the studies and whether such transfers of monies from the Port to the City comply with the criteria for compliance with applicable State Tidelands Trust Land laws. Prior to the adoption of the above-referenced resolution, the State Lands Commission officials and the Attorney General requested the Board of Harbor Commissioners to postpone any decision involving these trust funds until an inquiry into the studies and transfers could be completed by the California State Lands Commission and Office of Attorney General. Subsequently, various organizations, including the Steamship Association of Southern California, which represents carriers using the Port, together with the California State Lands Commission and Office of Attorney General, have brought legal action against the City and Port regarding the Board of Harbor Commissioners' action.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

On January 19, 2001, the City of Los Angeles, along with the Port and the State Lands Commission, entered into a settlement and mutual release agreement to amicably resolve their disputes concerning the City's entitlement to historic and future reimbursements for costs the City incurred or would incur providing services to the Port. The settlement agreement provides that the City, as reimbursement for payments made by the Port to the City for retroactive billings for City services provided during the period July 1, 1977 through June 30, 1994, inclusive, pay the Port \$53,400,000 in principal plus 3% simple interest over a 15-year period.

The settlement agreement also provides that the City reimburse the Port for the payment differential, that amount representing the difference between the actual payments and the amount to which the City would have been entitled to reimbursement during fiscal year 1994-95 and fiscal year 2002-2003, inclusive, had the reimbursement been computed during each of those fiscal years using the settlement formula. This amount is estimated at \$8,352,000. Payment for this period is to be reimbursed to the Port over 15 years including 3% simple interest. The agreement also states that at any time after five years from January 19, 2001, the City, the Port, and State Lands Commission may negotiate to amend this agreement to account for new or changed circumstances.

The State, the City, and the Port agreed to mutually release and discharge the other from any and all claims, demands, obligations, and causes of action, of whatever kind or nature pertaining in any way to the use, payment, transfer, or expenditure for any of the services or facilities identified in the Nexus Study or the 1997 MOU and provided for during the period July 1, 1977 through June 30, 2002.

Accordingly, the Port of Los Angeles had recorded the amount due from the City of Los Angeles as a note receivable of \$47,888,000 and \$51,511,000 and a current portion of notes receivable of \$3,623,000 and \$3,516,000 as of June 30, 2004 and 2003, respectively.

**(b) Note Receivable – LAXT**

In August of 2001, LAXT issued a note to the Port to defer payment of \$2.0 million of the minimum annual rent required in their lease. This note provides for quarterly interest payments to be made to the Port until such time as the note is fully repaid on or before July 1, 2004. As of June 30, 2004, this note remains unpaid and the Port has reserved for the full amount outstanding.

**(c) Note Receivable – Yusen**

In order to settle the then outstanding \$2,350,867 terminal construction cost overruns, the Port agreed in 1994 that Yusen, one of the Port container terminal tenants, be permitted to pay over 22 years in equal monthly installments of \$106,857. To book accounting entries, an amortization schedule using a 5% interest rate was prepared and the note balance was adjusted to \$1,476,887, with the balance of \$873,980 recognized as the Port's fixed assets in FY 1995. The note matures in October 2015. The balance outstanding on the Yusen note is \$947,100 and \$1,003,769 at June 30, 2004 and 2003, respectively.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

**(11) Commitments and Contingencies**

Open purchase orders and uncompleted construction contracts amounted to approximately \$699,000,000 as of June 30, 2004. 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 \$14,000,000 from the federal government, for the purpose of constructing a marina. The Port has agreed to reimburse the federal government up to \$14,000,000 from excess revenues, if any, generated from marina operations, after the Port has recovered all costs of construction. No such payments were made in 2004 or 2003.

The Port has certain operating leases whose future minimum payments are insignificant.

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.

***Alameda Corridor Transportation Authority Agreement***

The City of Los Angeles and the City of Long Beach, acting by and through their respective Boards of Harbor Commissioners, created the Alameda Corridor Transportation Authority (ACTA) to construct and operate a rail transportation corridor between the Port and the Port of Long Beach (together, the "Ports") and downtown Los Angeles. The Alameda Corridor was constructed to expedite the movement of containers imported and exported from the Ports. The Alameda Corridor began operating on April 15, 2002.

Cargo handled at the Port is distributed throughout Southern California and the rest of the nation.

