

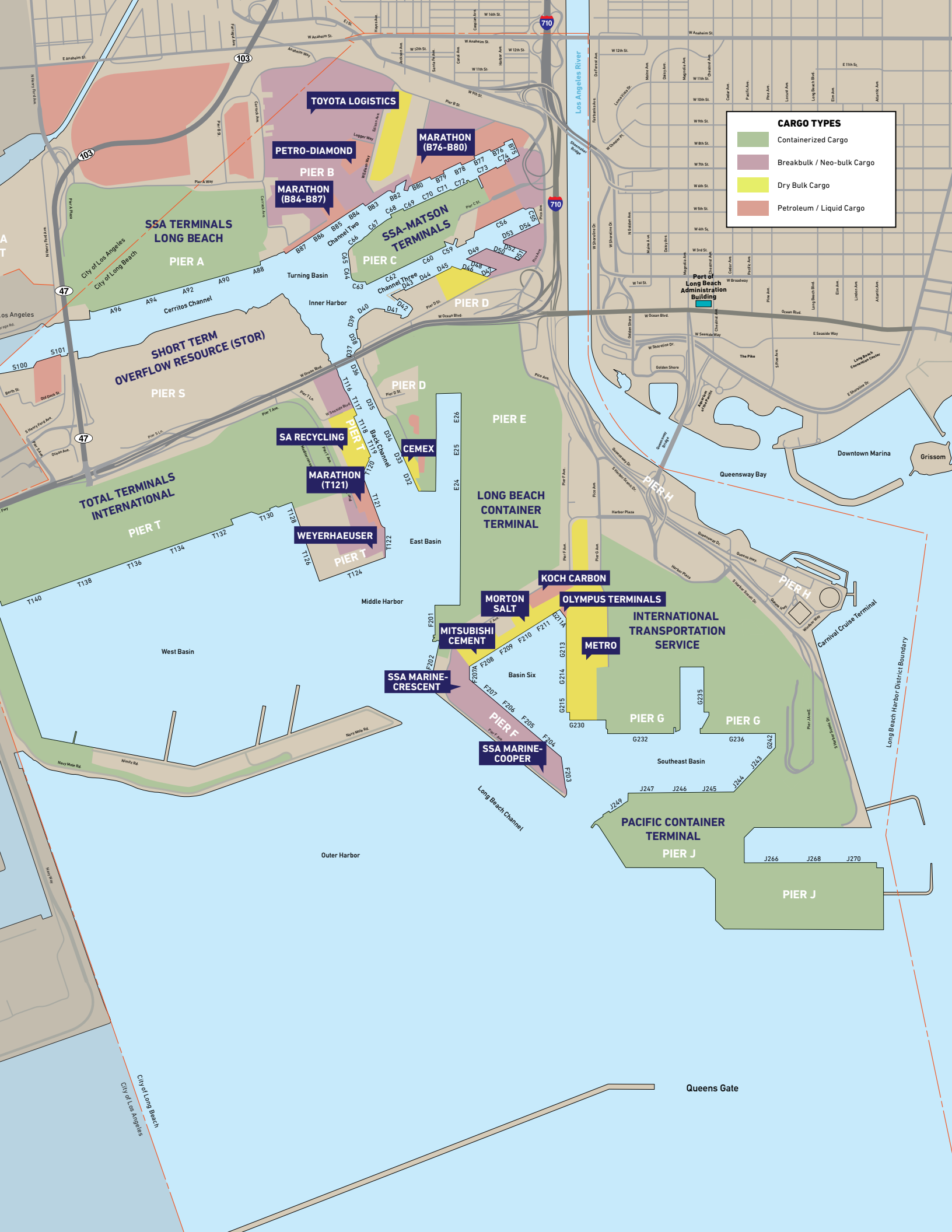
The Harbor Department, an Enterprise Fund of the City of Long Beach, California

Annual Comprehensive Financial Report

For the fiscal year ended September 30, 2024



Port of
LONG BEACH
THE GREEN PORT



CARGO TYPES

- Containerized Cargo
- Breakbulk / Neo-bulk Cargo
- Dry Bulk Cargo
- Petroleum / Liquid Cargo

TOYOTA LOGISTICS

PETRO-DIAMOND

MARATHON (B76-B80)

MARATHON (B84-B87)

SSA TERMINALS LONG BEACH

SSA-MATSON TERMINALS

SHORT TERM OVERFLOW RESOURCE (STOR)

SA RECYCLING

CEMEX

MARATHON (T121)

WEYERHAEUSER

LONG BEACH CONTAINER TERMINAL

KOCH CARBON

MORTON SALT

OLYMPUS TERMINALS

MITSUBISHI CEMENT

METRO

INTERNATIONAL TRANSPORTATION SERVICE

SSA MARINE-CRESCENT

SSA MARINE-COOPER

PACIFIC CONTAINER TERMINAL

PIER J

Queens Gate

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 Auditor’s Report	10–12
Management’s Discussion and Analysis (Unaudited)	13–22
Basic Financial Statements:	
Statement of Net Position	23–24
Statement of Revenues, Expenses, and Changes in Net Position	25
Statement of Cash Flows	26–27
Notes to Financial Statements	28–57
Required Supplementary Information (Unaudited):	
OPEB Liability and Related Ratios	58
Pension Liability and Related Ratios	59
Schedule of Contributions Miscellaneous Plan	60
Statistical Section (Unaudited)	
Financial Trends Information:	
Statements of Net Position – Last 10 Fiscal Years – Exhibit 1	61
Changes in Fund Net Position – Last 10 Fiscal Years – Exhibit 2	62
Revenue Capacity Information:	
Operating Revenue by Type – Last 10 Fiscal Years – Exhibit 3	63
Debt Capacity Information:	
Ratios of Outstanding Debt by Type – Last 10 Fiscal Years – Exhibit 4	64

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Table of Contents

	Page(s)
Revenue Bonds Debt Service Coverage – Last 10 Fiscal Years – Exhibit 5	65
Operating Information:	
Tonnage Summary – Last 10 Fiscal Years – Exhibit 6	66
Tonnage by Commodity Group and Vessel Calls – Last 10 Fiscal Years – Exhibit 7	67
Metric Revenue Tons and Container Counts – Last 10 Fiscal Years – Exhibit 8	68
Other Information:	
Principal Customers – Exhibit 9	69
Employee Headcount by Division – Last 10 Fiscal Years – Exhibit 10	70



Introduction



Letter of Transmittal

March 28, 2025

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 (the Department), an enterprise fund of the City of Long Beach (the City), California, for the fiscal year ended September 30, 2024. 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 comprehensive framework of internal controls provides reasonable 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 Crowe LLP, a licensed certified public accounting firm. The goal of the independent audit is to provide reasonable assurance that the Department's financial statements for the fiscal year ended September 30, 2024 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, 2024 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 of 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 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 provided 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, and unrestricted.

Commercial Outlook

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

On-going geopolitical developments, and the challenges in the global supply chain continue to shape the future of the maritime industry through: capacity management by ocean carriers, rationalization of alliance deployments, vessel upsizing, fuel prices and regional conflicts.

Fiscal year 2024 marked the eighth year of having three vessel-sharing alliances (2M, OCEAN and THE Alliance) operating within the Port. A key competitive advantage of the Port of Long Beach over other gateways is the ability to accommodate the largest vessels currently in-service and on order. 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.

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

- Pier B On-Dock Rail Support Facility: The Pier B on-dock rail support facility will provide more efficient transfer of cargo between marine terminals and the Class 1 railroads, resulting in increased on-dock rail capacity and operating efficiency and reliability.
- Other Rail Projects: 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.
- Supply Chain Information Highway: The Port continues to advance data sharing concepts to maximize efficiency and visibility into cargo movement and has joined with a leading technology firm to create the “Supply Chain Information Highway.” This tool will allow all stakeholders to track cargo across the various nodes of transportation.

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.

Environmental Protection

The Port continues to make substantial investments to improve the environment through sustainable practices that reduce 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. The 2017 update includes zero emission goals for cargo handling equipment by 2030 and drayage trucks by 2035.

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

Most recently the Harbor Department came to the conclusion that it was going to require a holistic strategy to address the climate crisis and decarbonize the Port, which led to the establishment of the Zero Emission Energy Resilient Operations (ZEERO) Policy. The ZEERO Policy addresses six key elements:

- Establish a comprehensive Zero Emission Infrastructure and Power Systems Capital Improvement Program to achieve a resilient zero-emissions future;
- Integrate and deploy strategic energy assets to ensure continuity and resiliency of critical port operations. This will become increasingly critical as we move forward with zero emission;
- Accelerate deployment of the lowest carbon emission alternatives for ocean-going vessels through incentives and adequate availability of cleaner fuel;
- Support development and supply of renewable energy, including offshore wind and renewable hydrogen, that will contribute to meeting state and national goals. This supports broader efforts to address climate change;
- The Harbor Department has also committed to achieving carbon neutrality for administrative operations by 2040; and
- Ensure that the program provides equitable economic opportunities and public health benefits for the community.

Through its environmental initiatives, the Port has:

- Since 2005, cut diesel particulates by 92%, sulfur oxides by 98%, and smog-forming nitrogen oxides by 71% as identified in the 2023 annual air emissions inventory;
- Transitioned approximately 19% of the cargo handling equipment fleet to zero emissions and partnered with Port tenants to plan zero emissions charging and fueling infrastructure at tenant facilities.
- Continued to foster the development of new clean air technologies through the Technology Advancement Program, including zero emission terminal equipment;
- Awarded over \$48 million in grant funding to the local community to mitigate the negative impacts associated with 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 a significant incentive 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;
- Established green shipping corridors with Singapore and Shanghai to help usher in the first generation of zero carbon shipping vessels; and
- Secured more than \$376 million dollars in grant funding to further the zero emission and clean air goals of the Harbor Department.

Business Continuity

The Port has developed a comprehensive, all-hazard business continuity plan to assist in 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 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 a comprehensive approach to Maritime Domain Awareness by leveraging the latest integrated, high-tech surveillance and video analytics systems to maintain vigilance and share data with the many agencies responsible for port security. The JCCC monitors more than 700 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 utilizes the Harbor Patrol, a cadre of highly trained public officers who are responsible for security operations, traffic management, and land and waterside patrols throughout the Port complex. The Long Beach Police Department, Port Police Division also provides a dedicated force of police officers who provide a consistent law enforcement presence that helps ensure the safety and security of the entire Port. Supporting the Harbor Patrol and Port Police patrol units is a Command Center within the JCCC that provides domain awareness, information sharing across agencies, and dispatches resources to emergent situations 24 hours a day seven days a week. The Long Beach Fire Department

also has four stations within the Harbor District, one with a hazardous materials unit, that provide land and waterside emergency response in addition to two state of the art fire response boats.

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, 2023. This was the 41st 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 for the timely preparation of this report.

