

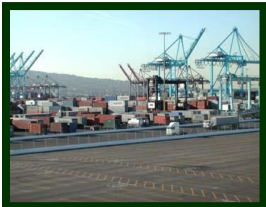


**ESPO Financing & Investment Conference**  
**Molly Campbell, Deputy Director, Port of Los Angeles**  
**May 10, 2012**

# Forward Looking Statements Disclaimer

---

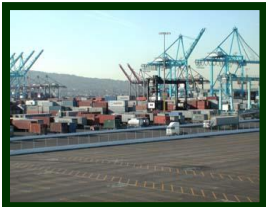
*Estimates and opinions are included and should not be interpreted as statements of fact. Certain statements included or incorporated by reference in the following information constitute forward looking statements. Such statements are generally identifiable by the terminology used such as “forecast”, “estimate”, “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Department’s forecasts in any way, regardless of the level of optimism communicated in the information.*



# Outline

---

- Overview
- POLA's Economic Impact and Market Position
- Cargo Volumes
- Financial Update & Forecast
- Capital Improvement Program
- Funding Sources
- Conclusion



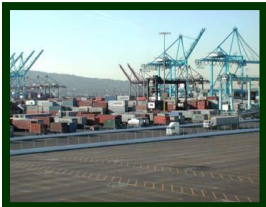
# San Pedro Bay Today



# Port of LA Overview

---

- Founded in 1907
- Non-Taxpayer Supported
- Landlord Business Model
- 7,500 Acres Land and Water
- 43 Miles of Waterfront
- 270 Berths and 27 Terminals
  - Automobile (1)
  - Breakbulk (3)
  - Container (8)
  - Dry Bulk (2)
  - Liquid Bulk (7)
  - Passenger (2)
  - Warehouse (4)



# **POLA's Economic Impact and Market Position**



# POLA Generates Substantial Economic Impact to the Region, State and Country

## ■ Economic Powerhouse

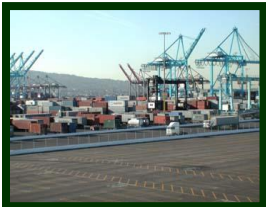
- \$89.2 billion in California trade value and \$223 billion in U.S. trade value
- \$5.1 billion in state tax revenue and \$21.5 billion in federal tax revenue
- Approximately 70% of the regional direct, indirect and induced benefits connected to the Port occurs within Los Angeles County
- Port users generate approximately \$12.1 billion and stimulate an additional \$5.5 billion in local industry indirect sales
- Port customers contribute about \$760 million to the local economy

## ■ Port Industries: businesses involved in the moving and handling of maritime cargo (i.e. rail, truck, distribution services, etc.)

- For every dollar spent another 97 cents is generated in indirect and induced sales in the region
- Accounts for approximately 16,360 direct port industry jobs
  - 85% are trucking and warehousing

## ■ Creating Jobs

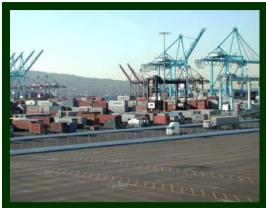
- 1.1 million jobs in California
- 3.3 million jobs in the United States



# POLA's Favorable Market Position

---

- Largest container port in the U.S. in terms of volume
  - Excellent additional capacity (Total capacity of 16 million TEU)
  - 1,685 acres of state-of-the-art mega container facilities with expansion opportunities
- Diverse Port operations
- Large, vibrant container market encompassing Southern California – 45% to 50% of all TEUs destined for the five county area
- Deep water Port capable of handling the next generation of larger vessels
- Advanced environmental standards

