

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

Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2020



**THE HARBOR DEPARTMENT, AN ENTERPRISE FUND OF THE CITY
OF LONG BEACH, CALIFORNIA**

Comprehensive Annual

Financial Report

Fiscal Year Ended September 30, 2020

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

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Introductory Section

Letter of Transmittal

March 29, 2021

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, 2020. 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, 2020 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, 2020 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 (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 Port's jurisdiction. The Port is a landlord port providing the region, state, and nation with state-of-the-art seaport facilities and serving as an international gateway for trade. The Port of Long Beach is the second busiest container seaport in North America.

The Port 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 Port 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 Port 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 Port'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 2020 despite a slight decrease of 1.1% from the prior year to 7.7 million TEUs. Volume levels were weak in the first half of the fiscal year due to the coronavirus (COVID-19) outbreak in China and the subsequent closure of their supply chain. A surge in volume during the second half of the fiscal year was spurred by China's reopening and the increase in demand for new product categories as many people began working from home and shifted to online purchasing.

Aside from the pandemic and on-going geopolitical 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 the trans-Pacific trade.

Fiscal year 2020 marked the fourth year of having three-vessel sharing alliances (2M, OCEAN and THE Alliance) operating within the Port. During this fiscal year, Macquarie Infrastructure and Real Assets (MIRA) purchased International Transportation Service (ITS) from the Ocean Network Express (ONE). MIRA is the same group that purchased Long Beach Container Terminal (LBCT) last year.

As container ships capable of transporting more than 14,000 to 24,000 twenty-foot-equivalent units (TEU) 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 to improve efficiency in its cargo operations and enhance reliability. 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 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 is taller, to allow additional clearance for ships, and is also wider, to ease the flow of cars and trucks that use the bridge. Construction began in early 2013 and was open to traffic in October 2020. The demolition of the old bridge will be complete by the end of 2022.
- **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 expected increase in business activities during the next 20 years, the Port will continue to explore innovative solutions to mitigate the environmental impact to the surrounding communities.

The Port is also taking a leadership role by working with its partners to formulate solutions to continuously improve operating efficiencies through a combination of infrastructure enhancements, operational improvements, and investment in innovative environmental programs.

The COVID-19 outbreak impact on the Port continues into 2021. The initial closure of factories in China at the beginning of the outbreak resulted in a higher-than-normal cancellation of vessel calls originating from China, significantly impacting U.S. retail inventories. Ocean carriers continued to add unscheduled vessel services to make up for this increase in demand, creating a backlog of vessels into the San Pedro Bay Ports. This volume surge is expected to continue into mid-year 2021.

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.

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 mandates 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), 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 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 historical industrial development within the Harbor District; and hazardous material spill response.

Through its environmental initiatives, the Port has:

- Cut diesel particulates by 88%, sulfur oxides by 97%, smog-forming nitrogen oxides by 58%, and greenhouse gases by 19% from 2005 levels, identified in the 2019 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 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 is committed 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's 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.

The Port has secured over \$169 million in grant revenue 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

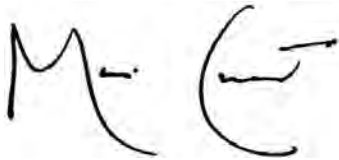
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2019. This was the 37th consecutive year that the Department has received this prestigious award. In order to be awarded a Certificate of 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 the current reporting period.

We would like to acknowledge the dedication of the Finance Division staff in the timely preparation of this report.

Respectfully submitted:



Mario Cordero
Executive Director



Sam Joumbat
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, 2019

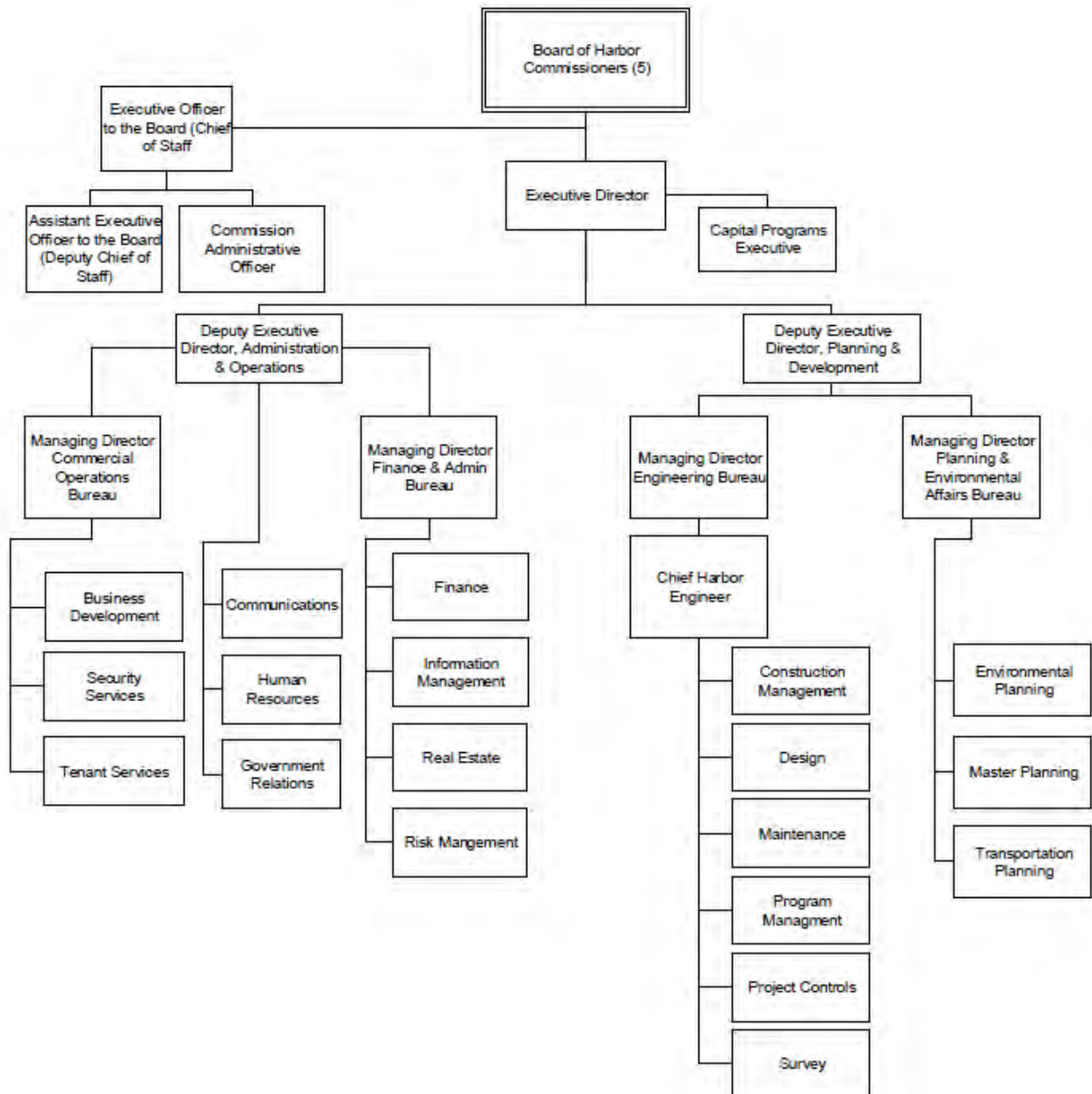
Christopher P. Morill

Executive Director/CEO

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Organizational Chart

September 30, 2020



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Board of Harbor Commissioners and Senior Management

September 30, 2020

Board of Harbor Commissioners

Frank Colonna, President
Steven Neal, Vice President
Bonnie Lowenthal, Secretary and Commissioner
Bobby Olvera Jr., Commissioner
Sharon L. Weissman, Commissioner

Executive Offices

Executive Director
Deputy Executive Director
Deputy Executive Director
Acting Executive Officer to the Board
Capital Program Executive

Mario Cordero
Noel Hacegaba
Richard D. Cameron
Shana Espinoza
Duane Kenagy

Communications Division
Government Relations Division
Human Resources Division

Director, Kerry Gerot
Director, Eleanor Torres (Dec. 2019)
Director, Stacey Lewis

Finance and Administration Bureau

Finance Division
Information Management Division
Real Estate Division
Risk Management Division

Managing Director, Sam Joumbat
Director, Wei Chi
Director, Nyariana Maiko
Director, Eamonn Killeen
Director, Richard S. Baratta

Commercial Operations Bureau

Business Development Division
Security Division
Tenant Services and Operations Division

Managing Director, Kenneth W. Duncan (Mar. 2020)
Director, Roger Wu (May 2020)
Director, Casey Hehr
Director, Glenn Farren