Respectfully submitted:



Mario Cordero
Chief Executive Officer



Sam Joumbat, 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, 2023

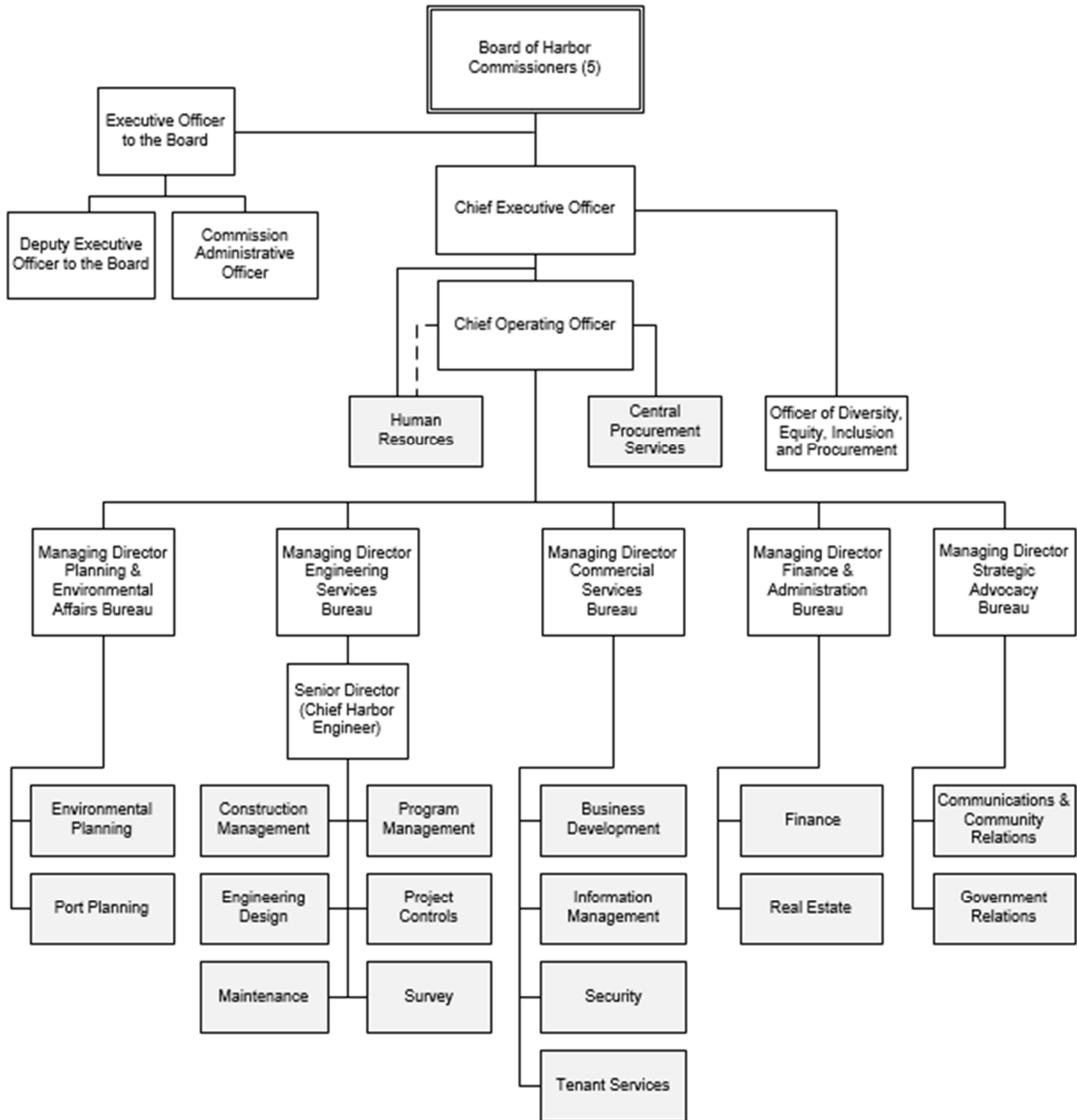
Christopher P. Morill

Executive Director/CEO

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Organizational Chart

September 30, 2024



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Board of Harbor Commissioners and Senior Management

September 30, 2024

Board of Harbor Commissioners

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

Executive Offices

Executive Director (CEO)
Deputy Executive Director (COO)
Executive Officer to the Board

Mario Cordero
Noel Hacegaba
Shana Espinoza

Human Resources Division
Central Procurement Services Division

Director, Khristina Jason
Director, Terra Van Andel

Strategic Advocacy Bureau

Communications Division
Government Relations Division

Managing Director, Eleanor Torres
Director, Stephanie Montuya-Morisky
Director, Adrian Granda

Finance and Administration Bureau

Finance Division
Real Estate Division

Managing Director, Sam Joumblat
Director, Wei Chi
Director, Eamonn Killeen

Commercial Operations Bureau

Business Development Division
Security Division
Tenant Services and Operations Division
Information Management Division

Managing Director, Casey Hehr
Director, Roger Wu
Director, Ryan Manning
Director, Rafael Delgado
Director, Nyariana Maiko

Planning and Environmental Affairs Bureau

Environmental Planning Division
Port Planning Division

Managing Director, Heather Tomley
Director, Renee Moilanen
Director, Theresa Dau-Ngo

Engineering Services Bureau

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

Managing Director, Sean Gamette
Senior Director, Suzanne Plezia
Director, Monique Lebrun
Director, Darrin Lambrigger
Director, Clint Herrera
Director (Acting), Jake Schuchmann
Director, Ashley Morteboy
Director, Kimberly Holtz



Financials

INDEPENDENT AUDITOR'S 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 Audit of the Financial Statements***Opinions***

We have audited the financial statements of the Harbor Department (the Department) of the City of Long Beach, California (the City) as of and for the year ended September 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Department of the City, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Department of the City are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City, as of September 30, 2024, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in fiscal year 2024, the Department adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13-22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audit 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2025 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, and 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.



Crowe LLP
Crowe LLP

Costa Mesa, California
March 28, 2025

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2024

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, 2024 and 2023. The information presented here should be read in conjunction with the additional information contained in the Department's financial statements and related notes and the 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 external requirements. The sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as net position, which over time may increase or decrease and serves as an indicator of the Department's financial position.
- *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 periods presented.
- *The statement of cash flows* – Reports the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities; a reconciliation is also provided to assist in understanding the difference between operating income and cash flows from operating activities.
- *Notes to the basic financial statements* – Reports 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, 2024

Analysis of Net Position

The following condensed financial information provides an overview of the Department's financial position as of September 30, 2024 and 2023:

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

September 30, 2024 and 2023

(In thousands)

	<u>2024</u>	<u>2023</u>
Assets:		
Capital assets, net	\$ 3,751,659	\$ 3,702,632
Current and other assets	1,204,432	1,061,309
Total assets	<u>4,956,091</u>	<u>4,763,941</u>
Deferred outflows of resources	<u>28,016</u>	<u>38,355</u>
Total assets and deferred outflows of resources	<u>\$ 4,984,107</u>	<u>\$ 4,802,296</u>
Liabilities:		
Current liabilities	\$ 182,427	\$ 194,478
Long-term obligations, net of current portion	1,195,277	1,243,204
Total liabilities	<u>1,377,704</u>	<u>1,437,682</u>
Deferred inflows of resources	<u>6,823</u>	<u>7,416</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,384,527</u>	<u>\$ 1,445,098</u>
Net position:		
Net investment in capital assets	\$ 2,649,858	\$ 2,538,581
Restricted for Capital projects	37,463	37,464
Unrestricted	<u>912,259</u>	<u>781,153</u>
Total net position	<u>\$ 3,599,580</u>	<u>\$ 3,357,198</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2024

Net Position Discussion

The changes in net position over time serve as a useful indicator of the Department's financial activities and position. As of September 30, 2024, \$2.6 billion, or 73.6%, 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 and other payables attributable to those assets that have been expended at September 30, 2024. 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 \$37.5 million, or 1.0%, is unchanged from the prior year and is comprised of environmental mitigation credits available for use on future capital projects involving new land creation. The remaining balance of \$912.3 million, or 25.3%, reflects the unrestricted resources that may be used for ongoing and future operations of the Department.

Current and other assets totaled \$1.2 billion, an increase of \$143.1 million, or 11.9%, from the prior fiscal year was primarily due a \$166.7 million increase in the unrestricted pooled cash balance, derived from higher operating revenue, grant reimbursements, plus other income such as Clean Trucks Program fees and interest earnings. Other increases in current and other assets were \$25.2 million in trade accounts receivable due to higher operating revenue and \$11.1 million in prepaid expenses to the City in support of an environmental project. These amounts were offset by a \$61.6 million decrease in grant receivables due from other governmental agencies, as more reimbursements were received for previously billed project expenditures.

Capital assets, net of depreciation, increased by \$49.0 million, or 1.3%, from the prior fiscal year primarily due to the acquisition of real property (land), structures and facilities, and an increase in construction in progress. Refer to the capital asset discussion section below and Note 4 for additional details related to capital assets.

Current liabilities decreased by \$12.1 million, or 6.2%, from the prior fiscal year primarily driven by the reduction in unearned revenue and security deposits of \$13.0 million as the Department recognized certain eligible earnings. Other decreases were \$9.5 million in accounts payable and accrued expenses, \$7.9 million in the current portion of bond indebtedness, and these were offset by a \$17.4 million increase in the amount due to the City of Long Beach for work on the Pier B ODRSF and the Colorado Lagoon Open Channel projects.

Long-term obligations decreased by \$47.9 million, or 3.9%, from the prior fiscal year mostly due to \$34.1 million in debt service payments and the associated amortization of bond premiums of \$7.1 million, plus a \$4.8 million reduction in the City's allocated net pension liability. Refer to 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, 2024

Capital Assets and Debt Administration

Capital Assets Discussion

The Department's capital assets, net of accumulated depreciation as of September 30, 2024 and 2023 are as follows (amounts expressed in thousands):

	<u>2024</u>	<u>2023</u>
Nondepreciable capital assets:		
Land	\$ 1,458,379	\$ 1,372,681
Construction in progress	386,973	378,002
Right-of-way	<u>198,412</u>	<u>198,412</u>
Total nondepreciable capital assets	<u>2,043,764</u>	<u>1,949,095</u>
Depreciable capital assets (net):		
Structures and facilities	1,596,080	1,649,197
Furniture, fixtures, and equipment	108,529	101,309
Right-to-use subscription assets	<u>3,284</u>	<u>3,031</u>
Total depreciable capital assets (net)	<u>1,707,893</u>	<u>1,753,537</u>
Total capital assets, net	<u>\$ 3,751,657</u>	<u>\$ 3,702,632</u>

The capital asset accounts, net of accumulated depreciation totaled \$3.8 billion, an increase of \$49.0 million from the prior fiscal year. The amount of capital assets transferred out of construction in progress and into service totaled approximately \$199.4 million. The primary additions to fixed assets included real property acquisitions on the Pier B ODRSF for \$85.7 million, Fireboat Station 20 for \$52.4 million, the Fourth Track at Ocean Boulevard for \$25.4 million, improvements made to the Port Headquarters building for \$16.5 million, and \$19.0 million in other assets. These amounts are offset by the increase in accumulated depreciation of \$161.3 million. Refer to Note 4 for additional discussion related to capital assets.

Debt Administration Discussion

The following table summarizes the Department's debt as of September 30, 2024 and 2023 (amounts expressed in thousands):

	<u>2024</u>	<u>2023</u>
Long-term debt (principal and net premiums)	\$ 578,859	\$ 627,967
TIFIA Loan	<u>494,325</u>	<u>496,675</u>
Total	<u>\$ 1,073,184</u>	<u>\$ 1,124,642</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2024

The Department's total debt decreased by \$51.5 million, or 4.0%, due to annual debt service principal payments for senior bonds and the TIFIA loan. Refer to Notes 12 to 14 for additional discussion related to debt service.

The underlying ratings assigned to the Department's long-term debt are as follows:

Rating Agency	Senior Revenue Bonds	TIFIA Loan	Outlook
Standard & Poor's	AA+	AA	Stable
Moody's	Aa2	Aa3	Stable
Fitch	AA	AA-	Stable

The debt service coverage ratio for fiscal year 2024 was 5.36, 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.

