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

Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2015

Port of
LONG BEACH
The Green Port

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LONG BEACH
The Green Port

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Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2015
(With Independent Auditors' Report Thereon)

Jon Slangerup
Chief Executive

Steven B. Rubin
Managing Director
Chief Financial

Port of
LONG BEACH
The Green Port

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

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The Green Port

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Port of
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Letter of Transmittal

March 28, 2016

The Board of Harbor Commissioners
The Harbor Department of the City of Long Beach
Long Beach, California

Members of the Board of Harbor Commissioners:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California (the City), for the fiscal year ended September 30, 2015. The Department's operations are included in the City's reporting entity as an enterprise fund.

This report consists of management's representations concerning the finances of the Department. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. The costs of internal controls should not exceed their benefits; therefore, the comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management asserts that, to the best of its knowledge and belief, this financial report is complete and reliable in all material aspects.

The Department's basic financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the Department's financial statements for the fiscal year ended September 30, 2015 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, 2015 are fairly presented, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this CAFR.

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

The State of California has 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 (or the Port). The Board has authority, on behalf of the City, to provide for the needs of commerce, navigation, recreation, and fishery; to develop and maintain all waterfront properties; to dredge and reclaim land; and to construct and operate terminals, railroad tracks, and other facilities both inside and outside the Department's jurisdiction.

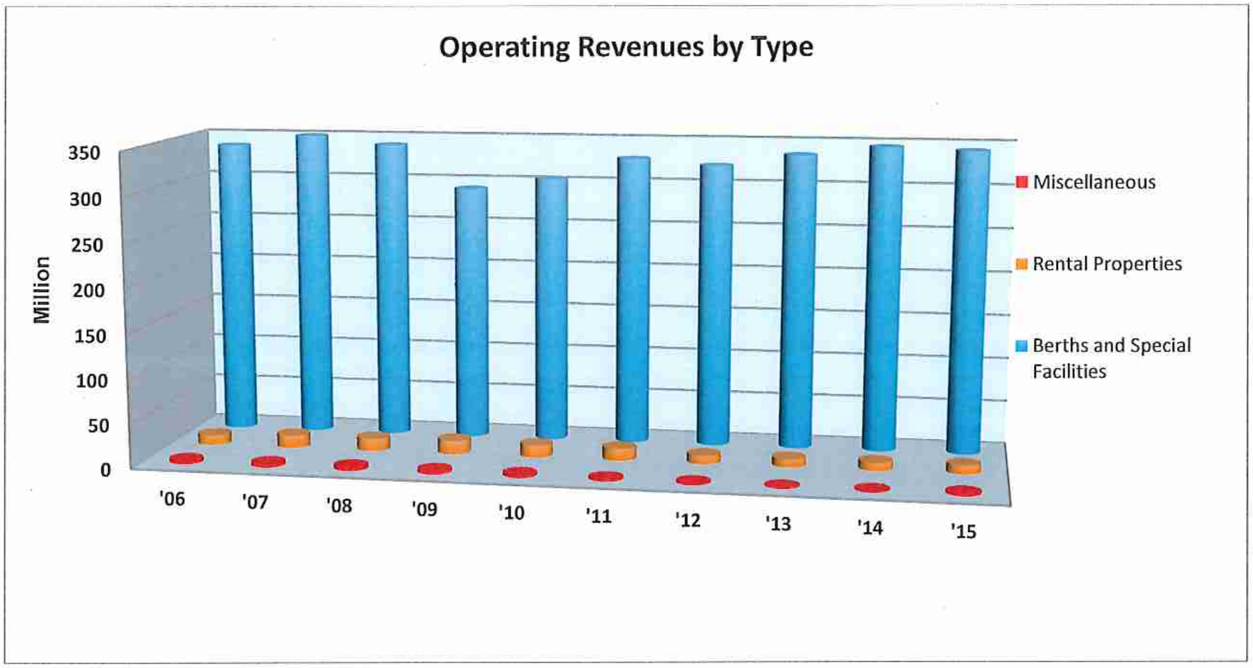
The City Charter provides for the establishment of the Harbor Revenue Fund to account for the administration of the Harbor District by the Department. The Department generates funds through leases, tariffs, and other assessments to its customers. It can disburse these funds only for activities attributable to the trust.

The Department 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 positions are recognized as soon as the cause of the change occurs, regardless of the timing of related cash flows; that is, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred. All the assets and liabilities associated with the Department's operations are included in the statement of net position. Net position is segregated into invested in capital assets, net of related debt, restricted, and unrestricted. The City, through some of its departments, provides police, fire protection, and other administrative services to the Department, which, in turn, reimburses the provider for the cost of the services received.

Summary of Operations

Operating Revenues

Total operating revenues for fiscal year 2015 were $355.4 million, a slight 0.4% decrease from last year. Container terminal revenue, which accounted for approximately 75.9% of total operating revenue for the year, was down 3.5% from fiscal 2014 due to the increase in empty container activity. Revenue at non-container terminals as an overall category increased 9.9%, with increases seen at dry bulk, vehicle, petroleum, steel and lumber terminals. These increases were partially offset by decreases in revenue from other terminals.



Cargo Volumes

In terms of cargo volumes, measured in metric revenue tons (MRTs), cargo handled by Port terminals decreased less than 1% to 164.3 million. Liquid bulk increased 4.4% to 31.0 million and lumber increased 12.7% to 0.24 million; on the other hand containerized cargo decreased 0.4% to 125.2 million, dry bulk decreased 9.7% to 7.0 million, steel decreased 70.8% to 0.6 million, and vehicles decreased 6.0% to 0.3 million. Containerized cargo measured in Twenty-Foot Equivalent units (TEUs) increased 4.0% to 7.1 million.

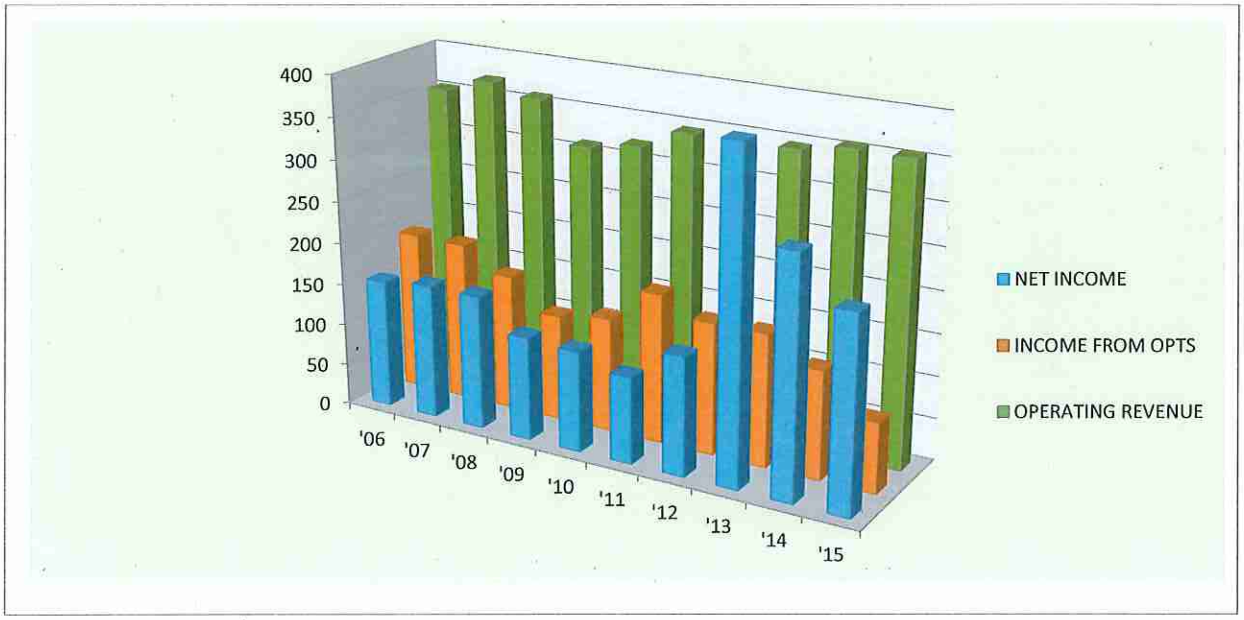
Cargo Highlights

	September 30		Percentage
	2015	2014	change
	(In thousands)		
Container revenue ($)	$ 269,886	$ 279,633	-3.5%
Total tonnage (MRTs)	164,274	165,526	-0.8%
Container tonnage (MRTs)	125,105	125,572	-0.4%
Containers (TEUs)	7,088	6,818	4.0%

Net Income

Net income for FY2015 was $230.7 million, or a decrease of 18.6% versus the prior year. The chart below depicts operating revenue, income from operations, and net income for the last 10 fiscal years.

Operating Revenue, Income from Operations, and Net Income



Operating Expense, and Other Income and Expense

Port operating expenses include facilities and infrastructure maintenance, fire and safety, indirect terminal operation, and general and administration expenses. These expenses increased by 23%, or $25.3 million, to $133.8 million. The primary reason for this increase is the higher expenses devoted to maintain infrastructure, higher disbursements for fire and safety, and higher general and administrative expenses. Depreciation expense changes are triggered by changes in the amount of completed capital projects, the acquisition/retirement of operating assets, and the number of years that operating assets have been in service. During fiscal year 2015, the depreciation expense category increased by 16.7% or $19.7 million, to $137.7 million. This change is supported by the increase in facilities and infrastructure completed and transferred from the Construction in Progress accounts to the Capital Assets accounts.

The Harbor Department's fiscal year 2015 total non-operating income was $40.7 million higher than the prior year, primarily due to the sale of 14 gantry cranes to a Port tenant. Excluding this one-time event, non-operating income would have been $4.7 million higher than the prior year resulting from the release of litigation contingency reserves.

Interest income earned by the Department's pooled-cash accounts and held by the City increased by 29% to $4.0 million, due mainly to higher earnings from the unrestricted cash balance.

The City Charter, as amended, provides for a transfer of 5% of the Department's operating revenue to the City's Tideland's Operating Fund. This transfer is classified as Transfer to the City of Long Beach. For fiscal year 2015, the Board approved a transfer in the amount of $17.8 million.

During fiscal year 2015, the Department was not required to make any payment towards the projected Shortfall Advance to the Alameda Corridor Transportation Authority (the ACTA), under the ACTA Use and Operating Agreement. The agreement was executed by the Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), the ACTA, and the Burlington Northern Santa Fe and Union Pacific Railroads. Any shortfall advance made by the Department and the Port of Los Angeles is reimbursable, with interest, by ACTA. The Department has funded, in prior years, a cash reserve to satisfy claims related to the shortfall advance potential obligation, but no longer believes a reserve is needed. The reserve was eliminated in fiscal year 2012.

The following table summarizes financial highlights:

Financial Highlights

	September 30			Percentage
	2015		2014	change
	(In thousands)			
Port operating revenue	$ 355,450		356,880	-0.4%
Operating expenses	133,771		108,455	23.3%
Depreciation	137,709		117,966	16.7%
Income from operations	83,970		130,459	-35.6%
Nonoperating revenue (expenses)	46,996	(1)	5,290	788.4%
Clean Air Action Plan	(3,488)		(2,474)	41.0%
Capital grants	121,008		178,295	-32.1%
Transfers to the City Tidelands Fund	(17,772)		(17,844)	-0.4%
Contributions to other entities (note 1-m)	—		(10,203)	-100.0%
Increase in net position	230,713		283,523	-18.6%

(1) Includes one-time net proceeds of $36 million from the sale of 14 gantry cranes.

Operating Revenue by Type

Annual Budget

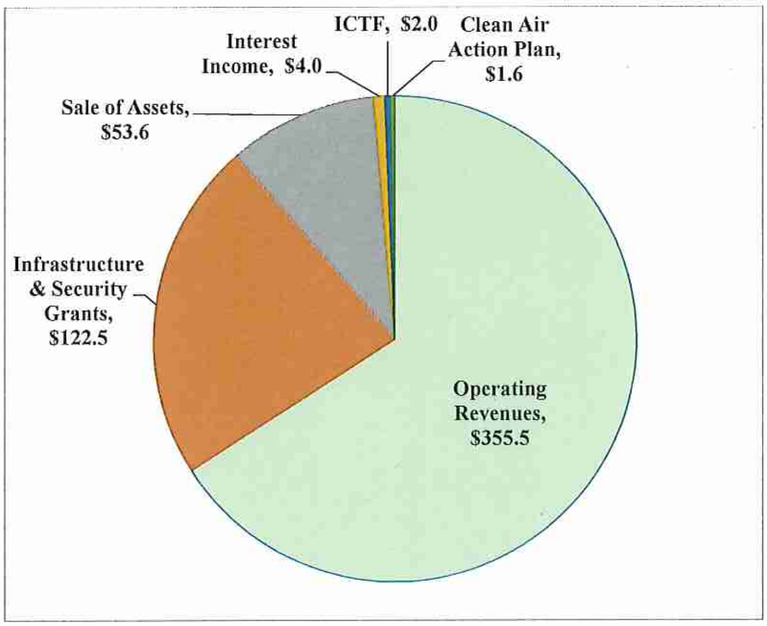
The budget constitutes an appropriation covering expected revenues and expenditures of the Department; Section 1210 of the City Charter requires the Board to adopt a budget not later than 60 days before the beginning of each fiscal year. The City Charter also provides that the City Council may approve or amend the Department's budget before the first day of the fiscal year.

Revenues Actual to Budget

Fiscal year 2015 saw actual revenues exceeding budget by 2.5%, which was primarily due to conservative growth assumptions used when preparing the fiscal year budget. Cargo volumes were flat (less than a 1% decrease) compared to the prior year, with a total of 164.3 million metric revenue tons moving through the Port. Capital grant revenues, a part of the non-operating income, were 42.4% of the $285.3 million budget. Interest earnings were higher than budget due to higher earnings on unrestricted cash balances.

