



**AUDIT COMMITTEE**

Report to the  
Board of Harbor Commissioners

**“FOR INFORMATION ONLY”**

**DATE: SEPTEMBER 28, 2022**

**TO: THE BOARD OF HARBOR COMMISSIONERS**

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR ENDED JUNE 30, 2022**

**SUMMARY:**

This report discusses key factors that impacted the unaudited Fiscal Year (“FY”) 2022 financial performance of the City of Los Angeles (“City”) Harbor Department (“Harbor Department” or “Department”). Furthermore, this report compares the Harbor Department’s FY 2022 financial performance to the results projected within its adjusted Adopted FY 2022 Budget as well as the prior fiscal year. It should be noted that FY 2022 figures are not final and are subject to change pending the year-end audit process.

Cargo volumes (as measured by TEUs or twenty-foot equivalent units) of 10.664 million TEUs for the fiscal year (FY) ending June 30, 2022 represented the Port of Los Angeles’ second highest all-time FY TEU count. These record cargo volumes represented a 9.9% increase relative to budget but a 2.0% decrease relative to the prior FY. In summary, performance results for the Harbor Department are as follows:

<b>FY Ended June 2022*</b>	<b>Actuals - UNAUDITED (in Millions)</b>	<b>Actual-to- Budget Comparison</b>	<b>Year-on-Year Comparison</b>
<b>Cargo Volumes</b>	10.664	↑ 9.9%	↓ (2.0%)
<b>Operating Revenues</b>	\$631.1	↑ 18.3%	↑ 10.3%
<b>Operating Expenses</b>	\$255.1	↓ (18.5%)	↓ (6.9%)
<b>Operating Income</b>	\$376.0	↑ 70.6%	↑ 26.1%
<b>Net Income</b>	\$152.1	↑ 464.5%	↑ 25.1%

\* FY 2022 financial information is UNAUDITED and subject to change.

Cargo volumes continued to remain at elevated levels throughout FY 2022 as retailers continued to stockpile inventory in the aftermath of the COVID-19 pandemic and as terminal operators continued to reduce the backlog of container ships anchored outside the Port. On a year-over-year basis, the 2.0% decrease in cargo volumes was driven by a 5.0% decrease in loaded imports and a 20.7% decrease in loaded exports, which was only partially offset by a 9.9% increase in empty container volumes.

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Total Operating Revenues increased by 10.3% versus FY 2021 due to higher Clean Truck Program collections and generally higher receipts across most major revenue categories. Total Operating Expenses decreased by 6.9% relative to the prior fiscal year as lower salaries and benefits and lower litigation costs were only offset by higher electricity, higher container incentives, higher spending related to outside services, and higher Clean Truck Program administration costs. The increase in Operating Revenues and the decrease in Operating Expenses resulted in a 26.1% increase in Operating Income (before depreciation) relative to prior year.

**DISCUSSION:**

As of June 30, 2022, the Harbor Department met or exceeded the following key performance metrics indicative of healthy operations:

TABLE 1: KEY FINANCIAL METRICS

Performance Metric	Minimum	As of 6/30/22
Debt Rating	AA	✓ AA
Debt Service Coverage	2.0x	✓ 3.0x
Operating Margin	45%	✓ 60%

As noted within Table 1 above, as of June 30, 2022, the Harbor Department has continued to maintain its AA debt rating. Additionally, the Department's 3.0x debt service coverage ratio exceeded the 2.0x minimum required under the Port's Financial Policies as well as the 1.25x minimum coverage required under the Port's Bond Indenture. Furthermore, the Harbor Department's 60% operating margin (calculated as operating income before depreciation divided by total Operating Revenues) exceeded a separately established key financial metric to maintain a minimum operating margin of 45%.

**CARGO VOLUMES:**

FY 2022 cargo volumes of 10,663,637 TEUs represented a 9.9% increase relative to budget but a 2.0% decrease relative to FY 2021 levels. Total loaded containers of 6,574,000 represented an 8.2% decrease relative to the prior year. This decrease was primarily driven by a 5.0% decrease in loaded imports and a 20.7% decrease in loaded exports. Empty containers totaling 4,089,637 represented a year-over-year increase of 9.9%. Transmittal 1 provides a detailed monthly breakout of FY 2022 TEUs relative to both budget and the prior fiscal year.

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OPERATING REVENUES:

