



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

“FOR INFORMATION ONLY”

DATE: AUGUST 22, 2017

TO: BOARD OF HARBOR COMMISSIONERS

SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR 2017/18 ENDED JULY 31, 2017

Financial performance results for the first month of the new Fiscal Year 2017/18 are below and have been summarized relative to both budget and the prior fiscal year. For the month of July, cargo volumes (as measured by TEUs or twenty-foot equivalent units) grew 15.8% relative to the prior fiscal year and represented an all-time, 110-year high for the month of July. In summary, performance results for the Harbor Department are as follows:

FYTD July 2017	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	797	↑ 7.2%	↑ 15.8%
Operating Revenues	\$40.3	↑ 0.5%	↑ 13.5%
Operating Expenses	\$16.1	↓ (17.8%)	↑ 5.8%
Operating Income	\$24.2	↑ 18.0%	↑ 19.2%
Net Income	\$12.6	↑ 82.4%	↑ 47.6%

These record cargo volumes led to an increase in Shipping Services relative to both budget and the prior fiscal year. Relative to budget, Total Operating Revenues increased by only 0.5% as the increase in Shipping Services was almost completely offset by a rental revenue invoicing delay, higher credits for tenant services as well as lower permit and fee income. Relative to the prior fiscal year, Total Operating Revenues increased by 13.5% as higher Shipping Services and higher rental revenues were slightly offset by lower permit and fee income and higher credits for tenant services.

Operating Expenses were favorably impacted as lower headcounts and invoicing delays with respect to outside services and other operating expense spending drove total

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SUBJECT: FINANCIAL PERFORMANCE RESULTS

Operating Expenses 17.8% below budget. Relative to the prior fiscal year, total Operating Expenses increased by 5.8% as lower average filled positions were more than offset by higher City Services expenses. City Services expenses were artificially inflated in July 2017 due to an early accrual of expenses related to Recreation and Parks services, and this early accrual will be right-sized once August financial performance results are released. Had this early accrual not occurred, total operating expenses would have fallen 35.5% below budget, and 17.0% below the prior fiscal year.

Operating margins for the month of July were reported at 60.1% versus a budget of 51.2% and a prior year figure of 57.2%. 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 2017/18 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended July 31, 2017 based on internal estimates reached \$5.0 million or about 5% of the total \$97.7 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 July 2017
2. Actual-to-Budget FY 2017/18 – July
3. Year-to-Year Performance Report YTD July 31, 2017 and 2016

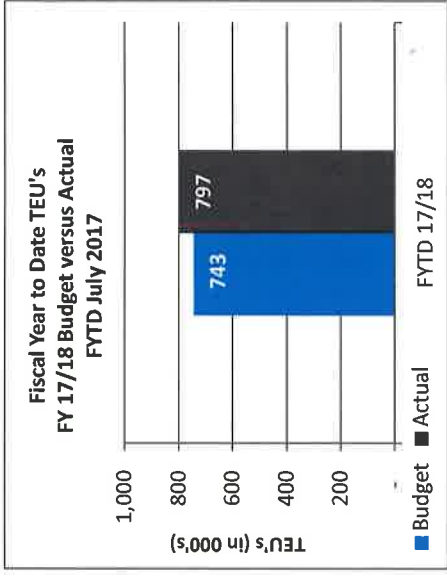
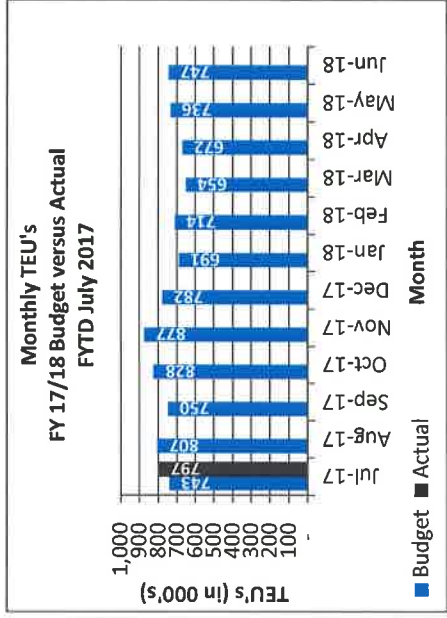
Author: M. Marchese

