

July 28, 2005

Honorable Antonio R. Villaraigosa  
Mayor  
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James K. Hahn, Mayor  
City of Los Angeles

Board of Harbor  
Commissioners

Nicholas G. Tonsich, President

Elwood Lui, Vice President

Jaimes E. Acevedo

Camilla T. Kocol

Thomas H. Warren

Bruce E. Seaton  
Interim Executive Director

City Council, c/o City Clerk  
Mr. Frank T. Martinez, City Clerk  
200 N. Spring Street, Room 395  
Los Angeles, CA 90012

Ms. Laura Chick  
Controller  
200 N. Main St., Room 300  
Los Angeles, CA 90012

**RECEIVED**

**AUG 15 2005**

**FRANK T. MARTINEZ**

**SUBJECT: FY 2005/06 DEBT ACCOUNTABILITY REPORT AND  
FY 2005/06 BUDGET AND CAPITAL PLAN**

Enclosed are the Harbor Department's Fiscal Year (FY) 2005/06 Debt Accountability Report and the FY 2005/06 Budget and Capital Plan, submitted in accordance with Section 610 of the Charter of the City of Los Angeles.

Should you have any questions or require additional information, please contact William A. Gonzales, Treasurer, at (310) 732-3714.

Yours very truly,

A handwritten signature in black ink, appearing to read "Bruce E. Seaton".

**BRUCE E. SEATON**  
Interim Executive Director

**Enclosures**

cc: Members of the Commerce, Energy, and Natural Resources Committee  
Councilman Cardenas  
Councilwoman Hahn  
Councilman Rosendahl  
Gerry F. Miller, Chief Legislative Analyst  
William Fujioka, City Administrative Officer  
Frank T. Martinez, City Clerk  
Molly C. Campbell, Chief Financial Officer  
William A. Gonzales, Treasurer  
Christine Y. Hollis, Legislative Representative

BES:WAG:wj  
TM 1995  
File: Bud-1 Budget-2005/06  
General



**Port of Los Angeles**  
**(Harbor Department, City of Los Angeles)**  
**Statement of Debt Accountability**  
**Budget Fiscal Year 2005/06**

Under Los Angeles City Charter Section 610, the Port of Los Angeles (POLA), as a Proprietary Department, is granted the power to borrow money and to issue bonds, refunding bonds, notes and other evidences of indebtedness for any lawful purpose payable from the revenues of POLA operations or from any other money lawfully available in the form and manner approved by the POLA Board of Commissioners and adopted by Council through procedural ordinance. Charter Section 610 requires that POLA submit a debt accountability statement every two years to the Mayor, Council and Controller, in conjunction with its submittal of the annual operating budget. The table below summarizes the outstanding debt and debt service requirements for fiscal year 2005/06.

<u>Debt</u>	<u>Original Amount</u> <u>Issued/Borrowed</u>	<u>Amount</u> <u>Outstanding</u> <u>As of 7/1/05</u>	<u>Debt</u> <u>Service</u> <u>FY 2005/06</u>
<b>Revenue Bonds:</b>			
Harbor Revenue Bonds, Issue 1996	\$ 300,000,000	\$ 261,490,000	\$ 21,650,128
Harbor Revenue Bonds, Issue 1996, Series B	298,650,000	285,700,000	22,642,750
Harbor Revenue Bonds, Issue 1996, Series C	21,350,000	18,090,000	1,440,370
Harbor Revenue Bonds, Issue 2001, Series A	36,180,000	36,180,000	1,809,000
Harbor Revenue Bonds, Issue 2001, Series B	64,925,000	64,925,000	3,547,163
Harbor Revenue Bonds, Issue 2002, Series A	63,520,000	59,485,000	7,409,663
Sub-totals	<u>\$ 784,625,000</u>	<u>\$ 725,870,000</u>	<u>\$ 58,499,073</u>
<b>Loans:</b>			
California Boating & Waterways, Note No.C#83-21-147	\$ 4,000,000	\$ 2,314,996	\$ 292,568
California Boating & Waterways, Note No.C#82-21-148	4,000,000	2,179,902	299,899
Sub-totals	<u>\$ 8,000,000</u>	<u>\$ 4,494,898</u>	<u>\$ 592,467</u>
<b>Commercial Paper (Notes):</b>			
Series B Notes, AMT		<u>\$ 113,561,000</u>	<u>\$ 3,406,830</u>
<b>Total Indebtedness</b>		<u><b>\$ 843,925,898</b></u>	<u><b>\$ 62,498,370</b></u>

