



## AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

### “FOR INFORMATION ONLY”

**DATE: FEBRUARY 12, 2019**

**TO: BOARD OF HARBOR COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR  
FISCAL YEAR 2018/19 ENDED JANUARY 31, 2019**

Financial performance results for the first seven 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 January, cargo volumes (as measured by TEUs or twenty-foot equivalent units) increased 5.4% relative to January 2018, and Fiscal year-to-date (“FYTD”) TEUs are now 5.9% higher relative to prior FYTD results. In summary, FYTD performance results for the Harbor Department are as follows:

<b>FYTD January 2019</b>	<b>Actuals</b> (Cargo Volumes in Thousands, \$ in Millions)	<b>Actual-to- Budget Comparison</b>	<b>Year-on-Year Comparison</b>
<b>Cargo Volumes</b>	6,002	↑ 3.8%	↑ 5.9%
<b>Operating Revenues</b>	\$299.2	↓ (4.8%)	↓ (4.0%)
<b>Operating Expenses</b>	\$133.1	↓ (15.8%)	↑ 8.8%
<b>Operating Income</b>	\$166.1	↑ 6.5%	↓ (12.2%)
<b>Net Income</b>	\$120.1	↑ 103.4%	↑ 19.6%

Through the first seven months of FY 2018/19, Shipping Services revenues declined relative to both budget and the prior fiscal year due to higher accruals for calendar year-end compensation adjustments and lower realized rates. Relative to budget and the prior fiscal year, total Operating Revenues decreased by 4.8% and 4.0% respectively as lower Shipping Services and higher credits for tenant services were only partially offset by higher rental revenues, higher Harbor Maintenance Tax receipts and higher utility reimbursements.

Operating Expenses were favorably impacted as invoicing delays with respect to outside services as well as lower headcounts drove total Operating Expenses 15.8% below budget. Relative to the prior fiscal year, total Operating Expenses increased by 8.8% due

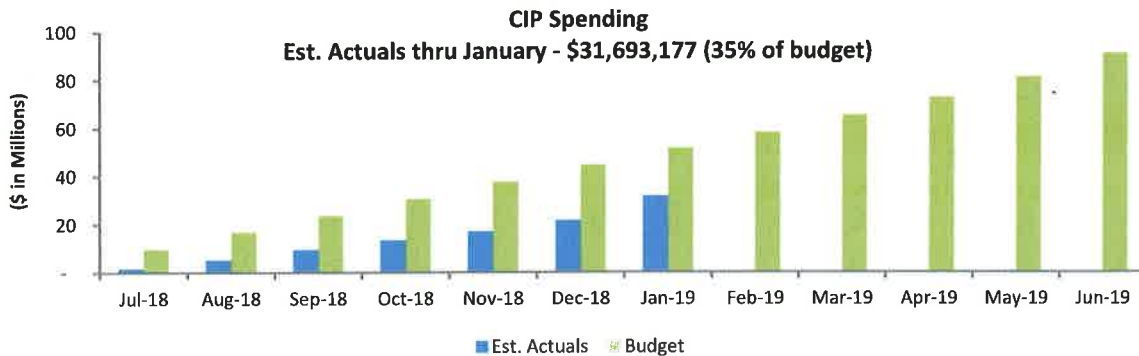
SUBJECT: FINANCIAL PERFORMANCE RESULTS

to higher city services spending, higher outside services as well as higher cruise incentive payouts.

Operating margins for the FYTD period were reported at 55.5% versus a budget of 49.7% and a prior year figure of 60.7%. 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 January 31, 2019 based on internal estimates reached \$31.7 million or about 35% of the total \$91.0 million CIP adopted budget. At this stage in the fiscal year, the Harbor Department currently expects to stay within the CIP adopted budget through fiscal year-end.



