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LOS ANGELES HARBOR COMMISSION ADOPTS 2005-2006 FISCAL BUDGET FOR THE PORT OF LOS ANGELES



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SAN PEDRO, CA - The Los Angeles Board of Harbor Commissioners today adopted a \$693.5 million 2005/2006 fiscal year (FY) budget for the Port of Los Angeles that focuses on expenditures for safety and security, environmental initiatives, waterfront revitalization, and furthering operational efficiencies at the nation's largest seaport.

In response to concern voiced by Mayor-Elect Antonio Villaraigosa about declining revenues and increasing operating expenses, the Harbor Commission last week postponed approval of the Port's originally proposed budget in order for Port staff to meet with members from Mayor-Elect Villaraigosa's transition team and 15th District Councilwoman Janice Hahn to further discuss the budget. Following those discussions, the operating expenses in the budget brought before the Board today were adjusted downward to more closely match anticipated operating expenses with projected revenues for the coming fiscal year.

Operating and capital expenditures were reduced by 11%, or \$68.3 million, by deferring or eliminating certain 2005/2006 expenses in the areas of outsourced consulting services, real estate acquisitions, equipment purchases and capital improvement expenditures. The budget's core expenditure priorities of security, environmental initiatives and community development remain unchanged.

In addition, Interim Executive Director Bruce Seaton earmarked another 4% of anticipated expenditures that will be analyzed by staff on a quarterly basis, measured against revenue performance, and brought to the Harbor Commission for review.

"Cleaning up our air and water, building our waterfronts in Wilmington and San Pedro, decreasing our reliance on outside contractors and improving security at our Port have always been priorities for me and I am glad that the Mayor-elect agrees with me and that these priorities are reflected in this year's budget," said Councilwoman Janice Hahn during today's Harbor Commission meeting. "Hallelujah- we finally have a Harbor Department budget that reflects the needs of our Harbor Area communities. Five years ago, the Port budget would never have included these priorities."

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“The Port has always demonstrated a commitment to working with elected officials and commissioners to answer and resolve any and all matters concerning our financial outlook,” said Interim Executive Director Bruce Seaton. “Following discussion with the Mayor-Elect’s transition team members and Councilwoman Hahn, we identified certain expenditures that could be deferred in the coming fiscal year. We can do this because many of the projects and initiatives on our time horizon span a number of years. What’s paramount is that our core initiatives remain intact.”

Continuing its integrated approach to security, the Port is allocating more than \$15 million in the coming fiscal year for continued improvements to the safety and security infrastructure. For the Los Angeles Port Police, the budget includes the addition of 21 new positions to initiate or extend a variety of law enforcement initiatives.

Another priority in the Port’s budget is a commitment to environmental programs aimed at reducing emissions in the air, contaminants in the water, and support of the natural habitat for air and sea creatures. More than \$45 million has been allocated to these efforts in the coming fiscal year, including \$17.5 million in air quality-focused programs. To be addressed later this fiscal year are additional costs tied to the implementation of additional “No Net Increase” Air Quality Task Force recommendations.

Budget Overview

The FY 2005/2006 budget contains an Operating Budget of \$225.1 million, a Capital Budget of \$193.5 million and \$41.5 million in future year commitments. Operating Revenues for 2005/2006 are anticipated to reach \$382.3 million, a decrease of \$18.2 million, or 4.6%, over last year’s budget. The anticipated decrease in Port revenues is primarily due to projected flat growth in container volumes for the coming year. Previous estimates cited Port container volume growth at 6% per year. The Port estimates container volume for the 2005/2006 fiscal year to hold at 7.3 million TEUs (twenty-foot equivalent units), the current national record held by the Port for fiscal year 2004/2005.

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Total Operating and Capital Expenses are now estimated at \$418.7 million, a decrease of \$47.5 million, or 10%, from last year's budget, primarily due to decrease spending in outside services costs and revised costs associated with real estate acquisitions.