The Alameda Corridor Use and Operating Agreement entered into on October 12, 1998 (the "ACTA Operating Agreement") by the Ports, ACTA, the Union Pacific Railroad Company ("Union Pacific") and The Burlington Northern and Santa Fe Railway Company ("BNSF" and together with Union Pacific, the "Railroads") governs the administration, operation and maintenance of the Alameda Corridor, along with the collection and application of use fees, container charges, maintenance and operation charges and Shortfall Advances (defined herein). Financing for the Alameda Corridor is payable from the use fees and container charges, of the Railroads and the Shortfall Advances. The ACTA Operating Agreement requires the Ports, severally and not jointly, to make payments (the "Shortfall Advances") in the event the amount of use fees and container charges collected from the Railroads are not sufficient to make the debt service payments on financing for the Alameda Corridor. It has been estimated by ACTA that the Ports will be required to make Shortfall Advances totaling approximately \$20.5 million (the Ports each being liable for their one-half share of \$10.25 million) through 2027. Pursuant to the ACTA Operating Agreement, the Port is obligated to include any forecasted Shortfall Advances in its budget each fiscal year. The Port has not funded a reserve account to pay Shortfall Advances. No Shortfall Advances were payable by the Port in Fiscal Year 2002-2003 or Fiscal Year 2003-2004. For Fiscal Year 2004-2005 ACTA has estimated that the Port will not be required to fund any Shortfall Advances.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

In May 2004, ACTA issued \$475,292,386.40 Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2004A, and \$210,731,702.85 Taxable Subordinate Lien Revenue Refunding Bonds, Series 2004B. The Series 2004 Bonds were issued to prepay the outstanding balance of the Federal Loan of \$572,773,397.91, the proceeds of which financed a portion of the costs of the design and construction of the Project, to fund Debt Service Reserve Accounts for the Series 2004 Bonds, and pay certain costs of issuances of the Series 2004 Bonds.

**(12) Related Party Transactions**

During the normal course of business, the Port is charged for services provided and use of land owned by the City of Los Angeles, 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 \$29,430,000 and \$35,778,000 in fiscal years 2004 and 2003, respectively.

**(13) Capital Contributions**

Amounts either received or to be reimbursed for the restricted purpose of the acquisition, construction of capital assets, or other grant-related expenditures are recorded as capital contributions. During fiscal year 2004, the Port received \$21,000 in grant reimbursement from South Coast Air Quality Management District for certain vehicle purchases. The Port also expended \$846,000 during the year under the Container Inspection Facility grant project. Deletion in capital contributions occurred during the year by a transfer of \$2,500,000 to the City's Department of Public Works for the construction of the Port Access Demonstration projects. During the year ended June 30, 2004, the Port reported a net reduction in capital contributions of \$1,651,000 and grants receivable of \$1,484,000.

During fiscal year 2003, the Port received reimbursement of \$440,000 from FEMA to cover the Northridge earthquake damages and reimbursement of \$296,000 from the California Coastal Conservancy for the work performed by the Port for the promenade in San Pedro. Under a grant from the Federal Transportation Security Administration, the Port had expended \$650,000 during the year ended June 30, 2003 on the Container Inspection Facility project to improve security. During the year ended June 30, 2003, the Port reported total capital contributions of \$1,386,000 and grant receivable of \$2,671,000 in the accompanying statements of revenues, expenses, and changes in net assets.

**(14) Los Angeles Export Terminals**

Los Angeles Export Terminal (LAXT) is a 120-acre dry bulk facility that handles coal and petroleum coke destined for Asia and the Americas. When incorporated, LAXT's ownership was comprised of a coalition of 51% US firms involved in the coal chain and 49% Japanese utility, steel, and energy companies. Since LAXT's formation, the Port has made equity contributions of \$19 million and total account receivables due the Port from LAXT stand at \$30.1 million. Due to the decline in demand for coal and other factors, LAXT ceased its coal operation in year 2003.

**PORT OF LOS ANGELES  
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),  
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2004 and 2003

Beginning in fiscal year 2001, business conditions have been such that LAXT has been unable to meet its minimum rent guarantee to the Port. Accordingly, the Port has fully reserved for its \$19 million investment and all outstanding notes and other receivables due from LAXT.

**(15) Natural Resources Defense Council Settlement Judgment**

In March 2003, the Port of Los Angeles settled a lawsuit entitled: Natural Resources Defense Council, Inc. vs. City of Los Angeles regarding the environmental review of a Port project. The settlement calls for a total of \$50 million in mitigation measures to be undertaken by the Port. This \$50 million charge was recorded to expense in fiscal year 2003.

The terms of the agreement require that the Port fund various mitigation activities in the amount of \$10 million per year over a five-year term ending fiscal year 2007. To date, \$20 million has been placed in the mitigation funds and \$5 million disbursed as provided in accordance with the provisions of the settlement.