Fiscal Year 2015 Budgetary Sources of Funds

(in millions)



The following table shows revenues budgetary performance for fiscal year 2015 (in thousand):

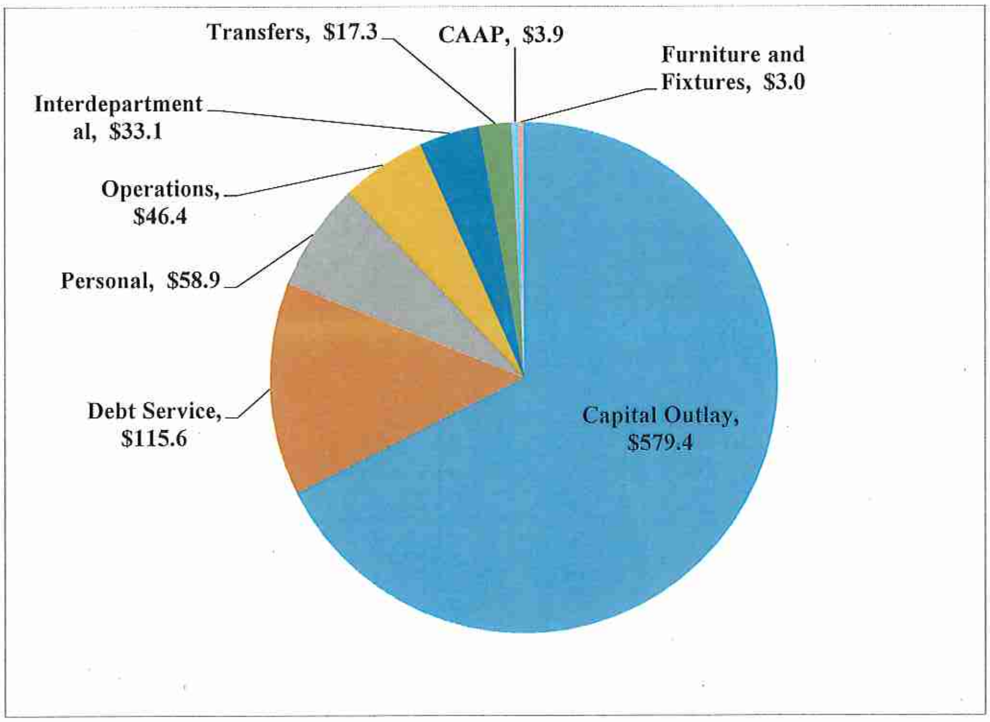
	FY 2015 Actual	FY 2015 Budget	Percentage of budget
Revenues			
Operating revenues	$ 355,450	$ 346,885	$ 102.5%
Non-Operating Revenues			
Interest and Miscellaneous Income	4,036	2,157	187.1
Equity Income in Joint Venture	2,811	2,000	140.6
Clean Trucks Program	1,609	1,350	119.2
Revenue from Other Agencies	121,008	285,324	42.4
Sale of Assets	53,000	53,000	100.0
Total revenues	$ 537,914	$ 690,716	$ 77.9%

Expenses Actual to Budget

The following table shows expenditures and employee headcount budgetary performance for fiscal year 2015 (In thousands):

	FY 2015 Actual	FY 2015 Budget	Percentage of Budget
Expenditures			
Personnel Services	$ 65,605	$ 58,864	111.45
Non-Personnel			
Port Operations	42,570	46,371	91.80
Interdepartmental charges	32,892	33,093	99.39
Clean Trucks Program	5,097	3,878	131.43
Furniture, fixtures, and equipment	1,356	3,005	45.12
Transfers to the City Tidelands Fund	17,772	17,328	102.56
Debt Payment	92,076	115,591	79.66
Capital Projects	356,837	579,434	61.58
Total expenditures	$ 614,205	$ 857,564	71.62%
Employee headcount			
Regular	494	555	89.01%
Part time/temporary	23	36	63.89
Average no. of employees	517	591	87.48%

Fiscal Year 2015 Expenditures Budget (in millions)



Expenditures Actual to Budget

The Department moved to increase staffing levels during fiscal year 2015, with the number of filled positions increasing from 472 in 2014 to 517 in 2015, an increase of 5.3%. Although headcount increased versus the prior year, the actual figure fell short of achieving the levels proposed in the budget. However, even with the budgeted vacancies, total personnel expenses exceeded budget by $3.8 million, or 6.4%, primarily due to new government accounting rules regarding the treatment of employee pension liabilities. Non-personnel expenses were slightly lower than budgeted and for purposes of this document, they are considered to be on target.

FY2015 debt service expense totaled $90.7 million, which was $24.9 million (21.5%) below budget. This variance is primarily related to the timing of a $20 million budgeted pay-down of the line of credit, which was not made until early FY2016.

Capital outlays (excluding capitalized interest) totaled $356.8 million, which is $222.6 (38.4%) lower than the budgeted amount. The Port continues its ambitious realignment of cargo terminals in order to improve cargo operations and to contribute to an overall cleaner environment around the port complex. It is anticipated that, when completed, this realignment will bring an increase in operational revenue in the years to come. The construction of the Gerald Desmond Replacement Bridge is anticipated to be completed in fiscal 2018.

Debt Administration

The following table shows bond issuance information and long-term changes (exclusive of unamortized bond premium or discount). Note 10 to the financial statements provides additional information related to the Department's long-term debt program.

		1998	2005	2010A	2010B
		(In thousands, except for rates and dates of issuance)			
Original issue	$	206,330	257,975	200,835	158,085
Date of issue		01/29/98	02/09/05	03/31/10	04/29/10
Coupon rate		6.0%	5.0%	3.0% - 5.0%	4.0% – 5.0%
Beginning year balance	$	74,110	105,595	160,175	136,365
Payment and redemptions		(13,145)	(105,595)	(11,470)	(2,230)
Ending balance	$	60,965	—	148,705	134,135

		2014A		2014B		2014C
Original issue	$	38,465	$	20,570	$	325,000
Date of issue		04/24/14		04/24/14		06/04/14
Coupon rate		2.0% – 5.00%		3.0% – 5.00%		3.0% – 5.0%
Beginning year balance	$	38,465	$	20,570	$	325,000
Payment and redemptions		(12,775)		—		—
Ending balance	$	25,690	$	20,570	$	325,000

	2015A	2015B	2015C	2015D
Original issue	$ 44,845	$ 20,130	$ 66,085	$ 66,865
Date of issue	04/16/15	04/16/15	07/15/15	07/15/15
Coupon rate	4.0% - 5.0%	5.0%	5.0%	5.0%
Issued Fiscal Year 2015	$ 44,845	$ 20,130	$ 66,085	$ 66,865
Payment and redemptions	—	—	—	—
Ending balance	$ 44,845	$ 20,130	$ 66,085	$ 66,865

The underlying ratings assigned to the Department's bond issues are as follows: Standard & Poor's: AA, stable outlook; Moody's Investors Service: Aa2, stable outlook; and Fitch Ratings: AA, stable outlook. A high credit rating recognizes good financial management by the Department and lowers the cost of borrowing in the future.

Lines of Credit

In July 2013, the Board of Harbor Commissioners authorized the issuance of $200,000,000 Subordinate Harbor Revenue Revolving Obligations Series A (Tax-Exempt), Series B (Tax-Exempt), and Series C (Taxable).

The Harbor Department will secure the borrowings under the revolving lines of credit with a subordinate lien on the revenues of the Department.

Bank of America, N.A.-Subordinate Harbor Revenue Revolving Obligations Series A (Tax Exempt)

Bank of America will provide a tax-exempt revolving line of credit that will allow the Harbor Department to borrow up to $78,000,000 at any one time.

The Harbor Department's obligations to repay any loans made by Bank of America under the Bank of America Credit Agreement will be evidenced by a promissory note (the Bank of America Note) to be issued by the Harbor Department to Bank of America.

Union Bank, N.A.-Subordinate Harbor Revenue Revolving Obligations Series B (Tax-Exempt) and Series C (Taxable)

Union Bank will provide two revolving lines of credit (a tax-exempt revolving line of credit and a taxable revolving line of credit) that will allow the Harbor Department to borrow up to $122,000,000 at any one time.

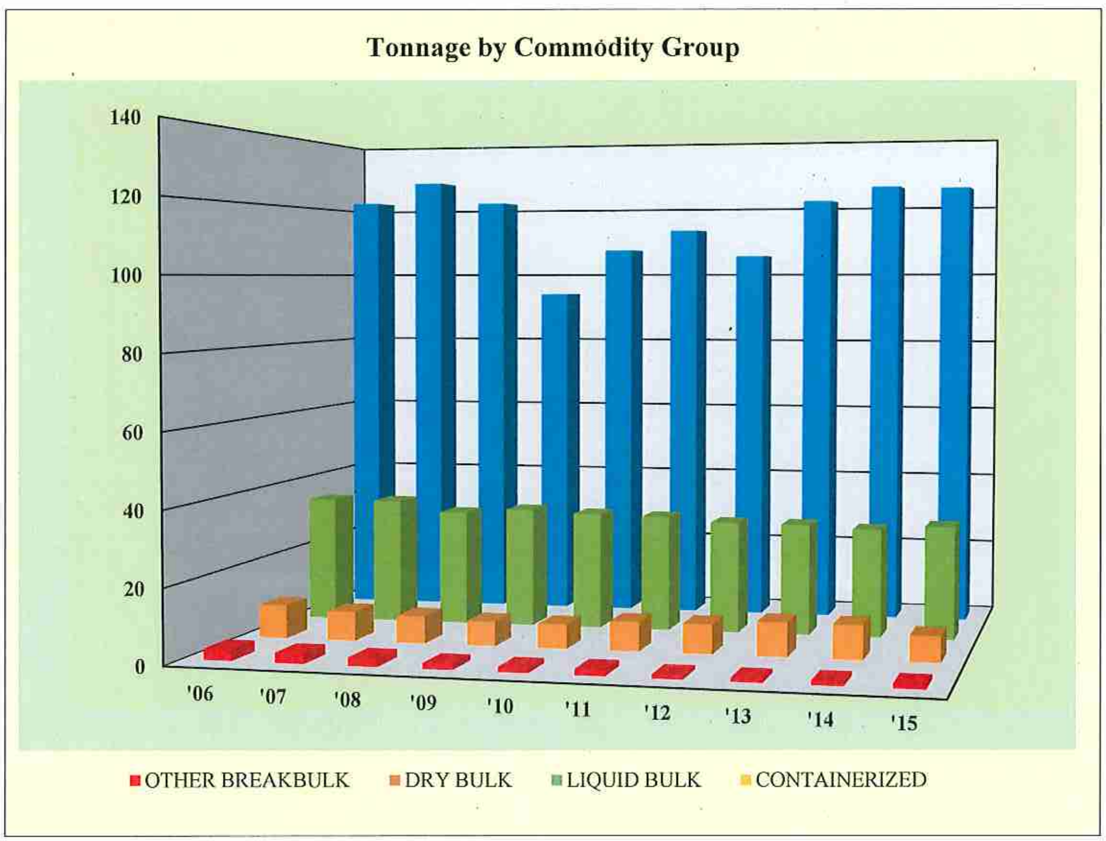
The Harbor Department's obligations to repay any loans made by Union Bank under the Union Bank Credit Agreement will be evidenced by two promissory notes (one for tax-exempt loans and one for taxable loans) (the Union Bank Notes) to be issued by the Harbor Department to Union Bank.

Outstanding lines-of-credit indebtedness as of September 30 was as follows:

		2015		2014
Line of Credit – Bank of America	$	50,000,000	$	50,000,000
Line of Credit – Union Bank		70,000,000		70,000,000
Total current	$	120,000,000	$	120,000,000

Investing for the Future

The Port's revenue derived from cargo facilities decreased by less than 1% between 2015 and 2014 from $356.92 million to $355.4 million; cargo volumes measured in metric revenue tons also decreased by less than 1% during the same period of time from 165.5 million tons to 164.3 million tons. The Port continues its realignment of cargo terminals in advance of an anticipated growth in trade volumes. Its terminals and installations continue to provide the best alternative for shipping lines to move cargo in and out of the continental United States.



Economic Outlook

In 1911, the State of California established the Long Beach tidelands area as a State Trust and designated the City of Long Beach as a trustee for the people of the State of California. The Port of Long Beach, located in the Tidelands Trust and overseen by the City of Long Beach Harbor Department under direction of the Long Beach Board of Harbor Commissioners, has succeeded and become a landlord port providing the region, state, and nation with state-of-the-art seaport facilities and serving as a safe international gateway for trade. The Port of Long Beach has evolved into the second-busiest container seaport in North America.

The City of Long Beach Harbor Department generates revenues through leases, tariffs, and other charges assessed to Port of Long Beach tenants and other customers. No local, state, or federal taxes support Port operations. The Harbor Department does not fund general City of Long Beach governmental activities, but compensates the City of Long Beach for services such as public safety, human resources, civil service, and centralized financial, legal, and audit services. The expansion or contraction of foreign trade directly affects local, regional, and national economies. The Port, as a crucial economic engine for the region and beyond, must continually strengthen its competitiveness by anticipating and responding to economic challenges, and seizing opportunities to continue to be the preferred seaport for trans-Pacific trade.

Trade and Commerce

Container volume at the Port of Long Beach remains strong and reached record levels in the months of July and August, setting up a record-setting third quarter of 14.8% growth year-over-year. As the U.S. economy continues to improve, the peak volume the Port of Long Beach experienced in 2007 will likely be matched and perhaps superseded in the coming years.

As container ships capable of transporting more than 10,000 twenty-foot-equivalent units (the so-called big ships) continue to call at the Port of Long Beach, the Port's ability to accommodate the mega vessels and handle the additional cargo volume has become a key objective to retain its competitive advantage over other gateways. In preparation for the next generation of even larger vessels, the Port of Long Beach has embarked on a 10-year, $4.0 billion capital program to upgrade its infrastructure and modernize its facilities in order to improve fluidity and efficiency in its cargo operations. When completed, the capital program will make the Port of Long Beach one of the cleanest and most efficient ports in the world.

In addition to its capital program, the Port of Long Beach is also committed to finding solutions to challenges throughout the entire ocean transportation supply chain: truck turn-times, chassis shortages, and cargo visibility, to name a few. The influx of larger amounts of cargo over a shorter period of time is further testing the Port's cargo handling capability. However, the Port of Long Beach is taking a leadership role by working with its partners to formulate solutions to permanently eliminate the inefficiencies in the supply chain. Through a combination of infrastructure enhancements, operational improvements, and investment in innovative environmental programs, the Port of Long Beach is on track to ensure efficient and sustainable growth.

As a department of the City of Long Beach, the Port of Long Beach strives to be a leader in the goods movement industry, while furthering its status as the City's and the region's biggest economic engine. In addition to delivering excellent customer service and outreach to all of the Port's customer segments, the Port also engages the community to provide outreach and education on the benefits accrued to the local area through the operation of one of the nation's premier maritime gateways. Above all, the Port is committed to being a steward of environmental protection, ensuring cargo volume growth to support the economy and while reducing the negative impacts to the environment.

To accommodate the increase in trade volume expected during the next 20 years, the Port will continue to seek innovative solutions for developing facilities and related infrastructure while ensuring that air, water, and soil quality continue to improve.

Projects underway that will increase cargo capacity and/or improve Port infrastructure include:

- Gerald Desmond Bridge Replacement: A $1.3 billion project to build a new bridge to span the Port's Main Channel. The new bridge will be higher, to allow additional clearance for ships, and will also be wider, to ease the flow of cars and trucks that use the bridge. Construction began in early 2013 and will continue through mid-2018.
- Middle Harbor Redevelopment Project: A $1.3 billion modernization of two aging shipping terminals. The project more than quintuples on-dock rail capacity, adds shore power hookups and advanced technology that will allow the new terminal to move twice the cargo with half the air pollution. Construction began in 2011 and will continue through 2019.
- Pier G modernization: The Harbor Department has nearly completed a multiyear, $470 million renovation of the ITS container terminal. Construction of a new terminal administration and operations complex, new maintenance and repair facility, and an expanded on-dock rail yard is complete.
- The Harbor Department is planning additional deepening for berths to accommodate the latest generation of mega-ships.

Environmental Protection

The optimal utilization of Port resources brings environmental issues that need to be addressed to guarantee economic growth with responsible stewardship of the environment. 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. This ambitious plan identified specific strategies to reduce emissions from port-related equipment. The CAAP has led to major air-quality improvements at the Ports. Diesel Particulate Matter, for example, has been reduced by 85% from 2005 levels, as identified in the 2014 emissions inventory. As guided by the Green Port Policy, the Port of Long Beach has established itself as a world leader in sustainable seaport operations and development.