Safety and Security: The Department continues to focus on heightening security measures in and around the Port of Los Angeles. During the past twelve months, the Port has created a position on the senior management team to oversee the Port Police, Homeland Security, and Emergency Preparedness efforts, as well as create a Homeland Security division and name a new Chief of Port Police.

The 2005/2006 budget includes the addition of 21 new sworn Port Police officers and adds support positions to initiate or extend a variety of law enforcement initiatives. Budget and related initiatives include a new commercial truck traffic enforcement unit serving areas in and around Wilmington; expansion of the Port's detective operations to include intelligence collection and increased interaction with federal agencies; expansion of the Port's first responder HazMat operations, and complete funding of the Port's Sea Marshal detail, which intercepts, boards and secures high-risk vessels before they enter into the Port vicinity.

This commitment continues in the coming fiscal year as recruitment efforts intensify to fill newly authorized Port Police and civilian support positions in the division. The additional staff will help implement joint agency operations and communications interoperability, a commercial traffic detail, a community access security group and a tactical planning and coordination unit.

Environmental Initiatives: Continuing to break new ground on the environmental front, the Port is committed to improving the air, water and natural habitats in and around the harbor. The Port's emphasis on its Clean Air Program includes: expanding its Alternative Maritime Power (AMP) program, plugging into electric power while at dock, wherever feasible; air quality monitoring stations in key locations; support of the Gateway Cities program that provides funds to truckers upgrading their older, pollution-producing trucks to newer, clean ones; and incentives for Port customers to reduce the diesel emissions produced by terminal operations equipment.

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In addition, the Clean Air Program includes the Port's conversion of more than 35% of its fleet vehicles and equipment to alternative fuels as well as other programs such as vessel speed reduction, and the installation of more than 600 diesel oxidation catalyts (DOCs) on customer terminal equipment.

Community Outreach: The Harbor Department has entered a new era of relationships with the surrounding communities, including active involvement with local Neighborhood Councils and the Port Community Advisory Committee. Public input into Port-related projects are provided through improved communication tools and programming.

The Port actively provides sponsorships and rent-free agreements to a variety of maritime related community and business programs, including the Los Angeles Maritime Museum, the Port of Los Angeles International Trade Academy at Banning High School, the Cabrillo Aquarium, the John Mendez Teen Center of Wilmington and the TopSail Program at the Los Angeles Maritime Institute.

Waterfront revitalization efforts are underway in Wilmington and San Pedro, and the Port continues to work closely with business and community stakeholders to design waterfront areas that appeal to local residents, businesses and visitors alike, while bringing access to the water for those who seek to enjoy it. In the coming year, significant progress in adding open space, parks and promenade areas is expected.

Operational Efficiencies: The Port remains focused on meeting customer needs to efficiently handle increased cargo volumes fueled in part by consumer demand in the major Southern California marketplace. In the past year, the Port saw the diversion of cargo to other ports as customer labor shortages caused delays in ship unloading and a significant backlog of ships anchored outside the San Pedro port complex. To assure that this type of delay does not repeat itself, more than 9,000 additional longshoremen have been added to the labor pool, and the OffPeak extended gate hours program -- adding five additional evening and weekend work shifts throughout the Port -- will kick-off in July.

Several additional projects are under consideration, or in process, that will increase operational efficiencies at the Port, including the addition of a second near-dock rail facility and deepening of the main channel to -53 feet to better accommodate the larger ships being operated by Port customers.

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The Port of Los Angeles is America's premier port. As the leading container port in the nation and a critical hub in the international supply chain, the Port generates thousands of stable jobs and billions of dollars in annual wages and tax revenues. The Port of Los Angeles also places a high priority on responsible growth initiatives combined with high security, environmental stewardship and community outreach. The Port of Los Angeles is a proprietary, self-supported department of the City of Los Angeles. The Port of Los Angeles. . . Anchoring a bright future.

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