

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

Annual Comprehensive Financial Report

For the fiscal year ended September 30, 2021



Port of
LONG BEACH
THE PORT OF CHOICE

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Table of Contents

	Page(s)
Introductory Section	
Letter of Transmittal	1–6
GFOA Certificate of Achievement	7
Organizational Chart	8
Board of Harbor Commissioners and Senior Management	9
Financial Section	
Independent Auditors' Report	10–11
Management's Discussion and Analysis	12–20
Basic Financial Statements:	
Statement of Net Position	21–22
Statement of Revenues, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24–25
Notes to Financial Statements	26–56
Required Supplementary Information	57–59
Statistical Section (Unaudited)	
Financial Trends Information:	
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:	
Operating Revenue by Type – Last 10 Fiscal Years – Exhibit 3	62
Debt Capacity Information:	
Revenue Bonds Debt Service Coverage – Last 10 Fiscal Years – Exhibit 4	63

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Table of Contents

	Page(s)
Operating Information:	
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	68
Other Information:	
Principal Customers – Exhibit 8	67
Employee Headcount by Division – Last 10 Fiscal Years – Exhibit 9	68



Introduction



Letter of Transmittal

March 29, 2022

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 annual comprehensive financial report (ACFR) 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, 2021. 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, 2021 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, 2021 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 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 of 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 customer demands, the Port employs a strategic and customized approach with all customer segments. Focused outreach ensures the Port has a full understanding of the customers' needs and successfully promotes the benefits of its services.

Continuing the trend of the cargo surge spurred by the COVID-19 pandemic, the Port experienced record cargo volumes in fiscal year 2021, with 9.5 million twenty-foot-equivalent units (TEUs) moved, or a 24.0% increase from the prior fiscal year

Aside from the pandemic, on-going geopolitical developments, and the challenges in the global supply chain, 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. Increasingly, the Port has been the concentric focus relating to the mismatch of supply chain capacity and capability. The Port, therefore, 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 facilitate cargo conveyance to remain the Port of Choice for the trans-Pacific trade.

Fiscal year 2021 marked the fifth year of having three-vessel sharing alliances (2M, OCEAN and THE Alliance) operating within the Port. During this fiscal year, the third and final phase of Long Beach Container Terminal's (LBCT) Middle Harbor Redevelopment Program was mostly completed. This approximate \$1.5 billion and ten year program combined and modernized two aging shipping terminals. The project more than quintupled on-dock rail capacity and adds shore power connections and advanced technology that allows the new terminal to significantly increase cargo capacity.

As container ships capable of transporting up to 24,000 TEUs 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 continues its progress on a 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.

Capital infrastructure projects currently underway that will position the Port for increased volume and revenue include the following:

- 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.
- Other Rail Projects: The Pier G Double Track, 4th Track at CP Ocean, and Terminal Island Rail Projects will support the more efficient transfer of cargo between marine terminals and the Class 1 railroads, resulting in increased on-dock rail capacity and operating efficiency.
- Gerald Desmond Bridge Replacement: 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 is anticipated to be completed by the end of 2023. As of March 9, 2022, ownership of the bridge was legally transferred to Caltrans as a component of the state highway system. The asset transfer of the Gerald Desmond Bridge Replacement Project will be effected in two transactions that will result in an expense and a reduction of the Department's assets totaling approximately \$1.6 billion, the majority of which will be posted in fiscal year 2022 and the balance after the demolition is completed.

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 impacts 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 investments in innovative environmental programs.

The COVID-19 outbreak impact on the Port continues into 2022. 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 started in 2021 and is expected to continue throughout 2022.

Environmental Protection

The Port continues to make 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 90%, sulfur oxides by 97%, smog-forming nitrogen oxides by 63%, and greenhouse gases by 11% from 2005 levels, identified in the 2020 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.
- Updated the Green Ship Incentive Program to offer the highest incentive level of any port to attract Tier III vessels to the Port of Long Beach.
- 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 650 cameras throughout the port complex, including long-range and night-vision units, in addition to access control and radar detection systems.

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.

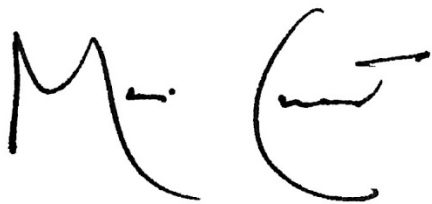
Awards and Acknowledgements

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 Annual Comprehensive Financial Report for the fiscal year ended September 30, 2020. This was the 38th 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 Annual Comprehensive 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 Annual Comprehensive 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 Joumblat, CPA
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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

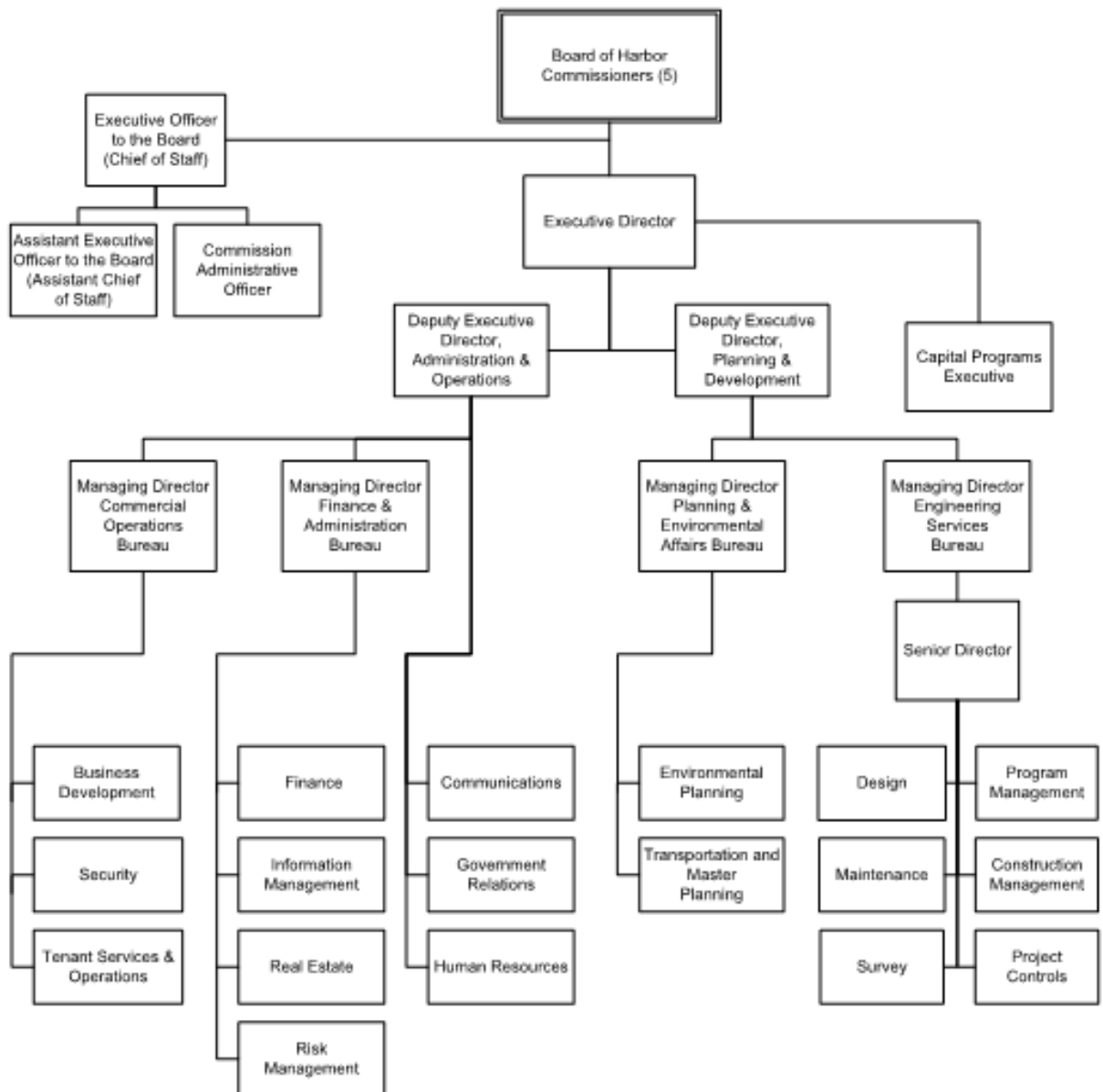
Organizational Chart

September 30, 2021

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Organizational Chart

September 30, 2021



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Board of Harbor Commissioners and Senior Management

September 30, 2021

Board of Harbor Commissioners

Steven Neal, President

Sharon L. Weissman, Vice President

Bobby Olvera Jr., Secretary and Commissioner

Bonnie Lowenthal, Commissioner

Frank Colonna, Commissioner

Executive Offices

Executive Director

Deputy Executive Director

Deputy Executive Director

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

Director, Sandy Witz (Jan. 2022)

Finance and Administration Bureau

Finance Division

Information Management Division

Real Estate Division

Risk Management Division

Managing Director, Sam Joublat

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, Samantha Galltin

Director, Roger Wu

Director, Casey Hehr

(Vacant)

