**LOS ANGELES BOARD OF HARBOR COMMISSIONERS**
Harbor Administration Building
425 S. Palos Verdes Street
San Pedro, California 90731

# AUDIT COMMITTEE
## THURSDAY, DECEMBER 7, 2023 - NO SOONER THAN 11:00 AM
## IMMEDIATELY FOLLOWS THE ADJOURNMENT OF THE REGULAR BOARD MEETING
## HARBOR ADMINISTRATION BUILDING, BOARD ROOM

**Audit Committee Members**
Commissioner Edward R. Renwick (Chair)
Commissioner I. Lee Williams

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## OPPORTUNITIES FOR THE PUBLIC TO ATTEND THE MEETING AND PROVIDE PUBLIC COMMENTS

- Members of the public may attend the Audit Committee meeting in person at the Harbor Administration Building located at 425 S. Palos Verdes St., San Pedro, CA 90731.

- In-Person Comments: Live, oral public comments will be taken in person, only, and not via teleconference. Members of the public will be given an opportunity to address the Audit Committee on (1) any item on the Audit Committee agendas prior to the Committee's consideration of that item; and (2) subjects within the subject matter jurisdiction of the Audit Committee (general public comment). Members of the public who wish to speak should complete a speaker card indicating the agenda item number on which they will comment, or designate "general public comment." Each speaker is allowed to speak up to 3 minutes per agenda item. The Presiding Officer shall, however, exercise discretion to determine if such period of time should be reduced or extended based upon, but not limited to, such factors as the length of the agenda or substance of the agenda items, the quantity of public comment speaker cards submitted, the need for the Committee to conclude its business as expeditiously as is practicable and/or the Committee is at risk of losing a quorum, among other factors. Members of the public who do not complete their comments within the time allotted, can submit their full comments in writing for inclusion in the record. Upon request, non-English speakers will be granted additional speaking time for translation assistance.

- Written comments or materials may be submitted by emailing commissioners@portla.org or brought to the meeting. If you request to distribute documents to the full Committee, please present the Board Secretary with five (5) copies. Otherwise, your materials will simply be added to the official meeting record. All written comments or materials submitted for this meeting will be provided to the Audit Committee. Please submit your written comments prior to 3:00pm on the day before the scheduled meeting.

- ***Para sumetir su comentario en español, se puede enviar a nuestro correo electrónico: commissioners@portla.org, un día antes de la junta, o puede llamar a nuestra Oficina de Comisionados al (310) 732-3444 para grabar su mensaje. Alguien de nuestra oficina estará disponible para traducir su comentario en inglés y entregarlo a los Comisionados del Puerto.***

## ADDITIONAL INFORMATION

- Please note that this agenda is subject to revision in accordance with the Brown Act. In the event the agenda is revised prior to the meeting, Port staff will post the revised agenda on the Port's web site (www.portoflosanageles.org). Updated agendas will also be available at the meeting.

- Notice to Paid Representatives: If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code 48.01 et seq. More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

- As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services, and activities. Sign language interpreters, assistive listening devices, and translation services may be provided. To ensure availability, 72-hour advance notice is required.

- If you have any questions regarding meeting procedures, please contact the Harbor Commission Office prior to the meeting at (310) 732-3444.

**AUDIT COMMITTEE**
**THURSDAY, DECEMBER 7, 2023 - NO SOONER THAN 11:00 AM**
**IMMEDIATELY FOLLOWS THE ADJOURNMENT OF THE REGULAR BOARD MEETING**
**HARBOR ADMINISTRATION BUILDING, BOARD ROOM**

## ORDER OF BUSINESS

**A. Roll Call**

**B. Comments from the Public on Non-Agenda Items**

**C. Regular Items**

1. 2023 Annual Comprehensive Financial Report (ACFR) and Single Audit Report

2. Report of the Internal Auditor

3. Financial Performance Report
   - 3a) October 2023

**D. Adjournment**

# 1. 2023 Annual Comprehensive Financial Report (ACFR) and Single Audit Report

**AUDIT COMMITTEE**

Report to the
Board of Harbor Commissioners

THE PORT OF LOS ANGELES

# "FOR DISCUSSION ONLY"

**DATE:** **NOVEMBER 30, 2023**

**TO:** **AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS**

**SUBJECT:** **2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AND SINGLE AUDIT REPORT**

Submitted for your review and consideration is the draft report of the Harbor Department's Annual Comprehensive Financial Report (ACFR) for fiscal year 2022-23 and Single Audit Report for fiscal year 2022-23.

Moss Adams, LLP (MA), an independent public accounting firm, has performed annual audits on the ACFR and Schedule of Expenditures of Federal Awards in the Single Audit Report.

At the Audit Committee meeting, the partner from MA will also present auditors' required communications regarding the audit.

Attachments:
Transmittal 1: Annual Comprehensive Financial Report as of June 30, 2023 – DRAFT
Transmittal 2: Single Audit Report as of June 30, 2023 – DRAFT

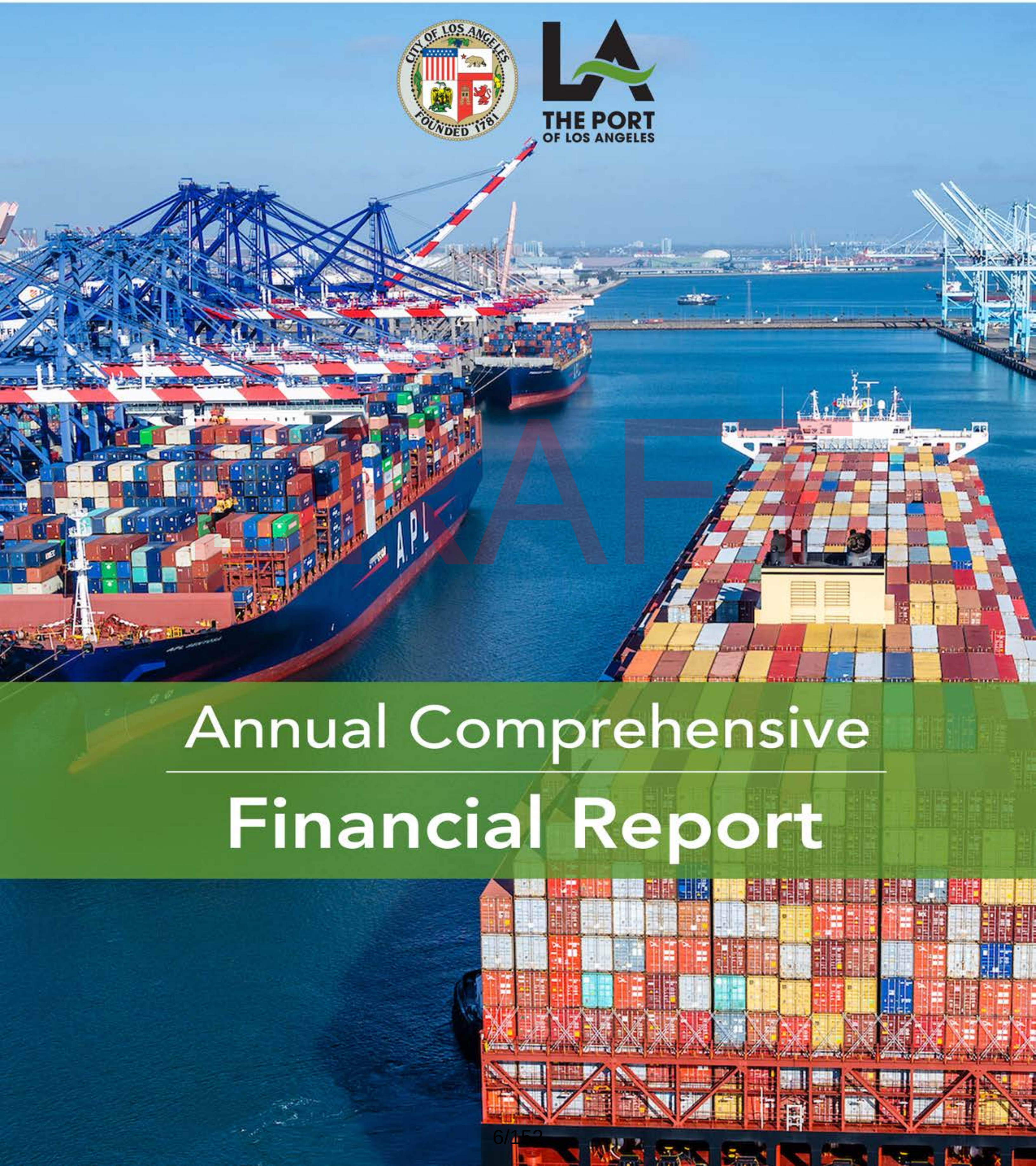
Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director & Chief Financial Officer

MB/FL/Accounting Division
Author: F. Liu

# PORT OF LOS ANGELES

**HARBOR DEPARTMENT, A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA**
**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**



CITY OF LOS ANGELES FOUNDED 1781

THE PORT OF LOS ANGELES



# Annual Comprehensive Financial Report

# PORT OF LOS ANGELES

(HARBOR DEPARTMENT, A COMPONENT UNIT
OF THE CITY OF LOS ANGELES, CALIFORNIA)

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

(With Report of Independent Auditors Thereon)

**Prepared by:**

**Finance and Administration Bureau of Port of Los Angeles**

# PORT OF LOS ANGELES
# (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

## Annual Comprehensive Financial Report

## For the Fiscal Years Ended June 30, 2023 and 2022

### Table of Contents



# Introductory Section

December 15, 2023

Members of Los Angeles Board of Harbor Commissioners
Mr. Eugene D. Seroka, Executive Director
Port of Los Angeles
San Pedro, California

This Annual Comprehensive Financial Report (ACFR) of the Port of Los Angeles (the Port), Harbor Department of the City of Los Angeles, California (the City), for the fiscal years ended June 30, 2023 and 2022, is hereby submitted.

**Introduction**

The management of the Port has prepared this annual report and assumes responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of the Port. All disclosures necessary to enable the reader to gain an understanding of the Port's financial activities have been included.



The report contains the audited financial statements of the Port for the fiscal years ended June 30, 2023 and 2022, which have received an unmodified opinion from the Port's independent auditors and are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that management provide a narrative introduction, overview, and analysis to accompanying the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A, and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

**Profile of the Reporting Entity**

The Port is a proprietary department of the City and is held in trust by the City for the people of the State of California (the State) pursuant to a series of tidelands grants. The Port is operated independently from the City, generating its own revenues, and administering and controlling its own expenses and fiscal activities. The Port is governed by the Board of Harbor Commissioners (the Board) which consists of five commissioners, appointed by the Mayor and confirmed by the City Council (the Council).

Most of the properties on which the Port's land, docks, wharves, transit sheds, terminals and other facilities are located is owned by the State and administered by the City through the Port, pursuant to certain tidelands grants from the State. The Port has the duty to provide for the needs of maritime commerce, navigation, fishing and recreation and environmental activities that are water-dependent and are intended to be of statewide benefit. In accordance with GAAP, the accompanying financial statements are included as an Enterprise Fund of the City.

In addition, based on the foregoing criteria of oversight responsibility and accountability of all Port-related entities, the operations of the Los Angeles Harbor Improvements Corporation, a nonprofit corporation, have been included in the accompanying financial statements. Activities of Intermodal Container Transfer Facility Joint Powers Authority and Alameda Corridor Transportation Authority, two joint ventures with the Port of Long Beach, have been recorded as investments of the Port in accordance with the equity method of accounting. Additional information regarding these joint ventures and shareholders agreement may be found in the notes to financial statements for the Port.

The management and operation of the Port are under the direction of the Executive Director, who is responsible for coordinating and directing the activities of several major management groups or bureaus. These bureaus each consist of multiple divisions and fall under the responsibilities of five senior executives who report directly to the Executive Director. The Port's management structure is described in more detail below.

- The Deputy Executive Director of Stakeholder Engagement leads the Stakeholder Engagement Bureau, which consists of the Media Relations and Strategic Communications, Labor Relations and Government Affairs, Community Relations, and Trade Development divisions.

- The Deputy Executive Director of Finance and Administration & Chief Financial Officer leads the Finance and Administration Bureau, which consists of the Contracts and Purchasing, Human Resources, Accounting, Debt and Treasury Management, Financial Planning & Analysis, Internal Audit, and Risk Management divisions.

- The Chief of Public Safety & Emergency Management leads the Public Safety & Emergency Management Bureau, which consists of the Port Pilots, Port Police, and Information Technology divisions.

- The Deputy Executive Director of Marketing & Customer Relations leads the Marketing & Customer Relations Bureau, which consists of the Planning & Strategy, Cargo Marketing, Environmental Management, Waterfront/Commercial Real Estate, and Cargo/Industrial Real Estate divisions.

- The Deputy Executive Director of Development leads the Development Bureau, which consists of the Construction, Goods Movement, Construction and Maintenance, and Engineering divisions.

The Port is located in the San Pedro Bay, approximately 20 miles south of downtown Los Angeles. The Port's facilities lie within the shelter of a nine-mile long breakwater constructed by the federal government in several stages, the first of which commenced in 1899. The breakwater encloses the largest man-made harbor in the Western hemisphere.

The Port operates primarily as a landlord, as opposed to an operating port. Its docks, wharves, transit sheds, and terminals are leased to shipping or terminal companies, agents, and to other private firms. Although the Port owns these facilities, it has no direct hand in managing the daily movement of cargo. The Port is a landlord to close to 300 entities. In addition to major terminal operators, other tenants include marinas, commercial fishing operations, cruise operations, restaurants, and recreational facilities.

The major sources of income for the Port are from shipping services (wharfage, dockage, pilotage, space assignment charges, etc.), land rentals, fees, concessions, and royalties. It currently serves approximately 80 shipping companies and agents with facilities that include 270 berthing facilities along 43 miles of waterfront.

In terms of its size and volume, the Port is one of the world's largest and busiest ports. The Port encompasses approximately 4,300 acres of land and 3,200 acres of water. The Port is a deep-water port with a minimum depth of 45 feet below mean low water mark and 53 feet in its main channel and at the bulk loader and supertanker channels. Two major railroads serve the Port.

The Port lies at the terminus of two major freeways within the Los Angeles freeway system. Subsurface pipelines link the Port to major refineries and petroleum distribution terminals within the Los Angeles Basin.

The Port handles the largest volume of containerized cargo of all U.S. ports, and additionally ranks as number one in cargo value for U.S. waterborne foreign traffic. The Port's major trading partners, concentrated along the Pacific Rim, include China/Hong Kong, Japan, South Korea, Taiwan, and Vietnam. Cargo to and from these countries represents the bulk of the total value of all cargo shipped through the Port.

The Port must be financially self-sufficient through the revenues it generates as it has no taxing authority. When appropriate, it seeks to obtain State and Federal funding for defined projects. The Port continues to maintain credit ratings/outlooks of Aa2/Stable, AA+/Stable, and AA/Stable with Moody's Investors Service, S&P Global Ratings, and Fitch Ratings, respectively. These are the highest credit ratings for any stand-alone U.S. port.

**Initiatives and Developments**



The Port aims to continue to maintain its competitive edge by developing infrastructure that promotes growth and supports efficiency, secure, and sustainable port operations. As such, the Port has adopted a capital budget of $252.3 million in fiscal year 2023. Comprising 12.49% of its total budget of $2.0 billion, the adopted capital expenditures include $216.5 million for direct costs of capital improvement projects, indirect costs of $19.7 million in overhead costs, and $16.1 million for capital equipment. The adopted capital expenditures of $216.5 million include $99.5 million for terminal improvement projects, $22.5 million for transportation projects, $24.5 million for public access/environmental enhancement projects, $2.0 million for security projects, and $68.0 million for maritime services.

**Award and Acknowledgement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port for its ACFR for the fiscal year ended June 30, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This ACFR must satisfy GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Publication of this ACFR is a reflection of the excellence and professionalism of the Port's entire staff. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Bureau. We wish to thank all Port's divisions for their assistance in providing the data necessary to prepare this report.

Sincerely,

MARLA BLEAVINS
Deputy Executive Director and Chief Financial Officer

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Port of Los Angeles**
**California**

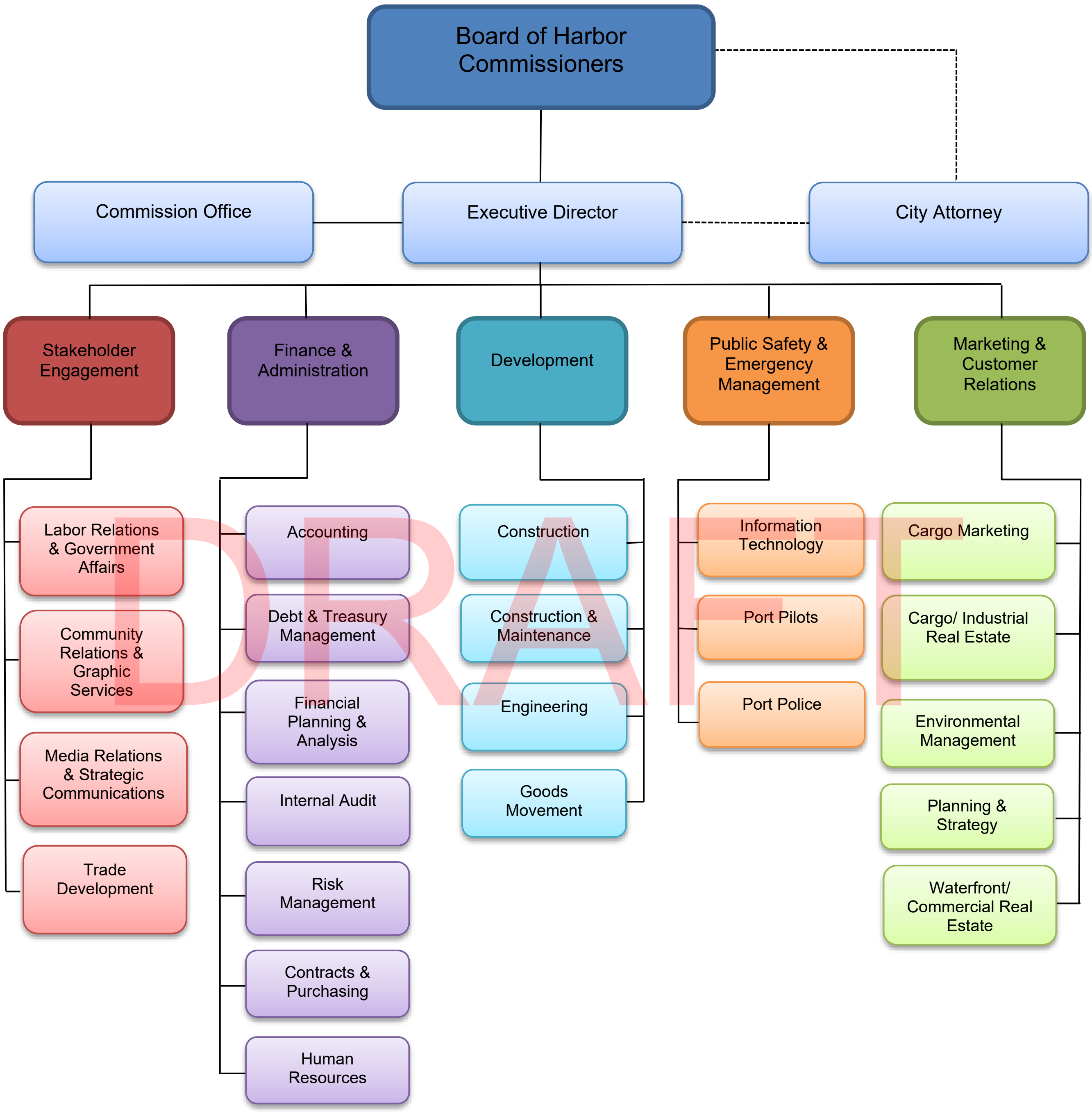
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**
Organizational Chart



# PORT OF LOS ANGELES
# (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

## BOARD OF HARBOR COMMISSIONERS [(1)]

Lucille Roybal-Allard
President

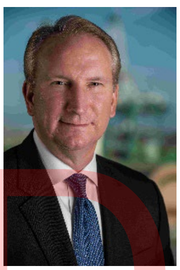
Diane Middleton
Vice President

Michael Muñoz
Commissioner

Edward R. Renwick
Commissioner

I. Lee Williams
Commissioner

## EXECUTIVE STAFF [(1)]



Eugene D. Seroka
Executive Director

Marla Bleavins
Deputy Executive Director of Finance & Administration and Chief Financial Officer

Tony Gioiello
Deputy Executive Director of Development

Thomas Gazsi
Chief of Public Safety & Emergency Management

Michael DiBernardo
Deputy Executive Director of Marketing & Customer Relations

David Libatique
Deputy Executive Director of Stakeholder Engagement



## MANAGEMENT STAFF [(1)]

Randall Allen
Deputy Chief of Port Police

Dina Aryan-Zahlan
Chief Harbor Engineer of Design

Arley Baker
Senior Director of Communications

Jennifer Bersales
Director of Risk Management

Angela Brown-Simpson
Director of Human Resources

Erica Calhoun
Commission Office

Christopher Cannon
Director of Environmental Management

Tricia Carey
Director of Contracts & Purchasing

Eric Caris
Director of Cargo Marketing

Kerry Cartwright
Director of Goods Movement

Tim Clark
Director of Construction & Maintenance

Marisela Caraballo DiRuggiero
Director of Trade Development

Capt. John Dwyer
Pilot Service

Capt. David Craig Flinn
Pilot Service

Michael Galvin
Director of Waterfront & Commercial Real Estate

Marisa Katnich
Director of Cargo/Industrial Real Estate

Michael Keenan
Director of Planning & Strategy

Frank Liu
Director of Accounting

Soheila Sajadian
Director of Debt & Treasury Management

Phillip Sanfield
Director of Media Relations

Shaun Shahrestani
Chief Harbor Engineer of Construction

Avin Sharma
Director of Labor Relations & Government Affairs

Barbara Steelman
Director of Internal Audit

Jeffrey Strafford
Director of Financial Planning & Analysis

Sheeba Varughese
Director of Information Technology

**CITY ATTORNEY STAFF**

Steven Otera
General Counsel

(1) As of July 20, 2023.




# Financial Section

**Independent Auditor's Report**

[Independent Auditor's Report will be provided by the external auditors when the ACFR is ready to be finalized.]

**Page 2 of Independent Auditor's Report**

[Independent Auditor's Report will be provided by the external auditors when the ACFR is ready to be finalized.]

**Page 3 of Independent Auditor's Report**

[Independent Auditor's Report will be provided by the external auditors when the ACFR is ready to be finalized.]

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

## Using This Financial Report

The management of the Port of Los Angeles (the Port) presents an overview of the Port's financial performance during the fiscal years ended June 30, 2023 and 2022. This discussion and analysis should be read in conjunction with the transmittal letter on pages 1-4 and the Port's financial statements starting from page 40.

The Port's financial report consists of this management's discussion and analysis (MD&A), and the following financial statements:

- *Statements of Net Position* – present information of all of the Port's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2023 and 2022. The sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as net position, which over time may increase or decrease and serves as an indicator of the Port's financial position.

- *Statements of Revenues, Expenses, and Changes in Net Position* – present the results of operations during the current and prior fiscal year. These show the sources of the Port's revenues and its expenses. Revenues and expenses are recorded and reported for some items that will result in cash flows in future periods. Changes in net position are reported when the underlying events occurred, regardless of the timing of the related cash flows.

- *Statements of Cash Flows* – present the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. A reconciliation is also provided to assist in understanding the difference between operating income and cash flows from operating activities.

- *Notes to Financial Statements* – present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of the Port's financial activities.





Continued…..

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

## Overview of the Port's Financial Statements

The Port is a fiscally independent department and an enterprise fund of the City of Los Angeles, California (the City). The Port's financial statements are prepared on an accrual basis using the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). The notes to financial statements on pages 47 to 113 provide additional information that is essential to a full understanding of the data provided in the financial statements. For the adoption of GASB Statement No. 87, "Leases" (GASB No.87), the financial statements for the fiscal year ended June 30, 2021 have been restated effective at the beginning of fiscal year 2021. For the adoption of GASB Statement No. 96, "Subscription-based Information Technology Arrangements" (GASB No.96), the financial statements for the fiscal year ended June 30, 2022 have been restated effective at the beginning of fiscal year 2022.

## Financial Highlights for Fiscal Year 2023



- Current assets exceeded current liabilities by $1.3 billion.
- Lease receivable amounted to $296.0 million.
- Capital assets, net of accumulated depreciation and amortization of $3.0 billion amounted to $3.6 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $4.1 billion.
- Bonded debt net of unamortized discounts/premiums of $45.3 million, totaled $582.4 million.
- Deferred inflows of resources related to leases amounted to $277.0 million.
- Operating revenue amounted to $656.4 million.
- Net operating expenses excluding depreciation of $194.9 million amounted to $299.4 million.
- Capital contributions amounted to $43.5 million.



Continued…..

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

### Financial Highlights for Fiscal Year 2022 (Restated)

- Current assets exceeded current liabilities by $1.1 billion.
- Lease receivable amounted to $308.9 million.
- Capital assets, net of accumulated depreciation and amortization of $2.8 billion amounted to $3.7 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.9 billion.
- Bonded debt net of unamortized discounts/premiums of $54.4 million, totaled $631.7 million.
- Deferred inflows of resources related to leases amounted to $296.2 million.
- Operating revenue amounted to $627.8 million.
- Net operating expenses excluding depreciation of $147.6 million amounted to $253.9 million.
- Capital contributions amounted to $11.9 million.





Continued…..

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

## Analysis of Net Position

Net position is the sum of assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Port's financial position is improving or deteriorating. The following is a condensed summary of the Port's net position as of June 30, 2023, 2022, and 2021 (in thousands):

**Condensed Net Position**

| | | (Restated) | (Restated) | Increase (Decrease) Over Prior Year | |
|---|---|---|---|---|---|
| | FY 2023 | FY 2022 | FY 2021 | FY 2023 | FY 2022 |
| **Assets** | | | | | |
| Current and other assets | $ 1,751,155 | $ 1,589,534 | $ 1,454,114 | $ 161,621 | $ 135,420 |
| Capital assets, net | 3,635,896 | 3,693,342 | 3,741,442 | (57,446) | (48,100) |
| Total assets | 5,387,051 | 5,282,876 | 5,195,556 | 104,175 | 87,320 |
| **Deferred outflows of resources** | 106,509 | 90,461 | 114,321 | 16,048 | (23,860) |
| **Liabilities** | | | | | |
| Current liabilities | 180,043 | 191,269 | 173,860 | (11,226) | 17,409 |
| Long-term liabilities | 931,355 | 874,490 | 1,107,394 | 56,865 | (232,904) |
| Total liabilities | 1,111,398 | 1,065,759 | 1,281,254 | 45,639 | (215,495) |
| **Deferred inflows of resources** | 305,687 | 441,064 | 329,995 | (135,377) | 111,069 |
| **Net position** | | | | | |
| Net investment in capital assets | 3,060,523 | 3,067,683 | 3,017,302 | (7,160) | 50,381 |
| Restricted for debt service | 37,105 | 37,452 | 42,435 | (347) | (4,983) |
| Unrestricted | 978,847 | 761,379 | 638,891 | 217,468 | 122,488 |
| Total net position | $ 4,076,475 | $ 3,866,514 | $ 3,698,628 | $ 209,961 | $ 167,886 |

## Net Position, Fiscal Year 2023

The largest portion of the Port's net position ($3.1 billion or 75.1%) reflects its net investment in capital assets (e.g., land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($37.1 million or 0.9%) represents resources that are restricted for the debt service reserve fund. The remaining balance of $978.8 million or 24.0% are unrestricted resources that may be used to meet the Port's ongoing obligations.



Continued…..

Current and other assets increased by $161.6 million or 10.2% from $1,589.5 million in fiscal year 2022 to $1,751.1 million in fiscal year 2023. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasury on behalf of the Port. The increase of $175.7 million from $1,203.5 million at June 30, 2022 to $1,379.2 million at June 30, 2023 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash increased over the course of the fiscal year as cash receipts derived from operating income and nonoperating sources more than sufficiently covered capital spending needs, debt service obligations, pollution remediation payments and workers' compensation payments. At June 30, 2023, the Port's share in the fair value adjustment of the City's pooled investments reflected a net increase of $52.3 million. The Port reported additional investments of $12.7 million from its share in the City's investment purchases on June 30, 2022, and $5.3 million in securities lending transactions.

Accounts receivable, net of allowance for doubtful accounts, increased by $14.8 million or 39.6% due to a rate increase in container movement charge for intermodal facility. Grants receivable increased by $5.9 million or 208.5% as more amount of grant invoices remained outstanding at fiscal year-end relative to prior fiscal year.

Lease receivable decreased by $12.9 million from $308.9 million at June 30, 2022 to $296.0 million at June 30, 2023. The decrease represents $46.8 million in the principal portion of lease payments received from tenants and adjustments from remeasurements of leases offset by $33.9 million for recognizing new leases executed in fiscal year 2023.

Capital assets, net of depreciation and amortization decreased by $57.4 million or 1.6% as the increase in accumulated depreciation associated with the Port's existing facilities and equipment more than offset the increase in new capital assets associated with capital project development and construction in progress.

Current liabilities decreased by $11.2 million or 5.9% as decreases of $10.7 million in obligations from securities lending transactions, $1.5 million in fiscal year end accruals for construction costs, $0.8 million in accrued interest payable and $9.7 million in other current liabilities were offset by increases of $5.8 million in accounts payable for goods and services received in the fiscal year, $3.1 million in current portion of outstanding bonds payable, $2.6 million in accrued salaries and employee benefits.

Long-term liabilities increased by $56.9 million or 6.5% were due to increases of $103.1 million in net pension liabilities, $8.8 million in net postemployment benefits other than pensions (other postemployment benefits or OPEB) liabilities, and $0.8 million in the noncurrent portion of lease liabilities offset by $52.4 million in the noncurrent portion of bonds payable arising from the customary repayment of principal conjunction with the Port's debt activities, $2.7 million in the net balances of other noncurrent liabilities, and $0.7 million in subscription liabilities. The increase of $103.1 million in net pension liabilities and $8.8 million in net OPEB liabilities was attributable mainly to the return on pension plans' assets were less than assumed return in the actuarial valuation. Additional information regarding the Port's proportionate shares of pension and OPEB liabilities may be found in Notes 13 and 14, respectively.

Deferred inflows of resources related to leases decreased by $19.3 million from $296.2 million at June 30, 2022 to $277.0 million at June 30, 2023. The decrease represents $53.1 million for terminations of leases



Continued…..

and the recognition of lease revenues in a systematic and rational manner over the terms of leases offset by $33.9 million for recognizing new leases executed in fiscal year 2023.

**Net Position, Fiscal Year 2022 (Restated)**

The largest portion of the Port's net position ($3.1 billion or 79.3%) reflects its net investment in capital assets (e.g., land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($37.5 million or 1.0%) represents resources that are restricted for the debt service reserve fund. The remaining balance of $761.4 million or 19.7% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $135.4 million or 9.3% from $1,454.1 million in fiscal year 2021 to $1,589.5 million in fiscal year 2022. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.



Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasury on behalf of the Port. The increase of $125.9 million from $1,077.6 million at June 30, 2021 to $1,203.5 million at June 30, 2022 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash increased over the course of the fiscal year as cash receipts derived from operating income and nonoperating sources more than sufficiently covered capital spending needs, debt service obligations, pollution remediation payments and workers' compensation payments. At June 30, 2022, the Port's share in the fair value adjustment of the City's pooled investments reflected a net decrease of $45.1 million. The Port reported additional investments of $15.6 million from its share in the City's investment purchases on June 30, 2022, and $16.0 million in securities lending transactions.

Accounts receivable, net of allowance for doubtful accounts, decreased by $6.0 million or 13.7% due to a decrease in cargo volumes after a dramatic rise in cargo imports resulting from restocking of retail shelves and e-commerce buying surge in prior fiscal year. Grants receivable increased by $0.5 million or 18.8% as more amount of grant invoices remained outstanding at fiscal year-end relative to prior fiscal year.

Lease receivable decreased by $5.5 million from $314.4 million at June 30, 2021, to $308.9 million at June 30, 2022. The decrease represents $36.0 million in the principal portion of lease payments received from tenants offset by $29.5 million for recognizing new leases executed in fiscal year 2022.

Capital assets, net of depreciation and amortization decreased by $48.1 million or 1.3% as the increase in accumulated depreciation associated with the Port's existing facilities and equipment more than offset the increase in new capital assets associated with capital project development and construction in progress, as well as the recognition of discontinued projects in the amount of $22.5 million. Right-to-use (RTU) subscription assets of $3.0 million was recognized initially for the implementation of GASB Statement No. 96, "Subscription-based Information Technology Arrangements." at the beginning of fiscal year 2022. The decrease of $0.3 million from $3.0 million at July 1, 2021 to $2.7 million at June 30, 2022 represents amortization of these RTU subscription assets.



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Current liabilities increased by $17.4 million or 10.0% as increases of $11.5 million in accounts payable for goods and services received in the fiscal year, $8.7 million in obligations from securities lending transactions, and $7.8 million in other current liabilities were offset by decreases of $7.0 million in current portion of outstanding bonds payable, $1.8 million in accrued interest payable, $1.3 million in accrued salaries and employee benefits, $0.5 million in fiscal year end accruals for construction costs.