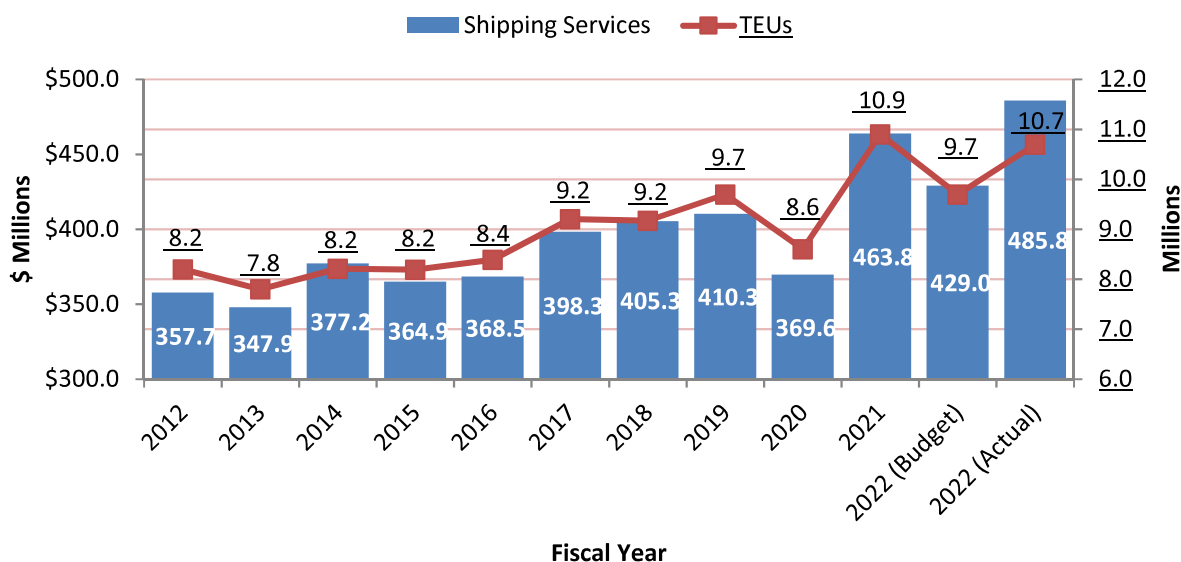
TABLE 2: FY 2022 OPERATING REVENUES (UNAUDITED)

FY 2022 – Ended June 30 UNAUDITED (\$ in thousands)	FY 2022 Actual	FY 2022 Budget	FY 2021 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Shipping Services*	485,843	428,982	463,848	↑ 13.3%	↑ 4.7%
Rentals	90,150	84,646	80,479	↑ 6.5%	↑ 12.0%
Royalties, Fees and Other Revenues	37,164	17,693	25,399	↑ 110.0%	↑ 46.3%
Clean Truck Program Revenues	17,931	1,950	2,285	↑ 819.5%	↑ 684.6%
<b>Total Operating Revenues</b>	<b>631,088</b>	<b>533,271</b>	<b>572,011</b>	<b>↑ 18.3%</b>	<b>↑ 10.3%</b>

\* A temporary 25% rate increase was applied effective June 2021 at one container terminal. This 25% rate increase resulted in approximately \$17.4 million in higher Shipping Services revenues in FY 2022 which may need to be refunded pending the outcome of lease negotiations. Excluding the \$17.4 million in higher collections due to the temporary rate increase, FY 2022 Shipping Services would have totaled \$468.4 million while FY 2022 Total Operating Revenues would have totaled \$613.7 million.

**Higher Wharfage, CTP Collections, Utility Reimbursements and Space Assignments drive increase in Operating Revenues** – Total Operating Revenues primarily benefited from higher wharfage as cargo volumes were higher than budgeted, and FY 2022 represented the first full fiscal year of higher TEU rates following the expiration of the empty container discount (which was made effective January 1, 2021). Additionally, new Clean Truck Fund collections as well as higher space assignment rates contributed to the increase in total Operating Revenues relative to both budget and the prior fiscal year. Relative to budget, operating revenues increased by 18.3% due to higher wharfage, higher space assignments fees, higher Clean Truck Program collections, higher utility and operating reimbursements, higher rentals revenue, and greater parking revenues. Relative to the prior fiscal year, total Operating Revenues increased by 10.3% due to higher Clean Truck Program collections, higher space assignments fees, higher rental revenues, higher utility reimbursements, higher wharfage, higher parking fees, and higher pilotage collected. As noted within Table 3 below, TEU volumes have historically been and continue to be the key driver of Shipping Services revenues at the Port.

TABLE 3: SHIPPING SERVICES AND TEU TRENDS: FY 2012 – FY 2022



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Further details regarding variances within other revenue accounts are provided below:

- **Rentals**

- Actuals vs. Budget: Rentals increased by a net \$5.5 million relative to budget primarily driven by \$10.2 million in higher receipts, detailed as follows:
  - \$4.5 million due to a new revocable permit for Taylored Transload, LLC;
  - \$1.4 million due to a new permit for Pacific Crane Maintenance, LLC;
  - \$0.9 million due to a new permit for Everglades;
  - \$0.9 million due to miscellaneous Consumer Price Index (CPI) increases;
  - \$0.7 million due to higher gross receipts from Westrec Marina;
  - \$0.3 million due to higher SpaceX rental compensation;
  - \$0.3 million due to Fenix Marine rental compensation;
  - \$0.3 million due to higher Crusty Crab rental compensation;
  - \$0.3 million due to higher Harbor Breeze rental compensation;
  - \$0.2 million due to higher Eco Flow rental compensation;
  - \$0.2 million due to higher San Pedro Fish Market rent; and
  - \$0.2 million due to higher Millennium rental compensation.
- These increases were partially offset by \$4.7 million detailed as follows:
  - \$2.4 million due to lower ICTF volumes; and
  - \$2.3 million due to the termination of a revocable permit with Toll Global Holdings.
- Actuals vs. Prior Year: Rentals increased by a net \$9.7 million relative to the prior fiscal year driven by \$14.4 million in higher receipts, detailed as follows:
  - \$4.5 million due to a new revocable permit for Taylored Transload, LLC;
  - \$1.4 million due to a new permit for Pacific Crane Maintenance, LLC;
  - \$1.4 million due to higher gross receipts from Westrec Marina;
  - \$1.3 million due to Innovative Terminal Services new permit;
  - \$0.9 million due to miscellaneous Consumer Price Index (CPI) increases;
  - \$0.8 million due to a new permit for Everglades;
  - \$0.8 million due to a new permit for Fast Lane Transportation;
  - \$0.6 million due to a new permit for Global Pest Management;
  - \$0.4 million due to the Fenix Marine compensation reset;
  - \$0.4 million due to a new permit for Port Maintenance Group, Inc.;
  - \$0.3 million due to the Yusen compensation reset;
  - \$0.3 million due to higher rental compensation from SA Recycling;
  - \$0.3 million due to higher rental compensation from SpaceX;
  - \$0.2 million due to a Phillips 66 rental adjustment;

