SUPPLEMENT TO ANNUAL REPORT

for the Fiscal Year Ended June 30, 2019

Relating to:

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Tax-Exempt Senior Lien Revenue Bonds, Series 1999A

Taxable Senior Lien Revenue Bonds, Series 1999C

Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2004A

Taxable Subordinate Lien Revenue Refunding Bonds, Series 2004B

Taxable Senior Lien Revenue Refunding Bonds, Series 2012

Tax Exempt Senior Lien Revenue Refunding Bonds, Series 2013A

Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2016A

and

Tax-Exempt Second Subordinate Lien Revenue Refunding Bonds, Series 2016B

Dated as of

April 3, 2020

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## INTRODUCTION

This Supplement to Annual Report (this "Supplement"), including the cover page and appendix hereto, is being furnished by the Alameda Corridor Transportation Authority (the "Authority") on behalf of the parties to the Continuing Disclosure Certificates (as defined below) to supplement the Authority's Annual Report for the Fiscal Year Ended June 30, 2019 that was filed on March 30, 2020 (the "2019 Report") by providing the POLB Financial Statements (as defined below) of the type included in the final official statements for the:

- $494,893,616.80 aggregate principal amount of Tax-Exempt Senior Lien Revenue Bonds, Series 1999A (the "1999A Bonds");
- $497,453,395.70 aggregate principal amount of Taxable Senior Lien Revenue Bonds, Series 1999C (the "1999C Bonds" and together with the 1999A Bonds, the "1999 Bonds" or the "1999 Authority Bonds");
- $475,292,386.40 aggregate principal amount of Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2004A (the "2004A Bonds");
- $210,731,702.85 aggregate principal amount of Taxable Subordinate Lien Revenue Refunding Bonds, Series 2004B (the "2004B Bonds," and together with the 2004A Bonds, the "2004 Bonds" or the "2004 Authority Bonds");
- $83,710,000 aggregate principal amount of Taxable Senior Lien Revenue Refunding Bonds, Series 2012 (the "2012 Bonds");
- $248,325,000 aggregate principal amount of Tax-Exempt Senior Lien Revenue Refunding Bonds, Series 2013A (the "2013A Bonds");
- $34,280,000 aggregate principal amount of Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2016A (the "2016A Bonds"); and
- $556,860,000 aggregate principal amount of Tax-Exempt Second Subordinate Lien Revenue Refunding Bonds, Series 2016B (the "2016B Bonds," and together with the 2016A Bonds, the "2016 Bonds").

The 1999A Bonds, the 1999C Bonds, the 2012 Bonds, and the 2013A Bonds are referred to herein as the "Senior Bonds." The 2004 Bonds and the 2016A Bonds are referred to herein as the "Subordinate Bonds." The 2016B Bonds are referred to herein as the "Second Subordinate Bonds". The Senior Bonds, Subordinate Bonds, and the Second Subordinate Bonds are referred to herein as the "Bonds."

This Supplement is provided pursuant to covenants made by the Authority, the City of Long Beach, acting by and through its Board of Harbor Commissioners ("POLB"), and the City of Los Angeles, acting by and through its Board of Harbor Commissioners ("POLA" and together with POLB, the "Ports") in connection with the issuance of: (i) the 1999A Bonds and the 1999C Bonds pursuant to that certain Continuing Disclosure Certificate of the Authority, POLA and POLB dated January 1, 1999 (the "1999 Continuing Disclosure Certificate"); (ii) the 2004 Bonds pursuant to that certain Continuing Disclosure Certificate of the Authority, POLA and POLB dated February 1, 2004 (the "2004 Continuing Disclosure Certificate" and together with the 1999 Continuing Disclosure Certificate, the "Pre-2013 Continuing Disclosure Certificates"); (iii) the 2013A Bonds pursuant to that certain Continuing Disclosure Certificate of the Authority, POLA and POLB dated February 12, 2013 (the "2013 Continuing Disclosure Certificate"); and (iv) the 2016 Bonds pursuant to that certain Continuing Disclosure Certificate of the Authority, POLA and POLB dated May 24, 2016 (the "2016 Continuing Disclosure Certificate") (collectively, the "Continuing Disclosure Certificates").

## Official Statements and Prior Reports

For further information and a more complete description of the Authority, POLA, POLB and the Bonds, reference is made to the Official Statement for the 1999A Bonds (the “1999A Official Statement”), the Official Statement for the 1999C Bonds (the “1999C Official Statement”, and together with the 1999A Official Statement, the “1999 Official Statements”), the Official Statement for the 2004 Bonds (the “2004 Official Statement”), the Official Statement for the 2013A Bonds (the “2013A Official Statement”), the Official Statement for the 2016 Bonds (the “2016 Official Statement” and together with the 1999 Official Statements, the 2004 Official Statement, and the 2013A Official Statement, the “Official Statements”) and the Authority’s previous Annual Continuing Disclosure Reports for the fiscal years ended June 30, 1999 through June 30, 2018 (the “Prior Reports”), respectively, all of which speak only as of their respective dates. Capitalized terms used but not defined herein have the meanings given to them in the Official Statements and the Continuing Disclosure Certificates.

## Disclaimers

To the extent the Authority provides information herein that the Authority is not obligated to present or update, the Authority is not obligated to present or update such information in future annual reports. Except as set forth herein, the Authority has not updated any information contained in the Prior Reports.

Investors are advised to refer to the Official Statements for information concerning the initial issuance of and security for the Bonds. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM AND ARE SECURED BY A LIEN ON THE TRUST ESTATE. THE BONDS ARE NOT OBLIGATIONS OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA AND ARE NOT OBLIGATIONS OF THE CITY OF LONG BEACH OR THE CITY OF LOS ANGELES (TOGETHER, THE “CITIES”), THE PORTS OR THE RAILROADS. THE PROJECT IS NOT SECURITY FOR THE BONDS, AND THE BONDS ARE NOT SECURED BY A LIEN ON ANY PROPERTIES OR IMPROVEMENTS OF THE AUTHORITY, THE CITIES THE PORTS OR THE RAILROADS OR BY A PLEDGE OF ANY REVENUES OF THE CITIES, THE PORTS OR THE RAILROADS.

By providing the information herein, the Authority does not imply or represent (a) that all information provided herein is material to investors’ decisions regarding investment in the Bonds, (b) the completeness or accuracy of any financial, operational or other information not included herein or in the Official Statements, (c) that no changes, circumstances or events have occurred since June 30, 2019 (other than as contained herein), or (d) that no other information exists which may have a bearing on the Authority’s financial condition, the security for the Bonds or an investor’s decision to buy, sell or hold the Bonds.

The information set forth herein and incorporated hereby has been furnished by the Authority and the Ports and is believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in or incorporated by this Supplement which involve estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained herein or incorporated hereby are subject to change without notice and the delivery of this Supplement will not, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Ports. The Authority, POLA and POLB are each relying upon, and have not independently confirmed or verified, the accuracy or completeness of information provided by the others or other information incorporated by reference therein. No statement contained herein should be construed as a prediction or representation about future financial performance of the Authority or the Ports. Historical results presented herein may not be indicative of future operating results.

## FURTHER INFORMATION

For further information regarding this Supplement, please address your questions to:

Mr. James P. Preusch
Interim Chief Executive Officer
Alameda Corridor Transportation Authority
3760 Kilroy Airport Way, Suite 200
Long Beach, California 90806
(562) 247-7777

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## AUDITED FINANCIAL STATEMENTS

The Harbor Department of the City of Long Beach Comprehensive Annual Financial Report for the fiscal year ended September 30, 2019 (with Independent Auditors' Report Thereon) is attached hereto as APPENDIX A ("POLB Financial Statements").

Due to its date of publication, certain information contained in the 2019 Report is more current than some of the information contained in the POLB Financial Statements, including, but not limited to, the unaudited information identified as such therein.

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## CERTIFICATION

The undersigned hereby states and certifies that:

1. I am the duly appointed, qualified, and acting Chief Financial Officer of the Authority, familiar with the facts herein certified, and I am authorized to certify the same on behalf of the Authority.

2. The execution and delivery of this Supplement to the Municipal Securities Rulemaking Board have been duly authorized by the Authority.

3. This certification is being provided in connection with this Supplement being delivered by the Authority pursuant to the Continuing Disclosure Certificates.

4. To the best of my knowledge, with respect to information provided by the Authority, the statements and information contained in this Supplement are true, correct, and complete in all material respects and, as of the date hereof, this Supplement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. With respect to information provided by the Ports, including with respect to the POLB Financial Statements, the Authority is relying upon, and has not independently confirmed or verified, the accuracy or completeness of such information, or of other information incorporated by reference therein.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

By: /s/ James P. Preusch
James P. Preusch,
Interim Chief Executive Officer

**APPENDIX A**

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

*The Harbor Department, an Enterprise Fund of the City of Long Beach, California*

# Comprehensive Annual Financial Report

**For the fiscal year ended September 30, 2019**

Port of
LONG BEACH
THE PORT OF CHOICE

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

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**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

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# Introductory Section

Port of
**LONG BEACH**
THE PORT OF CHOICE

**Letter of Transmittal**

March 30, 2020

The Board of Harbor Commissioners
The Harbor Department of the City of Long Beach
Long Beach, California
Members of the Board of Harbor Commissioners:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach (the City), California, for the fiscal year ended September 30, 2019. The Department's operations are included in the City's reporting entity as an enterprise fund.

This report consists of management's representations concerning the finances of the Department. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. The costs of internal controls should not exceed their benefits; therefore, the comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management asserts that, to the best of its knowledge and belief, this financial report is complete and reliable in all material aspects.

The Department's basic financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the Department's financial statements for the fiscal year ended September 30, 2019 are free of material misstatement. The independent audit entails examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit performed, that there was a reasonable basis for rendering an unmodified opinion, and that the Department's financial statements for the fiscal year ended September 30, 2019 are fairly presented, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany 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 Department's MD&A immediately follows the report of the independent auditors.

**Profile of the Department**

In 1911, the State of California conveyed, in trust, to the City certain tidal and submerged lands for the establishment and maintenance of the Harbor District (which includes the Port of Long Beach). Consistent with this grant, the City Charter confers on the Board of Harbor Commissioners (the Board) exclusive control and management of the Department (or the Port). The Board has authority, on behalf of the City, to provide for the needs of commerce, navigation, recreation, and fishery; to develop and maintain all waterfront properties; to dredge and reclaim land; and to construct and operate terminals, railroad tracks, and other facilities both inside and outside the Department's jurisdiction. The Port has succeeded in becoming a landlord port providing the region, state, and nation with state-of-the-art seaport facilities and serving as a safe international gateway for trade. The Port of Long Beach has evolved into the second-busiest container seaport in North America.

The Harbor Department generates revenues through leases, tariffs, and other charges assessed to Port of Long Beach tenants and other customers. No local, state, or federal taxes support Port operations. The Harbor Department does not contribute to the City of Long Beach general fund or governmental activities, but compensates the City of Long Beach for services such as public safety, human resources, civil service, and centralized financial, legal, and audit services.

The Department maintains a financial and cost accounting system independent of other City departments. The focus of the statement of revenues and expenses is on inflows and outflows of economic resources using the accrual basis of accounting. Changes in net position are recognized as soon as the cause of the change occurs, regardless of the timing of related cash flows; that is, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred. All the assets and liabilities associated with the Department's operations are included in the statement of net position. Net position is segregated into net investment in capital assets, restricted for related debt service, and unrestricted.

**Commercial and Economic Outlook**

The Port of Long Beach provides best in class customer service to attract more commercial activity and maximize revenue opportunities. By aligning its product with the customers' demands, the Port employs a strategic and customized approach with all customer segments. Focused customer outreach ensures the Port has a full understanding of the customers' needs and successfully promotes the benefits of its services.

Container volumes remained strong in fiscal year 2019 despite a slight decrease of 3.2% from the prior year to 7.7 million TEUs. This decrease is partially due to the record-setting surge in cargo during fiscal year 2018's advanced ordering and shipments ahead of an increase in import duties. Aside from the recent geo-political developments, the following trends continue to shape the future of the maritime industry: capacity management by ocean carriers, rationalization of alliance deployments, vessel upsizing and fuel prices.

The expansion or contraction of foreign trade directly affects local, regional, and national economies. The Port, as a crucial economic engine for the region and beyond, must continually strengthen its competitiveness by anticipating and responding to economic challenges, and seizing opportunities to continue to be the Port of Choice for trans-Pacific trade.

Fiscal year 2019 marked the third year of the three alliances (2M+H, OCEAN and THE Alliance). This fiscal year also saw OOCL's parent company, OOIL, successfully complete the divestiture of Long Beach Container Terminal (LBCT).

As container ships capable of transporting more than 14,000 twenty-foot-equivalent units continue to call at the Port of Long Beach, the Port's ability to accommodate these vessels and handle the additional cargo volume has become a key objective to retain its competitive advantage over other gateways. In preparation for the next generation of even larger vessels, the Port of Long Beach is moving forward with an ongoing multi-billion dollar capital program to upgrade its infrastructure and modernize its facilities in order to improve fluidity and efficiency in its cargo operations and enhance reliability. This program continues with $2.1 billion in projected capital investment over the next 10 years. When completed, the capital program will make the Port one of the most efficient ports in the world.

Infrastructure projects are currently underway that will expand terminal operations and position the Port for increased volume and revenue focusing on terminal, road, and rail improvements. They include the following:

- Middle Harbor Redevelopment Program: A $1.5 billion program to combine and modernize two aging shipping terminals. The project more than quintuples on dock rail capacity and adds shore power connections and advanced technology that will allow the new terminal to significantly increase cargo capacity. Construction began in 2011 and is expected to be completed in 2021.

- Gerald Desmond Bridge Replacement: A $1.5 billion project to build a new bridge to span the Port's Main Channel. The new bridge will be taller, to allow additional clearance for ships, and will also be wider, to ease the flow of cars and trucks that use the bridge. Construction began in early 2013 and will be completed in 2020.

- Pier B Rail Support Facility: The Pier B Rail Support Facility will provide for more efficient transfer of cargo between marine terminals and the Class 1 railroads, resulting in increased on-dock rail capacity and operating efficiency.

To accommodate the increase in volume expected during the next 20 years, the Port will continue to seek innovative solutions for developing facilities and related infrastructure while ensuring that air, water, and soil quality continue to improve.

In addition to its capital program, the Port is also committed to finding solutions to challenges throughout the entire transportation supply chain, such as truck turn times, chassis supply, and cargo visibility, to name a few. The influx of larger volumes of cargo over a shorter period of time is further testing the Port's cargo handling capability. However, the Port is taking a leadership role by working with its partners to formulate solutions to continuously improve operating efficiencies in the supply chain. Through a combination of infrastructure enhancements, operational improvements, and investment in innovative environmental programs, the Port is on track to ensure efficient and sustainable growth.

The recent coronavirus (COVID-19) outbreak has had a negative impact on the global supply chain, including numerous, ongoing factory closures in China. This has resulted in higher-than-normal cancellations of vessel calls coming from China. China is a major source of inbound cargo to the Port. The Harbor Department cannot predict the duration of the outbreak, and the resulting decrease in the number of ships calling at the Port or any other potential negative effects. Any prolonged reduction in the number of ships calling at the Port or any other negative effects on activity at the Port could result in decreased revenues. On the other hand, a reduction in the number of ships calling at the Port now could be followed by a subsequent surge in inbound cargo at a later time as inventories are depleted.

**Environmental Protection**

The Port is making substantial investments to improve the environment through sustainable practices that reduce the environmental impacts from Port operations and development. Planning for the necessary investments in operational improvements, terminal development, and supporting infrastructure, consistent with the long range goals of the Port and its stakeholders, is essential to achieving this goal.

In 2005, the Long Beach Board of Harbor Commissioners adopted the Green Port Policy, which committed to reducing the Port's impact on the environment and the community. In 2006, at a historic joint board session of Long Beach and Los Angeles Boards of Harbor Commissioners (the Ports), the San Pedro Bay Clean Air Action Plan (CAAP) was approved. The CAAP was updated in 2010, and most recently in 2017, to identify new strategies to achieve significant emission reductions into the future. The 2017 update includes zero emission goals for cargo handling equipment by 2030 and drayage trucks by 2035.

Similarly, at a joint board session in 2009, the Ports adopted the Water Resources Action Plan (WRAP) which outlines the Ports' water quality programs and strategies for maintaining and improving harbor water resources. The Port continues its significant efforts related to complying with regulatory programs, such as the Total Maximum Daily Load (TMDL) and the statewide Industrial General Permit, Construction Storm Water Permit and the Long Beach Municipal Permit. The Port continues to invest in opportunities for the sustainable management of contaminated and non-contaminated sediments within the Harbor District. And finally, the Port continues to evaluate the water quality and sediment in the harbor, the levels of pollution in fish, and the links to the health of the harbor ecosystem.

The Harbor Department administers a number of hazardous materials and waste management programs designed to ensure compliance with applicable federal, state, and local regulations. These programs include surveys to identify the presence of hazardous materials, including asbestos and lead-based paint; assessment and remediation of soil and groundwater contaminated by the long history of industrial development within the Harbor District; and hazardous material spill response.

Through its environmental initiatives, the Port has:

- Cut diesel particulates by 87%, sulfur oxides by 97%, smog-forming nitrogen oxides by 56%, and greenhouse gases by 16% from 2005 levels, identified in the 2018 annual air emissions inventory.
- Continued to foster the development of new clean air technologies through the Technology Advancement Program including zero emission terminal equipment.
- Awarded nearly $80 million in grant-funding to demonstrate zero emission equipment and advanced energy systems in Port operations.
- Established a technical working group with the Port of Los Angeles, the Los Angeles Regional Water Quality Control Board and the State Water Resources Control Board, to conduct the special studies

and analysis required to make sound environmental management decisions and support modifications to the Total Maximum Daily Load (TMDL) regulation.

- Completed a comprehensive hydrodynamic, sediment transport and bioaccumulation model to link water and sediment management actions with desired outcomes.
- Continued the Green Flag Vessel Speed Reduction Program within 20 nautical miles or 40 nautical miles of the Port (where greater than 90% of ships slow down to 12 knots), to reduce air pollution emissions.

**Risk Management**

The Port has developed a comprehensive, all-hazard business continuity plan that works to facilitate the efficient movement of cargo following a business disruption event. The plan focuses on: 1) maintaining a safe and secure port environment; 2) keeping the land and water infrastructure operational to the greatest extent possible; and 3) ensuring that those objectives are performed in a legally and financially responsible manner.