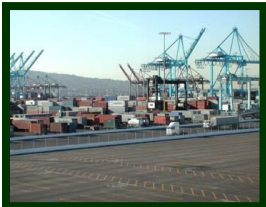




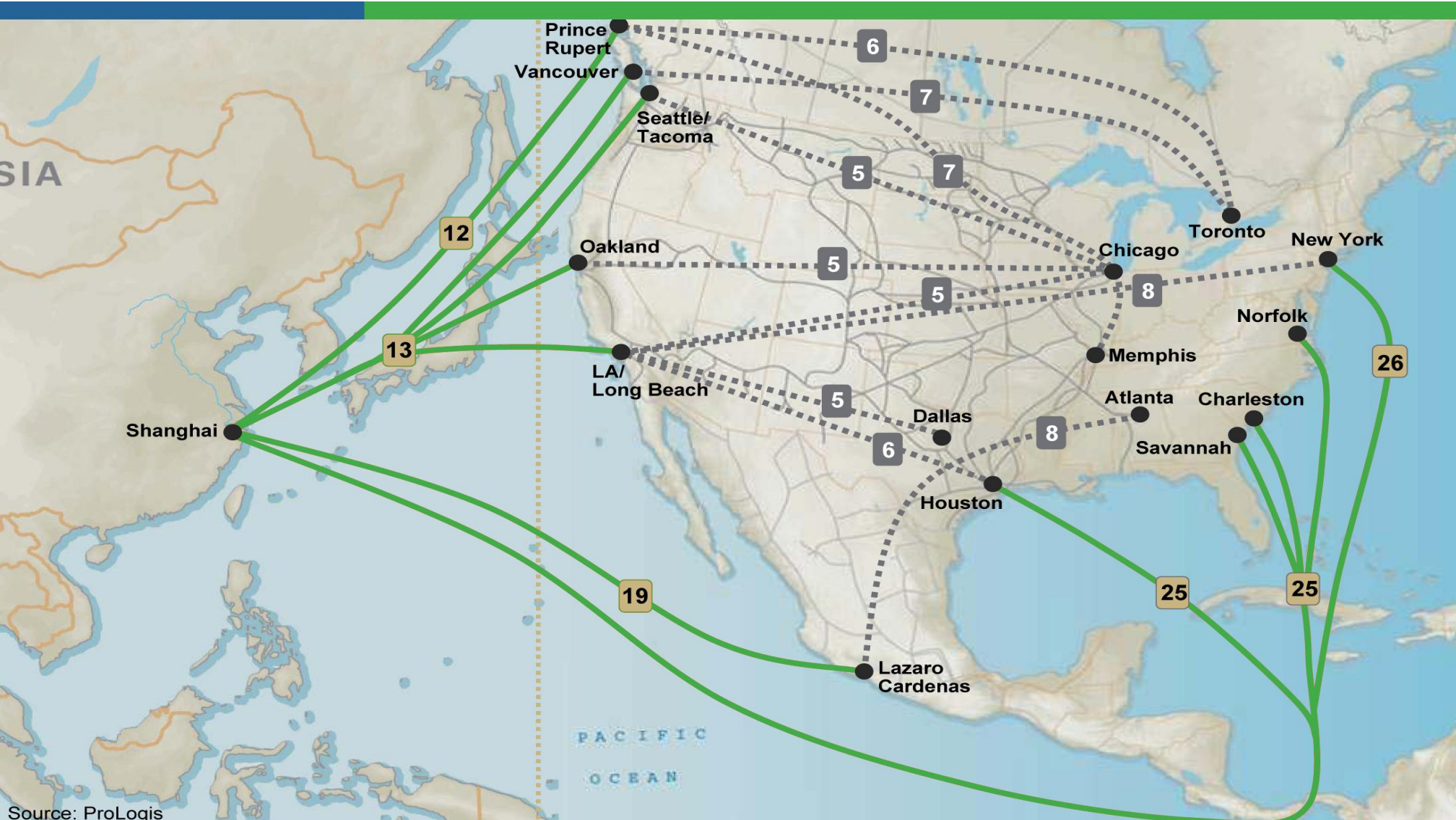
# POLA's Favorable Market Position

---

- Superior intermodal connections to and from inland markets
  - Alameda Corridor provides swift movement of trains into and out of the Port
  - Extensive on-dock rail facilities with growth opportunities
  - Intermodal Container Transfer Facility (ICTF) – Near-dock rail
  - About 1.5 billion square feet of distribution space in Southern California
  - Creates time to market advantage
- Competitive facility pricing
- Right sized, highly trained workforce
- Very strong financial position enhanced by long-term lease agreements
- Close proximity to Asia market
  - Major trading partners are concentrated along the Pacific Rim: China, Japan, Taiwan, South Korea and Thailand.