Long-term liabilities decreased by $232.9 million or 21.0% were due to decreases of $119.2 million in net pension liabilities, $25.5 million in net postemployment benefits other than pensions (other postemployment benefits or OPEB) liabilities, and $92.7 million in the noncurrent portion of bonds payable offset by increases of $2.3 million in subscription liability and $2.2 million in the net balance of other noncurrent liabilities. The decrease of $92.7 million in the noncurrent portion of bonds payable was attributable to the redemption of 2011 Series Bonds, as well as the customary repayment of principal conjunction with the Port's debt activities. The decrease of $119.2 million in net pension liabilities and $25.5 million in net OPEB liabilities was attributable to the return on pension plans' assets were more than assumed return in the actuarial valuation, changes in the actuarial assumptions, and salary increases for continuing active members. Additional information regarding the Port's proportionate shares of pension and OPEB liabilities may be found in Notes 13 and 14, respectively. Subscription liability of $3.0 million was recognized initially for the implementation of GASB Statement No. 96, *"Subscription-based Information Technology Arrangements."* at the beginning of fiscal year 2022. The decrease of $0.7 million from $3.0 million at July 1, 2021 to $2.3 million at June 30, 2022 represents the principal portion of subscription payments.

Deferred inflows of resources related to leases decreased by $12.6 million from $308.8 million at June 30, 2021 to $296.2 million at June 30, 2022. The decrease represents $42.1 million for the recognition of lease revenues in a systematic and rational manner over the terms of leases offset by $29.5 million for recognizing new leases executed in fiscal year 2022.





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### Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net position changed during fiscal years 2023, 2022 and 2021 (in thousands):

**Condensed Changes in Net Position**

| | FY 2023 | (Restated) FY 2022 | (Restated) FY 2021 | Increase (Decrease) Over Prior Year FY 2023 | Increase (Decrease) Over Prior Year FY 2022 |
|---|---|---|---|---|---|
| Operating revenue | $ 656,400 | $ 627,842 | $ 569,713 | $ 28,558 | $ 58,129 |
| Less: Operating expenses | 299,420 | 253,900 | 272,983 | 45,520 | (19,083) |
| Operating income before depreciation and amortization | 356,980 | 373,942 | 296,730 | (16,962) | 77,212 |
| Less: Depreciation and amortization | 194,869 | 147,569 | 154,295 | 47,300 | (6,726) |
| Operating income | 162,111 | 226,373 | 142,435 | (64,262) | 83,938 |
| Net nonoperating revenue (expenses) | 4,345 | (70,393) | (12,946) | 74,738 | (57,447) |
| Income before capital contributions | 166,456 | 155,980 | 129,489 | 10,476 | 26,491 |
| Capital contributions | 43,505 | 11,906 | 7,116 | 31,599 | 4,790 |
| Changes in net position | 209,961 | 167,886 | 136,605 | 42,075 | 31,281 |
| Net position, July 1 | 3,866,514 | 3,698,628 | 3,562,023 | 167,886 | 136,605 |
| Net position, June 30 | $ 4,076,475 | $ 3,866,514 | $ 3,698,628 | $ 209,961 | $ 167,886 |



### Changes in Net Position, Fiscal Year 2023

The Port reported a $210.0 million change in net position in fiscal year 2023, a 25.1% increase as compared to fiscal year 2022. Approximately $565.3 million or 86.1% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were higher by $45.5 million in fiscal year 2023 compared to the previous fiscal year.

Depreciation expense increased by $45.5 million to $194.9 million in fiscal year 2023 from $147.6 million in fiscal year 2022, primarily due to certain assets being trued up for shorter useful lives for depreciation. The change in estimated useful life

Net nonoperating revenues for fiscal year 2023 totaled $4.3 million include: $4.5 million of net investment income, $1.9 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $10.2 million from interest income on the Port's leasing activities as a lessor, $32.9 million from grant revenues offset by $27.3 million from pass through grant expenses and $17.8 million of interest expenses on indebtedness, leases and subscriptions liabilities.



Continued…..

As a result, income before capital contributions increased by $10.5 million or 6.7% to $166.5 million in fiscal year 2023 from $156.0 million in fiscal year 2022.

Capital contributions increased by $31.6 million from $11.9 million earned in fiscal year 2022 to $43.5 million in fiscal year 2023 with more grant-funded initiatives in fiscal year 2023 relative to fiscal year 2022. Capital grants in fiscal year 2023 funded initiatives such as Port Worker Training Facility project ($30.0 million) and Terminal Island Railyard Enhancement project ($13.2 million).

**Changes in Net Position, Fiscal Year 2022 (Restated)**

The Port reported a $167.9 million change in net position in fiscal year 2022, a 22.9% increase as compared to fiscal year 2021. Approximately $572.7 million or 91.2% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were lower by $19.1 million in fiscal year 2022 compared to the previous fiscal year.

Depreciation expense decreased by $6.7 million to $147.6 million in fiscal year 2022 from $154.3 million in fiscal year 2021, primarily due to certain assets being fully depreciated in the prior year or trued up their lives for depreciation.

Net nonoperating expenses for fiscal year 2022 totaled $70.4 million include: $47.7 million of net unrealized loss for fair value adjustment of investments, $22.5 million of expenses resulting from certain construction projects being discontinued during the fiscal year, $19.0 million of interests on indebtedness, leases and subscriptions, $18.5 million from pass through grant expenses, and $0.7 million of other nonoperating expenses offset by $1.5 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $2.2 million from noncapital grants, $18.3 million from pass through grant revenue, $10.2 million from interest income on the Port's leasing activities as a lessor, as well as $5.8 million from various rebates, reimbursements, and miscellaneous other receipts.

As a result, income before capital contributions increased by $26.5 million or 20.5% to $156.0 million in fiscal year 2022 from $129.5 million in fiscal year 2021.

Capital contributions increased by $4.8 million from $7.1 million earned in fiscal year 2021 to $11.9 million in fiscal year 2022 with more grant-funded initiatives in fiscal year 2022 relative to fiscal year 2021. Capital grants in fiscal year 2022 funded initiatives such as land mobile radio system upgrade Phase III project ($3.4 million), Everport Terminal Improvement project ($3.0 million), and Alameda corridor Southern Terminus Gap Closure project ($5.5 million).




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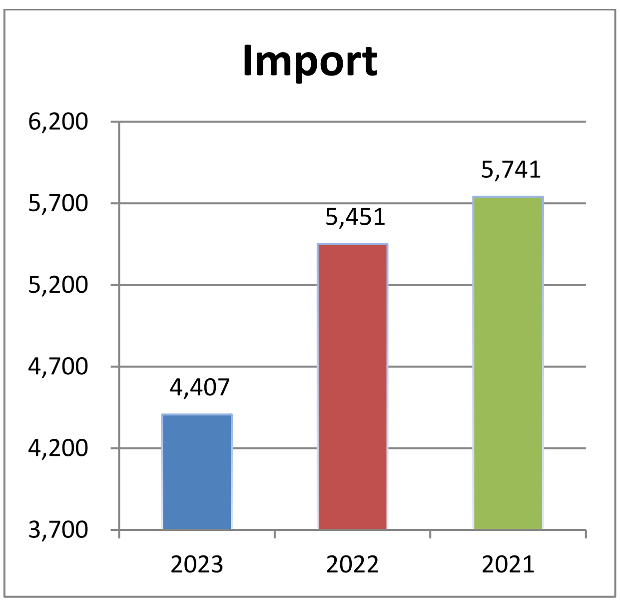
### Operating Revenue

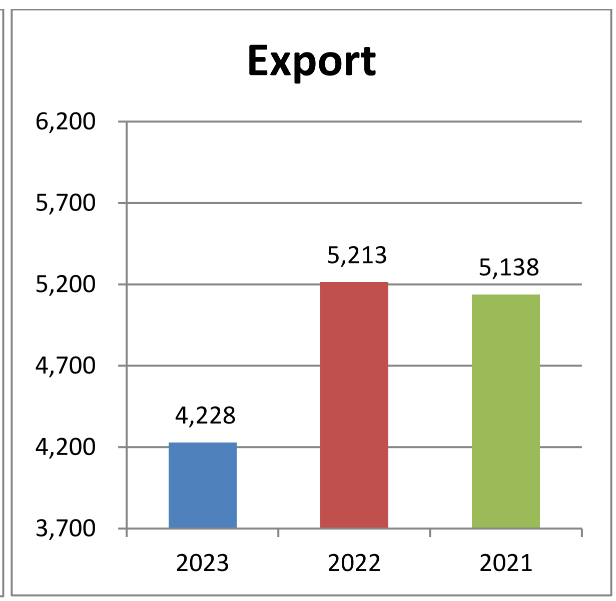
Annual container counts for the Port in twenty-foot equivalent units (TEUs), a standard measurement used in the maritime industry for measuring containers of varying lengths, for the last three fiscal years are as follows (in thousand TEUs):

| Container Volume | In thousand TEUs | | | % Change Over Prior Year | |
|---|---|---|---|---|---|
| (Loaded and Empty) | FY 2023 | FY 2022 | FY 2021 | FY 2023 | FY 2022 |
| Import | 4,407 | 5,451 | 5,741 | -19.2% | -5.1% |
| Export | 4,228 | 5,213 | 5,138 | -18.9% | 1.5% |
| Total | 8,635 | 10,664 | 10,879 | -19.0% | -2.0% |

The Port is the number one port by container volume in North America. Overall container volume totaled 8.6 million TEUs in fiscal year 2023 which represented a 19.0% decrease relative to the prior fiscal year. The decrease in container volume was primarily due to changes in spending patterns by consumers following the pandemic.

Following is the graphical presentation of the Port's container counts (in thousand TEUs) for fiscal years 2023 to 2021:




In Thousand TEUs



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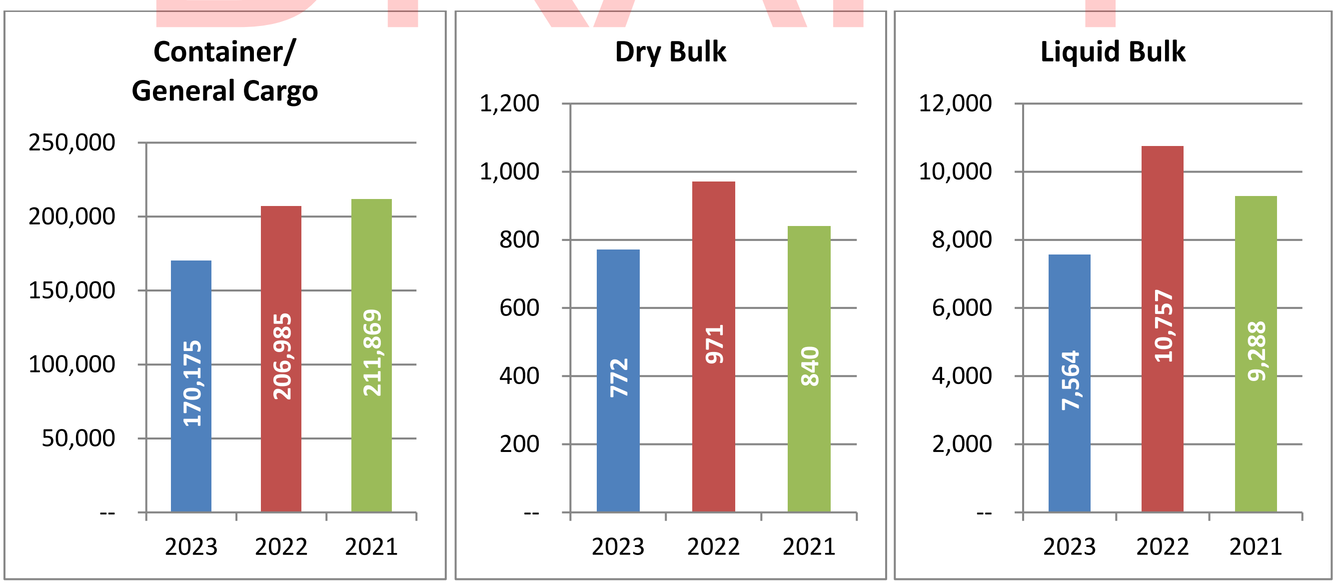
The Port is the leading seaport in North America in terms of shipping container volume. The following presents a summary of cargo volumes by major classification handled by the Port for the last three fiscal years (in thousands):

| | In Metric Revenue Tons | | | % Change Over Prior Year | |
|---|---|---|---|---|---|
| Cargo Type | FY 2023 | FY 2022 | FY 2021 | FY 2023 | FY 2022 |
| Container/general cargo | 170,175 | 206,985 | 211,869 | -17.8% | -2.3% |
| Dry bulk | 772 | 971 | 840 | -20.5% | 15.6% |
| Liquid bulk | 7,564 | 10,757 | 9,288 | -29.7% | 15.8% |
| Total | 178,511 | 218,713 | 221,997 | -18.4% | -1.5% |



Information for the cargo volume that moved through the Port for the last ten fiscal years may be found in the Revenue Statistics in Statistical Section.

Following is the graphical presentation of the Port's cargo volumes for fiscal years 2023 to 2021 in thousand metric tons:




In Thousand Metric Tons



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The Port's major sources of its operating revenues are derived from shipping services, rental fees, royalties and other concession fees. The following table presents a summary of the Port's operating revenues during fiscal years 2023, 2022 and 2021 (in thousands):

**Summary of Operating Revenues**

| | | | (Restated) | Increase (Decrease) Over Prior Year | |
|---|---|---|---|---|---|
| | FY 2023 | FY 2022 | FY 2021 | FY 2023 | FY 2022 |
| Shipping services | | | | | |
| Wharfage | $ 405,046 | $ 441,966 | $ 435,513 | $ (36,920) | $ 6,453 |
| Dockage and demurrage | 3,742 | 6,047 | 4,716 | (2,305) | 1,331 |
| Pilotage | 13,209 | 13,432 | 10,682 | (223) | 2,750 |
| Assignment charges | 26,011 | 24,397 | 12,938 | 1,614 | 11,459 |
| Total shipping services | 448,008 | 485,842 | 463,849 | (37,834) | 21,993 |
| Rentals | | | | | |
| Land | 115,375 | 85,092 | 76,475 | 30,283 | 8,617 |
| Other | 1,915 | 1,745 | 1,706 | 170 | 39 |
| Total rentals | 117,290 | 86,837 | 78,181 | 30,453 | 8,656 |
| Royalties and other fees | | | | | |
| Fees, concessions, and royalties | 8,094 | 5,418 | 1,693 | 2,676 | 3,725 |
| Clean truck program fees | 41,219 | 17,999 | 2,285 | 23,220 | 15,714 |
| Other | 41,789 | 31,746 | 23,705 | 10,043 | 8,041 |
| Total royalties and other fees | 91,102 | 55,163 | 27,683 | 35,939 | 27,480 |
| Total operating revenues | $ 656,400 | $ 627,842 | $ 569,713 | $ 28,558 | $ 58,129 |





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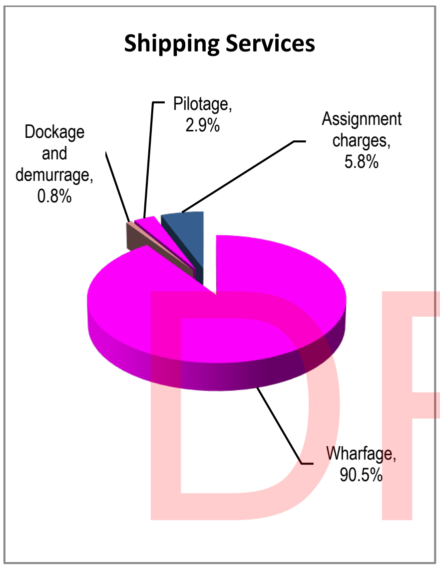
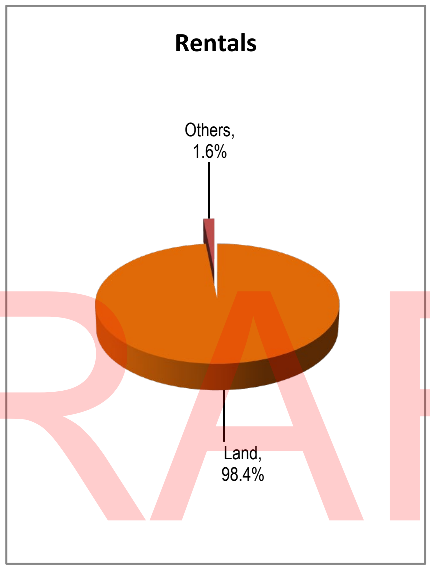
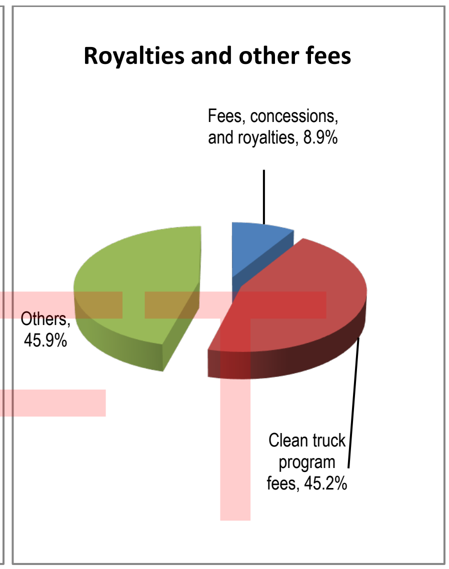
The following charts show the major components of the Port's sources of operating revenue for fiscal years 2023 and 2022:

## Fiscal Year 2023

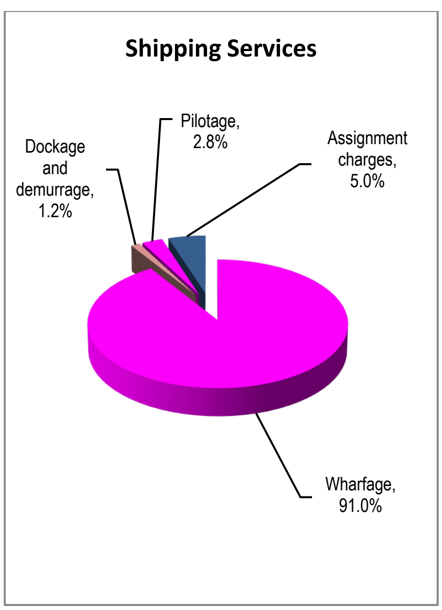


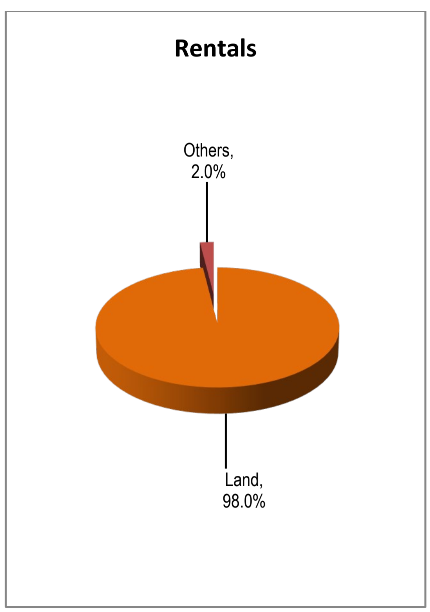



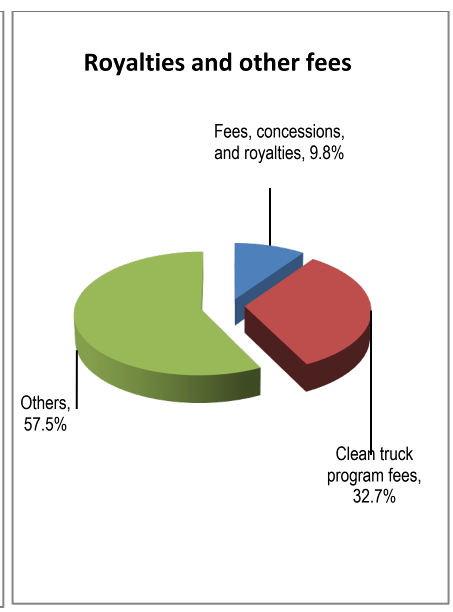






## Fiscal Year 2022 (Restated)



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## Operating Revenue, Fiscal Year 2023

Operating revenue for fiscal year 2023 increased to $656.4 million, reflecting a 4.5% increase from the prior year revenue of $627.8 million. The increase was primarily due to higher rental revenues, higher clean truck program utilization, higher space assignment rates, and higher harbor maintenance tax receipts. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

### *Shipping Services*

Shipping services revenues represented 68.3% of fiscal year 2023 total operating revenues and consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 90.4% of the total shipping service revenues in fiscal year 2023. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $36.9 million lower compared to fiscal year 2022 mainly due to lower cargo volumes. Other shipping services revenues were $0.9 million lower as dockage, demurrage, pilotage revenues decreased by $2.5 million offset by $1.6 million in higher assignment revenues.



### *Rentals*

The Port generates revenues from making available various types of rental properties such as land, buildings, warehouses, wharves, and sheds. Rates are negotiated for these properties based upon two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these properties. Rates ultimately set in land rental agreements may be adjusted, within reason, to reflect general market conditions. Rates for other categories of properties are also set taking into account the condition, location, utility, and other aspects of the property.

During fiscal year 2023, rental income at the Port, which represented 17.9% of fiscal year 2023 total operating revenues, increased by $30.5 million, or 35.1%, over last fiscal year. The increase was mainly due to net rental rate increases from rent reset, customary periodic rent increases, and new permits.

### *Royalties, Fees, and Other Operating Revenue*

The Port levies fees for a variety of activities conducted on the Port properties. Examples include royalties from the production of oil and natural gas, fees for parking lots, motion picture productions, foreign trade zone operations, miscellaneous concessions, distribution of utilities, and maintenance and repair services conducted by the Port at the request of customers. Starting in 2022, Clean Truck Program fees are collected as a key component of the San Pedro Bay Ports Clean Air Action Plan.

Revenues from royalties, fees, and other operating revenues in fiscal year 2023 was $91.1 million or 13.8% of the total operating revenues. This represented an increase of $35.9 million in this revenue category compared with fiscal year 2022 mainly due to $23.2 million increase in Clean Truck program revenues, $12.6 million in higher harbor maintenance tax receipts, $6.8 million in higher operating reimbursements, $3.0 million in higher parking fee revenue offset by $9.7 million in lower tenant utility and accommodation work order reimbursements.



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## Operating Revenue, Fiscal Year 2022

Operating revenue for fiscal year 2022 increased to $627.8 million, reflecting a 10.2% increase from the prior year revenue of $569.7 million. The increase was primarily due to the initiation of new clean truck program, higher space assignment rates, higher utility reimbursements from Alternative Maritime Power (AMP) shore side electricity connection program, resumption of cruises, as well as the expiration of the empty container discount on wharfage. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

### *Shipping Services*

Shipping services revenues represented 77.4% of fiscal year 2022 total operating revenues and consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 91.0% of the total shipping service revenues in fiscal year 2022. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $6.5 million higher compared to fiscal year 2021 mainly due to the expiration of empty container discount on wharfage. Other shipping services revenues were $15.6 million higher as dockage and demurrage revenue, pilotage revenue, and assignment revenues increased by $1.3 million, $2.8 million, and $11.5 million, respectively.



### *Rentals*

The Port generates revenues from making available various types of rental properties such as land, buildings, warehouses, wharves, and sheds. Rates are negotiated for these properties based upon two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these properties. Rates ultimately set in land rental agreements may be adjusted, within reason, to reflect general market conditions. Rates for other categories of properties are also set taking into account the condition, location, utility, and other aspects of the property.

During fiscal year 2022, rental income at the Port, which represented 13.8% of fiscal year 2022 total operating revenues, increased by $8.7 million, or 11.1%, over last fiscal year. The increase was mainly due to net rental rate increases and new permits.

### *Royalties, Fees, and Other Operating Revenue*

The Port levies fees for a variety of activities conducted on the Port properties. Examples include royalties from the production of oil and natural gas, fees for parking lots, motion picture productions, foreign trade zone operations, miscellaneous concessions, distribution of utilities, and maintenance and repair services conducted by the Port at the request of customers.

Revenues from royalties, fees, and other operating revenues in fiscal year 2022 was $55.2 million or 8.8% of the total operating revenues. This represented an increase of $27.5 million in this revenue category compared with fiscal year 2021 mainly due to $15.7 million increase in Clean Truck program revenues, $8.0 million higher utility reimbursements, and $3.7 million higher in parking fee revenue.



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## Operating Expenses

The following table presents a summary of the Port's operating expenses, net of direct and indirect costs allocated to capitalized construction projects for fiscal years 2023, 2022 and 2021. Included in other operating expenses are expenses for workers' compensation, clean truck program, pollution remediation, insurance premiums, travel and entertainment, customer incentive payouts, and miscellaneous other items.

**Operating Expenses, Net of Direct and Indirect Costs**
**(amounts in thousands)**

| | | (Restated) | (Restated) | Increase (Decrease) Over Prior Year | |
|---|---|---|---|---|---|
| | FY 2023 | FY 2022 | FY 2021 | FY 2023 | FY 2022 |
| Salaries and benefits | $ 141,735 | $ 122,410 | $ 146,200 | $ 19,325 | $ (23,790) |
| City services | 47,823 | 45,531 | 45,876 | 2,292 | (345) |
| Outside services | 33,332 | 27,864 | 26,219 | 5,468 | 1,645 |
| Utilities | 27,210 | 33,708 | 23,241 | (6,498) | 10,467 |
| Materials and supplies | 5,974 | 5,106 | 4,517 | 868 | 589 |
| Marketing and public relations | 2,710 | 2,101 | 1,372 | 609 | 729 |
| Other operating expenses | 40,636 | 17,180 | 25,558 | 23,456 | (8,378) |
| Total Operating Expenses | $ 299,420 | $ 253,900 | $ 272,983 | $ 45,520 | $ (19,083) |





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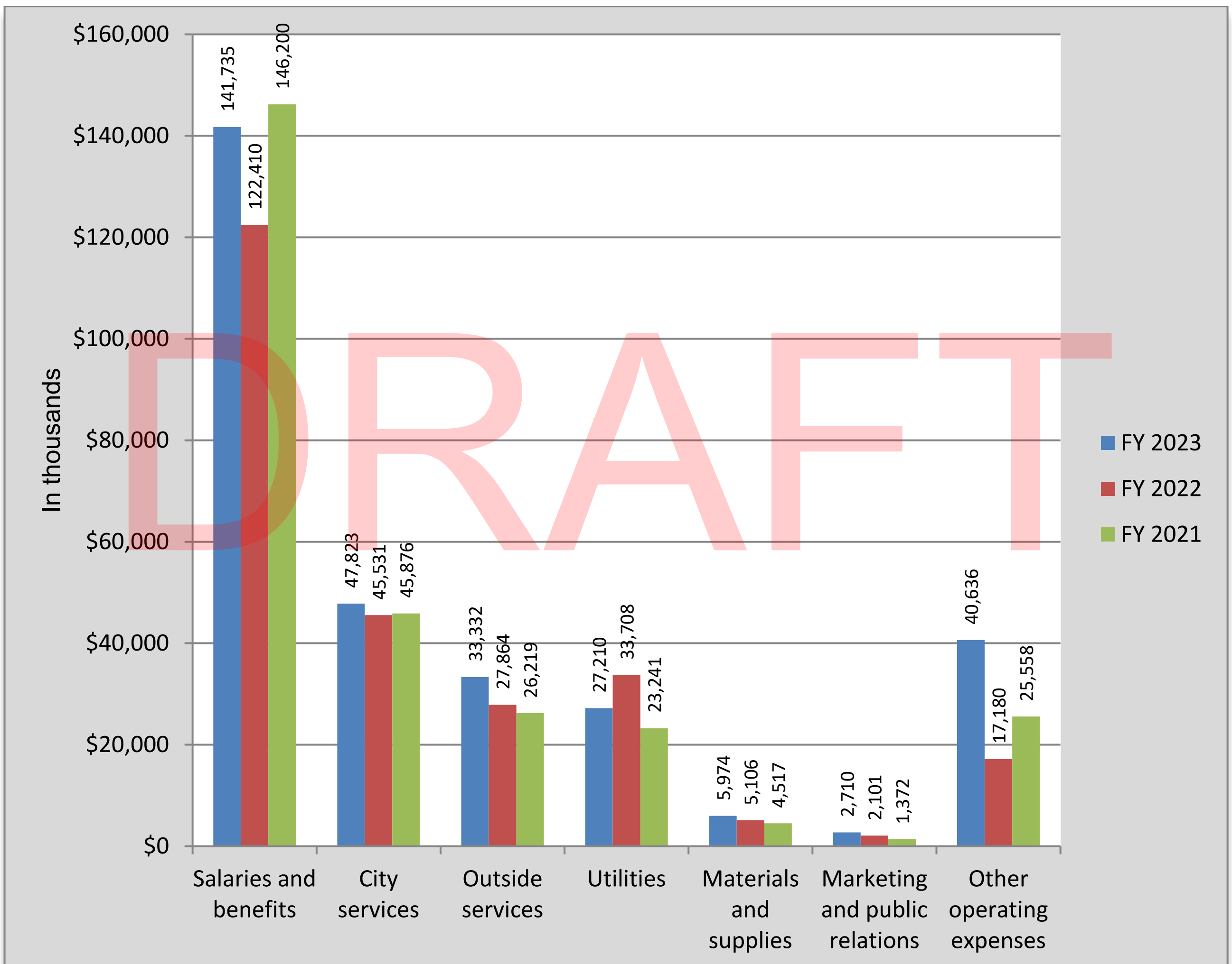
The following chart shows the graphical comparison of the Port's operating expenses, net of direct and indirect costs, for fiscal years 2023, 2022 and 2021:



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**Operating Expenses, Fiscal Year 2023**

Operating expenses are presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects.

In fiscal year 2023, operating expenses increased by $45.5 million to $299.4 million, a 17.9% increase from prior fiscal year expenses of $253.9 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension and OPEB expenses increased by $19.3 million to $141.7 million, or 15.8% higher than the prior year expense of $122.4 million due to increases of $21.3 million in pension and OPEB expenses offset by a decrease of $2.0 million in salary and employee benefit expenses.

Total payments for City services of $47.8 million increased by $2.3 million or 5.0% relative to the prior fiscal year of $45.5 million due to $2.9 million in higher fire services and $0.2 million in higher city attorney services. These increases were partially offset by $0.7 million in lower recreation and park services and $0.1 million in lower city administrative office services.



Outside services expenses of $33.3 million increased by $5.4 million or 19.6% relative to the prior fiscal year of $27.9 million with spending increases of $1.7 million in operational costs to support growth of cruise business, $1.4 million in construction and maintenance services due to staffing shortage, as well as price increases for parts and materials, $1.0 million in information technology services due to higher spending in development activities supporting related to the Port Optimizer project, $1.2 million in environmental monitoring station, development activities for the Green Shipping Corridor, and regulatory support, and $0.1 million of higher spending in other contractual services supporting the Port's operations.

Utilities expense decreased by $6.5 million to $27.2 million or 19.3% from the prior fiscal year of $33.7 million mainly due to lower spending on Alternative Maritime Power (AMP) and non-AMP electricity consumption relative to fiscal year 2022.

Materials and supplies expenses of $6.0 million increased by $0.9 million or 17.0% relative to the prior fiscal year of $5.1 million primarily due to overall materials and supplies price increases across various divisions throughout the Port.

Other operating expenses (including workers' compensation claims and settlement expenses and clean truck program expenses on page 26) of $40.6 million represented an increase of $23.4 million, or 136.5%, relative to prior fiscal year other operating expenses of $17.2 million. This increase in other operating expenses was primarily attributable to higher provisioning for workers' compensation liabilities by $1.5 million based on claim experiences, higher provisioning for litigation and claim expenses by $12.4 million, higher accrued subsidies for clean truck programs by $3.2 million, higher container incentive payouts by $3.2 million, higher cruise incentive payouts by $1.6 million, higher insurance premiums by $0.8 million, and higher pollution remediation expense by $1.1 million offset by lower payouts on taxes, assessments, and other expenses by $0.4 million.



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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

### Operating Expenses, Fiscal Year 2022 (Restated)

Operating expenses are presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects.

In fiscal year 2022, operating expenses decreased by $19.1 million to $253.9 million, a 7.0% decrease from prior fiscal year expenses of $273.0 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension and OPEB expenses decreased by $23.8 million to $122.4 million, or 16.3% lower than the prior year expense of $146.2 million due to decreases of $24.9 million in pension and OPEB expenses offset by an increase of $1.1 million in salary and employee benefit expenses.

Total payments for City services of $45.5 million decreased by $0.4 million or 0.9% relative to the prior fiscal year of $45.9 million due to $1.1 million related to lower utilization of fire service and $0.4 million in lower other city administrative services, which were partially offset by $1.1 million in higher city attorney, recreation and park services.

Outside services expenses of $27.9 million increased by $1.7 million or 6.3% relative to the prior fiscal year of $26.2 million with spending increases of $1.3 million in construction and maintenance services due to staffing shortage, supply chain disruptions as well as price increases and $0.4 million of higher spending in other contractual services supporting the Port's operations.

