



## AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

### “FOR INFORMATION ONLY”

**DATE: SEPTEMBER 20, 2018**

**TO: BOARD OF HARBOR COMMISSIONERS**

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

Financial performance results for the first month of the new Fiscal Year 2018/19 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 4.6% relative to the prior fiscal year and represented an all-time, 111-year high for the month of July. In summary, performance results for the Harbor Department are as follows:

<b>FYTD July 2018</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>	834	↑ 2.6%	↑ 4.6%
<b>Operating Revenues</b>	\$38.6	↓ (10.9%)	↓ (4.2%)
<b>Operating Expenses</b>	\$17.4	↓ (24.6%)	↑ 8.1%
<b>Operating Income</b>	\$21.2	↑ 4.8%	↓ (12.4%)
<b>Net Income</b>	\$7.0	↑ 11.9%	↓ (44.7%)

Despite these record cargo volumes, Shipping Services declined relative to both budget and the prior fiscal year due to higher accruals for year-end compensation adjustments. Relative to budget, total Operating Revenues decreased by 10.9% as lower Shipping Services were only partially offset by higher rental revenues. Relative to the prior fiscal year, total Operating Revenues decreased by 4.2% as lower Shipping Services were only partially offset by higher rental revenues.

Operating Expenses were favorably impacted as lower headcounts and invoicing delays with respect to outside services and other operating expense spending drove total Operating Expenses 24.6% below budget. Relative to the prior fiscal year, total

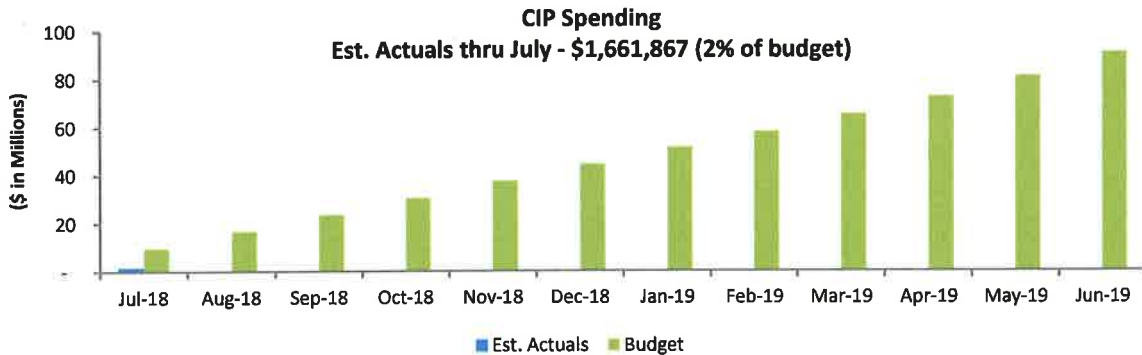
SUBJECT: FINANCIAL PERFORMANCE RESULTS

Operating Expenses increased by 8.1% as lower average filled positions were more than offset by MOU salary increases and quicker processing of sponsorship invoices.

Operating margins for the month of July were reported at 54.9% versus a budget of 46.7% and a prior year figure of 60.1%. 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 one month period ended July 31, 2018 based on internal estimates reached \$1.7 million or about 2% 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 July 2018
2. Actual-to-Budget FY 2018/19 – July
3. Year-to-Year Performance Report YTD July 31, 2018 and 2017