# Competitive Service Times

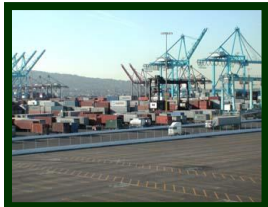


# Port of Los Angeles Service Advantage

- 24 Weekly Sailings to Asia
- 100 Intermodal Trains a Day Serving Over 13 Major Markets in the U.S.
- 8 Container Terminals with 75 Cranes on 1600 Acres
- Nearly 18,000 Longshore Labor Force
- 53 Feet Depth of Water
- 50 Container Ship Berths
- 113 Miles of Rail Track
- 43% of the Nation's Containerized Imports arrive via the San Pedro Bay Port Complex



# Top Customers Have Long Term Leases

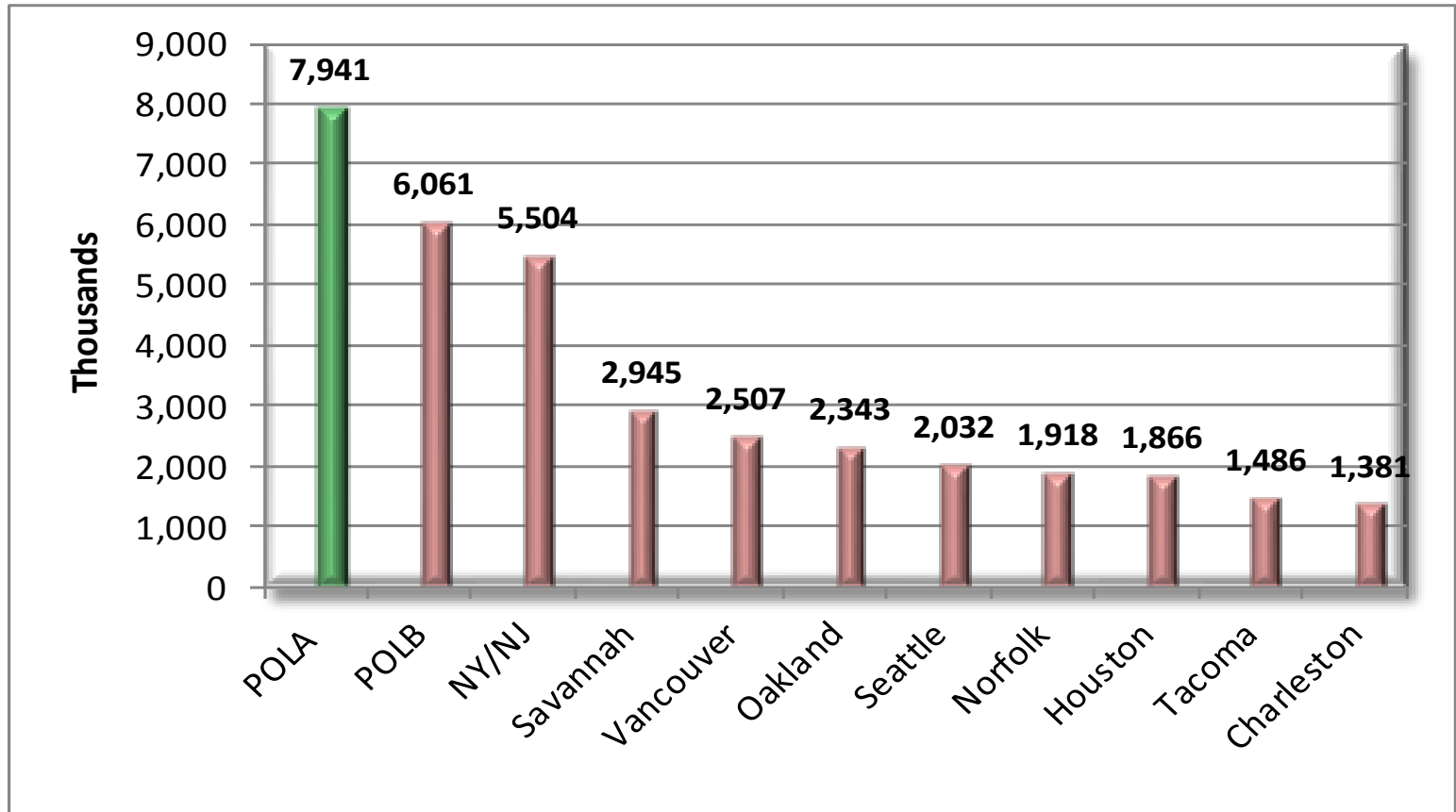