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 2024 and 2023:

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2024

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

Years ended September 30, 2024 and 2023

(In thousands)

	<u>2024</u>	<u>2023*</u>
Operating revenues:		
Berths and special facilities	\$ 520,677	\$ 468,025
Rental properties	42,387	44,157
Miscellaneous	<u>10,692</u>	<u>3,214</u>
Total operating revenues	573,756	515,396
Operating expenses:		
Personnel services	89,617	88,380
Maintenance and operations	88,101	62,032
Interdepartmental services	<u>41,148</u>	<u>40,563</u>
Total operating expenses before depreciation and amortization	218,866	190,975
Depreciation and amortization	<u>162,014</u>	<u>160,670</u>
Income from operations	<u>192,876</u>	<u>163,751</u>
Noncapital subsidies:		
Grants - noncapital	6,914	7,425
Transfers to/from City - noncapital	<u>(29,397)</u>	<u>(28,046)</u>
Total Noncapital subsidies	<u>(22,483)</u>	<u>(20,621)</u>
Other nonoperating revenues (expenses):		
Interest expense	(25,775)	(25,557)
Investment income (loss), net	54,497	17,882
Equity in income from joint venture	2,141	1,888
Grants - capital	15,052	82,072
Clean Truck Program	28,082	36,002
Gain (loss) on disposal of capital assets	345	(2,226)
Transfers to/from City - capital	<u>(81)</u>	<u>(15,372)</u>
Total other nonoperating revenues (expenses)	<u>74,261</u>	<u>94,689</u>
Income (loss) before unusual or infrequent items	244,654	237,819
Unusual or infrequent items:		
Transfers to Caltrans	<u>(2,272)</u>	<u>(50,696)</u>
Total unusual or infrequent items	<u>(2,272)</u>	<u>(50,696)</u>
Increase (decrease) in net position	<u>242,382</u>	<u>187,123</u>
Total net position – beginning of year	<u>3,357,198</u>	<u>3,170,075</u>
Total net position – end of year	<u>\$ 3,599,580</u>	<u>\$ 3,357,198</u>

* The presentation of FY 2023 financial data is adjusted based on the reporting format of GASB 103

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2024

Changes in Net Position Discussion

Change in Net Position

Change in net position for fiscal year 2024 was a gain of \$242.4 million, an increase of \$55.3 million, or 29.5% from the prior fiscal year. The primary factors contributing to the net change were higher operating revenue of \$58.4 million and various offsetting fluctuations in operating expenses and non-operating activities such as interest expense, investment income, grants funding, and Clean Trucks Program fees. The following section provides a further discussion of these activities.

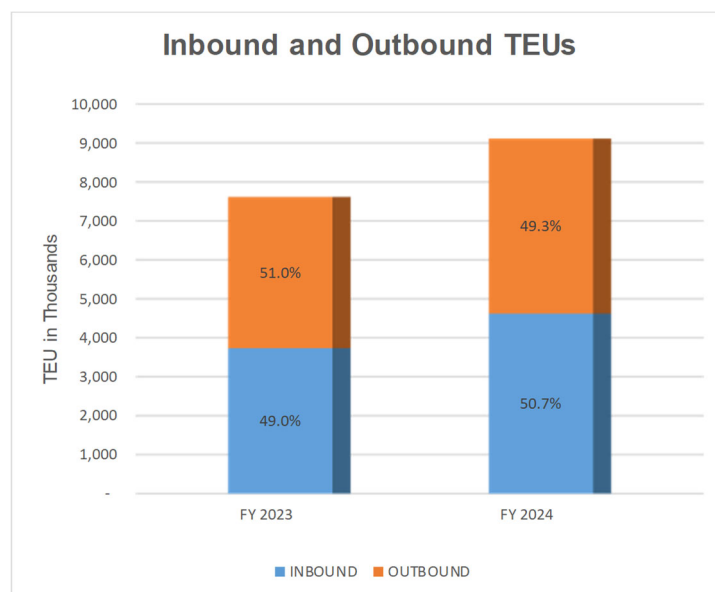
Cargo Volumes

The Port is one of the busiest major gateways 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 12.1% to 193.2 million MRTs versus 172.3 million MRTs in the prior fiscal year. Containerized cargo was up 18.9%, at 146.7 million MRTs, break bulk (vehicles, metals, and lumber) increased 4.4% to 1.2 million MRTs, dry bulk (coke, coal, sulfur, etc.) increased 0.2% to 9.3 million MRTs, while conversely liquid bulk (petroleum and crude) decreased 6.5% to 36.0 million MRTs. The Port continues to invest in capital programs to modernize its terminal facilities and infrastructure to enhance operational efficiencies 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), was at 9.1 million TEUs, an increase of 19.7% versus the prior year. Consumer demand remained strong throughout the year and shippers continued to move goods ahead of a labor contract deadline for the East and Gulf Coast seaports.

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

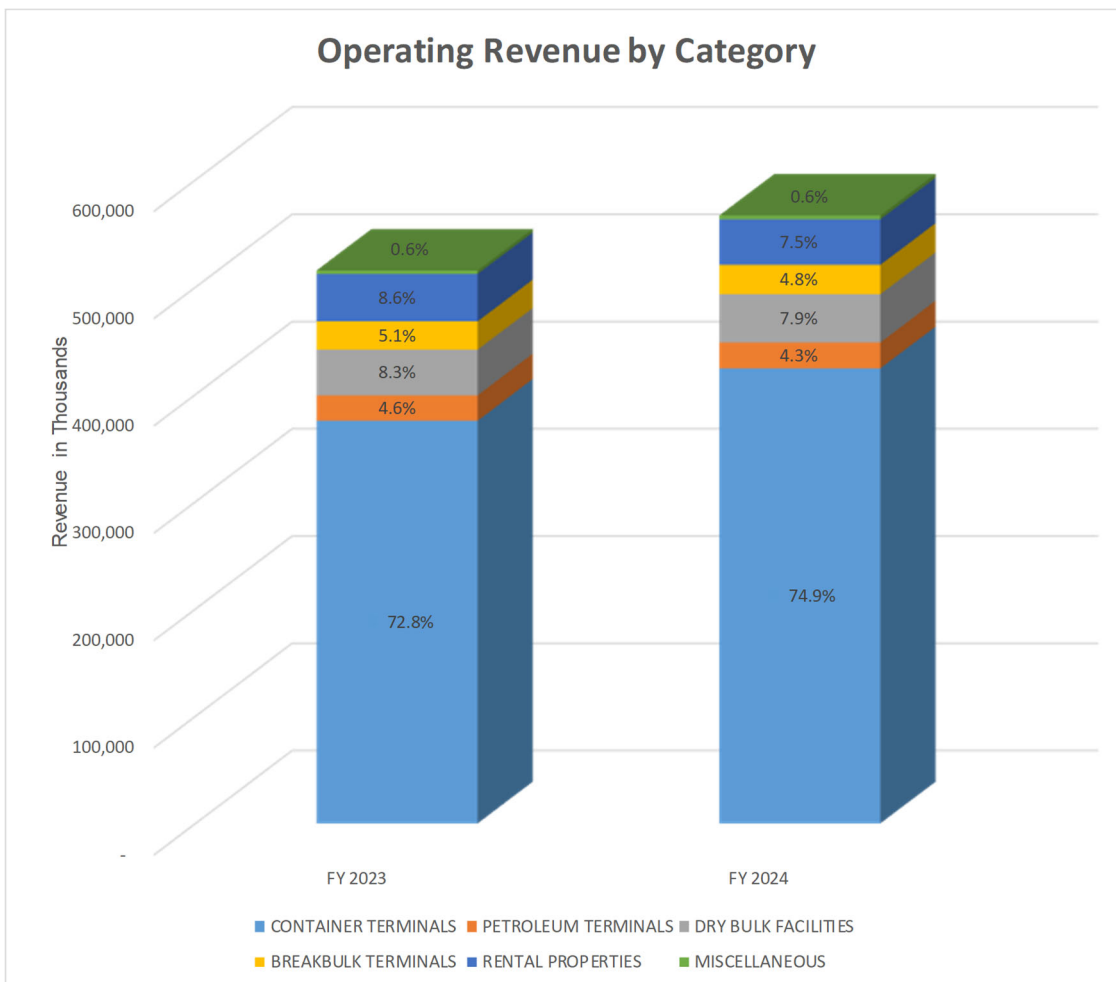
Management's Discussion and Analysis

September 30, 2024

Operating Revenues

Operating revenues for fiscal year 2024 totaled \$573.8 million, an increase of \$58.4 million, or 11.3%, from the prior fiscal year. This was primarily due to the terminal lease renewals that increased the base rent amount retroactively for 2022 to 2024, totaling \$32.6 million. The increased trend in cargo volume also contributed approximately another \$13.8 million to the revenues. Operating revenues at non-container terminals posted a \$3.9 million increase over the prior fiscal year. In addition, there was an allocation of \$7.1 million from the City due to a legal settlement in fiscal year 2024.

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, 2024

Operating Expense and Other Income and Expense

Operating expenses (excluding depreciation) for fiscal year 2024 totaled \$218.9 million, an increase of \$27.9 million or 14.6% higher than the prior fiscal year. Personnel services expense was \$89.6 million, \$1.2 million higher than prior year primarily due to a \$12.7 million increase in salaries and fringe benefits, which was offset by a decrease of \$9.2 million in the Department's portion of the City's managed pension expense. Maintenance and operations expense was \$88.1 million, \$26.1 million higher due to an increase in expenditures for engineering services, technical services, software maintenance and other miscellaneous expenses.

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 2024 was \$162.0 million, \$1.3 million or 0.8% higher than the prior fiscal year primarily due to additional assets being placed into service.

Noncapital subsidies are primarily funds transferred to support the City's Tidelands operations per the City Charter. Transfers to the Tidelands Operating Fund in fiscal year 2024 totaled \$28.3 million, an increase of \$2.6 million or 9.9% from the prior fiscal year. Refer to Note 9 for additional discussion. Other miscellaneous transfers were approximately \$1.2 million lower than the prior fiscal year.

Non-operating revenues for fiscal year 2024 totaled \$74.3 million, a decrease of \$20.4 million or 21.6% from the prior fiscal year. Net investment income, capital grants funding, clean truck program, and capital transfers-to-the city were activities that comprised the majority of the variance.

Net investment income for fiscal year 2024 totaled \$54.5 million, an increase of \$35.7 million from the prior fiscal year. This includes the unrealized gain of the investment portfolio's market valuation, and an increase in investment interest income realized from the higher average pooled cash balance and yield rates, \$25.5 million and \$8.7 million, respectively, over prior fiscal year.

Grant revenue is recognized when eligible expenses are incurred and collectability of the reimbursement is certain under the specific conditions of the grant programs. Capital grants for fiscal year 2024 totaled \$15.1 million, \$67.0 million lower in comparison to the prior fiscal year. The grants amount from the Long Beach International Gateway Bridge project was the primary source in prior fiscal year, and it was significantly less in 2024 as it has undergone project close-out phase through 2024 to 2025.

Net Clean Trucks Program fees and expenses for fiscal year 2024 totaled \$28.1 million, \$7.9 million lower than the prior year due to an increase of \$3.3 million in fees collected, offset by \$10.5 million in subsidies to fund zero emissions trucks.

Transfers to the City that were capital-related for fiscal year 2024 totaled approximately \$0.1 million, \$15.3 million lower, which is attributed to the transfer of the Pier B pump station in fiscal year 2023. This type of activity rarely occurs and is typically insignificant in value.

Unusual or infrequent items totaled \$2.3 million, \$48.4 million lower which consists of the net change associated with the ownership transfer of the Long Beach International Gateway Bridge to Caltrans that that occurred in the prior fiscal year after the majority of the asset was transferred.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Management's Discussion and Analysis

September 30, 2024

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 can represent a significant portion of the Department's capital and operating budgets in a given year.