Planning and Environmental Affairs Bureau

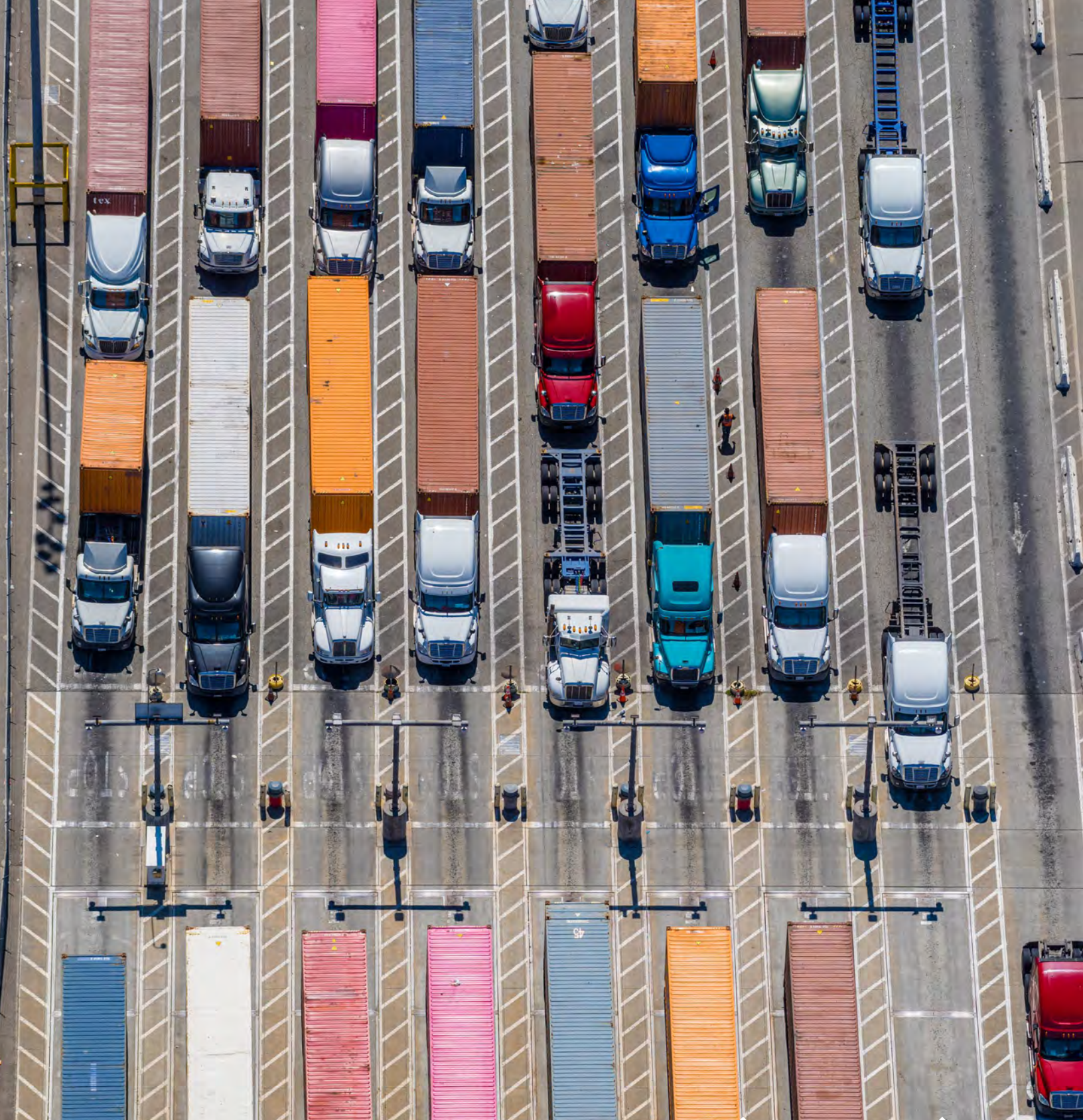
Environmental Planning Division
Master Planning Division
Transportation Planning Division

Managing Director, Heather Tomley
Director, Matthew Arms (May 2020)
Director, Matt Plezia
Director, Allison Yoh

Engineering Services Bureau

Program Delivery Group
Program Management Division
Construction Management Division
Design Division
Maintenance Division
Project Controls Division
Surveys Division

Managing Director, Sean Gamette
Senior Director, Suzanne Plezia
Director, Tom Baldwin
Director, Darrin Lambrigger
Director, John Chun
Director, Fred Greco
Director, Marlene Dupras
Director, Kimberly Holtz



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, 2020, 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 audit 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, 2020 and the changes in its net 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 and the schedules listed under required supplementary information under the financial section in the table of contents (collectively referred to as required supplementary information) 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 29, 2021 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

Irvine, California
March 29, 2021

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2020 and 2019

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, 2020 and 2019. 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 period 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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2020 and 2019

Analysis of Net Position

The following condensed financial information provides an overview of the Department's financial position as of September 30, 2020 and 2019:

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

September 30, 2020 and 2019

(Amounts expressed in thousands)

	<u>2020</u>	<u>2019</u>
Assets:		
Capital assets, net	\$ 5,030,654	4,937,455
Current and other assets	<u>851,936</u>	<u>759,168</u>
Total assets	5,882,590	5,696,623
Deferred outflows of resources	<u>8,716</u>	<u>14,057</u>
Total assets and deferred outflows of resources	<u>\$ 5,891,306</u>	<u>5,710,680</u>
Liabilities:		
Current liabilities	\$ 650,689	179,635
Long-term obligations, net of current portion	<u>868,008</u>	<u>1,262,955</u>
Total liabilities	1,518,697	1,442,590
Deferred inflows of resources	<u>9,779</u>	<u>13,118</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,528,476</u>	<u>1,455,708</u>
Net position:		
Net investment in capital assets	\$ 3,791,206	3,745,084
Restricted:		
Capital projects	37,743	37,743
Debt service	13,801	9,228
Unrestricted	<u>520,080</u>	<u>462,917</u>
Total net position	<u>\$ 4,362,830</u>	<u>4,254,972</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2020 and 2019

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, 2020, \$3.8 billion, or 86.9%, 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, 2020. 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 \$51.5 million, or 1.2%, is comprised of \$37.7 million in environmental mitigation credits for use on landfill capital projects and \$13.8 million of a debt service reserve fund required by the bonds' indenture. The remaining balance of \$520.1 million, or 11.9%, reflects unrestricted resources that may be used for ongoing and future operations of the Department.

Current and other assets of \$851.9 million, an increase of \$92.8 million from the prior fiscal year. Current assets increased by \$135.1 million primarily from the new proceeds of the 2020C Notes issuance, and the offsetting \$42.4 million decrease primarily due to the refunding the 2010A and 2010B.

Capital assets, net of depreciation increased by \$93.2 million, or 1.9%, from the prior fiscal year mostly in large capital projects such as the Gerald Desmond Bridge Replacement and Middle Harbor Redevelopment. Refer to page 19 and notes 4 and 5 for additional discussion related to capital assets.

Current liabilities increased by \$471.1 million primarily a result of the reclassification of the 2018A Notes and 2020C Notes from long-term to short-term liabilities due to their maturity dates. Refer to page 20 and notes 11 and 12 for additional discussion related to long-term liabilities and debt service.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2020 and 2019

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 2020 and 2019:

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

Years ended September 30, 2020 and 2019

(Amounts expressed in thousands)

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Berths and special facilities	\$ 380,764	393,796
Rental properties	14,855	15,668
Miscellaneous	<u>3,010</u>	<u>2,809</u>
Total operating revenues	398,629	412,273
Operating expenses:		
Personnel services	57,116	51,179
Maintenance and operations	46,786	45,798
Interdepartmental services	<u>38,806</u>	<u>38,061</u>
Total operating expenses before depreciation	142,708	135,038
Depreciation	<u>149,652</u>	<u>144,716</u>
Income from operations	<u>106,269</u>	<u>132,519</u>
Nonoperating revenue (expenses):		
Interest income (expense), net	(16,674)	9,280
Discontinued capital projects	(2,280)	(16,493)
Other income (expense), net	<u>(3,248)</u>	<u>522</u>
Net nonoperating revenues (expenses)	<u>(22,202)</u>	<u>(6,691)</u>
Income before capital grants and transfer	84,067	125,828
Transfer to the City	(21,253)	(20,614)
Grants	<u>45,044</u>	<u>68,593</u>
Change in net position	107,858	173,807
Total net position – beginning of year, as restated	<u>4,254,972</u>	<u>4,081,165</u>
Total net position – end of year	<u>\$ 4,362,830</u>	<u>4,254,972</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