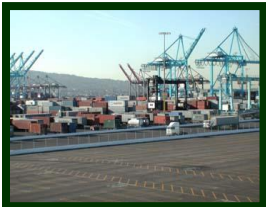
Tenant	Contract Expiration Year	Acres
APM Terminals	2027	512
Eagle Marine	2026	292
Evergreen	2028	219
Yusen	2016	186
Trapac	2039	161
Yang Ming	2021	187
China Shipping	2030	72

In FY2010 and FY2011, shipping revenues generated 80% and 85% of total operating revenues respectively

# POLA Continues To Lead North American Container Ports

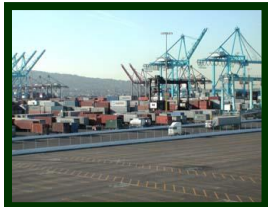
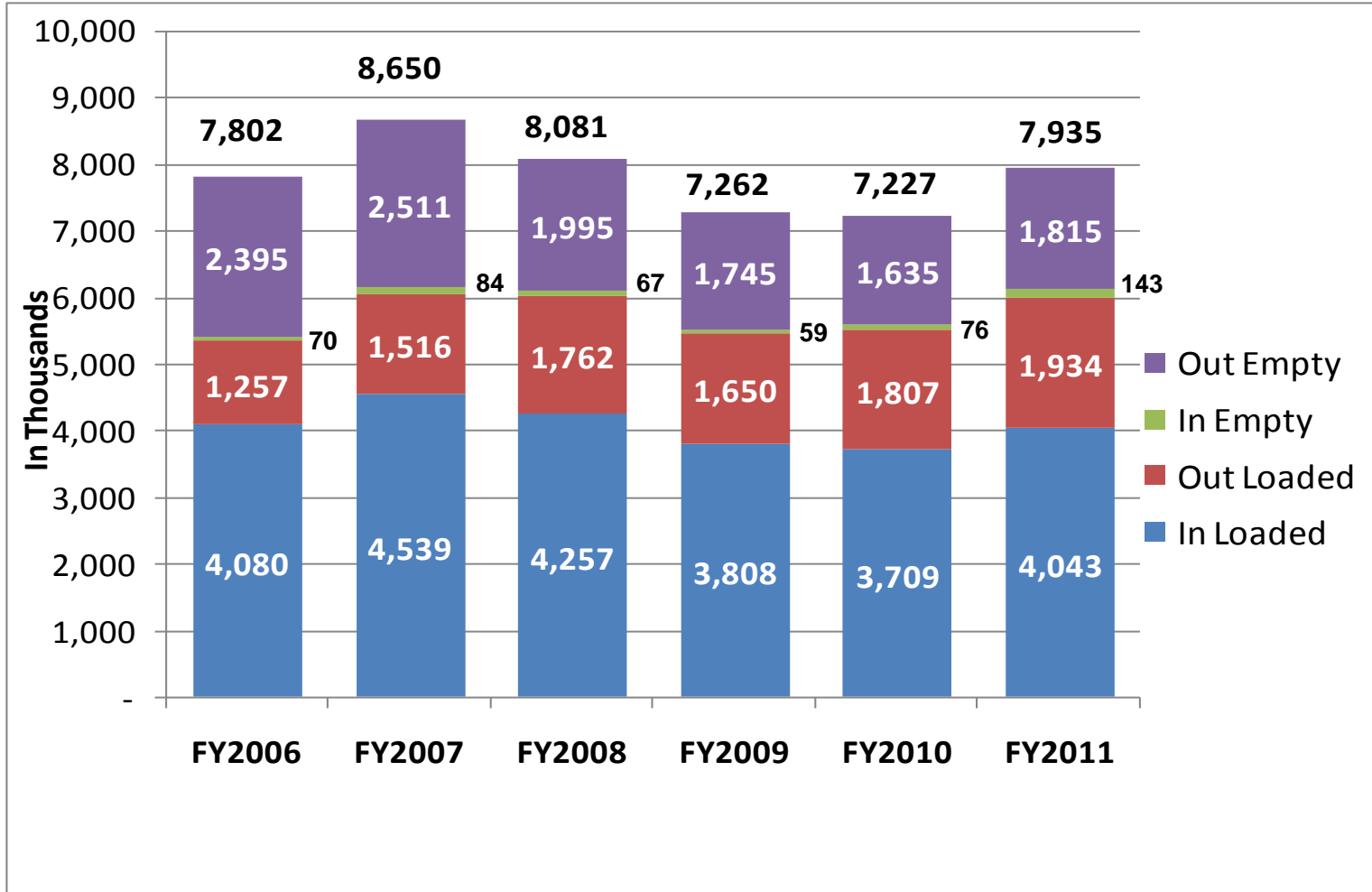
**CY 2011**  
in TEUs (Twenty-foot equivalent units)