Other geopolitical, macroeconomic or health emergencies can have a significant impact on the global supply chain, which the Harbor Department cannot predict the likelihood or extent of any impact they would have on goods movement.

In addition, the Department cannot predict what impact future contract negotiations with the union that represents the Port's dockworkers will have on cargo volumes, including the potential for labor disruptions.

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 website at www.polb.com under the following path: Business -> Finance -> Annual Comprehensive Financial Reports.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Net Position

September 30, 2024

(In thousands)

Assets and Deferred Outflows

Current assets:	
Pooled cash and cash equivalents (Note 2)	\$ 965,724
Trade accounts receivable, net of allowance (Note 3)	129,094
Due from other governmental agencies (Note 3)	18,230
Other current assets	<u>18,674</u>
Total current assets	<u>1,131,722</u>
Noncurrent assets:	
Capital assets (Notes 4 and 5):	
Land	1,458,379
Right-of-way (Note 6)	198,412
Construction in progress	386,973
Structures and facilities	4,357,748
Furniture, fixtures, and equipment	238,183
Right-to-use subscription assets (Note 15)	6,953
Less accumulated depreciation and amortization	<u>(2,894,989)</u>
Total capital assets, net	<u>3,751,659</u>
Other assets:	
Environmental mitigation credits (Note 7)	37,463
Investment in joint venture (Note 8)	2,217
Other noncurrent assets	<u>33,030</u>
Total other assets	<u>72,710</u>
Total noncurrent assets	<u>3,824,369</u>
Total assets	4,956,091
Deferred outflows of resources (Note 17)	<u>28,016</u>
Total assets and deferred outflows of resources	<u>\$ 4,984,107</u>

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Net Position

September 30, 2024

(In thousands)

Liabilities and Deferred Inflows

Current liabilities payable from current assets:	
Accounts payable and accrued expenses	\$ 46,183
Due to the City of Long Beach (Note 9)	63,028
Liability claims (Note 10)	1,550
Compensated absences (Note 11)	7,652
Security deposits and unearned revenue	17,578
Current portion of bonds indebtedness (Notes 11 and 12)	31,015
Current portion of loans payable (Notes 11 and 13)	2,415
Accrued interests payable	11,960
Subscription liability (Notes 11 and 15)	1,046
Total current liabilities	<u>182,427</u>
Long-term liabilities net of current portion:	
Bonded indebtedness (Notes 11 and 12)	483,115
Unamortized bond premium (Notes 11 and 12)	64,729
Loans payable (Notes 11 and 13)	491,910
Due to the City of Long Beach (Note 11)	2,587
Compensated absences (Note 11)	14,902
Subscription liability (Notes 11 and 15)	1,031
Net pension liability (Notes 11 and 16)	132,606
Total OPEB liability (Note 11)	4,398
Total long-term liabilities	<u>1,195,278</u>
Total liabilities	<u>1,377,705</u>
Deferred inflows on gain on debt refunding (Note 17)	397
Deferred inflows of resources (Note 17)	6,426
Total liabilities and deferred inflows of resources	<u>\$ 1,384,528</u>
Net position:	
Net investment in capital assets	\$ 2,649,858
Restricted – capital projects	37,463
Unrestricted	912,259
Total net position	<u>\$ 3,599,580</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, 2024

(In thousands)

Port operating revenues:	
Berths and special facilities	\$ 520,677
Rental properties	42,387
Miscellaneous	<u>10,692</u>
Total Port operating revenues	<u>573,756</u>
Port operating expenses:	
Personnel services	89,617
Maintenance and operations	88,101
Interdepartmental services	<u>41,148</u>
Total operating expenses before depreciation and amortization	218,866
Depreciation and amortization	<u>162,014</u>
Total operating expenses	<u>380,880</u>
Income from operations	192,876
Noncapital subsidies:	
Grants - noncapital	6,914
Transfers to City - noncapital	<u>(29,397)</u>
Total Noncapital subsidies	<u>(22,483)</u>
Operating income and noncapital subsidies	170,393
Other nonoperating revenues (expenses)	
Interest expense	(25,775)
Investment income, net	54,497
Equity in income from joint venture	2,141
Grants - capital	15,052
Clean Truck Program revenue	41,973
Clean Truck Program expense	(13,891)
Gain on disposal of capital assets	345
Transfers to/from City - capital	<u>(81)</u>
Total other nonoperating revenues (expenses), net	<u>74,261</u>
Income before unusual or infrequent items	244,654
Unusual or infrequent items:	
Transfers to Caltrans	<u>(2,272)</u>
Total unusual or infrequent items	<u>(2,272)</u>
Increase in net position	242,382
Total net position – beginning of year	3,357,198
Total net position – end of year	<u>\$ 3,599,580</u>

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2024

(In thousands)

Cash flows from operating activities:	
Cash received from customers	\$ 543,300
Cash paid to employees	(97,623)
Cash paid to suppliers	(126,497)
Cash received from Clean Truck Program	41,973
Cash paid to Clean Truck Program	<u>(13,891)</u>
Net cash provided by operating activities	<u>347,262</u>
Cash flows from noncapital financing activities:	
Transfers to City Tidelands and other funds	<u>(26,445)</u>
Net cash used in noncapital financing activities	<u>(26,445)</u>
Cash flows from capital and related financing activities:	
Grants received	80,472
Interest paid	(34,452)
Principal payments made on bonds payable	(42,055)
Principal payments made on loans payable	(2,350)
Payments for capital acquisitions – personnel costs	(9,462)
Payments for capital acquisitions – vendors	(193,284)
Proceeds from sales of assets	345
Payments for subscription assets	(2,241)
Prepaid and advances for capital expenses	<u>(6,086)</u>
Net cash used in capital and related financing activities	<u>(209,113)</u>
Cash flows from investing activities:	
Disbursement of loan receivable	(1,207)
Interest received	27,993
Change in value of equity in the City's investment pool	26,187
Return on investment in joint venture	<u>2,000</u>
Net cash provided by investing activities	<u>54,973</u>
Net increase in cash and cash equivalents	166,677
Cash and cash equivalents, beginning of year	<u>799,047</u>
Cash and cash equivalents, end of the year	<u>\$ 965,724</u>
Reconciliation of cash and cash equivalents:	
Unrestricted pooled cash and cash equivalents	\$ 965,724

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2024

(In thousands)

Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 192,876
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation and amortization	162,014
Clean Truck Program	28,082
Changes in assets, liabilities, and deferred outflows and inflows of resources:	
Accounts receivable and other assets	(25,544)
Accounts payable	(14,272)
Accrued claims and judgments	1,050
Unearned revenues	(5,233)
Due to other funds	884
Compensated absences	1,286
Deferred inflows of resources related to pension and OPEB	260
Deferred outflows of resources related to pension and OPEB	10,339
Net Pension and OPEB liability	(4,480)
Total adjustments	<u>154,386</u>
Net cash provided by operating activities	<u>\$ 347,262</u>
 Supplemental schedule of noncash capital and financing activities:	
Accrued transfers to the City's Tidelands fund	\$ 28,319
Accrued capital related liabilities	25,515
Amortization of bond premium	7,053
Amortization of deferred inflows on debt refunding	853
Transfers to Caltrans	2,272
Prepaid and advances capital projects	6,086

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

(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 revenues and expenses are revenues and expenses other than non-operating revenues and expenses. Non-operating revenues and expenses are subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses. Revenues or expenses that otherwise would be classified as non-operating are classified as operating revenues or operating expenses if those transactions constitute its principal ongoing operations. 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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

(c) City of Long Beach Investment Pool

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

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

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

(d) Cash Equivalents

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

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

(e) Investments

Investments are reflected at fair value using quoted market prices in active and inactive markets. Realized and unrealized gains and losses are included in the accompanying statement of revenues, 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*

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

(g) Inventories

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

(h) Capital Assets

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

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

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

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

(i) Leases

GASB No. 87 requires recognition of certain lease assets for long-term leases as inflows of resources based on the payment provisions of the lease agreement and the lease receivable. The net present value of future minimum lease payments over the lease term, using a discount rate based on the stated rate of the lease or the municipal borrowing rate of the City, will be recorded as lease receivable and deferred inflow of resources for the effective lease term. A schedule of periodic amortization amounts of the discounted receivable, related interest revenue, and deferred inflows of resources are recognized over the term of the lease. Lease receivable will be re-measured when there are lease term modifications or terminations, and the related deferred inflow of resources will be adjusted to include as a gain or loss for the difference.

Port as Lessor

The Port's lease revenue and lease receivable are principally generated from the marine terminal leases. These are regulated leases that provide for preferential area assignments or non-exclusive right-to-use of the premises, at all times subject to federal, state, regional and municipal laws, ordinances and regulations (e.g., including but not limited to States Lands Commission and Federal Maritime

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

Commission); and specific lease terms that include an adherence to a schedule or tariff of all rates, charges, regulations and practices, of the type contained in Tariff No. 4 published in compliance with the regulations of the U.S. Federal Maritime Commission. Other short-term leases such as revocable permits and area assignments are cancelable on a period of 30-180 days based upon notice provided by either party. These types of leases are not within the scope of GASB Statement No. 87 evaluation for adoption.

(j) Subscription-based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's information technology (IT) software for the contractual term. GASB No. 96 requires recognition of subscription liability and intangible right-to-use (RTU) asset for certain long-term SBITAs at the commencements of the subscription terms, which are when the subscription assets are placed into service. The present value of future minimum subscription payments over the subscription term, calculated by using either the implicit interest rate from the subscription agreement or the AA municipal yield curve rate provided by the City if the implicit interest rate is not available, is recorded as the subscription liability. Variable payments, including payments that are based on future performance, usage, or user seat, are excluded from the subscription liability calculations and recognized as outflows of resources when the payment obligation is incurred. The intangible RTU asset is the amount of the subscription liability in conjunction with payments made before the commencement of the subscription term that are for capitalizable initial implementation costs and other expenses associated with the SBITA contract.

Subscription liability, accrued interest payable, interest expense, and subscription expense are amortized over the subscription term, and RTU asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the asset.

Subscription liability and RTU asset will be remeasured when there is a change in the subscription term, payments, and implicit interest rate. If the change reduces the RTU asset to zero, the remaining amount will be reported as a gain in the outflow of resources. Refer to Note 15 for additional discussion related to SBITAs.

(k) 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.

(l) 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.

(m) Transfers to the City Tideland Operations 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 Tideland Operations Fund. The provision requires a majority vote of the Board of Harbor Commissioners,

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

expressed by Resolution, to enact the transfer, determining that the funds will not be needed for Harbor Department operations.

(n) Net Position

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

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

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

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

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

(o) 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 included in non-operating revenue and non-capital subsidies in the statement of revenue, expenses, and changes in net position. Grants are recognized when the collectability is certain on the eligible expenses that are reimbursable under the specific conditions of the grant programs. Operating revenue or grant funds that have been received but not earned are identified as unearned revenue in the statement of net position.

(p) 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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

amounts, the Department's Finance Division reviews all delinquent accounts in August of each year. Amounts deemed uncollectible are written off.

(q) Pension Plan and Postretirement Benefits

All full-time Department employees are members of the City's Miscellaneous Plan. The Department's policy is to fund all pension costs accrued. The costs to be funded are determined annually as of October 1 and are incorporated into the payroll burden rate to reimburse the City's Employee Benefits Internal Service Fund for contributions made on behalf of Department employees (see Note 16(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 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 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 payment, and (c) has attained the minimum retirement age for the employee's retirement plan. Benefits are administered through a third-party provider.