Planning and Environmental Affairs Bureau

Environmental Planning Division

Transportation Planning Division

Master Planning Division

Managing Director, Heather Tomley

Director, Matthew Arms

Director, Theresa Dau-Ngo (Nov. 2021)

(Consolidated with Transportation Planning)

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, Tasha Higgins (Mar. 2022)

Director, Darrin Lambrigger

Director, John Chun

Director, Fred Greco

Director, Marlene Dupras

Director, Kimberly Holtz



Financials





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, 2021, 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, 2021 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, 2022 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, 2022

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2021 and 2020

The following discussion and analysis of the financial performance of the Harbor Department of the City of Long Beach, California (the Department) provides an overview of the financial activities for the fiscal years ended September 30, 2021 and 2020. 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 operations 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, 2021 and 2020

Analysis of Net Position

The following condensed financial information provides an overview of the Department's financial position as of September 30, 2021 and 2020:

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

September 30, 2021 and 2020

(Amounts expressed in thousands)

	<u>2021</u>	<u>2020</u>
Assets:		
Capital assets, net	\$ 5,197,575	5,030,654
Current and other assets	<u>892,740</u>	<u>851,936</u>
Total assets	6,090,315	5,882,590
Deferred outflows of resources	<u>15,989</u>	<u>8,716</u>
Total assets and deferred outflows of resources	<u>\$ 6,106,304</u>	<u>5,891,306</u>
Liabilities:		
Current liabilities	\$ 338,178	650,689
Long-term obligations, net of current portion	<u>1,255,761</u>	<u>868,008</u>
Total liabilities	1,593,939	1,518,697
Deferred inflows of resources	<u>53,642</u>	<u>9,779</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,647,581</u>	<u>1,528,476</u>
Net position:		
Net investment in capital assets	\$ 3,768,983	3,791,206
Restricted: Capital projects	37,743	37,743
Restricted: Debt service	13,717	13,801
Unrestricted	<u>638,280</u>	<u>520,080</u>
Total net position	<u>\$ 4,458,723</u>	<u>4,362,830</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2021 and 2020

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, 2021, \$3.8 billion, or 84.5%, 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, 2021. 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 \$13.7 million of a debt service reserve fund required by the bonds' indenture. The remaining balance of \$638.3 million, or 14.3%, reflects the unrestricted resources that may be used for ongoing and future operations of the Department.

Current and other assets of \$892.7 million, represents an increase of \$40.8 million from the prior fiscal year. Current assets increased by \$41.3 million primarily due to funds from the \$50.0 million draw on the line of credit.

Capital assets, net of depreciation, increased by \$166.9 million, or 3.3%, from the prior fiscal year mostly in large capital projects such as the Middle Harbor Redevelopment and Gerald Desmond Bridge Replacement project. Refer to page 19 and notes 4 and 5 for additional discussion related to capital assets.

Current liabilities decreased by \$312.5 million primarily as a result of the \$472.1 million repayment of the 2018A and 2020C Notes, partially offset by a \$50 million draw on the existing line of credit, and a \$105.0 million increase in accrued liability for a pending contractual settlement on the construction of the Gerald Desmond Bridge Replacement Project. Long-term obligations increased by \$377.8 million primarily due to the \$495.0 million drawdown of the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, and the \$61.4 million reduction in the City's allocated pension liability based on CalPERS actuarial reporting of an increase in valuation for the measurement period. Refer to page 20 and notes 11 to 14 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, 2021 and 2020

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 2021 and 2020:

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

Years ended September 30, 2021 and 2020

(Amounts expressed in thousands)

	2021	2020
Operating revenues:		
Berths and special facilities	\$ 408,312	380,764
Rental properties	23,061	14,855
Miscellaneous	3,271	3,010
Total operating revenues	434,644	398,629
Operating expenses:		
Personnel services	37,258	57,116
Maintenance and operations	59,145	46,786
Interdepartmental services	38,320	38,806
Total operating expenses before depreciation	134,723	142,708
Depreciation	172,827	149,652
Income from operations	127,094	106,269
Nonoperating revenue (expenses):		
Interest expense, net	(27,068)	(19,135)
Equity in income from joint venture	2,243	2,461
Discontinued capital projects	(839)	(2,280)
Other income (expense), net	4,292	(3,248)
Net nonoperating expenses	(21,372)	(22,202)
Income before capital grants and transfer	105,722	84,067
Transfer to the City	(21,598)	(21,253)
Grants	11,769	45,044
Change in net position	95,893	107,858
Total net position – beginning of year	4,362,830	4,254,972
Total net position – end of year	\$ 4,458,723	4,362,830

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

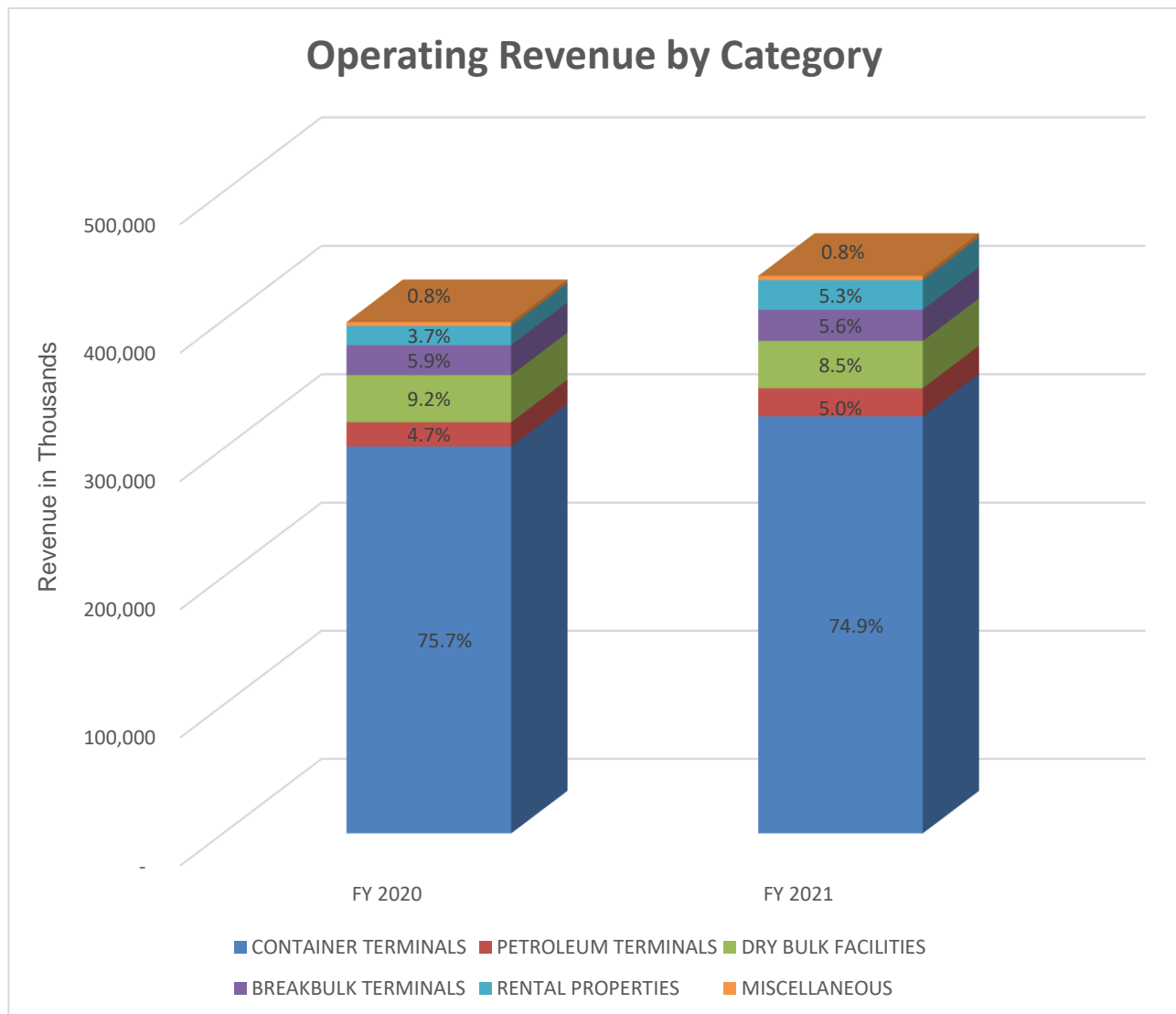
September 30, 2021 and 2020

Changes in Net Position Discussion

Operating Revenues

Total operating revenues for fiscal year 2021 was at \$434.6 million, an increase of \$36.0 million, or 9.0%, from the prior fiscal year. This was primarily attributed to a surge in imported containerized cargo that began in the summer of 2020 and lasted throughout fiscal year 2021. Containerized cargo volume alone was 24% higher than prior fiscal year. In addition, rental property revenue was up \$8.2 million from the prior year mostly due to an increase in leased land for container storage.