Under the Green Port Policy and the Clean Air Action Plan, the Port of Long Beach has:

- Cut diesel particulates by 85%, sulfur oxides by 97%, smog-forming nitrogen oxides by 50%, and greenhouse gases by 24% from 2005 levels, identified in the 2014 annual air emissions inventory. The improvements occurred during a period when container cargo volume increased by 0.2%.
- Supported the use of lower-sulfur, cleaner fuels in oceangoing ships.
- Completed a successful changeover of the truck fleet through the landmark Clean Trucks Program, which has achieved a 98% reduction in diesel particulate pollution from the truck fleet.

- Continued the Green Flag Vessel Speed Reduction Program (where greater than 90% of ships slow down to 12 knots) within 20 nautical miles or 40 nautical miles of the Port, to reduce air pollution emissions.
- Completed the building of shore power facilities to allow the shipping lines to comply with the state's new shore power regulation, requiring half of all vessel calls to plug in at berth for cleaner air.
- Nurtured the development of new clean air technologies through the Technology Advancement Program — including the world's first diesel-electric hybrid tugboats.

Risk Management

The Port has developed and is managing a comprehensive, all-hazard Business Continuity Plan that facilitates the efficient and environmentally sound movement of cargo by maintaining the land and water infrastructure; maintains a safe and secure Port environment, and meets legal, regulatory, and financial requirements. The primary purpose of the Business Continuity Plan is to ensure Port business partners have available infrastructure and resources necessary to continue business operations prior to, during, and following a major incident.

Security

The Port of Long Beach continues its commitment to safety and security and is dedicated to being 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 of Long Beach 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 a Battalion Chief. The Port takes an above the water, on the water, and below the water approach to Maritime Domain Awareness. This is accomplished through the use of the latest integrated, high-tech surveillance systems to maintain vigilance and share data with the many agencies responsible for port security. The JCCC monitors close to 400 cameras throughout the port complex, including long-range and night-vision units, as well as access control, radar and sonar detection systems.

Since 2001, the Port has secured more than $137 million in grants to aid in safety and security efforts. The Port is protected by multiple layers of security, including the U.S. Coast Guard, U.S. Customs and Border Protection, Long Beach Police Department and other federal, state, and local law enforcement agencies; and the Port's own Harbor Patrol, a cadre of highly trained public officers who are responsible for security and public safety on the property owned by the Port and any public roadways within its boundaries 24 hours a day, seven days a week. The Long Beach Police Department Port Police Division also provides a dedicated force of police officers who patrol land side and water side in the port complex 24 hours a day, seven days a week. And the Long Beach Fire Department has two land based stations, one with a hazardous materials response unit, as well as two fireboat stations within the port complex.

The Port of Long Beach has made significant investments in technology to mitigate threats against the port. This includes the development of the Virtual Port system. Virtual Port is a geo-spatial-based maritime domain and common operating picture system. It integrates over 60-independent information sources and databases into a single platform providing the status of port operations in real-time. Virtual Port allows users to view and interact with a variety of modules to track vessels, monitor suspicious activities, monitor land and water based assets, share information with port security partners, view news and social media alerts associated with port incidents, and coordinate response activities.

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 Harbor Department of the City of Long Beach, California, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014. This was the 32nd consecutive year that the Department has received this prestigious award. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to acknowledge the dedicated service of the Finance Division staff members, through whose efforts the timely preparation of this report was made possible. Additionally, we would like to thank the Communications Division for providing artwork and editing services.

Respectfully submitted:

Jon Slangerup
Chief Executive Officer

Steven B. Rubin
Chief Financial Officer,
Managing Director of Finance & Administration

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Harbor Department of the City of Long Beach California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

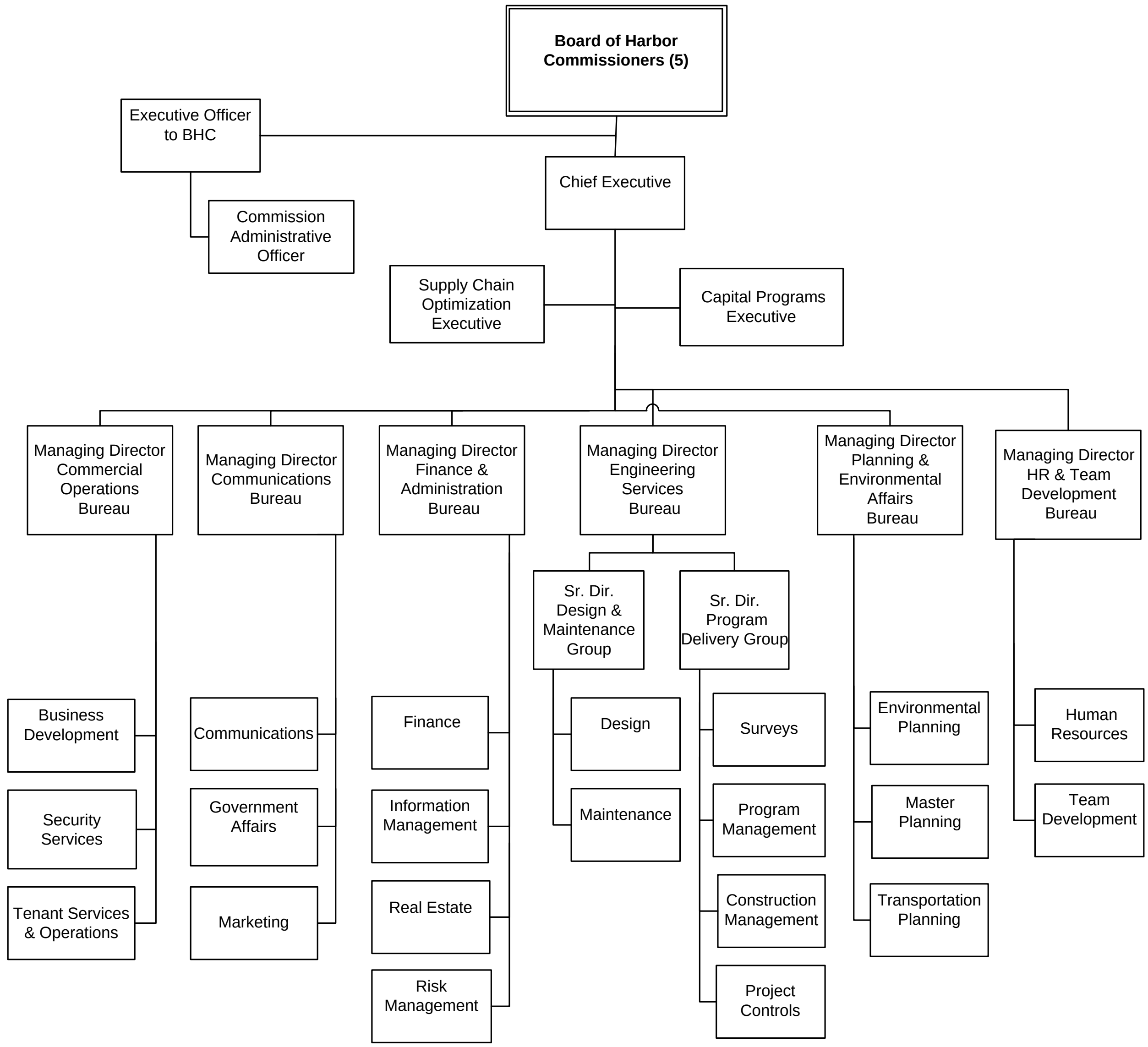
September 30, 2014

Executive Director/CEO

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Organizational Structure Chart

September 30, 2015



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Board of Harbor Commissioners and Senior Management

September 30, 2015

Board of Harbor Commissioners

Lori A. Guzman, President
Lou A. Bynum, Vice President
Tracy Egoscue, Secretary and Commissioner
Doug Drummond, Commissioner
Rich Dines, Commissioner

Executive Officer to the Board	Vacant
Executive Offices	
Chief Executive Officer	Jon Slangerup
Senior Executive	Michael Christensen
Senior Executive	Duane Kenagy
Finance and Administration Bureau	
Managing Director/Chief Financial Officer	Steven B. Rubin
Finance Division	Betsy Christie, Director
Information Management Division	Nyariana Maiko, Director
Real Estate Division	Karl J. Adamowicz, Director
Risk Management Division	Richard S. Baratta, Director
HR & Team Development Bureau	
Managing Director	Louis F. Gutierrez
Human Resources Division	Margaret Huebner, Director
Commercial Operations Bureau	
Managing Director	Noel Hacegaba
Business Development Division	Donald B. Snyder, Director
Security Division	Randy Parsons, Director
Tenant Services and Operations Division	Glenn Farren, Director
Communication Bureau	
Managing Director	Noelia Rodriguez
Communications Division	Michael Gold, Director
Government Relations Division	Samantha Ashley, Director
Planning and Environmental Affairs Bureau	
Managing Director	Richard D. Cameron
Environmental Planning Division	Heather Tomley, Director
Master Planning Division	Matt Plezia, Director
Transportation Planning Division	Vacant
Engineering Services Bureau	
Managing Director	Douglas A. Thiessen
Program Delivery Division	Sean Gamette, Senior Director/Chief Harbor Engineer
Program Management Division	Doug Sereno, Director
Construction Management Division	Suzanne Plezia, Director
Design and Maintenance Divisions	Neil Morrison, Director
Design Division	John Chun, Director
Maintenance Division	Fred Greco, Director
Project Controls Division	Diane Pierson, Director
Surveys Division	Vacant

Financial Section

Port of
LONG BEACH
The Green Port

KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Honorable Members of the Board of Harbor Commissioners
The Harbor Department of the City of Long Beach
Long Beach, California:

Report on the Financial Statements

We have audited the accompanying financial statements of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California, as of September 30, 2015, and the related notes to the financial statements, as described in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harbor Department of the City of Long Beach, California as of September 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the City of Long Beach, California as of September 30, 2015, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, effective October 1, 2014, the Department adopted the provisions of Governmental Accounting Standard Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 21-26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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

Our audit was conducted for the purpose of forming an opinion on the Department's financial statements. The accompanying information identified in the table of contents as the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, March 28, 2016 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
March 28, 2016

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 year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Department's financial statements and related notes and our letter of transmittal that precedes this section.

Using this Financial Report

This annual financial report consists of the Department's financial statements and the required supplementary information and reflects the self-supporting activities of the Department that are funded primarily through leasing property, tariffs, and other charges to its tenants.

Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position and Statements of Cash Flow

The financial statements provide an indication of the Department's financial health. The statement of net position include all of the Department's assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, as well as an indication about which assets can be used for general purposes, and which assets are restricted as a result of bond covenants and other requirements. The statement of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods presented. The statement of cash flows report the cash provided by and used in operating activities, as well as other cash sources and uses, such as investment income and cash payments for bond principal and capital additions and betterments.

The following condensed financial information provides an overview of the Department's financial position as of September 30, 2015 and 2014:

Condensed Schedule of Assets, Deferred Outflows,
Liabilities, Deferred Inflows, and Net Position
September 30, 2015 and 2014
(Amounts expressed in thousands)

	2015	2014
Assets:		
Capital assets, net	$ 4,096,520	3,897,294
Other assets	878,310	784,607
Total assets	4,974,830	4,681,901
Deferred outflows	22,268	9,593
Total assets and deferred outflows	$ 4,997,098	4,691,494

Condensed Schedule of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
September 30, 2015 and 2014
(Amounts expressed in thousands)

		2015	2014
Liabilities:			
Current liabilities	$	160,802	189,606
Long-term obligations, net of current portion		1,214,609	1,036,715
Total liabilities		1,375,411	1,226,321
Deferred inflows		14,816	2,963
Total liabilities and deferred inflows	$	1,390,227	1,229,284
Net position:			
Net investment in capital assets	$	3,077,225	2,974,555
Restricted:			
Capital projects		251,721	180,881
Debt service		13,754	17,938
Unrestricted		267,119	288,835
Total net position	$	3,609,819	3,462,209

Net position over time may serve as a useful indicator of the Department's financial position. At the close of fiscal year 2015, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $3.6 billion. This is an increase of $147.6 million from last year. This change of net position consists mainly of $84.0 million of current year operating income, $121.0 million of grant revenue received from federal and state governments, and $36.0 million of nonoperating revenue on disposition of capital assets, less $22.1 million from other nonoperating expense, including financing costs and transfers to the City's Tidelands Operating Fund of $17.8 million.

At September 30, 2015, the largest portion of the Department's net position (85.2%, or 3.1 billion) reflects the Department's net investment in capital assets. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources attributable to the addition of those assets or related debt are also included. These capital assets facilitate tenants' cargo operations. The amount of net investment in capital assets is not available for future spending. The increase of $102.7 million from fiscal year 2014, is the result of the completion of Middle Harbor phase one construction project during the year.

An additional portion of the Department's net position (7.6%, or $265.5 million) represents resources that are subject to external restrictions on how they may be used. The increase is due to the addition to the construction reserves for the completion of capital projects. The remaining unrestricted net position is $267.1 million, to be used in the future to fund the Department's operation.

(Continued)

The implementation of the provisions of GASB Statements No. 68 and No. 71, new pension accounting and financial reporting requirements, has caused the Department to restate net position as of October 1, 2014 in the amount of $83.1 million. The net pension liability, representing unfunded pension obligations totaling $90.5 million, is reported on the statement of net position as of September 30, 2015.

Detailed disclosure as required by GASB Statements No. 68 and 71 can be found in notes 1 and 11 to the basic financial statements.

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

Years ended September 30, 2015 and 2014

(Amounts expressed in thousands)

		2015	2014
Operating revenues	$	355,450	356,880
Operating expenses:			
Facility and infrastructure		38,302	34,046
Fire and Safety		48,178	33,286
General and administrative		47,291	41,124
Total operating expenses		133,771	108,456
Depreciation and amortization		137,709	117,966
Operating income		83,970	130,458
Nonoperating revenues (expenses):			
Interest income, net of interest expense		5,969	5,572
Gain (loss) on sale of capital assets		35,979	16
Clean Air Action Plan (CAAP), net		(3,488)	(2,474)
Other income (loss), net		5,048	(298)
Net nonoperating revenue		43,508	2,816
Income before capital grants and transfer		127,478	133,274
Operating transfer to City Tideland Fund		(17,772)	(17,844)
Capital grants		121,008	168,093
Change in net position		230,714	283,523
Total net position – beginning of year, as previously reported		3,462,209	3,178,686
Cumulative effect resulting from change in accounting for pensions		(83,104)	—
Total net position – beginning of year, as restated		3,379,105	3,178,686
Total net position – end of year	$	3,609,819	3,462,209

A comparison of the operating revenues for fiscal years 2015 and 2014 shows a slight decrease of $1.4 million, or 0.4%. This is primarily due to a 3.5% decrease in container terminal revenue, which accounted for approximately

76% of total revenue in fiscal year 2015. This decrease was partially offset by increases in noncontainerized terminal revenue seen at dry bulk, vehicle, petroleum, steel, and lumber terminals.

Operating expenses (excluding depreciation and amortization) increased $31.3 million, compared to $108.5 million at September 30, 2014. The increase mainly consists of the following one-time or unusual transitions: write off of previously capitalized projects totaling $22.1 million; adoption of the new pension accounting and reporting standards totaling $2.8 million, and, the Department's share of city-wide ERP costs totaling $2.2 million. By operating expense functions, cargo facilities maintenance and infrastructure maintenance, increased $4.5 million compared to $25.4 million in fiscal year 2014, primarily due to an increase of maintenance expense for streets, bridges, and freeways as major capital projects take place. During fiscal year 2015, fire and safety costs increased by $14.9 million, as the result of writing off previously capitalized projects, and higher labor costs due to a decrease in vacancies which were budgeted in fiscal year 2014. The increase of $6.2 million in general and administrative and other indirect operating expense is mainly related to the one-time and unusual transactions mentioned above.