**Security**

The Port continues its commitment to safety and security and is dedicated to becoming the safest and most secure port in the world. Since 2009, the Port has operated the Joint Command and Control Center (JCCC). This state-of-the-art facility houses not only the Port of Long Beach Security Division and Harbor Patrol, but also the Long Beach Police Department's Port Police Division. The Long Beach Fire Department is also represented in the JCCC by an assistant chief. The Port takes an above the water, on the water, and below the water approach to Maritime Domain Awareness. This is accomplished through the use of the latest integrated, high-tech surveillance systems to maintain vigilance and share data with the many agencies responsible for port security. The JCCC monitors more than 500 cameras throughout the port complex, including long-range and night-vision units, in addition to access control and radar detection systems.

Since 2001, the Port has secured more than $166 million in grants to aid in safety and security efforts. The Port is protected by multiple layers of security, including the U.S. Coast Guard, U.S. Customs and Border Protection, Long Beach Police Department, and other federal, state, and local law enforcement agencies. Additionally, the Port has its own harbor patrol, a cadre of highly trained public officers who are responsible for security operations on the property owned by the Port and any public roadways within its boundaries 24 hours a day, seven days a week. The Long Beach Police Department Port Police Division also provides a dedicated force of police officers who patrol land side and water side in the port complex 24 hours a day, seven days a week. Within the Harbor District, the Long Beach Fire Department has two landside stations, one with a hazardous materials response unit, in addition to two swing stations with landside and waterside response capabilities.

**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2018. This was the 36th consecutive year that the Department has received this prestigious award. In order to be awarded a Certificate of

Port of
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Achievement, the Department must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to acknowledge the dedicated service of the Finance Division staff members, through whose efforts the timely preparation of this report was made possible.

Respectfully submitted:

Mario Cordero
Executive Director

Sam Joumblat
Chief Financial Officer
Managing Director of
Finance and Administration

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**The Harbor Department**

**of the City of Long Beach, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**September 30, 2018**

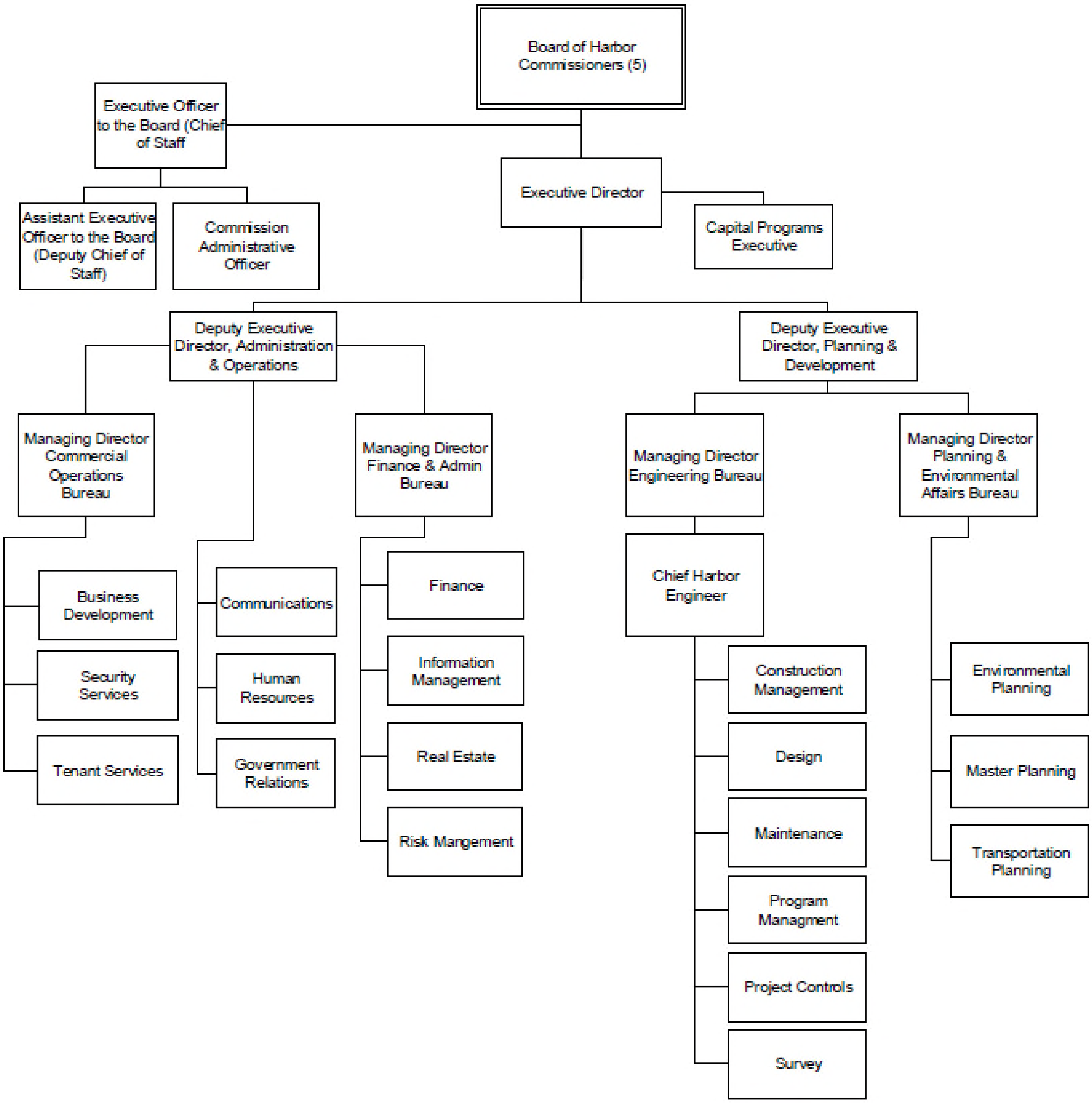
Christopher P. Morrill

Executive Director/CEO

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Organizational Chart

September 30, 2019 and 2018



## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

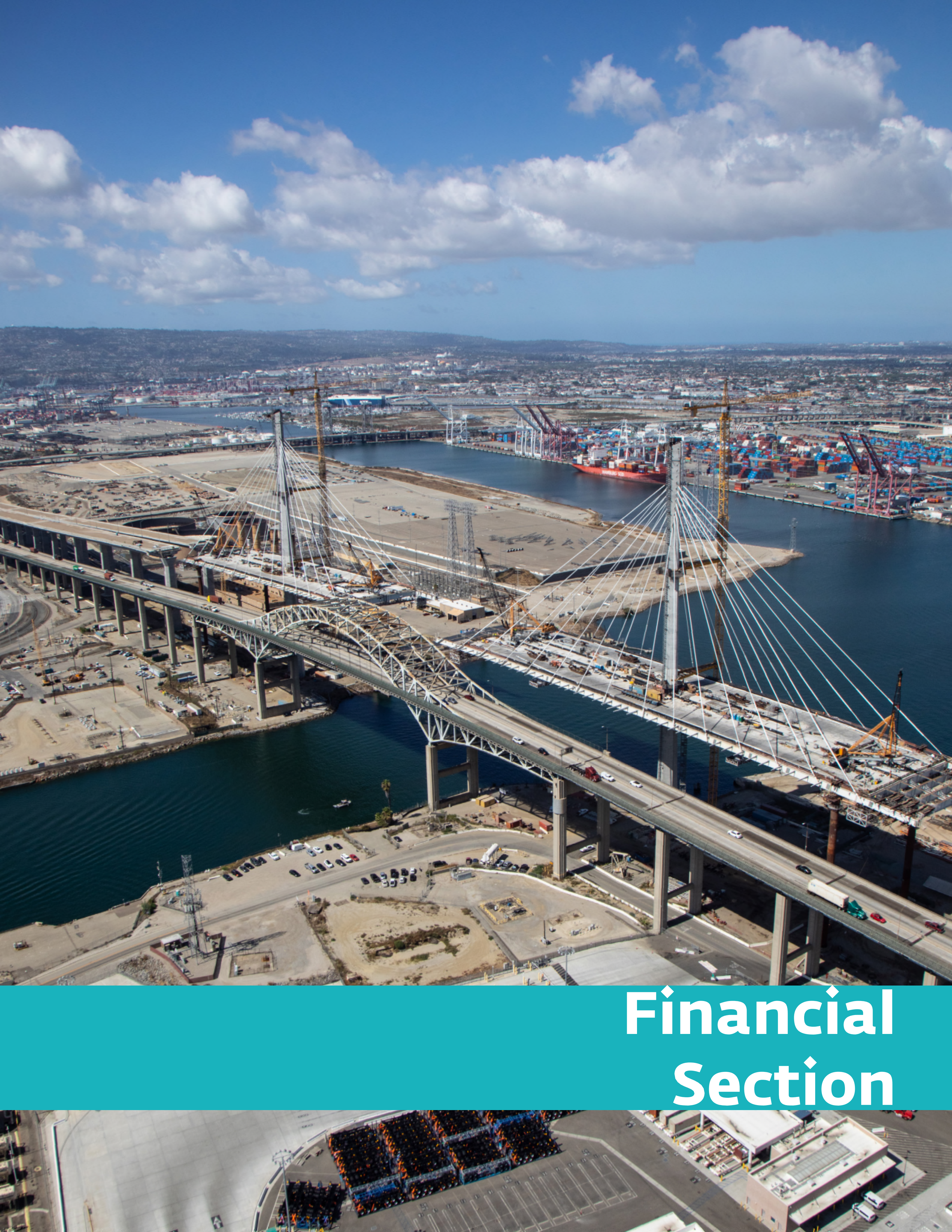
Board of Harbor Commissioners and Senior Management

September 30, 2019 and 2018

**Board of Harbor Commissioners**

Bonnie Lowenthal, President
Frank Colonna, Vice President
Lou Anne Bynum, Secretary and Commissioner
Tracy J. Egoscue, Commissioner
Steven Neal, Commissioner

| | |
|---|---|
| **Executive Offices** | |
| Executive Director | Mario Cordero |
| Deputy Executive Director | Noel Hacegaba |
| Deputy Executive Director | Richard D. Cameron |
| Executive Officer to the Board | Richard Jordan |
| Capital Program Executive | Duane Kenagy |
| Communications Division | Director, Kerry Gerot |
| Government Relations Division | Director, Eleanor Torres (Dec. 2019) |
| Human Resources Division | Director, Stacey Lewis |
| **Finance and Administration Bureau** | Managing Director, Sam Joumblat |
| Finance Division | Director, Wei Chi (May 2019) |
| Information Management Division | Director, Nyariana Maiko |
| Real Estate Division | Director, Eamonn Killeen |
| Risk Management Division | Director, Richard S. Baratta |
| **Commercial Operations Bureau** | Acting Managing Director, Don B. Snyder (Sep. 2018) |
| Business Development Division | Acting Director, Roger Wu (Oct. 2018) |
| Security Division | Director, Casey Hehr |
| Tenant Services and Operations Division | Director, Glenn Farren |
| **Planning and Environmental Affairs Bureau** | Managing Director, Heather Tomley |
| Environmental Planning Division | Acting Director, Matthew Arms (Oct. 2018) |
| Master Planning Division | Director, Matt Plezia |
| Transportation Planning Division | Director, Allison Yoh |
| **Engineering Services Bureau** | Managing Director, Sean Gamette |
| Program Delivery Group | Senior Director, Suzanne Plezia |
| Program Management Division | Director, Tom Baldwin |
| Construction Management Division | Director, Darrin Lambrigger |
| Design Division | Director, John Chun |
| Maintenance Division | Director, Fred Greco |
| Project Controls Division | Director, Marlene Dupras |
| Surveys Division | Director, Kimberly Holtz (Mar. 2019) |



# Financial Section

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

# Independent Auditors' Report

The Honorable Members of the Board of Harbor Commissioners
The Harbor Department of the City of Long Beach
Long Beach, California:

## Report on the Financial Statements

We have audited the accompanying financial statements of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements for the year then ended as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audits opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harbor Department of the City of Long Beach, California as of September 30, 2019 and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

**Other Matters**

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 12–20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary information identified in the table of contents as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2020 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
March 31, 2020

The following discussion and analysis of the financial performance of the Harbor Department of the City of Long Beach, California (the Department) provides an overview of the financial activities for the fiscal years ended September 30, 2019 and 2018. The information presented here should be read in conjunction with the additional information contained in the Department's financial statements and related notes and our letter of transmittal that precedes this section.

### Using this Financial Report

This annual financial report consists of the Department's financial statements and the required supplementary information, and reflects the self-supporting activities of the Department that are funded primarily through leasing property, tariffs, and other charges to its tenants.

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

- *The statement of net position* – Reports all of the Department's assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, as well as an indication about which assets can be used for general purposes, and which assets are restricted as a result of bond covenants and other requirements
- *The statement of revenue, expenses, and changes in net position* – Reports the results of all revenue and expenses of the Department's operation for the fiscal periods presented
- *The statement of cash flows* – Reports 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 the basic financial statements* – Report information that supplements and clarifies significant elements of the financial statements; such information is essential to a full understanding of the Department's financial activities

### Overview of the Department's Financial Statements

The Department is an enterprise fund, and is a fiscally independent component unit of the City of Long Beach, California (the City). The Department's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles supported by the Governmental Accounting Standards Board.

## Analysis of Net Position

The following condensed financial information provides an overview of the Department's financial position as of September 30, 2019 and 2018:

**Condensed Schedule of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

September 30, 2019 and 2018

(Amounts expressed in thousands)

| | | 2019 | 2018 |
|---|---|---|---|
| Assets: | | | |
| Capital assets, net | $ | 4,937,455 | 4,766,827 |
| Current and other assets | | 759,168 | 802,948 |
| Total assets | | 5,696,623 | 5,569,775 |
| Deferred outflows of resources | | 14,057 | 21,169 |
| Total assets and deferred outflows of resources | $ | 5,710,680 | 5,590,945 |
| Liabilities: | | | |
| Current liabilities | $ | 179,635 | 373,220 |
| Long-term obligations, net of current portion | | 1,262,955 | 1,114,831 |
| Total liabilities | | 1,442,590 | 1,488,051 |
| Deferred inflows of resources | | 13,118 | 21,728 |
| Total liabilities and deferred inflows of resources | $ | 1,455,708 | 1,509,779 |
| Net position: | | | |
| Net investment in capital assets | $ | 3,745,084 | 3,642,910 |
| Restricted: | | | |
| Capital projects | | 37,743 | 39,351 |
| Debt service | | 9,228 | 17,237 |
| Unrestricted | | 462,917 | 381,667 |
| Total net position | $ | 4,254,972 | 4,081,165 |

### *Net Position Discussion*

The changes in net position over time may serve as a useful indicator of the Department's financial activities and position. As of September 30, 2019, $3.7 billion, or 88.0%, of the Department's total net position represents its net investment in capital assets. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowings attributable to those assets that have been expended at September 30, 2019. These capital assets are used to facilitate the operations of the Port of Long Beach (the Port) and its tenants.

The restricted portion of the Department's net position of $47.0 million, or 1.1%, is comprised of $37.7 million in environmental mitigation credits for use on landfill capital projects and $9.2 million of a debt service reserve fund required by the bonds' indenture. The remaining balance of $462.9 million, or 10.9%, reflects unrestricted resources that may be used for ongoing and future operations of the Department.

Current and other assets of $759.2 million, a decrease of $43.8 million from the prior fiscal year. Current assets decreased by $59.1 million primarily due to the release of the restricted bond construction and reserve funds for capital expenditures, and the offsetting $14.9 million increase in the interest reserve fund from the 2018A notes in other assets.

Capital assets, net of depreciation increased by $170.6 million, or 3.6%, from the prior fiscal year mostly in large capital projects such as the Gerald Desmond Bridge Replacement, Middle Harbor Redevelopment, and completion of the Port's new headquarter. Refer to page 19 and notes 4 and 5 for additional discussion related to capital assets.

Current liabilities decreased by $193.6 million primarily due to the completion payment made in July 2019 on the new civic headquarter building that reduced $199.3 million in short-term liabilities. Refer to page 20 and notes 11 and 12 for additional discussion related to long-term liabilities and debt service.

## Analysis of Changes in Net Position

The following condensed financial information provides an overview of the changes of the Department's net position during fiscal years 2019 and 2018:

### Condensed Schedule of Revenue, Expenses, and Changes in Net Position

Years ended September 30, 2019 and 2018

(Amounts expressed in thousands)

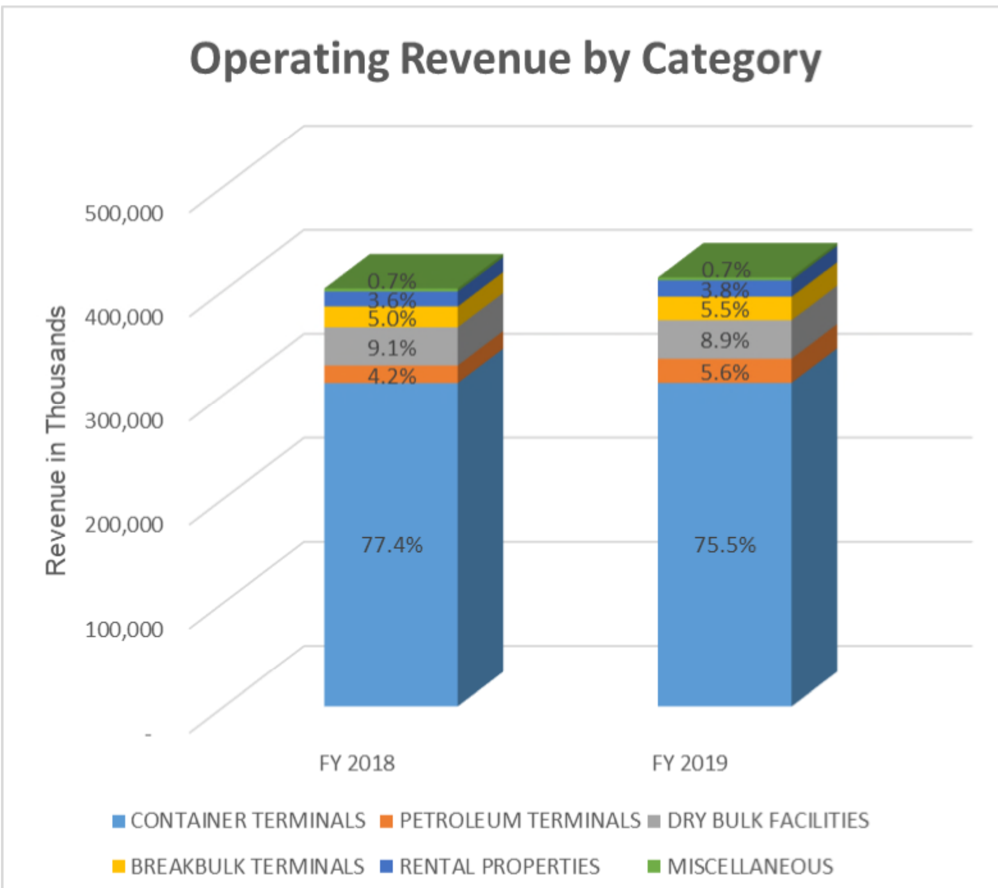
| | | 2019 | 2018 |
|---|---|---|---|
| Operating revenues | $ | 412,273 | 401,678 |
| Operating expenses: | | | |
| Personnel services | | 51,179 | 57,508 |
| Maintenance and operations | | 45,798 | 42,912 |
| Interdepartmental services | | 38,061 | 38,839 |
| Total operating expenses | | 135,038 | 139,259 |
| Depreciation | | 144,716 | 147,223 |
| Operating income | | 132,519 | 115,196 |
| Nonoperating revenue (expenses): | | | |
| Interest income (expense), net of interest expense | | 9,280 | (7,727) |
| Discontinued capitalized projects | | (16,493) | (2,889) |
| Other income, net | | 522 | 3,022 |
| Net nonoperating revenues (expenses) | | (6,691) | (7,594) |
| Income before capital grants and transfer | | 125,828 | 107,602 |
| Transfer to the City | | (20,614) | (20,084) |
| Grants and contributions, net | | 68,593 | 67,510 |
| Change in net position | | 173,807 | 155,028 |
| Total net position – beginning of year, as restated | | 4,081,165 | 3,926,137 |
| Total net position – end of year | $ | 4,254,972 | 4,081,165 |

### *Changes in Net Position Discussion*

*Operating Revenues*

Operating revenues for fiscal year 2019 were $412.3 million, an increase of $10.6 million, or 2.6%, from the prior fiscal year, primarily attributed to the noncontainer terminal category, while the container terminal category that generated approximately 76.0% of total operating revenue remained flat. The increase was primarily due to lease renegotiations executed during the year from a petroleum terminal of approximately $5.0 million and breakbulk terminal of approximately $2.7 million.