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



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2021 and 2020

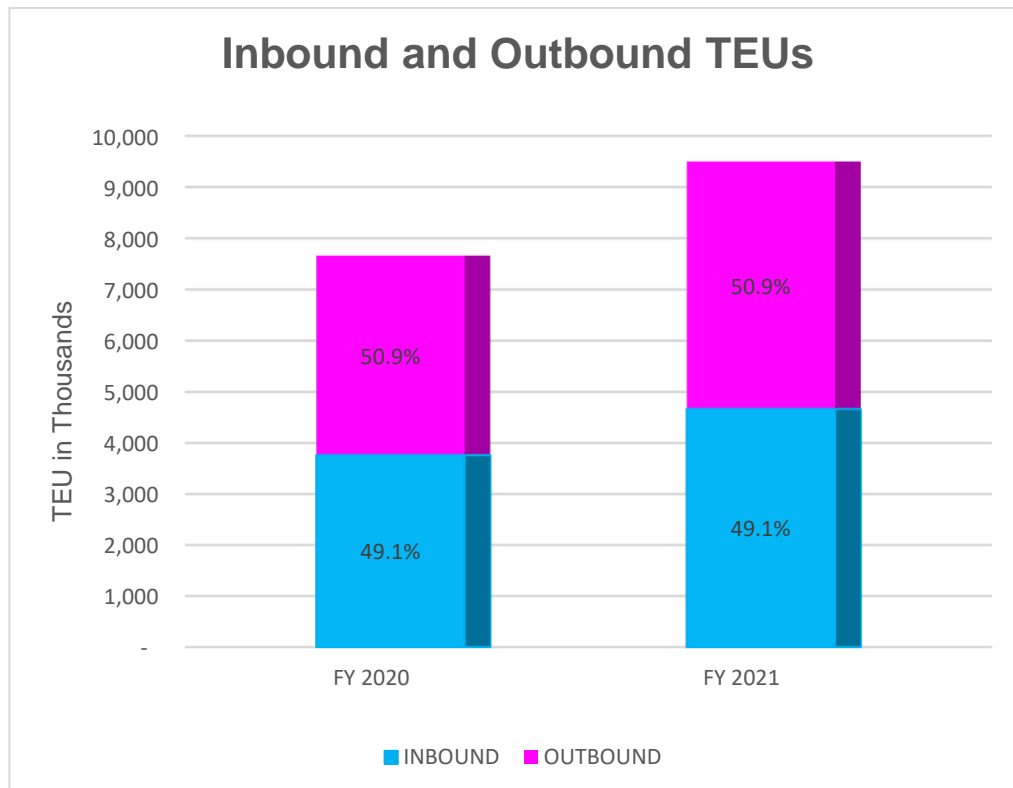
Cargo Volumes

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), increased by 17.5% to 198.1 million MRTs versus 168.6 million MRTs in the prior fiscal year, with all cargo categories posting year over year increases. Containerized cargo increased 18.9% to 155.7 million MRTs, dry bulk (coke, coal, sulfur, etc.) increased 25.0% to 8.3 million MRTs, break bulk (vehicles, metals, and lumber) increased 14.2% to 1.1 million MRTs, and liquid bulk (petroleum and crude) increased 10.0% to 33.0 million MRTs. The Port continues to invest in capital programs to modernize its terminal facilities and infrastructure to enhance operational excellence for the anticipated growth in trade volumes. Its terminals continue to serve 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) increased 24.0% to 9.50 million TEUs versus 7.66 million TEUs in the prior fiscal year. The significant increase was primarily due to the continued robust consumer demand for imported goods and the replenishment of depleted inventories, which was largely caused by the global pandemic.

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



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2021 and 2020

Change in Net Position

Change in net position for fiscal year 2021 was \$95.9 million, a decrease of \$12.0 million, or 11.1%, from the prior fiscal year. This was primarily due to \$36.0 million higher in operating revenues, offset by \$15.2 million higher total operating expenses (including depreciation), and a \$33.3 million decrease in grants funding. The following section provides a further discussion of the operations.

Operating Expense and Other Income and Expense

Total operating expenses (excluding depreciation) for fiscal year 2021 was \$134.7 million, or \$8.0 million lower than the prior fiscal year. Personnel services expense was \$37.3 million, or \$19.9 million lower than prior year primarily due to a \$26.4 million reduction of the Department's portion of the City's managed pension and postretirement healthcare benefits expenses (GASB 68 & 75), which was offset by a \$6.0 million increase in salaries and fringe benefits. Maintenance and operations expense was \$59.1 million, or \$12.4 million higher primarily consisted of a \$5.4 million emergency repair work on Pier B Street pump station, a \$3.7 million increase in on-call underground wet utility services, and approximately \$3.3 million in other administrative costs.

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 2021 was \$172.8 million, or \$23.2 million higher than the prior fiscal year primarily from the increase in structures and facilities, when the new Gerald Desmond Bridge was placed in service as of the first quarter of fiscal year 2021.

Interest expense, net amount is comprised of the following: (1) investment interest income with unrealized gain or loss, and (2) debt service interest expense. Fiscal years 2021 and 2020 had a net interest expense of \$27.1 million and \$19.1 million, respectively, or an increase of \$8.0 million in fiscal year 2021. Investment interest income has declined by \$17.0 million year over year, of which \$11.7 million was due to the change in market valuation on the investment portfolio. Interest income earned from the pooled cash also declined by \$4.9 million due to falling short-term interest rates. Debt service interest expense, however, was \$9.1 million lower than the prior year mostly due to the pay-off of the short-term bond anticipation notes.

Transfers to the City totaled \$21.6 million in fiscal year 2021, or \$0.3 million higher than prior fiscal year, which is for the City Tidelands Operating Fund to be paid in fiscal year 2021, per the City Charter. Refer to note 9 for additional discussion.

Grants totaled \$11.8 million in fiscal year 2021, a decrease of \$33.3 million in comparison to prior fiscal year. Grants are recorded based on eligible project costs incurred. The completion of the Gerald Desmond Bridge Replacement Project was the primary driver of grants funding decrease in fiscal year 2021.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2021 and 2020

Capital Assets and Debt Administration

Capital Assets

The Department's capital assets, net of accumulated depreciation as of September 30, 2021 and 2020 are as follows (amounts expressed in thousands):

	<u>2021</u>	<u>2020</u>
Nondepreciable capital assets:		
Land	\$ 1,313,696	1,251,388
Construction in progress	441,539	1,950,346
Right-of-way	<u>197,884</u>	<u>197,884</u>
Total nondepreciable capital assets	<u>1,953,119</u>	<u>3,399,618</u>
Depreciable capital assets (net):		
Structures and facilities	3,151,019	1,604,657
Furniture, fixtures, and equipment	<u>93,437</u>	<u>26,379</u>
Total depreciable capital assets (net)	<u>3,244,456</u>	<u>1,631,036</u>
Total capital assets, net	<u>\$ 5,197,575</u>	<u>5,030,654</u>

Capital Assets Discussion

The capital asset accounts, net of accumulated depreciation totaled \$5.2 billion, a net increase of \$166.9 million from the prior fiscal year. The increase in capital spending during fiscal year 2021 comprised largely of the following: Gerald Desmond Bridge Replacement Project for \$159.5 million and the Middle Harbor terminal development for \$72.5 million. These amounts were partially offset by incremental accumulated depreciation and discontinued or canceled projects. The amount of capital assets transferred out of construction in progress and into service totaled approximately \$1.8 billion for the year ended September 30, 2021. 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, 2021 and 2020 (amounts expressed in thousands):

	<u>2021</u>	<u>2020</u>
Short-term notes (principal and net premiums)	\$ —	477,548
Line of credit	50,000	—
TIFIA Loan	495,000	—
Long-term debt (principal and net premiums)	<u>717,592</u>	<u>751,577</u>
Total	<u>\$ 1,262,592</u>	<u>1,229,125</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2021 and 2020

Debt Administration Discussion

The Department's total debt increased by \$33.5 million, or 2.7%. This was primarily due to a \$50 million draw on the existing line of credit, partially offset by the annual debt service principal payments. 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: S&P Global Ratings AA, positive outlook; Moody's Investors Services Aa2, stable outlook; and Fitch Ratings AA, stable outlook; AA- for the TIFIA loan.

The debt service coverage ratio for fiscal year 2021 was approximately 4.63, 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) pandemic has had a significant impact on the global supply chain. Initially it resulted in higher than normal cancellations of vessel calls arriving from Asia in early 2020, followed by a surge in imported cargo for the remainder of the year which persisted throughout fiscal year 2021. The Harbor Department cannot predict the duration of the pandemic nor the impact on goods movement.