The Port is also obligated to expend up to \$5 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 2004, the Port has spent \$1.2 million for this program.

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

**PORT OF LOS ANGELES (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)  
SCHEDULE OF REVENUE TONNAGE BILLED**

Fiscal Years 2004 and 2003 (in thousands of metric revenue tons)

**(Unaudited)**

	FY 2004	FY 2003	Inc (Dec)	% Change
<b>GENERAL CARGO</b>				
Merchandise, NOS*	1,489	1,749	(260)	(14.9)
Bananas	-	88	(88)	(100.0)
Beer/Malt Liq. in Bottles/Cans	52	45	7	15.6
Bldg. Modules-Others	2	4	(2)	(50.0)
Cargo Vans, Merchandise	19,664	21,818	(2,154)	(9.9)
Cargo Vans, Empty	1,233	1,277	(44)	(3.4)
Coffee-Green in Bags	5	3	2	66.7
Fresh Fish	170	159	11	6.9
Fresh Fruits & Vegetables	374	419	(45)	(10.7)
Metals-Loose in Bundles	2,566	2,487	79	3.2
Liquids (Excluding Petroleum)	173	234	(61)	(26.1)
Lumber	6	6	-	0.0
Papers & Paper Products	63	54	9	16.7
U. S. Mails	-	1	(1)	(100.0)
Motor Vehicles	884	1,434	(550)	(38.4)
Vessel Stores	25	18	7	38.9
Meat	305	288	17	5.9
Appliances	4	9	(5)	(55.6)
Bicycles	347	358	(11)	(3.1)
Clothing, New NOS	3,390	3,620	(230)	(6.4)
Food or Food Prep. Cans/Bottles	274	392	(118)	(30.1)
Elec. Equip. LCL	6,039	5,869	170	2.9
Food or Food Prep. Dry/Deh	780	718	62	8.6
Footwear	81	94	(13)	(13.8)
Furniture NOS	845	496	349	70.4
House. Goods & Per. Effects	4,292	5,479	(1,187)	(21.7)
Motorcycles	103	50	53	106.0
Resins	510	737	(227)	(30.8)
Tires & Tubes	435	664	(229)	(34.5)
Specified Mdse in Vans, Etc.	7,044	7,271	(227)	(3.1)
Revenue tons from TEUs	95,433	79,995	15,438	19.3
Subtotal	146,588	135,836	10,752	7.9
Advance wharfage and accruals	(292)	(3,887)	3,595	92.5
<b>TOTAL GENERAL CARGO</b>	<b>146,296</b>	<b>131,949</b>	<b>14,347</b>	<b>10.9</b>
<b>DRY BULK</b>				
Bulk Coal, Coke, Etc.	2,547	2,937	(390)	(13.3)
Scrap Metal-Bulk	1,300	1,299	1	0.1
<b>TOTAL DRY BULK</b>	<b>3,847</b>	<b>4,236</b>	<b>(389)</b>	<b>(9.2)</b>
<b>TOTAL GENERAL CARGO AND DRY BULK</b>	<b>150,143</b>	<b>136,185</b>	<b>13,958</b>	<b>10.2</b>
<b>PETROLEUM:</b>				
Bulk Oil	5,405	5,219	186	3.6
Bunkers	1,677	1,846	(169)	(9.2)
Other Petroleum	4,843	4,291	552	12.9
<b>TOTAL PETROLEUM</b>	<b>11,925</b>	<b>11,356</b>	<b>569</b>	<b>5.0</b>
<b>TOTAL REVENUE TONS BILLED</b>	<b>162,068</b>	<b>147,541</b>	<b>14,527</b>	<b>9.8</b>

\* Includes merchandise in containers where TEU pricing is used.

**PORT OF LOS ANGELES (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)**  
**REVENUE TONNAGE BY TRADE ROUTE**  
 Fiscal Years 2004 and 2003  
 (Unaudited)

**Fiscal Year 2004**

Trade Routes	Inbound	Outbound	Total	% of Total Volume
Far East	90,584,008	52,420,554	143,004,562	88.2%
Domestic	5,855,688	2,952,257	8,807,945	5.4%
Australia & New Zealand	1,583,411	2,065,342	3,648,753	2.3%
W. Mexico, C. & W. S. America	1,925,118	151,639	2,076,757	1.3%
India, Persian Gulf & Red Sea	1,348,538	446,485	1,795,023	1.1%
Eastern South America	753,286	1,000	754,286	0.5%
Western Europe	885,186	75,134	960,320	0.6%
Caribbean	1,057,558	44,081	1,101,639	0.7%
Mediterranean	102,195	54,539	156,734	0.1%
Africa	53,407	393	53,800	0.0%
Total	104,148,395	58,211,424	162,359,819	100.2%
Advance Wharfage & Accruals			(291,881)	(0.2%)
Total	104,148,395	58,211,424	162,067,938	100.0%