The chart below depicts the revenue categories as a percentage of total operating revenues:



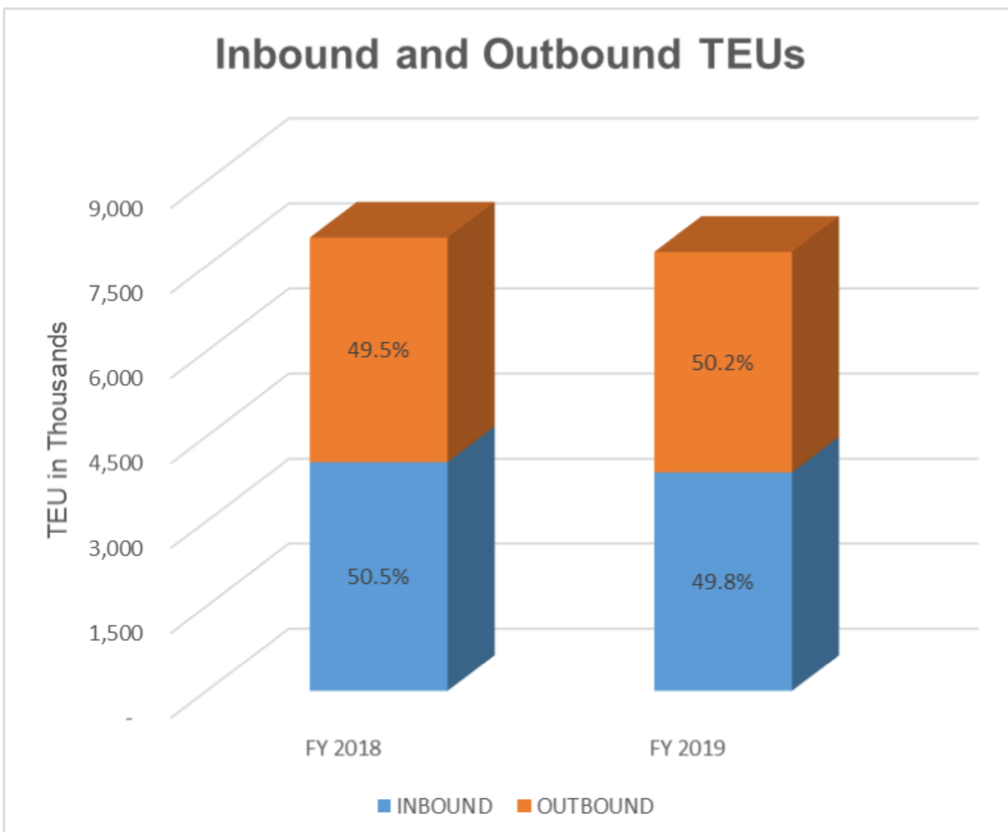

*Cargo Volumes*

The Port is the second busiest gateway in North America by container volume and services many of the major ocean carriers. Some of these major carriers are COSCO Shipping, OOCL, Ocean Network Express, Mediterranean Shipping Company, Hyundai Merchant Marine, Matson and SM lines.

Cargo volumes, measured in Metric Revenue Tons (MRTs), decreased by 4.2% to 173.0 million MRTs versus 180.6 million MRTs in the prior fiscal year, with all cargo categories posting year-over-year decreases. Containerized cargo decreased 4.7% to 132.4 million MRTs, dry bulk (i.e. coke, coal, sulfur, etc.) decreased 4.9% to 7.7 million MRTs, break bulk (i.e. vehicles, metals, and lumber) decreased 10.3% to 1.2 million MRTs, and liquid bulk (i.e. petroleum and crude) decreased 1.7% to 31.6 million MRTs. The Port continues to invest in capital programs to modernize its terminal facilities and infrastructures to enhance operational excellence in preparation for an anticipated growth in trade volumes. Its terminals continue to be one of the best ports for shipping lines to move cargo into and out of the continental United States.

Container count, measured in Twenty-Foot Equivalent Units (TEUs) decreased 3.2% to 7.7 million TEUs versus 8.0 million TEUs in the prior fiscal year. The slight decrease was due to the advanced shipments that occurred in 2018 ahead of the trade tariff increases.

The chart below depicts the components of inbound and outbound TEUs as a percentage of total volume:




*Change in Net Position*

Change in net position for fiscal year 2019 was $173.8 million, an increase of $18.8 million, or 12.1%, from the prior fiscal year. This was primarily due to higher operating revenues of $10.6 million and lower total operating expenses (including depreciation) of $6.7 million. The following section provides a further discussion of the operations.

*Operating Expense and Other Income and Expense*

Total operating expenses (excluding depreciation and amortization) for fiscal year 2019 was $135.0 million, or $4.2 million lower than the prior fiscal year. Personnel services was $51.2 million, or $6.3 million lower than prior year primarily due to a $3.5 million reduction of the Department's portion of the City's managed pension and postretirement healthcare benefits expense, and a $2.5 million credit due to capitalization of internal labor and overhead. Maintenance and other operations was $45.8 million, or $2.9 million higher primarily due to $2.0 million expended in the San Pedro ports' co-sponsorship program with South Coast Air Quality Management District on the low emission truck project.

Depreciation expense is affected by fixed assets being placed into service or being retired in accordance with their useful lives. Depreciation expense in fiscal year 2019 was $144.7 million, or $2.5 million lower than the prior fiscal year due to certain assets that were fully depreciated.

Net interest income or loss, is comprised of investment interest income, unrealized gain or loss and debt service's interest expense offset by the capitalization of the interest (or capitalized interest cost) which was recognized as capital projects' cost. Fiscal year 2019 net interest income was $6.7 million and fiscal year 2018 net interest expense of $9.7 million, an increase net interest income of $16.4 million. The increase is primarily due to a $10.2 million unrealized gain on investments, and $4.2 million increase in interest earnings than of prior year, attributed by the rising short term interest rates coupled with having a higher average pooled cash balance throughout the year. Interest expenses, before the offset of allocated capitalized interest cost, for fiscal years 2019 and 2018 were $29.2 million and $29.4 million, respectively. The amounts of allocated capitalized interest for fiscal years 2019 and 2018 were $17.2 million and $14.9 million, respectively.

Discontinued capital projects for fiscal year 2019 was $16.5 million, or $13.6 million higher than the prior fiscal year due to the write-off of three abandoned capital improvement project. Two projects were due to lack of a cooperative development agreement between the Port and the tenants, and the third was a joined effort of the San Pedro ports complex that did not come to fruition.

Net other income for fiscal year 2019 was $0.5 million, or $2.5 million lower than the prior fiscal year, primarily due to a nonreoccurring $2.3 million of a tenant's cost share contribution for leasehold improvement that was received in prior year.

Transfers to the City totaled $20.6 million in fiscal year 2019, or $0.5 million higher than the prior fiscal year due to an increase in operating revenues. This amount is to be paid to the City Tidelands Operating Fund in fiscal year 2020, per the City Charter. Refer to note 9 for additional discussion.

Grant revenue totaled $68.6 million in fiscal year 2019, an increase of $1.1 million in comparison to the prior fiscal year. Grant revenue is recognized based on eligible costs incurred and the amount of grant-eligible project costs of the grant revenue. The Gerald Desmond Bridge Replacement Project remains as the primary driver of grant revenues.

## Capital Assets and Debt Administration

### *Capital Assets*

The Department's capital assets, net of accumulated depreciation as of September 30, 2019 and 2018 are as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Nondepreciable capital assets: | | | |
| Land | $ | 1,250,036 | 1,250,036 |
| Construction in progress | | 1,710,706 | 1,625,306 |
| Right-of-way | | 207,032 | 207,032 |
| Total nondepreciable capital assets | | 3,167,774 | 3,082,374 |
| Depreciable capital assets (net): | | | |
| Structures and facilities | | 1,664,144 | 1,596,260 |
| Furniture, fixtures, and equipment | | 105,537 | 88,193 |
| Total depreciable capital assets (net) | | 1,769,681 | 1,684,453 |
| Total capital assets, net | $ | 4,937,455 | 4,766,827 |

### *Capital Assets Discussion*

The capital asset accounts, net of accumulated depreciation totaled $4.9 billion, a net increase of $170.6 million from the prior fiscal year. The increase in capital spending during fiscal year 2019 comprised largely the following: Middle Harbor terminal development for $146.8 million; Gerald Desmond Bridge Replacement Project for $114.2 million; and partially offset by incremental accumulated depreciation and various write-offs to expense due to project cancellation or discontinuation. The amount of capital assets transferred out of construction in progress and into service totaled approximately $231.0 million for the year ended September 30, 2019, The new civic center headquarter building was placed into service in the current year. Refer to (note 4 and 5) for additional discussion related to capital assets.

### *Debt Administration*

The following table summarizes the Department's debt as of September 30, 2019 and 2018:

| | | 2019 | 2018 |
|---|---|---|---|
| Short-term notes (principal and net premiums) | $ | 338,691 | 348,079 |
| Bond debt (principal and net premiums) | | 831,141 | 683,390 |
| Total | $ | 1,169,832 | 1,031,469 |

### *Debt Administration Discussion*

The Department's total debt increased by $138 million, or 13.4%. The increase was due to the issuance of 2019A revenue bonds for $161.3 million with premiums, partially offset by the principal debt payment. Refer to notes 11 and 12 for additional discussion related to debt service.

The underlying ratings assigned to the Department's bond issues are as follows: Moody's Investors Services Aa2, stable outlook; and Fitch Ratings AA, stable outlook.

The debt service coverage ratio for fiscal year 2019 was 3.86, and is calculated as (operating revenues plus interest income minus operating expenses excluding depreciation) divided by (debt service on all senior bonds). The minimum rate required by the Department's various bond covenant is 1.25.

### *Factors that May Affect the Department*

There is significant competition for container trade among North American ports. The Department cannot predict the impact of this competition. Ports in the U.S. West Coast, Canada, and Mexico compete for discretionary intermodal cargo headed from the Asia to midwestern and eastern United States. This discretionary cargo moves eastward primarily by rail. Discretionary cargo makes up more than half of the container cargo arriving at the Port.

The Port is subject to legal and regulatory requirements relating to air emissions that may be generated by ships, trains, trucks, and other operational activities within the Port. Mandated air pollution reduction, infrastructure, and other measures have become a significant portion of the Department's capital and operating budgets.

The recent coronavirus (COVID-19) outbreak has had a negative impact on the global supply chain, including numerous, ongoing factory closures in China. This has resulted in higher-than-normal cancellations of vessel calls coming from China. China is a major source of inbound cargo to the Port. The Harbor Department cannot predict the duration of the outbreak, and the resulting decrease in the number of ships calling at the Port or any other potential negative effects. Any prolonged reduction in the number of ships calling at the Port or any other negative effects on activity at the Port could result in decreased revenues. On the other hand, a reduction in the number of ships calling at the Port now could be followed by a subsequent surge in inbound cargo at a later time as inventories are depleted.

#### *Notes to Financial Statements*

The notes to the Department's financial statements can be found on pages 28–58 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

#### *Requests for Information*

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report should be addressed to the Director of Finance, 415 West Ocean Blvd., Long Beach CA 90802. This report and other financial reports can be viewed on the Port's Web site at www.polb.com under the Finance menu. On the home page, select Finance; there are links to reports by title and reporting date.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Net Position

September 30, 2019

(Dollars in thousands)

**Assets and Deferred Outflows**

| | | |
|---|---|---|
| Current assets: | | |
| Pooled cash and cash equivalents (note 2) | $ | 500,821 |
| Trade accounts receivable, net of allowance (note 3) | | 74,055 |
| Due from other governmental agencies (note 3) | | 50,959 |
| Other current assets | | 5,028 |
| Subtotal | | 630,863 |
| Harbor Revenue Bond Funds and other funds restricted as to use: | | |
| Restricted pooled cash and cash equivalents (note 2) | | 26,510 |
| Restricted nonpooled cash and cash equivalents (note 2) | | 346 |
| Total current assets | | 657,719 |
| Noncurrent assets: | | |
| Capital assets (notes 4 and 5): | | |
| Land | | 1,250,036 |
| Construction in progress | | 1,710,706 |
| Right-of-way (note 6) | | 207,032 |
| Structures and facilities | | 3,707,826 |
| Furniture, fixtures, and equipment | | 197,695 |
| Less accumulated depreciation | | (2,135,840) |
| Net capital assets | | 4,937,455 |
| Other assets: | | |
| Long-term receivables (note 3) | | 2,752 |
| Environmental mitigation credits (note 7) | | 37,743 |
| Investment in joint venture (note 8) | | 3,970 |
| Restricted nonpooled investments (note 2) | | 49,988 |
| Other noncurrent assets (note 10) | | 6,996 |
| Total other assets | | 101,449 |
| Total noncurrent assets | | 5,038,904 |
| Total assets | | 5,696,623 |
| Deferred outflows of resources (note 17) | | 14,057 |
| Total assets and deferred outflows of resources | | 5,710,680 |



(Continued)

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Net Position

September 30, 2019

(Dollars in thousands)

**Liabilities and Deferred Inflows**

| | | |
|---|---|---|
| Current liabilities payable from current assets: | | |
| Accounts payable and accrued expenses | $ | 81,503 |
| Compensated absences (note 11) | | 3,853 |
| Due to the City of Long Beach (note 9) | | 22,489 |
| Liability claims (note 10) | | 5,450 |
| Security deposits and unearned revenue | | 11,758 |
| Total current liabilities payable from current assets | | 125,053 |
| Current liabilities payable from restricted assets: | | |
| Accrued interest – bonds | | 17,282 |
| Current portion of bonds indebtedness (note 12) | | 37,300 |
| Total current liabilities payable from restricted assets | | 54,582 |
| Total current liabilities | | 179,635 |
| Long-term obligations net of current portion: | | |
| Bonded indebtedness (note 12) | | 793,841 |
| Senior notes (note 13) | | 338,691 |
| Compensated absences | | 10,207 |
| Net OPEB liability (note 15) | | 1,555 |
| Net pension liability (note 15) | | 113,611 |
| Unearned revenue | | 850 |
| Environmental remediation liability (note 16) | | 4,200 |
| Total noncurrent liabilities | | 1,262,955 |
| Total liabilities | | 1,442,590 |
| Deferred inflows of resources (note 17) | | 13,118 |
| Total liabilities and deferred inflows of resources | | 1,455,708 |
| Net position: | | |
| Net investment in capital assets | | 3,745,084 |
| Restricted – capital projects | | 37,743 |
| Restricted – debt service | | 9,228 |
| Unrestricted | | 462,917 |
| Total net position | $ | 4,254,972 |

See accompanying notes to financial statements.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2019

(Dollars in thousands)

| | | |
|---|---|---|
| Port operating revenues: | | |
| Berths and special facilities | $ | 393,796 |
| Rental properties | | 15,668 |
| Miscellaneous | | 2,809 |
| Total port operating revenues | | 412,273 |
| Port operating expenses: | | |
| Personnel services | | 51,179 |
| Maintenance and operations | | 45,798 |
| Interdepartmental services | | 38,061 |
| Total operating expenses before depreciation | | 135,038 |
| Depreciation | | 144,716 |
| Total operating expenses | | 279,754 |
| Income from operations | | 132,519 |
| Nonoperating revenues, net: | | |
| Investment income, net | | 20,197 |
| Equity in income from joint venture | | 2,596 |
| Interest expense | | (13,513) |
| Discontinued capitalized projects | | (16,493) |
| Other income, net | | 522 |
| Total nonoperating revenues, net | | (6,691) |
| Income before transfers | | 125,828 |
| Transfers (note 9) | | (20,614) |
| Grants and contributions | | 85,601 |
| Pass-through grant expenses | | (17,008) |
| Increase in net position | | 173,807 |
| Total net position – beginning of year | | 4,081,165 |
| Total net position – end of year | $ | 4,254,972 |

See accompanying notes to financial statements.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Cash Flows

Years ended September 30, 2019

(Dollars in thousands)