Notes to Financial Statements

The notes to the Department's financial statements can be found on pages 26–57 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, 2021

(Dollars in thousands)

Assets and Deferred Outflows

Current assets:

Pooled cash and cash equivalents (note 2)	\$ 713,462
Trade accounts receivable, net of allowance (note 3)	59,686
Due from other governmental agencies (note 3)	25,419
Other current assets	10,586
	<hr/>
Subtotal	809,153

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

Restricted pooled cash and cash equivalents (note 2)	27,625
	<hr/>
Total current assets	836,778
	<hr/>

Noncurrent assets:

Capital assets (notes 4 and 5):

Land	1,313,696
Construction in progress	441,539
Right-of-way (note 6)	197,884
Structures and facilities	5,489,895
Furniture, fixtures, and equipment	196,718
Less accumulated depreciation	(2,442,157)
	<hr/>
Net capital assets	5,197,575
	<hr/>

Other assets:

Long-term receivables (note 3)	1,210
Environmental mitigation credits (note 7)	37,743
Investment in joint venture (note 8)	3,674
Other noncurrent assets	13,335
	<hr/>
Total other assets	55,962
	<hr/>
Total noncurrent assets	5,253,537
	<hr/>
Total assets	6,090,315

Deferred outflows of resources (note 18)	15,989
	<hr/>

Total assets and deferred outflows of resources	\$ 6,106,304
	<hr/>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Net Position

September 30, 2021

(Dollars in thousands)

Liabilities and Deferred Inflows

Current liabilities payable from current assets:	
Accounts payable and accrued expenses	\$ 185,665
Due to the City of Long Beach (note 9)	23,478
Compensated absences (note 11)	6,207
Security deposits and unearned revenue	21,865
Liability claims (note 10)	450
Total current liabilities payable from current assets	<u>237,665</u>
Current liabilities payable from restricted assets:	
Current portion of bonds indebtedness (notes 11 and 12)	35,530
Current portion of loans payable (notes 11 and 14)	1,075
Line of credit (note 15)	50,000
Accrued interests payable	13,908
Total current liabilities payable from restricted assets	<u>100,513</u>
Total current liabilities	<u>338,178</u>
Long-term obligations net of current portion:	
Bonded indebtedness (notes 11 and 12)	682,062
Loans payable (notes 11 and 14)	493,925
Due to City of Long Beach (note 11)	4,087
Compensated absences (note 11)	12,238
Environmental remediation liability (notes 11 and 17)	2,600
Net pension liability (notes 11 and 16)	60,174
Net OPEB liability (notes 11 and 16)	675
Total noncurrent liabilities	<u>1,255,761</u>
Total liabilities	1,593,939
Deferred inflows of resources (note 18)	<u>53,642</u>
Total liabilities and deferred inflows of resources	<u>1,647,581</u>
Net position:	
Net investment in capital assets	3,768,983
Restricted – capital projects	37,743
Restricted – debt service	13,717
Unrestricted	638,280
Total net position	<u>\$ 4,458,723</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, 2021

(Dollars in thousands)

Port operating revenues:	
Berths and special facilities	\$ 408,312
Rental properties	23,061
Miscellaneous	3,271
	<hr/>
Total port operating revenues	434,644
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Port operating expenses:	
Personnel services	37,258
Maintenance and operations	59,145
Interdepartmental services	38,320
	<hr/>
Total operating expenses before depreciation	134,723
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Depreciation	172,827
	<hr/>
Total operating expenses	307,550
	<hr/>
Income from operations	127,094
	<hr/>
Nonoperating revenues, (expenses) net:	
Investment income, net	(637)
Interest expense	(26,431)
Equity in income from joint venture	2,243
Discontinued capitalized projects	(839)
Other income, net	4,292
	<hr/>
Total nonoperating expenses, net	(21,372)
	<hr/>
Income before transfers and grants	105,722
	<hr/>
Transfers (note 9)	(21,598)
Grants	11,769
	<hr/>
Increase in net position	95,893
	<hr/>
Total net position – beginning of year	4,362,830
	<hr/>
Total net position – end of year	\$ 4,458,723
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See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2021

(Dollars in thousands)

Cash flows from operating activities:	
Cash received from customers	\$ 457,190
Cash paid to employees	(53,006)
Cash paid to suppliers	(125,119)
Other income	(1,209)
Net cash provided by operating activities	<u>277,856</u>
Cash flows from noncapital financing activities:	
Transfers to City Tidelands Fund	<u>(19,797)</u>
Net cash used in noncapital financing activities	<u>(19,797)</u>
Cash flows from capital and related financing activities:	
Grants provided	29,251
Interest paid	(46,727)
Principal payments made on bonds payable	(24,470)
Principal payments made on short term notes	(472,050)
Proceeds from loans	495,000
Proceeds from line of credit	50,000
Payments for capital acquisitions – personnel costs	(10,522)
Payments for capital acquisitions – vendors	(192,708)
Disbursement of other receivable	3,795
Net cash used in capital and related financing activities	<u>(168,431)</u>
Cash flows from investing activities:	
Interest received	4,866
Return on investment in joint venture	<u>3,000</u>
Net cash provided by investing activities	<u>7,866</u>
Net increase in cash and cash equivalents	97,494
Cash and cash equivalents, beginning of year	<u>643,593</u>
Cash and cash equivalents, end of the year	<u>\$ 741,087</u>
Reconciliation of cash and cash equivalents:	
Unrestricted pooled cash and cash equivalents	\$ 713,462
Restricted pooled cash and cash equivalents	<u>27,625</u>
	<u>\$ 741,087</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2021

(Dollars in thousands)

Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 127,094
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	172,827
Other income, net	(1,209)
Changes in assets, liabilities, and deferred outflows and inflows of resources	
Accounts receivable and prepaid	9,654
Accounts payable	(10,362)
Accrued liabilities	(1,100)
Accrued claims and judgments	(4,800)
Unearned revenues	6,938
Due to other funds	(694)
Compensated absences	2,994
Net pension liability and related deferred outflows of resources	(7,273)
Net pension liability and related deferred inflows of resources	(16,248)
Net OPEB liability	35
Total adjustments	150,762
Net cash provided by operating activities	\$ 277,856
Supplemental schedule of noncash capital and financing activities:	
Accrued capital assets liabilities	\$ 135,773
Accrued transfers to the City's tidelands fund	21,732
Amortization of bond premium	15,014
Amortization of deferred inflows on debt refunding	1,254
Discontinued capital projects	839

See accompanying notes to financial statements

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(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, 2021

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, 2021

(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

(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.

(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 HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

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 when earned on an accrual basis based upon measurable information. Rents, tariffs, or other miscellaneous receipts that are received in advance of earnings are recorded as unearned revenue until earned.

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

(n) Allowance for Doubtful Accounts

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

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

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

(o) Pension Plan and Postretirement Benefits

All full-time Department employees are members of the City's Miscellaneous Plan. The Department's policy is to fund all pension costs accrued. The costs to be funded are determined annually as of

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

October 1 and are incorporated into the payroll burden rate to reimburse the City's 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, 2019. 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 2021, 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 June, 2022. 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. The statement is effective beginning fiscal year 2022, and the Department is currently evaluating the financial impact of this statement.

GASB Statement No. 91, *Conduit Debt Obligations*: issued in May 2019, effective for reporting periods beginning after December, 2022. 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, and the Department is currently evaluating the financial impact of this statement.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

GASB Statement No. 92, *Omnibus 2020*, issued in January 2020, effective for reporting periods beginning after June, 2022. 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. The statement is effective beginning fiscal year 2022, and the Department is currently evaluating the financial impact of this statement.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued in March 2020, effective for reporting periods beginning after December, 2021. 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. This statement has been evaluated in fiscal year 2021, and it has no impact on the Department's financial statements.

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, 2023. 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 is effective beginning fiscal year 2023, and the Department is currently evaluating the financial impact of this statement.

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, 2023. 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, 2022. 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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

benefits provided through those plans. This statement has been evaluated in fiscal year 2021, and it has no impact on the Department's financial statements.

GASB Statement No. 98, The Annual Comprehensive Financial Report, issued in October 2021, effective for fiscal years ending after December 15, 2021. This statement established the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement has been implemented early in fiscal year 2021.

(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	\$ 713,462	27,625	741,087

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

As of September 30, 2021, the City's majority investment pool has a weighted average maturity of two years or less. At September 30, 2021, the Department had \$741.1 million equity in the pool, representing approximately 42.1% of the pool. The following are the actual ratings as of September 30, 2021 for each investment type (in thousands):

Investment type	Minimum legal rating	Rating as of year end						
		Total	A-	A+	AA	AA+	AAA	Unrated
Pooled cash and investments:								
Money market mutual funds	N/A	\$ 6,437	—	—	—	6,437	—	—
U.S. Treasury notes	N/A	1,234,191	—	—	—	1,234,191	—	—
Federal agency securities	N/A	276,744	—	—	—	276,744	—	—
Corporate notes	N/A	21,316	7,138	5,992	1,190	3,156	3,840	—
Local Agency Investment Fund (LAIF)	N/A	221,623	—	—	—	—	—	221,623
Total pooled investments		\$ 1,760,311	7,138	5,992	1,190	1,520,528	3,840	221,623

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

Fair Value Hierarchy

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

Investments at fair value level	Total	Fair value measurement		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 1,234,191	—	1,234,191	—
Federal agency securities	276,744	—	276,744	—
Corporate notes	21,316	—	21,316	—
Total investments at fair value	1,532,251	\$ —	1,532,251	—
Other investments at fair value:				
Local Agency Investment Fund (LAIF)	221,623			
Other investments at cost or contract value:				
Money market mutual funds	6,437			
Total investments	\$ 1,760,311			