*Marla Bleavins*

MARLA BLEAVINS  
Deputy Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD January 2019
2. Actual-to-Budget FY 2018/19 – January
3. Year-to-Year Performance Report YTD January 31, 2019 and 2018

Author: M. Marchese

JS:MM/Finance

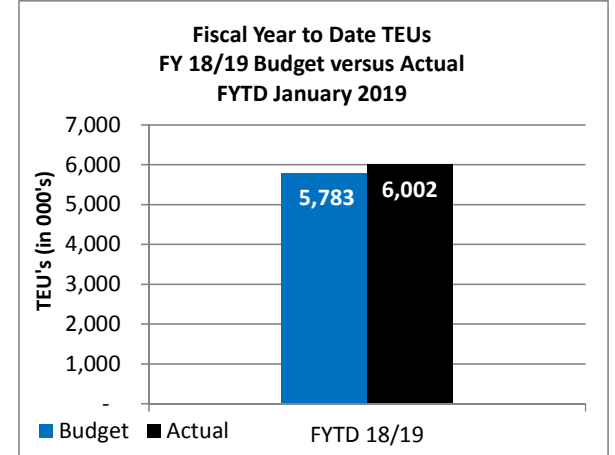
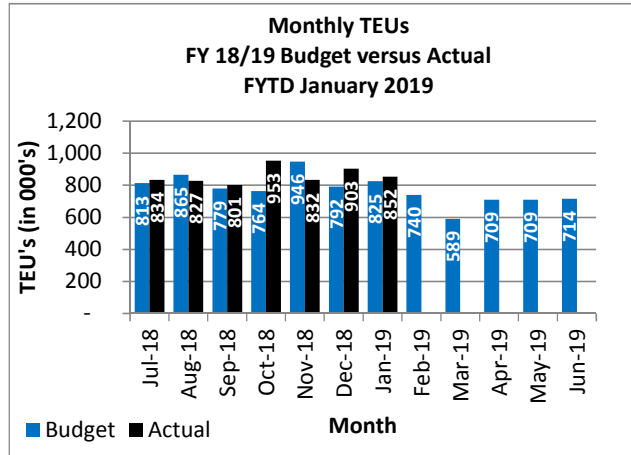
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES  
TEU THROUGHPUT COMPARISON - FYTD JANUARY 2019

TRANSMITTAL 1

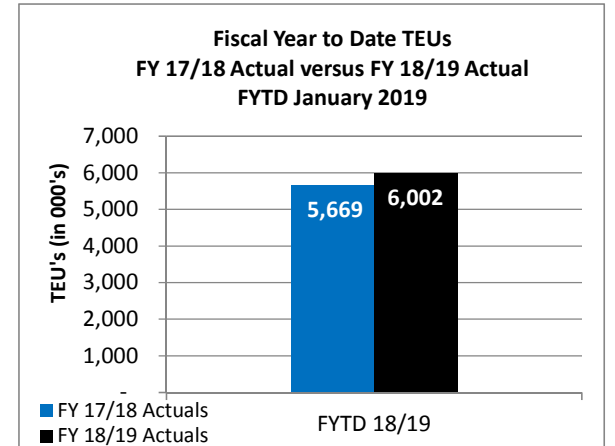
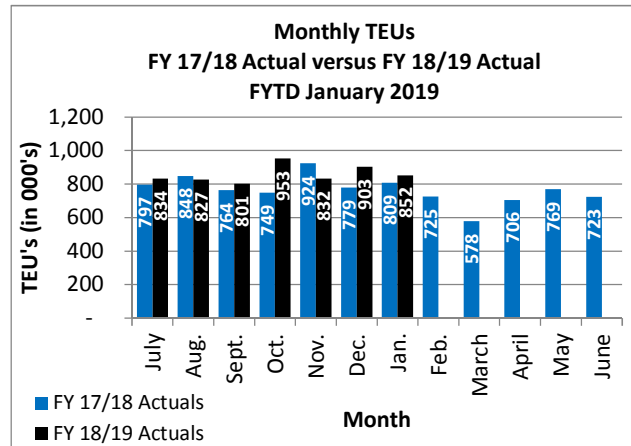
Budget versus Actuals Comparison  
FY 18/19 Budget vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 18/19 Budget	FY 18/19 Actuals		
Jul-18	813	834	2.6%	↑
Aug-18	865	827	-4.5%	↓
Sep-18	779	801	2.9%	↑
Oct-18	764	953	24.7%	↑
Nov-18	946	832	-12.0%	↓
Dec-18	792	903	14.1%	↑
Jan-19	825	852	3.3%	↑
Feb-19	740			
Mar-19	589			
Apr-19	709			
May-19	709			
Jun-19	714			
FYTD 18/19	5,783	6,002	3.8%	↑
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	832	-9.9%	↓
Dec.	779	903	15.9%	↑
Jan.	809	852	5.4%	↑
Feb.	725			
March	578			
April	706			
May	769			
June	723			
FYTD 18/19	5,669	6,002	5.9%	↑
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 - Jan. 2019	Fiscal YTD - Jan. 2019	\$	%
<b>Operating Revenues</b>				
Shipping Services	243,229	263,620	(20,390)	(7.7%)
Rentals	42,614	35,754	6,860	19.2%
Royalties, Fees and Other Revenues	12,476	13,567	(1,091)	(8.0%)
Clean Truck Program Revenues	854	1,164	(310)	(26.6%)
<b>Total Operating Revenues</b>	<b>299,173</b>	<b>314,105</b>	<b>(14,932)</b>	<b>(4.8%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	80,606	91,289	(10,683)	(11.7%)
Capitalization	(13,192)	(7,855)	(5,337)	67.9%
Net Salaries & Benefits	67,414	83,435	(16,021)	(19.2%)
Marketing & Public Relations	1,751	2,442	(691)	(28.3%)
Travel	349	586	(237)	(40.5%)
Outside Services	15,213	25,856	(10,643)	(41.2%)
Materials & Supplies	3,262	4,947	(1,685)	(34.1%)
City Services	28,928	30,567	(1,639)	(5.4%)
Allocations to Capital - Overhead		(7,721)	7,721	(100.0%)
Other Operating Expenses	15,900	17,329	(1,430)	(8.2%)
Clean Truck Program Expenses	246	631	(386)	(61.1%)
<b>Total Operating Expenses</b>	<b>133,063</b>	<b>158,074</b>	<b>(25,010)</b>	<b>(15.8%)</b>
<b>Income Before Depreciation</b>	<b>166,110</b>	<b>156,031</b>	<b>10,079</b>	<b>6.5%</b>
Provision For Depreciation	81,991	102,441	(20,450)	(20.0%)
<b>Income From Operations</b>	<b>84,119</b>	<b>53,590</b>	<b>30,529</b>	<b>57.0%</b>
Non-Operating Revenue	44,019	16,651	27,368	164.4%
Non-Operating Expenses	(8,042)	(11,195)	3,153	(28.2%)
<b>Net Income</b>	<b>120,095</b>	<b>59,046</b>	<b>61,050</b>	<b>103.4%</b>