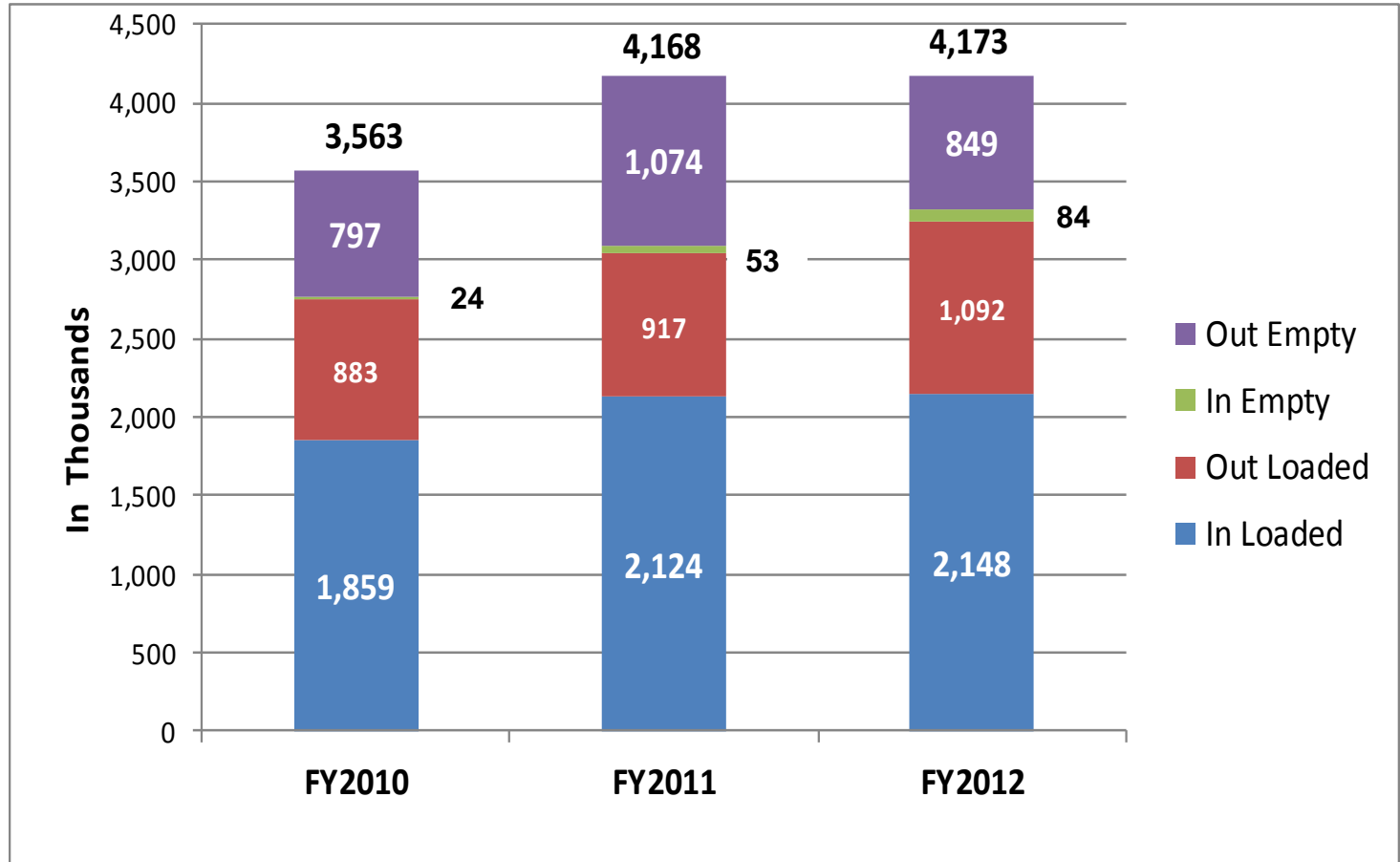
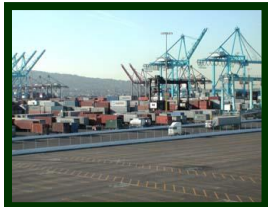