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- \$0.2 million due to higher rental compensation from PBF Energy;
    - \$0.2 million due to higher rental compensation from Millennium;
    - \$0.2 million due to the Vopak compensation reset; and
    - \$0.2 million due to higher Eco Flow rent.
  - These increases were partially offset by \$4.7 million in lower receipts, detailed as follows:
    - \$2.5 million due to lower ICTF volumes; and
    - \$2.2 million due to the termination of a revocable permit with Toll Global Holdings.
- **Royalties, Fees and Other Revenues**
  - Actuals vs. Budget: Royalties, fees and other revenues increased by a net \$19.5 million, detailed as follows:
    - \$25.2 million in favorable variances comprised of: \$14.8 million in higher utility reimbursements, \$4.4 in higher one-time operating reimbursements, \$3.1 million in greater parking revenues, \$1.5 million in higher miscellaneous other revenues, \$0.9 million in higher accommodation work revenues, \$0.3 million in higher permits & fees, and \$0.2 million in lower credits for tenant services; and
    - An unfavorable variance of \$5.7 million related to the delayed receipt of Harbor Maintenance Tax proceeds.
  - Actuals vs. Prior Year: Royalties, fees and other revenues increased by \$11.8 million, detailed as follows:
    - \$17.7 million in favorable variances comprised of: \$9.7 million in higher utility reimbursements, \$3.4 million in higher parking fees, \$2.7 million in higher one-time operating reimbursements, \$1.0 million in higher accommodation work revenues, \$0.7 million in higher miscellaneous other revenues, and \$0.2 million in higher permits & fees; and
    - An unfavorable variance of \$5.9 million related to the delayed receipt of Harbor Maintenance Tax proceeds.
- **Clean Truck Program (“CTP”) Revenues**
  - Actuals vs. Budget: CTP revenues increased by \$16.0 million relative to budget primarily due to the higher CTP collections (\$12.1 million), higher concession application fees (\$3.1 million), higher annual truck fees (\$0.7 million), and higher day pass fees (\$0.1 million).
  - Actuals vs. Prior Year: CTP revenues increased by \$15.6 million relative to budget primarily due to the higher CTP collections (\$12.1 million), higher concession application fees (\$3.2 million) and higher annual truck fees (\$0.3 million).

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OPERATING EXPENSES:

TABLE 4: FY 2022 OPERATING EXPENSES

FY 2022 – Ended June 30 UNAUDITED* (\$ in thousands)	FY 2022 Actual*	FY 2022 Budget	FY 2021 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Net Salaries & Benefits	122,409	161,451	146,201	↓ (24.2%)	↓ (16.3%)
Marketing & Public Relations	2,101	2,858	1,372	↓ (26.5%)	↑ 53.1%
Travel	281	640	71	↓ (56.0%)	↑ 294.9%
Outside Services	28,202	36,486	26,219	↓ (22.7%)	↑ 7.6%
Materials & Supplies	5,106	7,274	4,517	↓ (29.8%)	↑ 13.0%
City Services	45,531	58,618	45,876	↓ (22.3%)	↓ (0.8%)
Allocations to Capital - Overhead	-	(19,491)	-	n/a	n/a
Other Operating Expenses	48,904	62,725	48,960	↓ (22.0%)	↓ (0.1%)
Clean Truck Program Expenses	2,613	2,326	752	↑ 12.4%	↑ 247.4%
<b>Total Operating Expenses</b>	<b>255,148</b>	<b>312,887</b>	<b>273,968</b>	<b>↓ (18.5%)</b>	<b>↓ (6.9%)</b>

\* FY 2022 Actual Operating Expenses are UNAUDITED and subject to change. Changes which could affect FY 2022 Actual Operating Expenses include, but are not limited to: adjustments for new lease accounting standard implementation provisions for bad debt and contingent liabilities.


OPERATING EXPENSES (vs. Budget):

**Lower Salaries and Benefits as well as Lower Spending on City Services and Outside Services Drove Total Operating Expenses below Budget** – Total Operating Expenses of \$255.1 million fell 18.5% or \$57.7 million below budget. Details for each major Operating Expense category and a comparison relative to their respective budgets are as follows:




- **Net Salaries & Benefits: \$122.4 million**  **by \$39.0 million or 24.2%.**  
Net Salaries & Benefits expenses declined relative to budget due to \$28.4 million in lower gross salaries, benefits and overtime, prior to capital allocations as well as \$10.6 million of greater expense allocations to capital.

Of the \$10.6 million in higher expense allocations to capital, \$12.4 million of this figure was related to higher indirect overhead allocations which were broadly applied across the Harbor Department's capital program. The indirect overhead was partially offset by \$1.8 million in lower direct allocations of salaries, benefits and overtime expenses to specific capital projects. It is important to note that the indirect allocations to overhead serve to reduce Net Salaries & Benefits expenses; however, they are budgeted within a separate operating expense account outside of Net Salaries & Benefits expenses.