Utilities expense increased by $10.4 million to $33.7 million or 45.0% from the prior fiscal year of $23.2 million mainly due to higher spending on Alternative Maritime Power (AMP) and non-AMP electricity consumption relative to fiscal year 2021.

Materials and supplies expenses of $5.1 million increased by $0.6 million or 13.0% relative to the prior fiscal year of $4.5 million primarily due to overall materials and supplies price increases across various divisions throughout the Port.

Other operating expenses (including workers' compensation claims and settlement expenses and clean truck program expenses on page 26) of $17.2 million represented a decrease of $8.4 million, or 32.8%, relative to prior fiscal year other operating expenses of $25.6 million. This decrease in other operating expenses was primarily attributable to lower provisioning for workers' compensation liabilities by $1.7 million based on claim experiences, lower provisioning for litigation and claim expenses by $10.8 million, and lower pollution remediation expense by $0.9 million offset by higher expenses by $1.9 million for administering Clean Truck program and higher insurance premiums and customers incentive payouts by $3.1 million.



Continued…..

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## Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include income from investment in a joint powers authority, interest income and expenses along with receipts and expenses related with noncapital grants as well as pass through grant awards and discontinued capital projects closed to expense. The following table presents a summary of the Port's nonoperating revenues and expenses for fiscal years 2023, 2022 and 2021:

**Summary of Nonoperating Revenues and Expenses**
**(amounts in thousands)**

| | FY 2023 | (Restated) FY 2022 | (Restated) FY 2021 | Increase (Decrease) Over Prior Year FY 2023 | FY 2022 |
|---|---|---|---|---|---|
| Nonoperating revenues | | | | | |
| Income from investments in Joint Powers Authority | $ 1,888 | $ 1,513 | $ 2,243 | $ 375 | $ (730) |
| Investment income-net | 4,538 | -- | -- | 4,538 | -- |
| Interest income from leases | 10,155 | 10,234 | 10,259 | (79) | (25) |
| Grant revenues | 32,925 | 20,502 | 2,695 | 12,423 | 17,807 |
| Other nonoperating revenues | 501 | 5,766 | 1,129 | (5,265) | 4,637 |
| Total nonoperating revenues | 50,007 | 38,015 | 16,326 | 11,992 | 21,689 |
| Nonoperating expenses | | | | | |
| Interest expense | 17,837 | 19,037 | 21,773 | (1,200) | (2,736) |
| Investment loss-net | -- | 47,744 | 2,656 | (47,744) | 45,088 |
| Pass-through grant expenses | 27,267 | 18,521 | 854 | 8,746 | 17,667 |
| Other nonoperating expenses | 558 | 23,106 | 3,989 | (22,548) | 19,117 |
| Total nonoperating expenses | 45,662 | 108,408 | 29,272 | (62,746) | 79,136 |
| Net nonoperating revenues (expenses) | $ 4,345 | $ (70,393) | $ (12,946) | $ (74,738) | $ 57,447 |



## Nonoperating Revenues and Expenses, Fiscal Year 2023

In fiscal year 2023, the Port reported net nonoperating revenues of $4.3 million, increased by $74.7 million relative to net nonoperating expenses of $70.4 million in fiscal year 2022.

Net investment income increased by $52.2 million from a net investment loss of $47.7 million to a net investment income of $4.5 million in fiscal year 2023. The increase was due to the higher investment fair value fluctuations.

Nonoperating revenues increased by $12.0 million primarily due to higher pass-through and noncapital grant revenues by $12.4 million, higher income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority by $0.4 million, and higher net investment income of $4.5 million. These increases were partially offset by a lower other nonoperating revenues in settlement recovery by $5.3 million.



Continued…..

Nonoperating expenses decreased by $62.7 million in fiscal year 2023 due to favorable variances with respect to net investment loss by $47.7 million from investment value fluctuations, lower capital projects closed to expense by $22.4 million, lower interest expenses and other miscellaneous costs by $1.3 million. These decreases were partially offset by higher pass-through grant expenditures by $8.7 million.

**Nonoperating Revenues and Expenses, Fiscal Year 2022 (Restated)**

In fiscal year 2022, the Port reported net nonoperating expenses of $70.4 million, increased by $57.5 million relative to net nonoperating expenses of $12.9 million in fiscal year 2021.

Nonoperating revenues increased by $21.7 million due to higher pass-through and noncapital grant revenues by $17.8 million and higher other revenues from settlement recovery by $4.6 million offset by lower income from an investment in the intermodal Container Transfer Facility Joint Powers Authority by $0.7 million.

Nonoperating expenses increased by $79.1 million in fiscal year 2022 due to unfavorable variances with respect to unrealized investment loss by $45.1 million from investment value fluctuations, higher pass-through grant expenditures by $17.7 million, higher capital projects closed to expense by $18.8 million and higher bond administration and other miscellaneous costs by $0.3 million. These increases were partially offset by lower interest expenses by $2.7 million.



**Long-Term Debt**

The Port's long-term debt is comprised of senior lien debt in the form of Harbor Department Revenue Bonds. As of June 30, 2023 and 2022, the Port's outstanding long-term debt was $537.1 million and $577.3 million, respectively. For all outstanding bonds, the Port continues to maintain Aa2, AA+, and AA credit ratings from Moody's Investors Service (Moody's), S&P Global Ratings (S&P), and Fitch Ratings (Fitch), respectively. See Note 7 of this report for additional information.

***Bonded Debt***

Under Section 609 of the City Charter and the Bond Procedural Ordinance, the Port's capacity to issue debt is not limited. However, the Port's capacity is constrained under covenants of the currently outstanding debt to an aggregate ratio of annual net revenue to annual debt service of at least one hundred twenty-five percent (125%). The Port's financial policy requires that a minimum of 2.0x debt service coverage be maintained at all times. At June 30, 2023, the Port's debt service coverage was 6.0x debt service.

The Port's long-term debt consisted of the following as of June 30, 2023, 2022, and 2021 (in thousands):

| | FY 2023 | FY 2022 | FY 2021 |
|---|---|---|---|
| Revenue bonds payable | $ 537,125 | $ 577,335 | $ 665,670 |
| Net unamortized premiums | 45,289 | 54,391 | 65,687 |
| Total | $ 582,414 | $ 631,726 | $ 731,357 |



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## Capital Assets

The Port's investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2023, 2022 and 2021 amounted to $3.6 billion, $3.7 billion, and $3.7 billion, respectively. These accounted for 67.5%, 69.9%, and 72.0%, of total assets, respectively. The following table presents the Port's capital assets, net of accumulated depreciation for fiscal years 2023, 2022 and 2021 (in thousands):

**Summary of Capital Assets**

| | | (Restated) | (Restated) | Increase (Decrease) Over Prior Year | |
|---|---|---|---|---|---|
| | FY 2023 | FY 2022 | FY 2021 | FY 2023 | FY 2022 |
| Land | $ 1,106,805 | $ 1,106,805 | $ 1,106,805 | $ -- | $ -- |
| Facilities and equipment, net | 2,116,677 | 2,262,609 | 2,237,374 | (145,932) | 25,235 |
| Intangible assets, net | 12,900 | 16,598 | 20,296 | (3,698) | (3,698) |
| Right-to-use lease assets, net | 1,259 | 492 | 1,149 | 767 | (657) |
| Right-to-use subscription assets, net | 2,374 | 2,671 | -- | (297) | 2,671 |
| Construction in progress | 280,921 | 198,177 | 234,786 | 82,744 | (36,609) |
| Preliminary costs-capital projects | 114,960 | 105,990 | 141,032 | 8,970 | (35,042) |
| Total | $ 3,635,896 | $ 3,693,342 | $ 3,741,442 | $ (57,446) | $ (48,100) |

See Note 5 of this report for additional information.

Facilities and equipment, net of accumulated depreciation, decreased by $145.9 million or 6.4% from $2.3 billion at June 30, 2022 to $2.1 billion at June 30, 2023 primarily due to a $32.7 million true-up of additional depreciation for certain assets with shorter estimated useful lives and annual depreciation associated with the Port's existing facility and equipment. Facilities and equipment, net of accumulated depreciation, increased by $25.2 million or 1.1% from $2.2 billion at June 30, 2021 to $2.3 billion at June 30, 2022 primarily due to capitalization of completed projects of $163.6 million offset by annual depreciation associated with the Port's existing facility and equipment.

The Port has active construction projects as of June 30, 2023. The projects include San Pedro Waterfront Redevelopment, Wilmington Waterfront Redevelopment, State Route 47/Vincent Thomas Bridge and Front Street/Harbor Boulevard Interchange Reconfiguration, various infrastructure improvements at terminals, and other capital projects. At June 30, 2023, 2022, and 2021, the Port's commitments with contractors for capital projects were $1.8 million, $1.9 million, and $1.2 million, respectively.



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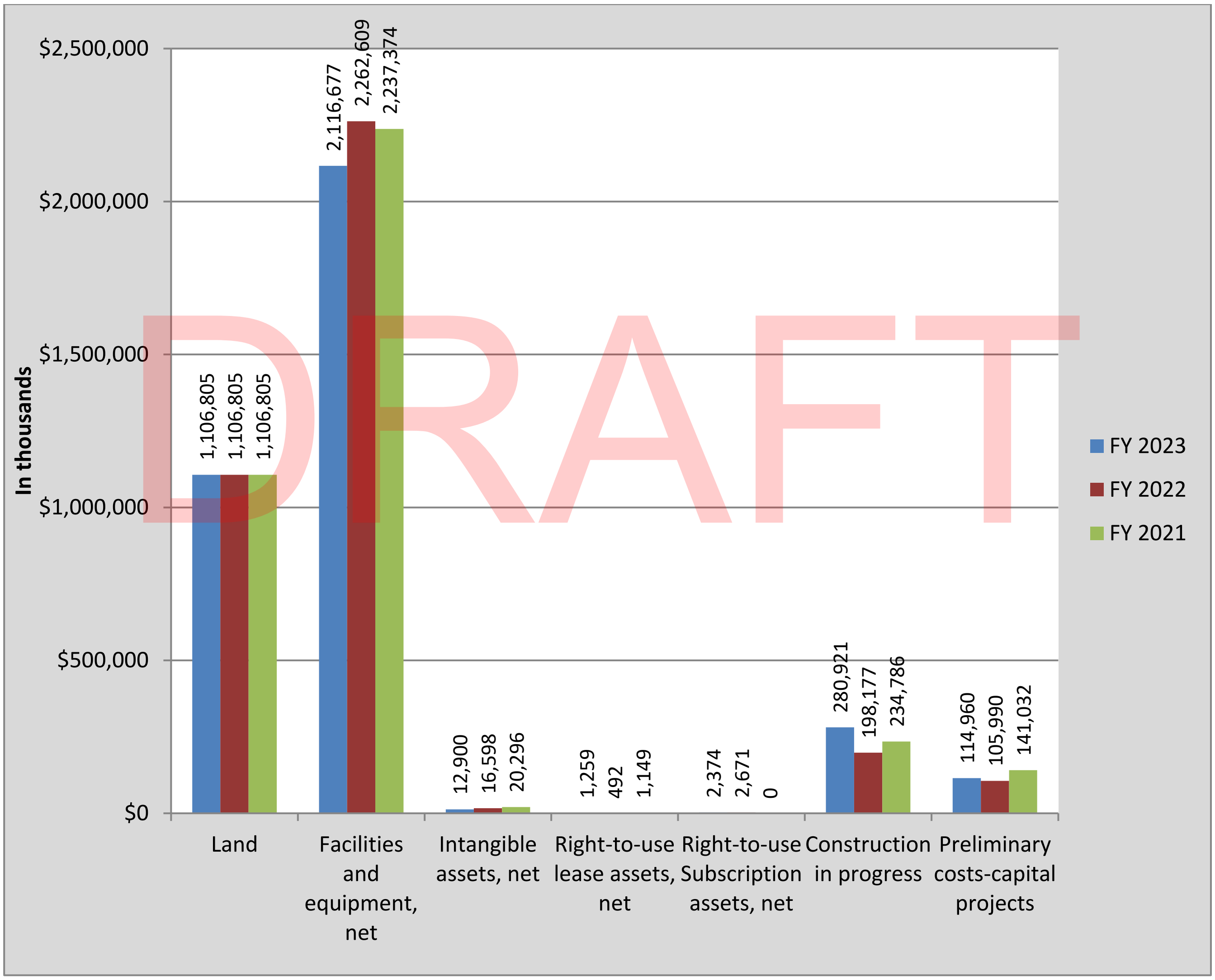
The following chart shows the graphical presentation of the Port's capital assets, net of accumulated depreciation for the fiscal years 2023, 2022 and 2021



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**Capital Assets, Fiscal Year 2023**

Major capital assets activities during fiscal year 2023 are as follows:

- $40.2 million – construction for expanding corridor storage tracks at Pier 400, including rail extension, additional railroad storage tracks, access roadway, as well as new crossovers, switches, and equipment.
- $19.3 million – construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to San Pedro Waterfront Ports O' Call Promenade and Town Square Waterfront Gateway, Harbor Boulevard roadway improvements, the Wilmington Waterfront Promenade, and the Avalon Promenade, pedestrian bridge, and Gateway.
- $13.8 million – various projects at berths with liquid bulk oil cargo handling facilities to comply with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS).
- $9.0 million – various projects at buildings and facilities of the Port including enterprise resources planning (ERP) system migration, port pilot radio upgrade, Liberty Hill Plaza improvements, and various facilities and buildings improvements and remodel projects.
- $7.2 million – various transportation constructions including projects for Alameda Corridor southern terminus gap closure and reconfiguration of the interchange at State Route 47/Vincent Thomas Bridge and Front Street/Harbor Boulevard, and various lighting and street improvements and extensions.
- $3.9 million – various projects at Berth 171-181 (Pasha Terminal) including electrical infrastructure improvement, wharf restoration, and building improvements.
- $3.5 million – various projects at Berth 45-53 (Outer Harbor Cruise Facility) and Berth 90-93 (World Cruise Center) including passenger terminal gangway and pedestrian deck improvements, passenger terminal roof replacement, and cruise terminal development.
- $3.3 million – redevelopment projects at Berth 222-236 (Everport Terminal) including wharf and backlands improvements, terminal infrastructure reconstruction, and Alternative Maritime Power (AMP) upgrade and retrofit.
- $2.9 million – construction of new container wharf at Berth 306, on-deck railyard expansion project, and crane rail and foundation project at Berth 300-306 (Fenix terminal).
- $3.4 million – various miscellaneous projects for parking/storage lot constructions and improvements, barge landing ramp upgrade, building cover replacement, dockside facility improvements and Port Worker Training Facility.
- $2.6 million – various homeland security projects including construction of Port Cyber Resilience Center, Port Police headquarter security enhancement, and port police radio system.



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- $2.1 million – various environmental enhancement projects including advanced electrical infrastructure and air quality monitoring stations upgrade, shore side electricity upgrade.
- $1.4 million – redevelopment projects at various terminals including wharf rehabilitation, facility expansion, and infrastructure improvements.





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**Capital Assets, Fiscal Year 2022**

Major capital assets activities during fiscal year 2022 are as follows:

- $30.0 million – construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to San Pedro Waterfront Ports O' Call Promenade and Town Square Waterfront Gateway, the Wilmington Waterfront Promenade, and the Avalon Promenade, pedestrian bridge, and Gateway.
- $2.4 million – various environmental enhancement projects including advanced electrical infrastructure, shore side electricity upgrade, and pavement improvements projects.
- $5.2 million – various projects at buildings and facilities of the Port including facilities and buildings improvements and remodel, pilot system enhancement, port pilot station wharf modification, fire alarm and security system installation and various utility projects.
- $15.0 million – various transportation constructions including projects for Alameda Corridor southern terminus gap closure and reconfiguration of the interchange at SR-47/Vincent Thomas Bridge and Front Street/Harbor Boulevard, lighting upgrades on 22nd Street, Via Cabrillo Marina, and Shoshonean Road, and various lighting and street improvements and extensions.
- $5.8 million – various homeland security projects including port police radio system, construction of Port Cyber Resilience Center, development of dispatch and records management system, port police fixed license plate reader system, and facility security improvements.
- $1.4 million – various miscellaneous projects for parking/storage lot construction, barge landing ramp upgrade, building cover replacement, and dockside facility improvements.
- $1.4 million – redevelopment projects at various terminals including wharf rehabilitation, facility expansion, and infrastructure improvements.
- $8.6 million – various projects at berths with liquid bulk oil cargo handling facilities to comply with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS).
- $1.6 million – various projects at the Pasha Terminal including roof replacement, electrical infrastructure improvement, and wharf restoration.
- $3.4 million – improvement project at LAXT cargo support facility.
- $1.1 million – on-deck railyard expansion project at the Fenix (Berth 300-306) terminal.
- $6.6 million – redevelopment projects at the Everport Terminal including wharf and backlands improvements, terminal infrastructure reconstruction, and Alternative Maritime Power (AMP) upgrade and retrofit.



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### Factors That May Affect the Port's Operations

There is significant competition for container traffic among North American ports. The availability of alternate port facilities at competitive prices affects the use of the Port's facilities and therefore the revenues of the Port. Formation of shipping alliances adds to the complexity as shipping lines which have ownership in terminals route cargo to terminals that are not owned by them, but by their Alliance partners. While the shipping industry remains volatile in 2023, shipping lines are searching for the best terminal handling rates and even looking to the Port to provide incentives. The Port cannot predict the scope of such impact.

All of the ports on the West Coast of the U.S. compete for discretionary intermodal cargo destined for locations across the U.S. and Canada. Discretionary cargo makes up approximately 33% of cargo arriving at the Port. Currently, this discretionary cargo moves eastward both by rail routes and by water routes through the Panama Canal, Magellan Straits, or Cape Horn, or westward through the Suez Canal. Factors such as capacity restrictions and service reliability of rail routes or water routes could impact decisions on cargo route and U.S. port of entry.

With the expansion of global economy and the surge in international trade, shipping lines began commissioning ships of greater size that carry more cargo, the Port has an existing ability to handle the New Panamax and Super Post-Panamax ships and continues to maintain and improve its strong infrastructure and intermodal capabilities.

The activities at the Port may generate air emissions that are subject to legal and regulatory requirements. Such requirements mandate and offer certain incentives for reductions of air pollution from ships, trains, trucks and other operational activities. Paying for mandated air pollution reduction infrastructure, equipment and other measures may become a significant portion of the Port's capital budget and operating budget. Such expenditures may be necessary even if the Port does not undertake any new revenue-generating capital improvements.

The Port leases land to marine terminal operators who employ labor from the International Longshore and Warehouse Union (ILWU) who are not employees of the Port. In the past, protracted contract negotiations between the ILWU and the Pacific Maritime Association resulted in cargo moving to other gateways, such as the Gulf and East Coast. Once it moves to other gateways, it becomes challenging to regain market share.

### Competitive Environment

As of the fiscal year ended June 30, 2023, five major container ports controlled 97.0% of the entire U.S. West Coast containerized cargo market: the ports of Los Angeles, Long Beach, and Oakland in California, and the ports of Seattle and Tacoma in Washington State. The ports of Los Angeles and Long Beach together had 74.3% of all U.S. West Coast market share based on a loaded TEU basis.

The industry is capital intensive and requires long lead times to plan and develop new facilities and infrastructure. Resources are typically allocated and facilities developed based upon the commitment of customers to long-term permits at the Port that currently range from 15 to 40 years before expiration. Occupancy remains high and West Coast ports have limited land areas for expansion. Additionally, the greater Los Angeles area represents not only a large destination market for waterborne goods, but also an attractive point of origin for supply chain distribution throughout the Southern California region and the rest of nation as the Port has extensive on-dock rail facilities creating intermodal connections that provide for time-



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to-market advantages. In the Port's analysis, one third of the import cargo moves via intermodal to inland markets, another third transloaded into larger containers at local transload facilities and moves to inland markets in larger containers (i.e., 53-foot containers) and the last third remains in the five-county region around the Port, which serves over 20 million residents.

The following presents a summary of the West Coast container market share for fiscal years 2023 to 2021:

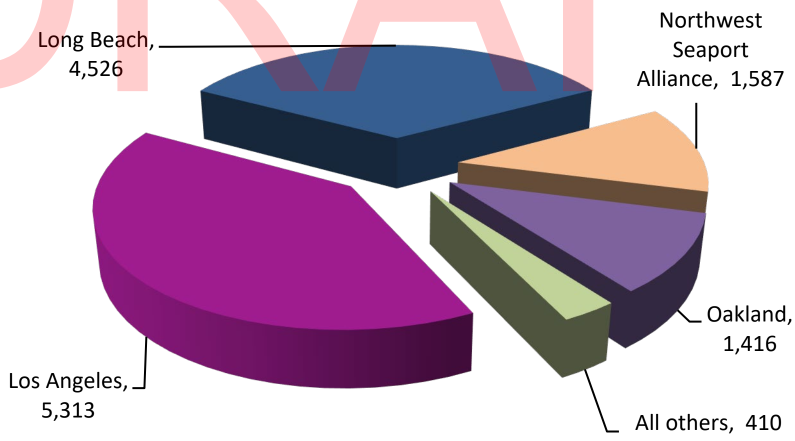
| | Loaded TEUs (in thousands)* | | | Percentage Market Share | | |
|---|---|---|---|---|---|---|
| Ports | FY 2023 | FY 2022 | FY 2021 | FY 2023 | FY 2022 | FY 2021 |
| Los Angeles | 5,313 | 6,309 | 7,039 | 40.1% | 39.8% | 41.1% |
| Long Beach | 4,526 | 5,529 | 5,762 | 34.2% | 34.8% | 33.7% |
| Northwest Seaport Alliance** | 1,587 | 1,955 | 2,207 | 12.0% | 12.3% | 12.9% |
| Oakland | 1,416 | 1,656 | 1,859 | 10.7% | 10.4% | 10.9% |
| All others | 410 | 417 | 250 | 3.0% | 2.7% | 1.4% |
| | 13,252 | 15,866 | 17,117 | 100.0% | 100.0% | 100.0% |

* Source: PIERS

** Northwest Seaport Alliance consists of Seattle and Tacoma.



Following is the graphical presentation of the West Coast container market share for fiscal year 2023:




Loaded TEUs (in thousands)



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### Request for Information

This financial report is designed to provide a general overview of the Port's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Marla Bleavins, Deputy Executive Director and Chief Financial Officer, Port of Los Angeles (Harbor Department of the City of Los Angeles), 425 S. Palos Verdes St., San Pedro, CA 90731.





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**PORT OF LOS ANGELES**
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Statements of Net Position
June 30, 2023 and 2022
(amounts in thousands)

| | 2023 | (Restated) 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents, unrestricted | $ 1,281,573 | $ 1,144,153 |
| Cash and cash equivalents, restricted | 50,236 | 11,488 |
| Accounts receivable, net of allowance for doubtful accounts: 2023 - $8,472; 2022 - $7,534 | 52,225 | 37,404 |
| Accrued interest receivable | 6,368 | 6,417 |
| Grants receivable | 8,795 | 2,851 |
| Materials and supplies inventories | 2,876 | 2,820 |
| Prepaid expenses | 504 | 471 |
| Lease receivable - current portion | 29,673 | 36,008 |
| Total current assets | 1,432,250 | 1,241,612 |
| Noncurrent assets | | |
| Restricted investments – bond funds | 37,105 | 37,452 |
| Other restricted investments | 10,311 | 10,399 |
| Investment in Joint Powers Authority | 4,434 | 5,546 |
| Net pension assets | -- | 9,885 |
| Net OPEB assets | 773 | 11,791 |
| Lease receivable - noncurrent portion | 266,282 | 272,849 |
| Capital assets | | |
| Land | 1,106,805 | 1,106,805 |
| Facilities and equipment net of accumulated depreciation: 2023 - $2,982,592; 2022 - $2,809,855 | 2,116,677 | 2,262,609 |
| Intangible assets, net of accumulated amortization: 2023 - $12,460; 2022 - $8,762 | 12,900 | 16,598 |
| Right-to-use lease assets, net of accumulated amortization: 2023 - $555; 2022 - $1,727 | 1,259 | 492 |
| Right-to-use subscription assets, net of accumulated amortization: 2023 - $594; 2022 - $297 | 2,374 | 2,671 |
| Construction in progress | 280,921 | 198,177 |
| Preliminary costs – capital projects | 114,960 | 105,990 |
| Total capital assets | 3,635,896 | 3,693,342 |
| Total noncurrent assets | 3,954,801 | 4,041,264 |
| **TOTAL ASSETS** | 5,387,051 | 5,282,876 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred charges on debt refunding | 8,833 | 9,343 |
| Deferred outflows of resources related to pensions | 84,285 | 69,159 |
| Deferred outflows of resources related to other postemployment benefits (OPEB) | 13,391 | 11,959 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 106,509 | 90,461 |

continued.....

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Statements of Net Position
June 30, 2023 and 2022
(amounts in thousands)

| | 2023 | (Restated) 2022 |
|---|---|---|
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable | $ 48,983 | $ 43,140 |
| Current maturities of bonds payable | 43,355 | 40,210 |
| Accrued interest payable | 10,932 | 11,769 |
| Accrued salaries and employee benefits | 20,056 | 17,475 |
| Obligations under securities lending transactions | 5,259 | 15,996 |
| Accrued construction cost payable | 1,791 | 3,277 |
| Other current liabilities payable from restricted assets | 9,534 | 9,526 |
| Other current liabilities | 40,133 | 49,876 |
| Total current liabilities | 180,043 | 191,269 |
| Long-term liabilities | | |
| Long-term liabilities payable from unrestricted assets | | |
| Bonds payable, net of unamortized discount/premium: 2023 - $45,289; 2022 - $54,391 | 539,059 | 591,516 |
| Accrued employee benefits | 16,018 | 16,029 |
| Net pension liabilities | 271,235 | 168,089 |
| Net OPEB liabilities | 8,778 | -- |
| Lease liabilities | 1,279 | 506 |
| Subscription liabilities | 1,546 | 2,277 |
| Other liabilities | 76,198 | 79,449 |
| Total long-term liabilities payable from unrestricted assets | 914,113 | 857,866 |
| Long-term liabilities payable from restricted assets | 17,242 | 16,624 |
| Total long-term liabilities | 931,355 | 874,490 |
| **TOTAL LIABILITIES** | 1,111,398 | 1,065,759 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred inflows of resources related to pensions | 13,390 | 107,660 |
| Deferred inflows of resources related to OPEB | 15,329 | 37,179 |
| Deferred inflows of resources related to leases | 276,968 | 296,225 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 305,687 | 441,064 |
| **NET POSITION** | | |
| Net investment in capital assets | 3,060,523 | 3,067,683 |
| Restricted for debt service | 37,105 | 37,452 |
| Unrestricted | 978,847 | 761,379 |
| **TOTAL NET POSITION** | $ 4,076,475 | $ 3,866,514 |

See accompanying notes to financial statements.

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**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022
(amounts in thousands)

| | 2023 | (Restated) 2022 |
|---|---|---|
| **OPERATING REVENUE** | | |
| Shipping services | | |
| Wharfage | $ 405,046 | $ 441,966 |
| Dockage | 3,619 | 5,914 |
| Demurrage | 123 | 133 |
| Pilotage | 13,209 | 13,432 |
| Assignment charges | 26,011 | 24,397 |
| Total shipping services | 448,008 | 485,842 |
| Rentals | | |
| Land | 115,375 | 85,092 |
| Buildings | 266 | 215 |
| Warehouses | 633 | 588 |
| Wharf and shed | 1,016 | 942 |
| Total rentals | 117,290 | 86,837 |
| Royalties, fees, and other operating revenues | | |
| Fees, concessions, and royalties | 8,094 | 5,418 |
| Clean truck program fees | 41,219 | 17,999 |
| Other | 41,789 | 31,746 |
| Total royalties, fees, and other operating revenues | 91,102 | 55,163 |
| Total operating revenue | 656,400 | 627,842 |
| **OPERATING EXPENSES** | | |
| Salaries and other benefits | 107,747 | 109,778 |
| Pension expense | 33,200 | 14,840 |
| OPEB (credit)/expense | 788 | (2,208) |
| City services | 47,823 | 45,531 |
| Outside services | 33,332 | 27,864 |
| Utilities | 27,210 | 33,708 |
| Materials and supplies | 5,974 | 5,106 |
| Marketing and public relations | 2,710 | 2,101 |
| Workers' compensation, claims and settlement | 15,583 | 1,712 |
| Clean truck program expenses | 5,835 | 2,613 |
| Other operating expenses | 19,218 | 12,855 |
| Total operating expenses before depreciation and amortization | 299,420 | 253,900 |
| Operating income before depreciation and amortization | 356,980 | 373,942 |

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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022
(amounts in thousands)

| | 2023 | (Restated) 2022 |
|---|---|---|
| Operating Income before depreciation and amortization | $ 356,980 | $ 373,942 |
| Depreciation and amortization | 194,869 | 147,569 |
| **OPERATING INCOME** | 162,111 | 226,373 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Nonoperating revenues | | |
| Income from investments in Joint Powers Authority | 1,888 | 1,513 |
| Interest income from leases | 10,155 | 10,234 |
| Investment income - net | 4,538 | -- |
| Noncapital and pass through grant revenue | 32,925 | 20,502 |
| Other nonoperating revenue | 501 | 5,766 |
| Total nonoperating revenues | 50,007 | 38,015 |
| Nonoperating expenses | | |
| Interest expense | (17,837) | (19,037) |
| Investment loss - net | -- | (47,744) |
| Pass through grant expense | (27,267) | (18,521) |
| Discontinued capital projects | (115) | (22,503) |
| Other nonoperating expenses | (443) | (603) |
| Total nonoperating expenses | (45,662) | (108,408) |
| Net nonoperating revenues (expenses) | 4,345 | (70,393) |
| **INCOME BEFORE CAPITAL CONTRIBUTIONS** | 166,456 | 155,980 |
| Capital contributions | 43,505 | 11,906 |
| **CHANGES IN NET POSITION** | 209,961 | 167,886 |
| **NET POSITION, JULY 1** | 3,866,514 | 3,698,628 |
| **NET POSITION, JUNE 30** | $ 4,076,475 | $ 3,866,514 |

See accompanying notes to financial statements.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022
(amounts in thousands)

| | 2023 | (Restated) 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Shipping service fees collected | $ 437,893 | $ 490,453 |
| Rentals collected | 108,375 | 80,739 |
| Royalties, fees, and other operating revenues collected | 89,045 | 55,686 |
| Payments for employee salaries and benefits, net of capitalized amounts: 2023 - $28,261; 2022 - $26,454 | (139,015) | (143,331) |
| Payments for goods and services | (168,544) | (125,312) |
| Net cash provided by operating activities | 327,754 | 358,235 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY** | | |
| Proceeds from noncapital grants | 5,658 | 1,981 |
| Net cash provided by noncapital financing activity | 5,658 | 1,981 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Payments for property acquisitions and construction | (137,924) | (97,468) |
| Proceeds from sale of capital assets | 188 | 228 |
| Proceeds from capital grants and contributions | 37,561 | 11,454 |
| Proceeds from insurance recovery for damage of capital assets | 41 | 5,345 |
| Payments for lease assets | (578) | (899) |
| Interest received from leases | 10,155 | 10,234 |
| Payments for subscription assets | (732) | (690) |
| Principal repayment and redemption – bonds | (40,210) | (88,335) |
| Interest payments on bonds and financing activities | (27,267) | (30,455) |
| Net cash used in capital and related financing activities | (158,766) | (190,586) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Receipt of interest | 26,724 | 12,170 |
| (Decrease) increase in cash collateral received under the securities lending transactions | (10,737) | 8,722 |
| Purchase of investments | (17,813) | (67,004) |
| Receipts from bond reserve fund | 348 | 4,982 |
| Distribution from Joint Powers Authority | 3,000 | 3,000 |
| Net cash (used) provided by investing activities | 1,522 | (38,130) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 176,168 | 131,500 |
| **CASH AND CASH EQUIVALENTS, JULY 1** | 1,155,641 | 1,024,141 |
| **CASH AND CASH EQUIVALENTS, JUNE 30** | $ 1,331,809 | $ 1,155,641 |

continued….