# Cargo Volumes

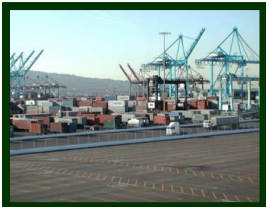
# Container Volumes Rebounded in FY2011



# Container Volumes: Through the Second Quarter of Fiscal Year 2012





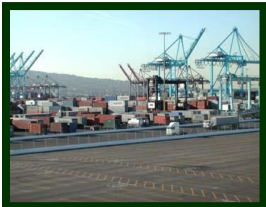


# Financial Performance

# Conservative Financial Policies

---

- Annual review by the Board of Financial Policies and the City Council
- Current financial policies include:
  - Minimum \$235 million of general revenue reserves
  - Minimum debt service coverage of 2.0X versus indenture requirement of 1.25X
- Variable rate exposure limited to short term commercial paper or revolving credit draws
- Strong days cash on hand
- History of responsible expense control



# Historically Strong Debt Service Coverage

<b>Historical Revenues, Expenses and Debt Service Coverage</b>					
<b>Fiscal Years 2008-2011</b>					
<b>(in thousands)</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	
<b>Operating &amp; Other Revenues</b>	\$465,648	\$424,028	\$ 424,306	\$406,606	
<b>Operating Expenses</b>	\$221,752	\$254,143	\$ 210,235	\$209,695	
<b>Available Revenues</b>	\$243,896	\$169,885	\$ 214,071	\$196,911	
<b>Debt Service</b>	\$61,318	\$61,298	\$ 66,851	\$ 74,922	
<b>Debt Service Coverage</b>	3.98	2.77	3.20	2.63	

- Operating and Other Revenues include total operating and non-operating revenues according to the Additional Indebtedness Test for DSC calculation.
- Operating Expenses includes payroll, fringe benefits, payments for City services and certain other costs of the Department.
- Available Revenues are Operating & Non-Operating Revenues after payment of Operating Expenses and Other Payments due to the City.
- Debt Service includes annual principal and interest payments on issued Bonds, but not on commercial paper notes. Debt service on Bonds which have been legally defeased is excluded.
- Debt Service coverage is Available Revenues divided by Debt Service.