Depreciation expense is affected by acquisition and retirement of long-term assets, their useful lives, and the dates when such assets are placed in service. Depreciation expense for fiscal year 2015 was $19.7 million higher than that of fiscal year 2014, due to a large number of capital assets that were placed into service at the end of fiscal 2014.

The annual interfund transfer decreased by $71.5 thousand in fiscal year 2015. During the current fiscal year, the Department accrued $17.8 million as a regular operating transfer to the City Tidelands Fund to be paid in fiscal 2016.

An increase of $899.0 thousand in investment income during fiscal year 2015 is primarily due to the increase in restricted funds from new bond proceeds.

Total interest expense before allocation of capital assets was $27.0 million in fiscal 2015 and $31.3 million in fiscal year 2014. The decrease was mainly due to the debt service savings related to the 2015 bonds refunding.

Grant revenue decreased $47.1 million to $122.5 million in fiscal year 2015, as a result of a slower construction progress in the Gerald Desmond Bridge project and the completion of several grant related projects during fiscal year 2015. In fiscal year 2015, the Department received grant reimbursements of $86.0 million for bridge, rail, and street improvements, $933.8 thousand in environmental improvements and $7.6 million in security related grants.

The Clean Air Action Plan (CAAP) continues to support the Port's effort to enhance clean air. The program is collecting less revenue and incurring lower expenses as the CAAP matures. Overall, this program's cash outflow increased $391.0 thousand when compared to that of fiscal year 2014.

(Continued)

Capital Assets and Debt Administration

Capital Assets

The Department’s capital assets, net of accumulated depreciation, as of September 30, 2015 and 2014 are as follows:

		2015	2014
Nondepreciable capital assets:			
Land	$	931,547	904,961
Construction in progress		1,251,763	1,248,187
Rights-of-way		207,032	207,823
Total nondepreciable capital assets		2,390,342	2,360,971
Depreciable capital assets (net):			
Structures and facilities		1,668,548	1,498,093
Furniture, fixtures, and equipment		37,630	38,230
Total depreciable capital assets (net)		1,706,178	1,536,323
Total capital assets, net	$	4,096,520	3,897,294

The Department’s capital assets include land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights-of-way. The impact on the capital asset accounts, net of accumulated depreciation, was a net increase of $199.2 million from fiscal year 2014 primarily due to the substantial increase of assets placed into service related to major infrastructure projects taking place in the port. The amount of capital assets transferred out of construction in progress and into service, totaled approximately $353.3 million for the year ended September 30, 2015.

Debt Administration

The following table summarizes the Department’s debt as of September 30, 2015 and 2014.

		2015	2014
Short-term notes (principal and net premiums)	$	367,519	376,891
Lines of credit		120,000	120,000
Bond debt (principal and net premiums)		641,383	571,176
Total	$	1,128,902	1,068,067

The Department’s total long-term debt increased by $60.8 million, or 5.7%. The increase was primarily attributed to the net result of the issuance of the 2015C and 2015D bonds and principal payments made on existing debt.

The underlying ratings assigned to the Department’s bond issues are as follows: Standard & Poor’s: AA, stable outlook; Moody’s Investors Services: Aa2, stable outlook; and Fitch Ratings: AA, stable outlook.

The debt service coverage ratio for fiscal year 2015 was 2.81. The minimum rate required by the Department's various bond indenture documents is 1.25.

Factors that May Affect the Department

The availability of alternate ports and competition affects the use of the department's facilities and, therefore, operating revenues of the Department. There is significant competition for container trade among North American ports. The department cannot predict the impact of this competition. Ports in the U.S. West Coast, Canada, and Mexico, compete for discretionary intermodal cargo headed from the Asia to mid-western and eastern U.S., which is more heavily populated. This discretionary cargo moves eastward primarily by rail. Discretionary cargo makes up more than half of the container cargo arriving at the Port of Long Beach.

The use of all-water routes to the East and Gulf Coasts of the United States is an alternative to Asian intermodal cargo moving through West Coast ports. All water services from Asia to the Gulf of Mexico and East Coast ports move primarily through the Panama Canal. The Panama Canal is in the process of expanding its locks. Although recent reports indicate that the opening of the new locks will be delayed to 2016 from the original scheduled date in 2015, the widening and deepening of the locks will allow larger vessels to transit the Canal. The expansion creates a potential route to the East Coast and Gulf of Mexico for vessels with larger capacity than the current "Panamax" ships. While the effects of an expanded Canal are unknown, the Port of Long Beach has an existing ability to handle ships that are larger than the expanded-Panamax ships, and continues to maintain and improve its terminals, infrastructure, and intermodal capabilities.

The Port is subject to legal and regulatory requirements relating to air emissions that may be generated by ships, trains, trucks, and other operational activities within the port. Paying for mandated air pollution reduction, infrastructure and other measures has become a significant portion of the Department's capital and operating budgets. Such expenditures are necessary even if the Department does not undertake any new revenue-generating capital improvements, and the Department cannot provide assurances that the actual cost of the required measures will not exceed the amounts forecasted.

Notes to Financial Statements

The notes to the Department's financial statements can be found on pages 15–60 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 for people or entities interested in the financial aspects of the Department. Questions concerning any of the information provided in this report should be addressed to the Director of Finance, 4801 Airport Plaza Drive, Long Beach, CA 90815. This report and other financial reports can be viewed on the Port's website at: www.polb.com. On the home page, select Finance, there are links to reports by title and reporting date.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Net Position

September 30, 2015

(Dollars in thousands)

Assets and Deferred Outflows

Current assets:			
Pooled cash and cash equivalents (note 2)		$	320,731
Trade accoun	2		49,964
Due from other governmental agencies (note 3)			98,175
Prepaid – dredging services (note 4)			2,657
Inventories of supplies			584
Subtotal			472,111
Harbor Revenue Bond Funds and other funds restricted as to use:			
Pooled cash and cash equivalents			28,998
Total current assets			501,109
Noncurrent assets:			
Capital assets (notes 6 and 11):			
Land			931,547
Structures and facilities			3,164,854
Furniture, fixtures, and equipment			94,699
Construction in progress			1,251,763
Right-of-way (note 5)			207,032
Less accumulated depreciation			(1,553,375)
Net capital assets			4,096,520
Other assets:			
Long-term receivables (note 3)			1,300
Environmental mitigation credits (note 15)			41,162
Investment in joint venture (note 12)			5,667
Restricted pooled cash and cash equivalents (notes 2 and 9)			102,929
Restricted nonpooled cash and cash equivalents (note 2)			127,166
Restricted nonpooled investments (note 2)			88,979
Other noncurrent assets			9,998
Total other assets			377,201
Total noncurrent assets			4,473,721
Total assets			4,974,830
Deferred outflows (note 17):			
Loss on debt refunding (note 9)			5,459
Pension related (note 10)			16,809
Subtotal			22,268
Total assets and deferred outflows		$	4,997,098

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Net Position

September 30, 2015

(Dollars in thousands)

Liabilities and Deferred Inflows

Current liabilities payable from current assets:		
Accounts payable and accrued expenses	$	69,478
Compensated absences (note 1)		2,945
Due to City of Long Beach (note 14)		21,869
Security deposits and unearned revenue		5,906
Total current liabilities payable from current assets		100,198
Current liabilities payable from restricted assets:		
Accrued interest – bonds		15,244
Current portion of bonds indebtedness		45,360
Total current liabilities payable from restricted assets		60,604
Total current liabilities		160,802
Long-term obligations net of current portion:		
Bonded indebtedness		596,023
Series 2014C Senior notes (note 7)		367,519
Lines of credit (note 8)		120,000
Compensated absences (note 1)		7,629
Net pension liability (note 10)		90,470
Unearned revenue		32,968
Total noncurrent liabilities		1,214,609
Total liabilities		1,375,411
Deferred inflows (note 17):		
Gain on debt refunding (note 9)		4,369
Pension related (note 10)		10,447
Subtotal		14,816
Total liabilities and deferred inflows		1,390,227
Net position:		
Net investment in capital assets		3,077,225
Restricted – capital projects		251,720
Restricted – debt service		13,754
Unrestricted		267,120
Total net position	$	3,609,819

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Revenues, Expenses, and Changes in Net Positions

Year ended September 30, 2015

(Dollars in thousands)

Port operating revenues:		
Berths and special facilities	$	343,134
Rental properties		9,881
Miscellaneous		2,435
Total port operating revenues		355,450
Port operating expenses:		
Facility maintenance		8,389
Infrastructure maintenance		19,247
Fire and safety		48,178
Other indirect operating		10,666
General and administrative		47,291
Total operating expenses before depreciation and amortization		133,771
Depreciation and amortization		137,709
Total operating expenses		271,480
Income from operations		83,970
Nonoperating revenues (expenses):		
Investment income, net		4,036
Income from equity in joint venture		2,811
Interest expense		(878)
Gain on disposition of capital assets		35,979
Clean Air Action Program (CAAP), net (note 16)		(3,488)
Other income		5,048
Total nonoperating revenues		43,508
Income before capital grants and transfers		127,478
Transfers to City Tidelands Fund (note 14)		(17,772)
Capital grants		121,008
Increase in net position		230,714
Total net position – beginning of year, as previously reported		3,462,209
Cumulative effect resulting from change in accounting for pensions (note 1)		(83,104)
Total net position – beginning of year, as restated		3,379,105
Total net position – end of year	$	3,609,819

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2015

(Dollars in thousands)

Cash flows from operating activities:		
Cash received from customers	$	357,266
Cash paid to employees		(48,709)
Cash paid to suppliers		(75,378)
Net cash provided by operating activities		233,179
Cash flows from investing activities:		
Interest received		3,200
Transfer from 2005 bond reserve premiums		16,689
Return on investment in joint venture		2,000
Net cash provided by investing activities		21,889
Cash flows from noncapital/financing activities:		
Clean Air Action Plan (net)		(2,038)
Transfers to City Tidelands Fund		(17,844)
Miscellaneous revenues		1,961
Net cash used for noncapital financing activities		(17,921)
Cash flows from capital and related financing activities:		
Grants provided		94,506
Interest paid		(15,217)
Principal payments-bond		(145,215)
Proceeds from issuance of bonds		227,535
Debt issuance costs		(781)
Proceeds from sale of assets		53,586
Payments for capital acquisitions		(363,472)
Net cash used for capital and related financing activities		(149,058)
Net increase in cash and cash equivalents		88,089
Cash and cash equivalents, beginning of year		491,735
Cash and cash equivalents, end of the year	$	579,824
Reconciliation of cash and cash equivalents:		
Unrestricted pooled cash and cash equivalents	$	320,731
Restricted pooled cash and cash equivalents		131,927
Bond reserve held by the City Treasurer		127,166
	$	579,824

(Continued)

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2015

(Dollars in thousands)

Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	$	83,970
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization		137,709
Bad debt expense		5
Decrease (increase) in accounts receivable		547
Decrease (increase) in inventory		46
(decrease) increase in accounts payable		(191)
(decrease) increase in accrued compensated absences		953
(decrease) increase in accrued liabilities		531
(decrease) increase in deferred revenues		(991)
(decrease) increase in due to other funds		2,846
(decrease) increase in unearned grants		7,754
Total adjustments		149,209
Net cash provided by operating activities	$	233,179
Supplemental schedule of noncash transactions:		
Change in accrued capital assets costs	$	(8,931)
Capitalized interest		26,380
Amortization of bond premium		15,218
Amortization of deferred outflows on debt refunding		705
Amortization of deferred inflows on debt refunding		1,124

See accompanying notes to financial statements

(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 Harbor Facilities Corporation (the Corporation), a nonprofit public benefit corporation, was created in November 1971 under the laws of the State of California. The Corporation was established as a financing mechanism for construction of harbor improvements. It was authorized to issue bonds, debentures, notes and other forms of debt. The Corporation has been inactive since 1995 and did not have any activity during the 2015 fiscal year. If the Corporation would have any transactions with financial implications, they would be included in the Department's financial statements.

The Department, together with the Harbor Department of the City of Los Angeles, formed a joint venture 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 (note 12).

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 (note 5).

(b) Basis of Accounting and Measurement Focus

Disbursement of funds derived from the Department's operations is restricted to Harbor Trust Agreement purposes. The costs of providing port services are recovered entirely through leases, tariffs, and other charges assessed to 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 measurement focus of the accompanying financial statements is on the determination of changes in net position. Operating revenues and expenses are generated and incurred through cargo activities performed by port tenants; operating expenses include maintenance of facilities and infrastructure, security, and payments to other City departments for services provided to the Port. Administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as nonoperating income (expense). The Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations.

The Department recognizes operating revenues when they are earned. Proceeds from federal or state grants are considered as nonoperating revenues, recognized as such when reimbursable and grant-eligible expenses are incurred, and are identified as capital grants in the statement of revenues, expenses, and changes in net position. Operating revenues or capital grant funds that have been received but not earned are identified as unearned revenue in the statement of net position.

(c) Pooled Cash and Cash Equivalents

In accordance with City Charter requirements, the Department pools its available cash with that of the City. The City's cash management pool is used essentially as a demand deposit account by the participating City organizational units. For purposes of the statement of cash flows, the Department defines cash and cash equivalents as pooled cash and investments, including restricted pooled cash and investments and short term, easily convertible to cash, nonpooled investments. Investment decisions are made by the City Treasurer and approved by an investment committee whose membership includes one member of the Department's management ranks.

Investment income and gains/losses arising from such pooled cash and investments are apportioned to each participating unit based on the relationship of the unit's average daily cash balances to the aggregate pooled cash and investments. The Department's share of pooled cash and investments, as of September 30, 2015, is stated at fair value (note 2).

(d) Nonpooled Cash and Cash Equivalents

The Department considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents.

(e) Investments

Investments are reflected at fair value using quoted market prices. 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) Inventories

Inventories of supplies are valued at the lower of average cost or market. Inventory is recorded when purchased, and expensed at the time the inventory is consumed.

(g) 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 thousand, 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. If an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures is a part of the historical cost of acquiring the asset. Depreciation is determined using the straight-line method with no allowance for salvage values. 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. The estimated economic lives used to determine annual rates of depreciation are subject to periodic review and revision, if appropriate, to assure that the cost of the respective assets will be written off over their economic lives. Estimated useful lives used in the computation of depreciation of capital assets are as follows:

Structures and facilities:	
Bridges and overpasses	15–20 years
Wharves and bulkheads	40 years
Transit sheds and buildings	5–20 years
State highway connections	15 years
Others	5–25 years
Furniture, fixtures, and equipment	5–15 years

Capitalized interest, which represents the cost of borrowed funds used for the construction of capital assets, is included as part of the cost of capital assets and as a reduction of interest expense. The Department capitalized $26.4 million in interest costs during the year ended September 30, 2015.

(h) Investment in Joint Venture

The investment in the Intermodal Container Transfer Facility Joint Powers Authority (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.

(i) Compensated Absences

The Department records all accrued employee benefits, including accumulated vacation and sick leave, 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 in the amount of $2.9 million as of September 30, 2015, is calculated based on a five years average of vacation and sick leave taken or used annually. The Department reported $7.6 million in noncurrent compensated absences liability as of September 30, 2015.