Salaries, benefits and overtime expenses, prior to capital allocations decreased by \$28.4 million relative to budget. This decrease was primarily driven by lower average headcount and lower salaries and benefits expenses per employee relative to budget.

- **Marketing and Public Relations: \$2.1 million**  **by \$0.7 million or 26.5%.**  
Spending fell below budget due to \$0.6 million in lower promotional, advertising and sponsorship spending. In addition, \$0.1 million of overhead costs were capitalized over the course of FY 2022.

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- **Travel: \$0.3 million**  **by \$0.4 million or 56.0%.**  
Lower spending relative to budget was the result of fewer trips than expected for both business development and training and employee development purposes due to the continuation of COVID-19 travel restrictions.
- **Outside Services: \$28.2 million**  **by \$8.3 million or 22.7%.**  
Primary drivers of the lower spending in Outside Services were as follows:
  - **Overhead Capitalization** (higher by \$1.8 million) as overhead capitalization was not budgeted for outside services;
  - **Information Technology** (lower by \$1.4 million) due to delays in planned development activities related to the Port Optimizer and lower spending on Oracle EBS support;
  - **Waterfront/Commercial Real Estate** (lower by \$1.0 million) due to lower cruise business activity than expected;
  - **Maintenance Services** (lower by \$1.0 million) due to project delays;
  - **Miscellaneous** (lower by \$0.9 million) due to lower consultant spending;
  - **Environmental Assessments and Consulting Services** (lower by \$0.9 million) due to improved efforts in waste management, a reduced amount of illegal dumping, project delays, as well as fewer requests for emergency and hazardous waste management;
  - **Port Police** (lower by \$0.4 million) due to delays in establishing maintenance contracts as well as lower maintenance needs for police equipment throughout the year;
  - **Legal Services** (lower by \$0.3 million) due to lower outside counsel spending than expected as well as administrative delays in setting up new vendors;
  - **Accounting** (lower by \$0.2 million) due to in-house handling of ERP functional support;
  - **Cargo/Industrial Real Estate** (lower by \$0.2 million) due to lower than expected spending and appraisal delays; and
  - **Construction & Maintenance** (lower by \$0.2 million) due to staffing shortages and supply chain disruptions due to COVID-19.
- **Materials and Supplies: \$5.1 million**  **by \$2.2 million or 29.8%.**  
The lower than budget result in this category is primarily driven by materials and supplies spending within the Development Bureau (which accounted for more than 78% of all materials and supplies spending throughout the Department) that was \$1.3 million lower than budgeted. Materials and supplies spending was further driven lower by \$0.4 million in higher capitalization of materials and supplies expenses than budgeted. Lastly, spending on Port Police, Waterfront Commercial Real Estate, and other miscellaneous supplies and general materials was \$0.5 million below budget.

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- **City Services: \$45.5 million  by \$13.1 million or 22.3%.**  
Lower expenses were primarily driven by \$4.7 million in higher capitalization of overhead allocations. In addition, the following services were utilized less than budgeted: Fire (\$5.8 million lower), Recreation and Parks (\$1.6 million lower), Miscellaneous (\$0.5 million lower), City Attorney (\$0.4 million lower), and Public Works (\$0.1 million lower).
- **Other Operating Expenses: \$48.9 million  by \$13.8 million or 22.0%.**  
Lower spending in Other Operating Expenses was driven by \$16.4 million in favorable variances which were only partially offset by \$2.6 million in higher provisions for anticipated future litigation spending.
  - Favorable variances of \$16.4 million are detailed as follows
    - **Electricity** (lower by \$5.0 million) due to lower spending on non-AMP™ and AMP™-related electricity expenses;
    - **Capitalization** (higher by \$4.4 million) as overhead capitalization was not budgeted for other operating expenses;
    - **Workers' Compensation** (lower by \$3.6 million) due to lower than expected worker's compensation provisions;
    - **Container Incentives** (lower by \$1.9 million) due to lower container incentive payouts than anticipated;
    - **Taxes and Assessments** (lower by \$1.2 million) due to lower spending on tax and assessment fees; and
    - **Miscellaneous** (lower by \$0.3 million) due to lower spending throughout the Department.
- **Clean Truck Program: \$2.6 million  by \$0.3 million or 12.4%**  
Included in Other Operating Expenses but reported separately are Clean Truck Program expenses. For Fiscal Year 2022, spending on administrative expenses was \$0.3 million higher due to the processing of the new Clean Truck Fund collection.



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OPERATING EXPENSES (vs. Prior Year):

***Lower Salaries and Benefits as well as Lower Litigation Provisions Drive Decrease in Total Operating Expenses versus Prior Year*** – Total Operating Expenses of \$255.1 million decreased 6.9% or \$18.8 million relative to the prior fiscal year. Details for each major Operating Expense category and a comparison relative to their respective prior fiscal year figures are as follows:





- **Net Salaries & Benefits: \$122.4 million  by \$23.8 million or 16.3%.**  
Net Salaries & Benefits expenses decreased relative to the prior fiscal year due to \$23.4 million of decreases in gross salaries, benefits and overtime, prior to capitalization as well as \$0.4 million of greater expense allocations to capital.

Salaries and benefits decreased by \$23.4 million relative to the prior year primarily due to lower staffing as headcounts decreased from 922 in FY 2021, on average, to 853 in FY 2022. This decrease was partially offset by the Separation Incentive payouts and higher overtime charges.

Expense allocations to capital were only \$0.4 million higher than prior year as \$1.8 million in non-budgeted indirect overhead allocations were partially offset by \$1.4 million in lower direct allocations of salaries, benefits and overtime expenses to specific capital projects.