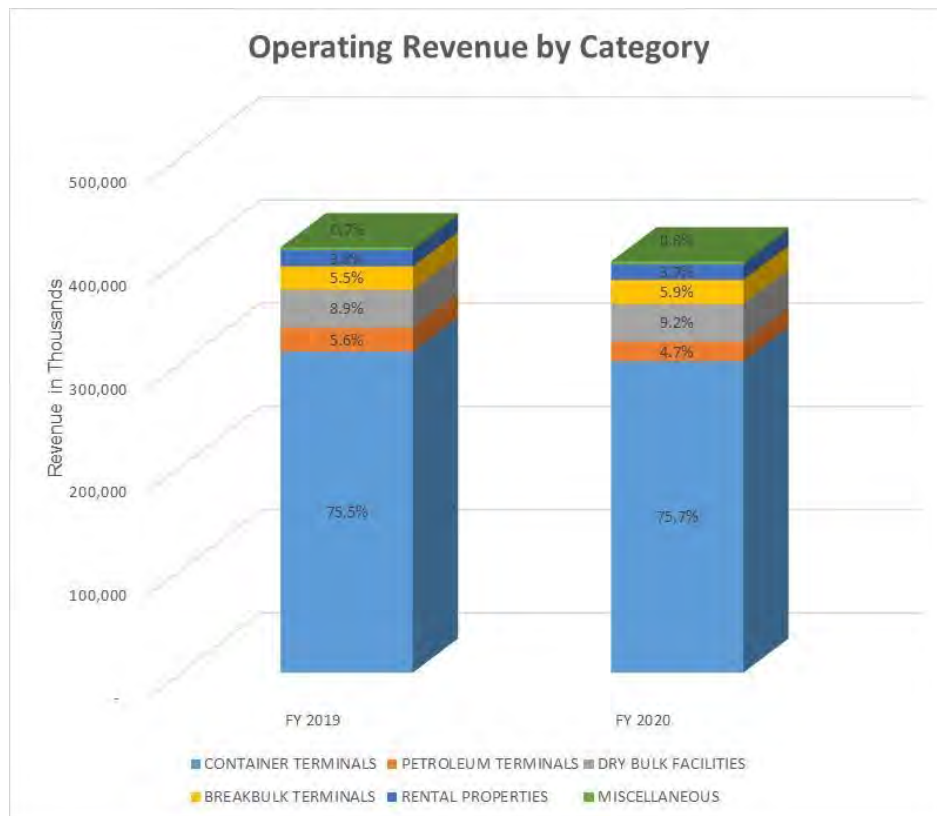
September 30, 2020 and 2019

Changes in Net Position Discussion

Operating Revenues

Operating revenues for fiscal year 2020 were \$398.6 million, a decrease of \$13.6 million, or 3.3%, from the prior fiscal year. This was primarily attributed a 1.1% decrease to cargo volume in the container terminals impacted by the COVID-19 pandemic. Petroleum terminals' revenue was lower because the prior year had a one-time 5-year retroactive billing of \$5.0 million based on a renegotiation of an expired lease.

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 2.5% to 168.6 million MRTs versus 173.0 million MRTs in the prior fiscal year, with all cargo categories posting year-over-year decreases. Containerized cargo decreased 1.1% to 131.0 million MRTs, dry bulk (coke, coal, sulfur, etc.) decreased 14.6% to 6.6 million MRTs, break bulk (vehicles, metals, and lumber) decreased 16.2% to 1.0 million MRTs, and liquid bulk (petroleum and crude) decreased 5.0% to 30.0 million MRTs. The Port continues to invest in capital

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

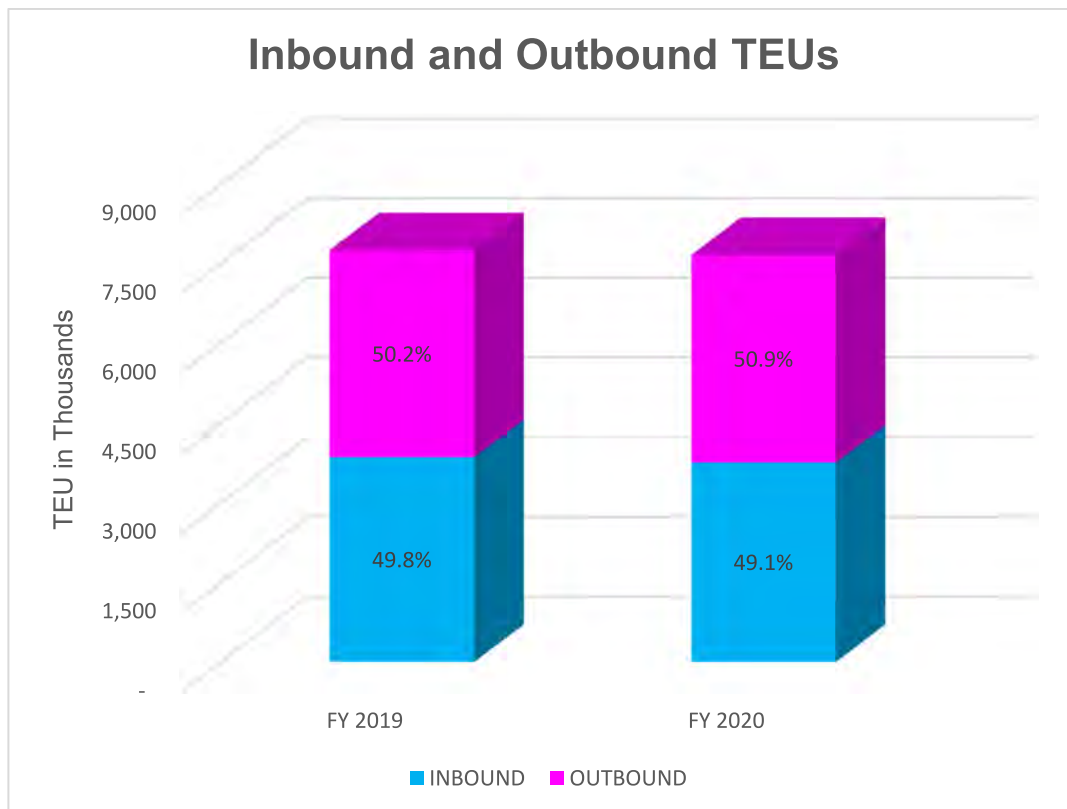
Management's Discussion and Analysis

September 30, 2020 and 2019

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 service as the port of choice for shipping lines to move cargo into and out of the continental United States.

Container count, measured in Twenty-Foot Equivalent Units (TEUs) decreased 1.1% to 7.66 million TEUs versus 7.75 million TEUs in the prior fiscal year. The slight decrease was due to the COVID-19 outbreak that affected shipments from Asia.

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 2020 was \$107.9 million, a decrease of \$65.9 million, or 37.9%, from the prior fiscal year. This was primarily due to \$13.6 million lower in operating revenues, \$12.6 million higher total operating expenses (including depreciation), \$15.5 million increase in non-operating expenses, and \$23.5 million decrease in grants contribution. The following section provides a further discussion of the operations.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2020 and 2019

Operating Expense and Other Income and Expense

Total operating expenses (excluding depreciation) for fiscal year 2020 was \$142.7 million, or \$7.7 million higher than the prior fiscal year. Personnel services was \$57.1 million, or \$5.9 million higher than prior year primarily due to a \$5.6 million increase in salaries and fringe benefits. Maintenance and other operations was \$46.8 million, or \$1.0 million higher primarily due to \$1.0 million accrued expenses for environmental remediation obligation.

Depreciation expense is affected by capital assets being placed into service or being retired in accordance with their useful lives. Depreciation expense in fiscal year 2020 was \$149.7 million, or \$4.9 million higher than the prior fiscal year primarily due to the increase in structures and facilities, when the new Port administration building was placed in service towards the fourth quarter of prior fiscal year, along with other fixtures and equipment.

Interest income, net or (expense) is comprised of the following: (1) investment interest income with unrealized gain or loss, (2) debt service interest expense. Fiscal year 2020 had a net interest expense of \$19.1 million and fiscal year 2019 had a net interest income of \$6.7 million, an increase in net interest expense of \$25.8 million. The increase was primarily due to the implementation of GASB 89 in fiscal year 2020, which eliminated the capitalization of interest cost on constructed capital projects. Interest income was also \$3.8 million lower than of prior year, attributed by the falling short-term interest rates coupled with having a lower average balance of pooled cash and investment during the year. Interest expenses, before accounting for the capitalization of interest cost, for fiscal years 2020 and 2019 were \$33.8 million and \$29.2 million, respectively. There was no capitalized interest in fiscal years 2020 as compared to \$17.2 million in fiscal year 2019.

Discontinued capital projects for fiscal year 2020 was \$2.3 million, or \$14.2 million lower than the prior fiscal year primarily due to the write-off of projects with smaller costs.

Other expense for fiscal year 2020 was \$3.2 million, or \$3.8 million higher than the prior fiscal year, primarily due to a \$4.3 million loss on sale of the Interim Administration Office building at 4801 Airport Plaza Drive.

Transfers to the City totaled \$21.3 million in fiscal year 2020, or \$0.6 million higher than the prior fiscal year, of which \$19.9 million was for the City Tidelands Operating Fund to be paid in fiscal year 2020, per the City Charter. Refer to note 9 for additional discussion.

