



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

“FOR INFORMATION ONLY”

DATE: NOVEMBER 16, 2018

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2018/19 ENDED OCTOBER 31, 2018**

Financial performance results for the first four months of Fiscal Year (“FY”) 2018/19 are below and have been summarized relative to both budget and the prior fiscal year. For the month of October, cargo volumes (as measured by TEUs or twenty-foot equivalent units) increased 27.2% relative to October 2017, and fiscal year-to-date (“FYTD”) TEUs are now 8.1% higher relative to prior FYTD results. In summary, FYTD performance results for the Harbor Department are as follows:

FYTD October 2018	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	3,414	↑ 6.0%	↑ 8.1%
Operating Revenues	\$166.8	↓ (3.0%)	↓ (3.4%)
Operating Expenses	\$74.3	↓ (19.5%)	↑ 4.7%
Operating Income	\$92.5	↑ 16.0%	↓ (9.0%)
Net Income	\$50.5	↑ 164.3%	↑ 1.1%

Through the first four months of FY 2018/19, Shipping Services revenues declined relative to both budget and the prior fiscal year due to higher accruals for year-end compensation adjustments. Relative to budget and the prior fiscal year, total Operating Revenues decreased by 3.0% and 3.4% respectively as lower Shipping Services and higher credits for tenant services were only partially offset by higher Harbor Maintenance Tax receipts and higher rental revenues.

Operating Expenses were favorably impacted as invoicing delays with respect to outside services and other operating expenses as well as lower headcounts and lower electricity costs drove total Operating Expenses 19.5% below budget. Relative to the prior fiscal

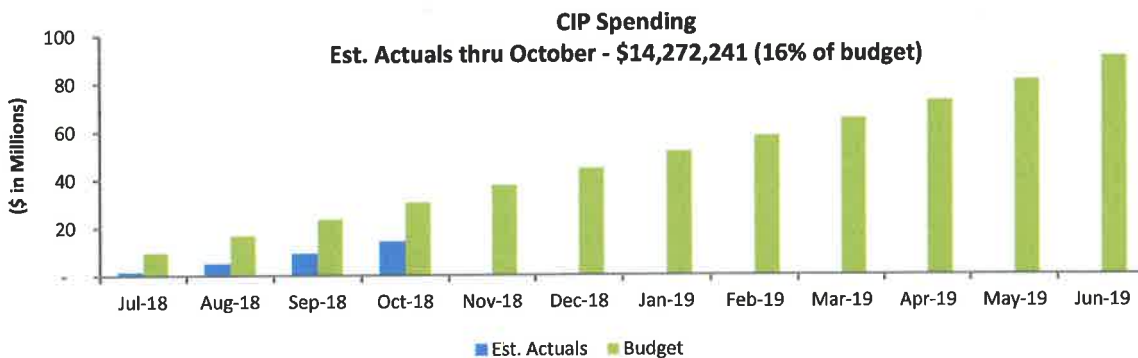
SUBJECT: FINANCIAL PERFORMANCE RESULTS

year, total Operating Expenses increased by 4.7% due to higher city services and higher outside services spending.

Operating margins for the FYTD period were reported at 55.4% versus a budget of 46.3% and a prior year figure of 58.9%. However, it is important to note that as vacancies are filled, and, as invoicing issues are resolved, operating expenses are anticipated to trend towards budget as FY 2018/19 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended October 31, 2018 based on internal estimates reached \$14.3 million or about 16% of the total \$91.0 million CIP adopted budget. At this early stage in the fiscal year, the Harbor Department currently expects to stay within the CIP adopted budget through fiscal year-end.



