



“FOR INFORMATION ONLY”

DATE: FEBRUARY 10, 2016

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2015/16 ENDED JANUARY 31, 2016**

Financial performance results for the first seven months of Fiscal Year 2015/16 have been provided below and have been summarized relative to both budget and prior year. Cargo volumes (as measured by TEUs or twenty-foot equivalent units) in the month of January increased 33.0% relative to January 2015 such that cargo volumes for the Fiscal Year-to-Date (FYTD) period are now 3.0% above the prior FYTD period. However, it is worth noting that prior year cargo volumes, particularly cargo volumes observed in January and February 2015 had been severely negatively impacted by congestion throughout the San Pedro Bay port complex. In summary, performance results for the Harbor Department are as follows:

FYTD January 2016	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	4,961	↑ 1.0%	↑ 3.0%
Operating Revenues	\$ 244.4	↓ (0.8%)	↑ 0.9%
Operating Expenses	\$ 114.4	↓ (13.8%)	↑ 5.8%
Operating Income	\$ 130.0	↑ 14.3%	↓ (3.0%)
Net Income	\$ 38.9	↓ (1.2%)	↓ (40.8%)

FYTD total Operating Revenues have declined relative to budget as lower Shipping Services revenues and lower utility reimbursements were only partially offset by higher than budgeted land rentals and other revenues. Shipping Services revenues continue to trail budget due to the continuance of reduced volumes at terminals with higher TEU rates and increased volumes at terminals with lower TEU rates. The impact of these lower than budgeted Shipping Services revenues was partially mitigated by one-time settlements related to the September 2014 Pasha terminal fire, higher land rental compensation rate resets which have been completing at higher rental rates than

DATE: FEBRUARY 10, 2016

PAGE 2 OF 2

SUBJECT: FINANCIAL PERFORMANCE RESULTS

budgeted and higher rental rates resulting from Consumer Price Index escalators previously negotiated into existing leases. Relative to prior FYTD results, total Operating Revenues increased as higher wharfage, the receipt of one-time insurance proceeds and higher land rental rates were only partially offset by the recording of one-time catch-up payments in the prior fiscal year as well as lower utility reimbursements and lower space assignment revenues in the current fiscal year.

Total FYTD Operating Expenses were favorably impacted as lower average headcounts, lower than budgeted electricity expenses as well as timing differences with respect to outside services and other operating expense spending drove total FYTD Operating Expenses 13.8% below budget. Total FYTD Operating Expenses have increased by 5.8% relative to the prior fiscal year as Memorandum of Understanding salary increases, lower salary/outside services/overhead capitalization and higher city services expenditures more than offset salary savings from lower average headcounts.

Relative to budgeted figures, lower total Operating Expenses mitigated the unfavorable impact of lower total Operating Revenues such that FYTD operating margins were reported at 53.2% versus a budget of 46.1%. It is important to note that as vacancies are filled, and, as timing issues with respect to outside services and other operating expenses are resolved, total Operating Expenses may approach budget as FY 2015/16 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended January 31, 2016 based on internal estimates reached \$76.3 million or about 38% of the total \$198.8 million CIP adopted budget. Total projected Harbor Department CIP spending is currently expected to fall below the total CIP adopted budget by fiscal year-end.


EUGENE D. SEROKA
Executive Director

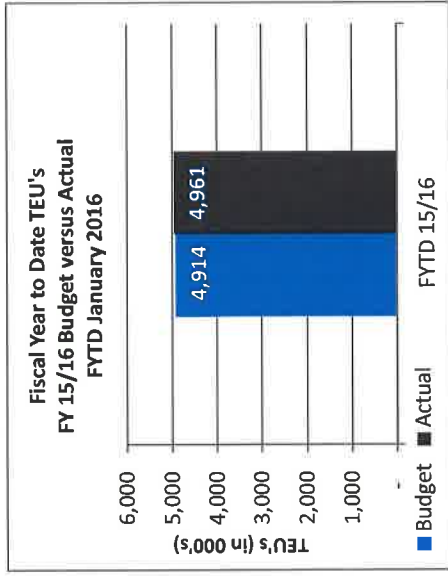
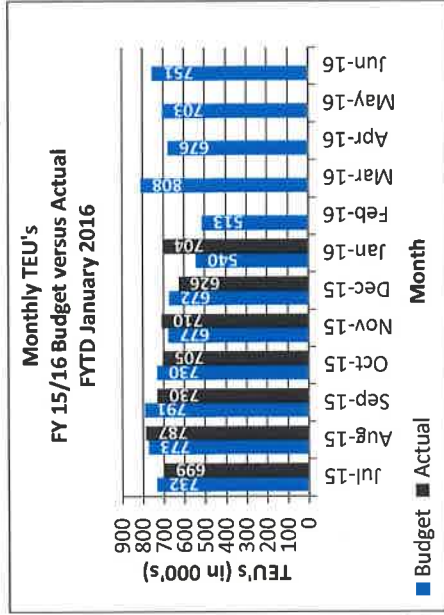
Transmittals:

1. TEU Throughput Comparison – FYTD January 2016
2. Actual-to-Budget FY 2015/16 – January
3. Year-to-Year Performance Report YTD January 31, 2016 and 2015


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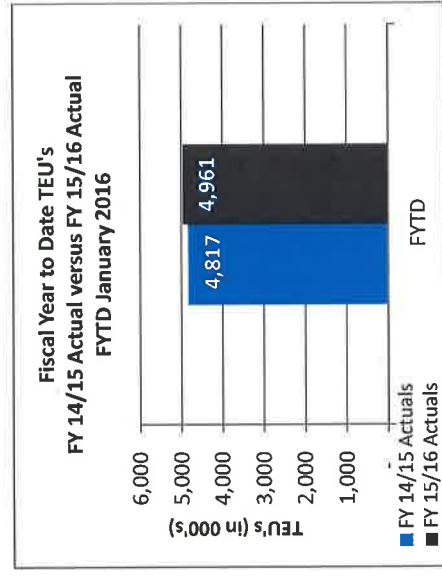
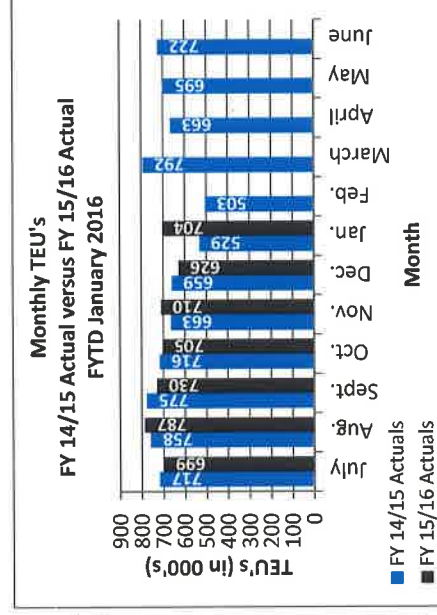
Budget versus Actuals Comparison
FY 15/16 Budget vs. FY 15/16 Actuals

(in 000's)	TEU's		% Δ
Month	FY 15/16 Budget	FY 15/16 Actuals	
Jul-15	732	699	-4.5%
Aug-15	773	787	1.8%
Sep-15	791	730	-7.6%
Oct-15	730	705	-3.5%
Nov-15	677	710	4.9%
Dec-15	672	626	-6.9%
Jan-16	540	704	30.5%
Feb-16	513		
Mar-16	808		
Apr-16	676		
May-16	703		
Jun-16	751		
FYTD 15/16	4,914	4,961	1.0%
FY 15/16 Budget	8,365		



Year-to-Year Actuals Comparison
FY 14/15 Actuals vs. FY 15/16 Actuals

(in 000's)	TEU's		% Δ
Month	FY 14/15 Actuals	FY 15/16 Actuals	
July	717	699	-2.5%
Aug.	758	787	3.8%
Sept.	775	730	-5.8%
Oct.	716	705	-1.6%
Nov.	663	710	7.0%
Dec.	659	626	-4.9%
Jan.	529	704	33.0%
Feb.	503		
March	792		
April	663		
May	695		
June	722		
FYTD	4,817	4,961	3.0%
FY 14/15 Actuals	8,191		