(r) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods. In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods. Specific disclosures of items representing deferred outflows and deferred inflows of resources can be found in Note 17 to the basic financial statements.

(s) 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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

(t) Recent Accounting Pronouncements

The Department applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations. Application of the following Statements was effective for the Department’s fiscal year ended September 30, 2024:

GASB Statement No. 99, Omnibus 2022, issued in April 2022, effective dates vary depending on the requirement. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Department implemented GASB Statement No. 99 for the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53. Application of this Statement did not have any impact to the Department’s financial statements for the fiscal year ended September 30, 2024.

GASB Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62, issued in June 2022, effective for fiscal years beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this Statement did not have any impact to the Department’s financial statements for the fiscal year ended September 30, 2024.

GASB Statement No. 103, Financial Reporting Model Improvements, issued in May 2024, effective for fiscal years beginning after June 15, 2025. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The Department chose to implement this statement early. As a result of the implementation of GASB Statement No. 103, the Department has improved presentations of the MD&A, statement of revenues, expenses, and changes in net position, and changes in fund net position exhibit in the statistical section for the fiscal year ended September 30, 2024.

(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	\$ 965,724	-	965,724

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, Local Agency Investment Fund (LAIF), repurchase agreements, reverse repurchase agreements, securities lending, asset-backed securities, mortgage-backed securities, and money market mutual funds.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

As of September 30, 2024, the City's majority investment pool has a weighted average maturity of 2.45 years. At September 30, 2024, the Department had \$965.7 million equity in the pool, representing approximately 41.5% of the pool. The following are the actual ratings as of September 30, 2024 for each investment type (in thousands):

Investment type	Minimum legal rating	Rating as of year end				
		Total	A-/A/A+	AA-/AA/AA+	AAA	Unrated
Pooled cash and investments:						
Money market mutual funds	N/A	\$ 132,902	-	-	132,902	-
U.S. Treasury notes	N/A	813,747	-	813,747	-	-
Federal agency securities	N/A	916,454	-	916,454	-	-
Corporate notes	A	465,171	166,525	25,763	272,883	-
LAIF	N/A	363	-	-	-	363
Total pooled investments		\$ 2,328,637	166,525	1,755,964	405,785	363

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	\$ 813,747	-	813,747	-
Federal agency securities	916,454	-	916,454	-
Corporate notes	465,171	-	465,171	-
Total investments at fair value	2,195,372	\$ -	2,195,372	-
Other investments at fair value:				
Local Agency Investment Fund (LAIF)	363			
Other investments at cost or contract value:				
Money market mutual funds	132,902			
Total investments	\$ 2,328,637			

(3) Accounts Receivable and Other Receivables

Accounts receivable as of September 30, 2024, included the following (expressed in thousands):

Trade accounts receivable	\$ 132,035
Less allowance for doubtful accounts	(2,941)
Trade accounts receivable, net	<u>\$ 129,094</u>

The due from other governmental agencies, in the amount of \$18.2 million as of September 30, 2024, 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, 2024

Loan Receivable – City of Long Beach Tidelands Area

In May 2023, the Department entered into a Memorandum of Understanding (MOU) with the City of Long Beach to advance a loan to the City for a total amount of \$12.0 million over three consecutive fiscal years with a 5% simple annual interest rate (Advanced Loan). To facilitate the repayment of the Advanced Loan, the City has transferred specific lots of controlled lands from the Long Beach Energy Resources Department (LBER-controlled Lands) to the Department to operate. The income generated from the lease revenues net of operating expenses for these LBER-controlled Lands will be shared 50/50 between the Department and the City; the City's income portion will be used to repay the Advanced Loan, applying first towards the outstanding accrued interest balance before reducing the principal amount. As of September 30, 2024, the Department has advanced \$7.6 million to the City with an interest receivable of \$317.4 thousand.

(4) Capital Assets

Capital assets' schedule as of September 30, 2024 is as follows (in thousands):

Description	Balance, October 1, 2023	Additions	Adjustments/ Disposals	Placed in Service	Balance, September 30, 2024
Nondepreciable capital assets:					
Land & Constructed land	\$ 1,372,681	\$ -	\$ -	\$ 85,698	\$ 1,458,379
Construction in progress	378,002	212,977	(4,591)	(199,414)	386,974
Right of way (Note 6)	198,412	-	-	-	198,412
Subtotal	<u>1,949,095</u>	<u>212,977</u>	<u>(4,591)</u>	<u>(113,716)</u>	<u>2,043,765</u>
Depreciable capital assets:					
Structures and facilities	4,261,829	-	(2,272)	98,190	4,357,747
Furniture, fixtures, and equipment	220,746	2,723	(813)	15,526	238,182
Right-to-use subscriptions (Note 15)	4,679	2,274	-	-	6,953
Subtotal	<u>4,487,254</u>	<u>4,997</u>	<u>(3,085)</u>	<u>113,716</u>	<u>4,602,882</u>
Total capital assets	<u>6,436,349</u>	<u>217,974</u>	<u>(7,676)</u>	<u>-</u>	<u>6,646,647</u>
Less accumulated depreciation:					
Structures and facilities	2,612,632	149,035	-	-	2,761,667
Furniture, fixtures, and equipment	119,437	10,958	(742)	-	129,653
Right-to-use subscriptions	1,648	2,021	-	-	3,669
	<u>2,733,717</u>	<u>162,014</u>	<u>(742)</u>	<u>-</u>	<u>2,894,989</u>
Total capital assets, net	<u>\$ 3,702,632</u>	<u>\$ 55,960</u>	<u>\$ (6,934)</u>	<u>\$ -</u>	<u>\$ 3,751,658</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

Construction in progress at September 30, 2024 includes the following projects (in thousands):

Pier B On-Dock Rail Program	\$ 205,805
All other programs and projects	<u>181,169</u>
Total	<u>\$ 386,974</u>

During the year ended September 30, 2024, \$4.6 million of Construction in Progress was written off.

(5) Leases

Port as Lessor

The major portion of the Port's property is leased to others. Such property includes marine terminal land and facilities, plus special purpose facilities.

Marine terminal facilities are leased typically under long-term agreements that provide the tenants with preferential but not exclusive use of the facilities. Most leases relate to shipping services based upon tenants' usage of the facilities, measuring by their annual revenue or volume activities. The leases and the preferential assignments generally provide for a guarantee annual minimum (GAM) charge to the tenant.

Property under lease at September 30, 2024 consisted of the following (expressed in thousands):

Land	\$ 851,587
Structures and facilities:	
Docks and wharves	826,275
Warehouses and sheds	24,416
Cranes and shiploaders	70,602
Buildings and other facilities	1,082,338
Infrastructure	<u>1,958,091</u>
Historical cost of leased property	4,813,309
Less accumulated depreciation	<u>(2,608,783)</u>
Carrying value of leased property	<u>\$ 2,204,526</u>

Regulated Leases

The Port's marine terminal leases are considered regulated leases, at all times subject to federal, state, regional and municipal laws, ordinances and regulations (e.g., including but not limited to States Lands Commission and Federal Maritime Commission). As such these leases are not within the scope of GASB Statement No. 87 evaluation.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

Fiscal year 2024 actual revenue for these regulated leases was \$501.7 million, \$69.6 million over the GAM amount of \$432.1 million. Assuming these regulated leases will perform throughout their contractual terms, the anticipated future GAM of lease payments under the current terms is as follows (expressed in thousands):

2025	\$ 431,892
2026	428,473
2027	359,806
2028	238,896
2029	232,766
2030-2034	1,059,740
2025-2039	1,008,486
2040-2044	793,026
2045 and thereafter	<u>839,824</u>
	<u>\$ 5,392,909</u>

(6) Right-of-Way Purchase

Alameda Corridor Transportation Authority (ACTA)

In August 1989, the Alameda Corridor Transportation Authority (ACTA) was established through a Joint Exercise of Powers Agreement between the Cities of Long Beach and Los Angeles, California. The purpose of ACTA is to acquire, construct, finance, and operate a 20-mile-long consolidated transportation corridor; including an improved railroad expressway between the Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), and downtown Los Angeles.

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

The total purchase involved the right-of-way property from the three former railroad companies and a drill track from Southern Pacific to provide an additional right of way to access local businesses along the Project. Construction of the Project began in 1997 and was completed in April 2002. Funding for the Project came from federal, state, and local sources, and the issuance of debt. By the end of fiscal year 2003, the Department had paid a total of \$207.0 million for its share related to this right-of-way purchase. During fiscal year 2020, certain portion of this right-of-way were exchanged and sold to the Port of Los Angeles that resulted in a \$9.1 million disposal. As of September 30, 2024, the balance of the right-of-way is \$198.4 million, of which \$197.9 million related to ACTA.

The Port has no share of the ACTA's net position and income at June 30, 2024 and 2023, and accordingly, they have not been recorded in the accompanying financial statements due to the separate legal status. In

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

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, 2024, the Department has utilized a total of \$13.3 million of environmental credits for completed landfill as part of capital projects within the port boundaries to date. No environmental credit has been incurred or acquired in fiscal year 2024. The existing \$37.5 million or 224 credits will be used in future projects.

(8) Investment in Joint Venture

Intermodal Container Transfer Facility (ICTF)

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

The ICTF's operations are financed by operating revenues from ICTF activities. The Department's share of the ICTF's net position as of September 30, 2024 totaled \$2.1 million.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

(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 2024, the Department accrued \$28.3 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 \$1.6 million for fiscal year 2024 recorded as component of accrued expenses.

Contract commitments and purchase orders, for which materials or services were not received at September 30, 2024 aggregated \$23.1 million.

In September 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 \$26.3 million, then in August 2022 the amount was increased to a total of \$32.0 million due to the City's revised project budget. \$19.3 million has been paid to the City as reimbursement for actual cost incurred per the MOU terms as of September 30, 2024. The remaining \$12.7 million will be paid through fiscal year 2025.

(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 is not currently carrying a "Master Builder's Risk" policy as it does not have current projects that would require it. The program will be renewed as risk arises. The coverage limit for each construction projects that would be placed in this program would be equivalent to the contract's price. Exclusive of Earthquake coverage the maximum per project amount would be \$125.0 million, but could be increased as needed with underwriter approval.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

(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, 2024 (in thousands):

Property insurance coverage for fire and other risks	\$	1,000,000
Comprehensive general liability		150,000
Self-insured retention		1,000

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

(iii) Workers Compensation

The Department participates in the City's self-insured workers' compensation program. During fiscal years 2024, it made payments to the City's Insurance Fund totaling \$2.8 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 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. Use fees end in 2062 or sooner if the ACTA Obligations are paid off earlier.

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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

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. 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.

The Department is not required to include the Shortfall Advances, which are subordinate to other obligations of the Department, when calculating compliance with rate covenants under bond indentures and resolutions. The Department, however, is required to include the Shortfall Advances in its budgets.

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, 2024. The most recent notice date, August 15, 2024, indicates that there is no projected shortfall for ACTA's fiscal year ending June 30, 2025.

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

The new Gerald Desmond Bridge Replacement (Long Beach International Gateway Bridge) has been completed and transferred to the California Department of Transportation (Caltrans) as a component of the state highway system on March 2022. The Department has an agreement with Caltrans for maintenance costs of the new GDBR for a 30-year period commencing on the date of the ownership transfer to Caltrans.