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from customers | $ | 410,778 |
| Cash paid to employees | | (66,101) |
| Cash paid to suppliers | | (77,964) |
| Other income | | 452 |
| Net cash provided by operating activities | | 267,165 |
| Cash flows from noncapital financing activities: | | |
| Transfers to City Tidelands Fund | | (20,084) |
| Net cash used for noncapital financing activities | | (20,084) |
| Cash flows from capital and related financing activities: | | |
| Grants provided | | 53,207 |
| Interest paid | | (44,278) |
| Principal payments made on bonds payable | | (45,965) |
| Proceeds from issuance of bonds | | 200,549 |
| Debt issuance costs | | (499) |
| Payments for capital acquisitions – personnel costs | | (10,569) |
| Payments for capital acquisitions – vendors | | (477,754) |
| Change in prepaid costs | | 530 |
| Proceeds from sales of capital assets | | 71 |
| Net cash used for capital and related financing activities | | (324,708) |
| Cash flows from investing activities: | | |
| Interest received | | 12,469 |
| Proceeds from sale of investments | | 16,702 |
| Purchases of investments | | (23,832) |
| Return on investment in joint venture | | 2,000 |
| Net cash provided by investing activities | | 7,339 |
| Net decrease in cash and cash equivalents | | (70,288) |
| Cash and cash equivalents, beginning of year | | 597,965 |
| Cash and cash equivalents, end of the year | $ | 527,677 |
| Reconciliation of cash and cash equivalents: | | |
| Unrestricted pooled cash and cash equivalents | $ | 500,821 |
| Restricted pooled cash and cash equivalents | | 26,510 |
| Bond reserve held by the City Treasurer | | 346 |
| | $ | 527,677 |



(Continued)

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Cash Flows

Years ended September 30, 2019

(Dollars in thousands)

| | | |
|---|---|---|
| Reconciliation of income from operations to net cash provided by operating activities: | | |
| Income from operations | $ | 132,519 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation | | 144,716 |
| Other Income, net | | 452 |
| Increase in accounts receivable | | (6,041) |
| Decrease in accounts payable | | (13,753) |
| Increase in accrued liabilities | | 400 |
| Decrease in accrued claims and judgments | | 450 |
| Increase in unearned revenues | | 2,857 |
| Increase in due to other funds | | 288 |
| Decrease in pension liability and related deferred inflows of resources | | (1,813) |
| Increase in net pension liability and related deferred outflows of resources | | 6,472 |
| Decrease in net OPEB liability | | (1,912) |
| Increase in compensated absences | | 842 |
| Total adjustments | | 132,958 |
| Net cash provided by operating activities | $ | 265,477 |
| Supplemental schedule of noncash capital and financing activities: | | |
| Accrued capital assets | $ | 67,927 |
| Accrued capitalized interest | | 17,150 |
| Amortization of bond premium | | 16,221 |
| Amortization of deferred outflows on debt refunding | | 641 |
| Amortization of deferred inflows on debt refunding | | 4,169 |
| Accrued transfers to the City's tidelands fund | | 20,614 |
| Prepaid capital projects | | 10,132 |
| Discontinued capital projects | | 16,493 |

See accompanying notes to financial statements

## (1) Summary of Significant Accounting Policies

### *(a) The Reporting Entity*

Article XII of the City Charter of the City of Long Beach, California (the City) created the Harbor Department of the City of Long Beach (the Department) to promote and develop the Port of Long Beach (the Port). The Department's operations are included in the City's reporting entity as an enterprise fund; its activities are conducted in the Tidelands Trust area of the City and are subject to coastal area laws of the State of California and to the terms of the trust agreement between the City and the State of California. The financial statements present only the financial activities of the Department and are not intended to present the financial position and results of operations of the City.

The Department, together with the Harbor Department of the City of Los Angeles, formed a joint venture in 1983 to finance the construction of the Intermodal Container Transfer Facility (ICTF). The ICTF venture has been recorded as an investment under the equity method of accounting in the accompanying financial statements.

In 1989, the cities of Los Angeles and Long Beach entered into a Joint Exercise of Powers Agreement to create the Alameda Corridor Transportation Authority (ACTA). This agreement was amended and restated in 1996. The purpose of ACTA was to acquire, construct, finance, and operate the Alameda Corridor. The Alameda Corridor consists of a 20-mile-long rail cargo expressway connecting the ports in San Pedro Bay to the transcontinental rail yards near downtown Los Angeles, and it began operating in April 2004. ACTA prepares its own financial statements and its transactions are not included as part of the Department's financial statements due to the separate legal status. Refer to Note 6 for additional discussion.

### *(b) Basis of Accounting and Measurement Focus*

Disbursement of funds derived from the Department's operations are restricted to Harbor Trust Agreement purposes. The costs of providing port services are recovered entirely through leases, tariffs, and other charges assessed to the Department's tenants. Consistent with U.S. generally accepted accounting principles for enterprise funds, the accounting policies of the Department conform to the accrual basis of accounting. The accompanying financial statements have been prepared using the economic resources measurement focus.

Operating revenue and expenses are generated and incurred through cargo activities performed by port tenants; operating expenses include maintenance of facilities and infrastructure, security, and payments to other city departments for services provided to the Port. Administration and depreciation expenses are also considered operating expenses. Other revenue and expenses not included in the above categories are reported as nonoperating income. The Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations.

### *(c) City of Long Beach Investment Pool*

In order to maximize investment return and in accordance with City Charter requirements, the Department pools its available cash with other city funds into the City of Long Beach Investment Pool (the Pool). The Pool is an internal investment pool that is used as a demand deposit account by participating units. Investment decisions are made by the City Treasurer and approved by a general investment committee, whose membership includes a member of the Department's management. Interest income and realized and unrealized gains and losses arising from the Pool are apportioned to each participating unit based on their average daily cash balances compared to aggregate pooled cash and investments.

The Department's share of the Pool is stated at fair value.

For a complete description of the Pool and its underlying investments, refer to the City's separately issued financial statements.

### *(d) Cash Equivalents*

The Department classifies its investment in the Pool as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the pool operates as a demand account for the Department.

The Department classifies all other investments with maturities of three months or less at the time of purchase as cash equivalents.

### *(e) Investments*

Investments are reflected at fair value using quoted market prices in active and inactive markets. Realized and unrealized gains and losses are included in the accompanying statement of revenue, expenses, and changes in net position as investment income, net.

### *(f) Fair Value Measurements*

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction.

The Department categorizes investments reported at fair value within the fair value hierarchy established by generally accepted accounting principles. Refer to (note 2) for additional detailed disclosure.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

*(i) Level 1: Quoted prices for identical investments in active markets*

*(ii) Level 2: Observable inputs other than quoted market prices*

*(iii) Level 3: Unobservable inputs*

### *(g) Inventories*

Inventories of supplies are valued at cost as the Department does not have inventories held for resale, which would be valued at the lower of average cost or market. Inventory is recorded when purchased and expensed at the time the inventory is consumed. This is reported as other assets in the accompanying financial statements.

### *(h) Capital Assets*

An asset is classified as a capital asset if it is a nonconsumable, tangible item, valued at a single amount greater than $10,000, and with a useful life of more than one year. Capital assets are valued at historical costs. The historical cost of acquiring an asset includes the cost necessarily incurred to bring it to the condition and location necessary for its intended use.

Identifiable intangible assets are recognized as such if they are separable or when they arise from contractual or other legal right, regardless of whether those rights are transferable or separable from the entity, or from other rights and obligations.

Depreciation is determined using the straight-line method with no allowance for salvage values. Estimated useful lives used in the computation of depreciation of capital assets are as follows:

| | |
|---|---|
| Structures and facilities: | |
| Bridges and overpasses | 75 years |
| Wharves and bulkheads | 40 years |
| Transit sheds and buildings | 5–20 years |
| State highway connections | 15 years |
| Others | 5–50 years |
| Furniture, fixtures, and equipment | 5–15 years |

Capitalized interest, which represents the cost of borrowed funds used for the construction of capital assets, is included as part of the cost of capital assets and as a reduction of interest expense.

### *(i) Investment in Joint Venture*

The investment in ICTF is accounted for using the equity method. The amount realized by the Department is proportional to the reported value and is based on the Department's share of ICTF. The reported profit is proportional to the size of the equity investment.

### *(j) Compensated Absences*

The Department records all accrued employee benefits, including accumulated sick leave and vacation, as a liability in the period when the benefits are earned. Accrued employee benefits are classified into current and noncurrent liability for financial statement presentation. The current liability is calculated based on a five years average of vacation taken or used annually.



(Continued)

### *(k) Transfers to the City Tidelands Operating Fund*

City Charter Chapter XII, Section 1209 (c) (4), as amended, provides for the transfer of a maximum of 5% of Harbor Department operating revenue. The City Charter provides that the City Council, by a 2/3 vote expressed by resolution, may request the transfer to meet the lawful obligations of the Tidelands Operations Fund. The provision requires a majority vote of the Board of Harbor Commissioners, expressed by Resolution, to enact the transfer, determining that the funds will not be needed for Harbor Department operations.

### *(l) Net Position*

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position is classified into the following categories:

Net investment in capital assets – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and unexpended bond proceeds and economic losses of refunding of debt

Restricted – Net position subject to externally imposed conditions or constraints that can be fulfilled by the actions of the Department or by the passage of time; the restrictions are externally imposed by creditors, grantors, contributors, laws, or regulations of other governments, or by law through constitutional provisions or enabling legislation

Unrestricted – All other categories of net position; additionally, unrestricted net position may be designated for use by management of the Department. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas.

### *(m) Revenue Recognition*

The Department recognizes revenue on an accrual basis when earned. Rents, tariffs, or other miscellaneous receipts that are received in advance of earnings are recorded as unearned revenue until earned.

Federal or state grants are considered as nonoperating revenue, recognized as such when reimbursable and grant-eligible expenses are incurred, and are identified as capital grants in the statement of revenue, expenses, and changes in net position. Operating revenue or capital grant funds that have been received but not earned are identified as unearned revenue in the statement of net position.

### *(n) Allowance for Doubtful Accounts*

The allowance for doubtful accounts (allowance) is estimated at a level to absorb expected accounts receivable losses. The allowance is established to reflect the amount of the Department's receivables that management estimates will be uncollectible.

The allowance is set at the greater of (1) one half of one percent (0.5%) of actual annual operating revenues or (2) the sum of 75% of aged receivable amounts over 120 days delinquent, plus 50% of amounts over 90 days delinquent, plus 25% of amounts over 60 days delinquent, plus 10% of amounts over 30 days delinquent.

In addition, management reviews the adequacy of the allowance on a monthly basis by reviewing the aging report and assesses whether any further adjustment is necessary. To determine uncollectible amounts, the Department's Finance Division reviews all delinquent accounts in August of each year. Amounts deemed uncollectible are written off.

### *(o) Pension Plan and Postretirement Benefits*

All full-time Department employees are members of the City's Miscellaneous Plan. The Department's policy is to fund all pension costs accrued. The costs to be funded are determined annually as of October 1 and are incorporated into the payroll burden rate to reimburse the Employee Benefits Internal Service Fund for contributions made on behalf of Department employees (see note 15(a)).

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous Plan and additions to/deductions from Miscellaneous Plan's fiduciary net position have been determined on the same basis as they are reported by the Miscellaneous Plan. 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.

The Department also participates in the City's Retiree Health Care plan (OPEB). This program is a single-employer defined benefit healthcare plan (see note 15(b)).

### *(p) Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### *(q) Recent Accounting Pronouncements*

GASB Statement No. 83, *Certain Asset Retirement Obligations*: Issued in November 2016, effective for periods beginning after June 15, 2018. The objective of this statement is to address accounting and financial reporting for certain assets retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. This statement establishes criteria for (1) determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources, (2) requires that recognition occur when the liability is both incurred and reasonably estimable, and (3) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The Department has performed a fixed asset study for fiscal year 2019 and determined that it had no material impact on its financial statements.



(Continued)

GASB Statement No. 84, *Fiduciary Activities*: Issued in January 2017, effective for periods beginning after December, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement will be effective beginning fiscal year 2020 and the Department is evaluating the impact of this statement on its financial statements.

GASB Statement No. 87, *Leases*, issued in June 2017: Effective for periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This statement will be effective beginning fiscal year 2021 and the Department is evaluating the impact of this statement on its financial statements.

GASB Statement No. 88, *Certain disclosures related to debt, including direct borrowings and direct placements*, issued in April 2018: Effective for periods beginning after June 15, 2018. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Department has implemented the required disclosure for fiscal year 2019 in these notes of the financial statements.

GASB Statement No. 89, *Accounting for interest cost incurred before the end of a construction period*, issued in June 2018: Effective for periods beginning after December 15, 2019. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement will be effective beginning fiscal year 2021 and the Department is evaluating its impact to the financial statements.

GASB Statement No. 90, *Majority equity interests-an amendment of GASB statements no. 14 and no, 61*, issued in August 2018: Effective for periods beginning after December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This statement will be effective beginning fiscal year 2020 and the Department is evaluating its impact to the financial statements.



(Continued)

GASB Statement No.91, *Conduit Debt Obligations*, issued in May 2019: Effective for reporting periods beginning after December 15, 2020. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement will be effective beginning fiscal year 2020 and the Department is evaluating its impact to the financial statements.

## (2) Cash, Cash Equivalents, and Other Investments

The Department's cash and cash equivalents and investments is classified in the accompanying statement of net position as follows (in thousands):

| | | Unrestricted | Restricted | Total |
|---|---|---|---|---|
| Equity in the City's investment pool | $ | 500,821 | 26,510 | 527,331 |
| Other cash equivalents | | — | 346 | 346 |
| Investments held by fiscal agent | | — | 49,988 | 49,988 |
| Total cash, cash equivalents, and investments | $ | 500,821 | 76,844 | 577,665 |

The Department's investment policy allows funds to be invested with the City. The City's investment policy limits the permitted investments in the investment pool to the following: obligations of the U.S. government, federal agencies, local agency bonds, medium-term corporate notes, certificates of deposit; bankers' acceptances, commercial paper, LAIF, repurchase agreements, reverse repurchase agreements, securities lending, asset-backed securities, mortgage-backed securities, and money market mutual funds.

As of September 30, 2019, the City's investment pool has a weighted average maturity of less than two years and is not rated. The Department's investment in the pool is not categorized. At September 30, 2019, the Department had $527.3 million equity in the pool, representing approximately 31.8% of the pool.

The Department held reserves with a fiscal agent for the 2010A, 2010B, and 2018A notes. At September 30, 2019, the Department's amounts held by fiscal agents totaled $50.0 million and were invested in U.S. Treasury notes that are rated AAA and have a weighted average maturity of approximately 2.0 years. These investments are reported at fair value using observable inputs.

*Fair Value Hierarchy*

The City's pool has the following recurring fair value measurements as of September 30, 2019:

The following table categorizes the City's pooled cash and investments within the fair value hierarchy (in thousands):

| **Pooled cash and investments** | | | **Fair value measurement** | | |
|---|---|---|---|---|---|
| **Investments at fair value level** | | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Debt securities: | | | | | |
| U.S. Treasury notes | $ | 893,078 | — | 893,078 | — |
| Federal agency securities | | 503,669 | — | 503,669 | — |
| Total investments at fair value | | 1,396,747 | — | 1,396,747 | — |
| Other investments at fair value: | | | | | |
| Local Agency Investment Fund (LAIF) | | 186,272 | | | |
| Other investments at cost: | | | | | |
| Money market funds | | 629 | | | |
| Cash and deposits | | 77,485 | | | |
| Total pooled cash and investments | $ | 1,661,133 | | | |

At September 30, 2019, the Department had $527.3 million equity in the pool, representing approximately 31.8% of the pool.

The Department has the following recurring fair value measurements as of September 30, 2019:

The following table categorizes the Department's nonpooled cash and investments within the fair value hierarchy as of September 30, 2019 (in thousands):

| **Nonpooled investments** | | | **Fair value measurement** | | |
|---|---|---|---|---|---|
| **Investments at fair value level** | | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Debt securities: | | | | | |
| U.S. Treasury notes | $ | 36,216 | — | 36,216 | — |
| U.S. Treasury SLG | | 13,772 | 13,772 | — | — |
| Total nonpooled investments | $ | 49,988 | 13,772 | 36,216 | — |

The $36.2 million are traded in nonactive markets and therefore categorized as Level 2 in the fair value hierarchy.

## (3) Accounts Receivable and Other Receivables

Accounts receivable as of September 30, 2019, included the following (expressed in thousands):

| | | 2019 |
|---|---|---|
| Trade accounts receivable | $ | 76,116 |
| Less allowance for doubtful accounts | | (2,061) |
| Accounts receivable, net | $ | 74,055 |

Other receivables as of September 30, 2019 included the following (expressed in thousands):

| | | 2019 |
|---|---|---|
| Due from other governmental agencies: | | |
| Current: | | |
| Federal and state grants | $ | 50,959 |
| Long term: | | |
| Due from the City of Long Beach | | 2,752 |
| Total due from other governmental agencies | $ | 53,711 |

The due from other governmental agencies is related to the grant programs from various governmental agencies, which include, but are not limited to: The Federal Highway Bridge Program; the Trade Corridor Improvement Program; and the Port Security Grant Program. Funds from these grant programs are available to the Department on a reimbursement basis. Most of these programs require a matching contribution from the Department.

## (4) Capital Assets

Capital assets' schedule as of September 30, 2019 is as follows: (expressed in thousands):

| Description | Balance, October 1, 2018 | Additions | Adjustments/ disposals | Placed in service | Balance, September 30, 2019 |
|---|---|---|---|---|---|
| Nondepreciable capital assets: | | | | | |
| Purchased land | $ 462,108 | — | — | — | 462,108 |
| Constructed land | 787,928 | — | — | — | 787,928 |
| Construction in progress | 1,625,306 | 334,603 | (17,849) | (231,354) | 1,710,706 |
| Right of w ay (note 6) | 207,032 | — | — | — | 207,032 |
| Subtotal | 3,082,374 | 334,603 | (17,849) | (231,354) | 3,167,774 |
| Depreciable capital assets: | | | | | |
| Structures and facilities | 3,504,202 | — | (2,551) | 206,175 | 3,707,826 |
| Furniture, fixtures, and equipment | 171,498 | 1,141 | (123) | 25,179 | 197,695 |
| Subtotal | 3,675,700 | 1,141 | (2,674) | 231,354 | 3,905,521 |
| Total capital assets | 6,758,074 | 335,744 | (20,523) | — | 7,073,295 |
| Less accumulated depreciation: | | | | | |
| Depreciable capital assets | 1,991,247 | 144,716 | (123) | — | 2,135,840 |
| Net capital assets | $ 4,766,827 | 191,028 | (20,400) | — | 4,937,455 |

Construction in progress at September 30, 2019 includes the following projects:

| | |
|---|---|
| Gerald Desmond Bridge Replacement Project | $ 1,297,738 |
| Middle Harbor Redevelopment Program (includes multiple projects) | 257,479 |
| All other programs and projects | 155,489 |
| Total | $ 1,710,706 |

During the year ended September 30, 2019, $17.8 million of Construction in Progress was written off, of which $16.5 million was due to discontinued projects.