\$ in thousands	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2018/19	FY 2017/18	Change	
	Fiscal YTD - Jan. 2019	Fiscal YTD - Jan. 2018	\$	%
<b>Operating Revenues</b>				
Shipping Services	243,229	261,699	(18,470)	(7.1%)
Rentals	42,614	39,028	3,585	9.2%
Royalties, Fees and Other Revenues	12,476	9,608	2,869	29.9%
Clean Truck Program Revenues	854	1,228	(374)	(30.4%)
<b>Total Operating Revenues</b>	<b>299,173</b>	<b>311,563</b>	<b>(12,390)</b>	<b>(4.0%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	80,606	79,663	942	1.2%
Capitalization	(13,192)	(11,832)	(1,360)	11.5%
Net Salaries & Benefits	67,414	67,831	(417)	(0.6%)
Marketing & Public Relations	1,751	2,027	(276)	(13.6%)
Travel	349	426	(77)	(18.2%)
Outside Services	15,213	11,159	4,054	36.3%
Materials & Supplies	3,262	3,454	(192)	(5.6%)
City Services	28,928	23,125	5,803	25.1%
Other Operating Expenses	15,900	13,956	1,944	13.9%
Clean Truck Program Expenses	246	365	(120)	(32.7%)
<b>Total Operating Expenses</b>	<b>133,063</b>	<b>122,344</b>	<b>10,719</b>	<b>8.8%</b>
<b>Income Before Depreciation</b>	<b>166,110</b>	<b>189,219</b>	<b>(23,109)</b>	<b>(12.2%)</b>
Provision For Depreciation	81,991	94,615	(12,624)	(13.3%)
<b>Income From Operations</b>	<b>84,119</b>	<b>94,604</b>	<b>(10,485)</b>	<b>(11.1%)</b>
Non-Operating Revenue	44,019	10,081	33,937	336.6%
Non-Operating Expenses	(8,042)	(4,270)	(3,773)	88.4%
<b>Net Income</b>	<b>120,095</b>	<b>100,416</b>	<b>19,680</b>	<b>19.6%</b>