(j) 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.

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. The future funding commitments of the Department related to the Clean Air Action Plan (CAAP) are a primary example of unrestricted net position with designated uses.

Restatement of Net Position

Effective October 1, 2014, the Department adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. Issued in June 2012, the objective of this Statement is (a) to improve the usefulness of information for decisions made by users of financial reports of governments whose employees, both active and inactive, are provided with pensions, and (b) improve information provided about pension related financial support from certain nonemployer entities that make contributions to pension plans that are used to provide benefits to employees of other entities.

In addition, the Department adopted the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. Issued in November 2013, the objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

(Continued)

As a result of the adoption of the provisions of these statements, the Department has restated net position as follows as of October 1, 2014:

Net position, as previously reported	$	3,462,209
Effects of accounting for adoption of GASB Statements No. 68 and 71:		
Net pension obligation at beginning of year		(84,623)
Deferred outflows related to contributions made after the measurement date		1,519
Cumulative effect of change in accounting for pensions		(83,104)
Net position at beginning of year, as restated	$	3,379,105

(k) Revenue Recognition

The Department recognizes revenue on an accrual basis when earned. Rents, tariffs, or other miscellaneous receipts that are received in advance of earnings are unearned revenue until earned. Grant revenues are recognized in the fiscal year in which all eligibility requirements are met.

(l) 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 estimated annual operating revenues or (2) the sum of 75% of aged receivable amounts over 120 days delinquent, plus 50% of amounts over 90 days delinquent, plus 25% of amounts over 60 days delinquent, plus 10% of amounts over 30 days delinquent. In addition, management reviews the adequacy of the allowance on a monthly basis by reviewing the aging report and assesses whether any further adjustment is necessary.

To determine uncollectible amounts, the Department's Finance Division reviews all delinquent accounts in August of each year. Amounts deemed uncollectible are proposed to Harbor commission to be written off (note 3).

(m) 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(n) Recent Accounting Pronouncements – Effective Fiscal Year 2015

As of October 1, 2014, the Department adopted the provisions of GASB Statements No. 68 and 71. The Department restated the beginning net position in the amount of $83.1 million to record the Department's portion of the net pension liability totaling approximately $84.6 million, as well as recognizing $1.5 million of deferred outflows relating to pension contributions made subsequent to the June 30, 2014 measurement date (see note 11).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Issued in January 2013, the objective of this Statement is to establish reporting standards related to government combinations and disposals of government operations. This statement had no impact on the Department's financial statements.

Effective in Future Years

GASB Statement No. 72, *Fair Value Measurement and Application*. Issued in February 2015, the Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements as well as determining a fair value measurement for financial reporting purpose. The Department is currently evaluating the financial impact of this statement that will be effective beginning fiscal year 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. This Statement is effective beginning fiscal year 2016. The Department is currently evaluating the financial impact of this statement.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employee of other governments and parallels the pension standards issued in 2012 – GASB Statement No. 68. Together, these pension and OPEB standards provide consistent and comprehensive guidance for all postemployment benefits. The requirements of this Statement are effective for financial statements for period beginning after June 15, 2017. The Department is currently evaluating the financial impact of this statement.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the hierarchy of generally accepted accounting principles (GAAP) to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. This statement has no impact on the Department's financial statements.

(2) Cash, Cash Equivalents, and Other Investments

The Department's cash and cash equivalents and investments as of September 30, 2015, is classified in the accompanying statement of net position as follows (in thousands):

Pooled cash and cash equivalents	$	320,731
Pooled cash and cash equivalents, restricted		131,927
Total pooled cash and cash equivalents		452,658
Bond reserves held by fiscal agents:		
Nonpooled cash and cash equivalents		127,166
Nonpooled investments		88,979
Total bond reserves held by fiscal agents		216,145
Total pooled cash and cash equivalents and bond reserves held by fiscal agents	$	668,803

The majority of the Department's cash and investments, including restricted cash and investments, are pooled with other City funds and maintained by the City Treasurer. The City Charter requires the Department to participate in the City Treasurer's pool. The Department's portion of the City's total pooled cash and cash equivalents amount as of September 30, 2015 was $452.7 million or 29.3%.

The City Treasurer participates in a trustee services agreement with U.S. Bank National Association to establish and maintain the bond reserve. All such funds will be held in trust, disposed of, and invested in accordance with instruction given by the City Treasurer. The Department's reserves held by fiscal agents, as of September 30, 2015, were $216.1 million for the 2010A, 2010B, 2015C, 2015D bonds and the 2014C Notes (note 10). The reserves consist of U.S. Treasury notes, agency securities, and state and local government securities, and as such are not required to be rated. This increase of $95.0 million in the reserves held by fiscal agents, compared to the reserve as of September 30, 2014, was a result of a new issuance of 2015C and 2015D notes.

The City's investment policy authorizes the pool to invest in obligations issued or guaranteed by the federal government and its agencies and instrumentalities as well as in commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, bank certificate of deposits, the State Treasurer's Local Agency Investment Fund, and shares of beneficial interest (mutual funds) issued by diversified management companies. It is the policy of the City Treasurer to invest funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and its Departments and to conform to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio.

The primary objective of the policy is safety of principal, liquidity, yield, and maintaining the public trust. Individual departmental cash deposits and investments within this pool cannot be specifically identified among the participating units. Interest income and gains and losses earned on pooled cash and investments are allocated monthly to the various pool participants based on their average daily cash balances.

(a) Investments Authorized by the California Government Code and the City's Investment Policy

The table on the following page identifies the investment types that are authorized by the City's investment policy for the City's Investment pool. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

(b) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements and are not included in the following table.

Authorized investment type	**Maximum maturity**	**Maximum of portfolio**	**Maximum investment in one issuer**
Bonds Issued by the City	5 years *	30%	None
U.S. Treasury Notes, Bonds, or Bills	5 years *	None	None
Registered State Warrants or Treasury Notes or Bonds of the State of California	5 years *	30%	None
Local Agency Bonds	5 years *	30%	None
Federal Agency Securities	5 years *	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years *	30%	10%
Time Certificates of Deposit	5 years *	100%	10%
Repurchase Agreements	90 days	100%	None
Reverse Repurchase Agreements	92 days	20%	None
Securities Lending Program	92 days	20%	None
Medium-Term Notes	5 years *	30%	10%
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	$40 million per account
Asset-backed securities	5 years	20%	None
Mortgage-backed securities	5 years	20%	None

* Maximum maturity of five (5) years unless a longer maturity is approved by the City Council, either specifically or as part of an investment program, at least three (3) months prior to purchase.

Cash and Investments as of September 30, 2015, are classified in the City's basic financial statements as follows (in thousands):

Cash and investments:		
Cash and investments in City pool	$	1,547,298
Nonpooled cash and investments		404,628
Total cash and investments	$	1,951,926
Cash and investments as of September 30, 2015 consist of the following:		
Cash and deposits	$	170,044
Outstanding checks		(10,508)
Investments		1,792,390
Total cash and investments	$	1,951,926

A reconciliation of the cash, cash equivalents, and investments between the City's basic financial statements and the fair value of the City's investment portfolio at September 30, 2015 is as follows (in thousands):

		Primary government			
		Governmental activities	Business-type activities	Fiduciary funds	Total
Pooled cash and cash equivalents	$	97,003	183,299	16,832	297,134
Nonpooled cash and cash equivalents		38,452	76,602	7,058	122,112
Pooled investments		158,136	298,820	—	456,956
Nonpooled investments		—	2,624	2,051	4,675
Noncurrent pooled investments		274,501	518,707	—	793,208
Restricted assets:					
Nonpooled cash and cash equivalents		—	127,166	—	127,166
Nonpooled investments		—	150,675	—	150,675
Total deposits and investments	$	568,092	1,357,893	25,941	1,951,926

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and timing cash flows from maturities so that a near-level portion of the portfolio is maturing or coming closer to maturity over time to provide the cash flow and liquidity needed for operations.

The following schedule indicates the interest rate risk of the City's investments as of September 30, 2015 (in thousands):

Investment type		Fair value	Weighted average maturity (in years)
Cash and investments in City pool:			
Money market account	$	647	0.05
U.S. Treasury notes		331,078	1.13
Federal agency securities		925,502	1.40
Time certificates of deposit		9,998	0.23
Local Agency Investment Fund (LAIF)		121,009	0.58
Subtotal City pool		1,388,234	
Cash and deposits		169,572	
Outstanding checks		(10,508)	
Total City pool	$	1,547,298	
Nonpooled cash and investments:			
Cash and deposits	$	472	—
Money market funds		248,805	—
U.S. Treasury notes		135,203	1.65
Guaranteed investment contracts		20,148	4.31
Total nonpooled cash and investments	$	404,628	

Investments with Fair Values Highly Sensitive to Interest Rate Risk

The City had no investments that were highly sensitive to market interest rate changes as of September 30, 2015. Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating requirements for commercial paper, asset-backed securities, and medium-term notes is an A rating. Mortgage-backed security issuers must have a minimum AAA rating. State warrants, state treasury notes, or bonds of the State are to be rated at a minimum of A1/Sp-1 for short-term investments and Aa/AA for long-term investments.

The following are the actual ratings as of September 30, 2015 for each investment type (in thousands):

		Rating as of year end				
Investment type	**Legal rating**	**Total**	**Not required to be rated**	**AAA**	**AA+**	**Unrated**
Cash and investments in City pool:						
Money market account	N/A	$ 647	—	647	—	—
U.S. Treasury notes	N/A	331,078	331,078	—	—	—
Federal agency securities	N/A	925,502	—	125,530	799,972	—
Time certificate of deposit	N/A	9,998	—	—	9,998	—
Local Agency Investment Fund (LAIF)	N/A	121,009	—	—	—	121,009
Subtotal City pool		1,388,234	331,078	126,177	809,970	121,009
Cash and deposits		169,572	—	—	—	169,572
Outstanding checks		(10,508)	—	—	—	(10,508)
Total City pool		$ 1,547,298	331,078	126,177	809,970	280,073
Nonpooled cash and investments:						
Cash and deposits	N/A	$ 472	—	—	—	472
Money market funds	N/A	248,805	248,805	—	—	—
U.S. Treasury notes	N/A	135,203	—	135,203	—	—
Guaranteed Investment Contracts	N/A	20,148	20,148	—	—	—
Total nonpooled cash and investments		$ 404,628	268,953	135,203	—	472

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the City's total pooled investments are as follows (in thousands):

Issuer	**Investment type**	**Reported amount**
Federal Home Loan Bank	Federal agency securities	$ 341,248
Federal Home Loan Mortgage Corporation	Federal agency securities	241,137
Federal National Mortgage Association	Federal agency securities	275,374
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	121,009
U.S. Treasuries	U.S. Treasury bills and notes	331,078

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All securities owned by the City are deposited in trust for safekeeping with a custodial bank different from the City's primary bank.

As of September 30, 2015, the City reported deposits of $170.0 million, collateralized in compliance with California Government Code, less $11.0 million for checks outstanding.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are mortgage-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured basis.

(3) Accounts Receivable and Other Receivables

Accounts receivable as of September 30, 2015, included the following (expressed in thousands):

Trade accounts receivable	$	51,741
Less allowance for doubtful accounts		(1,777)
Accounts receivable, net	$	49,964

Other receivables as of September 30, 2015 included the following (expressed in thousands):

Due from other governmental agencies:		
Current:		
Federal and state grants	$	98,175
Long term:		
Tidelands – Beaches and Waterways		1,300
Total due from other governmental agencies	$	99,475

The due from other governmental agencies is related to the grant programs from various governmental agencies, which include, but are not limited to: The Federal Highway Bridge Program; the Trade Corridor Improvement Program; Goods Movement Emission Reduction – Proposition 1B; and the Port Security Grant Program. Funds from these grant programs are available to the Department on a reimbursement basis except the Proposition 1B: Goods Movement Emission Reduction Program. Most of these programs require a matching contribution from the Department. If the grant program will result in the transfer of title to an organization outside of the Department, a contribution is recognized on the date of transfer.

(4) Long Beach Harbor Dredging

A project to deepen the Port of Long Beach Main Channel started in the 1990s. In 2000, Main Channel deepening work was completed except for an isolated location in the Main Channel turning basin. In 2009, the Department, City of Long Beach, and U.S. Army Corps of Engineers undertook a $56 million dredging project to complete remaining deepening work in the Main Channel turning basin, clean-up contaminated sediments in the West Basin at a location identified as IR Site 7, complete maintenance dredging at the City of Long Beach's Catalina Express Terminal, and to fill the Department's Pier G North Slip as part of the Pier G Redevelopment Program. Construction was completed in 2011. The project was completed under budget and a remaining balance of $1.7 million as of September 30, 2015, recorded as a prepaid expense, will now be used for the Department's share of a feasibility study which will evaluate potential extensions to the Main Channel. This new project is being conducted in partnership with the U.S. Army Corps of Engineers and is called the Long Beach Deep Draft Navigation Study.

(5) Alameda Corridor Right-of-Way Purchase

In December 1994, the Department and the Harbor Department of the City of Los Angeles (collectively, 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, Southern Pacific merged into Union Pacific and Atchison, Topeka, and Santa Fe merged with Burlington Northern to form the Burlington Northern Santa Fe.

The total purchase comprised 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. As of September 30, 2015, total costs to the Department related to the rights of way purchase amounted to $207.0 million. Construction of the Project began in 1997 and it was completed in April 2002. Funding for the Project came from federal, state, and local sources, and from issuance of debt.

Repayment to the Ports for their investments in the right of way and for any advances provided to the Project will occur only after the Project has generated revenues sufficient to retire all debt and to fund a maintenance reserve (note 14). In December, 2014, ACTA closed escrow for the sale of a joint ownership parcel and distributed the proceeds in the amount of $472 thousand to the Department.

(6) Capital Assets

Capital Assets schedule as of September 30, 2015 as follows: (expressed in thousands)

Description		Balance, October 1, 2014	Additions	Disposals/ adjustments	Transfers	Balance, September 30, 2015
Nondepreciable capital assets:						
Purchased land	$	448,937	—	—	1,065	450,002
Constructed land		456,024	—	—	25,521	481,545
Construction in progress		1,248,187	356,837	4,767	(358,027)	1,251,764
Right of way (note 5)		207,823	—	(792)	—	207,031
Subtotal		2,360,971	356,837	3,975	(331,441)	2,390,342
Depreciable capital assets:						
Structures and facilities		2,953,693	—	(107,786)	318,947	3,164,854
Furniture, fixtures, and equipment		83,266	1,356	(2,417)	12,494	94,699
Subtotal		3,036,959	1,356	(110,203)	331,441	3,259,553
Total capital assets		5,397,930	358,193	(106,228)	—	5,649,895
Less accumulated depreciation:						
Structures and facilities		1,455,600	130,758	(90,053)	—	1,496,305
Furniture, fixtures, and equipment		45,036	14,308	(2,274)	—	57,070
Total accumulated depreciation		1,500,636	145,066	(92,327)	—	1,553,375
Net capital assets	$	3,897,294	213,127	(13,901)	—	4,096,520

(7) 2014C Harbor Revenue Notes and Transportation Infrastructure Finance and Innovation Act Loan

The City of Long Beach Harbor Revenue Notes Series 2014C Senior Notes (2014C Notes) are secured by the Department's gross revenues. The 2014C Notes, dated June 12, 2014, amounting to $325.0 million plus an original issue premium of $53.4 million, less an underwriter's discount of $659 thousand, were issued to finance a portion of the costs of constructing a replacement bridge for the existing Gerald Desmond Bridge, to fund capitalized interest on the 2014C Notes through November 15, 2018, to refund a portion of the City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations, Series A (Tax-exempt) and Series B (Tax-exempt), and to finance the costs of issuance of the 2014C Notes.