\$ in thousands	Fiscal Year Actual FY 2015/16		Fiscal Year Budget FY 2015/16		Actual-to-Budget Comparison		Notes (\$ in millions)
	Fiscal YTD - Jan. 2016	Fiscal YTD - Jan. 2016	Fiscal YTD - Jan. 2016	Fiscal YTD - Jan. 2016	\$	%	
Operating Revenues							
Shipping Services		201,760		211,204	(9,445)	(4.5%)	Land rentals budgeted as wharfrage <\$4.6>; higher volumes at terminals with lower overall TEU rates and lower volumes at terminals with higher overall TEU rates and timing of TEU rate adjustments at calendar year end <\$2.6>; lower space assignment than budgeted <\$2.2>
Rentals		28,518		22,929	5,588	24.4%	Primarily due to land rental income budgeted as wharfrage \$4.6, higher execution rate of compensation resets at higher rental rates than budgeted, and CPI escalations \$1.0
Royalties, Fees and Other Revenues		13,121		11,389	1,732	15.2%	Higher operating refunds & reimbursements of \$5.7 and parking fees \$0.6, partially offset by lower utility reimbursements <\$3.6> and higher credits for tenant services <\$1.0>
Clean Truck Program Revenues		1,032		948	84	8.8%	Higher annual truck fees and concession application fees than budgeted \$0.1
Total Operating Revenues		244,430		246,471	(2,041)	(0.8%)	
Operating Expenses							
Gross Salaries & Benefits	75,824		84,282		(8,458)	(10.0%)	Primarily due to lower average filled positions (891 vs. 940 budgeted)
Capitalization	(13,330)		(10,226)		(3,105)	30.4%	Overhead capitalization <\$5.4>, partially offset by lower direct capitalization \$2.3
Net Salaries & Benefits	62,494		74,057		(11,563)	(15.6%)	Timing of promotional, sponsorships and advertising <\$0.6> and overhead capitalization <\$0.2>
Marketing & Public Relations	1,571		2,322		(751)	(32.4%)	Timing of environmental assessment services <\$1.8>, timing of legal fees & services spending <\$1.8>, timing of Pan Pacific building demolition <\$1.7>, higher capitalization of C&M outside services <\$1.6>, timing of port security spending <\$0.6>, timing of waterfront and commercial real estate services <\$0.3>, timing of cargo marketing spending <\$0.2>, timing of government services <\$0.2>, timing of construction division's share of PICS and IT services payments <\$0.2> and overhead allocations <\$1.0>
Travel	340		675		(335)	(49.6%)	
Outside Services	10,700		20,116		(9,415)	(46.8%)	
Materials & Supplies	3,089		4,156		(1,067)	(25.7%)	Higher fire services \$1.4 and higher city attorney \$0.7, partially offset by overhead allocation <\$1.9>
City Services	22,145		22,055		90	0.4%	Lower aggregate overhead allocations \$1.0
(1) Allocations to Capital - Overhead		13,782		(10,449)	10,449	(100.0%)	Lower electricity <\$2.7>, higher overhead capitalization <\$0.7>, lower water/gas <\$0.5>, lower insurance <\$0.3> and lower telephone <\$0.2>, as well as timing of workers' compensation <\$0.9>, litigation <\$0.3> and bad debt <\$0.1> expenses, partially offset by timing of environmental incentive payments \$0.2
(2) Other Operating Expenses			19,280		(5,499)	(28.5%)	
Clean Truck Program Expenses		306		523	(217)	(41.5%)	
Total Operating Expenses		114,426		132,735	(18,308)	(13.8%)	
Income Before Depreciation		130,004		113,736	16,268	14.3%	
Provision For Depreciation		94,908		75,911	18,997	25.0%	
Income From Operations		35,096		37,825	(2,729)	(7.2%)	
(3) Non-Operating Revenue		6,531		4,678	1,853	39.6%	Higher interest/investment income \$2.7, higher rebates/late charges/discs/misc. \$0.6 and higher pass-through grant receipts \$0.2, partially offset by lower federal/state operating grants <\$1.7>
(4) Non-Operating Expenses		(2,777)		(3,165)	388	(12.3%)	Lower interest expense <\$0.6>, lower commercial paper costs <\$0.4>, lower misc. non-operating expenses <\$0.3> and lower capital projects closed to expense <\$0.2>, partially offset by lower interest capitalization \$0.4, bond redemption accounting adjustment \$0.3, higher bond issuance costs \$0.3 and higher pass-through grant disbursements \$0.2
Net Income		38,850		39,339	(489)	(1.2%)	

Notes:
 (1) Allocations to capital - overhead are allocated to individual 2-digit accounts within the presentation of actual results; however, these overhead allocations are not allocated to individual 2-digit accounts for budgetary purposes. Allocations to capital - overhead for the fiscal year-to-date period totaled \$9.5 million relative to a budget of \$10.5 million.
 (2) Primarily for: Electricity \$7.8; Insurance \$1.8; Water & Gas \$1.0; Telephone \$0.9; Environmental Incentives \$0.8; Litigation/Claims \$0.8; Equipment Rental/Permits/License/Fees \$0.7; Memberships/Subscriptions/Books \$0.6; Taxes & Assessments \$0.1; Overhead Allocations <\$0.7>
 (3) Primarily for: Interest/Investment Income \$4.5; Rebates/Late Charges/Discs/Misc. \$1.5; Federal/State Operating Grants \$0.3; Pass-through Grant Receipts \$0.2
 (4) Primarily for: Interest Expense \$24.5; Capitalized Interest <\$24.2>; Capital Projects Closed to Expense \$1.2; Commercial Paper Costs \$0.4; Bond Redemption Accounting Adjustment \$0.3; Bond Issuance Costs \$0.3; Pass-through Grant Disbursements \$0.2; Misc. Non-Op \$0.1