Grant revenue totaled \$45.0 million in fiscal year 2020, a decrease of \$23.5 million in comparison to the prior fiscal year. Grant revenue is recognized based on eligible project costs incurred. The Gerald Desmond Bridge Replacement Project remains as the primary driver of grant revenue.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2020 and 2019

Capital Assets and Debt Administration

Capital Assets

The Department's capital assets, net of accumulated depreciation as of September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Nondepreciable capital assets:		
Land	\$ 1,251,388	1,250,036
Construction in progress	1,950,346	1,710,706
Right-of-way	<u>197,884</u>	<u>207,032</u>
Total nondepreciable capital assets	<u>3,399,618</u>	<u>3,167,774</u>
Depreciable capital assets (net):		
Structures and facilities	1,604,657	1,664,144
Furniture, fixtures, and equipment	<u>26,379</u>	<u>105,537</u>
Total depreciable capital assets (net)	<u>1,631,036</u>	<u>1,769,681</u>
Total capital assets, net	<u>\$ 5,030,654</u>	<u>4,937,455</u>

Capital Assets Discussion

The capital asset accounts, net of accumulated depreciation totaled \$5.0 billion, a net increase of \$93.2 million from the prior fiscal year. The increase in capital spending during fiscal year 2020 comprised largely of the following: Middle Harbor terminal development for \$127.0 million; Gerald Desmond Bridge Replacement Project for \$63.4 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 \$35.8 million for the year ended September 30, 2020. 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Short-term notes (principal and net premiums)	\$ 477,548	338,691
Long-term debt (principal and net premiums)	<u>751,577</u>	<u>831,141</u>
Total	<u>\$ 1,229,125</u>	<u>1,169,832</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2020 and 2019

Debt Administration Discussion

The Department's total debt increased by \$59.3 million, or 5.1%. The increase was due to the issuance of 2020C Notes for \$145.0 million, partially offset by the annual debt service principal payment and refunding of the 2010A and 2010B bond series. Refer to notes 11 and 12 for additional discussion related to debt service.

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

The debt service coverage ratio for fiscal year 2020 was approximately 4.09, and is calculated as (operating revenues plus interest income minus operating expenses excluding depreciation) divided by (debt service on senior bonds). The minimum required debt service coverage ratio is 1.25.

Factors that May Affect the Department

There is significant competition among North American ports. The Department cannot predict the impact of this competition.

The Port is subject to Federal and State environmental regulations governing ships, trains, trucks, and other operational activities within the Port. Mandated environmental mitigation costs have become a significant portion of the Department's capital and operating budgets.

The coronavirus (COVID-19) outbreak has had a significant impact on the global supply chain. This has resulted in higher-than-normal cancellations of vessel calls coming from Asia during first half of the fiscal year. The Harbor Department cannot predict the duration and the impact of the outbreak.

Notes to Financial Statements

The notes to the Department's financial statements can be found on pages 26–58 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, 2020

(Dollars in thousands)

Assets and Deferred Outflows

Current assets:

Pooled cash and cash equivalents (note 2)	\$ 546,390
Trade accounts receivable, net of allowance (note 3)	75,294
Due from other governmental agencies (note 3)	42,900
Loan receivable (note 3)	25,000
Other current assets	<u>6,081</u>
Subtotal	695,665

Restricted funds as to use (Harbor Revenue Bonds and other):

Restricted pooled cash and cash equivalents (note 2)	<u>97,202</u>
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Total current assets	<u>792,867</u>
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Noncurrent assets:

Capital assets (notes 4 and 5):

Land	1,251,388
Construction in progress	1,950,346
Right-of-way (note 6)	197,884
Structures and facilities	3,708,729
Furniture, fixtures, and equipment	191,637
Less accumulated depreciation	<u>(2,269,330)</u>
Net capital assets	<u>5,030,654</u>

Other assets:

Long-term receivables (note 3)	1,210
Environmental mitigation credits (note 7)	37,743
Investment in joint venture (note 8)	4,431
Other noncurrent assets (note 10)	<u>15,685</u>

Total other assets	<u>59,069</u>
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Total noncurrent assets	<u>5,089,723</u>
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Total assets	5,882,590
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Deferred outflows of resources (note 17)	<u>8,716</u>
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Total assets and deferred outflows of resources	\$ <u>5,891,306</u>
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THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Net Position

September 30, 2020

(Dollars in thousands)

Liabilities and Deferred Inflows

Current liabilities payable from current assets:	
Accounts payable and accrued expenses	\$ 83,670
Due to the City of Long Beach (note 9)	21,898
Compensated absences (note 11)	4,989
Security deposits and unearned revenue	14,928
Liability claims (note 10)	5,250
Total current liabilities payable from current assets	<u>130,735</u>
Current liabilities payable from restricted assets:	
Current portion of bonds indebtedness (notes 11 and 12)	24,470
Current senior notes (notes 11 and 13)	477,548
Accrued interest – bonds	17,936
Total current liabilities payable from restricted assets	<u>519,954</u>
Total current liabilities	<u>650,689</u>
Long-term obligations net of current portion:	
Bonded indebtedness (notes 11 and 12)	727,107
Due to City of Long Beach non-current (note 11)	4,560
Compensated absences (note 11)	10,462
Environmental remediation liability (notes 11 and 16)	3,700
Net pension liability (notes 11 and 15)	121,539
Net OPEB liability (notes 11 and 15)	640
Total noncurrent liabilities	<u>868,008</u>
Total liabilities	1,518,697
Deferred inflows of resources (note 17)	9,779
Total liabilities and deferred inflows of resources	<u>1,528,476</u>
Net position:	
Net investment in capital assets	3,791,206
Restricted – capital projects	37,743
Restricted – debt service	13,801
Unrestricted	520,080
Total net position	<u>\$ 4,362,830</u>

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, 2020

(Dollars in thousands)

Port operating revenues:	
Berths and special facilities	\$ 380,764
Rental properties	14,855
Miscellaneous	<u>3,010</u>
Total port operating revenues	<u>398,629</u>
Port operating expenses:	
Personnel services	57,116
Maintenance and operations	46,786
Interdepartmental services	<u>38,806</u>
Total operating expenses before depreciation	142,708
Depreciation	<u>149,652</u>
Total operating expenses	<u>292,360</u>
Income from operations	<u>106,269</u>
Nonoperating revenues, (expenses) net:	
Investment income, net	16,404
Equity in income from joint venture	2,461
Interest expense	(35,539)
Discontinued capitalized projects	(2,280)
Other income, net	<u>(3,248)</u>
Total nonoperating expenses, net	<u>(22,202)</u>
Income before transfers and grants	84,067
Transfers (note 9)	(21,253)
Grants	<u>45,044</u>
Increase in net position	107,858
Total net position – beginning of year	<u>4,254,972</u>
Total net position – end of year	\$ <u><u>4,362,830</u></u>

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2020

(Dollars in thousands)

Cash flows from operating activities:	
Cash received from customers	\$ 401,250
Cash paid to employees	(76,397)
Cash paid to suppliers	(69,951)
Other income	1,030
Net cash provided by operating activities	<u>255,932</u>
Cash flows from noncapital financing activities:	
Transfers to City Tidelands Fund	<u>(21,935)</u>
Net cash used for noncapital financing activities	<u>(21,935)</u>
Cash flows from capital and related financing activities:	
Grants provided	53,103
Interest paid	(54,958)
Principal payments made on bonds payable	(213,525)
Proceeds from issuance of bonds and senior notes	299,782
Debt issuance costs	(826)
Payments for capital acquisitions – personnel costs	(10,707)
Payments for capital acquisitions – vendors	(254,517)
Proceeds from sales of capital assets	20,160
Disbursement of loan receivable	<u>(25,000)</u>
Net cash used for capital and related financing activities	<u>(186,488)</u>
Cash flows from investing activities:	
Interest received	16,418
Proceeds from sale of investments	55,026
Purchases of investments	(5,038)
Return on investment in joint venture	<u>2,000</u>
Net cash provided by investing activities	<u>68,406</u>
Net increase in cash and cash equivalents	115,915
Cash and cash equivalents, beginning of year	<u>527,677</u>
Cash and cash equivalents, end of the year	<u><u>\$ 643,592</u></u>
Reconciliation of cash and cash equivalents:	
Unrestricted pooled cash and cash equivalents	\$ 546,390
Restricted pooled cash and cash equivalents	25,914
Bond reserve held by the City Treasurer	<u>71,288</u>
	<u><u>\$ 643,592</u></u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2020

(Dollars in thousands)

Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 106,269
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	149,652
Other income, net	1,030
Increase in accounts receivable and prepaid	522
Decrease in accounts payable	(12,153)
Increase in accrued liabilities	(500)
Decrease in accrued claims and judgments	(200)
Increase in unearned revenues	2,319
Increase in due to other funds	4,651
Increase in compensated absences	1,391
Decrease in pension liability and related deferred inflows of resources	968
Increase in net pension liability and related deferred outflows of resources	2,898
Decrease in net OPEB liability	(915)
Total adjustments	<u>149,663</u>
Net cash provided by operating activities	\$ <u>255,932</u>
Supplemental schedule of noncash capital and financing activities:	
Accrued capital assets liabilities	\$ 69,037
Accrued transfers to the City's tidelands fund	19,931
Amortization of bond premium	21,270
Amortization of deferred outflows on debt refunding	2,443
Amortization of deferred inflows on debt refunding	3,621
Discontinued capital projects	2,280

See accompanying notes to financial statements

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2020

(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 revenues (expenses). The Department applies 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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2020

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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2020

(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.

(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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2020

(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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2020

(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. 84, *Fiduciary Activities*: issued in January 2017, effective for periods beginning after December 15, 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 has been evaluated in fiscal year 2020, and it has no impact on the Department's financial statements.

GASB Statement No. 87, *Leases*: issued in June 2017, effective for reporting 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 2022 and the Department is evaluating the impact of this statement on its financial statements.

GASB Statement No. 89, *Accounting for interest cost incurred before the end of a construction period*: issued in June 2018, effective for reporting 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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2020

capital asset reported in a business type activity or enterprise fund. This statement has been implemented in fiscal year 2020.