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022
(amounts in thousands)

| | 2023 | (Restated) 2022 |
|---|---|---|
| **CASH AND CASH EQUIVALENTS COMPONENTS** | | |
| Cash and cash equivalents, unrestricted | $ 1,281,573 | $ 1,144,153 |
| Cash and cash equivalents, restricted | 50,236 | 11,488 |
| Total cash and cash equivalents | $ 1,331,809 | $ 1,155,641 |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Operating income | $ 162,111 | $ 226,373 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation and amortization | 194,869 | 147,569 |
| Provision for doubtful accounts | 937 | 852 |
| Changes in assets, liabilities, and deferred outflows and inflows of resources | | |
| Accounts receivable | (15,759) | 5,107 |
| Lease receivable | 12,991 | 5,646 |
| Materials and supplies inventories | (55) | 51 |
| Prepaid expenses | (33) | (55) |
| Deferred outflows of resources related to pensions and OPEB | (16,559) | 22,191 |
| Accounts payable | 6,208 | 12,235 |
| Net pension liabilities | 113,031 | (129,051) |
| Net OPEB liabilities | 19,795 | (37,324) |
| Accrued salaries and employee benefits | 2,571 | (373) |
| Other liabilities | (16,976) | (6,054) |
| Deferred inflows of resources related to pensions and OPEB | (116,120) | 123,636 |
| Deferred inflows of resources related to leases | (19,257) | (12,568) |
| Total adjustments to reconcile operating income to net cash provided by operating activities | 165,643 | 131,862 |
| Net cash provided by operating activities | $ 327,754 | $ 358,235 |
| **NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Acquisition of capital assets, included in construction costs and accounts payables | $ 2,966 | $ 4,817 |
| Write-off of discontinued construction projects | 115 | 22,503 |

See accompanying notes to financial statements.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

The Notes to Financial Statements include disclosures considered necessary for a better understanding of the accompanying financial statements. An index to the Notes follows:







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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

## 1. Organization and Summary of Significant Accounting Policies

The financial statements of the Harbor Department of the City of Los Angeles, California (hereafter referred to as "Port of Los Angeles" or "Port") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port's significant accounting policies are described below.

### A. Organization and Reporting Entity

The Harbor Department is a proprietary department of the City of Los Angeles, California (the City), formed for the purpose of managing the tidelands property granted by the State of California (State) commonly known as the Port of Los Angeles and operations thereon for specific maritime related purposes as explained below. The Port is under the control of a five-member Board of Harbor Commissioners (BHC), who are appointed by the Mayor and confirmed by the City Council. The Port is administered by an Executive Director and subject to the State public trust doctrine as described below.

The real property and related assets of the Port including land, waters, docks, wharves, transit sheds, terminals, and other facilities (i.e., Trust Assets), were granted to the City in tidelands grants from the State, with retained oversight by the State Lands Commission. The State's statutory grants specify the granted tidelands are subject to the Trust Purposes, which require the Trust Assets to be used for maritime commerce, navigation, fisheries, and water-dependent activities for the benefit of the State. The Trust Purposes are also codified in the Charter of the City, which placed management and control of the Trust Assets under the Port. All revenues arising from the Trust Assets (Port operating revenues and proceeds of asset sales) are limited as to use for the Trust Purposes, including operation and maintenance of Port facilities, the acquisition and construction of improvements, and other similar Trust Purposes.

The Port prepares and controls its own financial plan, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port operates as principal landlord for the purpose of assigning or leasing port facilities and land areas. The Port's principal source of revenue is from shipping services under tariffs (dockage and wharfage, etc.), rental of land and facilities, fees (parking and foreign trade zones), and royalties (oil wells). Capital construction is financed by cash from operations, debt secured by future revenues, and federal and state grants. The Port's permanent workforce attends to the daily operation of the Port facilities and its regular maintenance. Generally, the Port uses commercial contractors for large construction projects.

Operations of the Port are financed in a manner similar to that of a private business. The Port recovers its costs of providing services and improvements through tariff charges for shipping services and the leasing of facilities to Port customers.

In evaluating how to define the Port for financial reporting purposes, management has considered all potential component units by applying the criteria set forth by the GASB. The financial statements present only the financial activities of the Port in conformity with GAAP and are not intended to present the financial position and results of operations of the City.



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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

**Reporting Entity**

The Los Angeles Harbor Improvements Corporation (LAHIC) is a nonprofit public benefit corporation organized under the laws of the state of California for public purposes. LAHIC was formed to assist the Port in undertaking financing third party capital expenditures at potentially advantageous terms that the BHC deems necessary for the promotion and accommodation of commerce.

The board of directors of LAHIC consists of five members. Election of the LAHIC board of directors occurs by vote of the BHC. The BHC is financially responsible for LAHIC's activities. Further, although LAHIC is legally separate from the Port, it is reported as if it were part of the Port, because its sole purpose is to help finance and construct facilities and improvements, related to Port activities.

LAHIC is included in the reporting entity of the Port, and accordingly, the operations of LAHIC are blended in the Port's accompanying financial statements. LAHIC's cash balance in the amount of $21 thousand equaled to the payable amount owed to the Port as of both June 30, 2023 and 2022. LAHIC reported no net position at June 30, 2023 and 2022. Separate financial statements for LAHIC may be obtained from the Deputy Executive Director and Chief Financial Officer, Port of Los Angeles, 425 S. Palos Verdes Street, San Pedro, California 90731.



**B. Summary of Significant Accounting Policies**

**Method of Accounting** – The Port's activities are accounted for as an enterprise fund, and as such, its financial statements are presented using the economic resources measurement focus and the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when the related liabilities are incurred regardless of the timing of cash flow.

**Cash, Cash Equivalents, and Investments** – The Port pools its available cash with that of the City. All cash and investments pooled with the City, plus cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents.

Interest income and realized gains and losses arising from such pooled cash and investments are apportioned to each participating City department fund based on the relationship of such department fund's respective average daily cash balances to aggregate pooled cash and investments. The change in the fair value of pooled investments is allocated to each participating City department fund based on the aggregate respective cash balances at year-end.

The Port's investments, including its share of the City's Investment Pool, are stated at fair value. Fair value is determined based upon market closing prices or bid/ask prices for regularly traded securities. The fair value of investments with no regular market is estimated based on similarly traded investments. The fair value of mutual funds, government-sponsored investment pools, and other similar investments is stated at share value or an allocation of fair value of the pool, if separately reported. Certain money market investments with initial maturities at the time of purchase of less than one year are recorded at amortized cost. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized



Continued…..

gains and losses on investments that had been held more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year and the current year.

**Securities Lending** – As a participant in the City's Investment Pool, the Port's funds are also part of the City's securities lending program (SLP). The investment collateral received by the City together with the corresponding liability is allocated among the City's participating funds based on the aggregate respective cash balances at fiscal year-end.

**Inventories and Prepaid Items** – Inventories of materials and supplies are stated at the weighted average cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

**Accounts Receivable and Allowance for Doubtful Accounts** – Accounts receivable are recorded for invoices issued to customers or tenants in accordance with the contractual provisions. Included in accounts receivable on the statements of net position, unbilled receivables are estimated and recorded when revenues are recognized upon service delivery and invoicing occurs at a later date. Receivables outstanding beyond 90 days are put into the collection process. An allowance for doubtful accounts is set up as a reserve based on specific identification of troubled accounts and delinquent receivables.



**Grants Receivable** – The Port receives federal, state and local grants on a reimbursement basis for both capital and non-capital activities. Grants receivable is recognized when all applicable eligibility requirements are met.

**Capital Assets** – Capital assets are carried at cost or at fair value at the date received, in the case of properties acquired by donation, and by termination of leases for tenant improvements, less allowance for accumulated depreciation. The Port has a capitalization threshold of $5,000. Capital assets include intangible assets for the Port's radio frequency licenses, emission mitigation credits with indefinite useful lives; and capitalized costs of the Port's integrated financial accounting system, the Enterprise Resource Planning System. The Port periodically reviews its assets for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

Preliminary costs for developing proposed capital projects that are incurred prior to the finalization of formal capital projects are capitalized. Upon completion of capital projects, such preliminary costs are transferred to the appropriate property account. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment. Preliminary costs - capital projects as of June 30, 2023 and 2022 are $115.0 million and $106.0 million, respectively.

The Port capitalizes indirect project costs associated with the acquisition, development, and construction of new capital projects. Indirect project costs allocated to construction projects for fiscal years 2023 and 2022 were $22.8 million and $23.7 million, respectively.



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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the Port's depreciable assets are as follows:

| | |
|---|---|
| Wharves and sheds | 15 to 30 years |
| Buildings and facilities | 10 to 50 years |
| Equipment | 3 to 18 years |
| Intangible assets | 20 years |

**Leases –** *Port as lessee.* Leases are defined as the right to use an underlying asset. As a lessee, the Port recognized a lease liability and an intangible right-to-use (RTU) lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. RTU lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

The Port calculates the amortization of the discount on the lease liability and reports that amount as interest expense. Leases that do not have implicit interest rates, the incremental borrowing rates (IBR) are used. IBR's are estimated rates the Port would be charged for borrowing the lease payment amounts during the lease term. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

*Port as lessor.* As a lessor, the Port recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflow of resources at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases or certain regulated leases. Re-measurement of lease receivables occurs when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference.

Short-term real estate entitlement such as revocable permits and space assignments can be canceled on a 30-day notice by either party. For lease agreements that are short-term, the Port recognizes short-term lease payments as inflows of resources based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the report period.



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Leases between the Port and terminal operators and shipping lines are subject to external laws and regulations. The Port recognizes inflows of resources based on the payment provisions of the lease agreement. See note 12.A. for additional information.

**Subscription-based Information Technology Arrangements (SBITA)** – A SBITA is a contract that conveys control of the right to use a third-party's information technology software. SBITAs that have maximum possible term under the SBITA contract of 12 months or less are considered a short-term SBITA and recognized as outflows of resources.

The Port recognized a subscription liability and an intangible right-to-use (RTU) subscription asset at the beginning of a SBITA unless the SBITA is considered a short-term SBITA. A subscription liability is measured at the present value of subscription payments expected to be made during the subscription term using the Port's incremental borrowing rate. A subscription asset is initially recorded at the initial measurement of the subscription liability, plus subscription payments made at the commencement of the subscription term, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The commencement of the subscription term occurs when the Port has obtained control of the right to use the underlying subscription assets, and the subscription asset is placed into service.

A subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying subscription asset. Remeasurement of subscription liability occurs when there is a change in the subscription term and/or other changes that are likely to have a significant impact on the subscription liability.

The Port calculates the amortization of the discount on the subscription liability and reports that amount as outflows of resources. SBITAs that do not have implicit interest rates, the incremental borrowing rates (IBR) are used. IBR's are estimated rates the Port would be charged for borrowing the payment amounts during the subscription term. Payments are allocated first to accrued interest liability and then to the lease liability. Variable payments based on the usage of the underlying assets are not included in the subscription liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred. See note 12.B. for additional information.

**Investment in Joint Powers Authority** – Investment in joint powers authority is accounted for by the equity method. The value of the Port's investment in joint powers authority increases or decreases based on the Port's proportional share in the joint powers authority's ending net position less distributions, if any. The distribution from joint powers authority is proportional to the size of the equity investment.

**Accrued Salaries and Employee Benefits** – Aside from accrued salaries, the Port records as liabilities all accrued employee benefits, including estimated liabilities for certain unused vacation and sick leave in the period the benefits are earned. Port employees accumulate annual vacation and sick leave based on their length of service up to a designated maximum. Upon termination or retirement, employees are paid the cash value of their accumulated leave benefits in accordance with the City policy.

**Deferred Outflows and Inflows of Resources** – In addition to assets, the Port reports a separate section for deferred outflows of resources. This represents a consumption of net assets that



Continued…..

applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Port has three items that qualified for reporting in this category. They are deferred charges on debt refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to postemployment benefits other than pensions (other postemployment benefits or OPEB). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Port reports a separate section for deferred inflows of resources. This represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Port has three items that qualified for reporting in this category – deferred inflows of resources related to pensions, deferred inflows of resources related to OPEB, and deferred inflows of resources related to leases.

Deferred outflows and inflows of resources related to pensions result from diverse pension related transactions and events including pension contributions subsequent to measurement date, changes of assumptions or other inputs, difference between expected and actual experience in the total pension liabilities, changes in proportionate share of contributions, and net differences between projected and actual pension plan investment earnings.



Deferred outflows and inflows of resources related to OPEB result from diverse OPEB related transactions and events including OPEB contributions subsequent to measurement date, changes of assumptions or other inputs, difference between expected and actual experience in the total OPEB liabilities, changes in proportionate share of contributions, and net differences between projected and actual plan investment earnings.

Deferred inflows of resources related to leases are measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods that is recognized as revenue over the term of the lease. The lease payments included in the lease receivable relate to future reporting periods.

**Operating and Nonoperating Revenues and Expenses** – The Port differentiates between operating revenues and expenses, and nonoperating revenues and expenses. Operating revenues and expenses generally result from the Port's primary ongoing operations. All revenues and expenses other than these are reported as nonoperating revenues and expenses.

Revenues from shipping services, rental fees, and royalties are the major sources of the Port's revenues. Shipping services revenues consist of fees assessed for various activities relating to vessel and cargo movement. Twenty-foot equivalent units (TEUs) and metric tons are the measures used to determine cargo volumes that move through the Port. Rental fees are collected from the lease of various types of rental properties in Port-controlled lands. Rental rates are set using various methodologies, and are appraised periodically to evaluate and establish benchmark rates. Rental rates may be adjusted, within reason, to reflect general market conditions. The Port levies fees for various activities such as royalties from oil and natural gas production, fees for parking lots, and miscellaneous concessions.

**Operating Expenses** – The Port presents operating expenses at net of direct and indirect overhead costs allocated to capitalized construction projects. Direct costs are costs of materials,



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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

labor, and expenses assigned or identified with specific capitalized construction projects. Indirect costs are those that are not directly identifiable with a particular capital project and hence, are allocated to all outstanding construction projects. Indirect overhead costs such as administrative expenses, maintenance salaries and City services are allocated to projects based on the average outstanding balance of capitalized construction projects.

Indirect overhead costs are defined to be the costs not directly attributable to those activities related to a capital project. The overhead rate is calculated based on the ratio of the costs of the direct amount of work assigned to capital projects to the total amount of hours worked by Port staff. The resulting rate is defined as the indirect overhead rate and is applied to the operating expenses of those divisions that participate both directly and indirectly in the activities related to capital projects. The resulting indirect overhead amount is then allocated on a pro-rata basis to capitalized construction projects based on the outstanding balance of each project.

**Pension and OPEB Plans** – All full-time civilian Port employees are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a defined benefit single-employer retirement plan. All full-time Port police officers are eligible to participate in the City of Los Angeles Fire and Police Pension System (LAFPP), a defined benefit single-employer retirement plan. The Port funds fully its entire annual share of LACERS and LAFPP pensions and the respective OPEB contributions. The funding amounts are determined at the start of each fiscal year and are incorporated as part of the Port's payroll to reimburse the City for the Port's pro rata contribution share.



For purposes of measuring the net pension assets, net pension liabilities, and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of LACERS and LAFPP, and additions to/deductions from LACERS and LAFPP's fiduciary net positions have been determined on the same basis as they are reported by LACERS and LAFPP.  For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For fiscal years ended June 30, 2023 and 2022, the Port reported total net pension assets, net pension liabilities, deferred outflows/inflows or resources related to pensions, and pension expense as follows (in thousands):



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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Net pension assets:** | | |
| LAFPP - proportionate share | $ -- | $ 9,885 |
| Total net pension assets | $ -- | $ 9,885 |
| **Deferred outflows of resources related to pensions:** | | |
| LACERS - proportionate share | $ 73,748 | $ 57,670 |
| LAFPP - proportionate share | 10,537 | 11,489 |
| Total deferred outflows of resources related to pensions | $ 84,285 | $ 69,159 |
| **Net pension liabilities:** | | |
| LACERS - proportionate share | $ 270,252 | $ 168,089 |
| LAFPP - proportionate share | 983 | -- |
| Total net pension liabilities | $ 271,235 | $ 168,089 |
| **Deferred inflows of resources related to pensions:** | | |
| LACERS - proportionate share | $ 9,506 | $ 90,437 |
| LAFPP - proportionate share | 3,884 | 17,223 |
| Total deferred inflows of resources related to pensions | $ 13,390 | $ 107,660 |
| **Pension expense:** | | |
| LACERS - proportionate share | $ 30,097 | $ 13,875 |
| LAFPP - proportionate share | 3,103 | 965 |
| Total pension expense | $ 33,200 | $ 14,840 |

See note 13 and note 14, as well as Required Supplementary Information, for additional information.

For purpose of measuring the net OPEB assets, net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net positions of LACERS and LAFPP, and additions to/deductions from LACERS and LAFPP's OPEB fiduciary net positions have been determined on the same basis as they are reported by LACERS and LAFPP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

For the fiscal years ended June 30, 2023 and 2022, the Port reported total net OPEB assets, net OPEB liabilities, deferred outflows/inflows or resources related to OPEB, and OPEB expense as follows (in thousands):

| | 2023 | 2022 |
|---|---|---|
| **Net OPEB assets:** | | |
| LACERS - proportionate share | $ -- | $ 9,891 |
| LAFPP - proportionate share | 773 | 1,900 |
| Total net OPEB assets | $ 773 | $ 11,791 |
| **Deferred outflows of resources related to OPEB:** | | |
| LACERS - proportionate share | $ 11,180 | $ 9,658 |
| LAFPP - proportionate share | 2,211 | 2,301 |
| Total deferred outflows of resources related to OPEB | $ 13,391 | $ 11,959 |
| **Net OPEB liabilities:** | | |
| LACERS - proportionate share | $ 8,778 | $ -- |
| Total net OPEB liabilities | $ 8,778 | $ -- |
| **Deferred inflows of resources related to OPEB:** | | |
| LACERS - proportionate share | $ 12,667 | $ 32,707 |
| LAFPP - proportionate share | 2,662 | 4,472 |
| Total deferred inflows of resources related to OPEB | $ 15,329 | $ 37,179 |
| **OPEB expense (credit):** | | |
| LACERS - proportionate share | $ 351 | $ (2,498) |
| LAFPP - proportionate share | 437 | 290 |
| Total OPEB expense (credit) | $ 788 | $ (2,208) |

See note 13 and note 14, as well as Required Supplementary Information, for additional information.

**Capital Contributions** – The Port may receive grants for the purpose of acquisition or construction of property and equipment. These grants are generally structured as reimbursements against expenditures. Grants and similar items are recognized as capital contributions as soon as all eligibility requirements imposed by the provider have been met.





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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

**Net Position** – The statements of net position are designed to display the financial position of the Port. The Port's equity is reported as net position, which is classified into the following categories:

- *Net investment in capital assets* – This category consists of capital assets, reduced by accumulated depreciation, accrued construction costs payable, and by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this category.
- *Restricted* – This category consists of restrictions placed on net position through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments. Constraints may also be imposed by law or constitutional provisions or enabling legislation.
- *Unrestricted* – This category consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."



When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources for the purpose for which the restriction exists first and unrestricted resources as needed.

**Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications** – Certain reclassifications have been made to amounts reported in fiscal year 2022 to conform to the fiscal year 2023 presentation. Such reclassification had no impact on the change in net position previously reported.



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**PORT OF LOS ANGELES**
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Notes to Financial Statements

June 30, 2023 and 2022

## 2. Adoption of New GASB Pronouncements

GASB Statement No. 91, *"Conduit Debt Obligations."* Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement has been implemented at the beginning fiscal year 2023.

GASB Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements."* Issued in March 2020, this statement is to improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and available payment arrangement (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement has been implemented at the beginning fiscal year 2023.

GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements."* Issued in June 2020, the statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement has been implemented retroactively effective July 1, 2021.



The financial statements as of and for the year ended June 30, 2022 were restated as a result of the implementation of GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements."*

| | FY 2022 As Previously Reported | Restatement Related to Adoption of GASB 96 | FY 2022 As Restated |
|---|---|---|---|
| **Statement of Net Position** | | | |
| Capital assets: | | | |
| Subscription assets, net of accumulated amortization | $ -- | $ 2,671 | $ 2,671 |
| Current liabilities: | | | |
| Accrued interest payable | 11,735 | 34 | 11,769 |
| Long-term liabilities | | | |
| Subscription liability | -- | 2,277 | 2,277 |
| Net position: | | | |
| Net investment in capital assets | 3,065,012 | 2,671 | 3,067,683 |
| Unrestricted | 763,690 | (2,311) | 761,379 |



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**PORT OF LOS ANGELES**
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Notes to Financial Statements

June 30, 2023 and 2022

| | FY 2022 As Previously Reported | Restatement Related to Adoption of GASB 96 | FY 2022 As Restated |
|---|---|---|---|
| **Statement of Revenues, Expenses, and Changes in Net Position** | | | |
| Operating Expenses: | | | |
| Outside services | $ 28,596 | $ (732) | $ 27,864 |
| Depreciation and Amortization | 147,272 | 297 | 147,569 |
| Nonoperating Revenue (Expenses): | | | |
| Interest expense | (18,962) | (75) | (19,037) |
| | | | |
| **Statement of Cash Flows** | | | |
| Cash Flow From Operating Activities: | | | |
| Payments for goods and services | $ (126,956) | $ 1,644 | $ (125,312) |
| Cash Flow From Capital and Related Financing Activities: | | | |
| Payments for property acquisitions and construction | (97,708) | 240 | (97,468) |
| Payments for subscription assets | -- | (690) | (690) |
| Interest payments on bonds and financing activities | (30,413) | (42) | (30,455) |
| | | | |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities: | | | |
| Operating income | 225,938 | 435 | 226,373 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 147,272 | 297 | 147,569 |
| Changes in assets, liabilities, and deferred outflows and inflows of resources: | | | |
| Other liabilities | (6,966) | 912 | (6,054) |

GASB Statement No. 99, *"Omnibus 2022"* Issued in April 2022, the statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements related to extension of the use of LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 have been implemented in prior fiscal year. The requirements related to leases, PPPs, and SBITAs have been implemented in fiscal year 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 will be effective beginning fiscal year 2024.



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## 3. Recent GASB Pronouncements for Future Adoption

The GASB has issued several pronouncements that have effective dates that may affect future presentations. The Port is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

GASB Statement No. 99, *"Omnibus 2022"* Issued in April 2022, the statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements related to extension of the use of LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs have been implemented in fiscal year 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 will be effective beginning fiscal year 2024.

GASB Statement No. 100, *"Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62."* Issued in June 2022, the statement provides guidance on the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The statement will be effective beginning fiscal year 2024.

GASB Statement No. 101, *"Compensated Absences."* Issued in June 2022, the statement provides guidance on the recognition and measurement of compensated absences by amending and updating certain previously required disclosures under a unified model to better meet the information needs of financial statement users. The statement will be effective beginning fiscal year 2025.





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Notes to Financial Statements

June 30, 2023 and 2022

## 4. Cash, Cash Equivalents, and Investments

The Port's cash, cash equivalents and investments consist of the following (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Cash in bank and certificates of deposit | $ 229 | $ 239 |
| Investment in U.S. Treasury and money market fund | 37,105 | 37,452 |
| Equity in the City of Los Angeles Investment Pools | 1,341,891 | 1,165,801 |
| Total cash, cash equivalents, and investments | $ 1,379,225 | $ 1,203,492 |

Certain of the Port's cash, cash equivalents, and investments are restricted as to use by reason of bond indenture requirements or similar legal mandate. The Port's unrestricted and restricted cash, cash equivalents, and investments are as follows (in thousands):



| | 2023 | 2022 |
|---|---|---|
| Unrestricted cash and cash equivalents | $ 1,281,573 | $ 1,144,153 |
| Restricted cash and cash equivalents-current assets | | |
| China Shipping Mitigation Fund | 8,469 | 8,576 |
| Community Mitigation Trust Fund – Trapac | -- | 385 |
| Narcotics/Customs Enforcement Forfeiture Fund | 744 | 697 |
| Clean Truck Program and Fee Fund | 39,215 | 5 |
| Other | 1,808 | 1,825 |
| Subtotal-restricted cash and cash equivalents | 50,236 | 11,488 |
| Restricted investments-noncurrent assets | | |
| Harbor Revenue Bond Funds | 37,105 | 37,452 |
| Customer Security Deposits | 2,869 | 2,910 |
| Batiquitos Environmental Fund | 6,823 | 6,893 |
| Harbor Restoration Fund | 619 | 596 |
| Subtotal-restricted investments | 47,416 | 47,851 |
| Total restricted cash, cash equivalents, and investments | 97,652 | 59,339 |
| Total cash, cash equivalents, and investments | $ 1,379,225 | $ 1,203,492 |



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**PORT OF LOS ANGELES**
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Notes to Financial Statements

June 30, 2023 and 2022

### A. Deposits

The Port had cash deposits and certificates of deposit with several major financial institutions amounting to $0.2 million at June 30, 2023 and 2022. The deposits were entirely covered by federal depository insurance or collateralized by securities held by the financial institutions in the Port's name in conformance with the California Government Code.

### B. Pooled Investments

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities but safety and liquidity still take precedence over return. Interest earned on pooled investments is allocated to and recorded in certain participating funds, as authorized by the Los Angeles City Council (City Council) and permitted by the City Charter and the California Government Code, based on each fund's average daily deposit balance. Investments in the City Treasury are measured and categorized by using fair value measurement guidelines established by generally accepted accounting principles.

Pursuant to California Government Code Section 53607 (State Code) and the City Council File No. 94-2160, the City Treasury provides the City Council a statement of investment policy (the Policy) annually. City Council File No. 11-1740 was adopted for the City's investment policy effective September 1, 2018. This Policy shall remain in effect until the City Council and the Mayor approve a subsequent revision. The Policy governs the City's pooled investment practices. The Policy addresses soundness of financial institutions in which the City Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53638, 16340 and 16429.1. The City Treasury further reports that the current policy allows for the purchase of investments with maturities up to thirty (30) years.

Examples of investments permitted by the Policy are obligations of the U.S. Treasury and agencies, local agency bonds, commercial paper notes, certificates of deposit (CD) placement service, bankers' acceptances, medium term notes, repurchase agreements, mutual funds, money market mutual funds, and the State of California Local Agency Investment Fund.

The Port had $1,341.9 million and $1,165.8 million invested in the City's General Pool and three Special Investment Pools, representing approximately 8.6% and 7.9% of the City Treasury's General Pool and Special Investment Pools at June 30, 2023 and 2022, respectively.

The complete disclosures for the entire cash and investment pool are included in a publicly available financial report issued by the City. The report may be obtained by writing or calling: City of Los Angeles Office of the City Controller, 200 N. Main Street, City Hall East Room 300, Los Angeles, CA 90012, (213) 978-7200 or the Los Angeles City Controller's website https://controller.lacity.gov/reports.





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Notes to Financial Statements

June 30, 2023 and 2022

### C. Special Investment Pools

Out of $1,341.9 million and $1,165.8 million invested in the City's pooled investments, $60.0 million and $58.1 million were invested in the City's Special Investment Pools as of June 30, 2023 and 2022, respectively. They are the Emergency/ACTA Reserve Fund 751, the Restoration Fund 70L, and the Batiquitos Long-term Investment Fund 72W. Investments in the Special Investment Pools are managed in accordance with the California Government Code Sections 53600-53635 and the City's Policy.

At June 30, 2023 and 2022, investments held in the City's Special Investment Pools and their maturities are as follows (in thousands):

**Fiscal Year 2023**

| Type of Investments | Amount | Investment Maturities: 1 to 30 Days | 31 to 60 Days | 61 to 180 Days | Over 180 Days |
|---|---|---|---|---|---|
| U.S. Treasury Securities | $ 258 | $ -- | $ -- | $ -- | $ 258 |
| U.S. Agencies securities | 59,448 | -- | 3,283 | 49,898 | 6,267 |
| Short-term investment funds | 298 | 298 | -- | -- | -- |
| Total investments in special pools | $ 60,004 | $ 298 | $ 3,283 | $ 49,898 | $ 6,525 |

**Fiscal Year 2022**

| Type of Investments | Amount | Investment Maturities: 1 to 30 Days | 31 to 60 Days | 61 to 180 Days | Over 180 Days |
|---|---|---|---|---|---|
| U.S. Treasury securities | $ 53,880 | $ -- | $ -- | $ 47,398 | $ 6,482 |
| U.S. Agencies securities | 858 | -- | -- | 595 | 263 |
| Commercial paper | 3,165 | -- | -- | 3,165 | -- |
| Short-term investment funds | 147 | 147 | -- | -- | -- |
| Total investments in special pools | $ 58,050 | $ 147 | $ -- | $ 51,158 | $ 6,745 |

*Interest Rate Risk.* The Policy limits the maturity of its investments to five years for the U.S. Treasury and U.S. Agencies securities, local agency bonds, medium term notes, CD placement service, negotiable and non-negotiable certificates of deposit, collateralized bank deposits, mortgage pass-through securities, supranational obligations, state and local agency obligations, and bank/time deposits; one year for repurchase agreements; 270 days for commercial paper; 180 days for bankers' acceptances; 92 days for reverse repurchase agreements; and no maturity for mutual funds. The Policy also allows City funds with longer-term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

*Credit Risk.* The Policy establishes minimum credit rating requirements for investments. There are no credit quality requirements for U.S. Treasury securities and U.S. Agencies securities. Investments in U.S. Agencies securities were not rated individually by S&P nor Moody's (issuers of these securities are rated "AA+/A-1+" by S&P and "Aaa/P-1" by Moody's).

Commercial paper issues must have the highest letter and number rating by nationally recognized statistical rating organization (NRSRO). The issuing corporation must be organized and operating within the United States and have assets in excess of $500.0 million. The Port's investments in commercial paper were rated A-1+ by S&P and P-1 by Moody's.



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Notes to Financial Statements

June 30, 2023 and 2022

*Concentration of Credit Risk.* The Policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers' acceptances, 30% in certificates of deposit, and medium-term notes, 20% in mutual funds, money market mutual funds or mortgage pass-through securities. The Policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. Treasury and government agencies. The City's pooled investments comply with these requirements.

## D. Other Investments

In each issuance of a parity obligation, the Port is required to establish a reserve fund with a trustee pursuant to the indenture. All moneys in the reserve funds or accounts shall be invested by the trustee solely in permitted investments. Permitted investments on deposit in the debt service reserve funds are valued at fair value and marked to market at least once per half year to meet the specific requirement under the indenture. Investments held in the debt service reserve funds shall mature no later than the final maturity of the bonds.



The Port evaluates the value of the reserve funds on or at August 1 of each year, in accordance with the Indenture of Trust (Indenture). The common reserve was $37.1 million at June 30, 2023 versus $37.5 million at June 30, 2022.

At June 30, 2023 and 2022, investments held in the reserve funds and their maturities are as follows (in thousands):

**Fiscal Year 2023**

| | | Investment Maturities | | | |
|---|---|---|---|---|---|
| Type of Investments | Amount | 1 to 30 Days | 31 to 60 Days | 61 to 180 Days | Over 180 Days |
| U.S. Treasury securities | $ 25,573 | $ -- | $ -- | $ -- | $ 25,573 |
| Short-term investment funds | 11,532 | 11,532 | -- | -- | -- |
| Total investments in reserve funds | $ 37,105 | $ 11,532 | $ -- | $ -- | $ 25,573 |

**Fiscal Year 2022**

| | | Investment Maturities | | | |
|---|---|---|---|---|---|
| Type of Investments | Amount | 1 to 30 Days | 31 to 60 Days | 61 to 180 Days | Over 180 Days |
| U.S. Treasury securities | $ 24,797 | $ -- | $ 14,630 | $ -- | $ 10,167 |
| U.S. Agencies securities | 9,385 | -- | -- | -- | 9,385 |
| Short-term investment funds | 3,270 | 3,270 | -- | -- | -- |
| Total investments in reserve funds | $ 37,452 | $ 3,270 | $ 14,630 | $ -- | $ 19,552 |

Proceeds from any new money bonds should be invested in the "Permitted Investments" specified as follows: (1) direct obligations of the United States of America or obligations of the principal of and interest on which are unconditionally guaranteed by the United States of America; (2) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by the federal or U.S. government agencies identified in the Indenture; (3) money market funds registered under the Federal Securities Act of 1933, and having a rating of AAAm-G, AAA-m, or AA-m by S&P and Aaa, Aa1, or Aa2 by Moody's; (4) certificates of deposit issued by commercial bank, savings and loan associations, or mutual saving banks and secured at all times by collateral held by a third



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party; (5) certificates of deposits, savings accounts, deposit accounts, or money market deposits, which are fully insured by the Federal Deposit Insurance Corporation (FDIC), including the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF); (6) investment agreements including guaranteed investment contracts, forward purchase agreements, and reserve fund agreements with a provider whose long-term unsecured debt is rated not lower than the second highest rating category of Moody's, and S&P; (7) commercial paper rated at the time of purchase, "Prime-1" by Moody's, and "A-1" or better by S&P; (8) bonds or notes issued by any state or municipality, which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies; (9) federal funds or banker's acceptances with a maximum term of one year of any bank, which has an unsecured, uninsured, and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P; and (10) repurchase agreements between the Port and a dealer bank and securities firm. The term of the repurchase agreement may be up to 30 days and the value of the collateral must be equal to 104% of the amount of cash transferred to the dealer bank plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Port, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) then the value of collateral must equal to 105%.



For investments in reserve funds, there are no credit quality requirements for U.S. Treasury securities that are unconditionally guaranteed by the United States of America. Investments in short-term investment funds were rated AAA-m by S&P and Aaa by Moody's. There were no investments containing 5 percent or more of total investments in a single issuer except for U.S. Treasury securities that are unconditionally guaranteed by the United States of America.

### E. City of Los Angeles Securities Lending Program

Portions of the Port funds are also used by the City in a Securities Lending Program (SLP) as part of the investment strategy relative to the total pool of funds invested by the City. The SLP is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction and shall make a reasonable effort for within two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period, the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the fair value of the General Investment Pool (the Pool) is available for lending.