The 2014C Notes are outstanding as of September 30, 2015, and will mature on November 15, 2018 with interest payable semiannually of May 15 and November 15 at coupon rates ranging from 3.0% to 5.0%. The Series 2014C will not be subject to redemption prior to maturity.

The original issue premium is being amortized over the loan term using the effective interest method. Unamortized premium totaled $42.5 million for the year ended September 30, 2015.

$55.2 million has been allocated at September 30, 2015 to the service account which is use to meet debt service requirements in conformity with the note resolution.

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

	Principal	Interest	Total
Fiscal year(s) ending September 30:			
2016	$ —	15,643	15,643
2017	—	15,643	15,643
2018	—	15,643	15,643
2019	325,000	7,822	332,822
	$ 325,000	54,751	379,751

TIFIA Loan Commitment – In May 2014, the Harbor Department entered into a loan agreement (the TIFIA Loan) with the United States Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act (TIFIA). Under the TIFIA Loan, the USDOT will allow the Department to borrow up to $325.0 million, provided the amount so borrowed will be used to finance and refinance the costs related to the replacement of the Gerald Desmond Bridge, including but not limited to the repayment of the 2014C Notes. The loan is secured by a subordinate lien on the Department's gross revenues. The loan is expected to be drawn no later than one year after substantial completion of the replacement bridge currently expected in July 2018. As such, there is no outstanding liability for the TIFIA loan as of September 30, 2015. Once drawn upon, the TIFIA loan will be repaid be over a period not to exceed 35 years at an interest rate of 3.42%.

(8) Lines of Credit

In July 2013, the Board of Harbor Commissioners authorized the issuance of $200.0 million Subordinate Harbor Revenue Revolving Obligations Series A (Tax-Exempt), Series B (Tax-Exempt), and Series C (Taxable).

The Harbor Department will secure any borrowings under the revolving lines of credit with a subordinate lien on the revenues of the Department. The Department has drawn $120.0 million from the revolving line of credit as of September 30, 2015. The outstanding obligations under these lines of credit were as follows (expressed in thousands):

Long term:	
Line of Credit – Bank of America	$ 50,000
Line of Credit – Union Bank	70,000
Total	$ 120,000

Bank of America, N.A.-Subordinate Harbor Revenue Revolving Obligations Series A (Tax-Exempt)

Bank of America will provide a tax-exempt revolving line of credit that will allow the Harbor Department to borrow up to $78.0 million at any given point of time. As of September 30, 2015, the Department has drawn $50 million against this revolving line of credit. The tax-exempt interest rate to be paid by the Department for borrowings under the revolving line of credit will be based on a percentage of the daily, one-month, two-month, three-month, or six-month (as selected by the Department) London Interbank

Offered Rate (Libor). Bank of America will make the revolving line of credit available to the Department for three years (unless the revolving line of credit is terminated earlier or extended pursuant to its terms. Borrowings under the Bank of America revolving line of credit will be incurred by the Department in the form of City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations, Series A (Tax-Exempt) (Series A Obligations.)

The Harbor Department's obligations to repay any loans made by Bank of America under the Bank of America Credit Agreement will be evidenced by a promissory note (the Bank of America Note) to be issued by the Department to Bank of America. The Department made a repayment of $37.5 million to the line of credit in November 2015.

Union Bank, N.A.-Subordinate Harbor Revenue Revolving Obligations Series B (Tax-Exempt) and Series C (Taxable)

Union Bank will provide two revolving lines of credit (a tax-exempt revolving line of credit and a taxable revolving line of credit) that will allow the Harbor Department to borrow up to $122.0 million at any given point of time. As of September 30, 2015, the Department has drawn $70.0 million against this revolving line of credit. The tax-exempt and taxable interest rates to be paid by the Department for borrowings under the revolving lines of credit to be provided by Union Bank will be based on a percentage of the one-month Libor. Union Bank will make the revolving lines of credit available to Department for three years (unless the revolving line of credit is terminated earlier or extended pursuant to its terms), Borrowings under the Union Bank revolving lines of credit will be incurred by the Department in the form of City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations, Series B (Tax-Exempt) (Series B Obligations), and City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations, Series C (Taxable) (Series C Obligations).

The Harbor Department's obligations to repay any loans made by Union Bank under the Union Bank Credit Agreement will be evidenced by two promissory notes (one for tax-exempt loans and one for taxable loans) (the Union Bank Notes) to be issued by the Department to Union Bank. The Department made a repayment of $37.5 million to the line of credit in November 2015.

(Continued)

(9) Bonded 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):

		2015
1998 Harbor Revenue Refunding Bonds:		
Maturing 2016 through 2019 at 6.0% interest	$	60,965
Plus unamortized premium		2,319
Total 1998 Harbor Revenue Refunding Bonds	$	63,284
2010A Harbor Revenue Bonds:		
Maturing 2016 through 2025 at 4.0% to 5.0% interest	$	148,705
Plus unamortized premium		9,531
Total 2010A Harbor Revenue Bonds	$	158,236
2010B Harbor Revenue Refunding Bonds:		
Maturing 2016 through 2027 at 4.0% to 5.0% interest	$	134,135
Plus unamortized premium		9,065
Total 2010A Harbor Revenue Refunding Bonds	$	143,200
2014A Harbor Revenue Refunding Bonds:		
Maturing 2016 through 2017 at 4.0 to 5.0% interest	$	25,690
Plus unamortized premium		1,182
Total 2014A Harbor Revenue Refunding Bonds	$	26,872
2014B Harbor Revenue Refunding Bonds:		
Maturing 2016 through 2027 at 3.0 to 5.0% interest	$	20,570
Plus unamortized premium		2,645
Total 2014A Harbor Revenue Refunding Bonds	$	23,215
2015A Harbor Revenue Refunding Bonds:		
Maturing 2017 through 2023 at 4.0 to 5.0% interest	$	44,845
Plus unamortized premium		6,468
Total 2015A Harbor Revenue Refunding Bonds	$	51,313

		2015
2015B Harbor Revenue Refunding Bonds:		
Maturing 2023 through 2025 at 5.0% interest	$	20,130
Plus unamortized premium		4,753
Total 2015A Harbor Revenue Refunding Bonds	$	24,883
2015C Harbor Revenue Bonds:		
Maturing 2025 through 2032 at 5.0% interest	$	66,085
Plus unamortized premium		9,084
Total 2015A Harbor Revenue Refunding Bonds	$	75,169
2015D Harbor Revenue Bonds:		
Maturing 2033 through 2037 at 5.0% interest	$	66,865
Plus unamortized premium		8,345
Total 2015A Harbor Revenue Refunding Bonds	$	75,210
Summary:		
Principal	$	587,990
Net premium		53,393
Less current portions		45,360
Net long-term bonded indebtedness	$	596,023

The Department had the following activity in bonded indebtedness for the fiscal years ended September 30, 2015 (in thousands).

Description		Balance, October 1, 2014	Additions	Reductions	Balance, September 30, 2015	Amounts due within one year
1998	$	74,110	—	13,145	60,965	13,935
2005 A and B		105,595	—	105,595	—	—
2010A		160,175	—	11,470	148,705	11,990
2010B		136,365	—	2,230	134,135	6,475
2014A		38,465	—	12,775	25,690	12,960
2014B		20,570	—	—	20,570	—
2015A		—	44,845	—	44,845	—
2015B		—	20,130	—	20,130	—
2015C		—	66,085	—	66,085	—
2015D		—	66,865	—	66,865	—
	$	535,280	197,925	145,215	587,990	45,360

Annual Debt Service Requirements to Maturity – All Bonded Debt

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

Fiscal year(s) ending September 30,		Principal	Interest	Total
2016	$	45,360	46,716	92,076
2017		44,905	43,678	88,583
2018		47,190	41,389	88,579
2019		45,965	31,231	77,196
2020		37,300	20,599	57,899
2021–thereafter		367,270	128,582	495,852
	$	587,990	312,195	900,185

Details of each outstanding debt issue are as follows:

(a) 1998 Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Refunding Bonds Series 1998A (the 1998 Bonds) are secured by the Department's gross revenues. The 1998 Bonds, dated February 1, 1998, amounting to $206.3 million were issued to refund all of the City's Harbor Revenue Bonds Series 1989A (the 1989 Bonds). The 1989 Bonds were defeased and the liability for those bonds was removed from the Department's statements of net assets. No amounts remain outstanding as of September 30, 2015.

Serial bonds aggregating to $60.9 million are outstanding and will mature on May 15 of each year from 2016 to 2019 in amounts ranging from $13.9 million to $16.6 million with interest payable semi-annually on May 15 and November 15 at coupon rates of 6.0%. The 1998 Bonds are not subject to optional or mandatory redemption before their respective maturity dates.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service payments. As of September 30, 2015, the Department has allocated $6.6 million and $17.6 million to debt service account and reserve account, respectively.

The refunding of the 1989 Bonds resulted in a difference between the reacquisition price and net carrying amount on the old debt of $8.6 million. 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. As of September 30, 2015, $1.5 million remained as a deferred outflow to be amortized.

(b) 2005 Harbor Revenue Refunding Bonds

The 2005 Bonds, dated March 23, 2005, amounting to $257.9 million were issued to refund and to defease all of the City's Harbor Revenue Bonds Series 1995 (1995 Bonds), to pay the premium for the Bond Insurance Policies, to fund a repayment reserve for the Series 2005 Bonds, and to finance the costs of issuance of the Series 2005 Bonds. The 2005 Bonds were defeased in fiscal year 2015, with the issuance of the 2015A and 2015B Harbor Revenue Refunding Bonds and the liability for these bonds has been removed from the Department's statement of net position.

(c) 2010A Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Bonds Series 2010A (the 2010A Bonds) are secured by the Department's gross revenues. The 2010A Bonds, dated March 31, 2010, amounting to $200.8 million were issued to finance certain capital improvements at the Port, to fund a reserve fund for the Series 2010A Bonds, and to pay the costs of issuing the Series 2010A Bonds.

Serial bonds aggregating to $148.7 million will mature on May 15 of each year from 2016 to 2025 in amounts ranging from $11.9 million to $18.3 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging 3.0% to 5.0%.

The Series 2010A Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The Series 2010A Bonds maturing on or after May 15, 2021 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, 2020, at a redemption price equal to 100% of the principal amount of the Series 2010A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service requirement. As of September 30, 2015, $7.2 million and $19.4 million were allocated to the debt service account and reserve account respectively.

(d) 2010B Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Refunding Bonds Series 2010B (the 2010B Bonds) are secured by the Department's gross revenues. The 2010B Bonds, dated April 29, 2010, amounting to $158.1 million were issued to refund $63.1 million aggregate principal amount of the City's Harbor Revenue Bonds, Series 2002B, $12.1 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds, Series 2004A, and $78.4 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds, Series 2005A, to fund a reserve fund for the Series 2010B Bonds; and to pay the costs of issuing the Series 2010B Bonds.

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 statement of net position as of September 30, 2015. The remaining balance of $4.0 million is to be amortized in the statement of net position as a component of deferred outflow of resources.

Serial bonds aggregating to $134.1 million will mature on May 15 of each year from 2016 to 2027 in amounts ranging from $130 thousand to $24.0 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%.

The Series 2010B Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The Series 2010B Bonds maturing on or after May 15, 2021 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, 2020, at a redemption price equal to 100% of the principal amount of the Series 2010B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service requirements. As of September 30, 2015, $4.9 million and $16.0 million were allocated to debt service account and reserve account, respectively.

(e) 2014A Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2014A (the 2014A Bonds) are secured by the Department's gross revenues. The 2014A Senior Bonds, dated April 24, 2014, amounting to $38.5 million were issued in conjunction with the 2014B Senior Bonds described below to (a) (i) refund all of 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 Bonds, 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 2014A Bonds.

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 statement of net position as of September 30, 2015, $1.4 million remained as a deferred inflow to be amortized in the statement of net position as a component of deferred inflow of resources.

Serial bonds aggregating to $25.7 million will mature on May 15 of each year from 2016 to 2017 in amounts ranging from $12.7 million to $12.9 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%.

The 2014A Bonds will not be subject to redemption prior to their respective maturity dates.

The bond resolution requires maintaining sufficient funds to meet current and maximum annual debt service requirements. As of September 30, 2015, $5.3 million was allocated to debt service account.

(f) 2014B Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2014B (the 2014B Bonds) are secured by the Department's gross revenues. 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 Bonds, 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.

Serial bonds aggregating to $20.6 million will mature on May 15 of each year from 2017 to 2027 in amounts ranging from $940 thousand to $7.7 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 3.0% to 5.0%.

(Continued)

The difference between 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 of September 30, 2015, $635 thousand remained as a deferred inflow to be amortized in the statements of net position as a component of deferred inflows.

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 bond resolution requires the Department to maintain sufficient fund in order to meet current and maximum annual debt service requirement. As of September 30, 2015, $340 thousand was allocated to a debt service account.

(g) 2015A Harbor Revenue Refunding Bonds

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

Serial bonds aggregating to $44.5 million will mature on May 15 of each year from 2017 to 2023 in amounts ranging from $1.4 million to $14.4 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%.

The difference between reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported as a deferred inflow of $1.8 million in the accompanying statement of net position as of September 30, 2015.

The 2015A Bonds are not subject to redemption prior to maturity.

The bond resolution requires maintaining sufficient funds to meet current and maximum annual debt service requirements. As of September 30, 2015, $3.0 million was allocated to a debt service account.

(h) 2015B Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015B (the 2015B Bonds) are secured by the Department's gross revenues. 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 $845 thousand in the total of debt service payments over the next 10 years, it resulted in an economic gain of $1.7 million.

 (Continued)

Serial bonds aggregating to $20.1 million will mature on May 15 of each year from 2023 to 2025 in amounts ranging from $3.3 million to $9.8 million with interest payable semiannually on May 15 and November 15 at coupon rates of 5.0%.

The difference between 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 statement of net position as of September 30, 2015, $492 thousand remained as a deferred inflow to be amortized in the statement of net position as a component of deferred inflows.

The 2015B Bonds are not subject to redemption prior to maturity.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2015, $869 thousand was allocated to a debt service account.

(i) 2015C Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015C (the 2015C Bonds) are secured by the Department's gross revenues. 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.

Serial bonds aggregating to $66.1 million will mature on May 15 of each year from 2026 to 2032 in amounts ranging from $6.9 million to $16.8 million with interest payable semiannually on May 15 and November 15 at coupon rates of 5.0%.

The Series 2015 Senior Revenue 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 Series 2015 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2015, $408 thousand was allocated to a debt service account.

(j) 2015D Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015D (the 2015D Bonds) are secured by the Department's gross revenues. The 2015D Bonds, dated July 15, 2015, amounting to $66.7 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.

Serial bonds aggregating to $66.7 million will mature on May 15 of each year from 2033 to 2042 in amounts ranging from $5.3 million to $23.6 million with interest payable semiannually on May 15 and November 15 at coupon rates of 5.0%.

The Series 2015 Senior Revenue 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 Series 2015 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2015, $413 thousand was allocated to a debt service account.