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 has been evaluated in fiscal year 2020, and it has no impact on the Department's financial statements.

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 2023, which includes a one-year postponement as a result of GASB 95 adoption (see below).

GASB Statement No. 92, *Omnibus 2020*: issued in January 2020, effective for reporting periods beginning after June 15, 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting by addressing practice issues identified from the implementation and application of certain GASB statements. This statement will be implemented beginning fiscal year 2022, which includes a one-year postponement as a result of GASB 95 adoption (see below).

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued in March 2020, effective for reporting periods beginning after June 15, 2020. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), such as the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021. The statement will be implemented beginning fiscal year 2022, which includes a one-year postponement as a result of GASB 95 adoption (see below).

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued in March 2020, effective for reporting periods beginning after June 15, 2022. The objectives of this statement are to establish definitions of public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and provide specific guidance on accounting and financial reporting for PPPs and APAs transactions. The statement will be implemented beginning fiscal year 2023.

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GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued in May 2020, effective immediately. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective for periods beginning after June 15, 2018.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued in May 2020, effective for fiscal years beginning after June 5, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBIT; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The statement is effective beginning fiscal year 2023, and the Department is currently evaluating the financial impact of this statement.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, issued in June 2020, effective for fiscal years beginning after June 15, 2021. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective beginning fiscal year 2022, and the Department is currently evaluating the financial impact of this statement.

(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):

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Equity in the City's investment pool	\$ <u>546,390</u>	<u>97,202</u>	<u>643,592</u>

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.

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As of September 30, 2020, 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, 2020, the Department had \$572.3 million equity in the pool, representing approximately 30.8% of the pool.

Fair Value Hierarchy

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

Pooled cash and investments Investments at fair value level	Total	Fair value measurement		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 986,707	—	986,707	—
Federal agency securities	395,075	—	395,075	—
Total investments at fair value	1,381,782	\$ —	1,381,782	—
Other investments at fair value:				
Local Agency Investment Fund (LAIF)	192,282			
Other investments at cost:				
Money market funds	749			
Cash and deposits	283,179			
Total pooled cash and investments	\$ 1,857,992			

(3) Accounts Receivable and Other Receivables

Accounts receivable as of September 30, 2020, included the following (expressed in thousands):

	2020
Trade accounts receivable	\$ 78,667
Less allowance for doubtful accounts	(3,373)
Accounts receivable, net	\$ 75,294

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Other receivables as of September 30, 2020 included the following (expressed in thousands):

	<u>2020</u>
Due from other governmental agencies:	
Current:	
Federal and state grants	\$ 42,900
Long term:	
Due from the City of Long Beach	<u>1,210</u>
Total due from other governmental agencies	<u>\$ 44,110</u>

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 contribution from the Department.

Loan Receivable – Gerald Desmond Bridge Replacement Project

On May 2020, the Department executed Amendment No. 1 to Design-Build Contract for the Gerald Desmond Bridge Replacement Project at the request of Shimmick Construction Company, Inc. / FCC Construcción S.A. / Impregilo S.p.A., a Joint Venture ("Design-Builder"). In this amendment, the Department will advance funds of \$25.0 million to Design-Builder in monthly installments not exceeding \$6.25 million each (Advanced Funds). Repayment of Advanced Funds is guaranteed with an Irrevocable Letter of Credit that can be drawn by the Port on demand without condition. All Advanced Funds are repayable within one year, unless extended by mutual agreement in writing. Design-Builder will apply the Advanced Funds only to Design-Builder's administrative, design, construction and related Project expenses. As of September 30, 2020, the Department has advanced the full \$25.0 million to Design-Builder.

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(4) Capital Assets

Capital assets' schedule as of September 30, 2020 is as follows: (expressed in thousands):

Description	Balance, October 1, 2019	Additions	Adjustments/ disposals	Placed in service	Balance, September 30, 2020
Nondepreciable capital assets:					
Purchased land	\$ 462,108	—	—	—	462,108
Constructed land	787,928	—	—	1,352	789,280
Construction in progress	1,710,706	281,317	(5,869)	(35,808)	1,950,346
Right of way (note 6)	207,032	—	(9,148)	—	197,884
Subtotal	3,167,774	281,317	(15,017)	(34,456)	3,399,618
Depreciable capital assets:					
Structures and facilities	3,707,826	1,000	(30,123)	30,026	3,708,729
Furniture, fixtures, and equipment	197,695	815	(11,303)	4,430	191,637
Subtotal	3,905,521	1,815	(41,426)	34,456	3,900,366
Total capital assets	7,073,295	283,132	(56,443)	—	7,299,984
Less accumulated depreciation:					
Structures and facilities	2,043,682	140,351	(9,355)	—	2,174,678
Furniture, fixtures, and equipment	92,158	9,301	(6,807)	—	94,652
	2,135,840	149,652	(16,162)	—	2,269,330
Net capital assets	\$ 4,937,455	133,480	(40,281)	—	5,030,654

Construction in progress at September 30, 2020 includes the following projects (in thousands):

Gerald Desmond Bridge Replacement Project	\$ 1,361,171
Middle Harbor Redevelopment Program (includes multiple projects)	384,444
All other programs and projects	204,731
Total	\$ 1,950,346

During the year ended September 30, 2020, \$5.9 million of Construction in Progress was written off, of which \$2.3 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

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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, 2020 consisted of the following (expressed in thousands):

Land	\$ 789,280
Structures and facilities:	
Docks and wharves	700,056
Warehouses and sheds	24,416
Cranes and shiploaders	70,602
Buildings and other facilities	845,193
Infrastructure	<u>1,713,987</u>
Historical cost of leased property	4,143,534
Less accumulated depreciation	<u>(2,085,551)</u>
Carrying value of leased property	<u><u>\$ 2,057,983</u></u>

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

2021	\$ 357,849
2022	365,366
2023	389,413
2024	391,332
2025	398,135
2026–2030	1,350,705
2031–2035	1,010,110
2036–2040	984,336
2041 and thereafter	<u>1,423,150</u>
Total	<u><u>\$ 6,670,396</u></u>

(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 (Port of Los Angeles), 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.

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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. During fiscal year 2020, certain portion of this right-of-way were sold to the Port of Los Angeles that resulted in a \$9.1 million disposal. As of September 30, 2020, the balance of the right-of-way is \$197.9 million.

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, 2020, the Department has utilized a total of \$13.1 million of environmental credits for completed landfill as part of capital projects within the port boundaries to date. No environmental credit has been incurred and acquired in fiscal year 2020. The existing \$37.7 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.

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(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, 2020 totaled \$4.4 million. Independent ICTF financial statements for the year ended June 30, 2020 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 2020, the Department accrued \$19.9 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 \$5.3 million for fiscal year 2020, most of which is related to construction claims and recorded as component of accrued expenses.

Contract commitments and purchase orders, mostly related to capital projects, for which materials or services were not received at September 30, 2020 aggregated \$13.5 million.

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In September of 2019, the Department entered into 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 fiscal year 2020 through 2023.

(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, 2020 (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

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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 2020, it made payments to the City's Insurance Fund totaling \$1.6 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, 2020. 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 25, 2020, indicates that there is no projected shortfall for ACTA's fiscal year ending June 30, 2021.

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(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 2020.

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, 2020. The increase is comprised of \$19.0 million for Caltrans' labor related cost, and \$50.0 million for the Department's 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, 2020, the Department has incurred approximately \$1.361 billion in costs to construct the replacement bridge. Of this total amount, approximately \$737.4 million has been received from grants contribution since inception, and \$20.9 million reported as part of due from other governmental agencies on the statement of net position as of September 30, 2020.

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 of approximately \$1.561 billion. 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.

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(11) Long-Term Liabilities

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

Description	Balance, October 1, 2019	Additions	Reductions	Balance, September 30, 2020	Due in one year
Revenue bonds	\$ 736,135	130,665	213,525	653,275	24,470
Premium	95,006	19,665	16,369	98,302	—
Total revenue bonds	831,141	150,330	229,894	751,577	24,470
2018A Note	327,050	—	—	327,050	327,050
2020C Note	—	145,000	—	145,000	145,000
Premium	11,641	5,068	11,211	5,498	5,498
Total notes payable	338,691	150,068	11,211	477,548	477,548
Compensated absences	14,060	4,284	2,893	15,451	4,989
Net pension liability	113,611	7,928	—	121,539	—
Net OPEB liability	1,555	—	915	640	—
Unearned revenues	850	—	850	—	—
Environmental remediation liability	4,200	1,000	1,500	3,700	—
Due to City of Long Beach EBF	—	4,560	—	4,560	—
Total long-term liability	\$ 1,304,108	318,170	247,263	1,375,015	507,007

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.