(3) Accounts Receivable and Other Receivables

Accounts receivable as of September 30, 2021, included the following (expressed in thousands):

Trade accounts receivable	\$ 61,857
Less allowance for doubtful accounts	(2,171)
Accounts receivable, net	\$ 59,686

Other receivables as of September 30, 2021 included the following (expressed in thousands):

Due from other governmental agencies:	
Current:	
Federal and state grants	\$ 25,419
Long term:	
Due from the City of Long Beach	1,210
Total due from other governmental agencies	\$ 26,629

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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(4) Capital Assets

Capital assets' schedule as of September 30, 2021 is as follows: (expressed in thousands):

Description	Balance, October 1, 2020	Additions	Adjustments/ disposals	Placed in service	Balance, September 30, 2021
Nondepreciable capital assets:					
Purchased land	\$ 462,108	—	767	61,541	524,416
Constructed land	789,280	—	—	—	789,280
Construction in progress	1,950,346	343,941	(5,456)	(1,847,292)	441,539
Right of way (note 6)	197,884	—	—	—	197,884
Subtotal	3,399,618	343,941	(4,689)	(1,785,751)	1,953,119
Depreciable capital assets:					
Structures and facilities	3,708,729	—	(767)	1,781,933	5,489,895
Furniture, fixtures, and equipment	191,637	1,263	—	3,818	196,718
Subtotal	3,900,366	1,263	(767)	1,785,751	5,686,613
Total capital assets	7,299,984	345,204	(5,456)	—	7,639,732
Less accumulated depreciation:					
Structures and facilities	2,174,678	164,198	—	—	2,338,876
Furniture, fixtures, and equipment	94,652	8,629	—	—	103,281
	2,269,330	172,827	—	—	2,442,157
Net capital assets	\$ 5,030,654	172,377	(5,456)	—	5,197,575

Construction in progress at September 30, 2021 includes the following projects (in thousands):

Gerald Desmond Bridge Replacement Project	\$ 162,411
Pier B On-Dock Rail Program	84,160
All other programs and projects	194,968
Total	\$ 441,539

During the year ended September 30, 2021, \$5.5 million of Construction in Progress was written off, of which \$0.8 million was due to discontinued projects.

(5) Operating Property Leases to Tenants

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

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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

Property under lease at September 30, 2021 consisted of the following (expressed in thousands):

Land	\$	851,587
Structures and facilities:		
Docks and wharves		816,526
Warehouses and sheds		24,416
Cranes and shiploaders		70,602
Buildings and other facilities		1,021,214
Infrastructure		<u>2,901,547</u>
Historical cost of leased property		5,685,892
Less accumulated depreciation		<u>(2,230,182)</u>
Carrying value of leased property	\$	<u><u>3,455,710</u></u>

The guaranteed annual minimum (GAM) rental income from the existing noncancelable operating leases under the current terms is as follows (expressed in thousands):

2022	\$	396,921
2023		387,600
2024		405,609
2025		400,546
2026		395,090
2027–2031		1,189,129
2032–2036		1,002,476
2037–2041		969,513
2042 and thereafter		<u>1,238,528</u>
	\$	<u><u>6,385,412</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.

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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

came from federal, state, and local sources, and the issuance of debt. By the end of fiscal 2003, the Department had paid a total of \$207.0 million for its share related to this right-of-way purchase.

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

(7) Environmental Mitigation Credits

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

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

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

As of September 30, 2021, 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 2021. The existing \$37.7 million or 226 credits will be used in future projects.

(8) Investment in Joint Venture

Intermodal Container Transfer Facility (ICTF)

The Department and the Port of Los Angeles (POLA) entered into a joint powers agreement to form the ICTF Joint Powers Authority for the purpose of financing and constructing a facility to transfer cargo containers between trucks and railroad cars. The facility, which began operations in December 1986, was developed and operated by Southern Pacific Transportation Company (SPTC) under a long-term lease agreement. SPTC was subsequently merged and continues to operate as Union Pacific Corporation. The Department appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. The Department and POLA share income and equity distributions equally.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

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, 2021 totaled \$3.7 million.

(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 2021, the Department accrued \$21.7 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 \$0.5 million for fiscal year 2021, 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, 2021 aggregated \$21.6 million.

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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

City as reimbursement for actual cost incurred per the MOU terms from fiscal year 2020 through 2023. As of September 30, 2021 the MOU amount remains unchanged.

(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 \$1.0 billion in aggregate. The coverage also includes terrorism exposure.

(i) Construction Related

The Department also carries an insurance program known as "Builder's Risk," which cover property under construction in the Port. The 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, 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, 2021 (in thousands):

Property insurance coverage for fire and other risks	\$	1,000,000
Property insurance coverage for new Gerald Desmond Bridge		200,000
Builder's risk for other projects		125,000
Comprehensive general liability		150,000
Self-insured retention		1,000

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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(iii) Workers Compensation

The Department participates in the City's self-insured workers' compensation program. During fiscal years 2021, it made payments to the City's Insurance Fund totaling \$2.3 million 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, 2021. 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, August 15, 2021, indicates that there is no projected shortfall for ACTA's fiscal year ending June 30, 2022.

(c) Gerald Desmond Bridge Replacement Project (GDBR Project)

The GDBR 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 has been built with a cable-stayed design under a design-build contract and features 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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

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 the bridge was opened to traffic on October 5, 2020, while the substantial completion date was declared by the Board on December 16, 2020.

As of September 30, 2021, the Department has incurred approximately \$1.454 billion in costs to construct the replacement bridge. Of this total amount, approximately \$753.5 million has been received from grants contribution since inception, and \$7.7 million reported as part of due from other governmental agencies on the statement of net position as of September 30, 2021.

Additionally, the Department has agreed to pay Caltrans operating and maintenance costs with respect to the new bridge for a 30-year period commencing on the date ownership of the new bridge is transferred to Caltrans.

(11) Long-Term Liabilities

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

Description	Balance, October 1, 2020	Additions	Reductions	Balance, September 30, 2021	Due in one year
Revenue bonds	\$ 653,275	—	24,470	628,805	35,530
Premium	98,302	—	9,515	88,787	—
Total revenue bonds	751,577	—	33,985	717,592	35,530
2018A Note	327,050	—	327,050	—	—
2020C Note	145,000	—	145,000	—	—
Premium	5,498	—	5,498	—	—
Total notes payable	477,548	—	477,548	—	—
TIFIA loan	—	495,000	—	495,000	1,075
Line of credit	—	50,000	—	50,000	50,000
Compensated absences	15,451	4,459	1,465	18,445	6,207
Net pension liability	121,539	60,174	121,539	60,174	—
Net OPEB liability	640	675	640	675	—
Environmental remediation liability	3,700	—	1,100	2,600	—
Due to City of Long Beach	4,560	27	500	4,087	—
Total long-term liability	\$ 1,375,015	610,335	636,777	1,348,573	92,812

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),

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

and are not a debt of the City. Pursuant to Section 10.02 of the Subordinate Resolution, except as otherwise permitted in the Subordinate Resolution or a supplemental resolution, upon the occurrence and continuation of an event of default under the Subordinate Resolution, the holders, a credit facility provider, a liquidity facility provider or any other party do not have the right to accelerate the payment of principal of and interest on the Subordinate Obligations outstanding.

(12) Bonds Senior 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, 2020	Additions	Payments *	Ending balance September 30, 2021	Principal due within one year
Revenue bonds:									
2014B	4/24/2014	3%–5%	2018–27	\$ 20,570	11,700	—	—	11,700	—
2015A	4/16/2015	4%–5%	2018–23	44,845	26,265	—	4,835	21,430	14,390
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	—	19,635	55,305	21,140
Total bonds				\$ 680,725	653,275	—	24,470	628,805	35,530
Unamortized bond premium					98,302	—	9,515	88,787	—
Net total bonds indebtedness					\$ 751,577	—	33,985	717,592	35,530

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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

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):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year(s) ending September 30:			
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
2026	33,525	24,262	57,787
2027-2031	98,075	101,996	200,071
2032-2036	89,485	79,568	169,053
2037-2041	110,330	55,536	165,866
2042 and thereafter	153,825	30,589	184,414
	<u>\$ 628,805</u>	<u>405,927</u>	<u>1,034,732</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:

(a) 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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(b) 2015A Harbor Revenue Refunding Bonds

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

The 2015A Bonds are not redeemable prior to maturity.

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

(c) 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.

(d) 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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(e) 2015D Harbor Revenue Bonds

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

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

(f) 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.

(g) 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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(h) 2017C Harbor Revenue Bonds

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

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

(i) 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.

(j) 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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(k) 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.

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

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, 2020	Additions	Payments	Ending balance September 30, 2021	Principal due within one year
Senior Notes:									
2018A Notes	9/19/2018	5 %	2021	\$ —	327,050	—	327,050	—	—
2020C Notes	5/19/2020	5 %	2021	—	145,000	—	145,000	—	—
Total notes				\$ —	472,050	—	472,050	—	—
Unamortized bond premium					5,498	—	5,498	—	—
Net total notes indebtedness					\$ 477,548	—	477,548	—	—

(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 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 2018A Notes were paid off in full as of its maturity date on December 15, 2020.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(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 paid off in full as of its maturity date on July 15, 2021.