(10) Retirement Program

(a) Pension Plan

The Department participates with the City in CalPERS, a defined-benefit, agent multiple-employer pension system that acts as a common investment and administrative agent for entities in California. The system also provides death and disability benefits. The Department employees who are qualified employees are covered under the City's Miscellaneous Plan.

The City is the legal entity responsible for the Miscellaneous Plan, and the Department is billed by the City for its share of pension costs based upon rates established by CalPERS for the City's general employees. In accordance with the provisions of GASB 68, the Department is now required to report its proportionate share of the City's net pension liability in the accompanying statement of net position. The pension obligation totaled $90.5 million at September 30, 2015. The Department paid $6.7 million to the City, which was equal to its annual required contribution for fiscal year 2015.

As employees of the City, the Department's full-time employees are eligible to participate in CalPERS, becoming vested in the system after five years of service. Upon vesting, employees on tier 1 (those hired on or before October 20, 1989) and who retire at age 55 are entitled to receive an annual retirement benefit, payable for life, in an amount not to exceed 2.7% (with up to a 5.0% annual Cost of Living Adjustment (COLA) increase) of their highest paid year of employment for each year of credited service. Employees on tier 2 (those hired after October 20, 1989 but before October 1, 2006) and who retire at age 55 are entitled to receive an annual retirement benefit, payable for life, in an amount not to exceed 2.7% (with up to a 2.0% annual COLA increase) of their highest paid year of employment for each year of credited service. The City created tier three for employees hired after October 1, 2006. Vested tier 3 employees who retire at age 55 are entitled to receive an annual retirement benefit, payable for life, in an amount equal to 2.5% (with up to a 2.0% annual COLA increase) of their highest paid year of employment for each year of credited service.

(Continued)

Retirement Plan

As discussed in note 1, the Department adopted the provisions of GASB 68 effective October 1, 2014. GASB 68 requires that the reported results pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation date: June 30, 2014
Measurement date: June 30, 2015
Measurement period: July 1, 2014 to June 30, 2015

As the Department's year end of September 30, does not coincide with the measurement date, for purposes of applying the provisions of GASB 71, a deferred outflow related to contributions made between July 1 and September 30 of each prior year was reported in the accompanying statement of net position.

Plan Description – Public Employees' Retirement System (CalPERS)

Plan Description – The City contributes to the California Public Employees' Retirement System (CalPERS) agent multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. 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 are eligible to participate in the City's separate Safety (police and fire) or Miscellaneous (all other) Plans. 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 and 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. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Miscellaneous Plan's provisions and benefits in effect at September 30, 2015, are summarized in the following table:

	Miscellaneous		
Hire date	**Tier 1 Prior to October 1, 2006**	**Tier 2 On or after October 1 2006 and prior to January 1 2013**	**Tier 3 On or after January 1 2013**
Benefit formula	2.7% at 55	2.5% at 55	2.0% at 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50–55	50–55	52–60
	Required contribution rates		
Employee	8.0%	8.0%	6.5%
Employer	16.288%	16.288%	16.288%
	Percentage of eligible compensation		
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%

Employees Covered – Based on the Actuarial Valuation Report, as of June 30, 2012, the following employees were covered by the benefit terms for the City's Miscellaneous Plan:

	Miscellaneous
Active employees	3,354
Inactive employees or beneficiaries currently receiving benefits	3,851
Inactive employees entitled to but not yet receiving benefits	3,195

Contributions – California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate for Miscellaneous Plan members was 7.772% of annual pay, and the City's contribution rate was 15.525% of annual payroll.

Allocation Methodology

The Department reported a net pension liability, pension expense, deferred inflows and deferred outflows related to pensions based on the Department's share of contributions made to the City's Miscellaneous Plan. The Department's proportionate share totaled 18.9% as of September 30, 2015.

Pension Liability, Pension Expense, and 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, 2015 (measurement date), using the actuarial valuation report as of June 30, 2014, rolled forward using standard update procedures. The Department's share of the net pension liability for the Miscellaneous Plan was $84.6 million at the beginning of the measurement period and $90.5 million at September 30, 2015. For the measurement period ending June 30, 2015 (the measurement date), the Department incurred pension expense of $1.0 million.

As of September 30, 2015, the Department had deferred outflows and deferred inflows related to pensions as follows (in thousands):

Deferred outflows of resources:		
Pension contributions after measurement date	$	1,762
Difference between actual and expected CalPERS investment returns		15,047
Total deferred outflows of resources	$	16,809
Deferred inflows of resources:		
CalPERS difference between actual and expected experience	$	5,480
CalPERS change in assumptions		4,967
Total deferred inflows of resources	$	10,447

Exclusive of deferred outflows related to payments after the measurement date, the net amount of deferred outflows (inflows) of resources related to pensions that will be recognized in pension expense during the next five years is as follows (in thousands):

Measurement Period ended June 30		Total
2016	$	(2,042)
2017		(882)
2018		3,762
2019		3,762
Total	$	4,600

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

A summary of principal assumptions and methods used to determine the net pension liability is as follows:

	Miscellaneous
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75
Payroll growth	3.00
Projected salary increase	Varies by entry age and service *1
Investment rate of return	7.50%
Mortality	See note *2

*1 Net of Pension Plan Investment and Administrative Expenses; includes inflation

*2 The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called

The long-term expected rate of return on pension plan investments of 7.50% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

The table on the following page reflects the long-term expected real rate of return by asset class for the Miscellaneous Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset class	New strategic allocation	Real return years 1–10 [a]	Real return years 11+ [b]
Global equity	51.0%	5.25%	5.71%
Global fixed income	19.0	0.99	2.43
Inflation sensitive	6.0	0.45	3.36
Private equity	10.0	6.83	6.95
Real estate	10.0	4.50	5.13
Infrastructure and forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

[a] An expected inflation of 2.5% used for this period

[b] An expected inflation of 3.0% used for this period

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the City's Miscellaneous plan as of the measurement date, calculated using the discount rate of 7.65%, compared to a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%). Amounts shown below are for the City's Miscellaneous plan in thousands:

Pension Plan Fiduciary Net Position

Each plan's fiduciary net position disclosed in the accounting valuation report provided by CalPERS may differ from the plan's assets reported in the funding actuarial valuation report due to several reasons; the accounting valuation report must keep items such as deficiency reserves, fiduciary self-insurance, and OPEB expenses included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation report.

Postretirement Healthcare Benefits (OPEB)

The City's Retired Employees Health Insurance Program is a single-employer defined-benefit healthcare plan. The Department is billed by the City for its share of postretirement health benefit costs for the Department's employees. The City has not identified the Department's portion of the overall OPEB obligation; therefore, no separate Department obligation can be presented herein. The Department paid $976.8 thousand to the City in fiscal year 2015.

Under the provisions of the City's Personnel Ordinance, upon retirement, the City allows retirees, their spouses, and eligible dependents to use the cash value at retirement of the retiring employee's accumulated unused sick leave to pay for health, dental, and long-term care insurance premiums. Full-time City employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until termination or retirement. No sick leave benefits are vested.

The City has provided 2 one-time early retirement incentive programs. The first had a maximum value of $25 thousand for employees, based on age, who retired during calendar year 1996, and the second incentive offered a 16-hour increase in sick leave per year of service to management employees who retired by June 30, 2004. In all cases, once the cash value of the retired employee's unused sick leave is exhausted, the retiree can terminate coverage or elect to continue paying the premiums at the retiree's expense.

At September 30, 2015, there were 585 participants in the City's Retired Employees Health Insurance Program and their noninterest-bearing cash value equivalent of the remaining unused sick leave totaled $19.5 million. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for the fiscal year ended September 30, 2015 were $8.6 million and are included as an expense of the City's Employee Benefits Internal Service Fund.

Termination Benefits

As of September 30, 2015, the City has recorded a liability in the Employee Benefits Internal Service Fund of $138.1 million based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, Accounting for Compensated Absences (GASB 16). The liability takes into account an estimate of future usage, additional leave accumulation, and wage increases for both current retirees and active employees, an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996 and 2009 negotiated public safety health benefit supplements as described below:

Other Postemployment Benefits

As of September 30, 2015, the City has also recorded a liability in the Employee Benefits Internal Service Fund of $72.2 million based on an actuarial study of the "implicit subsidy" as defined by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). While the City does not directly contribute any funding toward the cost of premiums for retirees, the ability to obtain coverage at an active employee's rate constitutes an economic benefit to the retirees. The inclusion of the retirees in the City's healthcare benefit plans increases the overall health plan rates. The economic benefit is defined as an "implicit subsidy" under GASB 45.

The ability to participate in the City's plan by self-paying the premiums extends for the lifetime of the retiree. However, upon attaining the age of Medicare eligibility, the retiree may enter a plan coordinated by Medicare. Standard actuarial practice assumes that Medicare supplemental plans do not generally give rise to an implicit subsidy, and while the City has included Medicare eligible retirees in this valuation, their liability under GASB 45 and their implicit subsidy are both $0. This plan does not issue a separate financial report.

Funding Policy

The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. As of September 30, 2015, the City has not prefunded the plan.

Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the ARC, an amount that is actuarially determined in accordance with the requirements of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (in thousands):

Annual required contribution	$	21,233
Interest on net OPEB obligation		2,384
Adjustment to annual required contribution		(4,398)
Annual OPEB cost		19,219
Contribution made		(6,218)
Increase in net OPEB obligation		13,001
Net OPEB obligation – beginning of year		59,207
Net OPEB obligation – end of year	$	72,208

The ARC was determined as part of the September 2015 actuarial valuation. For the year ended September 30, 2015, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Fiscal year ended		OPEB cost annual	Percentage of annual OPEB cost contributed		Obligation net OPEB
September 30, 2013	$	14,437	32.6%	$	45,242
September 30, 2014		19,161	27.1		59,207
September 30, 2015		19,219	32.4		72,208

Funded Status and Funding Progress

The funded status of the plan as of September 30, 2015 as follows (in thousands):

Actuarial accrued liability (AAL)	$	153,386
Actuarial value of plan assets		—
Unfunded actuarial accrued liability (UAAL)	$	153,386
Funded ratio (actuarial value of plan assets/AAL)		—%
Covered payroll	$	357,543
UAAL as a percentage of covered payroll		42.9%
ARC as a percentage of covered payroll		5.9

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The September 30, 2015 actuarial valuation used the Entry Age Normal Cost method. The actuarial assumptions included a 4.25% investment rate of return (net of administrative expenses), an annual healthcare trend rate that begins at 7.5% for nonMedicare plans and 7.8% for Medicare plans with both decreasing to 5.0% for all plans by September 30, 2021, and an inflation assumption of 3.0%. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level amount over the participants' working lifetime. The actuarial value of plan assets was $0. The plan's unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over 30 years.

(b) Deferred Compensation Plan

The City offers its employees the option to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457 allowing them to defer or postpone receipt of income. Amounts deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee. Further information regarding the City's deferred compensation plan may be found in the City's Comprehensive Annual Financial Report for the years ended September 30, 2015.

(11) Operating Leases

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

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

Property under lease at September 30, 2015 consisted of the following (expressed in thousands):

Land	$	469,129
Docks and wharves		649,354
Warehouses and sheds		24,244
Cranes and shiploaders		67,456
Buildings and other facilities		798,131
Infrastructure		1,342,606
Historical cost of leased property		3,350,920
Less accumulated depreciation		(1,399,540)
Book value of leased property	$	1,951,380

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

2016	$	311,547
2017		330,634
2018		329,747
2019		329,835
2020		324,434
2021–2025		1,273,258
2026–2030		634,183
2031–2035		273,892
2036 and thereafter		864,454
Total	$	4,671,984

(12) Investment in Joint Venture

Intermodal Container Transfer Facility Joint Powers Authority (ICTF)

The Department and the Harbor Department of the City of Los Angeles (the Ventures) entered into a joint venture agreement to form ICTF for the purposes of financing and constructing an intermodal container transfer facility (the Facility) to transfer cargo containers between trucks and railroad cars. The Facility has been leased to Southern Pacific, now merged with Union Pacific (the Tenant). The Facility was developed by the Tenant who assumed operational responsibility for the Facility. The Ventures' share net income and equity distributions from ICTF equally. The Department's share of the ICTF's net position at September 30, 2015 totaled $5.7 million. Separate ICTF financial statements for the year ended June 30, 2015 can be obtained from the Department.

(13) 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 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 did not need to report a litigation claim liability for fiscal year, 2015.

Contract commitments and purchase orders for which materials or services were not received at September 30, 2015 aggregated $96.9 million.

(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 $1.3 billion. The coverage also includes terrorism exposure. The Department also carries two Builder's Risk insurance programs, which cover property under construction in the Port. One policy, specific to the construction of the Gerald Desmond Bridge replacement, has an overall policy limit of $781.1 million that includes an earthquake limit of $65.0 million. The second policy is a master builder's risk insurance program that covers all other Port of Long Beach construction projects currently underway. The coverage limit for each construction project in this program is equivalent to the contract's contract price. The maximum per project coverage, without express underwriter approval, is $125.0 million, exclusive of earthquake coverage.

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 $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.

Following is a summary of insurance coverage for the Department (in thousands):

		2015
Insurance coverage for fire and other risks	$	1,323,435
Builder's risk for Gerald Desmond Bridge project		781,122
Builder's risk for other projects		125,000
Comprehensive general liability		150,000
Self-insured retention		1,000

Port tenants, contractors, and vendors are required 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 the City, its Board of Harbor Commissioners, and the Department's officers and employees as additional insured.

The Department participates in the City's self-insured workers' compensation program. During fiscal years 2015, it made payments to the City's Insurance Fund totaling $1.9 million, for permanent and temporary Department employees. Amounts in the City's Insurance Fund are accumulated to meet losses as they arise.

(b) Potential Obligations Related to the Alameda Corridor Transportation Authority

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 Port of Los Angeles. Revenues generated by use fees and container charges, paid by the railroads, will be used to pay debt service on ACTA financing, to establish and maintain bond repayment and reserve funds, to establish and replenish a reserve account, and to pay ACTA's reasonable expenses relating to administration of the rail corridor.

To the extent that the revenues from use and container charges are not sufficient to meet ACTA's obligations, the Department and the Port of Los Angeles 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 Port of Los Angeles each responsible for one-half or 20% of the total amount due in such calendar year.

Prior to April 1 of each year, ACTA is required to provide a Notice of Estimated Shortfall Advances and Reserve Account Funding (the Notice); estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. It is anticipated that there will be differences between estimates and actual results; the differences may be material. The most recent Notice date March 20, 2015 indicates that there is no projected shortfall for ACTA's fiscal year ending June 30, 2016. Any Shortfall Advance made by the Department and the Port of Los Angeles is reimbursable, with interest, by ACTA.

In 2011 and 2012 the Department funded Shortfall Advances of $2.95 million each year. The balance reimbursable by ACTA of $5.9 million for the previously paid Shortfall Advances remained unchanged as of September 30, 2015. ACTA was considering restructuring portions of its debt, though no specific plan has been adopted yet at the end of fiscal year 2015.