- **Marketing and Public Relations: \$2.1 million  by \$0.7 million or 53.1%.**  
Marketing and Public Relations spending increased relative to the prior year due to \$0.6 million in higher promotional expenses and \$0.3 million in higher advertising, which was only partially offset by \$0.2 million in lower sponsorships.
- **Travel: \$0.3 million  by \$0.2 million or 294.9%.**  
Travel expenses increased by \$222,443 relative to the prior fiscal year due to fewer Pandemic-related travel restrictions.
- **Outside Services: \$28.2 million  by \$2.0 million or 7.6%.**  
Outside Services expenditures increased by \$2.0 million relative to the prior fiscal year as follows:
  - **Construction & Maintenance** (higher by \$1.3 million) due to prior year vendor staffing shortages, supply chain disruptions as well as price increases; and
  - **Information Technology** (higher by \$0.7 million) due to higher spending in development activities related to the Port Optimizer.

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- **Materials and Supplies: \$5.1 million  by \$0.6 million or 13.0%.**  
Primary drivers of the higher materials and supplies purchases were as follows:
  - **Construction & Maintenance** (higher by \$0.7 million) due to supply chain disruptions and overall price increases;
  - **Engineering** (higher by \$0.1 million) due to higher prices for parts and materials that were procured;
  - **Port Police** (lower by \$0.2 million) due to lower purchases than the prior year.
- **City Services: \$45.5 million  by \$0.3 million or 0.8%.**  
City services expenses decreased by \$0.3 million due to \$1.1 million in lower fire services, \$0.6 million in higher overhead allocations, and \$0.4 million in lower usage of miscellaneous city services. These decreases were only partially offset by \$1.1 million in higher City Attorney and \$0.7 million in higher Recreation & Parks services.
- **Other Operating Expenses: \$48.9 million  by \$0.1 million or 0.1%.**  
Other Operating Expenses slightly decreased relative to the prior year as \$15.2 million in decreases were almost completely offset by increases totaling \$15.1 million across various categories.
  - Other Operating Expense declines of \$15.2 million were comprised of:
    - **Litigation** (lower by \$10.8 million) due to lower anticipated future spending. Prior year included litigation provisions related to a settlement agreement;
    - **Indirect Capitalization** (higher by \$1.8 million) due to higher overhead allocations;
    - **Workers' Compensation** (lower by \$1.7 million) due to lower provisioning for future workers' compensation expenses; and
    - **Pollution Remediation** (lower by \$0.9 million) due to lower provisioning for future pollution remediation.
  - Other Operating Expense increases of \$15.1 million were comprised of:
    - **Electricity** (higher by \$11.4 million) due to higher electricity costs;
    - **Container Incentives** (higher by \$2.3 million) due to higher container incentive payouts;
    - **Insurance** (higher by \$0.7 million) due to higher premiums; and
    - **Environmental Incentives** (higher by \$0.7 million) due to higher environmental incentive payouts.
- **Clean Truck Program: \$2.6 million  by \$1.9 million or 247.4%.**  
Included in Other Operating Expenses but reported separately are Clean Truck program expenses. Year-over-year spending increased due to \$1.9 million in higher administrative expenses.

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**OTHER ITEMS:**

TABLE 5: FY 2022 OPERATING INCOME AND NET INCOME

FY 2022 – Ended June 30 UNAUDITED (\$ in thousands)	FY 2022 Actual	FY 2022 Budget	FY 2021 Prior Year	% Variance vs. Budget	% Variance vs. Prior Year
Operating Income	375,940	220,383	298,042	↑ 70.6%	↑ 26.1%
Less: Depreciation	(143,303)	(161,543)	(153,304)	↓ (11.3%)	↓ (6.5%)
Plus: Non-Operating Revenues	(19,962)	72,725	3,409	↓ (127.4%)	↓ (685.6%)
Less: Non-Operating Expenses	(60,579)	(104,620)	(26,607)	↓ (42.1%)	↓ 127.7%
Net Income	152,096	26,945	121,541	↑ 464.5%	↑ 25.1%

***Depreciation, Non-Operating Revenues and Non-Operating Expenses:***

- **Depreciation:** \$143.3 million
  - Depreciation fell below budget by \$18.2 million and declined by \$10.0 million relative to the prior year due to lower depreciation after several assets reached the end of their useful life in the prior year.
- **Non-Operating Revenues:** (\$20.0 million)
  - *Actuals vs. Budget:* Non-Operating Revenues underperformed relative to budget by \$92.7 million primarily due to \$98.0 million in unfavorable variances with respect to: lower unrealized investment gain (lower by \$59.9 million), delayed state pass-through revenue (lower by \$31.6 million), lower interest income (lower by \$4.1 million), lower delinquency penalties (lower by \$1.4 million), and lower JPA Income (lower by \$1.0 million). These unfavorable variances were partially offset by \$5.3 million in higher settlement income.
  - *Actuals vs. Prior Year:* Non-Operating Revenues decreased by \$23.4 million relative to prior year levels due to \$46.7 million in unfavorable variances with respect to: lower unrealized investment gain (lower by \$44.1 million), lower interest income (lower by \$1.0 million), lower delinquency penalties (lower by \$0.8 million), lower Joint Power Authority revenues (lower by \$0.7 million), and lower miscellaneous non-operating revenues (lower by \$0.1 million). These unfavorable variances were partially offset by \$23.3 million in favorable variances with respect to: higher pass-through revenues (higher by \$17.6 million), higher settlements (higher by \$5.3 million), higher non-operating grants (higher by \$0.2 million), and higher gains on land sales (higher by \$0.2 million).
- **Non-Operating Expenses:** \$60.6 million
  - *Actuals vs. Budget:* Non-Operating Expenses decreased by \$44.0 million relative to budget due to lower: pass-through grant disbursements (lower by \$24.8 million), interest expense (lower by \$14.2 million), capital projects closed to expenses (lower by \$4.5 million), and bond administration costs (lower by \$0.5 million).
  - *Actuals vs. Prior Year:* Non-Operating Expenses increased by \$34.0 million relative to prior year due to \$36.8 million in unfavorable variances with respect to: capital projects closed to expense (higher by \$18.8 million),