(14) TIFIA Loan Subordinate Indebtedness

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 2021 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 of September 30, 2021, the Department has made two draws on the TIFIA Loan in the total amounted of \$495.0 million which represents the outstanding loan balance. The drawn TIFIA Loan will be repaid over a period not to exceed 35 years at an interest rate of 1.26%.

Annual Debt Service Requirements to Maturity – TIFIA Loan

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

	Principal	Interest	Total
Fiscal year(s) ending September 30:			
2022	\$ 1,075	6,137	7,212
2023	2,215	6,223	8,438
2024	2,330	6,204	8,534
2025	2,390	6,158	8,548
2026	2,475	6,136	8,611
2027-2031	13,820	30,407	44,227
2032-2036	22,005	30,422	52,427
2037-2041	50,445	27,026	77,471
2042 and thereafter	398,245	43,611	441,856
	<u>\$ 495,000</u>	<u>162,324</u>	<u>657,324</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(15) 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 will be based on a percentage of the one-month London Interbank Offered Rate (LIBOR). The purpose of this line of credit is to provide more flexibility to access unrestricted funds when the Department has a need.

As of September 30, 2021, the Department has outstanding balance of \$50.0 million under this revolving line of credit at the tax exempt interest rate. The expiration date of this line of credit is May 13, 2022.

(16) 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 State statute and City 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 as the Department's percentage of the City as a single employer. Similarly, the net assets available for benefits of Department employees is determined as the Department's percentage of the City's net assets. CalPERS issues publicly available reports that include a full description of the pension plans, including benefit provisions, assumptions and membership information. All qualified permanent employees of the Department are eligible to participate in the Miscellaneous Plan. The reports can be found on the CalPERS website.

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

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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

The Miscellaneous Plan's provisions and benefits in effect at September 30, 2021, are summarized in the following table:

Hire date	Miscellaneous		
	Prior to October 1, 2006	On or after October 1, 2006 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% at 55	2.5% at 55	2.0% at 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50–55	50–55	52–62
Required contribution rates			
Employee	8.0 %	8.0 %	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 19.1% as of September 30, 2021.

(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, 2021 (measurement date). The Department's share of the net pension liability for the Miscellaneous Plan was \$121.5 million at the beginning of the period and \$60.2 million at June 30, 2021. For the measurement period ending June 30, 2020, the Department incurred pension expense of \$0.8 million.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

As of September 30, 2021, the Department had deferred outflows and deferred inflows related to pensions as follows (in thousands):

Deferred outflows of resources:

Pension contributions after measurement date	\$	11,468
CalPERS change in proportion		<u>3,361</u>
Total deferred outflows of resources	\$	<u><u>14,829</u></u>

Deferred inflows of resources:

CalPERS difference between actual and expected investment returns	\$	45,041
CalPERS differences between actual and expected experience		1,942
CalPERS change in proportion		<u>2</u>
Total deferred inflows of resources	\$	<u><u>46,985</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		
2022	\$	10,676
2023		9,675
2024		10,792
2025		<u>12,481</u>
Total	\$	<u><u>43,624</u></u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(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, 2021 is as follows:

	<u>Miscellaneous</u>
Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.15 %
Inflation	2.50 %
Projected salary increase	Varies by entry age and service
Investment rate of return	7.00 %
Mortality	1

¹ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS 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 CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2021 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

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, 2021	Assumed asset 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%)	\$ 130,358
Current discount rate (7.15%)	60,174
1.0% Increase (8.15%)	1,976

(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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(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, 2021, the Department reported a total OPEB liability of \$0.7 million for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of September 30, 2020. At September 30, 2021, the Department's proportion of the City's total OPEB liability was 7.7%.

For the years ended September 30, 2021, the Department incurred OPEB expense of \$14 thousand and is reported in the personnel services expense in the accompanying financial statements.

As of September 30, 2021, the Department had deferred outflows and deferred inflows related to OPEB as follows (in thousands):

Deferred outflows of resources:

OPEB contributions after measurement date	\$	233
Difference between actual and expected experience		83
Change in assumptions		339
Total deferred outflow of resources	\$	<u>655</u>

Deferred inflows of resources:

Difference between actual and expected experience	\$	371
Change in assumptions		2,524
Total deferred inflow of resources	\$	<u>2,895</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

Amounts reported as 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. As follows (in thousands):

<u>Year ending September 30</u>	<u>Amount to be recognized</u>
2022	\$ (361)
2023	(361)
2024	(361)
2025	(375)
2026	(370)
2027-2031	(645)
Total	<u><u>\$ (2,473)</u></u>

(iv) Actuarial Assumptions

The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

Valuation date	September 30, 2020	
Measurement date	September 30, 2020	
Actuarial cost method	Entry age	
Actuarial assumptions:		
Inflation	2.50 %	
Discount rate	2.41 %	Based on Fidelity Municipal Bond GO AA 20-year Bond Index
Payroll increases	2.75 %	
	Merit	CalPERS 1997-2015 Experience Study
Healthcare costs trend rates	6.75% for 2020, decreasing to 3.75% in 2076 and later	
Mortality, termination, disability, retirement		CalPERS 1997-2015 Experience Study
Mortality improvement		Mortality projected fully generational with Scale MP-2018
Participation rates:		
Miscellaneous plan	75%, 100% select City plans	
Safety	90%, 85% select City plans	

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(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):

	1 Percent decrease (1.41%)	Discount rate (2.41%)	1 Percent increase (3.41%)
Total OPEB liability (asset)	\$ (562)	675	1,524

(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 or higher than the current healthcare cost trend rates:

	1 Percent decrease	Healthcare cost trend rate	1 Percent increase
Total OPEB liability (asset)	\$ 1,392	675	(436)

(c) Termination Benefits

As of September 30, 2021, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$136.6 million, based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB 16). The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees.

The \$136.6 million long-term portion of the liability is being funded over time through burden rates, applied as a percentage of current productive salaries, and charged to the various City funds.

For the years ended September 30, 2021, 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 Annual Comprehensive Financial Report for the years ended September 30, 2021.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2021

(17) Environmental Remediation Obligation

The Department identified an environmentally sensitive materials in a warehouse as a result of a hazardous building materials survey in 2017. The current remediation cost estimate is \$2.6 million as of September 30, 2021. This warehouse has a net book value of zero and there is no reasonable expectation of any recovery associated with these remediation efforts.

(18) 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, 2021 is as follows (expressed in thousands):

Deferred outflows of resources:

Pension related deferred outflows	\$	14,829
OPEB related deferred outflows		655
Change in OPEB allocated proportion		505
Total deferred outflows of resources	\$	<u>15,989</u>

Deferred inflows of resources:

Gain on debt refunding	\$	3,657
Pension related deferred inflows		46,985
OPEB related deferred inflows		2,895
Change in OPEB allocated proportion		105
Total deferred inflows of resources	\$	<u>53,642</u>

(19) Subsequent Event

On March 9, 2022, the ownership of the new Gerald Desmond Bridge Replacement was officially transferred to Caltrans as a component of the state highway system, with approval of the Board and concurrence by Caltrans. The asset transfer of the total Gerald Desmond Bridge Replacement Project is coordinated in a two-phase process that will result in a loss of the contributed asset to other government agency, and a reduction of the Department's asset of approximately \$1.6 billion. The first phase of the transfer consists of the new completed replacement bridge itself with an approximate value of \$1.5 billion. The second phase encompasses all remaining capital costs, including but not limited to the demolition of the old bridge, anticipated to be completed with a final closed out in 2024.



Required Supplementals

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Pension Liability and Related Ratios¹

September 30, 2021

Last 10 Years¹

(Dollars in thousands)

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Department's percentage of total City pension liability	19.1 %	18.4 %	18.3 %	18.7 %	19.2 %	20.9 %	18.9 %
Department's total pension liability	\$ 60,174	121,539	113,611	110,982	129,893	124,170	90,470
Department covered-employee payroll	54,483	46,826	47,718	45,236	48,381	47,203	45,316
Department pension liability as a percentage of covered payroll	110.4 %	259.6 %	238.1 %	245.3 %	268.5 %	263.1 %	199.6 %
Fiduciary net position as a percentage of the pension liability	89.12 %	76.13 %	76.77 %	76.92 %	73.72 %	73.71 %	78.41 %

Notes to Schedule:

¹ Fiscal year 2015 was the first year of implementation.

See accompanying independent auditors' report.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Schedule of Contributions

Miscellaneous Plan

September 30, 2021

Last 10 Years¹

(Dollars in thousands)

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution ²	\$ 14,952	13,175	11,422	9,963	8,815	8,338	6,637
Contributions in relation to the actuarially determined contribution ³	(14,952)	(13,175)	(11,422)	(9,963)	(8,815)	(8,338)	(6,637)
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Covered payroll	54,483	46,826	47,718	45,236	48,381	47,203	45,316
Contributions as a percentage of covered payroll	27.44 %	28.14 %	23.94 %	22.02 %	18.22 %	17.66 %	14.65 %

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were from the June 30, 2017 funding valuation report public agency valuations.