Other obligation: In March 2003, the Port of Los Angeles settled a lawsuit entitled: Natural Resources defense Council, Inc. vs. City of Los Angeles regarding the environmental review of a Port project. The term of the agreement required that the Port fund various mitigation activities in the amount of \$10 million per year over a five-year term ending fiscal year 2007. To date, \$30 million has been placed in the mitigation funds and \$11 million disbursed in accordance with the provisions of the settlement. In June 2004, the Port agreed to amend the original settlement to include an additional \$3.5 million for the creation of parks and open space in San Pedro.

Harbor Department, City of Los Angeles

**BUDGET AND CAPITAL PLAN**

**FY 2005/2006**

HA. JOR DEPARTMENT, CITY OF LOS AN. LES  
BUDGET AND CAPITAL PLAN

## **INTRODUCTION**

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This report is submitted, in accordance with Section 11.28.3 of Ordinance No. 172353, to the Honorable Members of the Commerce, Energy and Natural Resources Committee.

## **CAPITAL PLAN**

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The Department's Adopted Budget for FY 2005/06 of \$693.5 million reflects a balance of business generation and spending that addresses the Port's leadership in the area of environmental mitigation, continued commitment to Port security measures, efforts to meet customer needs and requirements, and an emphasis on working with business and community stakeholders to address areas of concern and opportunity. It includes an Operating Budget of \$225.1 million, Capital Budget of \$193.5 million and \$41.5 million in future year commitments.

Operating Revenues for FY 2005/06 are anticipated to reach \$382.3 million from a proposed 5% tariff rate increase and a full-year of revenue from increased acreage at the Maersk/APM container terminal at Pier 400. Operating Expenses are estimated at \$165.6 million, \$8.2 million less than last year's budget. The Department estimates a significant increase in Salaries and Benefits to support the 95.2 new positions authorized in the Port's FY 2005/06 Operating Budget.

The Department does not expect to utilize any short-term revenue certificates, such as commercial paper issuance, to support previously planned capital improvement projects. The Port's strong financial stability has resulted in continued AA ratings by all three rating agencies, the highest of any port without taxing authority.

Each year, the Port reviews its list of projects for potential federal, state and local funding opportunities (see attached FY 2005/06 Budget Book, page 14). In FY 2005/06, the Port expects to receive reimbursements of approximately \$8.1 million from the federal Transportation Security Administration (TSA) for Port Security projects.

The Port estimates Federal funding of \$23 million to support the Channel Deepening project with a minimum of \$3 million expected in FY 2005/06. These funds are paid directly to contractors and are not reflected as grant receipts to the Port.

The Department's Capital Program Budget of \$193.5 million reflects a continued commitment to address community concerns while meeting the cargo growth needs of Port customers. Key projects in the FY 2005/06 Capital Program Budget include the Channel Deepening Program, San Pedro and Wilmington Waterfront Development, West Basin Development Program, Pier 300, Environmental Enhancements, Terminal Island/East Basin, Port Security Programs and Transportation Improvements.

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The Port continues to be a good neighbor to its surrounding communities with projects that will improve and enhance the adjacent area. In FY 2005/06, the Port plans to complete the Gateway Plaza and Harbor Boulevard Parkway phase of the San Pedro *"From Bridge to Breakwater"* waterfront development. This project creates an enhanced, tree-lined half-mile stretch of Harbor Boulevard from the World Cruise Center to Fire Station 112 at Fifth Street and allows for a seamless, pedestrian connection from the World Cruise Center to downtown San Pedro. Other waterfront development projects will include enhancements to the Waterfront Plaza, Ports O'Call, 22<sup>nd</sup> Street, Promenade Environmental Assessments, Maritime Exposition Building, Avalon Triangle Park and Banning's Landing Plaza Expansion, as well as other Harbor-wide Beautification projects.