# Generating Strong Days Cash on Hand

---

- FYE 2009 Days Cash on Hand

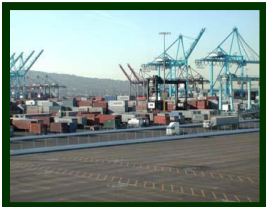
- Unrestricted Funds - 576 days

- FYE 2010 Days Cash on Hand

- Unrestricted funds - 769 days

- FYE 2011 Days Cash on Hand

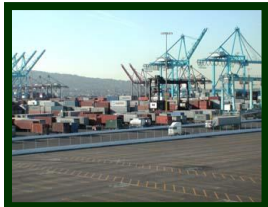
- Unrestricted funds - 768 days



# Liquidity & Investments

---

- Unrestricted monies on deposit are held and invested by the Treasurer of the City of Los Angeles in the general pooled investment fund
  - Funds readily available for use
- Gains and losses on the Pool's investments are allocated on a pro-rata basis
- Debt service reserve funds of \$65.3 million are invested separately in treasuries and government backed money market fund with Trustee



# Five-Year Forecast of Operating Revenues & Operating Expenses

Fiscal Year	2011	2012	2012	2013	2014	2015	2016
	Audited	Budget	Estimate	Forecast	Forecast	Forecast	Forecast
Shipping Services	\$343,498	\$348,122	\$335,419	\$338,437	\$344,529	\$350,731	\$357,044
Rentals	45,428	49,533	43,611	44,265	45,150	46,053	46,974
Royalties and Fees	2,333	2,693	2,392	2,428	2,477	2,526	2,577
Clean Truck Fees	6,376	2,040	2,994	1,211	1,211	1,211	1,211
Other Operating	2,868	2,984	2,601	2,640	2,692	2,746	2801
<b>Total Operating Revenues</b>	<b>\$400,503</b>	<b>\$405,372</b>	<b>\$387,017</b>	<b>\$388,981</b>	<b>\$396,060</b>	<b>\$403,268</b>	<b>\$410,607</b>

## OPERATING EXPENSES

Salaries and Benefits	\$103,693	\$110,631	\$110,631	\$113,950	\$117,368	\$120,889	\$124,516
Marketing and Travel	3,898	4,828	4,828	4,828	4,828	4,828	4,828
Outside Services	30,601	36,598	36,598	36,598	36,598	36,598	36,598
Materials and Supplies	6,556	7,311	7,311	7,311	7,311	7,311	7,311
City Services	22,353	40,325	40,325	41,535	42,781	44,064	45,386
Allocations to Capital		(6,210)	(6,210)	(6,210)	(6,210)	(6,210)	(6,210)
Other Operating Expenses	42,593	32,136	32,136	26,162	31,439	26,626	26,640
<b>Total Operating Expenses</b>	<b>\$209,695</b>	<b>\$225,619</b>	<b>\$225,619</b>	<b>\$224,174</b>	<b>\$234,115</b>	<b>\$234,107</b>	<b>\$239,069</b>

•Other Operating Expenses include Clean Truck Program Expenses, Utilities, Insurance Premiums, Telecommunication Expenses, Equipment Rentals , etc..

•Forecasts based on estimated TEUs of 7.6M in FY12, and 7.7M, 7.9M, 8.2M, and 8.5M thereafter

•Future Forecasts and the Estimate for FY 2012 are subject to change

# Strong Forecasted Debt Service Coverage



Fiscal Year

(in thousands)

	Estimate	Forecast			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Revenues	\$387,017	\$388,981	\$396,060	\$403,268	\$410,607
Operating Expenses	\$225,618	\$224,174	\$234,115	\$234,107	\$239,069
Net Operating Income	\$161,399	\$164,808	\$161,945	\$169,161	\$171,538
Debt Service	\$71,374	\$72,705	\$72,674	\$72,425	\$72,688
Debt Service Coverage (x)	2.26	2.27	2.23	2.34	2.36

- Forecast debt service coverage remains well above internal target

\* Unaudited Actual Revenues for FY2011 include interest and investment income.