	Current Fiscal Year FY 2015/16		Prior Fiscal Year FY 2014/15		Year-over-Year Change		Notes (\$ in millions)
	Fiscal YTD - Jan. 2016	Fiscal YTD - Jan. 2015	Fiscal YTD - Jan. 2016	Fiscal YTD - Jan. 2015	\$	%	
\$ in thousands							
Operating Revenues							
Shipping Services	201,760	194,315	7,445	3.8%	Higher overall wharfrage \$8.5 (due to congestion in the prior year) and cruise ship lay day fees \$0.1, partially offset by lower space assignment <\$1.2>		
Rentals	28,518	31,622	(3,104)	(9.8%)	Prior year ICTF catch-up payments <\$4.7 (net)>, partially offset by higher land rental rates \$1.6		
Royalties, Fees and Other Revenues	13,121	13,839	(718)	(5.2%)	One-time BNSF/SCIG catch-up billing in the prior year <\$4.7>, lower utility reimbursements <\$1.3> and higher tenant credits <\$0.3>, partially offset by higher operating refunds/reimbursements \$5.1 and higher parking fees \$0.6		
Clean Truck Program Revenues	1,032	2,373	(1,341)	(56.5%)	Lower concession application fees <\$1.3>		
Total Operating Revenues	244,430	242,149	2,282	0.9%			
Operating Expenses							
Gross Salaries & Benefits	75,824	77,428	(1,604)	(2.1%)	Lower average filled positions (891 vs. 920 prior year) partially offset by MOU salary increases		
Capitalization	(13,330)	(15,557)	2,226	(14.3%)	Lower direct capitalization \$1.5 and lower overhead capitalization \$0.7		
Net Salaries & Benefits	62,494	61,871	623	1.0%			
Marketing & Public Relations	1,571	1,649	(78)	(4.8%)			
Travel	340	295	45	15.2%			
Outside Services	10,700	8,097	2,604	32.2%	Lower direct expense capitalization \$3.8, higher C&M building services \$0.4 and higher legal expenses \$0.2, partially offset by timing of environmental services <\$0.7>, timing of engineering services spending <\$0.4>, lower cruise terminal services <\$0.4> and higher overhead capitalization <\$0.3>		
Materials & Supplies	3,089	3,441	(352)	(10.2%)			
City Services	22,145	19,778	2,367	12.0%	Higher fire services \$1.8, higher city attorney \$1.2 and higher miscellaneous services \$0.3, partially offset by elimination of one-time paving expenses in the prior fiscal year <\$1.0>		
(1) Other Operating Expenses	13,782	12,605	1,177	9.3%	Timing of electricity accruals \$1.0, higher litigation/claims \$0.8, lower overhead capitalization \$0.7 and higher memberships/subscriptions/books \$0.1, partially offset by lower equipment rentals/purchases <\$0.6>, water & gas <\$0.5>, telephone expenses <\$0.2> and environmental incentives <\$0.1>		
Clean Truck Program Expenses	306	386	(80)	(20.7%)			
Total Operating Expenses	114,426	108,121	6,305	5.8%			
Income Before Depreciation	130,004	134,027	(4,023)	(3.0%)			
Provision For Depreciation	94,908	71,340	23,568	33.0%			
Income From Operations	35,096	62,687	(27,591)	(44.0%)			
Non-Operating Revenue	6,531	8,131	(1,600)	(19.7%)	Lower federal/state operating grants <\$3.0> and lower pass-through grant receipts <\$0.1> partially offset by higher interest/investment income \$0.8 and higher rebates/late charges/discounts/misc. \$0.7		
Non-Operating Expenses	(2,777)	(5,234)	2,457	(46.9%)	Lower capital projects closed to expense <\$1.6>, lower bond issuance costs <\$0.8>, higher interest capitalization <\$0.4>, lower commercial paper costs <\$0.3> and lower pass-through grant disbursements <\$0.1>, partially offset by higher interest expense \$0.5 and bond redemption accounting adjustment \$0.3		
Net Income	38,850	65,584	(26,734)	(40.8%)			

Notes:

- (1) Primarily for: Electricity \$7.8; Insurance \$1.8; Water & Gas \$1.0; Telephone \$0.9; Environmental Incentives \$0.8; Litigation/Claims \$0.8; Equipment Rental/Permits/License/Fees \$0.7; Memberships/Subscriptions/Books \$0.6; Taxes & Assessments \$0.1; Overhead Allocations <\$0.7>
- (2) Primarily for: Interest/Investment Income \$4.5; Rebates/Late Charges/Discounts/Misc. \$1.5; Federal/State Operating Grants \$0.3; Pass-through Grant Receipts \$0.2
- (3) Primarily for: Interest Expense \$24.5; Capitalized Interest <\$24.2>; Capital Projects Closed to Expense \$1.2; Commercial Paper Costs \$0.4; Bond Redemption Accounting Adjustment \$0.3; Bond Issuance Costs \$0.3; Pass-through Grant Disbursements \$0.2; Misc. Non-Op \$0.1