## (5) Operating Property Leases to Tenants

The major portion of the Department's property is leased to others. Such property includes marine terminal facilities, special-purpose facilities, office and commercial space, and land.

Some marine terminal facilities are leased under agreements that provide the tenants with preferential but not exclusive use of the facilities. Some leases provide for rentals based on gross revenue or, in the case of marine terminal facilities, on annual usage of the facilities. The leases and the preferential assignments generally provide for minimum rentals.

Property under lease at September 30, 2019 consisted of the following (expressed in thousands):

| | | |
|---|---|---|
| Land | $ | 787,928 |
| Structures and facilities: | | |
| Docks and wharves | | 698,208 |
| Warehouses and sheds | | 24,416 |
| Cranes and shiploaders | | 70,602 |
| Buildings and other facilities | | 842,150 |
| Infrastructure | | 1,693,206 |
| Historical cost of leased property | | 4,116,510 |
| Less accumulated depreciation | | (1,961,789) |
| Carrying value of leased property | $ | 2,154,721 |

The future minimum rental income under noncancelable operating leases having an initial term in excess of one year is as follows (expressed in thousands):

| | | |
|---|---|---|
| 2020 | $ | 351,657 |
| 2021 | | 372,599 |
| 2022 | | 365,555 |
| 2023 | | 337,153 |
| 2024 | | 341,409 |
| 2025–2029 | | 1,236,897 |
| 2030–2034 | | 708,527 |
| 2035–2039 | | 677,460 |
| 2040 and thereafter | | 1,416,982 |
| Total | $ | 5,808,239 |

## (6) Right-of-Way Purchase

*Alameda Corridor Transportation Authority (ACTA)*

In December 1994, the Department and the Harbor Department of the City of Los Angeles (collectively, the Ports) executed the purchase of the rights of way needed for the development of the Alameda Corridor Project (the Project), which is a comprehensive transportation corridor between the Ports and the central Los Angeles area. The Ports purchased these rights, sharing the cost on a 50/50 basis, from the three railroad companies then serving the Ports: Union Pacific Railroad Company (Union Pacific), Southern Pacific Railroad Company (Southern Pacific), and Atchison, Topeka and Santa Fe Railroad companies (Atchison, Topeka and Santa Fe). After the purchase, (Atchison, Topeka and Santa Fe) merged with Burlington Northern becoming Burlington Northern Santa Fe; Union Pacific merged with Southern Pacific.

The total purchase involved the right-of-way property from the three former railroad companies and a drill track from Southern Pacific to provide an additional right of way to access local businesses along the Project. Construction of the Project began in 1997 and was completed in April 2002. Funding for the Project came from federal, state, and local sources, and the issuance of debt. By the end of fiscal 2003, the Department had paid a total of $207.0 million for its share related to this right-of-way purchase.

In the future, when ACTA is able and entitled to distribute income or make equity distributions, the Ports shall share such income and equity distributions equally. Refer to (note 10) for additional discussion related to the guarantee the Department has made related to the ACTA.

## (7) Environmental Mitigation Credits

The Bolsa Chica Mitigation Agreement of 1996 established a "Project for Wetland Acquisition and Restoration at the Bolsa Chica Lowlands in Orange County, California, for the purpose, among others, of Compensating for Marine Habitat Losses Incurred by the Port Development Landfills within the Harbor Districts of the cities of Los Angeles and Long Beach, California."

In exchange for contributions that the Ports made to restore Bolsa Chica Lowlands, the Bolsa Chica Mitigation Agreement granted the Ports mitigation credits that the Ports may use when they undertake landfill as part of port developments. The agreement established a ratio between the number of mitigation credits to be used and the number of acres to be developed based on whether development occurred within the inner or outer harbors. The agreement established that Bolsa Chica mitigation credits could be used by the Ports at one credit for each acre of outer harbor landfill and in accordance with Section 15(a), that "…inner harbor landfills shall be debited from this account at half the rate of outer harbor landfills…" Section 15(a) of the Bolsa Chica Mitigation Agreement also provided that the inner and outer harbor boundaries could be adjusted based on biological surveys.

The Department contributed a total of $50.8 million to federal and state regulatory agencies, $39.4 million in fiscal year 1997 and $11.4 million in fiscal 2006, to secure environmental mitigation credits that would allow the Department to complete landfill projects within its harbor. The cost incurred in the acquisition of the environmental credits has been classified as a noncurrent asset. The balance of environmental mitigation credits will get adjusted as landfill credits are used for the Port's development.

As of September 30, 2019, the Department has utilized a total of $13.0 million of environmental credits for completed landfill as part of capital projects within the port boundaries to date, of which about 12 credits or $1.6 million was incurred in fiscal year 2019. No other environmental credit has been acquired. The existing $37.6 million or 226 credits will be partially used in completing phase 3 of the Middle Harbor project that is currently underway and estimated to be completed in fiscal year 2021; and other remaining credits will be used in future projects.

## (8) Investment in Joint Venture

*Intermodal Container Transfer Facility (ICTF)*

The Department and the Port of Los Angeles (POLA) entered into a joint powers agreement to form the ICTF Joint Powers Authority for the purpose of financing and constructing a facility to transfer cargo containers between trucks and railroad cars. 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 to operate as Union Pacific Corporation. The Department appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. The Department and POLA share income and equity distributions equally.

The ICTF's operations are financed from lease revenue from ICTF activities. The Department's share of the ICTF's net position as of September 30, 2019 totaled $4.0 million. Independent ICTF financial statements for the year ended June 30, 2019 are available on their website at http://ictf-jpa.org.

## (9) Transfers to the City Tidelands Operating Fund

City Charter Chapter XII, Section 1209 (c)(4), as amended, provides for the transfer of a maximum of 5% of Harbor Department's operating revenue. The City Charter provides that the City Council, by a two-third vote expressed by Resolution, may request the transfer to meet the lawful obligations of the Tidelands Operations Fund. The provision requires a majority vote of the Board of Harbor Commissioners, expressed by Resolution, to enact the transfer, determining that the funds will not be needed for Harbor Department's operations. During fiscal year 2019, the Department accrued $20.6 million as transfers due to the City Tidelands Operating Fund, to be paid in the following fiscal year.

## (10) Commitments and Contingencies

The Department is subject to claims and lawsuits arising from the normal course of business. The City Attorney's office evaluates these claims on a regular basis. Department management may make a provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that the estimated liability for unreserved claims and suits will not have a material impact on the financial statements of the Department.

Claims expenditures and liabilities are reported 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. Based on an opinion from legal counsel, the Department reserved a litigation claim liability of $5.5 million for fiscal year 2019, most of which is related to construction claims.

Contract commitments and purchase orders, mostly related to capital projects, for which materials or services were not received at September 30, 2019 aggregated $14.3 million.


(Continued)

In September of 2019, the Department entered in a nonoperating Memorandum of Understanding (MOU) with the City of Long Beach Public Works Department to purchase 19.7 mitigation credits from the Colorado Lagoon Restoration project for a total of $26.3 million, of which $1.3 million has already been advanced to the City in the form of a loan that remains outstanding. The remaining funds will be paid to the City as reimbursement for actual cost incurred per the MOU terms from FY2020 through FY2023.

***(a) Risk Management***

The Department currently carries an all-risk property insurance program covering loss or damage by fire and other risks (excluding earthquake and flood) with a loss limit of $1.4 billion in aggregate. The coverage also includes terrorism exposure.

*(i) Construction related*

The Department also carries two insurance programs known as “Builder’s Risk,” which cover property under construction in the Port. One policy, specific to the construction of the Gerald Desmond Bridge replacement, has an overall policy limit of $781.1 million that includes an earthquake limit of $65.0 million. The second policy is a master builder’s risk insurance program that covers all other active Department’s construction projects currently underway. The coverage limit for each construction project in this program is equivalent to the contract’s contract price. Exclusive of earthquake coverage, the maximum per project coverage is $125.0 million without expressed underwriter approval, but can be increased as needed with underwriter approval.

*(ii) General Liability*

To address third-party liability exposure, an excess liability insurance program is carried by the Department with total limits of $150.0 million in excess of a $1.0 million self-insured retention. The excess liability insurance program covers the Department’s operations and includes acts of terrorism within the $150.0 million limit. In addition, the Department carries specialized insurance policies providing coverage for damage to owned vessels, damage to other vessels, and pollution liability.

The amount of settlements reached by the Department did not exceed the amount of insurance coverage in any of the past three fiscal years.

The following is a summary of insurance coverage for the Department as of September 30, 2019 (in thousands):

| | | |
|---|---|---|
| Insurance coverage for fire and other risks | $ | 1,426,842 |
| Builder’s risk for Gerald Desmond Bridge project | | 781,122 |
| Builder’s risk for other projects | | 125,000 |
| Comprehensive general liability | | 150,000 |
| Self-insured retention | | 1,000 |

The Port has a provision that requires tenants, contractors, and vendors to carry various types and levels of insurance, including general liability insurance on leased premises. The insurance must include coverage for bodily injury and property damage liabilities, and name of the City, its Board of Harbor Commissioners, and the Department's officers and employees as additional insured. This provision helps the Port in mitigating its insurance liabilities.

*(iii) Workers Compensation*

The Department participates in the City's self-insured workers' compensation program. During fiscal years 2019, it made payments to the City's Insurance Fund totaling $1.4 for permanent and temporary Department employees. Amounts in the City's Insurance Fund are accumulated to meet losses as they arise.

### *(b) Potential Obligations Related to the ACTA*

The Alameda Corridor Use and Operating Agreement was executed by the Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), ACTA, and the Burlington Northern Santa Fe and Union Pacific Railroads (the Railroads) in 1998. This agreement provides for a payment of funds, known as a "Shortfall Advance," to be made, under certain circumstances, to ACTA by the Department and the POLA. Revenue generated by use fees and container charges, paid by the Railroads, will be used to pay debt service on ACTA financing, to establish and maintain bond repayment and reserve funds, to establish and replenish a reserve account, and to pay ACTA's reasonable expenses relating to administration of the rail corridor.

To the extent that the revenue from use fees and container charges is not sufficient to meet ACTA's obligations, the Department and the POLA have agreed to advance the funds necessary to make up the difference. This obligation began after completion of the corridor project and is limited to a total of 40% of the total annual debt service, with the Department and the POLA each responsible for one-half or 20% of the total amount due in such calendar year.

Prior to April 1 of each year, ACTA is required to provide a Notice of Estimated Shortfall Advances and Reserve Account Funding (the Notice); estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. It is anticipated that there will be differences between estimates and actual results; the differences may be material.

In 2011 and 2012, the Department funded Shortfall Advances of $2.95 million each year. The balance reimbursable by ACTA of $5.9 million, recorded under "other noncurrent assets", the previously paid Shortfall Advances remained unchanged as of September 30, 2019. Shortfall Advances made by the Department and the POLA are reimbursable, with interest, upon ACTA's ability to pay, which is undefined in the near term.

On May 24, 2016, ACTA issued the Series 2016 Bonds and restructured a portion of its debt. This potentially helped reduced the frequency and amount of future Shortfall Advances. The most recent notice date, March 11, 2019, indicates that there is no projected shortfall for ACTA's fiscal year ending June 30, 2020.

***(c) Gerald Desmond Bridge Replacement Project (GDB Project)***

The GDB Project consists of replacing the existing four-lane Gerald Desmond Bridge, which spans the Port's Main Channel, with a new six-lane bridge. Currently, the Gerald Desmond Bridge is only two lanes in each direction with no shoulder and, depending on tide conditions, is too low to accommodate passage of the largest ships. The new bridge is being built with a cable-stayed design under a design-build contract and will feature three lanes in each direction for improved traffic flow, emergency lanes on both the inner and outer shoulders in each direction to reduce traffic delays and safety hazards from accidents and vehicle breakdowns, a 200-foot vertical clearance to accommodate the world's largest vessels, a reduction in the bridge's steep grades, and a bicycle/pedestrian path with scenic overlooks. Additional improvements include reconstruction of the Terminal Island East Interchange and a new interchange with the 710 Freeway. Construction of the new bridge began in 2013 and is expected to be opened to traffic by the calendar year end of 2019.

The bridge budget is a joint effort between Caltrans and the Department. At the latest cost estimate review performed in September 2018, the bridge budget was increased by $69.0 million from $1.492 billion to $1.561 billion, which remained unchanged as of September 30, 2019. The increase is comprised of $19.0 million for Caltrans' labor related cost, and $50.0 million for the Department's capitalized interest cost partially as a result of additional time needed to complete the project. The Department anticipates that funding of the project will come from various sources including federal, state, and local grants. Commitments from these funding sources total $913.0 million and are available as reimbursement for expenditures on the bridge project; and local matching and Port's contribution of $648.0 million. As these expenditures are incurred, amounts eligible for reimbursement from the funding sources are recognized as capital grant revenues in the accompanying statement of revenues, expenses, and change in net position. As of September 30, 2019, the Department has incurred approximately $1.298 billion in costs to construct the replacement bridge. Of this total amount, approximately $702.1 million has been received as capital grants from inception, with $27.5 million reported as part of due from other governmental agencies on the statement of net position as of September 30, 2019.

Upon completion of the GDB Project, the agreement with Caltrans provides for transfer of ownership of the new bridge to Caltrans assuming all conditions of the agreement are met, as a component of the State highway system. The transfer will result in a loss from contributed asset and a reduction of the Department's capital asset. Additionally, the Department has agreed to pay Caltrans operating and maintenance costs with respect to the new bridge for a 30-year period commencing on the date ownership of the new bridge is transferred to Caltrans.

## (11) Long-Term Liabilities

**Schedule of Changes in Long-term Liabilities (In thousands)**

| Description | | Balance, October 1, 2018 | Additions | Reductions | Balance, September 30, 2019 | Due in one year |
|---|---|---|---|---|---|---|
| Revenue bonds | $ | 620,790 | 161,310 | 45,965 | 736,135 | 37,300 |
| Premium | | 62,600 | 38,988 | 6,582 | 95,006 | — |
| Total revenue bonds | | 683,390 | 200,298 | 52,547 | 831,141 | 37,300 |
| 2014C Note | | — | — | — | — | — |
| 2018A Note | | 327,050 | — | — | 327,050 | — |
| Premium | | 21,029 | — | 9,388 | 11,641 | — |
| Total notes payable | | 348,079 | — | 9,388 | 338,691 | — |
| Compensated absences | | 13,024 | 1,036 | — | 14,060 | 3,853 |
| Net pension liability | | 110,982 | 2,629 | — | 113,611 | — |
| Net OPEB liability | | 3,467 | — | 1,912 | 1,555 | — |
| Unearned revenues | | 1,713 | — | 863 | 850 | — |
| Environmental remediation liability | | 3,800 | 400 | — | 4,200 | — |
| Other long term obligation (port headquarters construction costs) | | 199,325 | — | 199,325 | — | — |
| Total long-term liability | $ | 1,363,780 | 204,363 | 264,035 | 1,304,108 | 41,153 |

Senior Bonds are secured by and payable solely from revenues of the Harbor Department pledged under the Senior Resolution, and are not a debt of the City. Upon the occurrence and continuation of an event of default under the Senior Resolution, the bond owners, credit facility provider, a liquidity facility provider or any other party do not have the right to accelerate the payment of principal of and interest on the bonds outstanding. Subordinate Obligations are secured by and payable solely from revenues of the Harbor Department pledged under the Subordinate Resolution (subject to the prior pledge to the Senior Bonds), and are not a debt of the City. Pursuant to Section 10.02 of the Subordinate Resolution, except as otherwise permitted in the Subordinate Resolution or a supplemental resolution, upon the occurrence and continuation of an event of default under the Subordinate Resolution, the holders, a credit facility provider, a liquidity facility provider or any other party do not have the right to accelerate the payment of principal of and interest on the Subordinate Obligations outstanding.

## (12) Bonds Indebtedness

Bond premiums and discounts of long-term debt issues are amortized over the life of the related debt. The Harbor department's bonded indebtedness issues and transactions are as follows (in thousands):

| Description | Date of issue | Interest rate | Fiscal term and maturity year | Original principal | Beginning balance October 1, 2018 | Additions | Payments * | Ending balance September 30, 2019 | Principal due within one year |
|---|---|---|---|---|---|---|---|---|---|
| Revenue bonds: | | | | | | | | | |
| 1998 | 2/1/1998 | 6 % | 2018-19 | $ 206,330 | 16,600 | — | 16,600 | — | — |
| 2010A | 3/31/2010 | 3% – 5% | 2018-25 | 200,835 | 111,185 | — | 13,710 | 97,475 | 14,355 |
| 2010B | 4/29/2010 | 4% – 5% | 2018-27 | 158,085 | 124,855 | — | 15,655 | 109,200 | 16,095 |
| 2014B | 4/24/2014 | 3% – 5% | 2018-27 | 20,570 | 11,700 | — | — | 11,700 | — |
| 2015A | 4/16/2015 | 4% – 5% | 2018-23 | 44,845 | 33,115 | — | — | 33,115 | 6,850 |
| 2015B | 4/16/2015 | 5 % | 2023-25 | 20,130 | 20,130 | — | — | 20,130 | — |
| 2015C | 7/15/2015 | 5 % | 2026-32 | 66,085 | 66,085 | — | — | 66,085 | — |
| 2015D | 7/15/2015 | 5 % | 2033-42 | 66,865 | 66,865 | — | — | 66,865 | — |
| 2017A | 6/28/2017 | 5 % | 2026-40 | 101,610 | 101,610 | — | — | 101,610 | — |
| 2017B | 6/28/2017 | 5 % | 2041-43 | 25,985 | 25,985 | — | — | 25,985 | — |
| 2017C | 6/28/2017 | 5 % | 2043-47 | 42,660 | 42,660 | — | — | 42,660 | — |
| 2019A | 7/11/2019 | 5 % | 2026-49 | 161,310 | — | 161,310 | — | 161,310 | — |
| Total bonds | | | | $ 1,115,310 | 620,790 | 161,310 | 45,965 | 736,135 | 37,300 |
| Unamortized bond premium | | | | | 62,600 | 38,988 | 6,582 | 95,006 | — |
| Net total bonds indebtedness | | | | | $ 683,390 | 200,298 | 52,547 | 831,141 | 37,300 |

* Bonds' principal payable is annually on May 15, and interest payable is semiannually on May 15 and November 15.