**Fiscal Year 2003**

Trade Routes	Inbound	Outbound	Total	% of Total Volume
Far East	83,796,881	47,507,078	131,303,959	81.0%
Domestic	5,643,384	4,527,187	10,170,571	6.3%
Australia & New Zealand	1,339,514	1,664,294	3,003,808	1.9%
W. Mexico, C. & W. S. America	1,895,519	350,047	2,245,566	1.4%
India, Persian Gulf & Red Sea	1,618,032	351,581	1,969,613	1.2%
Eastern South America	970,870	17,174	988,044	0.6%
Western Europe	825,586	56,835	882,421	0.5%
Caribbean	526,177	85,327	611,504	0.4%
Mediterranean	146,952	12,067	159,019	0.1%
Africa	88,113	6,101	94,214	0.1%
Total	96,851,028	54,577,691	151,428,719	93.4%
Advance Wharfage & Accruals			(3,887,459)	(2.4%)
Total	96,851,028	54,577,691	147,541,260	91.0%

**PORT OF LOS ANGELES (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)  
FIVE-YEAR HIGHLIGHTS  
(Unaudited)**

	<b>FY 2004</b>	FY 2003	FY 2002	FY 2001	FY 2000
<b>Cash (\$Millions)</b>					
Cash Balance-Rev. Fund	<b>95.5</b>	65.2	60.2	201.2	166.5
Cash Balance-Restricted	<b>107.3</b>	97.1	87.2	82.7	77.3
<b>Property (\$Millions)</b>					
Total Property	<b>3,471.4</b>	3,346.0	3,120.2	2,810.9	2,675.5
Allowances for Depreciation	<b>64.2</b>	711.8	653.4	594.0	535.0
Net Property	<b>2,707.2</b>	2,634.2	2,466.8	2,216.9	2,140.5
<b>Construction and Maintenance (\$Millions)</b>					
Additions to Properties	<b>642,837</b>	381,005	304,854	145,264	542.3
Maintenance Expenses	<b>17.4</b>	15.2	13.4	12.4	13.1
<b>Employees</b>					
Salaries Paid	<b>48.9</b>	43.9	41.2	39.0	37.5
Number of Employees	<b>634</b>	594	557	542	541
<b>Bonds</b>					
Bonding Capacity (\$000s)**	<b>1,400,813</b>	1,156,966	1,510,978	1,484,202	1,574,000
Bond Coverage Ratio	<b>3.2</b>	3.1	3.8	3.8	3.3

**KEY STATISTICAL INFORMATION**

	<b>FY 2004</b>	FY 2003	FY 2002	FY 2001	FY 2000
<b>Rates</b>					
General Cargo Tariff Rate	<b>\$5.95</b>	\$5.67	\$5.67	\$5.67	\$5.67
Basic Dockage (600')	<b>\$2,348</b>	\$2,236	\$2,236	\$2,236	\$2,236
Required Rate of Return	<b>12%</b>	12%	12%	12%	12%
Containerized Cargo Volume (in millions of TEUs)	<b>7.35</b>	6.70	5.63	4.99	4.37
<b>Revenue Tons (million)</b>					
General Cargo	<b>146.3</b>	131.9	107.1	97.6	81.9
Liquid Bulk	<b>11.9</b>	11.4	12.9	10.9	12.5
Dry Bulk	<b>3.9</b>	4.2	6.2	5.4	7.1
Total	<b>162.1</b>	147.5	126.2	113.9	101.5
Vessel Arrivals	<b>2,812</b>	2,845	2,778	2,899	3,060
Cruise Passengers	<b>803,308</b>	1,057,293	1,099,552	1,073,357	1,110,053
Vehicles	<b>213,933</b>	347,067	314,986	312,248	388,619

\* Years ending June 30.

\*\* Assumes 1.25 coverage ratio and prevailing interest rates for debt financing.