The City loans out U.S. Treasury Notes, U.S. Agencies securities (e.g., Fannie Mae, Freddie Mac, Federal Home Loan Bank, Farmer Mac, Federal Farm Credit Bank and Tennessee Valley Authority), Medium-term Notes, and Supranational Obligations. The City receives cash as collateral on the loaned securities, which is reinvested in securities permitted under the Policy. In addition, the City receives securities as collateral on loaned securities, which the City has no ability to pledge or sell without borrower default. In accordance with the California Government Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 60 days. Earnings from securities lending accrue to the Pool and are allocated on a pro-rata basis to all Pool participants.

During fiscal years 2023 and 2022, collateralizations on all loaned securities were compliant with the required 102% of the fair value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. There was no credit risk exposure to the City because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

The Port's share in the assets and liabilities from the reinvested cash collateral amounted to $5.3 million and $16.0 million as of June 30, 2023 and 2022, respectively.

**F. Fair Value Measurement**

The Port categorizes its fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets;
- Level 2 inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived from valuation techniques in which all significant inputs are observable; and
- Level 3 inputs are unobservable inputs.

The Port has the following recurring fair value measurements as of June 30, 2023:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| U.S. Treasury securities | $ 25,573 | $ 25,573 | $ -- | $ -- |
| Total investments - bond funds | $ 25,573 | $ 25,573 | $ -- | $ -- |
| U.S. Treasury securities | $ 258 | $ 258 | $ -- | $ -- |
| U.S. Agencies securities | 59,448 | -- | 59,448 | -- |
| Total investments - special pools | $ 59,706 | $ 258 | $ 59,448 | $ -- |


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June 30, 2023 and 2022

The Port has the following recurring fair value measurements as of June 30, 2022:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| U.S. Treasury securities | $ 24,797 | $ 24,797 | $ -- | $ -- |
| U.S. Agencies securities | 9,385 | -- | 9,385 | -- |
| Total investments - bond funds | $ 34,182 | $ 24,797 | $ 9,385 | $ -- |
| U.S. Treasury securities | $ 858 | $ 858 | $ -- | $ -- |
| U.S. Agencies securities | 53,880 | -- | 53,880 | -- |
| Commercial paper | 3,165 | -- | 3,165 | |
| Total investments - special pools | $ 57,903 | $ 858 | $ 57,045 | $ -- |

Securities classified in Level 1 of the fair value measurements are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a multidimensional relationship model or matrix pricing model utilizing market data including, but not limited to, benchmark yields, reported trades, and broker-dealer quotes. Investments in Short-term Investment Funds of the City's Special Investment Pools and Bond Reserve Funds are considered cash equivalents due to their liquidity and are excluded from the fair value measurement.





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Notes to Financial Statements

June 30, 2023 and 2022

## 5. Capital Assets

The Port's capital assets consist of the following activities for the fiscal year ended June 30, 2023 (in thousands):

| | (Restated) Balance July 1, 2022 | Increase | Decrease | Adjustments and Transfers | Balance June 30, 2023 |
|---|---|---|---|---|---|
| Capital assets not depreciated | | | | | |
| Land | $ 1,106,805 | $ -- | $ -- | $ -- | $ 1,106,805 |
| Construction in progress | 198,177 | 123,584 | -- | (40,840) | 280,921 |
| Preliminary costs – capital projects | 105,990 | 8,970 | -- | -- | 114,960 |
| Intangible assets | 12,900 | -- | -- | -- | 12,900 |
| Total capital assets not depreciated | 1,423,872 | 132,554 | -- | (40,840) | 1,515,586 |
| Capital assets depreciated/amortized | | | | | |
| Wharves and sheds | 1,235,971 | -- | -- | 1,218 | 1,237,189 |
| Buildings/facilities | 3,636,620 | 496 | -- | 26,979 | 3,664,095 |
| Equipment | 199,873 | 3,021 | (17,552) | 12,643 | 197,985 |
| Intangible assets | 12,460 | -- | -- | -- | 12,460 |
| Right-to-use lease assets | 2,219 | 1,352 | (1,757) | -- | 1,814 |
| Right-to-use subscription assets | 2,968 | -- | -- | -- | 2,968 |
| Total capital assets depreciated/amortized | 5,090,111 | 4,869 | (19,309) | 40,840 | 5,116,511 |
| Less accumulated depreciation/ amortization | | | | | |
| Wharves and sheds | (664,531) | (32,884) | -- | -- | (697,415) |
| Buildings/facilities | (1,972,937) | (144,549) | -- | -- | (2,117,486) |
| Equipment | (172,387) | (12,856) | 17,552 | -- | (167,691) |
| Intangible assets | (8,762) | (3,698) | -- | -- | (12,460) |
| Right-to-use lease assets | (1,727) | (585) | 1,757 | -- | (555) |
| Right-to-use subscription assets | (297) | (297) | -- | -- | (594) |
| Total accumulated depreciation/amortization | (2,820,641) | (194,869) | 19,309 | -- | (2,996,201) |
| Total capital assets depreciated/ amortized, net | 2,269,470 | (190,000) | -- | 40,840 | 2,120,310 |
| Capital assets, net | $ 3,693,342 | $ (57,446) | $ -- | $ -- | $ 3,635,896 |





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Notes to Financial Statements

June 30, 2023 and 2022

The Port's capital assets consist of the following activities for the fiscal year ended June 30, 2022, as restated (in thousands):

| | (Restated) Balance July 1, 2021 | Increase | Decrease | Adjustments and Transfers | (Restated) Balance June 30, 2022 |
|---|---|---|---|---|---|
| Capital assets not depreciated | | | | | |
| Land | $ 1,106,805 | $ -- | $ -- | $ -- | $ 1,106,805 |
| Construction in progress | 234,786 | 115,357 | -- | (151,966) | 198,177 |
| Preliminary costs – capital projects | 141,032 | -- | (23,430) | (11,612) | 105,990 |
| Intangible assets | 12,900 | -- | -- | -- | 12,900 |
| Total capital assets not depreciated | 1,495,523 | 115,357 | (23,430) | (163,578) | 1,423,872 |
| Capital assets depreciated/amortized | | | | | |
| Wharves and sheds | 1,213,512 | -- | -- | 22,459 | 1,235,971 |
| Buildings/facilities | 3,501,671 | 945 | (26) | 134,030 | 3,636,620 |
| Equipment | 190,949 | 4,214 | (2,379) | 7,089 | 199,873 |
| Intangible assets | 12,460 | -- | -- | -- | 12,460 |
| Right-to-use lease assets | 1,978 | 241 | -- | -- | 2,219 |
| Right-to-use subscription assets | 2,968 | -- | -- | -- | 2,968 |
| Total capital assets depreciated/amortized | 4,923,538 | 5,400 | (2,405) | 163,578 | 5,090,111 |
| Less accumulated depreciation/ amortization | | | | | |
| Wharves and sheds | (631,320) | (33,211) | -- | -- | (664,531) |
| Buildings/facilities | (1,874,236) | (98,720) | 19 | -- | (1,972,937) |
| Equipment | (163,202) | (10,866) | 1,681 | -- | (172,387) |
| Intangible assets | (5,064) | (3,698) | -- | -- | (8,762) |
| Right-to-use lease assets | (829) | (898) | -- | -- | (1,727) |
| Right-to-use subscription assets | -- | (297) | -- | -- | (297) |
| Total accumulated depreciation/amortization | (2,674,651) | (147,690) | 1,700 | -- | (2,820,641) |
| Total capital assets depreciated/ amortized, net | 2,248,887 | (142,290) | (705) | 163,578 | 2,269,470 |
| Capital assets, net | $ 3,744,410 | $ (26,933) | $ (24,135) | $ -- | $ 3,693,342 |





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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

## 6. Investment in Joint Powers Authority and Relationship with Other Entities

The Port has entered into two joint powers agreements as follows:

### A. Intermodal Container Transfer Facility Joint Powers Authority

The Port and the Harbor Department of the City of Long Beach, California (POLB) entered into a joint powers agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) for the purpose of financing and constructing a facility to transfer cargo containers between trucks and railroad cars. Pursuant to the agreement creating the ICTF, the Port made several contributions amounting to $2.5 million to the ICTF. The facility, which began operations in December 1986, was developed and operated by Southern Pacific Transportation Company (SPTC) under a long-term lease agreement. SPTC was subsequently merged and continues operations as Union Pacific Corporation (UPC). The Port appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. Both the Port and POLB share income and equity distributions equally.

ICTF has issued bonds in prior years. At June 30, 2023 and 2022, there were no outstanding bonds.

The ICTF's operations are financed from lease revenues by ICTF activities. The ICTF is empowered to perform those actions necessary for the development of the facility, including acquiring, constructing, leasing, and selling any of its property. The Port's share of the ICTF's net position totaled $4.4 million and $5.5 million at June 30, 2023 and 2022, respectively. Separate audited financial statements for ICTF may be obtained from the Executive Director, Intermodal Container Transfer Facility Joint Powers Authority, 415 W. Ocean Boulevard, Long Beach, California 90802 or the ICTF's website at http://ictf-jpa.org.

### B. Alameda Corridor Transportation Authority

In August 1989, the Alameda Corridor Transportation Authority (ACTA) was established through a Joint Exercise of Powers Agreement between the Cities of Los Angeles and Long Beach, California. The purpose of ACTA is to acquire, construct, finance, and operate a 20-mile-long consolidated transportation corridor; including an improved railroad expressway between the Port, POLB, and downtown Los Angeles.

The Port has no share of the ACTA's net position and income at June 30, 2023 and 2022, and accordingly, they have not been recorded in the accompanying financial statements due to the separate legal status. If in the future, ACTA is entitled to distribute income or make equity distributions, the Port and POLB shall share such income and equity distributions equally. See Note 15.C. for additional discussion related to the guarantee the Port has made related to the ACTA.

Separate financial statements for ACTA may be obtained from the ACTA's website http://www.acta.org/revenue_finance/financial_statement.asp or the Chief Financial Officer, Alameda Corridor Transportation Authority, 3760 Kilroy Airport Way, Suite 200, Long Beach, California, 90806.





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Notes to Financial Statements

June 30, 2023 and 2022

## 7. Long-Term Debt

### A. Bonds and Commercial Paper

Bonds issued by the Port are payable solely from the Port's revenues pledged under indentures and are not general obligations of the City. The Port has agreed to certain covenants with respect to the bonds. Significant covenants include the requirement that the Port's revenues, as defined under indentures, will be sufficient to pay future bond interest and principal maturities. In compliance with the bond indenture Article VII, Sections 7.01 and 7.02 in the event of default by the Port in the due and punctual payment of parity obligations, the trustee may and shall at the direction of the bond certificate owners of not less than a majority in aggregate principal amount of the bonds at the time outstanding, upon notice in writing to the Port, shall declare the principal of all of the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. Proceeds from sales of bonds are used to finance capital projects around the Port or refund prior issuances to generate debt service savings.



The Port's activities for bonds for fiscal year 2023 are as follows (in thousands):

| Bond Issues | Call Provisions | Date of Issue | Interest Rate | Fiscal Maturity Year | Original Principal | Beginning Balance July 1, 2022 | Additions | Deductions | Ending Balance June 30, 2023 | Principal Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|---|
| 2014, Series A | 8/1/24 @ 100% | 9/18/2014 | 2.00–5.00% | 2045 | $ 203,280 | $ 171,835 | $ -- | $ (6,000) | $ 165,835 | $ 6,310 |
| 2014, Series B | 8/1/24 @ 100% | 9/18/2014 | 3.00–5.00% | 2045 | 89,105 | 78,200 | -- | (1,875) | 76,325 | 1,970 |
| 2014, Series C | 8/1/24 @ 100% | 9/18/2014 | 2.00–5.00% | 2045 | 44,890 | 39,015 | -- | (955) | 38,060 | 990 |
| 2015, Series A | 8/1/25 @ 100% | 10/14/2015 | 2.00–5.00% | 2027 | 37,050 | 18,740 | -- | (3,590) | 15,150 | 3,780 |
| 2016, Series A | Not applicable | 10/13/2016 | 3.00–5.00% | 2025 | 97,970 | 15,510 | -- | (1,710) | 13,800 | -- |
| 2016, Series B | 8/1/26 @ 100% | 10/13/2016 | 2.00–5.00% | 2037 | 68,385 | 63,925 | -- | (1,010) | 62,915 | 1,060 |
| 2016, Series C | 8/1/26 @ 100% | 10/13/2016 | 4.00% | 2040 | 35,205 | 35,205 | -- | -- | 35,205 | -- |
| 2019, Series A | Not applicable | 9/18/2019 | 5.00% | 2027 | 115,065 | 106,890 | -- | (25,070) | 81,820 | 29,245 |
| 2019, Series B | Not applicable | 9/18/2019 | 5.00% | 2030 | 32,340 | 32,340 | -- | -- | 32,340 | -- |
| 2019, Series C-1 | Not applicable | 9/18/2019 | 5.00% | 2026 | 4,995 | 4,995 | -- | -- | 4,995 | -- |
| 2019, Series C-2 | Not applicable | 9/18/2019 | 5.00% | 2027 | 10,680 | 10,680 | -- | -- | 10,680 | -- |
| Total principal amount | | | | | $ 738,965 | 577,335 | -- | (40,210) | 537,125 | 43,355 |
| Unamortized bond premium | | | | | | 54,391 | -- | (9,102) | 45,289 | -- |
| Net revenue bonds | | | | | | 631,726 | -- | (49,312) | 582,414 | 43,355 |
| Less: current maturities of long-term debt | | | | | | (40,210) | (43,355) | 40,210 | (43,355) | -- |
| | | | | | | $ 591,516 | $ (43,355) | $ (9,102) | $ 539,059 | $ 43,355 |



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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

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June 30, 2023 and 2022

The Port's activities for bonds for fiscal year 2022 are as follows (in thousands):

| Bond Issues | Call Provisions | Date of Issue | Interest Rate | Fiscal Maturity Year | Original Principal | Beginning Balance July 1, 2021 | Additions | Deductions | Ending Balance June 30, 2022 | Principal Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009, Series C | 8/1/19 @ 100% | 7/9/2009 | 4.00–5.25% | 2032 | $ 230,160 | $ 5,000 | $ -- | $ (5,000) | $ -- | $ -- |
| 2011, Series A | 8/1/21 @ 100% | 7/7/2011 | 3.00–5.00% | 2023 | 58,930 | 17,410 | -- | (17,410) | -- | -- |
| 2011, Series B | 8/1/21 @ 100% | 7/7/2011 | 4.00–5.00% | 2026 | 32,820 | 32,820 | -- | (32,820) | -- | -- |
| 2014, Series A | 8/1/24 @ 100% | 9/18/2014 | 2.00–5.00% | 2045 | 203,280 | 177,540 | -- | (5,705) | 171,835 | 6,000 |
| 2014, Series B | 8/1/24 @ 100% | 9/18/2014 | 3.00–5.00% | 2045 | 89,105 | 79,985 | -- | (1,785) | 78,200 | 1,875 |
| 2014, Series C | 8/1/24 @ 100% | 9/18/2014 | 2.00–5.00% | 2045 | 44,890 | 39,940 | -- | (925) | 39,015 | 955 |
| 2015, Series A | 8/1/25 @ 100% | 10/14/2015 | 2.00–5.00% | 2027 | 37,050 | 22,160 | -- | (3,420) | 18,740 | 3,590 |
| 2016, Series A | Not applicable | 10/13/2016 | 3.00–5.00% | 2025 | 97,970 | 29,595 | -- | (14,085) | 15,510 | 1,710 |
| 2016, Series B | 8/1/26 @ 100% | 10/13/2016 | 2.00–5.00% | 2037 | 68,385 | 64,885 | -- | (960) | 63,925 | 1,010 |
| 2016, Series C | 8/1/26 @ 100% | 10/13/2016 | 4.00% | 2040 | 35,205 | 35,205 | -- | -- | 35,205 | -- |
| 2019, Series A | Not applicable | 9/18/2019 | 5.00% | 2027 | 115,065 | 113,115 | -- | (6,225) | 106,890 | 25,070 |
| 2019, Series B | Not applicable | 9/18/2019 | 5.00% | 2030 | 32,340 | 32,340 | -- | -- | 32,340 | -- |
| 2019, Series C-1 | Not applicable | 9/18/2019 | 5.00% | 2026 | 4,995 | 4,995 | -- | -- | 4,995 | -- |
| 2019, Series C-2 | Not applicable | 9/18/2019 | 5.00% | 2027 | 10,680 | 10,680 | -- | -- | 10,680 | -- |
| Total principal amount | | | | | $ 1,060,875 | 665,670 | -- | (88,335) | 577,335 | 40,210 |
| Unamortized bond premium | | | | | | 65,687 | -- | (11,296) | 54,391 | -- |
| Net revenue bonds | | | | | | 731,357 | -- | (99,631) | 631,726 | 40,210 |
| Less: current maturities of long-term debt | | | | | | (47,190) | (40,210) | 47,190 | (40,210) | -- |
| | | | | | | $ 684,167 | $ (40,210) | $ (52,441) | $ 591,516 | $ 40,210 |





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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

## B. Bond Premium

Original bond premium is amortized over the life of the bonds. At the time of bond refunding, the unamortized premium is amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

The unamortized premium for the outstanding bonds for fiscal years 2023 and 2022 are as follows (in thousands):

| Harbor Revenue Bonds | 2023 | 2022 |
|---|---|---|
| 2014, Series A | $ 12,886 | $ 14,178 |
| 2014, Series B | 7,121 | 7,768 |
| 2014, Series C | 3,703 | 4,015 |
| 2015, Series A | 613 | 1,053 |
| 2016, Series A | 480 | 930 |
| 2016, Series B | 7,622 | 8,428 |
| 2016, Series C | 3,126 | 3,286 |
| 2019, Series A | 3,456 | 6,601 |
| 2019, Series B | 4,585 | 5,838 |
| 2019, Series C-1 | 379 | 557 |
| 2019, Series C-2 | 1,318 | 1,737 |
| Total | $ 45,289 | $ 54,391 |





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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

### C. Principal Maturities and Interest

The Port's scheduled annual debt service payments for bonds as of June 30, 2023 are as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 43,355 | $ 25,092 | $ 68,447 |
| 2025 | 43,415 | 22,933 | 66,348 |
| 2026 | 47,955 | 20,654 | 68,609 |
| 2027 | 49,480 | 18,218 | 67,698 |
| 2028 | 12,295 | 16,674 | 28,969 |
| 2029-2033 | 89,840 | 72,004 | 161,844 |
| 2034-2038 | 126,370 | 44,432 | 170,802 |
| 2039-2043 | 91,465 | 18,143 | 109,608 |
| 2044-2045 | 32,950 | 1,668 | 34,618 |
| Total | $ 537,125 | $ 239,818 | $ 776,943 |

### D. New Issuances and Redemption of Debt

There were no new issuances in fiscal years 2023 and 2022.

### E. Commercial Paper and Revolving Obligations

The Port has established a Commercial Paper program (Program) supported by bank credit lines to issue commercial paper notes to provide interim financing primarily for the construction, maintenance, and replacement of the Port's structures, facilities, and equipment needs.

Pursuant to an Indenture of Trust dated as of June 1, 2019 by and between the Port and U.S. Bank, National Association and the credit agreement dated as of June 1, 2019 by and between the Port and PNC Bank, National Association, the Port is authorized to issue and to have outstanding up to $150.0 million aggregate principal amount of the Harbor Department of the City of Los Angeles Revenue Revolving Obligations (Revolving Obligations) which constitute parity obligations. The credit agreement expired on June 10, 2022.

There were no outstanding revolving obligations as of June 30, 2023 and 2022.





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**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

## 8. Changes in Long-Term Liabilities

The changes in the Port's long-term liabilities for the year ended June 30, 2023 are as follows (in thousands):

| | (Restated) Balance July 1, 2022 | Additions | Deductions | Balance June 30, 2023 | Due within one year |
|---|---|---|---|---|---|
| Revenue bonds | $ 577,335 | $ -- | $ (40,210) | $ 537,125 | $ 43,555 |
| Unamortized premium | 54,391 | -- | (9,102) | 45,289 | -- |
| Net revenue bonds | 631,726 | -- | (49,312) | 582,414 | 43,555 |
| Accrued salaries and employee benefits | 33,504 | 2,570 | -- | 36,074 | 20,056 |
| Net pension liabilities | 168,089 | 103,146 | -- | 271,235 | -- |
| Net OPEB liabilities | -- | 8,778 | -- | 8,778 | -- |
| Litigation | 16,986 | 15,196 | (12,655) | 19,527 | 19,527 |
| Workers' compensation | 10,315 | 388 | (1,288) | 9,415 | 1,312 |
| Pollution remediation | 67,065 | 4,522 | (6,093) | 65,494 | 2,678 |
| Deposits | 16,624 | 1,338 | (720) | 17,242 | -- |
| Lease liability | 506 | 1,351 | (578) | 1,279 | -- |
| Subscription liability | 2,277 | -- | (731) | 1,546 | -- |
| Others | 5,240 | 39 | -- | 5,279 | -- |
| Total long-term liabilities | $ 952,332 | $ 137,328 | $ (71,377) | $ 1,018,283 | $ 87,128 |





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**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

The changes in the Port's long-term liabilities for the fiscal year ended June 30, 2022, as restated, are as follows (in thousands):

| | (Restated) Balance July 1, 2021 | Additions | Deductions | (Restated) Balance June 30, 2022 | Due within one year |
|---|---|---|---|---|---|
| Revenue bonds | $ 665,670 | $ -- | $ (88,335) | $ 577,335 | $ 40,210 |
| Unamortized premium | 65,687 | -- | (11,296) | 54,391 | -- |
| Net revenue bonds | 731,357 | -- | (99,631) | 631,726 | 40,210 |
| Accrued salaries and employee benefits | 33,877 | -- | (373) | 33,504 | 17,475 |
| Net pension liabilities | 287,255 | -- | (119,166) | 168,089 | -- |
| Net OPEB liabilities | 25,534 | -- | (25,534) | -- | -- |
| Litigation | 14,898 | 2,820 | (732) | 16,986 | 16,986 |
| Workers' compensation | 12,945 | -- | (2,630) | 10,315 | 1,280 |
| Pollution remediation | 68,950 | 1,655 | (3,540) | 67,065 | 1,891 |
| Deposits | 13,378 | 4,315 | (1,069) | 16,624 | -- |
| Lease liability | 1,164 | 241 | (899) | 506 | -- |
| Subscription liability | -- | 2,967 | (690) | 2,277 | -- |
| Others | 5,218 | 29 | (7) | 5,240 | -- |
| Total long-term liabilities | $ 1,194,576 | $ 12,027 | $ (254,271) | $ 952,332 | $ 77,842 |





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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

## 9. Pollution Remediation Obligations

The Port's estimated pollution remediation liability as of June 30, 2023 and 2022 totaled $65.5 million and $67.1 million, respectively. These costs relate mostly to soil and groundwater contamination on sites within the Port premises. As certain sites were formerly used for a variety of industrial purposes, legacy contamination or environmental impairments exist. The Port uses a combination of in-house specialists as well as outside consultants to perform estimates of potential liability and accrues pollution remediation liability when costs are incurred or amounts can be reasonably estimated based on expected outlays. Certain remediation contracts are included in site development plans as final uses for the sites have been identified.

The changes in the Port's pollution remediation obligations for fiscal year 2023 are as follows (in thousands):

| | Balance July 1, 2022 | Additions | Deductions | Balance June 30, 2023 | Due Within One Year |
|---|---|---|---|---|---|
| Obligating Event | | | | | |
| Violation of pollution prevention related permit or license | $ 895 | $ -- | $ (11) | $ 884 | $ 11 |
| Named by regulator as a potential party to remediation | 66,084 | 1,107 | (2,638) | 64,553 | 2,638 |
| Voluntary commencement | 86 | -- | (29) | 57 | 29 |
| Total | $ 67,065 | $ 1,107 | $ (2,678) | $ 65,494 | $ 2,678 |
| Pollution Type | | | | | |
| Soil and/or groundwater remediation | $ 67,065 | $ 1,107 | $ (2,678) | $ 65,494 | $ 2,678 |

The changes in the Port's pollution remediation obligations for fiscal year 2022 are as follows (in thousands):

| | Balance July 1, 2021 | Additions | Deductions | Balance June 30, 2022 | Due Within One Year |
|---|---|---|---|---|---|
| Obligating Event | | | | | |
| Violation of pollution prevention related permit or license | $ 909 | $ -- | $ (14) | $ 895 | $ 14 |
| Named by regulator as a potential party to remediation | 67,936 | -- | (1,852) | 66,084 | 1,857 |
| Voluntary commencement | 105 | -- | (19) | 86 | 20 |
| Total | $ 68,950 | $ -- | $ (1,885) | $ 67,065 | $ 1,891 |
| Pollution Type | | | | | |
| Soil and/or groundwater remediation | $ 68,950 | $ -- | $ (1,885) | $ 67,065 | $ 1,891 |



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**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

## 10. Employee Deferred Compensation Plan

The City offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to its employees, in which Port employees participate, allowing them to defer receipt of income. All amounts deferred by the Port's employees are paid to the City, which in turn transfers them to the deferred compensation plan administrator. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such custodial account for the exclusive benefit of the employee participants and their beneficiaries. Information on the Port employees' share of plan assets is not available and is not recorded in the Port's financial statements.

While the City has full power and authority to administer and to adopt rules and regulations for the plan, all investment decisions under the plan are the responsibility of the plan participants. The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Under certain circumstances, employees may modify their arrangements with the plan to provide for greater or lesser contributions or to terminate their participation. If participants retire under the plan or terminate service with the City, they may be eligible to receive payments under the plan in accordance with the provisions thereof. In the event of serious financial emergency, the City may approve, upon request, withdrawals from the plan by the participants, along with their allocated contributions.





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**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

## 11. Risk Management

The Port purchases insurance for a variety of exposures associated with general liability, property, vessels, cyber, employment practices, pilotage, crime, aircraft, travel, police, special events, and terrorism. The City is self-insured for workers' compensation, and the Port participates in the City's self-insurance program. Automobile liability exposures are self-insured by the Port for $1.0 million and multiple layers of excess liability up to $149.0 million is maintained over the self-insured retention. The excess liability policies also supplement the Port's general and vessel liability policies. There have been no settlements in the past three years that have exceeded the Port's insurance coverage.

The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The Port's accrued workers' compensation liability at June 30, 2023 and 2022 were $9.4 million and $10.3 million, respectively.

A number of lawsuits were pending against the Port that arose in the normal course of operations. The Port recognizes a liability for claims and when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The City Attorney provides estimates for the amount of liabilities to be probable of occurring from lawsuits. The Port's liability for litigation and other claims at June 30, 2023 and 2022 were $19.5 million and $17.0 million, respectively.





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Notes to Financial Statements

June 30, 2023 and 2022

The changes in the Port's estimated claims payable are as follows (in thousands):

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Unpaid claims, July 1 | | | |
| Workers' compensation | $ 10,315 | $ 12,945 | $ 14,028 |
| General liability/litigation | 16,986 | 14,898 | 1,157 |
| Total unpaid claims, July 1 | 27,301 | 27,843 | 15,185 |
| Provision for current year's events and changes in provision for prior year's estimate | | | |
| Workers' compensation | 388 | (1,109) | 634 |
| General liability/litigation | 15,196 | 2,820 | 13,759 |
| Total provision | 15,584 | 1,711 | 14,393 |
| Claims payments | | | |
| Workers' compensation | (1,288) | (1,521) | (1,717) |
| General liability/litigation | (12,655) | (732) | (18) |
| Total claims payments | (13,943) | (2,253) | (1,735) |
| Unpaid claims, June 30 | | | |
| Workers' compensation | 9,415 | 10,315 | 12,945 |
| General liability/litigation | 19,527 | 16,986 | 14,898 |
| Total unpaid claims, June 30 | $ 28,942 | $ 27,301 | $ 27,843 |
| Current portion | | | |
| Workers' compensation | $ 1,312 | $ 1,280 | $ 1,609 |
| General liability/litigation | 19,527 | 16,986 | 14,898 |
| Total current portion | $ 20,839 | $ 18,266 | $ 16,507 |





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**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

## 12. Leases and Subscription Based Information Technology Arrangements

### A. Leases

The Port adopted GASB Statement No. 87, *"Leases."* effective July 1, 2020. The Port has recognized lease receivable, accrued interest receivable, deferred inflows of resources related to leases, lease revenues, interests received from leases as a lessor. The Port also recognized right-to-use (RTU) lease assets with related accumulated amortization, lease liabilities, lease expense, amortization expense, and accrued interest payable as a lessee.

**Port as Lessor**

The Port leases a portion of lands and facilities to tenants for purposes of supporting port operations and serve the surrounding communities. These leases generated 17.9% and 13.8% of the Port's operating revenues in fiscal years 2023 and 2022, respectively. These tenants operate restaurants, yacht clubs, ferry service, boat repair and maintenance shops, freight and logistics services, as well as oil and gas exploration. The terms of these leases are long-term in nature ranging from 1 to 66 years and are subject to periodic review and reset of base amounts. Certain provisions of these leases provide for fixed (i.e., minimum annual guarantee) and variable (i.e., percentage of gross receipts) rental payments.



For the fiscal year ended June 30, 2023, lease payments received by the Port are as follows (in thousands):

| | Fixed | Variable | Total |
|---|---|---|---|
| Land and facility rentals | $ 53,883 | $ 1,248 | $ 55,131 |

For the fiscal year ended June 30, 2022, lease payments received by the Port are as follows (in thousands):

| | Fixed | Variable | Total |
|---|---|---|---|
| Land and facility rentals | $ 45,415 | $ 930 | $ 46,345 |



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The Port's future annual receipts for these leases as of June 30, 2023 are as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 29,673 | $ 9,461 | $ 39,134 |
| 2025 | 14,882 | 8,838 | 23,720 |
| 2026 | 10,871 | 8,455 | 19,326 |
| 2027 | 11,023 | 8,113 | 19,136 |
| 2028 | 8,765 | 7,789 | 16,554 |
| 2029 – 2033 | 45,903 | 34,294 | 80,197 |
| 2034 – 2038 | 46,780 | 26,488 | 73,268 |
| 2039 – 2043 | 51,139 | 18,101 | 69,240 |
| 2044 – 2048 | 66,595 | 7,694 | 74,289 |
| 2049 – 2053 | 10,324 | 154 | 10,478 |
| Total | $ 295,955 | $ 129,387 | $ 425,342 |



The Port's future annual receipts for these leases as of June 30, 2022 are as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 36,008 | $ 9,647 | $ 45,655 |
| 2024 | 25,232 | 8,786 | 34,018 |
| 2025 | 10,541 | 8,309 | 18,850 |
| 2026 | 9,643 | 8,011 | 17,654 |
| 2027 | 9,036 | 7,729 | 16,765 |
| 2028 – 2032 | 218,398 | 93,288 | 311,686 |
| Total | $ 308,858 | $ 135,770 | $ 444,628 |

**Regulated Leases** – The majority of the Port's leases contain nonexclusive right-to-use of the premises and provide retention of ownership by the Port under the State tidelands and Federal maritime regulations. These leases are considered regulated leases.