*Annual Debt Service Requirements to Maturity – All Bonded Debt (excluding Bond Anticipated Notes)*

Scheduled annual principal bond maturities and interest are summarized as follows (in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Fiscal year(s) ending September 30: | | | |
| 2020 | $ 37,300 | 35,458 | 72,758 |
| 2021 | 39,110 | 34,873 | 73,983 |
| 2022 | 41,065 | 32,918 | 73,983 |
| 2023 | 42,310 | 30,865 | 73,175 |
| 2024 | 44,430 | 28,749 | 73,179 |
| Thereafter | 531,920 | 318,383 | 850,303 |
| | $ 736,135 | 481,246 | 1,217,381 |

Details of each outstanding debt issue are as follows:

### *(a) 1998 Harbor Revenue Refunding Bonds*

The City of Long Beach Harbor Revenue Refunding Bonds Series 1998A (the 1998 Bonds) are secured by the Department's gross revenue. The 1998 Bonds, dated February 1, 1998, amounting to $206.3 million were issued to refund all of the City's Harbor Revenue Bonds Series 1989A (the 1989 Bonds).

The 1998 Bonds were defeased in May of fiscal year 2019 and the liability for those bonds was removed from the Department's statement of net position.

### *(b) 2010A Harbor Revenue Bonds*

The City of Long Beach Harbor Revenue Bonds Series 2010A (the 2010A Bonds) are secured by the Department's gross revenue. The 2010A Bonds, dated March 31, 2010, amounting to $200.8 million were issued to finance certain capital improvements at the Port, to fund a reserve fund for the 2010A Bonds, and to pay the costs of issuing the 2010A Bonds.

The 2010A Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The 2010A Bonds maturing on or after May 15, 2021 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2020, at a redemption price equal to 100% of the principal amount of the 2010A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service requirements. As of September 30, 2019, the Department has set aside $20.0 million in a bond reserve fund.

### *(c) 2010B Harbor Revenue Refunding Bonds*

The City of Long Beach Harbor Revenue Refunding Bonds Series 2010B (the 2010B Bonds) are secured by the Department's gross revenue. The 2010B Bonds, dated April 29, 2010, amounting to $158.1 million were issued to refund $63.1 million aggregate principal amount of the City's Harbor Revenue Bonds Series 2002B, $12.1 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds Series 2004A, and $78.4 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds Series 2005A to fund a reserve fund for the 2010B Bonds and to pay the costs of issuing the 2010B Bonds.

The 2010B Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The 2010B Bonds maturing on or after May 15, 2021 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2020, at a redemption price equal to 100% of the principal amount of the 2010B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statements of net position as component of deferred outflow of resources.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service requirements. As of September 30, 2019, the Department has set aside $16.5 million in a bond reserve fund.

### *(d) 2014B Harbor Revenue Refunding Bonds*

The City of Long Beach Harbor Revenue Senior Bonds Series 2014B (the 2014B Bonds) are secured by the Department's gross revenue. The 2014B Bonds, dated April 24, 2014, amounting to $20.6 million were issued in conjunction with the 2014A Bonds described above to refund all of (a)(i) the City of Long Beach, California, Harbor Revenue Bonds, Series 2002B, which were outstanding in the aggregate principal amount of $43.4 million, (a) (ii) the City of Long Beach, California, Harbor Revenue Refunding Bond, Series 2004A, which were outstanding in the aggregate principal amount of $13.1 million, and (a)(iii) the City of Long Beach, California, Harbor Revenue Refunding Bonds Series 2004B, which were outstanding in the aggregate principal amount of $32.0 million (collectively, the Refunded Bonds), and (b) pay the costs of issuing the 2014 Bonds.

The 2014B Bonds maturing on or before May 15, 2024 are not subject to redemption prior to maturity. The 2014B Bonds maturing on or after May 15, 2025 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2024, at a redemption price equal to 100% of the principal amount of the 2014B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemptions, without premium.

The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statements of net position as component of deferred inflow of resources.

***(e) 2015A Harbor Revenue Refunding Bonds***

The City of Long Beach Harbor Revenue Senior Bonds Series 2015A (the 2015A Bonds) are secured by the Department’s gross revenue. The 2015A Bonds, dated April 16, 2015, amounting to $44.8 million were issued in conjunction with the 2015B Bonds described below and other available moneys to (a) current refund and/or defeased all or a portion of the Series 2005 Senior Bonds, and (b) pay the costs of issuing the 2015A Bonds. This refunding was undertaken to reduce total debt service payments over the next 10 years by $36.2 million with an economic gain of $12.1 million.

The 2015A Bonds are not redeemable prior to maturity.

The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statements of net position as component of deferred inflow of resources.

***(f) 2015B Harbor Revenue Refunding Bonds***

The City of Long Beach Harbor Revenue Senior Bonds Series 2015B (the 2015B Bonds) are secured by the Department’s gross revenue. The 2015B Bonds, dated April 16, 2015, amounting to $20.1 million, were issued in conjunction with the 2015A Bonds described above and other available money to (a) current refund and/or defeased all or a portion of the Series 2005 Senior Bonds, and (b) pay the costs of issuing the 2015 Bonds. Even though this refunding resulted in an increase of $0.8 million in the total of debt service payments over the next 10 years, it resulted in an economic gain of $1.7 million.

The 2015B Bonds are not subject to redemption prior to maturity.

The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statements of net position as component of deferred inflow of resources.

### *(g) 2015C Harbor Revenue Bonds*

The City of Long Beach Harbor Revenue Senior Bonds Series 2015C (the 2015C Bonds) are secured by the Department's gross revenue. The 2015C Bonds, dated July 15, 2015, amounting to $66.1 million were issued in conjunction with the 2015D Bonds (the Series 2015 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department at the Port of Long Beach, including, but not limited to, the Series 2015 Projects, and/or repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bond.

The 2015C Bonds are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, or after May 15, 2025, at a redemption price equal to 100% of the principal amount of the 2015C Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

### *(h) 2015D Harbor Revenue Bonds*

The City of Long Beach Harbor Revenue Senior Bonds Series 2015D (the 2015D Bonds) are secured by the Department's gross revenue. The 2015D Bonds, dated July 15, 2015, amounting to $66.8 million were issued in conjunction with the 2015C Bonds (the Series 2015 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, the Series 2015 Projects, and/or repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bond.

The 2015D Bonds are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, or after May 15, 2025, at a redemption price equal to 100% of the principal amount of the 2015D Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

### *(i) 2017A Harbor Revenue Bonds*

The City of Long Beach Harbor Revenue Senior Bonds Series 2017A (the 2017A Bonds) are secured by the Department's gross revenue. The 2017A Bonds, dated June 28, 2017, amounting to $101.6 million were issued in conjunction with the 2017B and 2017C Bonds (the Series 2017 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, the Series 2017 Projects, and (b) pay the financing costs and the costs of issuing the Series 2017 Senior Revenue Bond.

The 2017A Bonds maturing on or before May 15, 2027 are not subject to redemption prior to maturity. The 2017A Bonds maturing on or after May 15, 2028 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2027, at a redemption price equal to 100% of the principal amount of the 2017A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

### *(j) 2017B Harbor Revenue Bonds*

The City of Long Beach Harbor Revenue Senior Bonds Series 2017B (the 2017B Green Bonds) are secured by the Department's gross revenue. The 2017B Bonds, dated June 28, 2017, amounting to $26.0 million were issued in conjunction with the 2017A and 2017C Bonds (the Series 2017 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, the Series 2017B Green Projects, and (b) pay the financing costs and the costs of issuing the Series 2017 Senior Revenue Bond.

The 2017B Green Bonds maturing on or before May 15, 2027 are not subject to redemption prior to maturity. The 2017B Green Bonds maturing on or after May 15, 2028 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2027, at a redemption price equal to 100% of the principal amount of the 2017B Green Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

### *(k) 2017C Harbor Revenue Bonds*

The City of Long Beach Harbor Revenue Senior Bonds Series 2017C (the 2017C Bonds) are secured by the Department's gross revenue. The 2017C Bonds, dated June 28, 2017, amounting to $42.7 million were issued in conjunction with the 2017A and 2017B Bonds (the Series 2017 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, Series 2017 Projects, (b) repay all of the outstanding Series B Subordinate Revolving Obligations, and (c) pay the financing costs and the costs of issuing the Series 2017 Senior Revenue Bond.

The 2017C Bonds maturing on or before May 15, 2027 are not subject to redemption prior to maturity. The 2017C Bonds maturing on or after May 15, 2028 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2027, at a redemption price equal to 100% of the principal amount of the 2017C Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

### *(l) 2019A Harbor Revenue Bonds*

The City of Long Beach Harbor Revenue Bonds Series 2019A (the 2019A Bonds) are secured by the Department's gross revenue. The 2019A Bonds, dated July 11, 2019, amounting to $161.3 million were issued to provide funds to (a) pay and/or reimburse the Harbor Department for the costs of the design and construction of the new headquarters building for the Harbor Department, and (b) pay the costs of issuing the Series 2019A Bonds.

The 2019A Bonds maturing on or before May 15, 2029 are not subject to redemption prior to maturity. The 2019A Bonds maturing on or after May 15, 2030 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2029, at a redemption price equal to 100% of the principal amount of the 2019A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

## (13) 2018A Harbor Revenue Refunding Bond Anticipated Notes (BANs) in connection to the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Commitment

BANs or Notes are short term debt, and premiums or discounts are amortized over the life of the related debt. The Harbor department's notes indebtedness issues and transactions are as follows (in thousands):

| Description | Date of issue | Interest rate | Fiscal term and maturity year | Original principal | Beginning Balance October 1, 2018 | Additions | Payments* | Ending balance September 30, 2019 | Principal due within one year |
|---|---|---|---|---|---|---|---|---|---|
| Senior Notes: | | | | | | | | | |
| 2018A Notes | 9/19/2018 | 5 % | 2021 | $ 327,050 | 327,050 | — | — | 327,050 | — |
| Total notes | | | | $ 327,050 | 327,050 | — | — | 327,050 | — |
| Unamortized bond premium | | | | | 21,029 | — | 9,388 | 11,641 | — |
| Net total notes indebtedness | | | | | $ 348,079 | — | 9,388 | 338,691 | — |

* 2018A Notes' interest payable is semiannually on June 15 and December 15.

Scheduled annual principal note maturities and interest are summarized as follows (in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Fiscal year ending September 30: | | | |
| 2020 | $ — | 16,353 | 16,353 |
| 2021 | 327,050 | 8,176 | 335,226 |
| | $ 327,050 | 24,529 | 351,579 |

### *2018A Senior Notes*

The City of Long Beach Harbor Revenue Notes Series 2018A Senior Notes (the 2018A Notes) are secured by the Department's gross revenue. The 2018A Notes were issued on September 19, 2018 to refund the 2014C Notes that were due to mature on November 15, 2018. The 2014C Notes were issued with a 4.5-year term at an aggregate principal and interest amount of $325.0 million and $69.2 million, respectively. The 2018A Notes were issued with a 2.25-year term for an aggregate principal and interest amount of $327.1 million and $36.0 million, respectively. Proceeds of the Series 2018A Senior Notes, along with certain moneys and investments to be released from the Interest Account of the Bond Service Fund, will be used to (a) refund and pay, all of the principal and interest on the City's Harbor Revenue Short-Term Notes, Series 2014C (the Refunded Notes), which are outstanding in the aggregate principal amount of $325.0 million, (b) fund the "Capitalized Interest Fund", a debt service account reserve for interest payments on the Series 2018A Senior Notes through approximately April 24, 2020, and (c) pay the costs of issuing the Series 2018A Senior Notes.

The 2014C and 2018A Notes were issued as an interim financing for a portion of the Port's share of the GDB Project's construction costs through its expected substantial completion, the date after which the TIFIA loan can be drawn. This proposed financing instrument allows flexibility for the Port to benefit from interest savings of a lower short term interest rate market. It is anticipated that the proceeds from the TIFIA loan, when it is drawn, will be used to repay the 2018A Notes.

The 2018A Notes are outstanding as of September 30, 2019, and will mature on December 15, 2020 with interest payable semiannually of June 15 and December 15. The Series 2018A Senior Notes will not be subject to redemption prior to maturity.

As of September 30, 2019, the balance of the debt service account (Capitalized Interest Fund) $13.8 million is restricted to meet debt service requirements in conformity with the note resolution.

***TIFIA Loan Commitment***

In May 2014, the Harbor Department entered into a loan agreement (the TIFIA Loan) with the United States Department of Transportation (USDOT) under the TIFIA. Under the TIFIA Loan, the USDOT will allow the Department to borrow up to $325.0 million, provided the amount so borrowed will be used to finance and refinance the costs related to the replacement of the Gerald Desmond Bridge, including, but not limited to, the repayment of the 2018A Notes. The loan is secured by a subordinate lien on the Department's gross revenue. The loan agreement defines the permissible period for the drawdown of funds to be within the one year after substantial completion of the replacement bridge currently expected in July of 2020. As such, there is no outstanding liability for the TIFIA Loan as of September 30, 2019. Once drawn upon, the TIFIA Loan will be repaid over a period not to exceed 35 years at an interest rate of 3.42%.

## (14) Lines of Credit

On May 16, 2019, the Board of Harbor Commissioners approved a three-year revolving credit agreement in connection with a tax-exempt and taxable revolving line of credit to be provided by MUFG Union Bank, N.A. in an aggregate principal amount not to exceed $200.0 million outstanding at any one time. The tax-exempt and taxable interest rates to be paid by the Department for borrowings under the revolving lines of credit with Union Bank will be based on a percentage of the one-month London Interbank Offered Rate (LIBOR). The purpose of this line of credit is to provide more flexibility to access unrestricted funds when the Department has a need.

As of September 30, 2019, the Department has no outstanding balance under this revolving line of credit with Union Bank. The expiration date of this line of credit is May 13, 2022.

## (15) Retirement Program

### *(a) Pension Plan*

*(i) Plan Description – California Public Employees' Retirement System (CalPERS)*

The City contributes to the CalPERS agent multiple-employer defined-benefit pension plan. The City is considered the employer and the Department is a department of the City. The Department's employees are enrolled in the City Miscellaneous Plan which functions as a cost-sharing plan for the department. CalPERS provides retirement benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the plan are established by the State's statute and the City's resolution. All City departments are considered collectively to be a single employer, and the actuarial present value of vested and nonvested accumulated plan benefits attributable to the Department's employees is determined based on the Department's percentage of plan contribution. CalPERS issues publicly available reports that include a full description of the pension plans, including benefit provisions, assumptions and membership information. All qualified permanent employees of the Department are eligible to participate in the Miscellaneous Plan. The reports can be found on the CalPERS website.

*Benefits Provided* – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment, age at retirement and final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for the plan is applied as specified by the Public Employees' Retirement Law.

*Contributions* – California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Miscellaneous Plan's provisions and benefits in effect at September 30, 2019, are summarized in the following table:

| | Miscellaneous | | |
|---|---|---|---|
| **Hire date** | **Tier 1 Prior to October 1, 2006** | **Tier 2 On or after October 1, 2006 and prior to January 1, 2013** | **Tier 3 On or after January 1, 2013** |
| Benefit formula | 2.7% at 55 | 2.5% at 55 | 2.0% at 62 |
| Benefit vesting schedule | | 5 years of service | |
| Benefit payments | | Monthly for life | |
| Retirement age | 50–55 | 50–55 | 52–62 |
| | **Required contribution rates** | | |
| Employee | 8.0 % | 8.0 % | 6.5 % |
| Employer | 25.594 % | 25.594 % | 25.594 % |
| | **Percentage of eligible compensation** | | |
| Monthly benefits | 2.0% to 2.7% | 2.0% to 2.5% | 1.0% to 2.0% |

*(ii) Allocation Methodology*

The City used a calculated percentage based on the Department's share of contribution to the City's total contribution amounts for each plan, to provide the Department's net pension liability and related GASB 68 accounting elements. The Department's proportionate share totaled 18.3% as of September 30, 2019.

*(iii) Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows Related to Pensions*

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the plan's fiduciary net position. Net pension liability is measured as of June 30, 2019 (measurement date). The Department's share of the net pension liability for the Miscellaneous Plan was $113.6 million at the beginning of the period and $108.5 million at June 30, 2019. For the measurement period, the Department incurred pension expense of $17.2 million and is reported in the general administrative operating expense in the accompanying financial statements.

As of September 30, 2019, the Department had deferred outflows and deferred inflows related to pensions as follows (in thousands):

| | | |
|---|---|---|
| Deferred outflows of resources: | | |
| Pension contributions after measurement date | $ | 9,463 |
| CalPERS differences between actual and expected experience | | 1,397 |
| CalPERS change in proportion | | 2 |
| Total deferred outflows of resources | $ | 10,862 |
| Deferred inflows of resources: | | |
| CalPERS difference between actual and expected investment returns | | 1,842 |
| CalPERS differences between actual and expected experience | $ | 1,755 |
| CalPERS change in assumptions | | 3,019 |
| CalPERS change in proportion | | 2,703 |
| Total deferred inflows of resources | $ | 9,319 |

Exclusive of deferred outflows related to payments after the measurement date which will be recognized in the following year, the net amount of deferred outflows (inflows) of resources related to pensions that will be recognized in pension expense during the next five years and thereafter is as follows (in thousands):

| Measurement period ending June 30 | | Total |
|---|---|---|
| 2020 | $ | 4,377 |
| 2021 | | 3,366 |
| 2022 | | 572 |
| 2023 | | (395) |
| Total | $ | 7,920 |

*(iv) Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

A summary of principal assumptions and methods used to determine the net pension liability as of September 30, 2019 is as follows:

| | |
|---|---|
| Valuation date | June 30, 2018 |
| Measurement date | June 30, 2019 |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions: | |
| Discount rate | 7.15 % |
| Inflation | 2.5 % |
| Projected salary increase | Varies by entry age and service |
| Investment rate of return | 7.15 % *[1] |
| Mortality | *[1] |

*[1] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2019 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called *GASB Crossover Testing Report* that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments of 7.375% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class for the Miscellaneous Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset class as of September 30, 2019 | New strategic allocation | Real return years 1–10 [a] | Real return years 11+ [b] |
|---|---|---|---|
| Global equity | 50.00 % | 4.80 % | 5.98 % |
| Fixed income | 28.00 | 1.00 | 3.00 |
| Inflation sensitive | — | 0.77 | 2.00 |
| Private equity | 8.00 | 6.30 | 7.00 |
| Real assets | 13.00 | 3.75 | 4.93 |
| Liquidity | 1.00 | — | (0.92) |

[a] an expected inflation of 2.00% used for this period

[b] an expected inflation of 2.92% used for this period

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following table presents the net pension liability of the Department as of the measurement date, calculated using the discount rate of 7.15%, compared to a discount rate that is 1.0% age point lower (6.15%) or 1.0% age point higher (8.15%). Amounts shown below are in thousands:

**Sensitivity to net pension liability**

| | | Net pension liability as of September 30, 2019 |
|---|---|---|
| 1.0% Decrease (6.15%) | $ | 177,860 |
| Current discount rate (7.15%) | | 113,611 |
| 1.0% Increase (8.15%) | | 60,392 |

### *(b) Postretirement Healthcare Benefits (OPEB)*

*(i) Plan Description*

The Department participates in the City of Long Beach Retiree Health Care plan (the Plan), a single-employer plan administer by the City of Long Beach. The Plan covers all eligible full-time employees of the City. City Council has the authority to establish and amend the benefit terms currently permitted by Ordinance No. C-7556.