Author: M. Marchese

MB:MM/Finance

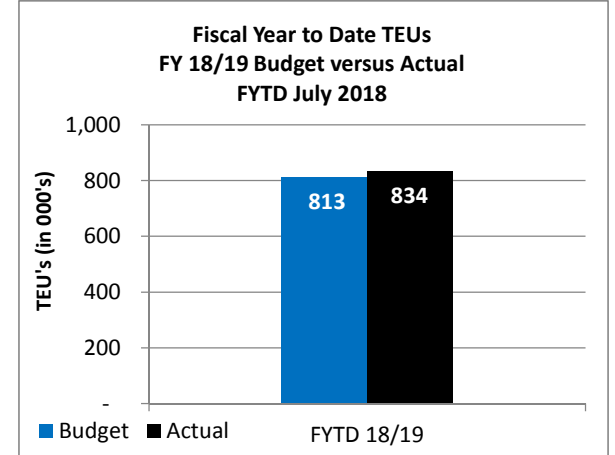
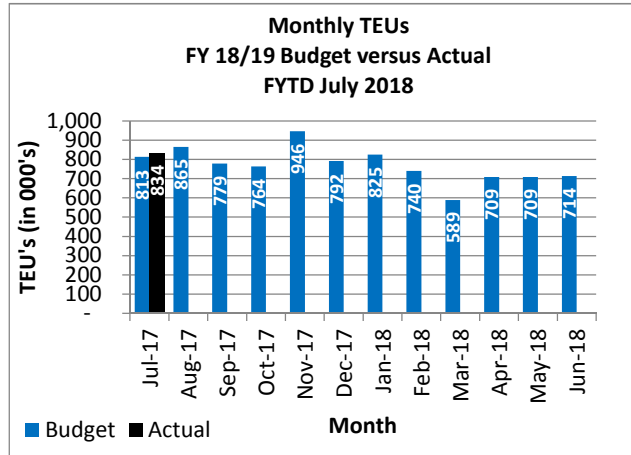
cc: Deputy Executive Directors

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

TRANSMITTAL 1

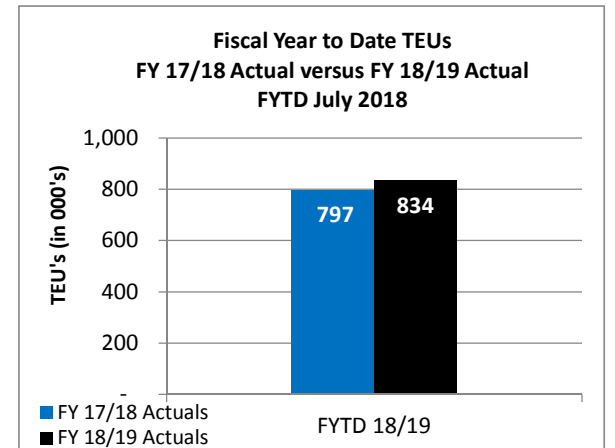
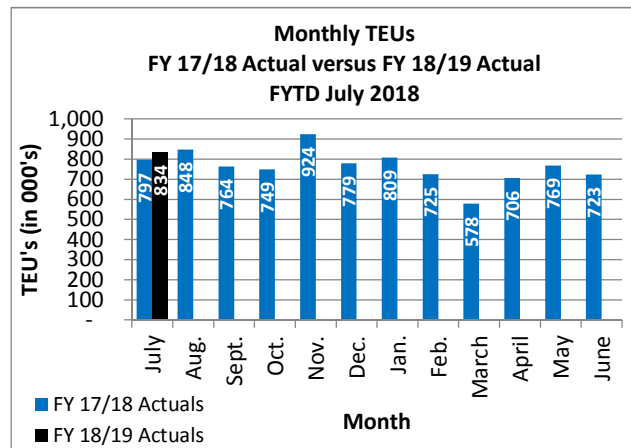
Budget versus Actuals Comparison  
FY 18/19 Budget vs. FY 18/19 Actuals

(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			
Sep-17	779			
Oct-17	764			
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	813	834	2.6%	↑
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			
Sept.	764			
Oct.	749			
Nov.	924			
Dec.	779			
Jan.	809			
Feb.	725			
March	578			
April	706			
May	769			
June	723			
FYTD 18/19	797	834	4.6%	↑
FY 17/18 Actuals	9,170			