MB:MM/Finance

cc: Deputy Executive Directors

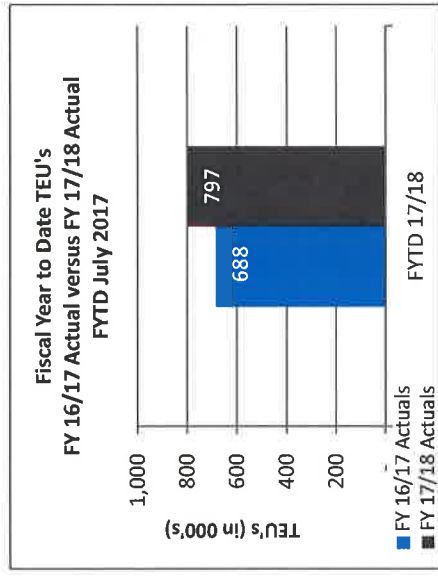
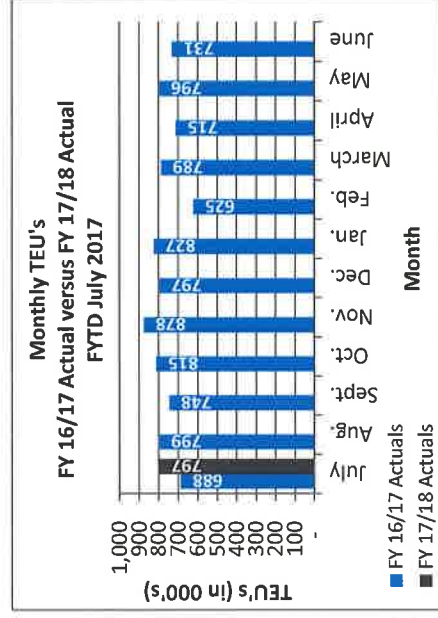
Budget versus Actuals Comparison
FY 17/18 Budget vs. FY 17/18 Actuals

(in 000's)	FY 17/18 Budget	FY 17/18 Actuals	% Δ	Δ
Month				
Jul-17	743	797	7.2%	↑
Aug-17	807			
Sep-17	750			
Oct-17	828			
Nov-17	877			
Dec-17	782			
Jan-18	691			
Feb-18	714			
Mar-18	654			
Apr-18	672			
May-18	736			
Jun-18	747			
FYTD 17/18	743	797	7.2%	↑
FY 17/18 Budget	9,000			



Year-to-Year Actuals Comparison
FY 16/17 Actuals vs. FY 17/18 Actuals

(in 000's)	FY 16/17 Actuals	FY 17/18 Actuals	% Δ	Δ
Month				
July	688	797	15.8%	↑
Aug.	799			
Sept.	748			
Oct.	815			
Nov.	878			
Dec.	797			
Jan.	827			
Feb.	625			
March	789			
April	715			
May	796			
June	731			
FYTD 17/18	688	797	15.8%	↑
FY 16/17 Actuals	9,206			



	Fiscal Year Actual		Fiscal Year Budget		Actual-to-Budget		Notes (\$ in millions)
	FY 2017/18	Fiscal YTD - July 2017	FY 2017/18	Fiscal YTD - July 2017	\$	%	
\$ in thousands							
Operating Revenues	33,228		31,022		2,206	7.1%	Higher than budgeted wharfage due to higher than budgeted TEUs \$1.9 and higher space assignment \$0.3
Shipping Services	6,118		7,111		(994)	(14.0%)	Lower than budgeted rent for PBF Energy due to an invoicing delay <\$1.1>, partially offset by higher than budgeted rent from other tenants \$0.1
Rentals					(985)	(60.3%)	Higher credits for tenant services <\$0.4>, lower permits and fees <\$0.3>, lower utility reimbursements <\$0.2> and lower railroad lease accruals <\$0.1>
Royalties, Fees and Other Revenues	648		1,633		(14)	(4.8%)	
Clean Truck Program Revenues	283		298		213	0.5%	
Total Operating Revenues	40,276		40,064				
Operating Expenses					(4,575)	(35.8%)	Lower average filled positions and lower average salaries, partially offset by higher overtime
Gross Salaries & Benefits	8,212		12,788		32	(2.6%)	Lower direct capitalization \$0.6, almost completely offset by overhead allocations <\$0.6>
Capitalization	(1,203)		(1,234)		(4,544)	(39.3%)	
Net Salaries & Benefits	7,010		11,553		(109)	(55.9%)	Lower promotional/advertising/sponsorships <\$0.1>
Marketing & Public Relations	86		195		(28)	(28.5%)	
Travel	79		107		(1,195)	(74.4%)	C&M invoicing delays <\$0.4>, dredging invoicing delays <\$0.2>, cruise terminal invoicing delays <\$0.2>, misc. invoicing delays <\$0.2>, IT invoicing delays <\$0.1> and overhead capitalization <\$0.1>
Outside Services	412		1,606		(163)	(32.6%)	C&M invoicing delays <\$0.1>
Materials & Supplies	337		500		2,845	72.5%	Early accrual of Recreation and Parks payment \$3.5 (this will be corrected in August), partially offset by overhead allocation <\$0.6>
City Services	6,768		3,923		1,143	(100.0%)	
Allocations to Capital - Overhead	1,377		(1,143)		(1,367)	(49.8%)	Higher aggregate overhead allocations <\$0.2>
Other Operating Expenses			2,745		(61)	(83.7%)	Lower electricity <\$0.5> environmental incentive invoicing delays <\$0.4>, lower water & gas <\$0.2>, telephone invoicing delays <\$0.1> and overhead allocations <\$0.1>
Clean Truck Program Expenses	12		73		(3,480)	(17.8%)	
Total Operating Expenses	16,080		19,559				
Income Before Depreciation	24,197		20,505		3,692	18.0%	
Provision For Depreciation	12,266		14,891		(2,625)	(17.6%)	
Income From Operations	11,931		5,613		6,318	112.5%	
Non-Operating Revenue	797		1,569		(773)	(49.2%)	Timing of passthrough grant receipts <\$1.1>, partially offset by higher interest income \$0.3
Non-Operating Expenses	(124)		(273)		149	(54.5%)	Delayed closing capital projects to expense \$0.2, partially offset by higher interest expense <\$0.1>
Net Income	12,603		6,910		5,694	82.4%	