(11) Long-Term Liabilities

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

Description	Balance, October 1, 2023	Additions	Reductions	Balance, September 30, 2024	Due in One Year
Revenue bonds	\$ 556,185	\$ -	\$ 42,055	\$ 514,130	\$ 31,015
Premium	71,782	-	7,053	64,729	-
Total revenue bonds	<u>627,967</u>	<u>-</u>	<u>49,108</u>	<u>578,859</u>	<u>31,015</u>
TIFIA loan	496,675	-	2,350	494,325	2,415
Compensated absences	21,266	1,286	-	22,552	7,652
Net pension liability	137,447	-	4,840	132,607	-
Total OPEB liability	4,037	361	-	4,398	-
Subscription liability	2,044	2,274	2,242	2,076	1,046
Due to City of Long Beach	<u>3,087</u>	<u>-</u>	<u>500</u>	<u>2,587</u>	<u>-</u>
Total long-term liability	<u>\$ 1,292,523</u>	<u>\$ 3,921</u>	<u>\$ 59,040</u>	<u>\$ 1,237,404</u>	<u>\$ 42,128</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

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

(12) Bonds 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, 2023	Additions	Payments *	Ending Balance September 30, 2024	Principal Due Within One Year
Revenue bonds:									
2014B	4/24/2014	3-5	2018-27	\$ 20,570	\$ 4,050	\$ -	\$ 4,050	\$ -	\$ -
2015B	4/16/2015	5	2023-25	20,130	10,355	-	7,025	3,330	3,330
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	-	9,440	46,285	27,685
2020B	2/19/2020	4-5	2021-24	74,940	21,540	-	21,540	-	-
Total bonds				<u>\$ 635,880</u>	556,185	-	42,055	514,130	31,015
Unamortized bond premium					71,782	-	7,053	64,729	-
Net total bonds indebtedness					<u>\$ 627,967</u>	<u>\$ -</u>	<u>\$ 49,108</u>	<u>\$ 578,859</u>	<u>\$ 31,015</u>

* 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, 2024

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):

Fiscal year(s) ending September 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 31,015	\$ 25,630	\$ 56,645
2026	32,490	24,156	56,646
2027	28,960	22,531	51,491
2028	15,475	21,083	36,558
2029	17,450	20,310	37,760
2030-2034	87,420	88,361	175,781
2035-2039	100,155	65,799	165,954
2040-2044	127,455	38,157	165,612
2045 and thereafter	<u>73,710</u>	<u>11,394</u>	<u>85,104</u>
	<u>\$ 514,130</u>	<u>\$ 317,421</u>	<u>\$ 831,551</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 (Non-AMT)

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 2014B Bonds were paid off on May 15, 2024.

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, 2024

(b) 2015B Harbor Revenue Refunding Bonds (Non-AMT)

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.

(c) 2015C Harbor Revenue Bonds (AMT)

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.

(d) 2015D Harbor Revenue Bonds (Non-AMT)

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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

(e) 2017A Harbor Revenue Bonds (AMT)

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.

(f) 2017B Harbor Revenue Bonds (AMT)

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.

(g) 2017C Harbor Revenue Bonds (Non-AMT)

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.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

(h) 2019A Harbor Revenue Bonds (Non-AMT)

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.

(i) 2020A Harbor Revenue Refunding Bonds (Non-AMT)

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.

(j) 2020B Harbor Revenue Refunding Bonds (AMT)

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) TIFIA Loan Subordinate Indebtedness

On May 2020, the Port entered into a new TIFIA loan agreement (the 2021 TIFIA Loan) for an approved amount up to \$500.0 million. Under the 2021 TIFIA Loan, the USDOT will allow the Department to borrow up

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

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. 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. The Department has fully drawn down on the \$500.0 million TIFIA Loan as of fiscal year ending 2022. The 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):

Fiscal year(s) ending September 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,415	\$ 6,220	\$ 8,635
2026	2,500	6,198	8,698
2027	2,565	6,167	8,732
2028	2,690	6,143	8,833
2029	2,770	6,092	8,862
2030-2034	15,300	29,955	45,255
2035-2039	41,725	28,488	70,213
2040-2044	55,820	25,382	81,202
2045 and thereafter	368,540	30,566	399,106
	<u>\$ 494,325</u>	<u>\$ 145,211</u>	<u>\$ 639,536</u>

(14) Lines of Credit

On April 2022, the Board of Harbor Commissioners approved the renewal of the revolving line of credit provided by MUFG Union Bank, N.A. in an aggregate principal amount not to exceed \$250.0 million with an expiration date in April 14, 2025. On December 2022, this revolving credit agreement is assumed by U.S. Bancorp through its acquisition of MUFG Union Bank, N.A. The tax exempt and taxable interest rates under this agreement are based on the rate equal to the secured overnight financing rate (SOFR) as administered by the Federal Reserve Bank of New York. 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, 2024, the Department has no outstanding balance under this revolving line of credit.

(15) Subscription-based Information Technology Arrangements (SBITAs)

The Port engages in various SBITAs to subscribe to the IT software that supports the operations of the Port. Per the requirements of GASB Statement No. 96, the RTU subscription assets and subscription liability associated with these SBITAs are recognized and amortized over the years starting from fiscal year 2024. Due to immateriality and impracticability, the financial statements for prior fiscal years were not restated.

As of September 30, 2024, the right-to-use subscription assets and related accumulated amortization are as follows (in thousands):

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

Right-to-use subscription assets	\$ 6,953
Less accumulated amortization	<u>(3,669)</u>
Net right-to-use subscription assets	<u>\$ 3,284</u>

The future annual payments for the subscription liability as of September 30, 2024 are as follows (in thousands):

Fiscal year(s) ending September 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,046	\$ 58	\$ 1,104
2026	597	25	622
2027	413	6	419
2028	<u>21</u>	<u>-</u>	<u>21</u>
	<u>\$ 2,077</u>	<u>\$ 89</u>	<u>\$ 2,166</u>

(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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

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 City's contribution during the year was \$89.8 million for the Plan.

The Miscellaneous Plan's provisions and benefits in effect at September 30, 2024, are summarized in the following table:

<u>Hire Date</u>	<u>Miscellaneous</u>		
	<u>Prior to October 1, 2006</u>	<u>On or after October 1, 2006 and Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
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
	<u>Required Contribution Rates</u>		
Employee	8.0 %	8.0 %	7.25 %
Employer	29.40 %	29.40 %	29.40 %
	<u>Percentage of eligible compensation</u>		
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 17.6% as of September 30, 2024.

(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, 2024 (measurement date). The Department's share of the net pension liability for the Miscellaneous Plan was \$137.4 million at the beginning of the period and \$132.6 million at June 30, 2024. For the measurement period ending June 30, 2024, the Department incurred pension expense of \$25.1 million.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

As of September 30, 2024, the Department had deferred outflows and deferred inflows related to pensions as follows (in thousands):

Deferred outflows of resources:	
Pension contributions after measurement date	\$ 4,456
CalPERS difference between actual and expected investment returns	7,468
CalPERS differences between actual and expected experience	10,862
CalPERS change in assumptions	<u>349</u>
Total deferred outflows of resources	<u>\$ 23,135</u>
Deferred inflows of resources:	
CalPERS differences between actual and expected experience	\$ (93)
CalPERS change in proportion	<u>(4,171)</u>
Total deferred inflows of resources	<u>\$ (4,264)</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	
	June 30	Total
2025		\$ 3,804
2026		14,143
2027		(1,368)
2028		(2,164)
2029		<u>-</u>
Total		<u>\$ 14,415</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

(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, 2024 is as follows:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90 %
Inflation	2.30 %
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	6.80 %
Mortality *	Derived using CalPERS' membership data for all funds

* The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates include full generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

<u>Asset Class ¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return ^{1,2}</u>
Global Equity - Cap-Weighted	30.00 %	4.54 %
Global Equity - Non-Cap-Weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-Backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High yield	5.00	2.27
Emerging market debt	5.00	2.48
Private debt	5.00	3.57
Real assets	15.00	3.21
Leverage	(5.00)	(0.59)

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 6.90%, compared to a discount rate that is 1.0% age point lower (5.90%) or 1.0% age point higher (7.90%). Amounts shown below are in thousands:

<u>Sensitivity to Net Pension Liability</u>		
1.0% Decrease (5.90%)	\$	207,554
Current discount rate (6.90%)		132,606
1.0% Increase (7.90%)		70,302

(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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

(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 (Income), and Deferred Outflows and Deferred Inflows of Resources Related to OPEB*

At September 30, 2024, the Department reported a total OPEB liability of \$4.4 million for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2023 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of September 30, 2022. The Department's proportion of the City's total OPEB liability was based on the Department's share of sick leave balances. At September 30, 2024, the Department's proportion was 8.78%.

For the year ended September 30, 2024, the Department recognized OPEB expense of \$422 thousand and was reported in the general administrative operating expense in the accompanying financial statements.

As of September 30, 2024, the Department had deferred outflows and deferred inflows related to OPEB as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Amounts paid subsequent to measurement date	\$ 534	\$ -
Difference between expected and actual experience	62	288
Change in assumptions	<u>3,632</u>	<u>1,797</u>
	<u>\$ 4,228</u>	<u>\$ 2,085</u>

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

Amounts reported as deferred outflows of resources related to OPEB from the Department's contributions subsequent to the measurement date of \$534 thousand will be recognized as a reduction of the total OPEB liability in the following year. Amounts related to both the deferred outflows of resources and deferred inflows of resources will be amortized over the next 10 years. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense over the next 10 years as follows (in thousands):

<u>Year Ending September 30</u>	<u>Amount to be Recognized</u>
2025	\$ (37)
2026	(31)
2027	(22)
2028	124
2029	335
2030-2034	1,240

(iv) *Actuarial Assumptions*

Discount rate was updated based on municipal bond rate from 4.40% as of September 30, 2022 measurement date to 4.63% as of September 30, 2023 measurement date. The total OPEB liability in the September 30, 2023 actuarial valuation was determined using the following actuarial assumptions.

Valuation date	September 30, 2022
Measurement date	September 30, 2023
Actuarial cost method	Entry Age
Actuarial assumptions:	
Inflation	2.50%
Discount rate	4.63 %
Payroll Increases	2.75% Aggregate Merit
Healthcare Cost Trend Rates	8.50% for 2024, decreasing to an ultimate rate of 3.45% in 2076
Mortality, Termination,	CalPERS 2000-2019 Experience Study
Disability, Retirement	
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
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, 2024

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

The following presents the total OPEB liability (asset) of the Department, as well as what the Department's total OPEB liability (asset) 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):

<u>Total OPEB Liability (Asset)</u>	
1.0% Decrease (3.63%)	\$ 3,076
Current discount rate (4.63%)	4,398
1.0% Increase (5.63%)	5,231

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

The following presents the total OPEB liability (asset) of the Department, as well as what the Department's total OPEB liability (asset) would be if it were calculated using healthcare cost trend rates based on actual premiums paid that are 1-percentage-point lower or higher than the current healthcare cost trend rates:

<u>Total OPEB Liability (Asset)</u>	
1.0% Decrease	\$ 5,008
Healthcare Cost Trend Rate	4,398
1.0% Increase	3,291

(c) *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 year ended September 30, 2024.

(17) *Deferred Outflows/Inflows of Resources*

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

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2024

The schedule of deferrals as of September 30, 2024 is as follows (expressed in thousands):

Deferred outflows of resources		
Pension related deferred outflows	\$	23,136
OPEB related deferred outflows		4,228
Change in OPEB allocated proportion		652
Total deferred outflows of resources	\$	<u>28,016</u>
Deferred inflows of resources		
Gain on debt refunding	\$	397
Pension related deferred inflows		4,263
OPEB related deferred inflows		2,085
Change in OPEB allocated proportion		78
Total deferred inflows of resources	\$	<u>6,823</u>

(18) Subsequent Events

On February 14, 2025, the Department has issued the Harbor Revenue and Revenue Refunding Bonds, Series 2025A Bonds, in a principal amount of \$119 million to (a) refund and defease the Refunded Series 2015D Senior Bonds, (b) fund capital improvements to the Port of Long Beach, and (c) pay the costs of issuing the Series 2025A Senior Bonds.