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pass-through grant disbursements (higher by \$17.7 million), accelerated amortization of bond premium (higher by \$0.2 million), and higher miscellaneous non-operating expenses (higher by \$0.1 million). These unfavorable variances were partially offset by lower interest expense (lower by \$2.8 million).

**CAPITAL IMPROVEMENT PROGRAM (CIP):**

**Budget Performance** – Unaudited spending in FY 2022 was \$81.5 million or 43% of the Adopted Capital Improvement Program Budget of \$188.7 million. CIP spending fell \$107.2 million below budget primarily due to lower than budgeted spending in FY 2022 on:

- Terminal Projects (lower by \$47.4 million) due to:
  - MOTEMS project delays (\$26.0 million);
  - Everport Terminal lower spending on completed projects (\$6.5 million);
  - Pier 400 storage tracks project delays and lower spending on completed projects (\$6.3 million);
  - Pasha Terminal project delays (\$3.5 million); and
  - Other project delays (\$5.1 million).
- Public Access project delays (lower by \$30.9 million) due to:
  - Wilmington Waterfront projects (lower by \$23.2 million);
  - Misc. environmental enhancements (lower by \$5.0 million); and
  - San Pedro Waterfront projects (\$2.7 million).
- Maritime Services Projects (lower by \$20.2 million) due to:
  - Delayed maintenance spending (\$5.9 million);
  - Delayed spending on the Oracle ERP Cloud Mitigation project (\$4.7 million);
  - Delayed spending on HAB projects related to HVAC replacement, workspace remodeling and other miscellaneous projects (\$3.9 million);
  - Misc. project spending delays on sidewalk repairs, and B. 182 slope erosion repairs (\$2.5 million);
  - Delayed spending on various maritime services projects (\$1.6 million);
  - Delayed spending related to the South Seaside Avenue Storm Drain Restoration project (\$0.8 million); and
  - Delayed spending on Port of Los Angeles Police Headquarters projects (\$0.8 million).
- Unused Unallocated Capital Improvement Plan fund (lower by \$5.5 million).
- Transportation project delays (lower by \$2.0 million);
- Lower Port-Wide Public Enhancements (lower by \$0.7 million); and
- Security project delays related to the Port Cyber Resilience Center, which were partially offset by radio system project costs that flowed into FY 2022 (lower by \$0.5 million).

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Major construction completed projects include (FY 2022 CIP spending in parenthesis):

- **B. 226-236 Terminal Improvements - Wharf and Backlands (\$4.2 million)** included dredging, two new bollards and upgrades to 22 bollards, 15 new fenders, and construction of a new parcel. Additionally, two marine buildings were demolished and electrical infrastructure was added to 3 cranes.
- **San Pedro Waterfront - Ports O' Call Promenade and Town Square - Phase I (\$3.8 million)** included design and construction of a 30-ft wide public promenade along the water's edge from Berths 74-83 and a Town Square located at 6th St east of Harbor Blvd.
- **B. 226-236 (Everport) - Terminal Infrastructure Reconstruction (\$1.5 million)** included a wharf inspection which resulted in fixing pile cracks, concrete cracks, concrete spalls, concrete delamination, and rebar corrosion, as well as the replacement of the electrical infrastructure.
- **Harbor Administration Building - 4<sup>th</sup> Floor Work Space Solutions project (\$1.0 million)** included installation of new office work stations, electrical and data systems infrastructure upgrades, relocations of fire sprinklers, relocation of HVAC ducts and registers, new carpet and fresh paint. The projects resulted in 23 new workspaces on the fourth floor and 15 new workspaces on the fifth floor.
- **B. 228-230 (Everport) - Alternative Maritime Power (AMP) Upgrade and Retrofit (\$0.5 million)** included the design and construction of five new wharf AMP vaults and retrofit of the existing high voltage AMP system at Berths 228 - 230.

Major in-process projects include the following efforts which continued over the course of FY 2022:

- **Alameda Corridor Southern Terminus Gap Closure (\$11.1 million)** for continued efforts to design and construct approximately 5,000 track feet of rail parallel to the existing San Pedro Main track.
- **San Pedro Waterfront Redevelopment (\$6.5 million)** for the continuation of development efforts along the San Pedro Waterfront, including but not limited to: Ports O' Call Promenade and Town Square design, roadway improvements on Harbor Boulevard from Miner Street to the SP Slip, Town Square Public Restrooms, and new floats, gangways, piles and utilities at Berth 80-83.
- **Wilmington Waterfront Redevelopment (\$23.4 million)** for the continuation of development efforts along the Wilmington Waterfront, including but not limited to: The Wilmington Waterfront Promenade and the Avalon Pedestrian Bridge.
- **B. 238 - 239 - Marine Oil Terminal Engineering Maintenance Standards – PBF Energy (\$0.3 million)** for continued efforts to design and construct a new marine oil terminal at Berths 238 – 239 that complies with the Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) regulations.
- **B. 46 - Outer Harbor Cruise Terminal – AMP (\$0.3 million)** for continued efforts to design and install a new 11 KV Alternative Maritime Power (AMP) system.