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(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, 2019	Additions	Payments *	Ending balance September 30, 2020	Principal due within one year
Revenue bonds:									
2010A	3/31/2010	3%-5%	2018-25	200,835	97,475	—	97,475	—	—
2010B	4/29/2010	4%-5%	2018-27	158,085	109,200	—	109,200	—	—
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	—	6,850	26,265	4,835
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	—
2020A	2/19/2020	4%-5%	2024-27	55,725	—	55,725	—	55,725	—
2020B	2/19/2020	4%-5%	2021-24	74,940	—	74,940	—	74,940	19,635
Total bonds				<u>\$ 1,039,645</u>	736,135	130,665	213,525	653,275	24,470
Unamortized bond premium					95,006	16,354	13,058	98,302	—
Net total bonds indebtedness					<u>\$ 831,141</u>	<u>147,019</u>	<u>226,583</u>	<u>751,577</u>	<u>24,470</u>

* 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:			
2021	\$ 24,470	31,889	56,359
2022	35,530	31,058	66,588
2023	37,090	29,493	66,583
2024	38,945	27,639	66,584
2025	32,000	25,786	57,786
Thereafter	<u>485,240</u>	<u>291,951</u>	<u>777,191</u>
	<u>\$ 653,275</u>	<u>437,816</u>	<u>1,091,091</u>

The Department has pledged operating revenues to repay all bonds. The bonds were issued to finance either redevelopment activities within various project areas or to refinance existing debt that was originally issued for the same purpose.

Details of each outstanding debt issue are as follows:

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(a) 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 were defeased on May of fiscal year 2020 and the liability for those bonds was removed from the Department's statement of net position.

(b) 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 were defeased on May of fiscal year 2020 and the liability for those bonds was removed from the Department's statement of net position.

(c) 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.

(d) 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

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\$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.

(e) 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.

(f) 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.

(g) 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

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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.

(h) 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.

(i) 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.

(j) 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,

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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.

(k) 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.

(l) 2020A Harbor Revenue Refunding Bonds

The City of Long Beach Revenue Refunding Bonds Series 2020A (the 2020A Bonds) are secured by the Department's gross revenue. The 2020A Bonds, dated February 19, 2020, amounting to \$55.7 million were issued to refund and defease all of the City's Harbor Revenue Bonds Series 2010A and Series 2010B, and to pay the costs of issuing the 2020A Bonds. The sources contributed to reducing principal balance are \$20.0 million of the 2010A reserve fund, \$10.8 million in principal payment, and \$12.1 million in issue premium. This refunding was undertaken to reduce total debt service payments over the next 7 years by 41.2 million with an economic gain of \$9.8 million.

The 2020A 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 outflow of resources.

(m) 2020B Harbor Revenue Refunding Bonds

The City of Long Beach Revenue Refunding Bonds Series 2020B (the 2020B Bonds) are secured by the Department's gross revenue. The 2020B Bonds, dated February 19, 2020, amounting to \$74.9 million were issued to refund and defease all of the City's Harbor Revenue Bonds Series 2010A and Series 2010B, and to pay the costs of issuing the 2020B Bonds. The sources contributed to reducing principal balance are \$16.5 million of the 2010A reserve fund, \$12.1 million in principal payment, and \$7.0 million in issue premium. This refunding was undertaken to reduce total debt service payments over the next 4 years by 45.5 million with an economic gain of \$12.8 million.

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The 2020B 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 outflow of resources.

(13) 2018A and 2020C 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 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, 2019	Additions	Payments	Ending balance September 30, 2020	Principal due within one year
Senior Notes:									
2018A Notes	9/19/2018	5 %	2021	\$ 327,050	327,050	—	—	327,050	327,050
2020C Notes	5/19/2020	5 %	2021	145,000	—	145,000	—	145,000	145,000
Total notes				<u>\$ 472,050</u>	327,050	145,000	—	472,050	472,050
Unamortized bond premium					11,641	5,068	11,211	5,498	5,498
Net total notes indebtedness					<u>\$ 338,691</u>	<u>150,068</u>	<u>11,211</u>	<u>477,548</u>	<u>477,548</u>

(a) 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, 2020, 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.

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(b) 2020C Senior Notes

The City of Long Beach Harbor Revenue Notes Series 2020C Senior Notes (the 2020C Notes) are secured by the Department's gross revenue. The 2020C Notes were issued on May 19, 2020 with an approximately 1.5 year term for an aggregate principal and interest amount of \$145.0 million and \$6.7 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) pay and/or reimburse the Department for capital expenditures incurred or to be incurred, including, but not limited to, the costs of designing and constructing a replacement for the Gerald Desmond Bridge, (b) fund capitalized interest on the 2020C Notes through the maturity date, and (c) pay the costs of issuing the 2020C Notes.

The 2020C 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 2020C Notes.

The 2020C Notes are outstanding as of September 30, 2020, and will mature on July 15, 2021 with interest payable semiannually of January 15 and July 15. The Notes are not subject to redemption prior to maturity.

As of September 30, 2020, the balance of the debt service account (Capitalized Interest Fund) \$5.8 million is restricted to meet debt service requirements in conformity with the note resolution.

(i) TIFIA Loan Commitment

In May 2014, the Harbor Department (the Port) entered into a loan agreement (the 2014 TIFIA Loan) with the United States Department of Transportation (USDOT) under the TIFIA for an approved amount of \$325.0 million. On May 2020, the Port entered into a revised new TIFIA loan agreement (the 2020 TIFIA Loan) for an approved amount up to \$500.0 million that replaced the 2014 TIFIA Loan. Under the 2020 TIFIA Loan, the USDOT will allow the Department to borrow up to \$500.0 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 and the 2020C Notes. The loan is secured by a subordinate lien on the Port'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 that was retroactively declared in December of 2020. As such, there is no outstanding liability for the TIFIA Loan as of September 30, 2020. Once drawn upon, the TIFIA Loan will be repaid over a period not to exceed 35 years at an interest rate of 1.26%.

(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).

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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, 2020, 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. 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.

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The Miscellaneous Plan's provisions and benefits in effect at September 30, 2020, are summarized in the following table:

Hire date	Miscellaneous		
	Tier 1	Tier 2	Tier 3
	Prior to	On or after	On or after
	October 1,	October 1, 2006	January 1,
	2006	and prior to	January 1,
		January 1,	2013
		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 %	7.0 %
Employer	28.446 %	28.446 %	28.446 %
	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 18.4% as of September 30, 2020.

(iii) *Pension Liability, Pension Expense, 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, 2020 (measurement date). The Department's share of the net pension liability for the Miscellaneous Plan was \$108.5 million at the beginning of the period and \$121.5 million at June 30, 2020. For the measurement period ending June 30, 2020, the Department incurred pension expense of \$11.8 million.

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As of September 30, 2020, the Department had deferred outflows and deferred inflows related to pensions as follows (in thousands):

Deferred outflows of resources:

Pension contributions after measurement date	\$ 3,679
CalPERS difference between actual and expected investment returns	3,092
CalPERS differences between actual and expected experience	703
CalPERS change in proportion	<u>557</u>
Total deferred outflows of resources	\$ <u><u>8,031</u></u>

Deferred inflows of resources:

CalPERS differences between actual and expected experience	\$ 514
CalPERS change in proportion	<u>1,355</u>
Total deferred inflows of resources	\$ <u><u>1,869</u></u>

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	Total
June 30	
2021	\$ 2,233
2022	(1,070)
2023	(2,022)
2024	<u>(1,624)</u>
Total	\$ <u><u>(2,483)</u></u>

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(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, 2020 is as follows:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.15 %
Inflation	2.625 %
Projected salary increase	Varies by entry age and service
Investment rate of return	7.25 % ¹
Mortality	²

¹ Net of pension plan investment and administrative expenses; includes inflation.

² The mortality table used was developed based on CalPER'S specific data. The probabilities of mortality are based on the 2017 CalPER'S Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPER'S Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPER'S website.

All other actuarial assumptions used in the June 30, 2020 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.

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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, 2020	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	2.62
Inflation sensitive	—	0.77	1.81
Private equity	8.00	6.30	7.23
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	
1.0% Decrease (6.15%)	\$ 187,685
Current discount rate (7.15%)	121,539
1.0% Increase (8.15%)	66,717

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(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 administered 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, 2020, the Department reported a total OPEB liability of \$0.6 million for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of September 30, 2018. The Department's proportion of the City's total OPEB liability was based on the Department's share of sick leave balances. At September 30, 2020, the Department's proportion was 6.6%.

For the years ended September 30, 2020, the Department incurred OPEB expense of \$902 thousand and is reported in the personnel services expense in the accompanying financial statements.