Other key components of the FY 2005/06 Capital Budget include the design and construction of several major development programs intended to enhance terminal operations and efficiency. The West Basin Program is focused on additional terminal and berth space for China Shipping, terminal and wharf enhancements within the Yang Ming and TraPac terminals to improve efficiency.

The Main Channel Deepening Program will dredge the Port's main channel to an operational depth of -53 feet to provide equal access to all its customers. Pier 300 development primarily focuses on landfill. Finally, the Terminal Island/East Basin Project will include design and construction of an access road and wharf improvements at Berths 206-209, and wharf upgrades at Berths 214-219. Transportation Improvement projects include the Transportation Master Plan, 110 Freeway/SR47 Harbor Boulevard Interchange, Southern California International Gateway with the Burlington Northern Santa Fe (BNSF) railroad, and Fries Avenue Grade Separation and improvements to the C Street/110 Freeway off-ramps.

Environmental mitigation projects are also a priority for the Port in FY 2005/06. Environmental mitigation and enhancements projects include the Inner Cabrillo Beach Water Quality Improvement, Sediment Removal at Berths 49-50, Green Terminal Phase I, Alternative Maritime Power (AMP) Program at Berths 206-209 and Berths 212-216.

The AMP Program is the first of its technology that provides shoreside electric power for cargo vessels anywhere in the world. This hook up alone accounted for a reduction in PM and NOx equivalent to approximately 69,000 diesel truck miles. Many of the Port's major container customers have committed to implement this innovative program, which currently is in use by the Department of Defense and in Alaska for cruise ships.

In FY 2005/06, the Port will continue various security-related programs began in the last two years. The Department was awarded approximately \$12.9 million in Transportation Security Administration (TSA) federal grants for capital homeland security programs including the Joint Container Inspection Facility – Phase II, Waterside Security Surveillance System, Passenger Complex Vehicle Screening, Passenger Complex Perimeter Security/Control, Waterborne Perimeter Security Barriers, and POLA

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Facility Security Enhancements. The Department expects to receive these TSA grants on a reimbursement basis throughout the life these programs.

The Waterside Security Surveillance System involves the installation of cameras at select location in the Port complex, including Long Beach, to provide comprehensive waterside surveillance. The Passenger Complex Vehicle Screening project includes re-routing vehicle access, and installation of non-intrusive vehicle and cargo inspection technology at the Los Angeles Passenger Terminal Complex, that includes the Los Angeles World Cruise Center and the Catalina Express Ferry terminal. The Passenger Complex Perimeter Security system will provide enhanced shore side closed circuit TV (CCTV) monitoring/recording at the Los Angeles Passenger Terminal Complex. The Waterborne Perimeter Security Barriers project is a joint POLA and PLB project that includes the procurement and installation of 11,500 feet of floating barriers to be placed at passenger, ferry and hazmat terminals, secured with anchors and equipped with appropriate lights and signage. The POLA Facility Security Enhancements project is designed to mitigate security shortfalls and deter incursions where assessments that indicated a need for the installation of physical security measure such as detection systems, fencing and lighting, which are not currently in place.

The Port will also finalize plans and initiate construction for a new state-of-the-art Port Police headquarters designed to accommodate the growing Port of Angeles police force. The facility will be adjacent to the existing Harbor Department Administrative Headquarters. The Port will finance the cost of this project and no grant reimbursements are expected from TSA.

Enclosed hereto is a copy of the Department's Annual Budget for Fiscal Year 2005/06 that highlights the Department's major projects. If you have any questions or need additional information, please contact Molly Campbell, Chief Financial Officer at (310) 732-3827 or William Gonzales, Treasurer at (310) 732-3714.