- Indenture requires DSC minimum of 1.25X
- DSC based on Rate Covenant formula

# Capital Improvement Program





# CIP Spending

	FY 2012 Adopted	FY 2011 Spending
<b>Terminals/Commerce</b>	\$69.2 M	\$93 M
<b>Transportation Projects</b>	44.2 M	35 M
<b>Security</b>	23.8 M	18 M
<b>Community</b>	46.1 M	81 M
<b>Maritime Services</b>	<u>464 M</u>	<u>6 M</u>
<b>Total:</b>	\$229.7M	\$233M

- Spending on China Shipping and TraPac terminals were at \$26M, \$35M, and the Cabrillo Way Marina \$44M in FY2011

# Projected 5-Year CIP (in Millions)

Currently Under Review

Project Title	Actual 2011	Budget 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	5-Year Total
 <b>Terminals – China Shipping, TRAPAC, Cruise Center</b>	\$93.0	\$39.6	\$139.7	\$165.5	\$141.5	TBD	<b>\$655.2</b>
 <b>Transportation Channel Deepening, Other Transp. Projects</b>	\$35.0	\$73.8	\$123.7	\$107.2	\$27.2	TBD	<b>\$366.9</b>
 <b>Security – POLA Headquarter</b>	\$18.0	\$23.8	\$5.8	\$1.3	-	TBD	<b>\$48.9</b>
 <b>Community – Cabrillo Way Marina, Waterfront, Environmental Enhancement</b>	\$81.0	\$46.1	\$43.9	\$43.9	\$63.2	TBD	<b>\$278.1</b>
 <b>Maritime Services – HAB, Wharf Redevelopment</b>	\$6.0	\$46.4	\$23.9	\$31.9	\$16.7	TBD	<b>\$124.9</b>
<b>CIP Total Cost</b>	<b>\$233.0</b>	<b>\$229.7</b>	<b>\$337.0</b>	<b>\$349.8</b>	<b>\$248.6</b>	<b>\$250.0</b>	<b>\$1,474.0</b>

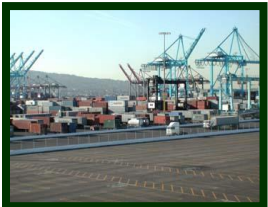


# Funding Sources

# Varied & Flexible Sources of External Funding

---

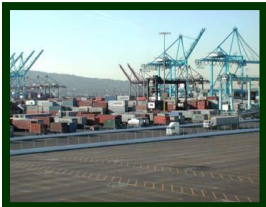
- Current outstanding long-term debt: \$840M
  - Cash funded debt service reserve funds
  - Comprised of traditional fixed rate AMT and non-AMT bonds
- Commercial Paper Program:
  - Commercial Paper facility of \$200 million with \$100 million currently outstanding
  - Standby purchase agreement with a two year term through July 2012 to support commercial paper



# POLA Continues to Dominate the Field

---

- Operationally – Largest container port in the Western Hemisphere in terms of cargo volumes
- FYTD through September 2011 volumes are lower than the same period in 2010 by 4%, but higher than the same period in 2009 by 19%
- A leader in the green port revolution, while generating healthy financial returns that provide strong bondholder safety
- Debt Service Coverage of 2.6x in FY2011 continues to be healthy
- Fund balances of 768 days of cash on hand in FY2011 remains strong
- Debt levels remain well managed with good availability of flexible funding options
- **“AA” rated by S&P and Fitch since 1995 - upgraded by Moody’s to Aa2 in 2003 and continues to maintain the characteristics of a stable “AA” credit**



# Contact Information

---

- Port of Los Angeles Website

- [www.portla.org](http://www.portla.org)

- TEU statistics:

- <http://www.portoflosangeles.org/maritime/stats.asp>

- Financial information:

- Audited statements:

- [http://www.portoflosangeles.org/finance/financial\\_statements.asp](http://www.portoflosangeles.org/finance/financial_statements.asp)

- Bond disclosures:

- [http://www.portoflosangeles.org/finance/bond\\_disclosure.asp](http://www.portoflosangeles.org/finance/bond_disclosure.asp)

- Molly Campbell: 310-732-3827

MCampbell@portla.org