As of September 30, 2020, the Department had deferred outflows and deferred inflows related to OPEB as follows (in thousands):

Deferred outflows of resources:

OPEB contributions after measurement date	\$	234
Change in assumptions		381
Change in proportion		70
Total deferred outflow of resources	\$	<u>685</u>

Deferred inflows of resources:

Difference between actual and expected experience	\$	405
Change in assumptions		2,466
Change in proportion		130
Total deferred inflow of resources	\$	<u>3,001</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2020

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):

<u>Year ending September 30</u>	<u>Amount to be recognized</u>
2021	\$ (316)
2022	(316)
2023	(316)
2024	(316)
2025	(328)
2026–2030	<u>(898)</u>
Total	<u>\$ (2,490)</u>

(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, 2019	
Actuarial cost method	Entry age	
Actuarial assumptions:		
Inflation	2.75 %	
Discount rate	2.75 %	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	

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2020

(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 (1.75%)	Discount rate (2.75%)	1 Percent increase (3.75%)
As of September 30, 2020	\$ 623	640	1,498

(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, 2020	\$ 1,367	640	514

(c) **Termination Benefits**

As of September 30, 2020, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$157.7 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 \$157.7 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, 2020, the Department has recorded noncurrent liabilities totaling \$10.5 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, 2020.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2020

(16) Environmental Remediation Obligation

The Department identified these environmental remediation obligations as of September 30, 2020:

- (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 current remediation cost estimate is \$2.6 million, an increase of \$1.0 million from prior fiscal year. This warehouse has a net book value of zero and there is no reasonable expectation of any recovery associated with these remediation efforts.
- (b) 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 current abatement cost estimate is approximately \$1.1 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, 2020 is as follows (expressed in thousands):

Deferred outflows of resources:

Pension related deferred outflows	\$	8,031
OPEB related deferred outflows		<u>685</u>
Total deferred outflows of resources	\$	<u><u>8,716</u></u>

Deferred inflows of resources:

Gain on debt refunding	\$	4,909
Pension related deferred inflows		1,869
OPEB related deferred inflows		<u>3,001</u>
Total deferred inflows of resources	\$	<u><u>9,779</u></u>



Required Supplemental Section

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Schedule of the Department's Proportionate Share of the Net Pension Liability and Department's Contributions
September 30, 2020 (dollars in thousands)

Last 10 years ¹
(Unaudited)

Schedule of the Department's proportionate share of the net pension liability

	2020	2019	2018	2017	2016	2015
Department's proportion of the collective net pension liability	18.40%	18.3%	18.7%	19.2%	20.9%	18.9%
Department's proportionate share of the collective net pension liability ²	121,539	113,611	110,982	129,893	124,170	90,470
Department's covered payroll	\$ 53,372	\$ 50,754	\$ 49,981	\$ 49,241	\$ 52,312	\$ 45,335
Department's proportionate share of the collective net pension liability as a percent of covered payroll	227.7%	223.8%	222.0%	263.8%	237.4%	199.6%
Pension plan's fiduciary net position as a percentage of total pension liability	76.5%	77.2%	77.4%	74.1%	74.2%	78.4%

Schedule of the Harbor Fund's Contributions

Contractually required contribution ³	\$ 13,168	\$ 11,435	\$ 9,963	\$ 8,806	\$ 8,334	\$ 6,641
Contributions in relation to the contractually required contributions ⁴	\$ 13,168	\$ 11,435	\$ 9,963	\$ 8,806	\$ 8,334	\$ 6,641
Contribution deficiency (excess)	—	—	—	—	—	—
Harbor's covered payroll	\$ 53,372	\$ 50,754	\$ 49,981	\$ 49,241	\$ 52,312	\$ 45,335
Harbor's contributions as a percentage of covered payroll	24.7%	22.5%	19.9%	17.9%	15.9%	14.6%

¹ Notes to Required Supplementary Information

² The Department implemented GASB Statement No. 68 effective October 1, 2014; therefore, data is not available prior to October 1, 2014.

³ The net pension liability includes the impact of changes in assumptions. Amounts reported in 2017 and later reflect a discount rate reduction from 7.65% to 7.15%. For amounts reported from 2015 to 2017, reflect a discount rate increase on 7.5% to 7.65%.

⁴ Actuarial Determined contribution is based on a CalPERS projection of the payroll for the Miscellaneous plan

⁵ Amount represents actual contributions recorded by CalPERS.



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

Financial Trends Information:

These condensed schedules provide trend information of how the Department's financial performance and well-being have changed over time.

Statements of Net Position – Last 10 Fiscal Years – Exhibit 1	60
Changes in Fund Net Position – Last 10 Fiscal Years – Exhibit 2	61

Revenue Capacity Information:

This schedule contains information of the Department's major revenue sources.

Operating Revenue by Type – Last 10 Fiscal Years – Exhibit 3	62
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Debt Capacity Information:

This schedule presents the affordability of the Department's current level of outstanding debt and the Department's ability to issue additional debt in the future.

Revenue Bonds Debt Service Coverage – Last 10 Fiscal Years – Exhibit 4	63
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Operating Information:

These schedules and the schedules under Other Information provide operating data that reflects how the Department's financial report relates to the services it provides and the activities it performs.

Tonnage Summary – Last 10 Fiscal Years – Exhibit 5	64
Tonnage by Commodity Group and Vessel Calls – Last 10 Fiscal Years – Exhibit 6	65
Metric Revenue Tons and Container Counts – Last 10 Fiscal Years – Exhibit 7	66

Other Information:

Principal Customers – Exhibit 8	67
Employee Headcount by Division – Last 10 Fiscal Years – Exhibit 9	68

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statements of Net Position

Last Ten Fiscal Years

(In millions)

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Assets and deferred outflows:										
Current	\$ 793	658	717	690	487	501	453	441	673	634
Other	5,089	5,039	4,853	4,665	4,550	4,474	4,229	3,612	2,931	2,858
Deferred outflows	9	14	21	42	42	22	10	11	13	—
Total assets and deferred outflows	\$ 5,891	5,711	5,591	5,397	5,079	4,997	4,692	4,064	3,617	3,492
Liabilities and deferred inflows:										
Current	\$ 131	125	315	101	111	100	123	153	123	104
Current – restricted*	520	55	58	65	61	60	67	61	59	58
Long term	868	1,263	1,115	1,292	1,115	1,215	1,037	672	641	678
Deferred inflows	9	13	22	13	12	15	3	—	—	—
Total liabilities and deferred inflows	\$ 1,528	1,456	1,510	1,471	1,299	1,390	1,230	886	823	840
Net position:										
Net investment in capital assets	\$ 3,791	3,745	3,643	3,492	3,442	3,077	2,975	2,848	2,105	1,916
Restricted	52	47	56	51	90	265	199	62	157	178
Unrestricted	520	463	382	383	248	267	289	269	531	558
Total net position	\$ 4,363	4,255	4,081	3,926	3,780	3,609	3,463	3,179	2,793	2,652
Working capital	\$ 662	533	402	589	376	401	330	288	550	530
Current ratio	1.2	3.7	1.9	4.2	2.8	3.1	2.4	2.1	3.7	3.9
Debt to asset ratio	30.0 %	28.8 %	31.0 %	31.3 %	28.3 %	30.9 %	29.0 %	24.5 %	28.0 %	29.4 %

* Current liabilities payable from restricted assets.

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Changes in Fund Net Position
Last Ten Fiscal Years
(In millions)
(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenue	\$ 399	412	402	381	362	355	358	346	335	345
Operating expense	292	279	287	291	292	271	228	188	177	166
Income from operations	107	133	115	90	70	84	130	158	158	179
Investment earnings	(17)	(9)	(10)	—	(15)	39	(12)	—	(16)	(50)
Other income/(expense)	(6)	3	2	2	5	4	7	1	3	5
Transfers to City Tidelands Fund/Other Operating Funds	(21)	(21)	(20)	(19)	(19)	(18)	(18)	(17)	(17)	(37)
Capital grants	45	68	68	73	132	121	178	251	14	7
Change in net position	\$ 108	174	155	146	173	230	285	393	142	104
Return on investment	2.8 %	4.6 %	4.3 %	4.2 %	0.1 %	7.4 %	9.4 %	14.4 %	6.7 %	5.2 %
Capital expenditures (Includes personnel costs)	\$ 265	496	251	252	367	363	552	792	373	228
Personnel:										
Wages and benefits from operations	\$ 76	66	63	60	62	55	48	45	43	42

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)

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Berth and special facilities:										
Wharfage	355	367	359	342	323	312	308	297	269	280
Dockage	6	6	7	7	8	11	11	12	12	12
Bunkers	1	1	1	1	1	1	1	1	1	1
Special facilities rentals	18	19	16	13	16	16	14	12	28	23
Crane rentals	—	—	—	—	—	2	13	13	13	13
Other	1	1	1	1	1	1	1	1	—	—
Total berths and special facilities	381	394	384	364	349	343	348	336	323	329
Rental properties	15	15	14	14	10	10	9	9	10	14
Miscellaneous	3	3	4	3	3	2	1	1	2	2
Total operating revenue	399	412	402	381	362	355	358	346	335	345
Growth (reduction)%			5.5	5.6	1.5	(1.1)	3.4	3.6	(3.5)	7.4
Special facility revenue by terminal commodity:										
Containers	302	311	311	291	275	270	280	268	256	267
Liquid bulk	19	23	17	18	17	17	16	17	17	16
Dry bulk	37	37	37	35	29	29	26	26	24	22
Vehicles	18	17	14	15	15	14	13	12	13	10
Steel	4	5	4	4	8	8	8	8	8	8
Lumber	1	1	1	1	1	1	1	1	1	1
Miscellaneous	—	—	—	—	3	3	3	3	3	3
Total special facility revenue	381	394	384	364	348	342	347	335	322	327

Source: Finance Division, Harbor Department

See accompanying independent auditors' report.

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
2020	\$ 415	145	270	66	4.09
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

(a) Total port operating revenue and interest income 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)

(Unaudited)

Fiscal year	Inbound tonnage			Outbound tonnage			Port of Long Beach total
	Municipal	Private*	Total	Municipal	Bunkers	Total	
2020	129,133	—	129,133	37,812	1,630	39,442	168,575
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

Average annual growth (reduction)

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.