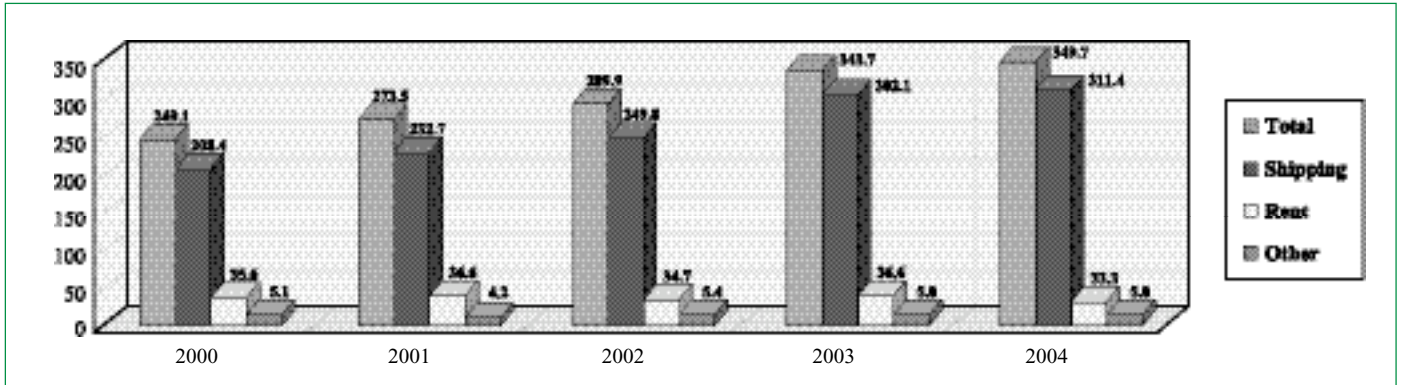


**PORT OF LOS ANGELES (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)**  
**CAPITAL DEVELOPMENT PROGRAM**  
Fiscal Year 2004/2005 (in thousands of dollars)  
**(As of 9/2/04)**

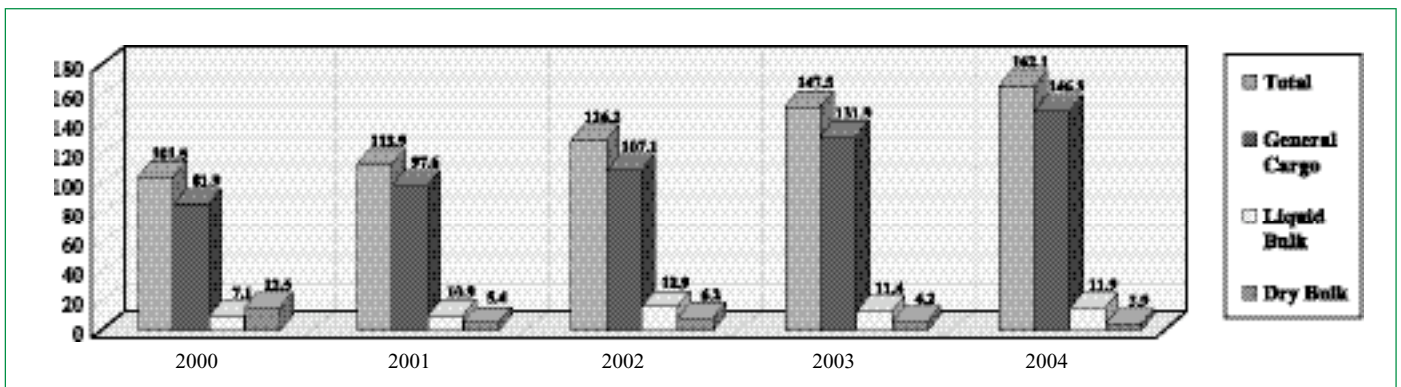
Project Description	Estimated Expenditure
Terminal Improvements, General	\$ 2,037
Minor Capital Projects	2,697
POLA Administrative Building Modifications	1,433
West Channel Recreation Complex	165
Environmental Assessment & Remediation	27,883
Container Cranes - General	1,445
World Cruise Center - General Improvements	5,934
Berth 161 - Maintenance - Yard Improvements	227
Anaheim St. Viaduct Reconstruction	27
Berths 97-115 Redevelopment	20,252
T.I. Container Terminal Facility	200
Port Police Boat	212
Construction of New Fire Boats	51
Port Pilot Station Facility	19
West Channel Cabrillo Beach Recreation Complex - Phase II	2,846
Harry S. Bridges Blvd. Improvement	1,631
Berths 132-147 Terminal Improvements	3,755
2020 Plan - Studies & Reports	38
Pier 300 - Wharf & Backland Improvements	20,888
Pier 300 - ICTF and Railroad Improvements	45
Pier 400 - Dredging, Landfill and Terminal Development	20,399
Pier 400 - Environmental Mitigation Projects - Batiquitos/Others	661
Berths 225-236 Container Terminal Redevelopment	2,761
Berths 206-209 Terminal Upgrade	2,041
Berths 171-173 Facilities Improvements	568
Main Channel Deepening	18,493
Pier A Street Yard Redevelopment	539
Berths 115-131 Redevelopment	3,899
Waterfront Red Car Line	2,621
Future Port Development	9,355
Berths 212-225 Backland Development	526
B. 161 New Derrick Barge	2,500
Harbor Wide Beautification Projects	2,884
Inner Cabrillo Beach Water Quality Improvement	3,456
San Pedro Waterfront Development	28,429
Berth 240Y & B. 262 Auto Storage Lots	5
Berth 195-199 Container Terminal Development	170
Port-Wide Transportation Improvements	4,151
Berth 49-50 Sediment Removal	6,032
California Maritime Studies Center	70
Pacific Energy Liquid Bulk Terminal	595
Radiation Portal Monitor	33
Port Security	1,516
Port-Wide Wharf Upgrade Program	168
LA Port Police Headquarters	1,839
San Pedro Harbor Area	399
Ports-O-Call	509
Alternative Maritime Power Port-wide	1,538
B. 171-181 Terminal Redevelopment	793
Supplemental Eng./Arch.Services	18,307
<b>Total Estimated Capital Improvement Program Cost</b>	<b>\$ 227,042</b>