Notes:
 (1) Allocations to capital - overhead are allocated to individual accounts within the presentation of actual results; however, these overhead allocations are not allocated to individual accounts for budgetary purposes. Allocations to capital - overhead for the fiscal year-to-date period totaled \$1.3 million relative to a budget of \$1.1 million.
 (2) Primarily for: Electricity \$0.9; Insurance \$0.2; Memberships/Subscriptions/Books \$0.1; Telephone \$0.1; Equipment Rental/Permits/Licenses/Fees \$0.1; Misc. \$0.1; Overhead Capitalization \$0.1
 (3) Primarily for: Interest Income \$0.7; Late Charges/Discounts/Misc. \$0.1
 (4) Primarily for: Interest Expense \$2.8; Capitalized Interest <\$2.8> - Commercial Paper Costs/Loss on Sale of Assets/Misc. \$0.1

	Current Fiscal Year		Prior Fiscal Year		Year-over-Year		Notes (\$ in millions)
	Fiscal YTD - July 2017	Fiscal YTD - July 2016	Fiscal YTD - July 2016	Fiscal YTD - July 2016	Change	%	
\$ in thousands							
Operating Revenues							
Shipping Services	33,228	28,641	4,587	16.0%	Higher overall wharfage \$4.0, higher dockage \$0.5 and higher pilotage \$0.3, partially offset by lower space assignments <\$0.2>		
Rentals	6,118	5,727	390	6.8%	Vopak CPI increase \$0.1, Shore Terminals holdover payment \$0.1, higher gross receipts at Westrec Marina \$0.1 and San Pedro Fish Markets gross receipt catch-up payment \$0.1		
Royalties, Fees and Other Revenues	648	829	(182)	(21.9%)	Lower misc. permits & fees <\$0.3> and higher credits for tenant services <\$0.1>, partially offset by higher utility reimbursements \$0.2		
Clean Truck Program Revenues	283	289	(6)	(1.9%)			
Total Operating Revenues	40,276	35,487	4,790	13.5%			
Operating Expenses							
Gross Salaries & Benefits	8,212	11,090	(2,878)	(26.0%)	Lower average filled positions and timing of salary and benefit accruals, partially offset by MOU salary increases		
Capitalization	(1,203)	(2,171)	968	(44.6%)	Lower direct capitalization \$0.7 and lower overhead allocations \$0.3		
Net Salaries & Benefits	7,010	8,919	(1,909)	(21.4%)			
Marketing & Public Relations	86	663	(577)	(87.1%)	Sponsorship invoicing delays <\$0.6>		
Travel	79	6	73	1278.7%	Lower Hiring Hall expenses <\$0.2>		
Outside Services	412	609	(198)	(32.4%)			
Materials & Supplies	337	247	90	36.6%			
City Services	6,768	3,256	3,512	107.9%	Early accrual of Recreation and Parks payment \$3.5 (this will be corrected in August)		
Other Operating Expenses	1,377	1,484	(107)	(7.2%)	Lower water & gas <\$0.2>, partially offset by higher electricity \$0.1		
Clean Truck Program Expenses	12	7	5	64.0%			
Total Operating Expenses	16,080	15,191	889	5.8%			
Income Before Depreciation	24,197	20,295	3,901	19.2%			
Provision For Depreciation	12,266	12,420	(155)	(1.2%)			
Income From Operations	11,931	7,875	4,056	51.5%			
Non-Operating Revenue	797	746	51	6.8%	Higher interest income \$0.2 and higher late charges/discounts/misc. \$0.1, partially offset by lower environmental insurance reimbursements (ACTA/Dominguez Oil Release) <\$0.2>		
Non-Operating Expenses	(124)	(81)	(43)	53.6%	Lower interest expense capitalization <\$0.6>, mostly offset by lower interest expense \$0.6		
Net Income	12,603	8,540	4,063	47.6%			

Notes:

- (1) Primarily for: Electricity \$0.9; Insurance \$0.2; Memberships/Subscriptions/Books \$0.1; Telephone \$0.1; Equipment Rental/Permits/License/Fees \$0.1; Misc. \$0.1; Overhead Capitalization (\$0.1)
- (2) Primarily for: Interest Income \$0.7; Late Charges/Discounts/Misc. \$0.1
- (3) Primarily for: Interest Expense \$2.8; Capitalized Interest <\$2.8>; Commercial Paper Costs/Loss on Sale of Assets/Misc. \$0.1