\$ in thousands	Fiscal Year Actual	Fiscal Year Budget	Actual-to-Budget Comparison	
	FY 2018/19 Fiscal YTD - July 2018	FY 2018/19 Fiscal YTD - July 2018	\$	%
<b>Operating Revenues</b>				
Shipping Services	30,108	35,324	(5,216)	(14.8%)
Rentals	7,421	6,488	933	14.4%
Royalties, Fees and Other Revenues	763	1,172	(408)	(34.8%)
Clean Truck Program Revenues	282	303	(21)	(6.9%)
<b>Total Operating Revenues</b>	<b>38,576</b>	<b>43,288</b>	<b>(4,712)</b>	<b>(10.9%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	11,518	13,199	(1,681)	(12.7%)
Capitalization	(1,757)	(1,122)	(635)	56.6%
Net Salaries & Benefits	9,761	12,077	(2,316)	(19.2%)
Marketing & Public Relations	637	239	398	166.1%
Travel	93	100	(7)	(7.4%)
Outside Services	873	3,784	(2,911)	(76.9%)
Materials & Supplies	323	651	(329)	(50.4%)
City Services	4,031	4,399	(368)	(8.4%)
(1) Allocations to Capital - Overhead		(1,103)	1,103	(100.0%)
(2) Other Operating Expenses	1,661	2,840	(1,180)	(41.5%)
Clean Truck Program Expenses	7	73	(66)	(90.4%)
<b>Total Operating Expenses</b>	<b>17,386</b>	<b>23,062</b>	<b>(5,677)</b>	<b>(24.6%)</b>
<b>Income Before Depreciation</b>	<b>21,190</b>	<b>20,225</b>	<b>965</b>	<b>4.8%</b>
Provision For Depreciation	15,420	14,634	786	5.4%
<b>Income From Operations</b>	<b>5,770</b>	<b>5,591</b>	<b>179</b>	<b>3.2%</b>
(3) Non-Operating Revenue	1,410	729	681	93.4%
(4) Non-Operating Expenses	(212)	(95)	(117)	122.9%
<b>Net Income</b>	<b>6,968</b>	<b>6,225</b>	<b>743</b>	<b>11.9%</b>

	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2018/19	FY 2017/18	Change	
\$ in thousands	Fiscal YTD - July 2018	Fiscal YTD - July 2017	\$	%
<b>Operating Revenues</b>				
Shipping Services	30,108	33,228	(3,119)	(9.4%)
Rentals	7,421	6,118	1,304	21.3%
Royalties, Fees and Other Revenues	763	648	116	17.9%
Clean Truck Program Revenues	282	283	(1)	(0.4%)
<b>Total Operating Revenues</b>	<b>38,576</b>	<b>40,276</b>	<b>(1,701)</b>	<b>(4.2%)</b>
<b>Operating Expenses</b>				
Gross Salaries & Benefits	11,518	8,212	3,306	40.3%
Capitalization	<u>(1,757)</u>	<u>(1,203)</u>	(554)	46.1%
Net Salaries & Benefits	9,761	7,010	2,752	39.3%
Marketing & Public Relations	637	86	551	643.1%
Travel	93	79	14	17.3%
Outside Services	873	412	461	112.0%
Materials & Supplies	323	337	(14)	(4.2%)
City Services	4,031	6,768	(2,736)	(40.4%)
(1) Other Operating Expenses	1,661	1,377	283	20.6%
Clean Truck Program Expenses	7	12	(5)	(41.2%)
<b>Total Operating Expenses</b>	<b>17,386</b>	<b>16,080</b>	<b>1,306</b>	<b>8.1%</b>
<b>Income Before Depreciation</b>	<b>21,190</b>	<b>24,197</b>	<b>(3,006)</b>	<b>(12.4%)</b>
Provision For Depreciation	15,420	12,266	3,154	25.7%
<b>Income From Operations</b>	<b>5,770</b>	<b>11,931</b>	<b>(6,161)</b>	<b>(51.6%)</b>
(2) Non-Operating Revenue	1,410	797	613	77.0%
(3) Non-Operating Expenses	(212)	(124)	(88)	70.8%
<b>Net Income</b>	<b>6,968</b>	<b>12,603</b>	<b>(5,635)</b>	<b>(44.7%)</b>