Valuation Date:	6/30/2017
Actuarial Cost Method	Entry age normal
Amortization Method	For details, see June 30, 2017 Funding Valuation Report.
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2017 Funding Valuation Report.
Inflation	2.625 %
Salary Increases	Varies by entry age and service
Payroll Growth	2.875 %
Investment Rate of Return	7.25%, net of pension plan investment and administrative expenses, including inflation
Retirement Age	Probabilities of retirement are based on the 2017 CalPERS Experience Study for the period 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS 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.

Notes:

¹ Historical information is required only for years for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation.

² Actuarially Determined Calculation is based on a CalPERS projection of the Miscellaneous payroll

³ Amount represents actual contributions as recorded by CalPERS

See accompanying independent auditors' report.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

OPEB Liability and Related Ratios¹

September 30, 2021

Last 10 Years^{1, 2}

(Dollars in thousands)

(Unaudited)

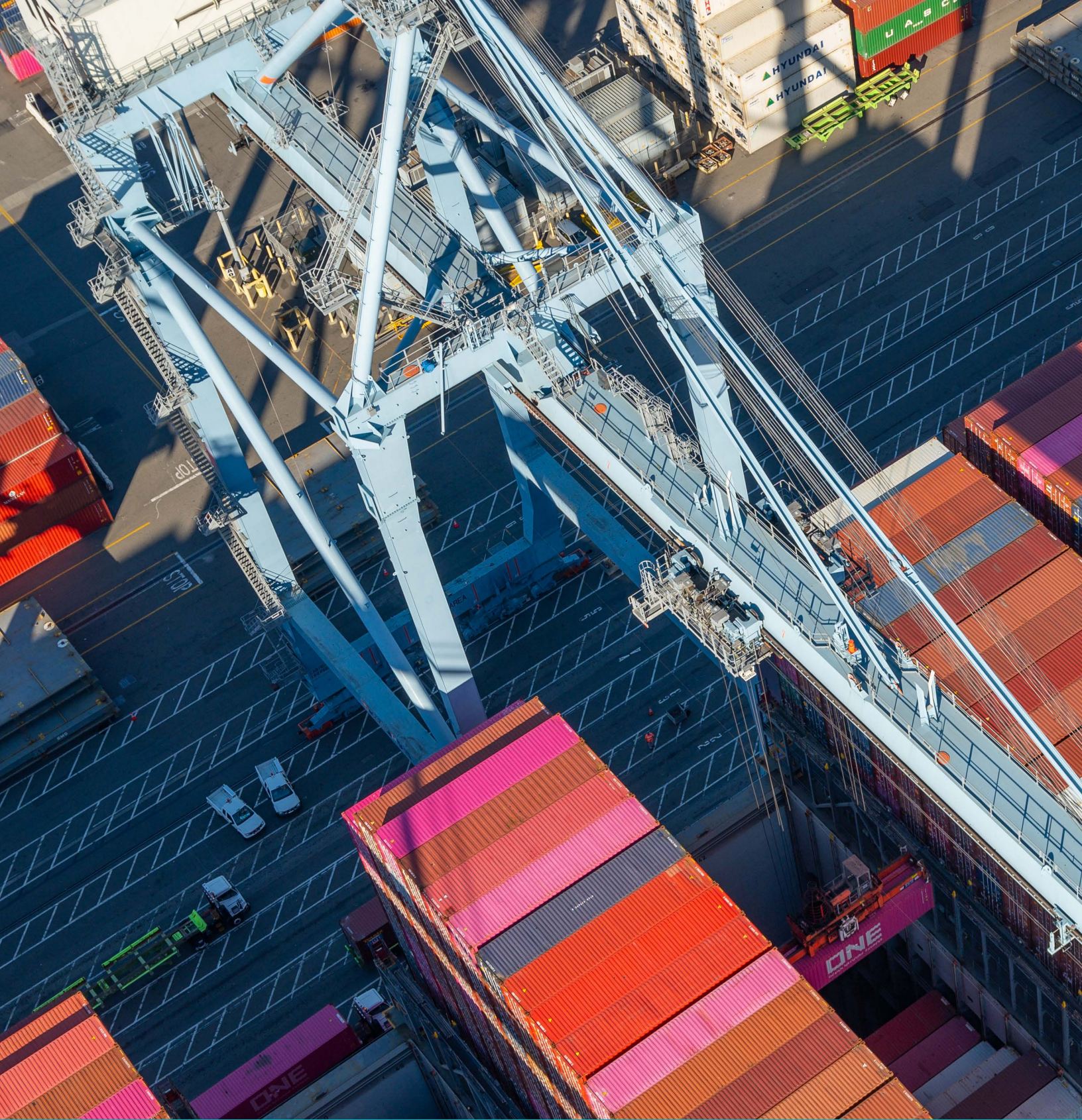
	2021	2020	2019	2018	2017	2016
Department's percentage of total City OPEB liability	7.7 %	6.6 %	6.7 %	6.7 %	6.5 %	6.9 %
Department's Total OPEB liability	\$ 675	640	1,555	3,467	3,250	3,103
Department covered-employee payroll	52,900	46,826	47,718	45,236	48,381	47,203
Total department OPEB liability as a percentage of covered payroll	1.3 %	1.4 %	3.3 %	7.7 %	6.7 %	6.6 %

Notes to Schedule:

¹ No assets are accumulated in a trust to pay related benefits

² Fiscal year 2016 was the first year of implementation.

See accompanying independent auditors' report.



Statistics



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statistical Section

Year ended September 30, 2021

(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

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

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Assets and deferred outflows:										
Current	\$ 837	793	658	717	690	487	501	453	441	673
Other	5,254	5,089	5,039	4,853	4,665	4,550	4,474	4,229	3,612	2,931
Deferred outflows	16	9	14	21	42	42	22	10	11	13
Total assets and deferred outflows	\$ 6,107	5,891	5,711	5,591	5,397	5,079	4,997	4,692	4,064	3,617
Liabilities and deferred inflows:										
Current	\$ 238	131	125	315	101	111	100	123	153	123
Current -- restricted*	100	520	55	58	65	61	60	67	61	59
Long term	1,256	868	1,263	1,115	1,292	1,115	1,215	1,037	672	641
Deferred inflows	54	9	13	22	13	12	15	3	—	—
Total liabilities and deferred inflows	\$ 1,648	1,528	1,456	1,510	1,471	1,299	1,390	1,230	886	823
Net position:										
Net investment in capital assets	\$ 3,769	3,791	3,745	3,643	3,492	3,442	3,077	2,975	2,848	2,105
Restricted	52	52	47	56	51	90	265	199	62	157
Unrestricted	638	520	463	382	383	248	267	289	269	531
Total net position	\$ 4,459	4,363	4,255	4,081	3,926	3,780	3,609	3,463	3,179	2,793
Working capital	\$ 599	662	533	402	589	376	401	330	288	550
Current ratio	2.5	1.2	3.7	1.9	4.2	2.8	3.1	2.4	2.1	3.7
Debt to asset ratio	31.3 %	30.0 %	29.0 %	31.0 %	31.0 %	28.0 %	31.0 %	29.0 %	25.0 %	28.0 %

* 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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating revenue	\$ 435	399	412	402	381	362	355	358	346	335
Operating expense	308	292	279	287	291	292	271	228	188	177
Income from operations	127	107	133	115	90	70	84	130	158	158
Investment earnings	(25)	(17)	(9)	(10)	—	(15)	39	(12)	—	(16)
Other income/(expense)	3	(6)	3	2	2	5	4	7	1	3
Transfers to City Tidelands Fund/Other Operating Funds	(21)	(21)	(21)	(20)	(19)	(19)	(18)	(18)	(17)	(17)
Capital grants	12	45	68	68	73	132	121	178	251	14
Change in net position	\$ 96	108	174	155	146	173	230	285	393	142
Return on investment	2.7 %	2.8 %	4.6 %	4.3 %	4.2 %	0.1 %	7.4 %	9.4 %	14.4 %	6.7 %
Capital expenditures (Includes personnel costs)	\$ 203	265	496	251	252	367	363	552	792	373
Personnel:										
Wages and benefits from operations	\$ 53	76	66	63	60	62	55	48	45	43

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Berth and special facilities:										
Wharfage	\$ 367	355	367	359	342	323	312	308	297	269
Dockage	18	6	6	7	7	8	11	11	12	12
Bunkers	1	1	1	1	1	1	1	1	1	1
Special facilities rentals	21	18	19	16	13	16	16	14	12	28
Crane rentals	—	—	—	—	—	—	2	13	13	13
Other	1	1	1	1	1	1	1	1	1	—
Total berths and special facilities	408	381	394	384	364	349	343	348	336	323
Rental properties	23	15	15	14	14	10	10	9	9	10
Miscellaneous	3	3	3	4	3	3	2	1	1	2
Total operating revenue	\$ 434	399	412	402	381	362	355	358	346	335
Growth (reduction)%				5.5	5.6	1.5	(1.1)	3.4	3.6	(3.5)
Special facility revenue by terminal commodity:										
Containers	\$ 325	302	311	311	291	275	270	280	268	256
Liquid bulk	22	19	23	17	18	17	17	16	17	17
Dry bulk	37	37	37	37	35	29	29	26	26	24
Vehicles	18	18	17	14	15	15	14	13	12	13
Steel	5	4	5	4	4	8	8	8	8	8
Lumber	1	1	1	1	1	1	1	1	1	1
Miscellaneous	—	—	—	—	—	3	3	3	3	3
Total special facility revenue	\$ 408	381	394	384	364	348	342	347	335	322