Required Supplementary Information



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

OPEB Liability and Related Ratios^{1,2}

September 30, 2024

Last 10 Years³

(In thousands)

(Unaudited)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Department's percentage of total City OPEB liability	8.8%	8.6%	8.6%	7.7%	6.6%	6.7%	6.7%	6.5%	6.9%
Department's total OPEB liability - ending	\$ 4,398	\$ 4,038	\$ 360	\$ 676	\$ 640	\$ 1,555	\$ 3,467	\$ 3,250	\$ 3,103
Department covered payroll	\$ 64,531	\$ 58,501	\$ 56,464	\$ 52,900	\$ 46,826	\$ 47,718	\$ 45,236	\$ 48,381	\$ 47,203
Total department OPEB liability as a percentage of covered payroll	6.8%	6.9%	0.6%	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 Discount rate was updated based on municipal bond rate as of the measurement date. Discount rate was 4.63% at September 30, 2023 and 4.40% at September 30, 2022.

³ Fiscal year 2016 was the first year of implementation.

See accompanying independent auditors' report.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Pension Liability and Related Ratios

September 30, 2024

Last 10 Years*

(In thousands)

(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Department's percentage of total City pension liability	17.6 %	18.4 %	18.9 %	19.1 %	18.4 %	18.3 %	18.7 %	19.2 %	20.9 %	18.9 %
Department's total pension liability	\$ 132,606	\$ 137,447	\$ 132,583	\$ 60,174	\$ 121,539	\$ 113,611	\$ 110,982	\$ 129,893	\$ 124,170	\$ 90,470
Department covered payroll	55,170	52,650	50,466	50,835	46,932	45,346	45,296	45,125	47,719	42,167
Department pension liability as a percentage of covered payroll	240.4 %	261.1 %	262.7 %	118.4 %	259.0 %	250.5 %	245.0 %	287.9 %	260.2 %	214.6 %
Fiduciary net position as a percentage of the pension liability	77.34 %	76.30 %	76.83 %	89.12 %	76.53 %	77.21 %	77.38 %	74.13 %	74.15 %	78.41 %

* Changes in assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

See accompanying independent auditors' report.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Schedule of Contributions

Miscellaneous Plan

September 30, 2024

Last 10 Years

(In thousands)

(Unaudited)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution ¹	\$ 15,779	\$ 16,035	\$ 15,393	\$ 14,952	\$ 13,175	\$ 11,422	\$ 9,963	\$ 8,815	\$ 8,338	\$ 6,637
Contributions in relation to the actuarially determined contribution ²	<u>(15,779)</u>	<u>(16,035)</u>	<u>(15,393)</u>	<u>(14,952)</u>	<u>(13,175)</u>	<u>(11,422)</u>	<u>(9,963)</u>	<u>(8,815)</u>	<u>(8,338)</u>	<u>(6,637)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll ³	\$ 64,012	\$ 60,384	\$ 57,024	\$ 54,483	\$ 46,826	\$ 47,718	\$ 45,236	\$ 48,381	\$ 47,203	\$ 45,316
Contributions as a percentage of covered payroll	24.65 %	26.56 %	26.99 %	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 2024 were from the June 30, 2021 funding valuation report.

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	For details, see June 30, 2021 Funding Valuation Report.
Asset Valuation Method	Fair Value of Assets. For details, see June 30, 2021 Funding Valuation Report.
Inflation	2.30 %
Salary Increases	Varies by entry age and service
Payroll Growth	2.80 %
Investment Rate of Return	6.80%, net of pension plan investment and administrative expenses, including inflation.
Retirement Age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

¹ Actuarially Determined Calculation is based on a CalPERS projection of the Miscellaneous payroll.

² Amount represents actual contributions as recorded by CalPERS.

³ Amount represents actual contributions based on City's fiscal year.

See accompanying independent auditors' report.



Statistics



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statistical Section

Year ended September 30, 2024

(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 61

Changes in Fund Net Position – Last 10 Fiscal Years – Exhibit 2 62

Revenue Capacity Information:

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

Operating Revenue by Type – Last 10 Fiscal Years – Exhibit 3 63

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.

Ratios of Outstanding Debt by Type – Last 10 Fiscal Years – Exhibit 4 64

Revenue Bonds Debt Service Coverage – Last 10 Fiscal Years – Exhibit 5 65

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 6 66

Tonnage by Commodity Group and Vessel Calls – Last 10 Fiscal Years – Exhibit 7 67

Metric Revenue Tons and Container Counts – Last 10 Fiscal Years – Exhibit 8 68

Other Information:

Principal Customers – Exhibit 9 69

Employee Headcount by Division – Last 10 Fiscal Years – Exhibit 10 70

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statements of Net Position

Last Ten Fiscal Years

(In millions)

(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Assets and deferred outflows:										
Current	\$ 1,132	\$ 1,000	\$ 784	\$ 837	\$ 793	\$ 658	\$ 717	\$ 690	\$ 487	\$ 501
Other	3,824	3,764	3,807	5,254	5,089	5,039	4,853	4,665	4,550	4,474
Deferred outflows	28	38	46	16	9	14	21	42	42	22
Total assets and deferred outflows	<u>\$ 4,984</u>	<u>\$ 4,802</u>	<u>\$ 4,637</u>	<u>\$ 6,107</u>	<u>\$ 5,891</u>	<u>\$ 5,711</u>	<u>\$ 5,591</u>	<u>\$ 5,397</u>	<u>\$ 5,079</u>	<u>\$ 4,997</u>
Liabilities and deferred inflows:										
Current	\$ 182	\$ 195	\$ 116	\$ 238	\$ 131	\$ 125	\$ 315	\$ 101	\$ 111	\$ 100
Current – restricted	-	-	53	100	520	55	58	65	61	60
Long term	1,195	1,243	1,289	1,256	868	1,263	1,115	1,292	1,115	1,215
Deferred inflows	7	7	9	54	9	13	22	13	12	15
Total liabilities and deferred inflows	<u>\$ 1,384</u>	<u>\$ 1,445</u>	<u>\$ 1,467</u>	<u>\$ 1,648</u>	<u>\$ 1,528</u>	<u>\$ 1,456</u>	<u>\$ 1,510</u>	<u>\$ 1,471</u>	<u>\$ 1,299</u>	<u>\$ 1,390</u>
Net position:										
Net investment in capital assets	\$ 2,650	\$ 2,539	\$ 2,531	\$ 3,769	\$ 3,791	\$ 3,745	\$ 3,643	\$ 3,492	\$ 3,442	\$ 3,077
Restricted	37	37	52	52	52	47	56	51	90	265
Unrestricted	912	781	587	638	520	463	382	383	248	267
Total net position	<u>\$ 3,599</u>	<u>\$ 3,357</u>	<u>\$ 3,170</u>	<u>\$ 4,459</u>	<u>\$ 4,363</u>	<u>\$ 4,255</u>	<u>\$ 4,081</u>	<u>\$ 3,926</u>	<u>\$ 3,780</u>	<u>\$ 3,609</u>
Working capital	\$ 950	\$ 805	\$ 668	\$ 599	\$ 662	\$ 533	\$ 402	\$ 589	\$ 376	\$ 401
Current ratio	6.2	5.1	4.6	2.5	1.2	3.7	1.9	4.2	2.8	3.1
Debt to asset ratio	35.9%	38.0%	38.1%	31.3%	30.0%	28.8%	31.0%	31.3%	28.3%	30.9%

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)

	2024*	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating revenue	\$ 574	\$ 515	\$ 480	\$ 435	\$ 399	\$ 412	\$ 402	\$ 381	\$ 362	\$ 355
Operating expense	381	360	347	308	292	279	287	291	292	271
Income from operations	193	155	133	127	107	133	115	90	70	84
Noncapital subsidies	(22)	-	-	-	-	-	-	-	-	-
Investment earnings/(loss), net	54	(7)	(48)	(25)	(17)	(9)	(10)	-	(15)	39
Other income/(expense), net	5	44	51	3	(6)	3	2	2	5	4
Transfers to City Tidelands Fund/Other Operating Funds	-	(43)	(26)	(21)	(21)	(21)	(20)	(19)	(19)	(18)
Capital grants	15	89	87	12	45	68	68	73	132	121
Unusual or infrequent items	(2)	(51)	(1,486)	-	-	-	-	-	-	-
Change in net position	\$ 243	\$ 187	\$ (1,289)	\$ 96	\$ 108	\$ 174	\$ 155	\$ 146	\$ 173	\$ 230
Return on investment	9.2 %	7.4 %	(50.9)%	2.5 %	2.8 %	4.6 %	4.3 %	4.2 %	5.0 %	7.5 %
Capital expenditures (Includes personnel costs)	\$ 223	\$ 199	\$ 335	\$ 203	\$ 265	\$ 488	\$ 236	\$ 252	\$ 367	\$ 363
Personnel:										
Wages and benefits from operations	\$ 98	\$ 101	\$ 83	\$ 53	\$ 76	\$ 66	\$ 63	\$ 60	\$ 62	\$ 55

* The financial data for FY 2024 is presented according to the requirements of GASB 103. Prior year data remains unchanged.

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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Berth and special facilities:										
Wharfage	\$ 481	\$ 424	\$ 392	\$ 367	\$ 355	\$ 367	\$ 359	\$ 342	\$ 323	\$ 312
Dockage	13	13	18	18	6	6	7	7	8	11
Bunkers	1	1	1	1	1	1	1	1	1	1
Special facilities rentals	26	30	28	21	18	19	16	13	16	16
Crane rentals	-	-	-	-	-	-	-	-	-	2
Other	-	-	-	1	1	1	1	1	1	1
Total berths and special facilities	521	468	439	408	381	394	384	364	349	343
Rental properties	42	44	37	23	15	15	14	14	10	10
Miscellaneous	11	3	4	4	3	3	4	3	3	2
Total operating revenue	\$ 574	\$ 515	\$ 480	\$ 435	\$ 399	\$ 412	\$ 402	\$ 381	\$ 362	\$ 355
Growth (reduction)%	-	-	-	-	-	-	6	6	2	(1)
Special facility revenue by terminal commodity:										
Containers	\$ 425	\$ 375	\$ 349	\$ 325	\$ 302	\$ 311	\$ 311	\$ 291	\$ 275	\$ 270
Liquid bulk	24	24	23	22	19	23	17	18	17	17
Dry bulk	45	43	41	37	37	37	37	35	29	29
Vehicles	20	20	19	18	18	17	14	15	15	14
Steel	5	5	6	5	4	5	4	4	8	8
Lumber	2	1	1	1	1	1	1	1	1	1
Miscellaneous	-	-	-	-	-	-	-	-	3	3
Total special facility revenue	\$ 521	\$ 468	\$ 439	\$ 408	\$ 381	\$ 394	\$ 384	\$ 364	\$ 348	\$ 342

Source: Finance Division, Harbor Department

See accompanying independent auditors' report.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Ratios of Outstanding Debt by Type

Last 10 fiscal years

(In millions, except per capita)

(Unaudited)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenue Bonds	\$ 514	\$ 556	\$ 593	\$ 629	\$ 653	\$ 736	\$ 621	\$ 668	\$ 543	\$ 588
Notes	-	-	-	-	472	327	327	325	325	325
Line of Credits	-	-	-	50	-	-	-	-	25	120
Loan	494	497	499	495	-	-	-	-	-	-
Subscription Liability	2	2	-	-	-	-	-	-	-	-
Total Outstanding Debt	<u>\$ 1,010</u>	<u>\$ 1,055</u>	<u>\$ 1,092</u>	<u>\$ 1,174</u>	<u>\$ 1,125</u>	<u>\$ 1,063</u>	<u>\$ 948</u>	<u>\$ 993</u>	<u>\$ 893</u>	<u>\$ 1,033</u>
Personal Income ¹	22,739	21,801	21,038	20,460	19,467	18,892	18,209	17,490	16,939	16,242
Percentage of Personal Income	4.4 %	4.8 %	5.2 %	5.7 %	5.8 %	5.6 %	5.2 %	5.7 %	5.3 %	6.4 %
Estimated Population ²	458,813	458,222	460,682	466,742	462,628	467,354	469,450	470,130	474,140	473,577
Per Capita	2,201.33	2,302.38	2,370.40	2,515.31	2,431.76	2,274.51	2,019.38	2,112.18	1,883.41	2,181.27

Notes to schedule:

¹ The data is from Bureau of Economic Analysis (BEA). Personal income is based on percentage change of per capita personal income for Los Angeles-Long Beach-Anaheim, CA (Metropolitan Statistical Area). The BEA's report does not have personal income available for 2024, so an average of the last five years was used.