**PORT OF LOS ANGELES (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)**

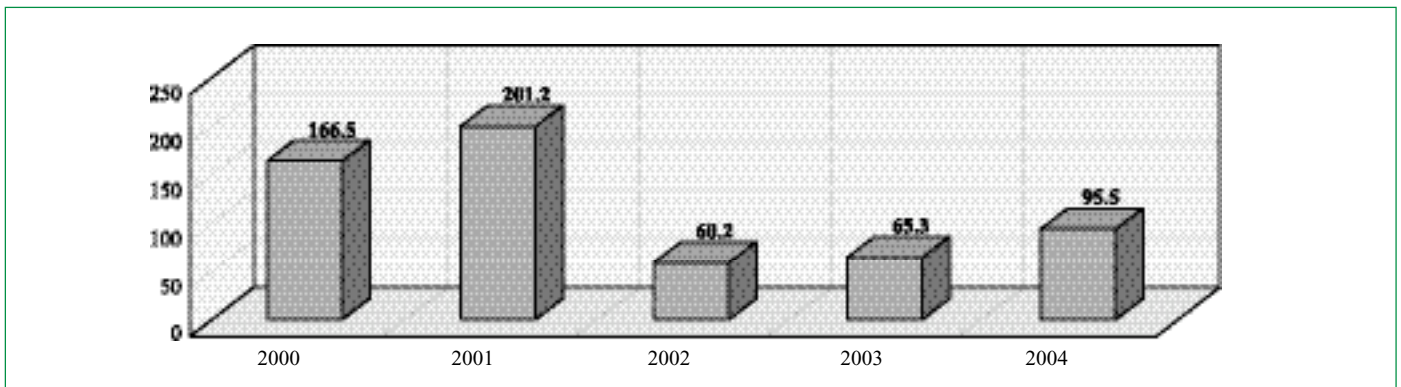
**OPERATING REVENUE – Fiscal Years 2000 through 2004 (in millions of dollars)**



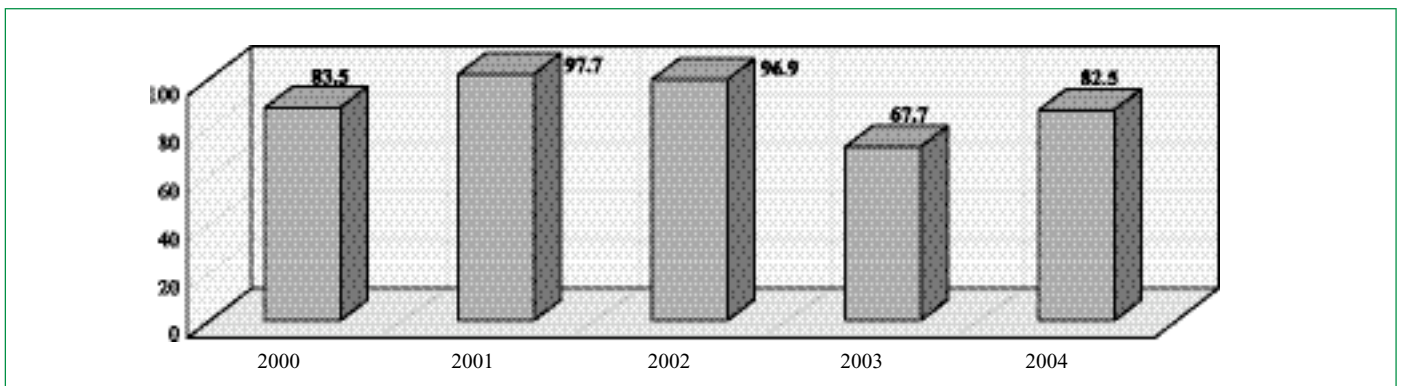
**REVENUE TONS – Fiscal Years 2000 through 2004 (in millions of metric revenue tons)**