SUBJECT: FINANCIAL PERFORMANCE RESULTS

- **Oracle ERP Cloud Mitigation (\$0.0 million)** for continued efforts in mitigating the Port's Oracle EBS financial system to a new Oracle ERP Cloud system.

*Marla Bleavins*

MARLA BLEAVINS

Executive Director, Finance & Administration  
and Chief Financial Officer

Transmittals:

1. TEU Throughput Comparison – FY Ended June 30, 2022
2. Actual-to-Budget FY 2022 – June
3. Year-to-Year Performance Report YTD June 30, 2022 and 2021

Author: E. Estrada

MB:JS:MM/Finance

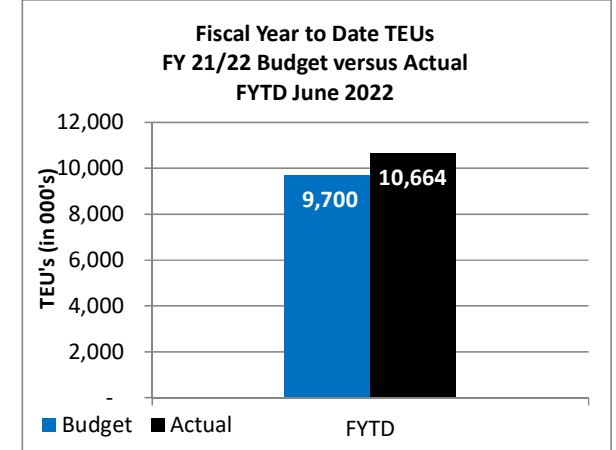
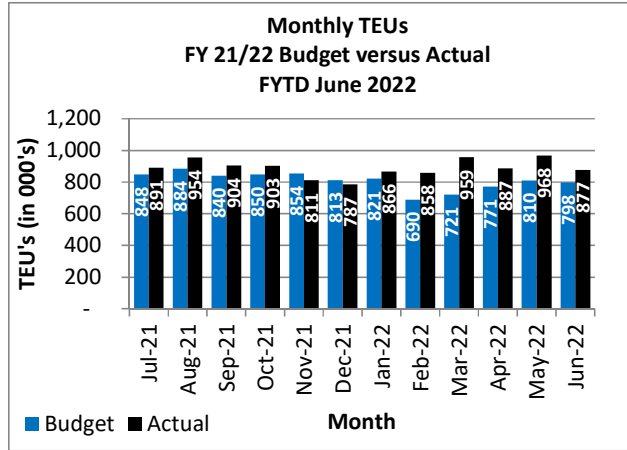
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES  
TEU THROUGHPUT COMPARISON - FYTD JUNE 2022

TRANSMITTAL 1

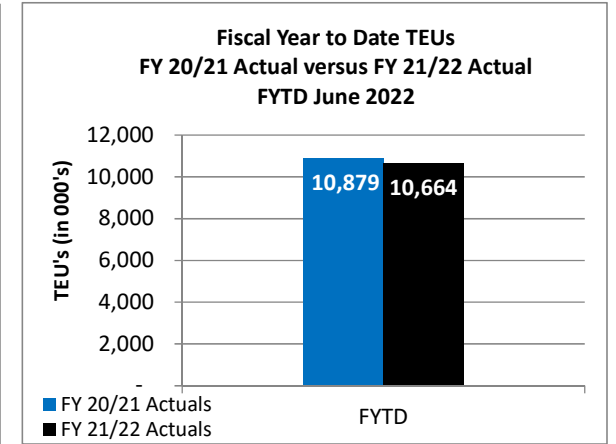
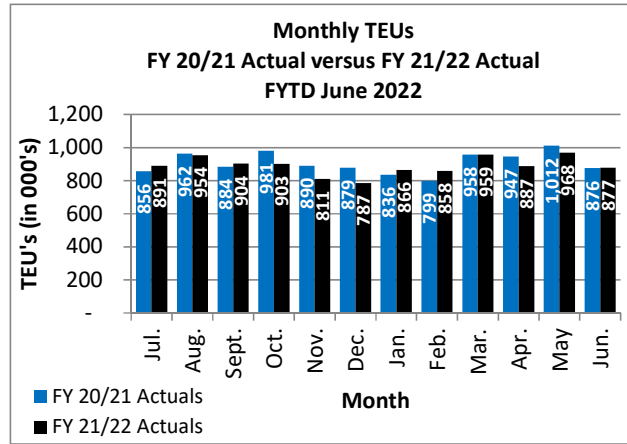
Budget versus Actuals Comparison  
FY 21/22 Budget vs. FY 21/22 Actuals

(in 000's)	TEU's		% Δ	Δ
	FY 21/22 Budget	FY 21/22 Actuals		
Month				
Jul-21	848	891	5.0%	↑
Aug-21	884	954	8.0%	↑
Sep-21	840	904	7.6%	↑
Oct-21	850	903	6.2%	↑
Nov-21	854	811	-5.0%	↓
Dec-21	813	787	-3.2%	↓
Jan-22	821	866	5.5%	↑
Feb-22	690	858	24.3%	↑
Mar-22	721	959	33.0%	↑
Apr-22	771	887	15.1%	↑
May-22	810	968	19.5%	↑
Jun-22	798	877	9.8%	↑
FYTD	9,700	10,664	9.9%	↑
FY 21/22 Budget	9,700			