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)

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	Total	Average annual growth
Containerized:												
In	100,669	103,173	108,091	98,941	93,614	95,798	94,310	91,047	77,910	83,482	947,035	2.34%
Out	30,247	29,204	30,823	28,174	29,400	29,307	31,262	30,525	27,584	29,623	296,149	0.42%
Other break bulk:												
In	964	1,116	1,243	1,127	1,008	1,039	1,002	854	917	752	10,022	3.49%
Out	60	115	129	61	99	101	92	108	98	827	1,690	(7.84)%
Liquid bulk:												
In	26,950	29,310	29,819	30,130	27,971	27,479	26,696	27,398	28,197	28,585	282,535	(0.57)%
Out	3,074	2,300	2,351	2,497	3,203	3,521	2,995	3,197	2,466	3,239	28,843	1.29%
Dry bulk:												
In	550	471	445	238	344	209	235	259	259	333	3,343	11.20%
Out	6,060	7,268	7,692	6,933	5,684	6,820	8,934	8,869	7,713	7,576	73,549	(1.33)%
Total:												
In	129,133	134,070	139,598	130,436	122,937	124,525	122,243	119,558	107,283	113,152	1,242,935	1.62%
Out	39,441	38,887	40,995	37,665	38,386	39,749	43,283	42,699	37,861	41,265	400,231	—%
Vessel calls*	2,237	2,095	2,278	2,149	2,227	2,676	2,752	3,425	3,993	4,758	28,590	
Annual growth/(decline)	6.78 %	(8.03)%	6.00 %	(3.50)%	(16.78)%	(2.76)%	(19.65)%	(14.22)%	(16.08)%	(1.41)%		
TEU's	7,661	7,747	8,001	7,231	6,946	7,088	6,818	6,648	5,857	6,298	70,295	
TEU annual growth/(decline)	(1.11)%	(3.17)%	10.65 %	4.10 %	(2.00)%	3.96 %	2.56 %	13.51 %	(7.00)%	6.10 %		

* 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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Metric Revenue Tons and Container Counts

Last 10 fiscal years

(In thousands)

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Municipal berths¹:										
Foreign	101,566	104,012	108,811	99,468	93,928	98,464	104,245	101,027	91,490	96,908
Coastwise/intercoastal	27,567	30,058	30,787	30,977	29,009	26,061	17,998	18,477	15,793	16,054
Total inbound cargo	129,133	134,070	139,598	130,445	122,937	124,525	122,243	119,504	107,283	112,962
Outbound cargo:										
Foreign	34,061	34,418	36,218	32,923	32,737	33,592	37,067	36,769	3,270	36,210
Coastwise/intercoastal	3,751	3,618	3,516	3,258	3,996	4,843	5,348	5,141	1,311	3,507
Bunkers	1,630	851	1,261	1,474	1,653	1,313	867	843	4,581	1,546
Total outbound cargo	39,442	38,887	40,995	37,655	38,386	39,748	43,282	42,753	4,581	41,263
Total municipal cargo	168,575	172,957	180,593	168,100	161,323	164,273	165,525	162,257	111,864	154,225
Private berths¹:										
Inbound	—	—	—	—	—	—	—	—	—	192
Outbound	—	—	—	—	—	—	—	—	—	—
Total private cargo	—	—	—	—	—	—	—	—	—	192
Grand total	168,575	172,957	180,593	168,100	161,323	164,273	165,525	162,257	111,864	154,417
Container count summary (000's)²										
Loaded inbound TEUs	3,761	3,862	4,044	3,698	3,514	3,596	3,523	3,420	2,932	3,139
Loaded outbound TEUs	1,492	1,441	1,564	1,451	1,538	1,528	1,664	1,671	1,491	1,582
Total loaded	5,253	5,303	5,608	5,149	5,052	5,124	5,187	5,091	4,423	4,721
Full containers annual growth (decline)										
Total empty	2,408	2,444	2,393	2,081	1,894	1,964	1,631	1,557	1,434	1,577
Empty containers annual growth (decline)										
Total TEUs	7,661	7,747	8,001	7,230	6,946	7,088	6,818	6,648	5,857	6,298
Annual growth	(1.1)%	(3.2)%	10.7 %	4.1 %	(2.0)%	4.0 %	2.6 %	13.5 %	(7.0)%	6.1 %

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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Principal Customers

(Unaudited)

The Port's Largest Customers	Effective date	Expiration date
Total Terminals International, LLC	08/2002	08/2027
OOCL, LLC – Long Beach Container Terminal, LLC	07/2011	06/2051
Pacific Maritime Services – Pacific Container Terminal	05/2002	04/2042
International Transportation Service, Inc.	09/2006	08/2026
SSA Terminals (Long Beach), LLC	12/2002	10/2027
Toyota Logistics Services	01/2009	12/2028
SSA Terminals, LLC – SSA Terminal C60/Matson Navigation	05/2002	04/2022
Metropolitan Stevedore Company	09/2014	09/2034
Oxbow Carbon & Minerals, LLC	09/2014	09/2029
Carson Cogeneration Company – Tesoro Refining & Marketing	06/1983	05/2023
SA Recycling, LLC	11/1994	11/2024
Tesoro Refining & Marketing Co – Tesoro Logistics LP	01/2012	01/2032
Koch Carbon, Inc.	01/1988	12/2027
Tesoro Refining & Marketing	01/2015	12/2034
Tesoro Refining & Marketing	01/1981	12/2022
Jacobsen Pilot Service, Inc.	08/2017	07/2032
Chemoil Corporation	07/2010	06/2025
Crescent Terminals, Inc.	07/2000	06/2027
Pacific Crane Maintenance Company, LLC	05/2002	Month-to-month
MITSUBISHI CEMENT CORPORATION	06/1989	06/2022

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

Source: Real Estate Division, Harbor Department.

See accompanying independent auditors' report.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Employee Headcount by Division

Last 10 fiscal years

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Executive administration	18.0	18.0	15.0	14.0	18.0	17.0	11.9	9.3	15.4	17.3
Business development	12.0	11.0	12.0	13.0	13.0	11.0	—	—	—	—
Communications	19.0	18.0	16.0	14.0	14.0	16.0	15.0	12.8	14.0	14.8
Construction management	48.0	47.0	48.0	45.0	47.0	46.0	—	—	—	—
Design	46.0	46.0	46.0	51.0	49.0	48.0	—	—	—	—
Engineering	—	—	—	—	—	—	140.7	128.8	128.0	117.1
Environmental planning	23.0	21.0	24.0	21.0	24.0	23.0	—	—	—	—
Finance	28.0	23.0	22.0	25.0	25.0	25.0	24.5	24.9	26.0	21.2
Government relations/affairs	4.0	3.0	3.0	4.0	3.0	4.0	4.0	4.0	4.0	3.4
Human resources	19.0	20.0	18.0	16.0	18.0	18.0	17.4	16.3	17.0	17.8
Information management	27.0	24.0	20.0	22.0	22.0	22.0	20.6	20.8	21.0	18.6
Maintenance	81.0	78.0	82.0	90.0	92.0	84.0	76.3	81.1	81.0	76.8
Master planning	6.0	8.0	7.0	7.0	5.0	6.0	31.7	30.6	31.0	30.3
Program delivery	3.0	3.0	3.0	3.0	3.0	2.0	—	—	—	—
Program management	25.0	23.0	22.0	27.0	28.0	25.0	—	—	—	—
Project controls	16.0	15.0	12.0	11.0	11.0	8.0	—	—	—	—
Real estate	9.0	7.0	8.0	9.0	9.0	8.0	8.8	9.0	9.0	8.0
Risk management	11.0	11.0	11.0	9.0	10.0	10.0	8.3	7.6	8.0	7.0
Security	85.0	78.0	84.0	81.0	74.0	79.0	68.0	71.2	76.5	69.8
Survey	21.0	20.0	21.0	22.0	22.0	23.0	—	—	—	—
Tenant services/trade relations	13.0	13.0	13.0	12.0	9.0	9.0	19.3	16.5	16.0	14.9
Transportation planning	6.0	6.0	5.0	7.0	6.0	6.0	—	—	—	—
Full-time/permanent subtotal	520.0	493.0	492.0	503.0	502.0	490.0	446.5	432.9	446.9	417.0
Growth/decline	5.5 %	0.2 %	(2.2)%	0.2 %	2.4 %	9.7 %	3.1 %	(3.1)%	7.2 %	4.9 %
Part-time/temporary subtotal	24.0	13.7	19.0	31.0	29.0	34.0	25.5	29.4	13.0	18.9
Growth/decline	75.2 %	(27.9)%	(38.7)%	6.9 %	(14.7)%	33.3 %	(13.3)%	126.2 %	(31.2)%	(30.8)%
Total number of employees	544.0	506.7	511.0	534.0	531.0	524.0	472.0	462.3	459.9	435.9
Growth/decline	7.4 %	(0.8)%	(4.3)%	0.6 %	1.3 %	11.0 %	2.1 %	0.5 %	5.5 %	2.6 %

Note:

FY2015 – FY2020 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.



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