**CASH BALANCE – HARBOR REVENUE FUND – Fiscal Years 2000 through 2004 (in millions of dollars)**

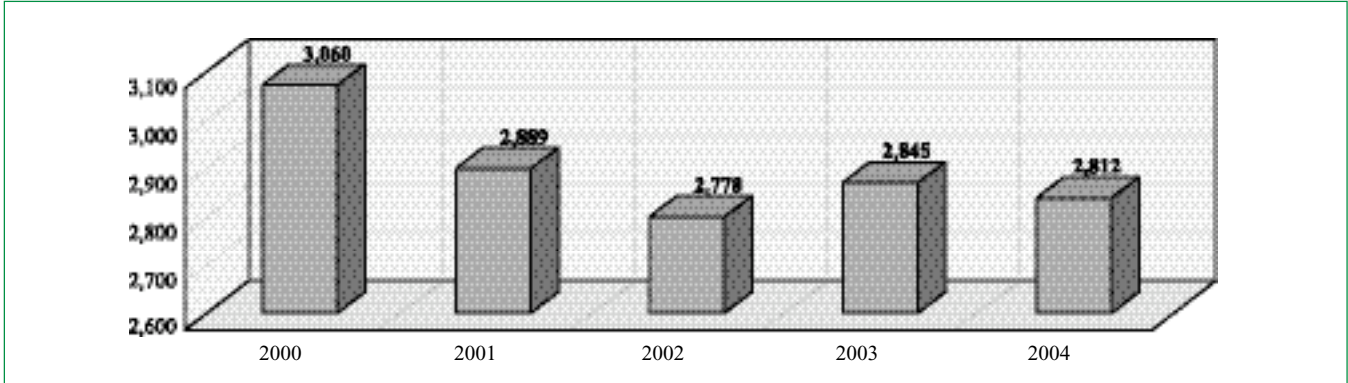


**NET INCOME – Fiscal Years 2000 through 2004 (in millions of dollars)**

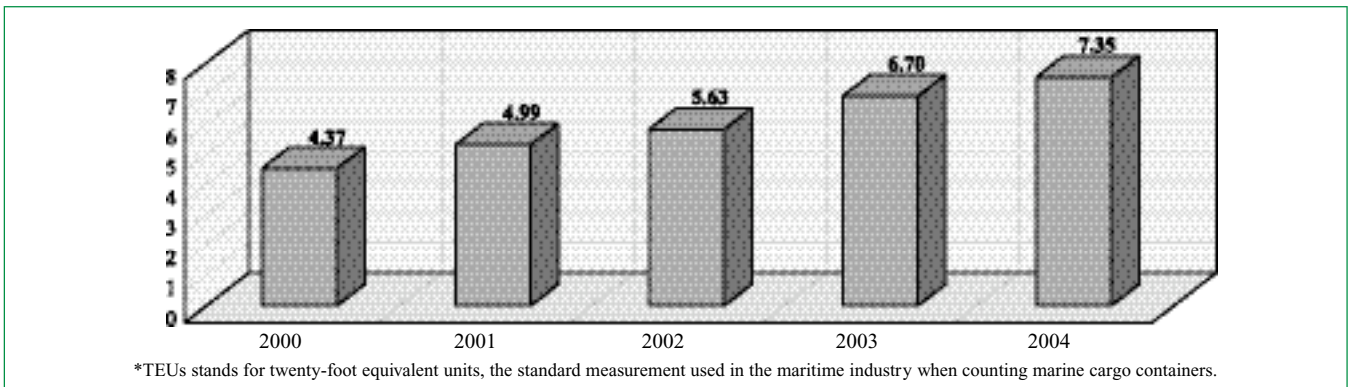


**PORT OF LOS ANGELES (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)**

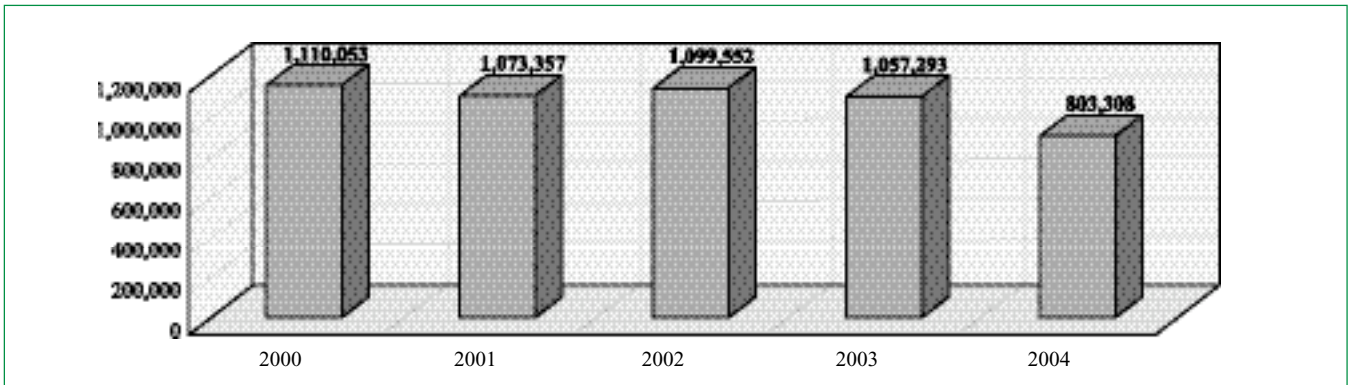
**VESSEL ARRIVALS – Fiscal Years 2000 through 2004**



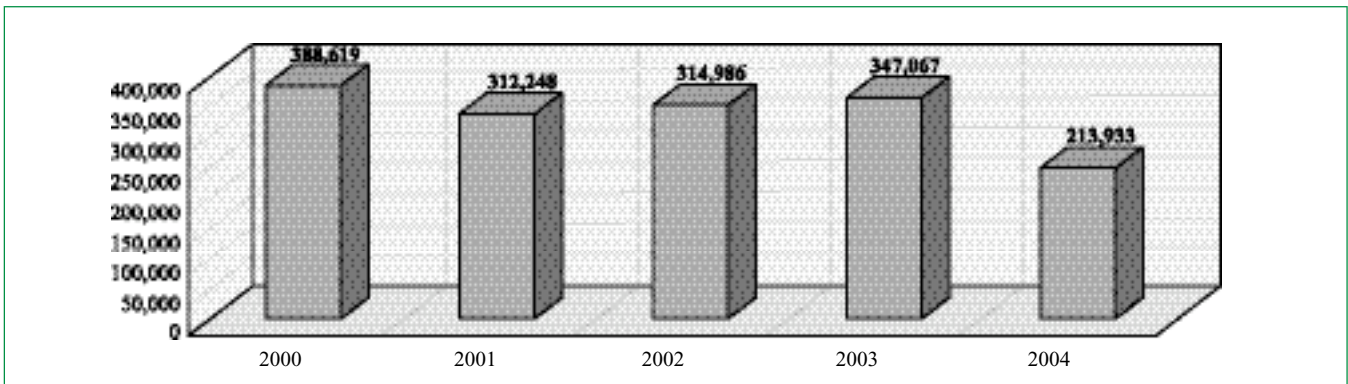
**CONTAINERIZED CARGO VOLUME – Fiscal Years 2000 through 2004 (in millions of TEUs\*)**



**CRUISE PASSENGERS – Fiscal Years 2000 through 2004**



**VEHICLES – Fiscal Years 2000 through 2004**





**For additional financial information, please contact:**

Molly Campbell  
Chief Financial Officer  
Port of Los Angeles  
425 S. Palos Verdes Street  
San Pedro, CA 90731  
Phone: (310) 732-3827

Separate financial statements for ACTA may be obtained from the  
Controller

Alameda Corridor Transportation Authority  
One Civic Plaza Drive, Suite 650  
Carson, CA 90745

Separate financial statements for ICTF may be obtained from the

Executive Director  
Port of Long Beach  
925 Harbor Plaza  
Long Beach, CA 90802

Separate financial statements for LAXT may be obtained from the  
General Manager

LAXT  
Post Office Box 1769  
San Pedro, CA 90733



# Port of Los Angeles

425 South Palos Verdes Street • Post Office Box 151 • San Pedro, California 90733-0151  
Tel/TDD: (310) SEA-PORT • [www.portoflosangeles.org](http://www.portoflosangeles.org)

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services, and activities.