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
2021	\$ 434	135	299	65	4.60
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

(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	
2021	156,874	—	156,874	39,336	1,908	41,244	198,118
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

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Total	Average annual growth
Containerized:												
In	124,547	100,669	103,173	108,091	98,941	93,614	95,798	94,310	91,047	77,910	863,553	3.46 %
Out	31,110	30,247	29,204	30,823	28,174	29,400	29,307	31,262	30,525	27,584	266,526	1.34 %
Other break bulk:												
In	1,107	964	1,116	1,243	1,127	1,008	1,039	1,002	854	917	9,270	1.18 %
Out	61	60	115	129	61	99	101	92	108	98	863	2.20 %
Liquid bulk:												
In	30,325	26,950	29,310	29,819	30,130	27,971	27,479	26,696	27,398	28,197	253,950	(0.47)%
Out	2,703	3,074	2,300	2,351	2,497	3,203	3,521	2,995	3,197	2,466	25,604	4.43 %
Dry bulk:												
In	894	550	471	445	238	344	209	235	259	259	3,010	15.38 %
Out	7,371	6,060	7,268	7,692	6,933	5,684	6,820	8,934	8,869	7,713	65,973	(1.73)%
Total:												
In	156,873	129,133	134,070	139,598	130,436	122,937	124,525	122,243	119,558	107,283	1,129,783	2.47 %
Out	41,245	39,441	38,887	40,995	37,665	38,386	39,749	43,283	42,699	37,861	358,966	— %
Vessel calls*	2,561	2,237	2,095	2,278	2,149	2,227	2,676	2,752	3,425	3,993	23,832	
Annual growth/(decline)	14.48 %	6.78 %	(8.03)%	6.00 %	(3.50)%	(16.78)%	(2.76)%	(19.65)%	(14.22)%	(16.08)%		
TEU's	9,501	7,661	7,747	8,001	7,231	6,946	7,088	6,818	6,648	5,857	63,997	
TEU annual growth/(decline)	24.02 %	(1.11)%	(3.17)%	10.65 %	4.10 %	(2.00)%	3.96 %	2.56 %	13.51 %	(7.00)%		

* 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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Municipal berths ¹ :										
Foreign	125,923	101,566	104,012	108,811	99,468	93,928	98,464	104,245	101,027	91,490
Coastwise/intercoastal	30,950	27,567	30,058	30,787	30,977	29,009	26,061	17,998	18,477	15,793
Total inbound cargo	156,873	129,133	134,070	139,598	130,445	122,937	124,525	122,243	119,504	107,283
Outbound cargo:										
Foreign	34,871	34,061	34,418	36,218	32,923	32,737	33,592	37,067	36,769	
Coastwise/intercoastal	4,466	3,751	3,618	3,516	3,258	3,996	4,843	5,348	5,141	3,270
Bunkers	1,908	1,630	851	1,261	1,474	1,653	1,313	867	843	1,311
Total outbound cargo	41,245	39,442	38,887	40,995	37,655	38,386	39,748	43,282	42,753	4,581
Total municipal cargo	198,118	168,575	172,957	180,593	168,100	161,323	164,273	165,525	162,257	111,864
Private berths ¹ :										
Inbound	—	—	—	—	—	—	—	—	—	—
Outbound	—	—	—	—	—	—	—	—	—	—
Total private cargo	—	—	—	—	—	—	—	—	—	—
Grand total	198,118	168,575	172,957	180,593	168,100	161,323	164,273	165,525	162,257	111,864
Container count summary (000's) ²										
Loaded inbound TEUs	4,667	3,761	3,862	4,044	3,698	3,514	3,596	3,523	3,420	2,932
Loaded outbound TEUs	1,456	1,492	1,441	1,564	1,451	1,538	1,528	1,664	1,671	1,491
Total loaded	6,123	5,253	5,303	5,608	5,149	5,052	5,124	5,187	5,091	4,423
Full containers annual growth (decline)			(5.4)%	8.9 %	1.9 %	(1.4)%	(1.2)%	1.9 %	15.1 %	(6.3)%
Total empty	3,378	2,408	2,444	2,393	2,081	1,894	1,964	1,631	1,557	1,434
Empty containers annual growth (decline)			2.1 %	15.0 %	9.9 %	(3.6)%	20.4 %	4.8 %	8.6 %	(9.1)%
Total TEUs	9,501	7,661	7,747	8,001	7,230	6,946	7,088	6,818	6,648	5,857
Annual growth	24.0 %	(1.1)%	(3.2)%	10.7 %	4.1 %	(2.0)%	4.0 %	2.6 %	13.5 %	(7.0)%

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
CSA Equipment Company, LLC	02/2013	06/2027

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Executive administration	17.0	18.0	18.0	15.0	14.0	18.0	17.0	11.9	9.3	15.4
Business development	10.0	12.0	11.0	12.0	13.0	13.0	11.0	—	—	—
Communications	17.0	19.0	18.0	16.0	14.0	14.0	16.0	15.0	12.8	14.0
Construction management	50.0	48.0	47.0	48.0	45.0	47.0	46.0	—	—	—
Design	48.0	46.0	46.0	46.0	51.0	49.0	48.0	—	—	—
Engineering	—	—	—	—	—	—	—	140.7	128.8	128.0
Environmental planning	22.0	23.0	21.0	24.0	21.0	24.0	23.0	—	—	—
Finance	27.0	28.0	23.0	22.0	25.0	25.0	25.0	24.5	24.9	26.0
Government relations/affairs	4.0	4.0	3.0	3.0	4.0	3.0	4.0	4.0	4.0	4.0
Human resources	17.0	19.0	20.0	18.0	16.0	18.0	18.0	17.4	16.3	17.0
Information management	25.0	27.0	24.0	20.0	22.0	22.0	22.0	20.6	20.8	21.0
Maintenance	79.0	81.0	78.0	82.0	90.0	92.0	84.0	76.3	81.1	81.0
Master planning	5.0	6.0	8.0	7.0	7.0	5.0	6.0	31.7	30.6	31.0
Program delivery	3.0	3.0	3.0	3.0	3.0	3.0	2.0	—	—	—
Program management	27.0	25.0	23.0	22.0	27.0	28.0	25.0	—	—	—
Project controls	16.0	16.0	15.0	12.0	11.0	11.0	8.0	—	—	—
Real estate	10.0	9.0	7.0	8.0	9.0	9.0	8.0	8.8	9.0	9.0
Risk management	12.0	11.0	11.0	11.0	9.0	10.0	10.0	8.3	7.6	8.0
Security	84.0	85.0	78.0	84.0	81.0	74.0	79.0	68.0	71.2	76.5
Survey	22.0	21.0	20.0	21.0	22.0	22.0	23.0	—	—	—
Tenant services/trade relations	11.0	13.0	13.0	13.0	12.0	9.0	9.0	19.3	16.5	16.0
Transportation planning	6.0	6.0	6.0	5.0	7.0	6.0	6.0	—	—	—
Full-time/permanent subtotal	512.0	520.0	493.0	492.0	503.0	502.0	490.0	446.5	432.9	446.9
Growth/decline	(1.5)%	5.5 %	0.2 %	(2.2)%	0.2 %	2.4 %	9.7 %	3.1 %	(3.1)%	7.2 %
Part-time/temporary subtotal		24.0	13.7	19.0	31.0	29.0	34.0	25.5	29.4	13.0
Growth/decline	(100.0)%	75.2 %	(27.9)%	(38.7)%	6.9 %	(14.7)%	33.3 %	(13.3)%	126.2 %	(31.2)%
Total number of employees	512.0	544.0	506.7	511.0	534.0	531.0	524.0	472.0	462.3	459.9
Growth/decline	(5.9)%	7.4 %	(0.8)%	(4.3)%	0.6 %	1.3 %	11.0 %	2.1 %	0.5 %	5.5 %

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.



Port of
LONG BEACH
THE PORT OF CHOICE

**PIER A
WEST**

**SSA Terminals
Long Beach**

PIER A

PIER B

PIER B

**SSA-Matson
Terminals**

PIER C

Turning Basin

Cerritos Channel

Inner Harbor

PIER S

PIER D

PIER D

PIER E

**Long Beach
Container
Terminal**

**Total Terminals
International**

PIER T

PIER T

East Basin

Middle Harbor

West Basin

Basin Six

PIER F

Long Beach Channel

Outer Harbor

**International
Transportation
Service**

PIER G

PIER G

**Pacific Container
Terminal**

PIER J

PIER J

Southeast Basin

Queensway Bay

Downtown Marina

Grissom

City of Long Beach Harbor Department
City of Long Beach



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