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For the fiscal years ended June 30, 2023 and 2022, the minimum rental income from such lease agreements was approximately $399.0 million and $367.6 million, respectively, and were reported under shipping services revenue. Certain agreements relate to shipping services and certain concessions provide for the additional payment beyond the fixed portion, based upon tenant usage, revenues, or volumes. Assuming that current agreements are carried to contractual termination, minimum tenant commitments due to the Port over the next five years are as follows (in thousands):

| Fiscal Year | Minimum Rental Income |
|---|---|
| 2024 | $ 424,014 |
| 2025 | 435,995 |
| 2026 | 441,718 |
| 2027 | 447,595 |
| 2028 | 453,321 |
| 2029-2033 | 783,997 |
| 2034-2038 | 790,771 |
| 2039-2043 | 356,250 |
| Total | $ 4,133,661 |



The carrying cost and related accumulated depreciation of property held for regulated leases as of June 30, 2023 and 2022 are as follows (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Wharves and sheds | $ 1,237,189 | $ 1,235,970 |
| Wharf facilities | 27,327 | 27,323 |
| Municipal warehouses | 13,987 | 13,987 |
| Port pilot facilities and equipment | 16,237 | 15,711 |
| Buildings and other facilities | 1,050,029 | 1,035,576 |
| Cabrillo Marina | 180,183 | 180,183 |
| Total | 2,524,952 | 2,508,750 |
| Less accumulated depreciation | (1,630,758) | (1,553,185) |
| Net | $ 894,194 | $ 955,565 |



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### Port as Lessee

The Port has obtained right-to-use (RTU) lease assets such as office space, equipment, radio tower space, and vanpool vehicles through long-term leases. At June 30, 2023, RTU lease assets and related accumulated amortization are as follows:

| | Balance July 1, 2022 | Increase | Decrease | Adjustments and Transfers | Balance June 30, 2023 |
|---|---|---|---|---|---|
| RTU lease assets - equipment | $ 287 | $ 292 | $ (287) | $ -- | $ 292 |
| RTU lease assets - office space | 841 | -- | (841) | -- | -- |
| RTU lease assets - radio tower | 605 | 157 | (142) | -- | 620 |
| RTU lease assets - vehicles | 486 | 902 | (486) | -- | 902 |
| Total RTU lease assets | 2,219 | 1,351 | (1,756) | -- | 1,814 |
| Less accumulated amortization | | | | | |
| RTU lease assets - equipment | (168) | (289) | 287 | -- | (170) |
| RTU lease assets - office space | (841) | -- | 841 | -- | -- |
| RTU lease assets - radio tower | (232) | (170) | 142 | -- | (260) |
| RTU lease assets - vehicles | (486) | (125) | 486 | -- | (125) |
| Total accumulated amortization | (1,727) | (584) | 1,756 | -- | (555) |
| Total RTU lease assets, net | $ 492 | $ 767 | $ -- | $ -- | $ 1,259 |

At June 30, 2022, RTU lease assets and related accumulated amortization are as follows:

| | (Restated) Balance July 1, 2021 | Increase | Decrease | Adjustments and Transfers | Balance June 30, 2022 |
|---|---|---|---|---|---|
| RTU lease assets - equipment | $ 287 | $ -- | $ -- | $ -- | $ 287 |
| RTU lease assets - office space | 841 | -- | -- | -- | 841 |
| RTU lease assets - radio tower | 364 | 241 | -- | -- | 605 |
| RTU lease assets - vehicles | 486 | -- | -- | -- | 486 |
| Total RTU lease assets | 1,978 | 241 | -- | -- | 2,219 |
| Less accumulated amortization | | | | | |
| RTU lease assets - equipment | (24) | (144) | -- | -- | (168) |
| RTU lease assets - office space | (459) | (382) | -- | -- | (841) |
| RTU lease assets - radio tower | (103) | (129) | -- | -- | (232) |
| RTU lease assets - vehicles | (243) | (243) | -- | -- | (486) |
| Total accumulated amortization | (829) | (898) | -- | -- | (1,727) |
| Total RTU lease assets, net | $ 1,149 | $ (657) | $ -- | $ -- | $ 492 |





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The Port's future annual payments under these leases as of June 30, 2023 are as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 589 | $ 30 | $ 619 |
| 2025 | 433 | 15 | 448 |
| 2026 | 257 | 3 | 260 |
| Total | $ 1,279 | $ 48 | $ 1,327 |

## B. Subscription Based Information Technology Arrangements (SBITA)

The Port adopted GASB Statement No. 96, *"Subscription Based Information Technology Arrangements."* effective July 1, 2021. The Port has recognized right-to-use (RTU) subscription assets with related accumulated amortization, subscription liabilities, subscription expense, amortization expense, and accrued interest payable.

The Port has SBITA's that provide subscriptions or license to use a third-party software supporting the Port's operations. Those SBITA's include user licenses for enterprise resources planning (ERP) system and specialized software applications for real estate, port pilot, and customer billing operations. At June 30, 2023, RTU subscription assets and related accumulated amortization are as follows:

| | (Restated) Balance July 1, 2022 | Increase | Decrease | Balance June 30, 2023 |
|---|---|---|---|---|
| RTU subscription assets | $ 2,968 | $ -- | $ -- | $ 2,968 |
| Total RTU subscription assets | 2,968 | -- | -- | 2,968 |
| Less accumulated amortization | | | | |
| RTU subscription assets | (297) | (297) | -- | (594) |
| Total accumulated amortization | (297) | (297) | -- | (594) |
| Total RTU subscription assets, net | $ 2,671 | $ (297) | $ -- | $ 2,374 |





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At June 30, 2022, RTU subscription assets and related accumulated amortization are as follows:

| | Balance July 1, 2021 | Increase | Decrease | (Restated) Balance June 30, 2022 |
|---|---|---|---|---|
| RTU subscription assets | $ 2,968 | $ -- | $ -- | $ 2,968 |
| Total RTU subscription assets | 2,968 | -- | -- | 2,968 |
| Less accumulated amortization RTU subscription assets | -- | (297) | -- | (297) |
| Total accumulated amortization | -- | (297) | -- | (297) |
| Total RTU subscription assets, net | $ 2,968 | $ (297) | $ -- | $ 2,671 |



The Port's future annual payments under these SBITAs as of June 30, 2023 are as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 805 | $ 38 | $ 843 |
| 2025 | 432 | 11 | 443 |
| 2026 | 309 | 1 | 310 |
| Total | $ 1,546 | $ 50 | $ 1,596 |



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## 13. Los Angeles City Employees' Retirement System (LACERS)

### A. General Information about LACERS

*Plan description.* All full-time employees of the Port are eligible to participate in LACERS, a single-employer public employee retirement system whose main function is to provide pension benefits such as service and disability retirement benefits as well as death benefits to the civilian employees of the City of Los Angeles. LACERS also administers and provides other postemployment benefits (OPEB) to eligible retirees and their eligible spouses/domestic partners. Under the provisions of the City Charter and California State Constitution, the Board of Administration (LACERS Board) has the responsibility and authority to administer LACERS and to invest its assets. The LACERS Board consists of seven members – four appointed by the Mayor, two elected by active members (current employees), and one elected by retired members. The LACERS Board serve as trustees and must act in the exclusive interest of the LACERS' members and beneficiaries. Changes to the benefit terms require approval of the City Council.

LACERS issues a publicly available financial report that may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 977 N. Broadway, Los Angeles, CA 90012, (800) 779-8328 or LACERS' website https://lacers.org/reports.



*Plan Memberships.* As of June 30, 2022 and 2021 (measurement date), pension plan membership consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Retired members or beneficiaries currently receiving benefits | 22,399 | 22,012 |
| Vested terminated members entitled to, but not yet receiving benefits | 10,379 | 9,647 |
| Active members | 24,917 | 25,176 |
| Total | 57,695 | 56,835 |

As of June 30, 2022 and 2021 (measurement date), OPEB plan membership consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Retired members or surviving spouses currently receiving benefits | 17,753 | 17,500 |
| Inactive vested members entitled to, but not yet receiving benefits | 1,537 | 1,554 |
| Retired members and beneficiaries entitled but not yet eligible for health benefits | 139 | 141 |
| Active members | 24,917 | 25,176 |
| Total | 44,346 | 44,371 |

*Benefits provided – Pension.* LACERS provides service retirement, disability, death and survivor benefits to eligible employees based on employees' years of service, age, and final compensation. There are two tiers of memberships. Under Tier 1, employees with 10 or more



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years of continuous service may retire if they are at age 60 or at least 30 years of service at age 55, or with any years of service at age 70 or older. Full-unreduced retirement benefits are determined as 2.16% per year of the employee's service credit (not greater than 100%), multiplied by the employee's average monthly pensionable salary during the employee's last 12 months of service, or during any other 12 consecutive months of service. Normal retirement allowances are reduced for employees who retire at age 55 with 10 or more years of continuous service, or at any age with 30 or more years of service. Membership to Tier 1 is closed to new entrants. Eligible employees hired on or after July 1, 2013 become members of Tier 2. However, on July 9, 2015, the City and the Coalition of the Los Angeles City Unions representing more than half of the City's civilian workforce reached an agreement which rescinded Tier 2 and created a new tier of benefits. As a result, Ordinance 184134 was adopted on January 12, 2016, and all active Tier 2 members were transferred to Tier 1 as of February 21, 2016.

On or after February 21, 2016, new members became Tier 3 members of LACERS. Under Tier 3, employees may retire at age 60 with at least 10 or more years of service (including 5 years of continuous service) to receive full-unreduced benefits with a 1.50% retirement factor, or at age 55 with at least 30 years of service (including 5 years of continuous service) to receive full-unreduced retirement benefits with a 2.0% retirement factor. In addition, the employee may retire at age 63 with at least 10 years of service to receive an enhanced retirement benefit with a 2.0% retirement factor, or at age 63 with 30 years of service with a 2.1% retirement factor. Full-unreduced retirement benefits are determined as the applicable retirement factor (1.5%, 2.0%, or 2.1%) per year of the employee's service credit (not greater than 80%), multiplied by the employee's last 36 months of final average compensation or any other 36 consecutive months of service. Normal retirement allowances are reduced for employees who retire prior to age 55. LACERS does not have a mandatory retirement age.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are made each July 1 based on the percentage change in the average Consumer Price Index for the Los Angeles-Long Beach-Anaheim Area – All Items For All Urban Consumers, to a maximum increase in retirement allowance of 3% per year, excess banked, for Tier 1 members and 2% per year, excess not banked, for Tier 3 members.

LACERS covers all full-time personnel and department-certified part-time employees of the Port, except for sworn employees of certain Port Police officers.

*Benefits provided – OPEB.* LACERS also provides postemployment health care benefits to eligible retirees and their eligible spouses/domestic partners who participate in the pension plan. These benefits may also extend to the coverage of other eligible dependent(s). Eligible retirees and their eligible spouses/domestic partners can choose from health plans including medical, dental, and vision benefits or participate in a premium reimbursement program. Members with ten or more years of service who retire after age 55, or employees who retire at age 70 with no minimum service requirement, are eligible for the benefits with an approved health carrier. The eligible employees earn 4% per year of service credit for their annual medical subsidy. Eligible spouses/domestic partners of plan members are entitled to the postemployment health care benefits after the retired member's death.





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*Contributions – pension.* The LACERS Board establishes and may amend the contribution requirements of the System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter, which provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The average employer contribution rates for pension benefits are 30.32% and 28.84% of covered payroll for the fiscal years ended June 30, 2023 and 2022, respectively. The Port has made 100% of the actuarially determined contributions for both fiscal years. All members are required to make pension contributions to LACERS regardless of the tier in which they are included. Currently, Tiers 1 and 3 members contribute at 11% of compensation.

*Contributions – OPEB.* The LACERS Board establishes and may amend the contribution requirements of the System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter, which provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The average employer contribution rates are 3.96% and 4.40% of covered payroll for the fiscal years ended June 30, 2023 and 2022, respectively. The Port has made 100% of the actuarially determined contributions for both fiscal years. Members are not required to contribute to the OPEB plan.



*Pension plan fiduciary net position and OPEB plan fiduciary net position.* Detailed information about the pension and OPEB plans' fiduciary net positions are available in the separately issued LACERS financial report.

**B. Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

At June 30, 2023 and 2022, the Port reported a liability of $270.3 million and $168.1 million, respectively, for its proportionate share of the net pension liability of LACERS. The net pension liability was measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on the Port's share of actual contributions to the pension plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 3.825% and 3.852% for fiscal years ended June 30, 2023 and 2022, respectively.



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June 30, 2023 and 2022

For the fiscal years ended June 30, 2023 and 2022, the Port recognized pension expense of $30.1 million and $13.9 million, respectively.

At June 30, 2023 and 2022, the Port reported deferred outflows of resources related to pensions from the following sources (in thousands).

| | 2023 | 2022 |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 25,751 | $ 23,421 |
| Changes of assumptions or other inputs | 8,943 | 17,091 |
| Differences between actual and expected experience in the total pension liability | 4,954 | 8,428 |
| Changes in proportion and differences between employer's contributions and proportionate share of contributions | 6,569 | 8,730 |
| Net excess of projected and actual earnings on pension plan investments | 27,531 | -- |
| Total | $ 73,748 | $ 57,670 |



Pension contributions of $25.8 million and $23.4 million made subsequent to the measurement date were reported as deferred outflows of resources related to pensions at June 30, 2023 and 2022, respectively, and will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

At June 30, 2023 and 2022, the Port reported deferred inflows of resources related to pensions from the following sources (in thousands).

| | 2023 | 2022 |
|---|---|---|
| Changes in proportion and differences between employer's contributions and proportionate share of contributions | $ 2,776 | $ 3,689 |
| Net excess of actual over projected earnings on pension investments | -- | 79,999 |
| Differences between expected and actual experience in the total pension liability | 6,730 | 6,749 |
| Total | $ 9,506 | $ 90,437 |



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June 30, 2023 and 2022

At June 30, 2023 and 2022, the net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the next five years and thereafter as follows (in thousands):

| | Deferred outflows/(inflows) | |
|---|---|---|
| Year ending June 30 | 2023 | 2022 |
| 2023 | $ N/A | $ (9,692) |
| 2024 | 10,823 | (10,376) |
| 2025 | 9,245 | (11,972) |
| 2026 | (2,872) | (24,178) |
| 2027 | 21,295 | 30 |
| 2028 | -- | -- |
| Thereafter | -- | -- |

The amortization table does not include pension contributions made after the measurement date. Deferred outflows of $25.8 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.





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*Actuarial assumptions.* The Port's net pension liabilities as of June 30, 2023 and 2022 were determined by actuarial valuations as of June 30, 2022 and 2021, respectively. The actuarial assumptions used in the June 30, 2022 and 2021 actuarial valuations were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2019. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2022 and 2021 actuarial valuations:

| Actuarial assumptions | 2022 | 2021 |
|---|---|---|
| Actuarial cost method | Entry age | Entry age |
| Inflation | 2.75% | 2.75% |
| Projected salary increases | Ranges from 4.25% to 9.95% based on years of service | Ranges from 4.25% to 9.95% based on years of service |
| Cost-of-living adjustments | 2.75% maximum for Tier 1 and 2.00% maximum for Tier 3 | 2.75% maximum for Tier 1 and 2.00% maximum for Tier 3 |
| Investment rate of return | 7.00% | 7.00% |
| Mortality (Post-Retirement) | Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality table projected with Scale MP-2019 | Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality table projected with Scale MP-2019 |





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*Long-term expected rate of return by asset class.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2022 and 2021. This information is subject to change every three years based on an actuarial experience study.

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Asset Class | Target Allocation | Long-term Expected Arithmetic Real Rate of Return | Target Allocation | Long-term Expected Arithmetic Real Rate of Return |
| U.S. Larger Cap Equity | 15.01% | 5.54% | 15.01% | 5.54% |
| U.S. Small Cap Equity | 3.99% | 6.25% | 3.99% | 6.25% |
| Developed International Large Cap Equity | 17.01% | 6.61% | 17.01% | 6.61% |
| Developed International Small Cap Equity | 2.97% | 6.90% | 2.97% | 6.90% |
| Emerging International Large Cap Equity | 5.67% | 8.74% | 5.67% | 8.74% |
| Emerging International Small Cap Equity | 1.35% | 10.63% | 1.35% | 10.63% |
| Core Bonds | 13.75% | 1.19% | 13.75% | 1.19% |
| High Yield Bond | 2.00% | 3.14% | 2.00% | 3.14% |
| Bank Loan | 2.00% | 3.70% | 2.00% | 3.70% |
| TIPS | 4.00% | 0.86% | 4.00% | 0.86% |
| Emerging Market Debt (External) | 2.25% | 3.55% | 2.25% | 3.55% |
| Emerging Market Debt (Local) | 2.25% | 4.75% | 2.25% | 4.75% |
| Core Real Estate | 4.20% | 4.60% | 4.20% | 4.60% |
| Non-Core Real Estate | 2.80% | 5.76% | 2.80% | 5.76% |
| Cash | 1.00% | 0.03% | 1.00% | 0.03% |
| Commodities | 1.00% | 3.33% | 1.00% | 3.33% |
| Private Equity | 14.00% | 8.97% | 14.00% | 8.97% |
| Private Credit/Debt | 3.75% | 6.00% | 3.75% | 6.00% |
| Real Estate Investment Trusts (REITS) | 1.00% | 5.98% | 1.00% | 5.98% |
| Total | 100.00% | | 100.00% | |





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*Discount rate.* The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions will be made at rates equal to actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2022 and 2021.

*Sensitivity of the Port's proportionate share of net pension liability to change in the discount rate.* The following presents the Port's proportionate share of the net pension liability of LACERS as of June 30, 2022 and 2021, calculated using the discount rate of 7.00%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

| Port's proportionate share of the net pension liability | 1% Decrease (6.00%) | Discount rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| June 30, 2022 | $391,770 | $270,252 | $169,684 |
| June 30, 2021 | $287,769 | $168,089 | $69,102 |



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### C. Net OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the Port reported a liability of $8.8 million for its proportionate share of the net OPEB liability of LACERS. At June 30, 2022, the Port reported an asset of $9.9 million for its proportionate share of the net OPEB liability of LACERS. The net OPEB asset or liability was measured as of June 30, 2022 and 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port's proportion of the net OPEB liability was based on the Port's share of actual contributions to the OPEB plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 3.769% and 3.781% for the fiscal years ended June 30, 2023 and 2022, respectively.

For the fiscal years ended June 30, 2023 and 2022, the Port recognized OPEB expense of $0.4 million and OPEB credit of $2.5 million, respectively.

At June 30, 2023 and 2022, the Port reported deferred outflows of resources related to OPEB from the following sources (in thousands).

| | 2023 | 2022 |
|---|---|---|
| OPEB contributions subsequent to measurement date | $ 3,361 | $ 3,571 |
| Changes of assumptions or other inputs | 3,228 | 4,758 |
| Differences between expected and actual experience in the total OPEB liability | 321 | 502 |
| Changes in proportion and differences between employer's contributions and proportionate share of contributions | 672 | 827 |
| Net excess of projected over actual earnings on OPEB plan investments | 3,598 | -- |
| Total | $ 11,180 | $ 9,658 |

OPEB contributions of $3.4 million and $3.6 million made subsequent to the measurement date were reported as deferred outflows of resources related to OPEB at June 30, 2023 and 2022, respectively, and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.



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At June 30, 2023 and 2022, the Port reported deferred inflows of resources related to OPEB from the following sources (in thousands).

| | 2023 | 2022 |
|---|---|---|
| Changes in proportion and differences between employer's contributions and proportionate share of contributions | $ 590 | $ 878 |
| Changes of assumptions or other inputs | 7,540 | 5,021 |
| Net excess of actual over projected earnings on OPEB plan investments | -- | 20,589 |
| Differences between expected and actual experience in the total OPEB liability | 4,537 | 6,219 |
| Total | $ 12,667 | $ 32,707 |



At June 30, 2023 and 2022, the net amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the next five years and thereafter is as follows (in thousands):

| | Deferred outflows/(inflows) | |
|---|---|---|
| Year ending June 30 | 2023 | 2022 |
| 2023 | $ N/A | $ (6,367) |
| 2024 | (1,770) | (5,824) |
| 2025 | (2,267) | (6,323) |
| 2026 | (3,003) | (7,062) |
| 2027 | 3,246 | (792) |
| 2028 | (932) | (252) |
| 2029 | (122) | -- |
| Thereafter | -- | -- |

The amortization table does not include OPEB contributions made after the measurement date. Deferred outflows of $3.4 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.



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*Actuarial assumptions.* The Port's net OPEB liabilities as of June 30, 2023 and 2022 were determined by actuarial valuations as of June 30, 2022 and 2021, respectively. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study for the period the July 1, 2016 through June 30, 2019 dated June 17, 2020 and retiree health assumptions letter dated September 20, 2022.The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an experience study for the July 1, 2016 through June 30, 2019 dated June 17, 2020 and retiree health assumptions letter dated September 21, 2021. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2022 and 2021 actuarial valuations:

| Actuarial assumptions | 2022 | 2021 |
|---|---|---|
| Actuarial cost method | Entry age | Entry age |
| Inflation | 2.75% | 2.75% |
| Projected salary increases | Ranges from 4.25% to 9.95% based on years of service | Ranges from 4.25% to 9.95% based on years of service |
| Investment rate of return | 7.00% | 7.00% |
| Mortality (Post-Retirement) | Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality table projected with Scale MP-2019 | Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality table projected with Scale MP-2019 |
| Healthcare cost trend rates | 7.12% graded down to 4.50% over 11 years for non-Medicare medical plan costs; 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.00% for dental; and 4.50% for Medicare Part B costs | 7.37% graded down to 4.50% over 12 years for non-Medicare medical plan costs; 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.00% for dental; and 4.50% for Medicare Part B costs |

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*Long-term expected rate of return by asset class.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2022 and 2021. This information is subject to change every three years based on the actuarial experience study.

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Asset Class | Target Allocation | Long-term Expected Arithmetic Real Rate of Return | Target Allocation | Long-term Expected Arithmetic Real Rate of Return |
| U.S. Larger Cap Equity | 15.01% | 5.54% | 15.01% | 5.54% |
| U.S. Small Cap Equity | 3.99% | 6.25% | 3.99% | 6.25% |
| Developed International Large Cap Equity | 17.01% | 6.61% | 17.01% | 6.61% |
| Developed International Small Cap Equity | 2.97% | 6.90% | 2.97% | 6.90% |
| Emerging International Large Cap Equity | 5.67% | 8.74% | 5.67% | 8.74% |
| Emerging International Small Cap Equity | 1.35% | 10.63% | 1.35% | 10.63% |
| Core Bonds | 13.75% | 1.19% | 13.75% | 1.19% |
| High Yield Bond | 2.00% | 3.14% | 2.00% | 3.14% |
| Bank Loan | 2.00% | 3.70% | 2.00% | 3.70% |
| TIPS | 4.00% | 0.86% | 4.00% | 0.86% |
| Emerging Market Debt (External) | 2.25% | 3.55% | 2.25% | 3.55% |
| Emerging Market Debt (Local) | 2.25% | 4.75% | 2.25% | 4.75% |
| Core Real Estate | 4.20% | 4.60% | 4.20% | 4.60% |
| Non-Core Real Estate | 2.80% | 5.76% | 2.80% | 5.76% |
| Cash | 1.00% | 0.03% | 1.00% | 0.03% |
| Commodities | 1.00% | 3.33% | 1.00% | 3.33% |
| Private Equity | 14.00% | 8.97% | 14.00% | 8.97% |
| Private Credit/Debt | 3.75% | 6.00% | 3.75% | 6.00% |
| Real Estate Investment Trusts (REITS) | 1.00% | 5.98% | 1.00% | 5.98% |
| Total | 100.00% | 5.50% | 100.00% | 5.50% |





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*Discount rate.* The discount rate used to measure the total OPEB liability were 7.00% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of both June 30, 2022 and June 30, 2021.

*Sensitivity of the Port's proportionate share of net OPEB liability/(asset) to change in the discount rate.* The following presents the Port's proportionate share of the net OPEB liability/(asset) of LACERS as of June 30, 2022 and 2021, calculated using the discount rate of 7.00%, as well as what the Port's proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

| Port's proportionate share of the net OPEB liability/(asset) | 1% Decrease (6.00%) | Discount rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| June 30, 2022 | $27,655 | $8,778 | $(6,698) |
| June 30, 2021 | $8,746 | $(9,891) | $(25,181) |

*Sensitivity of the Port's proportionate share of net OPEB liability/(asset) to change in the healthcare cost trend rate.* The following presents the Port's proportionate share of the net OPEB liability/(asset) of LACERS, as well as what LACERS' net OPEB liability/(asset) would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current healthcare trend rate (in thousands):

| Port's proportionate share of the net OPEB liability/(asset) | 1% Decrease | Current healthcare trend rate* | 1% Increase |
|---|---|---|---|
| June 30, 2022 | $(8,139) | $8,778 | $29,858 |
| June 30, 2021 | $(26,623) | $(9,891) | $10,954 |

*See page 96 for current healthcare trend rate.

Note 13. A to C on LACERS pension and OPEB plans were derived from information prepared by LACERS and the City.



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## 14. City of Los Angeles Fire and Police Pension System (LAFPP)

### A. General Information about LAFPP

*Plan description.* LAFPP is a single-employer public employee retirement system whose main function is to provide defined benefit pension benefits to the safety members employed by the City of Los Angeles. Members of LAFPP are entitled to other postemployment benefits (OPEB) such as healthcare subsidy. LAFPP is administered by a Board of Commissioners (LAFPP Board) composed of five commissioners who are appointed by the Mayor, two commissioners elected by Police members of the plan and two commissioners elected by Fire members of the plan. Under provisions of the City Charter, the City Administrative Code and the State Constitution, the LAFPP Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

LAFPP is composed of six tiers. Tier 6 is the current tier for all Harbor Port Police Officers hired on or after July 1, 2011. Tier 5 was the tier for all Harbor Port Police officers hired on or after January 8, 2006 through June 30, 2011.



LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension system, 701 East 3rd Street, Suite 200, Los Angeles, CA 90013, (213) 279-3000 or LAFPP's website https://www.lafpp.com/financial-reports.

*Plan memberships.* As of June 30, 2022 and 2021 (measurement date), pension plan membership consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Retired members or beneficiaries currently receiving benefits | 13,821 | 13,527 |
| Vested terminated members entitled to, but not yet receiving benefits | 723 | 633 |
| Active members | 12,771 | 12,823 |
| Total | 27,315 | 26,983 |

As of June 30, 2022 and 2021 (measurement date), OPEB plan membership consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Retired members, married dependents and beneficiaries currently receiving benefits | 18,231 | 17,909 |
| Vested terminated members, retirees, and beneficiaries entitled to, but not yet receiving benefits | 1,011 | 948 |
| Active members | 12,771 | 12,823 |
| Total | 32,013 | 31,680 |

*Benefits provided – pension.* LAFPP provides service retirement, disability, death and survivor benefits to eligible sworn members. Sworn employees become members upon graduation from the Police Academy or Fire Drill Tower. Information about benefits for Tiers 1 through 4 members is available in the separately issued LAFPP financial report. Tier 5 members must be at least age



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50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 5 provides for postemployment COLAs based on the Consumer Price Index (CPI) to a maximum of 3% per year. However, any increase in CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Tier 6 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for postemployment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.



*Benefits provided – OPEB.* LAFPP provides the following other postemployment benefits (OPEB) to eligible members:

- Subsidy for members not eligible for Medicare A & B – 4% per year of service, to a maximum of 100%, times a monthly maximum subsidy amount, subject to a maximum of actual premium paid to the LAFPP Board's approved health carrier.

- Subsidy for members eligible for Medicare A & B – For retirees, the health subsidy is provided subject to the following vesting schedule. Surviving spouses/domestic partners are eligible for benefits upon the death of the member.

| Completed Years of Services | Vested Percentage |
|---|---|
| 10-14 | 75% |
| 15-19 | 90% |
| 20+ | 100% |

- Medicare Part B Related Subsidy – For retired members enrolled in Medicare A & B who are receiving a subsidy, the LAFPP provides payment of Part B premiums.

- Dental Subsidy – 4% per year of service, to a maximum of 100%, times a monthly maximum subsidy amount, subject to a maximum of the single-party premium paid to the LAFPP Board approved dental carrier.

*Contributions – pension.* The LAFPP Board establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions.

All members are required to make contributions to LAFPP based on the member's contribution rate for his or her tier. These rates range from 8 to 9 % of salaries for members in Tiers 3 through 5, while members in Tier 6 contribute 11 % of salary. However, members are exempt from making contributions when their continuous service exceeds 30 years for Tier 1 through 4, and 33 years for Tier 5 and Tier 6. Members under Tiers 1 and 2 are retired or have completed at least 30 years of service and therefore no longer make pension contributions.

For fiscal years 2023 and 2022, the average employer contribution rates for pension benefits are 26.13% and 28.01%, respectively, of covered payroll. The Port has made 100% of the actuarially determined contributions for both fiscal years.



*Contributions – OPEB.* The LAFPP Board establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is expected to be sufficient to make all benefit payments to current members. The average employer contribution rates are 7.36% and 7.89% of covered payroll for fiscal years ended June 30, 2023 and 2022, respectively. Members are not required to contribute to the OPEB plan.

*Pension plan fiduciary net position and OPEB plan fiduciary net position.* Detailed information about the LAFPP's pension and OPEB plans' fiduciary net position is available in the separately issued LAFPP financial report.

### B. Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2023, the Port reported a liability of $1.0 million for its proportionate share of the net pension liability of LAFPP. At June 30, 2022, the Port reported an asset of $9.9 million for its proportionate share of the net pension liability of LAFPP. The net pension asset or liability was measured as of June 30, 2022 and 2021, respectively. The plan assets were valued as of the measurement dates and the total pension liability (TPL) as of June 30, 2022 and 2021 was determined based upon rolling forward the TPL from actuarial valuation as of June 30, 2021 and 2020, respectively. The Port's proportion of the net pension liability was based on the Port's share of actual contributions to the pension plan relative to the actual contributions of all participating employers, actuarially determined. The Port's proportionate share was determined to be 0.152% and 0.366% for fiscal years ended June 30, 2023 and 2022, respectively.

For the fiscal years ended June 30, 2023 and 2022, the Port recognized pension expense of $3.1 million and $1.0 million, respectively.



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At June 30, 2023 and 2022, the Port reported deferred outflows of resources related to pensions from the following sources (in thousands).

| | 2023 | 2022 |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 4,409 | $ 4,637 |
| Changes of assumptions or other inputs | 1,477 | 2,355 |
| Net difference between projected and actual earnings on pension plan investments | 1,160 | -- |
| Differences between actual and expected experience in the total pension liability | 3,491 | 4,497 |
| Total | $ 10,537 | $ 11,489 |



Pension contributions of $4.4 million and $4.6 million made subsequent to the measurement date were reported as deferred outflows of resources related to pensions at June 30, 2023 and 2022, respectively, and will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

At June 30, 2023 and 2022, the Port reported deferred inflows of resources related to pensions from the following sources (in thousands).

| | 2023 | 2022 |
|---|---|---|
| Differences between expected and actual experience in the total pension liability | $ 3,884 | $ 751 |
| Net difference between actual and projected earnings on pension plan investments | -- | 16,472 |
| Total | $ 3,884 | $ 17,223 |



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At June 30, 2023 and 2022, the net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the next five years and thereafter as follows (in thousands):

| | Deferred outflows/(inflows) | |
|---|---|---|
| Year ending June 30 | 2023 | 2022 |
| 2023 | $ N/A | $ (2,634) |
| 2024 | 381 | (2,211) |
| 2025 | 34 | (2,559) |
| 2026 | (1,109) | (3,702) |
| 2027 | 3,329 | 735 |
| 2028 | (391) | -- |
| Thereafter | -- | -- |



The amortization table does not include pension contributions made after the measurement date. Deferred outflows of $4.4 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

*Actuarial assumptions.* The TPL as of June 30, 2022 and 2021 that were measured by actuarial valuations as of June 30 2021 and 2020, respectively, used the following actuarial assumptions, which were based on the July 1, 2016 through June 30, 2019 Experience Study Report dated May 13, 2020, applied to all periods included in the measurement.

| Actuarial assumptions | 2022 | 2021 |
|---|---|---|
| Actuarial cost method | Entry age | Entry age |
| Inflation | 2.75% | 2.75% |
| Projected salary increases | Ranges from 4.15% to 12.25% based on years of service, including inflation | Ranges from 4.15% to 12.25% based on years of service, including inflation |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation | 7.00%, net of pension plan investment expense, including inflation |
| Mortality (Post-Retirement) | Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019 | Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019 |
| Cost-of-living adjustments | 3.00% of retirement income for all Tiers | 3.00% of retirement income for all Tiers |



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*Long-term expected rate of return by asset class.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each measurement class, after deducting inflation, but before reduction for investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2022 and June 30, 2021. The information will change every three years based on the actuarial experience study.

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Asset Class | Target Allocation | Long-term Expected Arithmetic Real Rate of Return | Target Allocation | Long-term Expected Arithmetic Real Rate of Return |
| Large Cap U.S. Equity | 23.00% | 5.40% | 23.00% | 5.40% |
| Small Cap U.S. Equity | 6.00% | 6.20% | 6.00% | 6.20% |
| Developed International Equity | 16.00% | 6.54% | 16.00% | 6.54% |
| Emerging Market Equity | 5.00% | 8.78% | 5.00% | 8.78% |
| U.S. Core Fixed Income | 13.00% | 1.07% | 13.00% | 1.07% |
| TIPS | 4.00% | 0.62% | 4.00% | 0.62% |
| High Yield Bonds | 3.00% | 3.31% | 3.00% | 3.31% |
| Real Estate | 7.00% | 4.65% | 7.00% | 4.65% |
| Commodities | 5.00% | 3.05% | 5.00% | 3.05% |
| Cash | 1.00% | 0.01% | 1.00% | 0.01% |
| Unconstrained Fixed Income | 2.00% | 1.37% | 2.00% | 1.37% |
| Private Equity | 12.00% | 8.25% | 12.00% | 8.25% |
| REITS | 3.00% | 4.40% | 3.00% | 4.40% |
| Total | 100.00% | 4.99% | 100.00% | 4.99% |

*Discount rate.* The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate for each tier and that employer contributions will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.



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Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2022 and 2021.

*Sensitivity of the Port's proportionate share of net pension liability/(asset) to change in the discount rate.* The following presents the Port's proportionate share of the net pension liability/(asset) as of June 30, 2022 and 2021, calculated using the discount rate of 7.00%, as well as what the Port's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate what is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

| Port's proportionate share of the net pension liability/(asset) | 1% Decrease (6.00%) | Discount rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| June 30, 2022 | $22,722 | $983 | $(16,263) |
| June 30, 2021 | $10,886 | $(9,885) | $(26,337) |





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June 30, 2023 and 2022

### C. Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the Port reported an asset of $0.8 million for its proportionate share of the net OPEB liability of LAFPP. At June 30, 2022, the Port reported an asset of $1.9 million for its proportionate share of the net OPEB liability of LAFPP. The net OPEB asset or liability was measured as of June 30, 2022 and 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port's proportion of the net OPEB liability was based on the Port's share of actual contributions to the OPEB plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be -0.083% and -0.210% for the fiscal years June 30, 2023 and 2022, respectively.

For the fiscal years ended June 30, 2023 and 2022, the Port recognized OPEB expense of $0.4 million and $0.3 million, respectively.