Mark Bleavin FOR

EUGENE D. SEROKA
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD October 2018
2. Actual-to-Budget FY 2018/19 – October
3. Year-to-Year Performance Report YTD October 31, 2018 and 2017

Author: M. Marchese

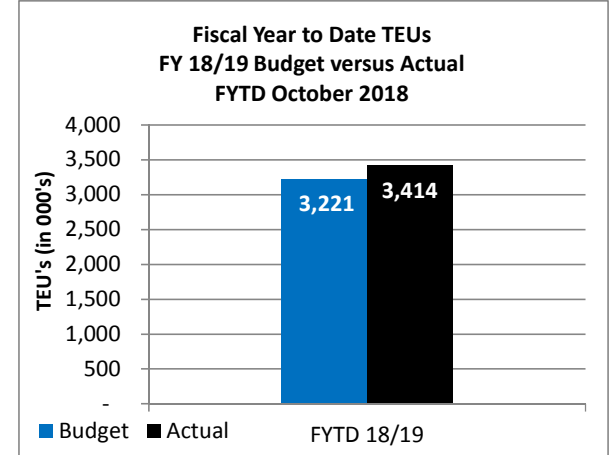
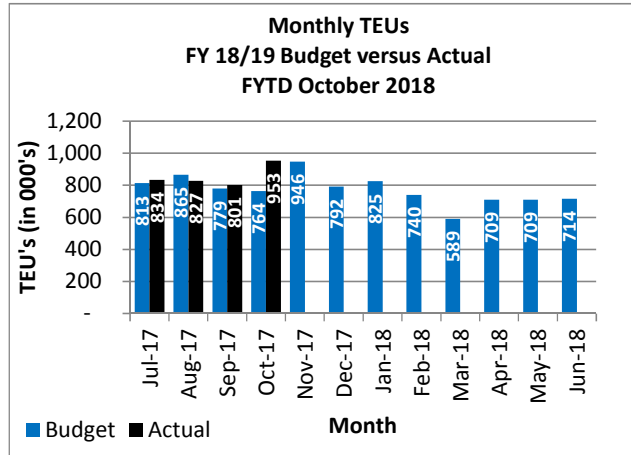
MB:MM/Finance
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - FYTD OCTOBER 2018

TRANSMITTAL 1

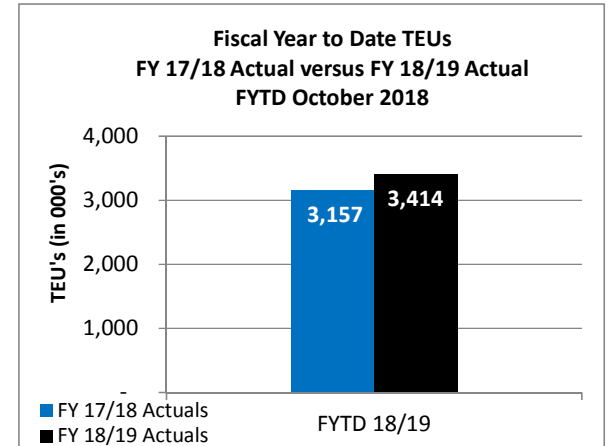
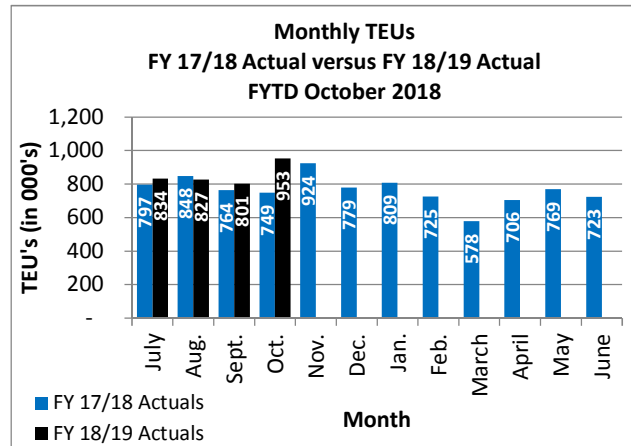
Budget versus Actuals Comparison
FY 18/19 Budget vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 18/19 Budget	FY 18/19 Actuals		
Jul-17	813	834	2.6%	↑
Aug-17	865	827	-4.5%	↓
Sep-17	779	801	2.9%	↑
Oct-17	764	953	24.7%	↑
Nov-17	946			
Dec-17	792			
Jan-18	825			
Feb-18	740			
Mar-18	589			
Apr-18	709			
May-18	709			
Jun-18	714			
FYTD 18/19	3,221	3,414	6.0%	↑
FY 18/19 Budget	9,244			