*(ii) Benefits Provided*

The Plan provides access to health, dental and long-term care insurance for retirees and their dependents at active employee rates as long as (a) that employee participated in a City provided insurance program of that type (PPO or HMO) during the year immediately preceding retirement, (b) has not attained the eligibility age for Medicare payments, and (c) has attained the minimum retirement age for the employee’s retirement plan. Benefits are administered through a third-party provider.

*(iii) Total OPEB Liability, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB*

At September 30, 2019, the Department reported a total OPEB liability of $1.6 million for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2018 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of September 30, 2018. The Departments proportion of the City’s total OPEB liability was based on the Department’s share of sick leave balances. At September 30, 2019, the Department’s proportion was 6.7%.

For the years ended September 30, 2019, the Department incurred OPEB expense of $80 thousand and is reported in the personnel services expense in the accompanying financial statements.


(Continued)

As of September 30, 2019, the Department had deferred outflows and deferred inflows related to OPEB as follows (in thousands):

| | | |
|---|---|---|
| Deferred outflows of resources: | | |
| OPEB contributions after measurement date | $ | 195 |
| Change in assumptions | | 474 |
| Total deferred outflow of resources | $ | 669 |
| Deferred inflows of resources: | | |
| Difference between actual and expected experience | $ | 493 |
| Change in assumptions | | 1,890 |
| Change in proportion | | 127 |
| Total deferred inflow of resources | $ | 2,510 |

Amounts reported as deferred outflows and deferred outflows related to OPEB from the Department's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year. Amounts related to both the deferred outflow of resources and deferred inflow of resources will be amortized over the next 8.3 years. Amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense over the next five years as follows (in thousands):

| Year ending September 30 | | Amount to be recognized |
|---|---|---|
| 2020 | $ | (222) |
| 2021 | | (222) |
| 2022 | | (222) |
| 2023 | | (222) |
| 2024 | | (222) |
| 2025–2029 | | (926) |
| Total | $ | (2,036) |

*(iv) Actuarial Assumptions*

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions.

| | | | |
|---|---|---|---|
| Valuation date | September 30, | 2018 | |
| Measurement date | September 30, | 2018 | |
| Actuarial cost method | | Entry age | |
| Actuarial assumptions: | | | |
| Inflation | | 2.75 % | |
| Discount rate | | 3.83 % | Based on Fidelity Municipal Bond GO AA 20-year Bond Index |
| Payroll increases | | 3.00 % | |
| | | Merit | CalPERS 1997-2015 Experience Study |
| Mortality, Withdrawal, Disability, Retirement | | | CalPERS 1997-2015 Experience Study and mortality projected fully generational with Scale MP-2018 |
| Healthcare Costs trend rates | | 7.50% for 2020, decreasing to 4.0% for 2076 and later | |
| Participation rate | | 75%, 100% select City plans; 50% post-Medicare | |

*(v) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (in thousands):

| Total OPEB liability | | 1 Percent decrease (2.83%) | Discount rate (3.83%) | 1 Percent increase (4.83%) |
|---|---|---|---|---|
| As of September 30, 2019 | $ | 786 | 1,555 | 2,057 |

*(vi) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5% decreasing to 4.0%) or higher (8.5% decreasing to 4.0%) than the current healthcare cost trend rates:

| Total OPEB liability | | 1 Percent decrease (6.5%) | Healthcare cost trend rate (7.5%) | 1 Percent increase (8.5%) |
|---|---|---|---|---|
| As of September 30, 2019 | $ | 1,948 | 1,555 | 905 |

### *(c) Termination Benefits*

As of September 30, 2019, the City has recorded a liability in the Employee Benefits Internal Service Fund of $152.6 million, based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB 16). The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees.

The $152.6 million long-term portion of the liability is being funded over time through burden rates, applied as a percentage of current productive salaries, and charged to the various City funds.

For the years ended September 30, 2019, the Department has recorded noncurrent liabilities totaling $10.2 million, which represents the Departments share of these liabilities.

### *(d) Deferred Compensation Plan*

The City offers its employees the option to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457 allowing them to defer or postpone receipt of income. Amounts deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee. Further information regarding the City's deferred compensation plan may be found in the City's Comprehensive Annual Financial Report for the years ended September 30, 2019.

## (16) Environmental Remediation Obligation

The following environmental remediation obligations were identified by the Department as of September 30, 2019:

(a) Warehouse D48-50 Transit Shed: Environmentally sensitive materials were identified in the warehouse as a result of a hazardous building materials survey in 2017. The remediation cost estimate is $1.6 million based on a current proposal. This warehouse has a net book value of zero and there is no reasonable expectation of any recovery associated with these remediation efforts. The Department has received bid proposals for the design work of remediation project that are currently under review as part of the selection process.

(b) Project Pier E Container Yard-Intermodal Railyard: Environmentally contaminated soil materials were found during the project's construction. The cost estimate of the remediate efforts is approximately $1.4 million, an amount which has been approved by the Department's Board.

(c) Demolition of Port's Former Administration Building: Environmentally sensitive materials were identified in the building and a remediation effort will be required as part of the demolition procedures. The abatement cost estimate is approximately $1.2 million. This building has a net book value of zero and there is no reasonable expectation of any recovery associated with these remediation efforts.

## (17) Deferred Outflows/Inflows of Resources

The deferrals of accounting gains and losses are related to cumulative bond refunding activity from current year and prior year bonds. The deferred outflows and deferred inflows of resources related to net pension liability are certain changes in total pension liability and fiduciary net position of the pension plan that are to be recognized in future pension expense.

The schedule of deferrals as of September 30, 2019 is as follows (expressed in thousands):

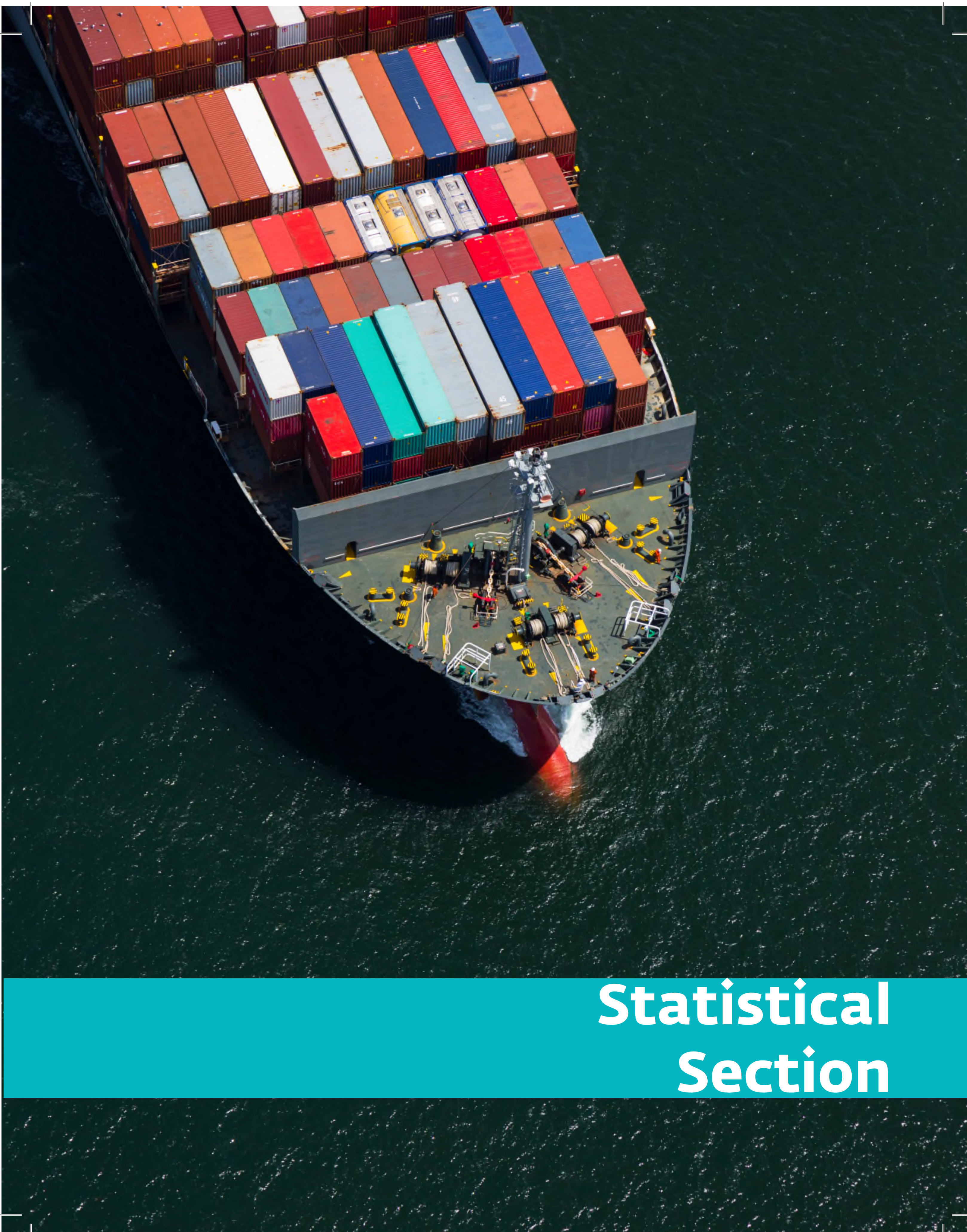
| | | |
|---|---|---|
| Deferred outflows of resources: | | |
| Loss on debt refunding | $ | 2,443 |
| Pension related deferred outflows | | 10,862 |
| OPEB related deferred outflows | | 752 |
| Total deferred outflows of resources | $ | 14,057 |
| Deferred inflows of resources: | | |
| Gain on debt refunding | $ | 1,289 |
| Pension related deferred inflows | | 9,319 |
| OPEB related deferred inflows | | 2,510 |
| Total deferred inflows of resources | $ | 13,118 |

## (18) Subsequent Events

On February 5, 2020 the Department through the City of Long Beach issued the 2020 Revenue Refunding Bonds Series A and Series B (2020 Refunding Bonds) to defease all of its outstanding 2010 Bonds Series, an aggregate principal amount of $206.7 million, which comprised of Series A Bonds for $97.5 million and Series B Bonds for $109.2 million. The 2020 Refunding Bonds were issued in two series for the aggregate par amount of $130.7 million, with Series A (NonAMT) for $55.7 million and Series B (AMT) for $74.9 million.

Sources of funds contributed to the 2020 Refunding Bonds' transaction that reduced the net borrowing from the refunded amount of $206.7 million to $130.7 million included the premium of $19.1 million, the principal payment of $22.8 million, and the release of 2010 Bond Reserve fund of $36.5 million. The total present value savings from the transaction was $22.6 million.

The recent coronavirus (COVID-19) outbreak has had a negative impact on the global supply chain, including numerous, ongoing factory closures in China. This has resulted in higher-than-normal cancellations of vessel calls coming from China. China is a major source of inbound cargo to the Port. The Harbor Department cannot predict the duration of the outbreak, and the resulting decrease in the number of ships calling at the Port or any other potential negative effects. Any prolonged reduction in the number of ships calling at the Port or any other negative effects on activity at the Port could result in decreased revenues. On the other hand, a reduction in the number of ships calling at the Port now could be followed by a subsequent surge in inbound cargo at a later time as inventories are depleted.



# Statistical Section

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statistical Section

Year ended September 30, 2019

(Unaudited)

This section presents detailed information as a context for understanding of what the information in the financial statements and note disclosures shows about the Department's overall financial health.

**Page(s)**

Exhibit 1

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statements of Net Position

Last Ten Fiscal Years

(In millions)

(Unaudited)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Assets and deferred outflows: | | | | | | | | | | |
| Current | $ 658 | 717 | 690 | 487 | 501 | 453 | 441 | 673 | 634 | 581 |
| Other | 5,039 | 4,853 | 4,665 | 4,550 | 4,474 | 4,229 | 3,612 | 2,931 | 2,858 | 2,883 |
| Deferred outflows | 14 | 21 | 42 | 42 | 22 | 10 | 11 | 13 | — | — |
| Total assets and deferred outflows | $ 5,711 | 5,591 | 5,397 | 5,079 | 4,997 | 4,692 | 4,064 | 3,617 | 3,492 | 3,464 |
| Liabilities and deferred inflows: | | | | | | | | | | |
| Current | $ 125 | 315 | 101 | 111 | 100 | 123 | 153 | 123 | 104 | 108 |
| Current – restricted* | 55 | 58 | 65 | 61 | 60 | 67 | 61 | 59 | 58 | 57 |
| Long term | 1,263 | 1,115 | 1,292 | 1,115 | 1,215 | 1,037 | 672 | 641 | 678 | 751 |
| Deferred inflows | 13 | 22 | 13 | 12 | 15 | 3 | — | — | — | — |
| Total liabilities and deferred inflows | $ 1,456 | 1,510 | 1,471 | 1,299 | 1,390 | 1,230 | 886 | 823 | 840 | 916 |
| Net position: | | | | | | | | | | |
| Net investment in capital assets | $ 3,745 | 3,643 | 3,492 | 3,442 | 3,077 | 2,975 | 2,848 | 2,105 | 1,916 | 1,859 |
| Restricted | 47 | 56 | 51 | 90 | 265 | 199 | 62 | 157 | 178 | 208 |
| Unrestricted | 463 | 382 | 383 | 248 | 267 | 289 | 269 | 531 | 558 | 481 |
| Total net position | $ 4,255 | 4,081 | 3,926 | 3,780 | 3,609 | 3,463 | 3,179 | 2,793 | 2,652 | 2,548 |
| Working capital | $ 533 | 402 | 589 | 376 | 401 | 330 | 288 | 550 | 530 | 473 |
| Current ratio | 3.7 | 1.9 | 4.2 | 2.8 | 3.1 | 2.4 | 2.1 | 3.7 | 3.9 | 3.5 |
| Debt to asset ratio | 28.8 % | 31.0 % | 31.3 % | 28.3 % | 30.9 % | 29.0 % | 24.5 % | 28.0 % | 29.4 % | 31.8 % |

* Current liabilities payable from restricted assets.

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

Exhibit 2

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Changes in Fund Net Position

Last Ten Fiscal Years

(In millions)

(Unaudited)

| | | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenue | $ | 412 | 402 | 381 | 361 | 355 | 357 | 346 | 334 | 345 | 321 |
| Operating expense | | 279 | 287 | 291 | 291 | 271 | 227 | 188 | 176 | 166 | 185 |
| Income from operations | | 133 | 115 | 90 | 70 | 84 | 130 | 158 | 158 | 179 | 136 |
| Investment earnings | | (9) | (10) | — | (15) | 39 | (12) | — | (16) | (50) | (13) |
| Capital grants | | 68 | 68 | 73 | 132 | 121 | 178 | 251 | 14 | 7 | 19 |
| Other income/(expense) | | 3 | 2 | 2 | 5 | 4 | 7 | 1 | 3 | 5 | 8 |
| Transfers to City Tidelands Fund | | (21) | (20) | (19) | (19) | (18) | (18) | (17) | (17) | (37) | (30) |
| Change in net position | $ | 174 | 155 | 146 | 173 | 230 | 285 | 393 | 142 | 104 | 120 |
| Return on investment | | 4.6 % | 4.3 % | 4.2 % | 0.1 % | 7.4 % | 9.4 % | 14.4 % | 6.7 % | 5.2 % | 6.2 % |
| Capital expenditures (Includes personnel costs) | $ | 496 | 251 | 252 | 367 | 363 | 552 | 792 | 373 | 228 | 273 |
| Personnel: | | | | | | | | | | | |
| Wages and benefits * | $ | 66 | 63 | 60 | 62 | 55 | 48 | 45 | 43 | 42 | 41 |

* from operations

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Operating Revenue by Type

Last 10 fiscal years

(In millions)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Berth and special facilities: | | | | | | | | | | |
| Wharfage | $ 367 | 359 | 342 | 323 | 312 | 308 | 297 | 269 | 280 | 258 |
| Dockage | 6 | 7 | 7 | 8 | 11 | 11 | 12 | 12 | 12 | 11 |
| Bunkers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Special facilities rentals | 19 | 16 | 13 | 16 | 16 | 14 | 12 | 28 | 23 | 21 |
| Crane rentals | — | — | — | — | 2 | 13 | 13 | 13 | 13 | 13 |
| Other | 1 | 1 | 1 | 1 | 1 | 1 | 1 | — | — | — |
| Total berths and special facilities | 394 | 384 | 364 | 349 | 343 | 348 | 336 | 323 | 329 | 305 |
| Rental properties | 15 | 14 | 14 | 10 | 10 | 9 | 9 | 10 | 14 | 14 |
| Miscellaneous | 3 | 4 | 3 | 3 | 2 | 1 | 1 | 2 | 2 | 3 |
| Total operating revenue | $ 412 | 402 | 381 | 362 | 355 | 358 | 346 | 335 | 345 | 322 |
| Growth (reduction)% | | 5.5 | 5.6 | 1.5 | (1.1) | 3.4 | 3.6 | (3.5) | 7.4 | 3.3 |
| Special facility revenue by terminal commodity: | | | | | | | | | | |
| Containers | $ 311 | 311 | 291 | 275 | 270 | 280 | 268 | 256 | 267 | 247 |
| Liquid bulk | 23 | 17 | 18 | 17 | 17 | 16 | 17 | 17 | 16 | 17 |
| Dry bulk | 37 | 37 | 35 | 29 | 29 | 26 | 26 | 24 | 22 | 19 |
| Vehicles | 17 | 14 | 15 | 15 | 14 | 13 | 12 | 13 | 10 | 10 |
| Steel | 5 | 4 | 4 | 8 | 8 | 8 | 8 | 8 | 8 | 6 |
| Lumber | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Miscellaneous | — | — | — | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total special facility revenue | $ 394 | 384 | 364 | 348 | 342 | 347 | 335 | 322 | 327 | 303 |

Source: Finance Division, Harbor Department

See accompanying independent auditors' report.