At June 30, 2023 and 2022, the Port reported deferred outflows of resources related to OPEB from the following sources (in thousands).

| | 2023 | 2022 |
|---|---|---|
| OPEB contributions subsequent to measurement date | $ 1,242 | $ 1,306 |
| Changes of assumptions or other inputs | 673 | 884 |
| Net difference between projected and actual earnings on OPEB plan investments | 239 | -- |
| Differences between expected and actual experience in the total OPEB liability | 57 | 111 |
| Total | $ 2,211 | $ 2,301 |

OPEB contributions of $1.2 million and $1.3 million made subsequent to the measurement date were reported as deferred outflows of resources related to OPEB at June 30, 2023 and 2022, respectively, and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.



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At June 30, 2023 and 2022, the Port reported deferred inflows of resources related to OPEB from the following sources (in thousands).

| | 2023 | 2022 |
|---|---|---|
| Changes of assumptions or other inputs | $ 1,606 | $ 495 |
| Differences between expected and actual experience in the total OPEB liability | 1,056 | 1,220 |
| Net difference between actual and projected earnings on OPEB plan investments | -- | 2,757 |
| Total | $ 2,662 | $ 4,472 |



Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

| | Deferred outflows/(inflows) | |
|---|---|---|
| Year ending June 30 | 2023 | 2022 |
| 2023 | $ N/A | $ (758) |
| 2024 | (352) | (711) |
| 2025 | (437) | (796) |
| 2026 | (528) | (887) |
| 2027 | 164 | (196) |
| 2028 | (325) | (129) |
| Thereafter | (215) | -- |

The amortization table does not include OPEB contributions made after the measurement date. Deferred outflows of $1.2 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

*Actuarial assumptions.* The Port's net OPEB liability as of June 30, 2023 and 2022 were determined by actuarial valuations as of June 30, 2022 and 2021, respectively. The Total OPEB Liability (TOL) as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2022. The actuarial assumptions were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019 with the exception of the mortality assumption where the LAFPP adopted the updated Pub-2010 mortality tables proposed in a separate letter dated December 12, 2019 and health assumptions letter dated September 8, 2022. They are the same as the assumptions used in the June 30, 2022 funding actuarial valuation. The TOL as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2021. The actuarial assumptions were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019 with the exception of the mortality assumption where the LAFPP adopted the updated Pub-2010 mortality tables proposed in a separate letter dated December 12, 2019 and health assumptions letter dated September 8, 2021. They are the same as the assumptions used in the June 30, 2021 funding actuarial valuation. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2022 and 2021 actuarial valuations:

| Actuarial assumptions | 2022 | 2021 |
|---|---|---|
| Actuarial cost method | Entry age | Entry age |
| Inflation | 2.75% | 2.75% |
| Projected salary increases | Ranges from 4.15% to 12.25% based on years of service, including inflation | Ranges from 4.15% to 12.25% based on years of service, including inflation |
| Investment rate of return | 7.00%, net of OPEB plan investment expense, including inflation | 7.00%, net of OPEB plan investment expense, including inflation |
| Mortality (Post-Retirement) | Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019 | Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019 |
| Healthcare cost trend rates | 7.25% graded down to 4.50% over 11 years for non-Medicare medical plan costs; 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs; 3.00% for all years for dental; and 4.50% for all years for Medicare Part B costs. | 7.50% graded down to 4.50% over 12 years for non-Medicare medical plan costs; 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs; 4.00% for all years for dental; and 4.50% for all years for Medicare Part B costs. |

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*Long-term expected rate of return by asset class.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each measurement class, after deducting inflation, but before reduction for investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2022 and June 30, 2021. The information will change every three years based on the actuarial experience study.

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Asset Class | Target Allocation | Long-term Expected Arithmetic Real Rate of Return | Target Allocation | Long-term Expected Arithmetic Real Rate of Return |
| Large Cap U.S. Equity | 23.00% | 5.40% | 23.00% | 5.40% |
| Small Cap U.S. Equity | 6.00% | 6.20% | 6.00% | 6.20% |
| Developed International Equity | 16.00% | 6.54% | 16.00% | 6.54% |
| Emerging Market Equity | 5.00% | 8.78% | 5.00% | 8.78% |
| U.S. Core Fixed Income | 13.00% | 1.07% | 13.00% | 1.07% |
| TIPS | 4.00% | 0.62% | 4.00% | 0.62% |
| High Yield Bonds | 3.00% | 3.31% | 3.00% | 3.31% |
| Real Estate | 7.00% | 4.65% | 7.00% | 4.65% |
| Commodities | 5.00% | 3.05% | 5.00% | 3.05% |
| Cash | 1.00% | 0.01% | 1.00% | 0.01% |
| Unconstrained Fixed Income | 2.00% | 1.37% | 2.00% | 1.37% |
| Private Equity | 12.00% | 8.25% | 12.00% | 8.25% |
| REITS | 3.00% | 4.40% | 3.00% | 4.40% |
| Total | 100.00% | 4.99% | 100.00% | 4.99% |

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the



Continued…..

long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both June 30, 2022 and June 30, 2021.

*Sensitivity of the Port's proportionate share of net OPEB liability/(asset) to change in the discount rate.* The following presents the Port's proportionate share of the net OPEB liability/(asset) as of June 30, 2022 and 2021, calculated using the discount rate of 7.00%, as well as what the Port's proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

| Port's proportionate share of the net OPEB liability/(asset) | 1% Decrease (6.00%) | Discount rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| June 30, 2022 | $3,041 | $(773) | $(3,772) |
| June 30, 2021 | $1,898 | $(1,900) | $(4,875) |



*Sensitivity of the Port's proportionate share of net OPEB liability/(asset) to change in the healthcare cost trend rate.* The following presents the Port's proportionate share of the net OPEB liability/(asset), as well as what LAFPP net OPEB liability/(asset) would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current healthcare trend rate (in thousands):

| Port's proportionate share of the net OPEB liability/(asset) | 1% Decrease | Current healthcare trend rate* | 1% Increase |
|---|---|---|---|
| June 30, 2022 | $(4,299) | $(773) | $3,901 |
| June 30, 2021 | $(5,404) | $(1,900) | $2,772 |

*See page 108 for current healthcare trend rate.

Note 14. A to C on LAFPP pension and OPEB plans were derived from information prepared by LAFPP and the City.



Continued…..

## 15. Commitments, Litigation and Contingencies

### A. Commitments

Open purchase orders and uncompleted construction contracts amounted to approximately $35.9 million and $25.3 million as of June 30, 2023 and 2022, respectively. Such open commitments do not lapse at the end of the Port's fiscal year and are carried forth to succeeding periods until fulfilled.

In 1985, the Port received a parcel of land, with an estimated value of $14.0 million from the federal government, for the purpose of constructing a marina. The Port has agreed to reimburse the federal government up to $14.0 million from excess revenues, if any, generated from marina operations after the Port has recovered all costs of construction. No such payments were made in fiscal years 2023 and 2022.

### B. Litigation



The Port is also involved in certain litigation arising in the normal course of business. In the opinion of management, there is no pending litigation or unasserted claims, the outcome of which would materially affect the financial position of the Port.

### C. Alameda Corridor Transportation Authority (ACTA) Agreement

In August 1989, the Port and the POLB (the Ports) entered into a joint exercise of powers agreement and formed ACTA for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and the Ports in San Pedro Bay, linking the Ports to the central Los Angeles area. The Alameda Corridor began operating on April 15, 2002. ACTA is governed by a seven-member board, which is comprised of two members from each Port, one each from the Cities of Los Angeles and Long Beach and one from the Metropolitan Transportation Authority.

In October 1998, the Ports, ACTA, and the railroad companies, which operate on the corridor, entered into a Corridor Use and Operating Agreement (Corridor Agreement). The Corridor Agreement provides for operation of the corridor to transport cargo into and out of the Ports. Payment of use fees and container charges, as defined in the Corridor Agreement are used to pay (a) the debt service that ACTA incurs on outstanding bonds, (b) for the cost of funding required reserves and costs associated with the financing, including credit enhancement and rebate requirements, and (c) repayment and reimbursement obligations to the Ports, (collectively, ACTA Obligations). Use fees end in 2062 or sooner if the ACTA Obligations are paid off earlier.

If ACTA revenues are insufficient to pay ACTA Obligations outlined in (a) and (b) above, the Corridor Agreement obligates each Port to pay up to twenty percent (20%) of the shortfall (Shortfall) for each debt service payment date. If this event occurs, the Ports' payments to ACTA are intended to provide cash for debt service payments and to assure that the Alameda Corridor is available to maintain continued cargo movement through the Ports. The Ports are required to include expected Shortfall payments in their budgets, but Shortfall payments are subordinate to



Continued…..

other obligations of the Port, including the bonds and commercial paper currently outstanding. The Port does not and is not required to take Shortfall payments into account when determining whether it may incur additional indebtedness or when calculating compliance with rate covenants under the respective bond indentures and resolutions related to each Port bond or indebtedness.

An amended and restated Corridor Agreement became effective December 15, 2016, which (1) incorporated the July 5, 2006 First Amendment to the Corridor Agreement; (2) replaced the Operating Committee with an alternative decision-making process for management of Alameda Corridor maintenance and operations; and (3) removed construction related provisions and updated certain other provisions to reflect current conditions and practices. The Los Angeles Board of Harbor Commissioners approved the amended and restated Corridor Agreement at a meeting held on October 24, 2016.

In 2022, ACTA issued Tax-Exempt Senior Lien Revenue Refunding Bonds, Series 2022A, Taxable Senior Lien Revenue Refunding Bonds, Series 2022B, and Tax-Exempt Second Subordinate Lien Revenue Refunding Bonds Series 2022C (Series 2022 Bonds). With the intent of reducing future Shortfall payments, the issuance of the Series 2022 Bonds restructured ACTA's debt. There were no Shortfall payments in both fiscal years 2023 and 2022.





Continued…..

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Notes to Financial Statements

June 30, 2023 and 2022

## 16. Related-Party Transactions

During the normal course of business, the Port is charged for services provided by the City, the most significant of which is related to fire protection, museum and park maintenance, and legal services. Total amounts charged by the City for services approximate $47.8 million and $45.5 million in fiscal years 2023 and 2022, respectively. In addition, the amounts charged by the City for water and electricity usage approximate $27.4 million and $34.9 million in fiscal years 2023 and 2022, respectively.

## 17. Capital Contributions

Amounts either received or to be reimbursed for the restricted purpose of the acquisition, construction of capital assets, or other grant-related capital expenditures are recorded as capital contributions. During the fiscal years ended June 30, 2023 and 2022, the Port reported capital contributions of $43.5 million and $11.9 million, respectively, for certain capital construction grant projects.

## 18. Cash Funding of Reserve Fund

As of June 30, 2023 and 2022, the Port had $582.4 million and $631.7 million of outstanding parity bonds (including net unamortized premiums). The Port holds cash reserves for each Indenture of the outstanding bonds, except for the 2019 Revenue Refunding Bonds that were issued without a reserve. On September 18, 2008, the BHC approved the full cash funding of the entire reserve requirement of $61.5 million that was transferred to the Port's bond trustee in December 2008. The cash funding of the reserve took place to reassure bondholders of the strong commitment of the Port to its financial wherewithal as rating agencies had reduced the AAA ratings of the surety companies that had provided insurance for the bonds that the Port had issued.

As of June 30, 2023 and 2022, the balance in the Common Reserve fund totaled $37.1 million and $37.5 million, respectively. Any excess amounts in the Common Reserve resulting from principal repayments will be transferred to the interest fund and/or redemption fund to be used to pay interest and redeem bonds. The required amount for the reserve fund will be reevaluated on a yearly basis. The funds in the reserve are invested in the U.S. Treasury securities and money market funds.




# Required Supplementary Section

# PORT OF LOS ANGELES
# (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

| Fiscal Year | Measurement Date as of June 30 | Proportion of the Net Pension Liability | Proportionate Share of Net Pension Liability | Covered Payroll (1) | Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|---|
| 2014 | 2013 | 4.248% | $ 200,801 | $ 73,746 | 272.29% | 68.23% |
| 2015 | 2014 | 4.224% | 188,299 | 76,040 | 247.60% | 72.57% |
| 2016 | 2015 | 4.152% | 207,158 | 75,963 | 272.71% | 70.49% |
| 2017 | 2016 | 3.940% | 221,275 | 75,092 | 294.67% | 67.77% |
| 2018 | 2017 | 3.877% | 204,609 | 76,204 | 268.50% | 71.41% |
| 2019 | 2018 | 3.773% | 215,435 | 77,580 | 277.70% | 71.37% |
| 2020 | 2019 | 3.692% | 220,724 | 77,954 | 283.15% | 71.25% |
| 2021 | 2020 | 3.674% | 279,036 | 83,080 | 335.86% | 66.29% |
| 2022 | 2021 | 3.852% | 168,089 | 87,461 | 192.19% | 81.26% |
| 2023 | 2022 | 3.825% | 270,252 | 81,205 | 332.80% | 70.66% |

(1) Covered payroll is defined as the payroll on which contributions to a pension plan are based.

Los Angeles Fire and Police Pension Plan (LAFPP)

| Fiscal Year | Measurement Date as of June 30 | Proportion of the Net Pension Liability | Proportionate Share of Net Pension Liability/ (Assets) | Covered Payroll (2) | Share of Net Pension Liability/ (Assets) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|---|
| 2014 | 2013 | 0.400% | $ 14,320 | $ 10,302 | 139.00% | 68.00% |
| 2015 | 2014 | 0.559% | 10,463 | 11,619 | 90.05% | 79.16% |
| 2016 | 2015 | 0.425% | 8,671 | 12,301 | 70.49% | 83.98% |
| 2017 | 2016 | 0.408% | 10,050 | 12,148 | 82.49% | 83.02% |
| 2018 | 2017 | 0.345% | 6,273 | 13,541 | 46.33% | 90.41% |
| 2019 | 2018 | 0.365% | 4,585 | 14,168 | 32.36% | 93.77% |
| 2020 | 2019 | 0.418% | 7,260 | 14,584 | 49.78% | 91.40% |
| 2021 | 2020 | 0.319% | 8,219 | 15,462 | 53.15% | 91.28% |
| 2022 | 2021 | 0.366% | (9,885) | 15,758 | -62.73% | 109.02% |
| 2023 | 2022 | 0.152% | 983 | 16,554 | 5.94% | 99.16% |

(2) Covered payroll is defined as the payroll on which contributions to a pension plan are based.

See Note to Schedule on page 116.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Required Supplementary Information

Schedule of Pension Contributions – Last Ten Fiscal Years*

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

| (Amount in thousands) | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 25,751 | $ 23,421 | $ 21,176 | $ 19,284 | $ 18,050 | $ 17,317 | $ 17,582 | $ 17,557 | $ 15,765 |
| Contributions in relation to the actuarially determined contribution | 25,751 | 23,421 | 21,176 | 19,284 | 18,050 | 17,317 | 17,582 | 17,557 | 15,765 |
| Contribution deficiency (excess) | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- |
| Port's covered payroll | $ 84,932 | $ 81,205 | $ 87,461 | $ 83,080 | $ 77,954 | $ 77,580 | $ 76,204 | $ 75,092 | $ 75,963 |
| Contributions as a percentage of covered payroll | 30.32% | 28.84% | 24.21% | 23.21% | 23.15% | 22.32% | 23.07% | 23.38% | 20.75% |



Los Angeles Fire and Police Pension Plan (LAFPP)

| (Amount in thousands) | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 4,409 | $ 4,637 | $ 4,300 | $ 4,052 | $ 3,883 | $ 3,645 | $ 3,716 | $ 3,462 | $ 3,648 |
| Contributions in relation to the actuarially determined contribution | 4,409 | 4,637 | 4,300 | 4,052 | 3,883 | 3,645 | 3,716 | 3,462 | 3,648 |
| Contribution deficiency (excess) | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- |
| Port's covered payroll | $ 16,874 | $ 16,554 | $ 15,758 | $ 15,462 | $ 14,584 | $ 14,168 | $ 13,541 | $ 12,184 | $ 12,301 |
| Contributions as a percentage of covered payroll | 26.13% | 28.01% | 27.29% | 26.21% | 26.63% | 25.73% | 27.44% | 28.41% | 29.66% |

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 116.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Required Supplementary Information

Notes to Schedules of Proportionate Share of the Net Pension Liability and Pension Contributions

For the Fiscal Year Ended June 30, 2023

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

*Changes of benefit terms:* There were no changes in benefits terms.

*Changes of assumptions:* There were no changes in assumptions.

Los Angeles Fire and Police Pension Plan (LAFPP)

*Changes of benefit terms:* There were no changes in benefits terms.

*Changes of assumptions:* There were no changes in assumptions.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability – Last Ten Fiscal Years*

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

| Fiscal Year | Measurement Date as of June 30 | Proportion of the Net OPEB Liability | Proportionate Share of Net OPEB Liability (Assets) | Covered Payroll (1) | Proportionate Share of Net OPEB Liability/ (Assets) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total OPEB Liability |
|---|---|---|---|---|---|---|
| 2017 | 2016 | 3.947% | $ 26,002 | $ 75,092 | 34.63% | 76.42% |
| 2018 | 2017 | 3.865% | 21,910 | 76,204 | 28.75% | 81.14% |
| 2019 | 2018 | 3.753% | 21,785 | 77,580 | 28.08% | 82.18% |
| 2020 | 2019 | 3.655% | 19,085 | 77,954 | 24.48% | 84.34% |
| 2021 | 2020 | 3.619% | 22,993 | 83,080 | 27.68% | 81.78% |
| 2022 | 2021 | 3.781% | (9,891) | 87,461 | -11.31% | 107.43% |
| 2023 | 2022 | 3.769% | 8,778 | 81,205 | 10.81% | 93.49% |

(1) Covered payroll is defined as the payroll on which contributions to an OPEB plan are based.

Los Angeles Fire and Police Pension Plan (LAFPP)

| Fiscal Year | Measurement Date as of June 30 | Proportion of the Net OPEB Liability/ (Assets) | Proportionate Share of Net OPEB Liability/ (Assets) | Covered Payroll (2) | Proportionate Share of Net OPEB Liability/ (Assets) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total OPEB Liability |
|---|---|---|---|---|---|---|
| 2017 | 2016 | 0.156% | $ 2,563 | $ 12,184 | 21.04% | 74.45% |
| 2018 | 2017 | 0.148% | 2,506 | 13,541 | 18.51% | 78.65% |
| 2019 | 2018 | 0.143% | 2,447 | 14,168 | 17.27% | 81.87% |
| 2020 | 2019 | 0.191% | 3,018 | 14,584 | 20.69% | 80.65% |
| 2021 | 2020 | 0.162% | 2,541 | 15,462 | 16.43% | 84.77% |
| 2022 | 2021 | -0.210% | (1,900) | 15,758 | -12.06% | 110.55% |
| 2023 | 2022 | -0.083% | (773) | 16,554 | -4.67% | 104.16% |

(2) Covered payroll is defined as the payroll on which contributions to an OPEB plan are based.

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 119.

# PORT OF LOS ANGELES
# (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Required Supplementary Information

Schedule of OPEB Contributions – Last Ten Fiscal Years*

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

| (Amount in thousands) | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 3,361 | $ 3,571 | $ 3,863 | $ 3,823 | $ 4,011 | $ 3,857 |
| Contributions in relation to the actuarially determined contribution | 3,361 | 3,571 | 3,863 | 3,823 | 4,011 | 3,857 |
| Contribution deficiency (excess) | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- |
| Port's covered employee payroll | $ 84,932 | $ 81,205 | $ 87,461 | $ 83,080 | $ 77,954 | $ 77,580 |
| Contributions as a percentage of covered employee payroll | 3.96% | 4.40% | 4.42% | 4.60% | 5.15% | 4.97% |

Los Angeles Fire and Police Pension Plan (LAFPP)

| (Amount in thousands) | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 1,242 | $ 1,306 | $ 1,211 | $ 1,131 | $ 1,084 | $ 1,018 |
| Contributions in relation to the actuarially determined contribution | 1,242 | 1,306 | 1,211 | 1,131 | 1,084 | 1,018 |
| Contribution deficiency (excess) | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- |
| Port's covered employee payroll | $ 16,874 | $ 16,554 | $ 15,758 | $ 15,462 | $ 14,584 | $ 14,168 |
| Contributions as a percentage of covered employee payroll | 7.36% | 7.89% | 7.68% | 7.31% | 7.43% | 7.19% |

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 119.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Required Supplementary Information

Notes to Schedules of Proportionate Share of the Net OPEB Liability and OPEB Contributions

For the Fiscal Year Ended June 30, 2023

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

*Changes of benefit terms:* There were no changes in benefits terms.

*Changes of assumptions:*

- Per Capita costs and first year trends were updated to reflect 2023 calendar year premiums, subsidies and more recent data.
- Medical carrier election assumptions were updated based on more recent data.
- Trend assumptions to project future medical costs after 2022-2023 were updated.

Los Angeles Fire and Police Pension Plan (LAFPP)

*Changes of benefit terms:* There were no changes in benefits terms.

*Changes of assumptions:*

- Premiums and maximum subsidies were updated.
- Per capita costs were updated based on more recent data.
- Trend assumptions to project future medical costs were updated.

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# Statistical Section

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Statistical Section

For the Fiscal Year Ended June 30, 2023

(Unaudited)

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Port's overall financial health.

**Contents** **Page**

### Financial Trends

This schedule contains trend information to help the reader understand how the Port's financial performance and well-being have changed over time.



### Revenue Capacity

These schedules contain information to help the reader assess the Port's most significant local revenue sources.



### Debt Capacity

These schedules present information to help the reader assess the affordability of the Port's current level of outstanding debt and the Port's ability to issue additional debt in the future.



### Demographic and Economic Information

This schedule offers demographic and economic indicators to help readers understand the environment within which the Port's financial activities occur.



### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Port's financial report relates to the services the Port's provides and the activities it performs.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**
Summary of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
($ In Thousands)
(Unaudited)

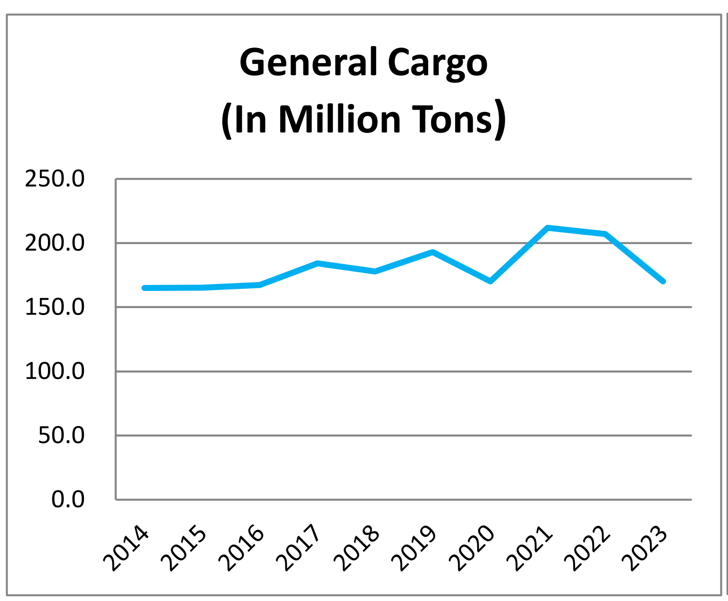
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | (Restated) 2021 | (Restated) 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues | | | | | | | | | | |
| Shipping services | $ 377,213 | $ 364,899 | $ 368,470 | $ 398,255 | $ 405,279 | $ 410,328 | $ 369,565 | $ 463,849 | $ 485,842 | $ 448,008 |
| Rentals | 40,156 | 46,233 | 46,571 | 51,258 | 61,419 | 65,965 | 73,103 | 78,181 | 86,837 | 117,290 |
| Royalties, fees, and other operating revenues | 8,582 | 35,763 | 21,085 | 25,019 | 24,062 | 30,134 | 24,998 | 27,683 | 55,163 | 91,102 |
| Total operating revenues | 425,951 | 446,895 | 436,126 | 474,532 | 490,760 | 506,427 | 467,666 | 569,713 | 627,842 | 656,400 |
| Operating expenses | | | | | | | | | | |
| Salaries and benefits | 112,053 | 111,788 | 114,719 | 118,582 | 121,533 | 123,058 | 145,826 | 146,200 | 122,410 | 141,735 |
| Marketing and public relations | 2,711 | 2,771 | 2,567 | 2,583 | 2,784 | 2,510 | 2,388 | 1,372 | 2,101 | 2,710 |
| Outside services | 26,331 | 28,983 | 28,970 | 25,022 | 29,904 | 33,418 | 31,815 | 26,219 | 27,864 | 33,332 |
| Materials and supplies | 6,883 | 6,257 | 6,340 | 5,314 | 6,960 | 6,593 | 5,672 | 4,517 | 5,106 | 5,974 |
| City services | 33,633 | 34,749 | 37,421 | 39,554 | 42,749 | 45,223 | 48,366 | 45,876 | 45,531 | 47,823 |
| Other operating expenses | 23,743 | 49,701 | 36,244 | 36,620 | 33,025 | 29,625 | 39,503 | 48,799 | 50,888 | 67,846 |
| Total operating expenses before depreciation | 205,354 | 234,249 | 226,261 | 227,675 | 236,955 | 240,427 | 273,570 | 272,983 | 253,900 | 299,420 |
| Operating Income before depreciation and amortization | 220,597 | 212,646 | 209,865 | 246,857 | 253,805 | 266,000 | 194,096 | 296,730 | 373,942 | 356,980 |
| Depreciation and amortization | 124,221 | 137,384 | 163,933 | 172,895 | 167,984 | 161,977 | 158,613 | 154,295 | 147,569 | 194,869 |
| Operating Income | 96,376 | 75,262 | 45,932 | 73,962 | 85,821 | 104,023 | 35,483 | 142,435 | 226,373 | 162,111 |
| Nonoperating revenues (expenses) | | | | | | | | | | |
| Income from investments in Joint Powers Authorities | 2,129 | 2,811 | 2,544 | 2,162 | 2,001 | 2,596 | 2,461 | 2,243 | 1,513 | 1,888 |
| Investment income (loss) - net | 4,654 | 5,039 | 9,326 | 1,118 | 618 | 32,804 | 39,643 | (2,656) | (47,744) | 4,538 |
| Interest expense | (1,530) | (331) | (507) | (604) | (1,612) | (1,290) | (24,707) | (21,773) | (19,037) | (17,837) |
| Other income and expenses, net | (27,364) | (2,226) | (3,851) | (1,146) | 1,999 | 27,151 | 2,025 | 9,240 | (5,125) | 15,756 |
| Net nonoperating revenues (expenses) | (22,111) | 5,293 | 7,512 | 1,530 | 3,006 | 61,261 | 19,422 | (12,946) | (70,393) | 4,345 |
| Income before capital contributions | 74,265 | 80,555 | 53,444 | 75,492 | 88,827 | 165,284 | 54,905 | 129,489 | 155,980 | 166,456 |
| Capital contributions | 80,374 | 111,852 | 40,489 | 18,801 | 4,524 | 3,523 | 3,440 | 7,116 | 11,906 | 43,505 |
| Special and extraordinary items | 15,002 | -- | 5,123 | 9,150 | -- | -- | -- | -- | -- | -- |
| Changes in net position | 169,641 | 192,407 | 99,056 | 103,443 | 93,351 | 168,807 | 58,345 | 136,605 | 167,886 | 209,961 |
| Total net position – beginning of year | 2,884,351 | 3,064,554 | 3,062,899 | 3,161,955 | 3,265,398 | 3,334,871 | 3,503,678 | 3,562,023 | 3,698,628 | 3,866,514 |
| Cumulative effect of change in accounting principle | -- | (194,062) | -- | -- | (23,878) | -- | -- | -- | -- | -- |
| Net adjustment for write off prior period bond issues costs | 10,562 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Net position July 1, restated | 2,894,913 | 2,870,492 | 3,062,899 | 3,161,955 | 3,241,520 | 3,334,871 | 3,503,678 | 3,562,023 | 3,698,628 | 3,866,514 |
| Total net position – end of year | $ 3,064,554 | $ 3,062,899 | $ 3,161,955 | $ 3,265,398 | $ 3,334,871 | $ 3,503,678 | $ 3,562,023 | $ 3,698,628 | $ 3,866,514 | $ 4,076,475 |
| Net position: | | | | | | | | | | |
| Net investment in capital assets | $ 2,863,795 | $ 2,856,561 | $ 2,945,412 | $ 2,972,442 | $ 2,964,553 | $ 2,954,017 | $ 2,979,268 | $ 3,017,302 | $ 3,067,683 | $ 3,060,523 |
| Restricted | 58,054 | 68,373 | 66,599 | 62,255 | 62,230 | 63,348 | 42,281 | 42,435 | 37,452 | 37,105 |
| Unrestricted | 142,705 | 137,965 | 149,944 | 230,701 | 308,088 | 486,313 | 540,474 | 638,891 | 761,379 | 978,847 |
| Total net position | $ 3,064,554 | $ 3,062,899 | $ 3,161,955 | $ 3,265,398 | $ 3,334,871 | $ 3,503,678 | $ 3,562,023 | $ 3,698,628 | $ 3,866,514 | $ 4,076,475 |

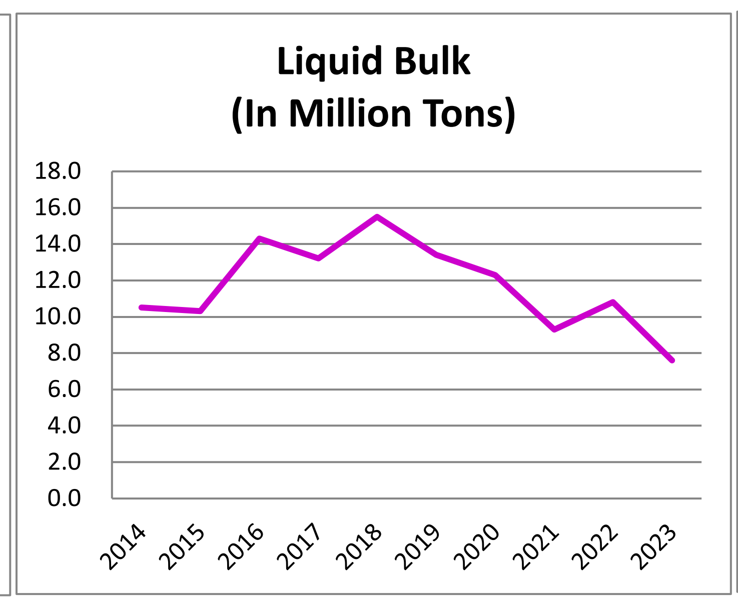
**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

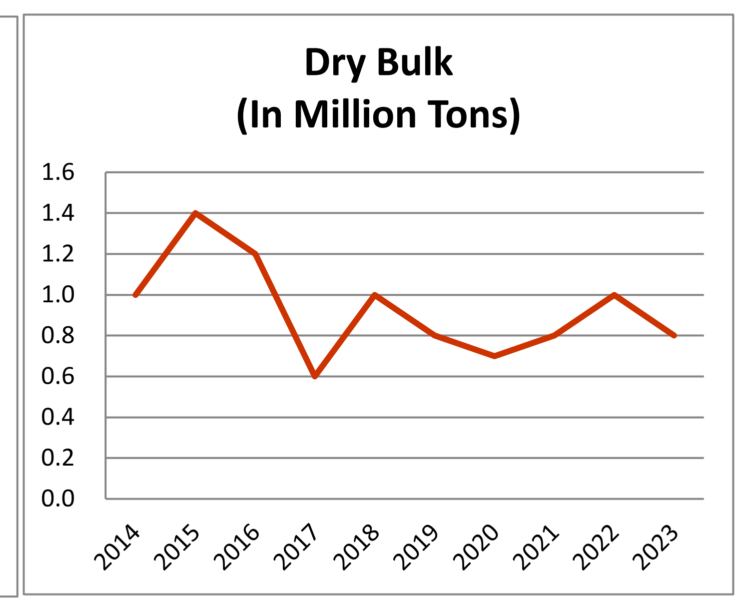
Revenue Statistics
Last Ten Fiscal Years
(Unaudited)



| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue Information** | | | | | | | | | | |
| Revenue Rates | | | | | | | | | | |
| General cargo tariff rate | $ 6.25 | $ 6.25 | $ 6.25 | $ 6.25 | $ 6.25 | $ 6.25 | $ 6.25 | $ 6.25 | $ 6.25 | $ 6.25 |
| Basic dockage (600') | 2,465 | 2,465 | 2,465 | 2,465 | 2,465 | 2,465 | 2,465 | 2,465 | 2,465 | 2,465 |
| Required rate of return on improvements | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% |
| Required rate of return on land | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| Containerized cargo volume | | | | | | | | | | |
| (in millions of TEUs) | 8.2 | 8.2 | 8.4 | 9.2 | 9.2 | 9.7 | 8.6 | 10.9 | 10.7 | 8.6 |
| Inbound tonnage (million tons) | 99.1 | 102.9 | 105.6 | 105.8 | 103.0 | 113.8 | 99.8 | 113.6 | 113.4 | 90.7 |
| Outbound tonnage (million tons) | 74.3 | 74.6 | 79.3 | 92.4 | 88.3 | 97.4 | 84.2 | 102.1 | 109.3 | 87.8 |
| Revenue tons (million) | | | | | | | | | | |
| General cargo | 165.0 | 165.1 | 167.3 | 184.3 | 178.0 | 193.1 | 170.1 | 211.9 | 207.0 | 170.2 |
| Liquid bulk | 10.5 | 10.3 | 14.3 | 13.2 | 15.5 | 13.4 | 12.3 | 9.3 | 10.8 | 7.6 |
| Dry bulk | 1.0 | 1.4 | 1.2 | 0.6 | 1.0 | 0.8 | 0.7 | 0.8 | 1.0 | 0.8 |
| Total revenue tons (million) | 176.5 | 176.8 | 182.8 | 198.1 | 194.5 | 207.3 | 183.1 | 222.0 | 218.8 | 178.6 |



**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Top Ten Individual Sources of Revenue by Alphabetical Order
Fiscal Year 2023 and Fiscal Year 2014
(Unaudited)

| Fiscal Year 2023 | Fiscal Year 2014 |
|---|---|
| APM Terminals Pacific, Ltd. | APM Terminals Pacific, Ltd. |
| Fenix Marine Services, Ltd. (1) | Eagle Marine Services, Ltd. (1) |
| Everport Terminal Services, Inc. | Everport Terminal Services, Inc. |
| Yusen Terminal, Inc./N.Y.K. (North America), Inc. | Yusen Terminal, Inc./N.Y.K. (North America), Inc. |
| TraPac, LLC | China Shipping Holding Company, Ltd. |
| Union Pacific Railroad Company | Yang Ming Marine Transport Corporation |
| Ports America Cruise, Inc. | TraPac, LLC |
| WWL Vehicle Services Americas, Inc. | WWL Vehicle Services Americas, Inc. |
| China Shipping Holding Company, Ltd. | Rio Doce Pasha Terminal, LP |
| Everglades Company Terminal, Inc. | Union Pacific Railroad Company |

(1) Eagle Marine Services, Ltd. was rebranded to Fenix Marine Services, Ltd. in 2018.