² The data is from United States Census Bureau except that the population for 2022 through 2024 was estimated based on the previous year.

Source: Finance Division, Harbor Department

See accompanying independent auditors' report.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Revenue Bonds and Loan Debt Service Coverage

Last Ten Fiscal Years

(In millions)

(Unaudited)

Fiscal Year	Revenues (a)	Maintenance Costs (b)	Net Revenues (a-b)	Debt Service (c)	Times Debt Service Covered
2024	\$ 628	\$ 219	\$ 409	\$ 78	5.24
2023	533	200	333	75	4.44
2022	457	166	291	74	3.93
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

- (a) Total port operating revenue and interest income only.
- (b) Port operating expenses before depreciation and amortization.
- (c) Bonds and TIFIA loan only, not including line of credit.

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	
2024	154,700	-	154,700	37,757	1,739	39,496	194,196
2023	132,783	-	132,783	37,874	1,633	39,507	172,290
2022	161,332	-	161,332	39,677	1,756	41,433	202,765
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

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)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Total</u>	<u>Average Annual Growth</u>
Containerized:												
In	118,496	95,042	124,785	124,547	100,669	103,173	108,091	98,941	93,614	95,798	1,063,156	4.23 %
Out	28,160	28,287	30,384	31,110	30,247	29,204	30,823	28,174	29,400	29,307	295,096	0.63 %
Other break bulk:												
In	1,133	1,087	1,272	1,107	964	1,116	1,243	1,127	1,008	1,039	11,096	3.57 %
Out	59	55	67	61	60	115	129	61	99	101	807	3.42 %
Liquid bulk:												
In	33,506	35,010	34,022	30,325	26,950	29,310	29,819	30,130	27,971	27,479	304,522	3.35 %
Out	3,516	3,499	2,717	2,703	3,074	2,300	2,351	2,497	3,203	3,521	29,381	(2.43)%
Dry bulk:												
In	1,565	1,644	1,254	894	550	471	445	238	344	209	7,614	35.17 %
Out	7,761	7,666	8,265	7,371	6,060	7,268	7,692	6,933	5,684	6,820	71,520	3.98 %
Total:												
In	154,700	132,783	161,333	156,873	129,133	134,070	139,598	130,436	122,937	124,525	1,098,905	4.08 %
Out	39,496	39,507	41,433	41,245	39,441	38,887	40,995	37,665	38,386	39,749	396,804	0.69 %
Vessel calls*	2,378	2,400	2,698	2,561	2,237	2,095	2,278	2,149	2,227	2,676	23,699	
Annual growth/(decline)	(0.92)%	(11.05)%	5.35 %	14.48 %	6.78 %	(8.03)%	6.00 %	(3.50)%	(16.78)%	(2.76)%		
TEU's	9,113	7,614	9,632	9,501	7,661	7,747	8,001	7,231	6,946	7,088	80,534	
TEU annual growth/(decline)	19.69 %	(20.95)%	1.38 %	24.02 %	(1.11)%	(3.17)%	10.65 %	4.10 %	(2.00)%	3.96 %		

* 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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Municipal berths ¹ :										
Foreign	119,758	96,404	126,312	125,923	101,566	104,012	108,811	99,468	93,928	98,464
Coastwise/intercoastal	34,942	36,379	35,020	30,950	27,567	30,058	30,787	30,977	29,009	26,061
Total inbound cargo	154,700	132,783	161,332	156,873	129,133	134,070	139,598	130,445	122,937	124,525
Outbound cargo:										
Foreign	27,803	31,675	34,839	34,871	34,061	34,418	36,218	32,923	32,737	33,592
Coastwise/intercoastal	9,954	6,199	4,839	4,466	3,751	3,618	3,516	3,258	3,996	4,843
Bunkers	1,739	1,633	1,756	1,908	1,630	851	1,261	1,474	1,653	1,313
Total outbound cargo	39,496	39,507	41,434	41,245	39,442	38,887	40,995	37,655	38,386	39,748
Total municipal cargo	194,195	172,290	202,766	198,118	168,575	172,957	180,593	168,100	161,323	164,273
Private berths ¹ :										
Inbound	-	-	-	-	-	-	-	-	-	-
Outbound	-	-	-	-	-	-	-	-	-	-
Total private cargo	-	-	-	-	-	-	-	-	-	-
Grand total	194,195	172,290	202,766	198,118	168,575	172,957	180,593	168,100	161,323	164,273
Container count summary (000's) ²										
Loaded inbound TEUs	4,448	3,547	4,670	4,667	3,761	3,862	4,044	3,698	3,514	3,596
Loaded outbound TEUs	1,177	1,341	1,400	1,456	1,492	1,441	1,564	1,451	1,538	1,528
Total loaded	5,625	4,888	6,070	6,123	5,253	5,303	5,608	5,149	5,052	5,124
Full containers annual growth (decline)	15.1 %	(19.5)%	(0.9)%	16.6 %	(0.9)%	(5.4)%	8.9 %	1.9 %	(1.4)%	(1.2)%
Total empty	3,488	2,726	3,562	3,378	2,408	2,444	2,393	2,081	1,894	1,964
Empty containers annual growth (decline)	28.0 %	(23.5)%	5.4 %	40.3 %	(1.5)%	2.1 %	15.0 %	9.9 %	(3.6)%	20.4 %
Total TEUs	9,113	7,614	9,632	9,501	7,661	7,747	8,001	7,230	6,946	7,088
Annual growth	19.7 %	(21.0)%	1.4 %	24.0 %	(1.1)%	(3.2)%	10.7 %	4.1 %	(2.0)%	4.0 %

Notes to schedule:

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
ABL Space Systems Company	11/2021	11/2026
Carson Cogeneration LLC – Tesoro Refining & Marketing Company LLC	06/1983	Month-to-Month
Crescent Terminals	07/2000	06/2027
International Transportation Service, LLC	09/2006	08/2026
Jacobsen Pilot Service, Inc.	08/2017	07/2032
Koch Carbon, Inc.	01/1988	12/2027
Long Beach Container Terminal, LLC	07/2011	06/2051
Metropolitan Stevedore Company	09/2014	09/2034
Olympus Terminals LLC	07/2010	06/2025
Oxbow Carbon & Minerals, LLC	09/2014	09/2029
Pacific Crane Maintenance Company, LLC	07/2022	12/2025
Pacific Maritime Services, L.L.C. – Pacific Container Terminal	05/2002	04/2042
SA Recycling, LLC	11/1994	11/2024
Space Exploration Technologies	05/2021	04/2028
SSA Terminals (Pier A), LLC	12/2002	10/2027
SSA Terminals, LLC – SSA Terminal C60/Matson Navigation	05/2002	Month-to-Month
Tesoro Refining & Marketing Company LLC	01/2015	12/2035
Tesoro Refining & Marketing Company LLC – Tesoro Logistics Operations LLC	01/2012	01/2032
Total Terminals International, LLC	08/2002	08/2027
Toyota Motor North America, Inc.	01/2009	12/2040

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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Executive Administration	17.0	17.0	18.0	16.0	18.0	18.0	15.0	14.0	18.0	17.0
Business Development	13.0	11.0	12.0	11.0	12.0	11.0	12.0	13.0	13.0	11.0
Central Procurement Services	9.0									
Communications	19.0	19.0	19.0	17.0	19.0	18.0	16.0	14.0	14.0	16.0
Construction Management	50.0	47.0	50.0	50.0	48.0	47.0	48.0	45.0	47.0	46.0
Design	43.0	42.0	46.0	49.0	46.0	46.0	46.0	51.0	49.0	48.0
Engineering	—	—	—	—	—	—	—	—	—	—
Environmental Planning	27.0	22.0	23.0	22.0	23.0	21.0	24.0	21.0	24.0	23.0
Finance	29.0	29.0	29.0	26.0	28.0	23.0	22.0	25.0	25.0	25.0
Government Relations/Affairs	6.0	5.0	5.0	4.0	4.0	3.0	3.0	4.0	3.0	4.0
Human Resources	24.0	16.0	16.0	17.0	19.0	20.0	18.0	16.0	18.0	18.0
Information Management	24.0	25.0	25.0	25.0	27.0	24.0	20.0	22.0	22.0	22.0
Maintenance	92.0	82.0	84.0	81.0	81.0	78.0	82.0	90.0	92.0	84.0
Port Planning (Master Planning & Transportation Planning)	15.0	10.0	10.0	11.0	12.0	14.0	12.0	14.0	11.0	12.0
Program Delivery	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0
Program Management	25.0	24.0	25.0	26.0	25.0	23.0	22.0	27.0	28.0	25.0
Project Controls	16.0	15.0	16.0	16.0	16.0	15.0	12.0	11.0	11.0	8.0
Real Estate	11.0	8.0	10.0	10.0	9.0	7.0	8.0	9.0	9.0	8.0
Risk Management	—	10.0	9.0	12.0	11.0	11.0	11.0	9.0	10.0	10.0
Security	92.0	91.0	98.0	84.0	85.0	78.0	84.0	81.0	74.0	79.0
Survey	21.0	17.0	20.0	22.0	21.0	20.0	21.0	22.0	22.0	23.0
Tenant Services/Trade Relations	14.0	13.0	11.0	11.0	13.0	13.0	13.0	12.0	9.0	9.0
Full-time/permanent subtotal	550.0	506.0	529.0	513.0	520.0	493.0	492.0	503.0	502.0	490.0
Growth/decline	8.7 %	(4.3)%	3.1 %	(1.3)%	5.5 %	0.2 %	(2.2)%	0.2 %	2.4 %	9.7 %
Part-time/temporary subtotal	33.0	22.0	11.0	15.0	19.0	13.7	19.0	31.0	29.0	34.0
Growth/decline	50.0 %	100.0 %	(26.7)%	(21.1)%	38.7 %	(27.9)%	(38.7)%	6.9 %	(14.7)%	33.3 %
Total number of employees	583.0	528.0	540.0	528.0	539.0	506.7	511.0	534.0	531.0	524.0
Growth/decline	10.4 %	(2.2)%	2.3 %	(2.0)%	6.4 %	(0.8)%	(4.3)%	0.6 %	1.3 %	11.0 %

Notes to schedule:

FY 2015 – FY 2023 presented the count at year-end (personnel inventory report)

FY 2006 – FY 2014 presented the count average of the year

Board of Harbor Commissioners are not included

Source: Human Resources, Harbor Department

See accompanying independent auditors' report.



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