Year-to-Year Actuals Comparison  
FY 20/21 Actuals vs. FY 21/22 Actuals

(in 000's)	TEU's		% Δ	Δ
	FY 20/21 Actuals	FY 21/22 Actuals		
Month				
Jul.	856	891	4.0%	↑
Aug.	962	954	-0.8%	↓
Sept.	884	904	2.3%	↑
Oct.	981	903	-8.0%	↓
Nov.	890	811	-8.8%	↓
Dec.	879	787	-10.5%	↓
Jan.	836	866	3.6%	↑
Feb.	799	858	7.3%	↑
Mar.	958	959	0.1%	↑
Apr.	947	887	-6.3%	↓
May	1,012	968	-4.4%	↓
Jun.	876	877	0.0%	↑
FYTD	10,879	10,664	-2.0%	↓
FY 20/21 Actuals	10,879			



\$ in thousands	Fiscal Year Actual	Fiscal Year Budget	Actual-to-Budget	
	FY 2021/22	FY 2021/22	Comparison	
	Fiscal YTD - June 2022	Fiscal YTD - June 2022	(Unfavorable)/Favorable	
			\$	%
<b>Operating Revenues</b>				
Shipping Services	485,843	428,982	56,861	13.3%
Rentals	90,150	84,646	5,504	6.5%
Royalties, Fees and Other Revenues	37,164	17,693	19,471	110.0%
Clean Truck Program Revenues	17,931	1,950	15,981	819.5%
<b>Total Operating Revenues</b>	<b>631,088</b>	<b>533,270</b>	<b>97,817</b>	<b>18.3%</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	148,863	177,334	28,471	16.1%
Capitalization	(26,454)	(15,883)	10,571	(66.6%)
Net Salaries & Benefits	122,409	161,451	39,042	24.2%
Marketing & Public Relations	2,101	2,858	757	26.5%
Travel	281	640	358	56.0%
Outside Services	28,202	36,486	8,285	22.7%
Materials & Supplies	5,106	7,274	2,168	29.8%
City Services	45,531	58,618	13,088	22.3%
Allocations to Capital - Overhead		(19,491)	(19,491)	100.0%
Other Operating Expenses	48,904	62,725	13,820	22.0%
Clean Truck Program Expenses	2,613	2,326	(287)	(12.4%)
<b>Total Operating Expenses</b>	<b>255,148</b>	<b>312,887</b>	<b>57,739</b>	<b>18.5%</b>
<b>Income Before Depreciation</b>	<b>375,940</b>	<b>220,383</b>	<b>155,557</b>	<b>70.6%</b>
Provision For Depreciation	143,303	161,543	18,240	11.3%
<b>Income From Operations</b>	<b>232,637</b>	<b>58,840</b>	<b>173,797</b>	<b>295.4%</b>
Non-Operating Revenue	(19,962)	72,725	(92,687)	(127.4%)
Non-Operating Expenses	60,579	104,620	44,041	42.1%
<b>Net Income</b>	<b>152,096</b>	<b>26,945</b>	<b>125,151</b>	<b>464.5%</b>



\$ in thousands	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2021/22	FY 2020/21	Change	
	Fiscal YTD - June 2022	Fiscal YTD - June 2021	(Unfavorable)/Favorable	
			\$	%
<b>Operating Revenues</b>				
Shipping Services	485,843	463,848	21,995	4.7%
Rentals	90,150	80,479	9,670	12.0%
Royalties, Fees and Other Revenues	37,164	25,399	11,765	46.3%
Clean Truck Program Revenues	17,931	2,285	15,646	684.6%
<b>Total Operating Revenues</b>	<b>631,088</b>	<b>572,011</b>	<b>59,077</b>	<b>10.3%</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	148,863	172,235	23,372	13.6%
Capitalization	(26,454)	(26,035)	419	(1.6%)
Net Salaries & Benefits	122,409	146,201	23,791	16.3%
Marketing & Public Relations	2,101	1,372	(729)	(53.1%)
Travel	281	71	(210)	(294.9%)
Outside Services	28,202	26,219	(1,982)	(7.6%)
Materials & Supplies	5,106	4,517	(589)	(13.0%)
City Services	45,531	45,876	345	0.8%
Other Operating Expenses	48,904	48,960	56	0.1%
Clean Truck Program Expenses	2,613	752	(1,861)	(247.4%)
<b>Total Operating Expenses</b>	<b>255,148</b>	<b>273,968</b>	<b>18,821</b>	<b>6.9%</b>
<b>Income Before Depreciation</b>	<b>375,940</b>	<b>298,042</b>	<b>77,897</b>	<b>26.1%</b>
Provision For Depreciation	143,303	153,304	10,001	6.5%
<b>Income From Operations</b>	<b>232,637</b>	<b>144,739</b>	<b>87,898</b>	<b>60.7%</b>
Non-Operating Revenue	(19,962)	3,409	(23,371)	(685.6%)
Non-Operating Expenses	60,579	26,607	(33,972)	(127.7%)
<b>Net Income</b>	<b>152,096</b>	<b>121,541</b>	<b>30,555</b>	<b>25.1%</b>