Year-to-Year Actuals Comparison
FY 17/18 Actuals vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 17/18 Actuals	FY 18/19 Actuals		
July	797	834	4.6%	↑
Aug.	848	827	-2.5%	↓
Sept.	764	801	4.9%	↑
Oct.	749	953	27.2%	↑
Nov.	924			
Dec.	779			
Jan.	809			
Feb.	725			
March	578			
April	706			
May	769			
June	723			
FYTD 18/19	3,157	3,414	8.1%	↑
FY 17/18 Actuals	9,170			



\$ in thousands	Fiscal Year Actual	Fiscal Year Budget	Actual-to-Budget	
	FY 2018/19	FY 2018/19	Comparison	
	Fiscal YTD - Oct. 2018	Fiscal YTD - Oct. 2018	\$	%
Operating Revenues				
Shipping Services	134,263	145,645	(11,382)	(7.8%)
Rentals	23,879	19,968	3,911	19.6%
Royalties, Fees and Other Revenues	7,837	5,658	2,180	38.5%
Clean Truck Program Revenues	812	760	52	6.8%
Total Operating Revenues	166,791	172,030	(5,239)	(3.0%)
Operating Expenses				
Gross Salaries & Benefits	47,502	52,535	(5,032)	(9.6%)
Capitalization	(7,627)	(4,488)	(3,138)	69.9%
Net Salaries & Benefits	39,876	48,046	(8,171)	(17.0%)
Marketing & Public Relations	1,120	1,329	(209)	(15.7%)
Travel	295	395	(100)	(25.3%)
Outside Services	6,849	15,988	(9,140)	(57.2%)
Materials & Supplies	1,903	3,050	(1,147)	(37.6%)
City Services	16,112	17,439	(1,326)	(7.6%)
Allocations to Capital - Overhead		(4,412)	4,412	(100.0%)
Other Operating Expenses	8,076	10,108	(2,032)	(20.1%)
Clean Truck Program Expenses	104	356	(253)	(70.9%)
Total Operating Expenses	74,335	92,300	(17,965)	(19.5%)
Income Before Depreciation	92,455	79,730	12,726	16.0%
Provision For Depreciation	50,333	58,538	(8,205)	(14.0%)
Income From Operations	42,123	21,192	20,931	98.8%
Non-Operating Revenue	9,409	3,543	5,866	165.6%
Non-Operating Expenses	(1,066)	(5,643)	4,576	(81.1%)
Net Income	50,466	19,092	31,373	164.3%

\$ in thousands	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2018/19	FY 2017/18	Change	
	Fiscal YTD - Oct. 2018	Fiscal YTD - Oct. 2017	\$	%
Operating Revenues				
Shipping Services	134,263	141,610	(7,347)	(5.2%)
Rentals	23,879	22,467	1,412	6.3%
Royalties, Fees and Other Revenues	7,837	7,716	121	1.6%
Clean Truck Program Revenues	812	794	18	2.2%
Total Operating Revenues	166,791	172,587	(5,796)	(3.4%)
Operating Expenses				
Gross Salaries & Benefits	47,502	48,712	(1,210)	(2.5%)
Capitalization	(7,627)	(7,498)	(128)	1.7%
Net Salaries & Benefits	39,876	41,214	(1,338)	(3.2%)
Marketing & Public Relations	1,120	1,124	(4)	(0.3%)
Travel	295	274	21	7.6%
Outside Services	6,849	4,667	2,182	46.7%
Materials & Supplies	1,903	1,766	138	7.8%
City Services	16,112	13,578	2,534	18.7%
Other Operating Expenses	8,076	8,192	(116)	(1.4%)
Clean Truck Program Expenses	104	184	(81)	(43.8%)
Total Operating Expenses	74,335	70,999	3,336	4.7%
Income Before Depreciation	92,455	101,587	(9,132)	(9.0%)
Provision For Depreciation	50,333	54,063	(3,731)	(6.9%)
Income From Operations	42,123	47,524	(5,401)	(11.4%)
Non-Operating Revenue	9,409	5,100	4,309	84.5%
Non-Operating Expenses	(1,066)	(2,727)	1,661	(60.9%)
Net Income	50,466	49,897	569	1.1%