The Port of Los Angeles terminal tenants compete against each other for business. The Port feels disclosure of revenue by tenant would give advantages or disadvantages to certain tenants and therefore revenues and percentage of total revenue have been excluded from this report.

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Summary of Debt Service Coverage (Pledged Revenue)
Last Ten Fiscal Years
($ In Thousands)
(Unaudited)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | (Restated) 2021 | (Restated) 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total revenues (1) | $ 446,910 | $ 460,364 | $ 452,398 | $ 487,806 | $ 501,663 | $ 578,794 | $ 524,346 | $ 586,039 | $ 665,857 | $ 706,407 |
| Operating expenses (2) | 205,354 | 234,249 | 226,261 | 227,675 | 236,955 | 240,427 | 273,570 | 272,983 | 253,900 | 299,420 |
| Net available revenue | $ 241,556 | $ 226,115 | $ 226,137 | $ 260,131 | $ 264,708 | $ 338,367 | $ 250,776 | $ 313,056 | $ 411,957 | $ 406,987 |
| Debt service, revenue bonds | $ 65,323 | $ 69,916 | $ 91,831 | $ 87,570 | $ 80,147 | $ 84,884 | $ 84,288 | $ 79,070 | $ 118,968 | $ 67,377 |
| Debt service, commercial paper and revolving obligations | 165 | 187 | — | — | — | — | — | — | — | — |
| Total debt service on parity obligations (3) | $ 65,488 | $ 70,103 | $ 91,831 | $ 87,570 | $ 80,147 | $ 84,884 | $ 84,288 | $ 79,070 | $ 118,968 | $ 67,377 |
| Net available revenue coverage | 3.7 | 3.2 | 2.5 | 3.0 | 3.3 | 4.0 | 3.0 | 4.0 | 3.5 | 6.0 |
| Net cash flow from operations | $ 131,284 | $ 213,184 | $ 184,869 | $ 274,581 | $ 228,920 | $ 254,978 | $ 237,631 | $ 262,722 | $ 356,592 | $ 326,344 |
| Net operating cash flow coverage | 2.0 | 3.0 | 2.0 | 3.1 | 2.9 | 3.0 | 2.8 | 3.3 | 3.0 | 4.8 |

(1) Total revenues include operating revenues and nonoperating revenues.
(2) Depreciation and amortization expenses, interest expense, and other nonoperating expenses are not included.
(3) Debt service on parity obligations include principal and interest payments on issued bonds as well as on commercial paper notes and revolving obligations, which are senior debt backed by pledged-revenue.
Note: Details regarding the Port of Los Angeles' outstanding debt can be found in the notes to financial statements.

# PORT OF LOS ANGELES
# (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Ratios of Outstanding Debts to Personal Income and Per Capita
Last Ten Fiscal Years

(Unaudited)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Outstanding Debts ($000's) [1] | $ 780,993 | $ 1,059,603 | $ 1,008,322 | $ 969,343 | $ 922,433 | $ 870,060 | $ 788,489 | $ 731,357 | $ 631,726 | $ 582,414 |
| Total Outstanding Debts Per Capita [2] | $ 198.32 | $ 266.74 | $ 252.13 | $ 239.84 | $ 227.51 | $ 215.36 | $ 196.60 | $ 186.41 | $ 165.39 | $ 154.65 |
| Percentage of Total Personal Income [3] | 0.15% | 0.19% | 0.17% | 0.16% | 0.15% | 0.13% | 0.12% | 0.10% | N/A | N/A |

(1) Presented net of unamortized bond premiums and discounts.
(2) See page 127 for population data used in this calculation .
(3) See page 127 for personal income used in this calculation.
N/A - Data not available

**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Demographic and Economic Statistics for the City of Los Angeles
Last Ten Calendar Years
(Unaudited)

| Year | Estimated Population [(1)] | Personal Income ($000s) [(2)] | Per Capita Personal Income [(2)] | Median Age [(3)] | Public School Enrollment [(4)] | Unemployment Rate [(5)] |
|---|---|---|---|---|---|---|
| 2014 | 3,938,037 | $ 525,088,691 | $ 52,130 | 34.6 | 594,891 | 8.7 % |
| 2015 | 3,972,348 | 560,484,548 | 55,366 | 34.9 | 582,430 | 7.0 |
| 2016 | 3,999,237 | 577,071,787 | 56,851 | 35.0 | 560,991 | 5.6 |
| 2017 | 4,041,707 | 593,741,110 | 58,419 | 35.2 | 547,246 | 4.4 |
| 2018 | 4,054,400 | 628,808,732 | 62,224 | 35.8 | 532,102 | 5.1 |
| 2019 | 4,040,079 | 653,482,910 | 65,094 | 35.6 | 516,935 | 4.7 |
| 2020 | 4,010,684 | 678,829,092 | 68,272 | 35.9 | 504,468 | 18.2 |
| 2021 | 3,923,341 | 728,772,915 | 74,141 | 37.0 | 439,013 | 10.3 |
| 2022 | 3,819,538 | N/A | N/A | 37.1 | 429,349 | 5.3 |
| 2023 | 3,766,109 | N/A | N/A | N/A | N/A | 5.5 |

(1) Obtained from California Department of Finance report E-1 Population Estimates for Cities, Counties, and the State.

(2) Obtained from U.S. Department of Commerce, Bureau of Economic Analysis - Census Bureau midyear population estimates.

(3) Obtained from the U.S. Census Bureau American Community Survey 1-Year Estimates.

(4) Obtained from the Open Data Portal (https://www.lausd.org/opendata) of the Los Angeles Unified School District.

(5) Obtained from California Employment Development Department for City of Los Angeles, not seasonally adjusted.

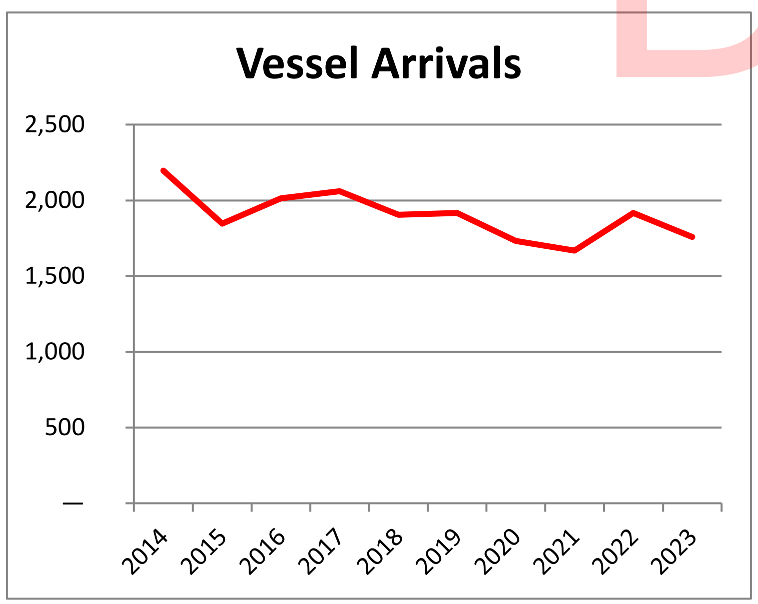
N/A Data was not readily available at the time of issuance.

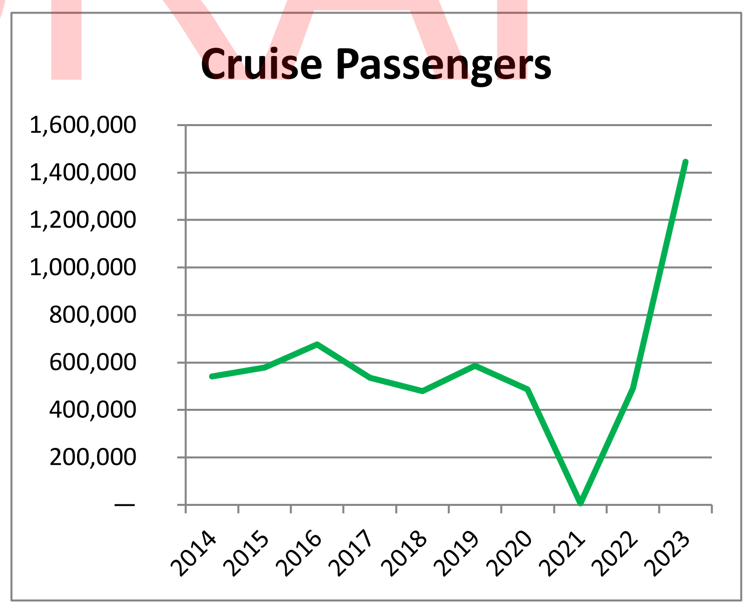
**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

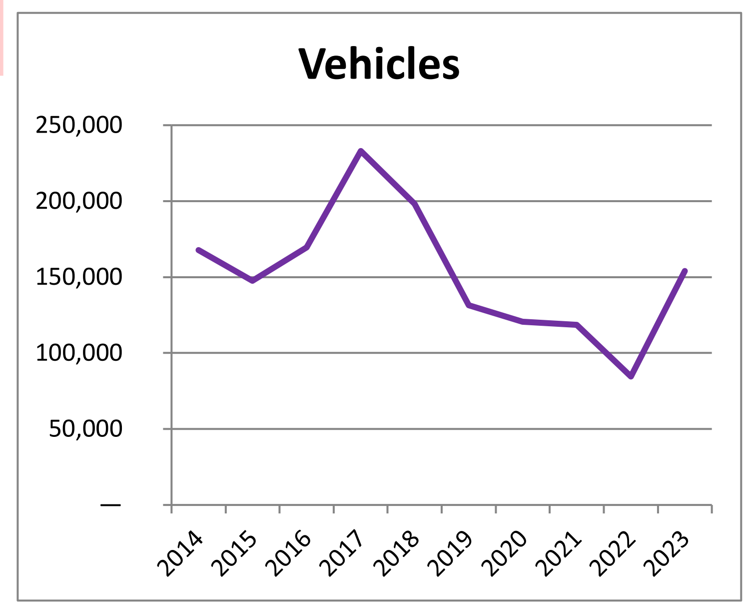
Operating Information
Last Ten Fiscal Years
(Unaudited)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Miles of waterfront | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 |
| Number of major container terminals | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Number of cargo terminals | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |
| Vessel arrivals | 2,196 | 1,846 | 2,014 | 2,060 | 1,904 | 1,917 | 1,731 | 1,668 | 1,917 | 1,757 |
| Cruise passengers | 541,418 | 578,902 | 676,644 | 534,484 | 479,388 | 586,783 | 487,013 | 6,221 | 490,978 | 1,445,613 |
| Vehicles | 167,826 | 147,457 | 169,561 | 233,013 | 198,326 | 131,553 | 120,506 | 118,517 | 84,553 | 153,951 |
| Full time employees | 949 | 885 | 906 | 883 | 884 | 880 | 910 | 912 | 834 | 847 |





**PORT OF LOS ANGELES**
**(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Principal Employers in the Los Angeles County [1]
FY 2023 and FY 2014
(Unaudited)

| | 2023 | | | 2014 | | |
|---|---|---|---|---|---|---|
| **Employer** | **Number of Employees** | **Rank** | **Percentage of Total County Employment** | **Number of Employees** | **Rank** | **Percentage of Total County Employment** |
| Kaiser Permanente | 44,769 | 1 | 0.9 % | 35,991 | 1 | 0.7 % |
| University of Southern California | 23,227 | 2 | 0.5 | 14,722 | 5 | 0.3 |
| Northrop Grumman Corp. | 18,000 | 3 | 0.4 | 17,000 | 2 | 0.3 |
| Cedars-Sinai Medical Center | 16,730 | 4 | 0.3 | 10,243 | 10 | 0.2 |
| Allied Universal | 15,326 | 5 | 0.3 | — | — | — |
| Target Corp. | 15,000 | 6 | 0.3 | 15,000 | 3 | 0.3 |
| Providence Health & Services Southern California | 14,395 | 7 | 0.3 | 15,000 | 4 | 0.3 |
| Ralphs/Food 4 Less (Kroger Co. Division) | 14,000 | 8 | 0.3 | 13,500 | 7 | 0.3 |
| Walt Disney Co. | 12,200 | 9 | 0.2 | — | — | — |
| Boeing | 12,005 | 10 | 0.2 | 10,500 | 9 | 0.2 |
| Bank of America Corp. | — | — | — | 13,500 | 6 | 0.3 |
| Home Depot | — | — | — | 10,600 | 8 | 0.2 |
| All Others | 4,799,148 | — | 96.3 | 4,826,344 | — | 96.9 |
| Total [2] | 4,984,800 | | 100.0 % | 4,982,400 | | 100.0 % |

[1] Data pertaining to principal employers was obtained from Los Angeles Business Journal (LABJ). LABJ note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several companies may have qualified for this list, but failed to submit information or do not break out local employment data. Government entities are excluded.

[2] Total County employment amounts are obtained from California Employment Development Department labor force report which is available at https://www.labormarketinfo.edd.ca.gov.


# Other Report

# Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To be provided by external auditors when the ACFR is ready to be finalized.

# PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2023**

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Assistance Listing Number (ALN) | Grant Number/ Pass-through Grantor's Number | Federal Expenditures | Amounts Passed Through to Subrecipients |
|---|---|---|---|---|
| **U.S. Department of the Interior** | | | | |
| Passed through State of California Department of Parks and Recreation: | | | | |
| Sportfishing and Boating Safety Act | | | | |
| Boating Infrastructure Grant | 15.622 | C8962433 | $ 120,501 | $ - |
| ALN No. 15.622 Total | | | 120,501 | |
| **U.S. Department of Justice:** | | | | |
| Direct Program: | | | | |
| Equitable Sharing Program | 16.922 | Unknown | 59,360 | |
| ALN No. 16.922 Total | | | 59,360 | - |
| **U.S. Department of Transportation:** | | | | |
| Passed through California Transportation Commission: | | | | |
| Trade Corridor Enhancement Program (TCEP): | | | | |
| Alameda Corridor Southern Terminus | | | | |
| Gap Closure Project | 20.205 | TCEP SB1 5006(881) | 130,401 | |
| Terminal Island Railyard Enhancement Project | 20.205 | TCEP SB1 5006 (882) | 13,228,435 | |
| ALN No. 20.205 Total | | | 13,358,836 | - |
| **U.S. Department of Homeland Security:** | | | | |
| Direct Program: | | | | |
| Port Security Grant Program: | | | | |
| Security System Expansion and Integration | 97.056 | EMW-2020-PU-00198 | 937,500 | |
| Security System Maintenance and Repair | 97.056 | EMW-2020-PU-00198 | 725,370 | |
| Maritime Operating Equipment Project | 97.056 | EMW-2020-PU-00198 | 121,875 | |
| Security System Extended Video Storage | 97.056 | EMW-2021-PU-00478 | 225,000 | |
| ALN No. 97.056 Total | | | 2,009,745 | - |
| Passed through City of Los Angeles, Office of the Mayor: | | | | |
| Securing the Cities Program | 97.106 | CF 13-1301 | 4,342 | |
| ALN No. 97.106 Total | | | 4,342 | - |
| **Total Expenditures of Federal Awards** | | | $ 15,552,784 | $ - |

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**PORT OF LOS ANGELES**
(Harbor Department of the City of Los Angeles, California)
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2023**

## 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port) for the year ended June 30, 2023. The information in the Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Port.

For the purposes of the Schedule, federal awards include all grants and contracts entered into directly between the Port and agencies and departments of the federal government and pass-through agencies.

## 2. Summary of Significant Accounting Policies

The accompanying Schedule is prepared based on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in Title 2 CFR Part 225, *Cost Principles for State, Local and Indian Tribal Governments* (OMB Circular A-87), wherein certain type of expenditures are not allowed or are limited as to reimbursements. Pass-through entity identifying numbers are presented where applicable.

Expenditures reported for Trade Corridor Enhancement Program (TCEP) (ALN No. 20.205) include expenditures incurred in prior fiscal year that became eligible under the grant in the current fiscal year.

## 3. Federal Financial Assistance

Pursuant to the Single Audit Act and the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**PORT OF LOS ANGELES**
(Harbor Department of the City of Los Angeles, California)
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2023**

## 4. Major Federal Programs

The Single Audit Act and Uniform Guidance establish criteria to be used in defining major federal financial assistance programs. Major programs for the Port are those programs selected for testing by the auditor using risk assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

## 5. Indirect Costs

The Port has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

# 3a) October 2023

# AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

**"FOR INFORMATION ONLY"**

**DATE:** **NOVEMBER 21, 2023**

**TO:** **BOARD OF HARBOR COMMISSIONERS**

**SUBJECT:** **FINANCIAL PERFORMANCE RESULTS FOR FISCAL YEAR 2023/24 ENDED OCTOBER 31, 2023**

Financial performance results for the first four months of the Fiscal Year 2023/24 are below and have been summarized relative to both budget and the prior fiscal year. For the month of October, cargo volumes (as measured by TEUs or twenty-foot equivalent units) decreased by 9.2% relative to budget and 4.6% relative to the prior fiscal year. In summary, performance results for the Harbor Department are as follows:

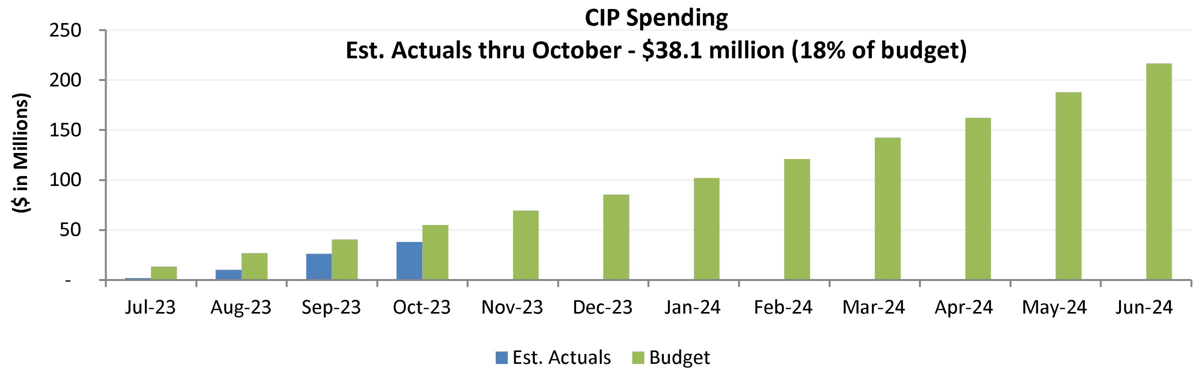
| FYTD October 2023 | Actuals (Cargo Volumes in Thousands, $ in Millions) | Actual-to-Budget Comparison | Year-on-Year Comparison |
|---|---|---|---|
| Cargo Volumes | 2,987 | (9.2%) | (4.6%) |
| Operating Revenues | $216.4 | (9.1%) | 2.9% |
| Operating Expenses | $82.8 | (32.7%) | 0.1% |
| Operating Income | $133.6 | 16.2% | 4.7% |
| Net Income | $92.5 | 57.6% | 20.5% |

Shipping Services decreased relative to budget due to lower cargo volumes but increased relative to the prior year as lower cargo volumes were more than offset by higher container rates. Relative to budget, Operating Revenues decreased by 9.1% primarily due to lower wharfage, lower utility charges and delays in recording Clean Truck Fund Rate collections. In comparison to the prior fiscal year, total Operating Revenues increased by 2.9% due to higher wharfage, higher rentals, and higher Clean Truck Fund revenue.

Operating Expenses were 32.7% lower than budget primarily due to lower salaries and benefits expenses, timing of outside services, timing of city service invoices, delay in recording of payment for electricity and timing of insurance payments. Relative to the prior fiscal year, total Operating Expenses increased by 0.1% due to higher salary and benefits and higher electricity costs which were partially offset by delay in processing container incentives, lower spend on city services, and timing of insurance payments.

Operating Margin through the month of October was 61.7% versus a budget of 48.3% and a prior year-to-date figure of 60.7%.

<u>Capital Improvement Program (CIP)</u>
CIP spending for the four-month period ended October 30, 2023, was estimated to reach $38.1 million or about 18% of the total $216.5 million CIP adopted budget.




Marla Bleavins
MARLA BLEAVINS
Deputy Executive Director & Chief Financial Officer

<u>Transmittals:</u>
1. TEU Throughput Comparison – FYTD October 2023
2. Actual-to-Budget FY 2022/23 – October
3. Year-to-Year Performance Report YTD October 30, 2023 and 2022

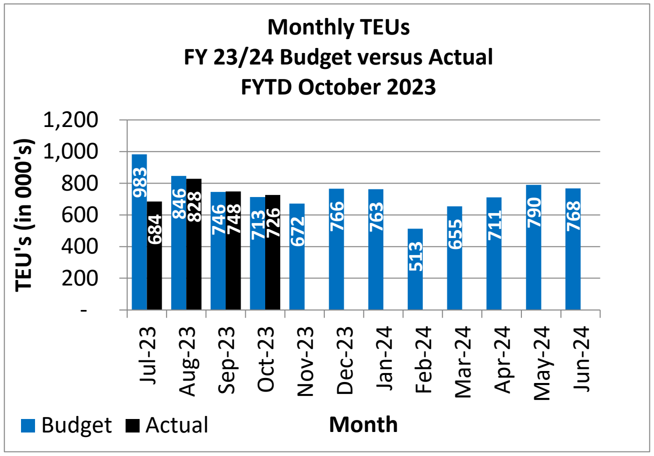
Author: E. Wang
MB:JS:MM/Finance
cc: Deputy Executive Directors

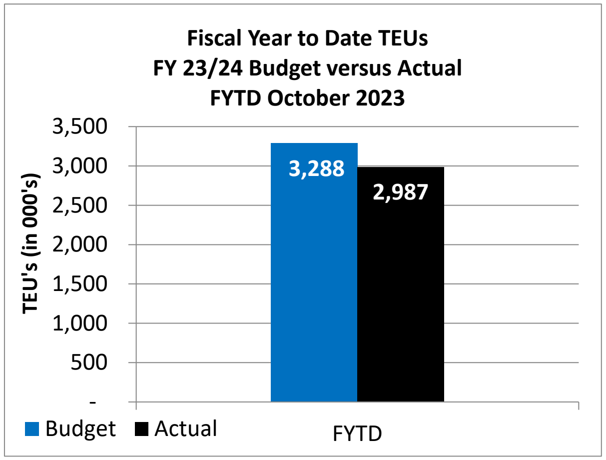
**TRANSMITTAL 1**

# HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
# TEU THROUGHPUT COMPARISON - FYTD OCTOBER 2023

**Budget versus Actuals Comparison**
**FY 23/24 Budget vs. FY 23/24 Actuals**

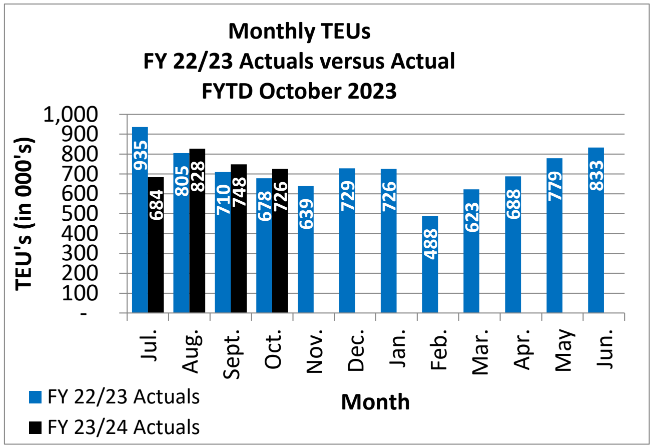
| (in 000's) | TEU's | | | |
|---|---|---|---|---|
| Month | FY 23/24 Budget | FY 23/24 Actuals | % Δ | Δ |
| Jul-23 | 983 | 684 | -30.4% | ↓ |
| Aug-23 | 846 | 828 | -2.1% | ↓ |
| Sep-23 | 746 | 748 | 0.3% | ↑ |
| Oct-23 | 713 | 726 | 1.8% | ↑ |
| Nov-23 | 672 | | -100.0% | ↓ |
| Dec-23 | 766 | | -100.0% | ↓ |
| Jan-24 | 763 | | -100.0% | ↓ |
| Feb-24 | 513 | | -100.0% | ↓ |
| Mar-24 | 655 | | -100.0% | ↓ |
| Apr-24 | 711 | | -100.0% | ↓ |
| May-24 | 790 | | -100.0% | ↓ |
| Jun-24 | 768 | | -100.0% | ↓ |
| FYTD | 3,288 | 2,987 | -9.2% | ↓ |
| FY 23/24 Budget | 8,925 | | | |

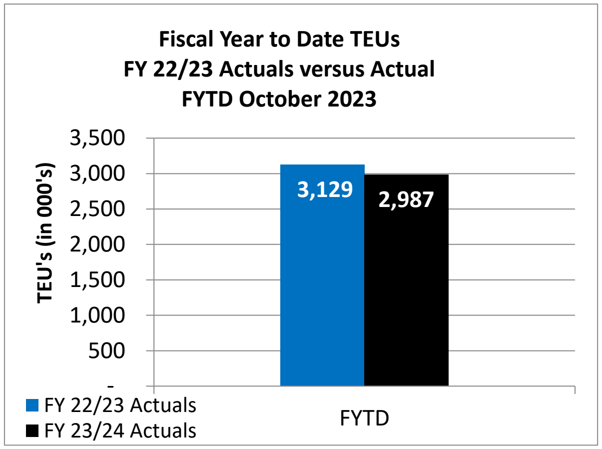



**Year-to-Year Actuals Comparison**
**FY 22/23 Actuals vs. FY 23/24 Actuals**

| (in 000's) | TEU's | | | |
|---|---|---|---|---|
| Month | FY 22/23 Actuals | FY 23/24 Actuals | % Δ | Δ |
| Jul. | 935 | 684 | -26.8% | ↓ |
| Aug. | 805 | 828 | 2.8% | ↑ |
| Sept. | 710 | 748 | 5.4% | ↑ |
| Oct. | 678 | 726 | 7.0% | ↑ |
| Nov. | 639 | | -100.0% | ↓ |
| Dec. | 729 | | -100.0% | ↓ |
| Jan. | 726 | | -100.0% | ↓ |
| Feb. | 488 | | -100.0% | ↓ |
| Mar. | 623 | | -100.0% | ↓ |
| Apr. | 688 | | -100.0% | ↓ |
| May | 779 | | -100.0% | ↓ |
| Jun. | 833 | | -100.0% | ↓ |
| FYTD | 3,129 | 2,987 | -4.6% | ↓ |
| FY 22/23 Actuals | 8,635 | | | |



**The Port of Los Angeles - Harbor Department**
**FYTD OCTOBER 30, 2023**

| $ in thousands | Fiscal Year Actual FY 2023/24 Fiscal YTD - Oct 2023 | Fiscal Year Budget FY 2023/24 Fiscal YTD - Oct 2023 | Actual-to-Budget Comparison $ | % |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Shipping Services | 158,102 | 176,866 | (18,764) | (10.6%) |
| Rentals | 39,542 | 38,529 | 1,014 | 2.6% |
| Royalties, Fees and Other Revenues | 7,156 | 9,857 | (2,702) | (27.4%) |
| Clean Truck Program Revenues | 11,570 | 12,732 | (1,163) | (9.1%) |
| **Total Operating Revenues** | **216,369** | **237,984** | **(21,615)** | **(9.1%)** |
| **Operating Expenses** | | | | |
| Gross Salaries & Benefits | 56,367 | 64,580 | 8,213 | 12.7% |
| Capitalization | (11,325) | (5,195) | 6,130 | (118.0%) |
| Net Salaries & Benefits | 45,042 | 59,385 | 14,343 | 24.2% |
| Marketing & Public Relations | 500 | 1,373 | 873 | 63.6% |
| Travel | 364 | 429 | 65 | 15.2% |
| Outside Services | 6,333 | 16,805 | 10,473 | 62.3% |
| Materials & Supplies | 1,792 | 2,127 | 335 | 15.8% |
| City Services | 16,942 | 22,170 | 5,228 | 23.6% |
| Allocations to Capital - Overhead | | (6,570) | (6,570) | 100.0% |
| Other Operating Expenses | 11,043 | 24,884 | 13,841 | 55.6% |
| Clean Truck Program Expenses | 772 | 2,440 | 1,667 | 68.3% |
| **Total Operating Expenses** | **82,788** | **123,044** | **40,255** | **32.7%** |
| **Income Before Depreciation** | **133,581** | **114,941** | **18,640** | **16.2%** |
| Provision For Depreciation | 50,063 | 52,583 | 2,520 | 4.8% |
| **Income From Operations** | **83,517** | **62,358** | **21,160** | **33.9%** |
| Non-Operating Revenue | 14,703 | 7,346 | 7,357 | 100.1% |
| Non-Operating Expenses | 5,750 | 11,031 | 5,281 | 47.9% |
| **Net Income** | **92,471** | **58,673** | **33,797** | **57.6%** |

**TRANSMITTAL 3**

**The Port of Los Angeles - Harbor Department**
**FYTD October 30, 2022 and 2023**

| $ in thousands | Fiscal Year Actual FY 2023/24 Fiscal YTD - Oct 2023 | Prior Fiscal Year FY 2022/23 Fiscal YTD - Oct 2022 | Year-over-Year Change (Unfavorable)/Favorable $ | % |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Shipping Services | 158,102 | 155,097 | 3,005 | 1.9% |
| Rentals | 39,542 | 34,991 | 4,551 | 13.0% |
| Royalties, Fees and Other Revenues | 7,156 | 11,362 | (4,206) | (37.0%) |
| Clean Truck Program Revenues | 11,570 | 8,874 | 2,696 | 30.4% |
| **Total Operating Revenues** | **216,369** | **210,323** | **6,046** | **2.9%** |
| **Operating Expenses** | | | | |
| Gross Salaries & Benefits | 56,367 | 51,278 | (5,089) | (9.9%) |
| Capitalization | (11,325) | (8,888) | 2,436 | (27.4%) |
| Net Salaries & Benefits | 45,042 | 42,389 | (2,653) | (6.3%) |
| Marketing & Public Relations | 500 | 967 | 467 | 48.3% |
| Travel | 364 | 264 | (100) | (38.0%) |
| Outside Services | 6,333 | 6,948 | 615 | 8.9% |
| Materials & Supplies | 1,792 | 1,590 | (202) | (12.7%) |
| City Services | 16,942 | 18,987 | 2,045 | 10.8% |
| Other Operating Expenses | 11,043 | 11,132 | 89 | 0.8% |
| Clean Truck Program Expenses | 772 | 442 | (330) | (74.7%) |
| **Total Operating Expenses** | **82,788** | **82,719** | **(69)** | **(0.1%)** |
| **Income Before Depreciation** | **133,581** | **127,604** | **5,977** | **4.7%** |
| Provision For Depreciation | 50,063 | 52,064 | 2,001 | 3.8% |
| **Income From Operations** | **83,517** | **75,540** | **7,977** | **10.6%** |
| Non-Operating Revenue | 14,703 | 7,153 | 7,550 | 105.6% |
| Non-Operating Expenses | 5,750 | 5,983 | 233 | 3.9% |
| **Net Income** | **92,471** | **76,710** | **15,761** | **20.5%** |