Exhibit 4

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Revenue Bonds Debt Service Coverage

Last Ten Fiscal Years

(Millions of Dollars)

(Unaudited)

| Fiscal year | | Revenues (a) | Maintenance costs (b) | Net revenues (a–b) | Revenue bonds debt service (c) | Times debt service covered |
|---|---|---|---|---|---|---|
| 2019 | $ | 432 | 135 | 297 | 77 | 3.86 |
| 2018 | | 406 | 139 | 267 | 80 | 3.34 |
| 2017 | | 383 | 143 | 240 | 72 | 3.33 |
| 2016 | | 365 | 144 | 221 | 73 | 3.03 |
| 2015 | | 359 | 134 | 225 | 78 | 2.88 |
| 2014 | | 360 | 108 | 252 | 80 | 3.15 |
| 2013 | | 347 | 98 | 249 | 80 | 3.11 |
| 2012 | | 337 | 87 | 250 | 80 | 3.13 |
| 2011 | | 350 | 81 | 269 | 80 | 3.36 |
| 2010 | | 330 | 98 | 232 | 82 | 2.83 |

(a) Total port operating revenue and interest earned only.

(b) Port operating expenses before depreciation and amortization.

(c) Bonds only not including bond anticipation notes (BANs) or line of credit.
BANs are set up with capitalized interest reserve funds.

Source: Finance Division, Harbor Department.

See accompanying independent auditors’ report.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Tonnage Summary

Last 10 fiscal years

(Thousands of Metric Revenue Tons)

| Fiscal year | Inbound tonnage | | | Outbound tonnage | | | Port of Long Beach |
|---|---|---|---|---|---|---|---|
| | Municipal | Private* | Total | Municipal | Bunkers | Total | total |
| 2019 | 134,070 | — | 134,070 | 38,036 | 851 | 38,887 | 172,957 |
| 2018 | 139,597 | — | 139,597 | 39,734 | 1,262 | 40,996 | 180,593 |
| 2017 | 130,435 | — | 130,435 | 36,190 | 1,474 | 37,664 | 168,099 |
| 2016 | 122,937 | — | 122,937 | 36,733 | 1,652 | 38,385 | 161,322 |
| 2015 | 124,525 | — | 124,525 | 38,436 | 1,313 | 39,749 | 164,274 |
| 2014 | 122,244 | — | 122,244 | 42,415 | 867 | 43,282 | 165,526 |
| 2013 | 119,504 | — | 119,504 | 41,910 | 843 | 42,753 | 162,257 |
| 2012 | 107,283 | — | 107,283 | 36,947 | 914 | 37,861 | 145,144 |
| 2011 | 112,962 | 192 | 113,154 | 39,717 | 1,546 | 41,263 | 154,417 |
| 2010 | 108,278 | 209 | 108,487 | 36,667 | 2,412 | 39,079 | 147,566 |
| Average annual growth (reduction) | 2.5 % | — % | 2.5 % | 0.7 % | (6.9)% | 0.2 % | 1.9 % |

Metric revenue ton = 1 metric ton or 1 cubic meter, whichever is the basis for tariff assessment

* Private berth information is no longer available. Revenue from private berth leases is revenue of the terminal operator and not part of the Port's revenue. Beginning in 2012, the Port implemented a new automated billing system that no longer collects private berth statistics.

Source: Finance Division, Harbor Department

See accompanying independent auditors' report.

Exhibit 6

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Tonnage by Commodity Group and Vessel Calls

Last 10 fiscal years

(Thousands of metric revenue tons)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | Total | Average annual growth |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Containerized: | | | | | | | | | | | | |
| In | 103,173 | 108,091 | 98,941 | 93,614 | 95,798 | 94,310 | 91,047 | 77,910 | 83,482 | 79,058 | 925,424 | 3.2 % |
| Out | 29,204 | 30,823 | 28,174 | 29,400 | 29,307 | 31,262 | 30,525 | 27,584 | 29,623 | 28,251 | 294,153 | 0.6 % |
| Other break bulk: | | | | | | | | | | | | |
| In | 1,116 | 1,243 | 1,127 | 1,008 | 1,039 | 1,002 | 854 | 917 | 752 | 814 | 9,872 | 4.2 % |
| Out | 115 | 129 | 61 | 99 | 101 | 92 | 108 | 98 | 827 | 613 | 2,243 | 1.4 % |
| Liquid bulk: | | | | | | | | | | | | |
| In | 29,310 | 29,819 | 30,130 | 27,971 | 27,479 | 26,696 | 27,398 | 28,197 | 28,585 | 28,138 | 283,723 | 0.5 % |
| Out | 2,300 | 2,351 | 2,497 | 3,203 | 3,521 | 2,995 | 3,197 | 2,466 | 3,239 | 4,151 | 29,920 | (4.9)% |
| Dry bulk: | | | | | | | | | | | | |
| In | 471 | 445 | 238 | 344 | 209 | 235 | 259 | 259 | 333 | 393 | 3,186 | 7.6 % |
| Out | 7,268 | 7,692 | 6,933 | 5,684 | 6,820 | 8,934 | 8,869 | 7,713 | 7,576 | 6,148 | 73,637 | 3.1 % |
| Total: | | | | | | | | | | | | |
| In | 134,070 | 139,598 | 130,436 | 122,937 | 124,525 | 122,243 | 119,558 | 107,283 | 113,152 | 108,403 | 1,222,205 | 2.5 % |
| Out | 38,887 | 40,995 | 37,665 | 38,386 | 39,749 | 43,283 | 42,699 | 37,861 | 41,265 | 39,163 | 399,953 | 0.2 % |
| Vessel calls* | 2,095 | 2,278 | 2,149 | 2,227 | 2,676 | 2,752 | 3,425 | 3,993 | 4,758 | 4,826 | 31,179 | |
| Annual growth / (decline) | (8.03)% | 6.00 % | (3.50)% | (16.78)% | (2.76)% | (19.65)% | (14.22)% | (16.08)% | (1.41)% | (2.17)% | — % | |
| TEU's | 7,747 | 8,001 | 7,231 | 6,946 | 7,088 | 6,818 | 6,648 | 5,857 | 6,298 | 5,936 | 68,570 | |
| TEU annual growth / (decline) | (3.17)% | 10.65 % | 4.10 % | (2.00)% | 3.96 % | 2.56 % | 13.51 % | (7.00)% | 6.10 % | 12.38 % | — % | |

* Beginning in FY 2014, only billable vessel calls are included in the total vessel call number.

Metric revenue ton = 1 metric ton or 1 cubic meter, whichever is the basis for the tariff assessment

See accompanying independent auditors' report.

**Exhibit 7**

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Metric Revenue Tons and Container Counts

Last 10 fiscal years

(In thousands)

| | | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Municipal berths[1]: | | | | | | | | | | | |
| Foreign | $ | 104,012 | 108,811 | 99,468 | 93,928 | 98,464 | 104,245 | 101,027 | 91,490 | 96,908 | 91,335 |
| Coastwise/intercoastal | | 30,058 | 30,787 | 30,977 | 29,009 | 26,061 | 17,998 | 18,477 | 15,793 | 16,054 | 16,733 |
| Total inbound cargo | | 134,070 | 139,598 | 130,445 | 122,937 | 124,525 | 122,243 | 119,504 | 107,283 | 112,962 | 108,068 |
| Outbound cargo: | | | | | | | | | | | |
| Foreign | | 34,418 | 36,218 | 32,923 | 32,737 | 33,592 | 37,067 | 36,769 | | 36,210 | 33,340 |
| Coastwise/intercoastal | | 3,618 | 3,516 | 3,258 | 3,996 | 4,843 | 5,348 | 5,141 | 3,270 | 3,507 | 3,536 |
| Bunkers | | 851 | 1,261 | 1,474 | 1,653 | 1,313 | 867 | 843 | 1,311 | 1,546 | 2,412 |
| Total outbound cargo | | 38,887 | 40,995 | 37,655 | 38,386 | 39,748 | 43,282 | 42,753 | 4,581 | 41,263 | 39,288 |
| Total municipal cargo | | 172,957 | 180,593 | 168,100 | 161,323 | 164,273 | 165,525 | 162,257 | 111,864 | 154,225 | 147,356 |
| Private berths[1]: | | | | | | | | | | | |
| Inbound | | — | — | — | — | — | — | — | — | 192 | 209 |
| Outbound | | — | — | — | — | — | — | — | — | — | — |
| Total private cargo | | — | — | — | — | — | — | — | — | 192 | 209 |
| Grand total | $ | 172,957 | 180,593 | 168,100 | 161,323 | 164,273 | 165,525 | 162,257 | 111,864 | 154,417 | 147,565 |
| Container count summary (000's)[2] | | | | | | | | | | | |
| Loaded inbound TEUs | $ | 3,862 | 4,044 | 3,698 | 3,514 | 3,596 | 3,523 | 3,420 | 2,932 | 3,139 | 2,982 |
| Loaded outbound TEUs | | 1,441 | 1,564 | 1,451 | 1,538 | 1,528 | 1,664 | 1,671 | 1,491 | 1,582 | 1,485 |
| Total loaded | | 5,303 | 5,608 | 5,149 | 5,052 | 5,124 | 5,187 | 5,091 | 4,423 | 4,721 | 4,467 |
| Full containers annual growth (decline) | | (5.4)% | 8.9 % | 1.9 % | (1.4)% | (1.2)% | 1.9 % | 15.1 % | (6.3)% | 5.7 % | 13.3 % |
| Total empty | | 2,444 | 2,393 | 2,081 | 1,894 | 1,964 | 1,631 | 1,557 | 1,434 | 1,577 | 1,469 |
| Empty containers annual growth (decline) | | 2.1 % | 15.0 % | 9.9 % | (3.6)% | 20.4 % | 4.8 % | 8.6 % | (9.1)% | 7.3 % | 9.8 % |
| Total TEUs | $ | 7,747 | 8,001 | 7,230 | 6,946 | 7,088 | 6,818 | 6,648 | 5,857 | 6,298 | 5,936 |
| Annual growth | | (3.2)% | 10.7 % | 4.1 % | (2.0)% | 4.0 % | 2.6 % | 13.5 % | (7.0)% | 6.1 % | 12.4 % |

[1] Metric revenue tons is equal to either 1,000 kilograms or one cubic meter.

[2] A TEU represents a 20-foot equivalent unit.

Source: Finance Division, Harbor Department

See accompanying independent auditors' report.

**Exhibit 8**

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Principal Customers

| The Port's Largest Customers | Effective date | Expiration date |
|---|---|---|
| Carson Cogeneration Company – Tesoro Refining & Marketing | 06/1983 | 05/2023 |
| Chemoil Corporation | 07/2010 | 06/2025 |
| Crescent Terminals, Inc. | 07/2000 | Month-to-month |
| CSA Equipment | 02/2013 | 02/2023 |
| International Transportation Service, Inc. | 09/2006 | 08/2026 |
| Jacobsen Pilot Service, Inc. | 08/2017 | 07/2032 |
| Koch Carbon, Inc. | 01/1988 | 12/2027 |
| Metropolitan Stevedore Company | 09/2014 | 09/2034 |
| OOCL, LLC – Long Beach Container Terminal, LLC | 07/2011 | 09/2051 |
| Oxbow Carbon & Minerals, LLC | 09/2014 | 09/2029 |
| Pacific Crane Maintenance Company, LLC | 05/2002 | Month-to-month |
| Pacific Maritime Services – Pacific Container Terminal | 05/2002 | 04/2022 * |
| S7 Sea Launch Limited | 01/2013 | Month-to-month |
| SA Recycling, LLC | 11/1994 | 11/2024 |
| SSA Terminals (Long Beach), LLC | 12/2002 | 12/2027 |
| SSA Terminals, LLC – SSA Terminal C60/Matson Navigation | 05/2002 | 04/2022 |
| Tesoro Refining & Marketing | 01/1995 | 12/2034 |
| Tesoro Refining & Marketing Co – Tesoro Logistics LP | 01/2012 | 01/2032 |
| Total Terminals International, LLC | 08/2002 | 08/2027 |
| Toyota Logistics Services | 01/2009 | 12/2028 * |

Contractual obligations between the Port and its customers prevent the Port from releasing information related to tenant revenue.

***** Customer agreements expiration dates were extended in Q1 of FY2020.

Source: Real Estate Division, Harbor Department.

See accompanying independent auditors' report.

Exhibit 9

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Employee Headcount by Division

Last 10 fiscal years

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Executive administration | 18.0 | 15.0 | 14.0 | 18.0 | 17.0 | 11.9 | 9.3 | 15.4 | 17.3 | 15.6 |
| Business development | 11.0 | 12.0 | 13.0 | 13.0 | 11.0 | — | — | — | — | — |
| Communications | 18.0 | 16.0 | 14.0 | 14.0 | 16.0 | 15.0 | 12.8 | 14.0 | 14.8 | 14.7 |
| Construction management | 47.0 | 48.0 | 45.0 | 47.0 | 46.0 | — | — | — | — | — |
| Design | 46.0 | 46.0 | 51.0 | 49.0 | 48.0 | — | — | — | — | — |
| Engineering | — | — | — | — | — | 140.7 | 128.8 | 128.0 | 117.1 | 115.2 |
| Environmental planning | 21.0 | 24.0 | 21.0 | 24.0 | 23.0 | — | — | — | — | — |
| Finance | 23.0 | 22.0 | 25.0 | 25.0 | 25.0 | 24.5 | 24.9 | 26.0 | 21.2 | 17.9 |
| Government relations/affairs | 3.0 | 3.0 | 4.0 | 3.0 | 4.0 | 4.0 | 4.0 | 4.0 | 3.4 | 3.8 |
| Human resources | 20.0 | 18.0 | 16.0 | 18.0 | 18.0 | 17.4 | 16.3 | 17.0 | 17.8 | 17.6 |
| Information management | 24.0 | 20.0 | 22.0 | 22.0 | 22.0 | 20.6 | 20.8 | 21.0 | 18.6 | 18.0 |
| Maintenance | 78.0 | 82.0 | 90.0 | 92.0 | 84.0 | 76.3 | 81.1 | 81.0 | 76.8 | 72.7 |
| Master planning | 8.0 | 7.0 | 7.0 | 5.0 | 6.0 | 31.7 | 30.6 | 31.0 | 30.3 | 28.6 |
| Program delivery | 3.0 | 3.0 | 3.0 | 3.0 | 2.0 | — | — | — | — | — |
| Program management | 23.0 | 22.0 | 27.0 | 28.0 | 25.0 | — | — | — | — | — |
| Project controls | 15.0 | 12.0 | 11.0 | 11.0 | 8.0 | — | — | — | — | — |
| Real estate | 7.0 | 8.0 | 9.0 | 9.0 | 8.0 | 8.8 | 9.0 | 9.0 | 8.0 | 7.3 |
| Risk management | 11.0 | 11.0 | 9.0 | 10.0 | 10.0 | 8.3 | 7.6 | 8.0 | 7.0 | 6.4 |
| Security | 78.0 | 84.0 | 81.0 | 74.0 | 79.0 | 68.0 | 71.2 | 76.5 | 69.8 | 63.8 |
| Survey | 20.0 | 21.0 | 22.0 | 22.0 | 23.0 | — | — | — | — | — |
| Tenant services/trade relations | 13.0 | 13.0 | 12.0 | 9.0 | 9.0 | 19.3 | 16.5 | 16.0 | 14.9 | 15.8 |
| Transportation planning | 6.0 | 5.0 | 7.0 | 6.0 | 6.0 | — | — | — | — | — |
| Full-time/permanent subtotal | 493.0 | 492.0 | 503.0 | 502.0 | 490.0 | 446.5 | 432.9 | 446.9 | 417.0 | 397.4 |
| Growth/decline | 0.2 % | (2.2)% | 0.2 % | 2.4 % | 9.7 % | 3.1 % | (3.1)% | 7.2 % | 4.9 % | 6.5 % |
| Part-time/temporary subtotal | 13.7 | 19.0 | 31.0 | 29.0 | 34.0 | 25.5 | 29.4 | 13.0 | 18.9 | 27.3 |
| Growth/decline | (27.9)% | (38.7)% | 6.9 % | (14.7)% | 33.3 % | (13.3)% | 126.2 % | (31.2)% | (30.8)% | (1.4)% |
| Total number of employees | 506.7 | 511.0 | 534.0 | 531.0 | 524.0 | 472.0 | 462.3 | 459.9 | 435.9 | 424.7 |
| Growth/decline | (0.8)% | (4.3)% | 0.6 % | 1.3 % | 11.0 % | 2.1 % | 0.5 % | 5.5 % | 2.6 % | 5.9 % |

Note:

FY2015 – FY2019 presented the count at year-end (personnel inventory report)
FY2006 – FY2014 presented the count average of the year
Board of Harbor Commissioners are not included

Source: Human Resources, Harbor Department

See accompanying independent auditors’ report.


Port of
LONG BEACH
The Green Port
City of Los Angeles
City of Long Beach
PIER B
PIER B
Channel Two
SSA Terminals
Long Beach
SSA-Matson
Terminal
City of Long Beach
PIER A
WEST
PIER A
PIER C
Channel Three
Turning Basin
City of Los Angeles
Cerritos Channel
Inner Harbor
PIER D
PIER D
PIER S
PIER T
Back Channel
PIER E
Long Beach
Container
Terminal
Downtown Marina
Queensway Bay
PIER H
Total Terminals
International
PIER T
PIER T
Middle Harbor
PIER H
International
Transportation
Service
West Basin
PIER G
PIER G
PIER F
Southeast Basin
Long Beach Channel
Pacific Container
Terminal
PIER J
Outer Harbor
PIER J
City of Los Angeles
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