(c) Gerald Desmond Bridge Replacement Project

The Gerald Desmond Bridge Replacement Project consists of replacing the existing four-lane Gerald Desmond Bridge, which spans the Port's Main Channel, with a new six-lane bridge. Currently, the Gerald Desmond Bridge is only two lanes in each direction with no shoulder and, depending on tide conditions, is too low to accommodate passage of the largest ships. The new bridge is being built with a cable-stayed design under a design-build contract and will feature three lanes in each direction for improved traffic flow, emergency lanes on both the inner and outer shoulders in each direction to reduce traffic delays and safety hazards from accidents and vehicle breakdowns, a 200-foot vertical clearance to accommodate the world's largest vessels, a reduction in the bridge's steep grades, and a bicycle/pedestrian path with scenic overlooks. Additional improvements include reconstruction of the Terminal Island East Interchange and a new interchange with the 710 Freeway. Construction of the new bridge began in 2014 and is expected to be completed by the end of 2018.

The bridge budget is $1.467 billion and is a joint effort between Caltrans and the Department. The Department anticipates that funding of the project will come from numerous sources, including, Federal and State grants, and state sources, but local matching funds will also be required.

Commitments from these funding sources total $846.2 million and are available as reimbursement for expenditures on the bridge project. As these expenditures are incurred, amounts eligible for reimbursement from the funding sources are recognized as capital grant revenues in the accompanying statement of revenues, expenses, and change in net position. As of September 30, 2015, the Department has incurred approximately $718.4 million in costs to construct the replacement bridge with an increase of $147.1 million from September 30, 2014. Of this total amount, approximately $436.7 million has been recognized as capital grant revenue from inception, with $72.7 million reported as part of due from other governmental agencies on the statement of net position as of September 30, 2015.

Upon completion of the Gerald Desmond Bridge Replacement Project, the agreement with Caltrans provides for transfer of ownership of the new bridge to Caltrans assuming all conditions of the agreement are met. Additionally, the Department has agreed to pay Caltrans all operation and maintenance costs with respect to the new bridge for a 30-year period commencing on the date ownership of the new bridge is transferred to Caltrans.

(14) Transfers to the City Tidelands Operating Fund

The City Council, by authority of City Charter Chapter XII, Section 1209 (c)(4) as amended, and with the approval of the Board of Harbor Commissioners (the Board), adopted a resolution to transfer 5% of the Department's operating revenue to the City's Tidelands Operating Fund. The Department accrued $17.77 million as transfers during fiscal year 2015 to the City Tidelands Fund to be paid in fiscal year 2016.

(15) Environmental Mitigation Credits

The Department disbursed $39.4 million in fiscal year 1997 to secure environmental mitigation credits that would allow the Department to complete projects within its complex. The cost incurred in the acquisition of the environmental credits has been classified as a noncurrent asset. The balance of environmental mitigation credits will be adjusted in the future as landfill credits are used for Port development.

Subsequently, an agreement between the Department, the Port of Los Angeles, and several federal and state regulatory agencies provided for the Department's purchase of land located within the wetlands restoration project at the Bolsa Chica Wetlands in Orange County, California. The 38 acres land was purchased for an additional $11.4 million and transferred to the state in return for environmental mitigation credits to allow for the construction of landfill in the outer harbor area.

The Department has utilized $9.6 million of environmental credits for completed capital projects within the port boundaries to date utilizing $2,073,933 in fiscal year 2015. While no further acquisition of environmental credits or utilization of credits has occurred, some existing credits will be used in completing the Middle Harbor project that is underway and projected for completion in fiscal year 2019; other credits will be used in future projects.

(16) Clean Air Action Plan (CAAP)

In 2006, the Long Beach Board of Harbor Commissioners adopted the Green Port Policy, a commitment to reduce the Port's impact on the environment and the community. In 2006, the Long Beach and Los Angeles Boards of Harbor Commissioners approved the San Pedro Bay Clean Air Action Plan (CAAP), which has led to major air-quality successes at both Ports. Diesel particulate matter, nitrogen oxides and sulfur oxides have been reduced by 81% from 2005 levels, based on 2013 emissions studies. The Plan includes the landmark Clean Truck Program (CTP), a successful changeover to a low emission truck fleet; the Green Flag Vessel Speed Reduction Program to reduce air pollution emissions from ships; the building of shore power facilities allowing ships to shut down diesel-fueled auxiliary engines and plug into electric power while at-berth known as cold-ironing and the use of the world's first diesel-electric hybrid tugboats. CAAP revenue is generated predominately from fees paid by drayage truck operators in order to register their trucks and gain access to port terminals. CAAP expenses relate primarily to CTP lease subsidies for certain truck operators, as well the CAAP related administrative costs. The diesel and alternative fuel/LNG trucks financed through CTP 7-year lease subsidy program will come to the end of lease in 2016.

(17) Deferred Outflows/Inflows of Resources

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

The schedule of deferrals as of September 30, 2015 (expressed in thousands):

Deferred outflows of resources:		
Loss on debt refunding	$	5,459
Difference of expected and actual investment for pension plan investment		15,047
Pension contribution between measurement date and valuation date		1,762
Deferred inflows of resources:		
Gain on debt refunding	$	4,369
Pension – Change in assumptions		4,967
Pension – Change in experience		5,480

(18) Subsequent Events

The Department has evaluated subsequent events through March 28, 2016, the date the financial statements were available to be issued.

(a) Port Headquarter Building and Civic Center Project

In January 2016, the Department's Board of Harbor Commissioner's (BHC) authorized the Department to enter into a project agreement with the City of Long Beach and Plenary Edgemoor Civic Partners LLC (PECP) for the Port Headquarters Building, Shared Facilities, Shared Rooms and Shared Civic Plaza of the City of Long Beach Civic Center Project. The total approved project budget is $235.0 million, comprising PECP project completion payment of $212.9 million, project support cost of $14.4 million and the land purchase of

$8.0 million. As of December 7, 2015, the total authorized spending is $22.4 million and the expenditures incurred totaled $2.7 million.

A new Memorandum of Understanding (MOU) will establish an agreement between the Port and the City concerning ultimate ownership of the various facilities comprising the Project, the cost sharing mechanisms for the construction, maintenance and replacement cost of such improvements and the general ongoing right and obligation of each party to the other during the term of the Project Agreement. One of several provisions, regarding the condition of the Old Courthouse site, in the MOU addresses the type of risk allocations on the Project. If unknown physical conditions encountered that differ from the Project's Baseline Geotechnical Report those shall be the responsibility of the Project Company up to the first $1 million. The Port and the City will equally share the cost of the next $1 million. If costs exceed $2.0 million, the City and the Port will confer to determine whether additional costs should be covered or the project should be terminated.

After reviewing a number of alternative financing structures, the Port determined a modified Design-Build- Finance-Operate-Maintain structure is appropriate to finance this project. PECP will finance the Port project during construction. The Port Completion Payment in the amount of $212.9 million, which due at completion, is calculated based on a market driven rate (an interpolated LIBOR swap rate) as of the second week of December 2015.

The Port will acquire the land upon which Port's headquarter is located with a purchase price of \$8.0 million in early 2016. The shared facilities will be owned by the City and Port under a form of joint ownership in accordance with their respective allocation and subject to easements or other right of access of each other. At completion, the Port will make a fixed price Project Completion Payment of \$212.9 million to purchase the Port Headquarters and percentage of shared facilities and room. This payment will be financed through the issue of 20 to 30 years revenue bonds, which are not subject to Alternative Minimum Tax (AMT). The potential cost of this project could be partially offset by the sale of the Port's Interim Administrative Headquarter as well as the sale of the World Trade Center parking lot owned by the Port.

The Project Agreement establishes that the Civic Center site will be available to begin construction in June 2016 and the project completion is targeted in December 2019.

(b) City of Long Beach 2016 Series A Lease Revenue Bonds

On January 13, 2016, the City issued \$13.2 million of Lease Revenue Bonds. The Bond proceeds were issued to (a) pay for the hazardous materials abatement and demolition of the old County of Los Angeles Courthouse, (b) relocation of 3rd Street and Pacific Avenue storm drain, (c) one-time and construction costs related to the Civic Center Project, and (d) pay a portion of the costs of issuance of the Bonds. Payment for this debt begins in August of 2026.

Statistical Section

Port of
LONG BEACH
The Green Port

EXHIBIT 1

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
Statements of Net Position
Last Ten Fiscal Years
(In Millions)
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Assets and deferred outflows:										
Current	501	453	441	673	634	581	1,005	1,068	1,049	924
Other	4,474	4,229	3,612	2,931	2,858	2,883	2,403	2,336	2,339	2,299
Deferred outflows	22	10	11	13						
Total assets and deferred outflows	4,496	4,239	3,623	2,944	2,858	2,883	2,402	2,336	2,339	2,299
Liabilities and deferred inflows:										
Current	100	123	153	123	104	108	135	206	155	88
Current - restricted*	60	67	61	59	58	57	56	54	57	56
Long term	1,215	1,037	672	641	678	751	791	841	1,033	1,097
Deferred inflows	15	3								
Total liabilities and deferred inflows	1,390	1,230	886	823	840	916	982	1,101	1,245	1,241
Net Position										
Net investment in capital assets	3,077	2,975	2,848	2,105	1,916	1,859	1,487	1,440	1,269	1,097
Restricted	265	199	62	157	178	208	197	153	208	300
Unrestricted	267	289	269	531	558	481	744	710	666	584
Total Net Position	3,609	3,463	3,179	2,793	2,652	2,548	2,428	2,303	2,143	1,981
Working capital	401	330	288	550	530	473	871	862	894	836
Current ratio	3.1	2.4	2.1	3.7	3.9	3.5	5.3	4.1	4.9	6.4
Debt to asset ratio	30.9%	29.0%	24.5%	28.0%	29.4%	31.8%	40.9%	47.1%	53.2%	54.0%

*Current liabilities payable from restricted assets.

Source: Finance Division, Harbor Department.

See accompanying independent auditors’ report.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

EXHIBIT 2

Changes in Fund Net Position
Last 10 Fiscal Years
(In Millions)
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating revenue	355	357	346	334	345	321	312	359	371	353
Operating expense	271	227	188	176	166	185	184	196	180	161
Income from operations	$ 84	$ 130	$ 158	$ 158	$ 179	$ 136	$ 128	$ 163	$ 191	$ 192
Other income/(expense)	$ 39	$ (12)	$ (4)	$ (16)	$ (50)	$ (13)	$ (15)	$ (24)	$ (68)	$ (54)
	-	-								
Capital grants	121	178	251	14	7	19	11	4	10	2
Investment earnings	4	7	1	3	5	8	19	33	43	28
Transfers to City Tidelands Fund	(18)	(18)	(17)	(17)	(37)	(30)	(19)	(16)	(15)	(14)
Change in net position	$ 230	$ 284	$ 390	$ 142	$ 104	$ 121	$ 124	$ 160	$ 161	$ 153
Return on investment	7.4%	9.4%	14.2%	6.7%	5.2%	6.2%	8.7%	13.0%	14.7%	14.5%
Capital expenditures (Includes personnel costs)	$ 363	$ 552	$ 792	$ 373	$ 228	$ 273	$ 189	$ 92	$ 171	$ 92
Personnel: Wages and benefits *	$ 55	$ 48	$ 45	$ 43	$ 42	$ 41	$ 39	$ 34	$ 29	$ 26

* from operations

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

EXHIBIT 3

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
Operating Revenue by Type
Last Ten Fiscal Years
(in Millions)
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Berth and special facilities										
Wharfage	$ 313	$ 308	$ 297	$ 268	$ 280	$ 257	$ 243	$ 289	$ 298	$ 283
Dockage	11	11	12	12	12	11	13	14	16	18
Bunkers	-	1	1	1	2	2	2	2	2	2
Special facilities rentals	16	14	12	28	23	21	20	22	22	21
Crane rentals	2	13	13	13	13	13	13	13	13	13
Other	1	1	1	-	-	-	-	-	-	-
Total berths and special facilities	$ 343	$ 348	$ 336	$ 322	$ 330	$ 304	$ 291	$ 340	$ 351	$ 337
Rental properties	$ 10	$ 9	$ 9	$ 10	$ 14	$ 14	$ 16	$ 14	$ 15	$ 11
Miscellaneous	2	1	1	2	2	3	4	4	4	4
Total operating revenue	$ 354	$ 358	$ 346	$ 334	$ 346	$ 320	$ 311	$ 358	$ 370	$ 352
Growth (reduction) %	(1.1)	3.4	3.6	(3.5)	7.4	3.3	(13.1)	(3.2)	5.1	7.0
Special facility revenue by terminal commodity:										
Containers	$ 270	$ 280	$ 268	$ 256	$ 267	$ 247	$ 233	$ 280	$ 290	$ 275
Liquid bulk	17	16	17	17	16	17	18	18	19	18
Dry bulk	29	26	26	24	22	19	20	18	18	20
Vehicles	14	13	12	13	10	10	10	10	11	11
Steel	8	8	8	8	8	6	7	9	9	9
Lumber	1	1	1	1	1	1	1	1	1	1
Miscellaneous	3	3	3	3	1	4	2	5	5	3
Total special facility revenue	$ 342	$ 347	$ 335	$ 322	$ 327	$ 303	$ 291	$ 340	$ 353	$ 337

Source: Finance Division, Harbor Department.

See accompanying independent auditors' report.

EXHIBIT 4

The Harbor Department of the City of Long Beach
Revenue Bonds Debt Service Coverage
Last Ten Fiscal Years
(Millions of Dollars)
(Unaudited)

Fiscal year	Revenues (a)	Maintenance costs (b)	Net revenues (a - b)	Revenue bonds debt service	Times debt service covered
2015	359	134	225	80	2.81
2014	360	108	252	81	3.11
2013	349	98	251	81	3.10
2012	337	87	250	80	3.13
2011	350	81	269	80	3.36
2010	330	98	232	82	2.83
2009	330	98	232	82	2.83
2008	393	116	277	93	2.98
2007	414	97	317	91	3.48
2006	382	76	306	98	3.12
			Average ten years coverage		3.08
			Revenue bond covenant rate		1.25
			Additional bonds covenant		1.25

(a) Total port operating revenue and interest earned only.
(b) Port operating expenses net of depreciation and amortization.

Source: Finance Division, Harbor Department.

See accompanying independent auditors’ report.

EXHIBIT 5

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
Tonnage Summary
(Thousands of Metric Revenue Tons)
Last Ten Fiscal Years
(Unaudited)

	Inbound tonnage			Outbound tonnage			POLB
Fiscal year	Municipal	Private *	Total	Municipal	Bunkers	Total	Total
2015	124,525	-	124,525	38,436	1,313	39,749	164,274
2014	122,244	-	122,244	42,415	867	43,282	165,526
2013	119,504	-	119,504	41,910	843	42,753	162,257
2012	107,283	-	107,283	36,947	914	37,861	145,144
2011	112,962	192	113,154	39,717	1,546	41,263	154,417
2010	108,278	209	108,487	36,667	2,412	39,079	147,566
2009	99,835	233	100,068	33,077	2,110	35,187	135,255
2008	118,563	654	119,217	41,605	2,088	43,693	162,910
2007	132,923	362	133,285	37,292	2,460	39,752	173,037
2006	132,091	402	132,493	33,298	2,625	35,923	168,416
Average annual growth	0.5%		0.4%	2.2%	-0.6%	1.9%	0.7%

Metric revenue ton= 1 metric ton or 1 cubic meter; whichever is the basis for tariff assessment.

* Private berth information is no longer available. Revenues from private berth leases are revenues 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

EXHIBIT 6

Tonnage by Commodity Group and Vessel Calls
Last Ten Fiscal Years
(Thousands of Metric Revenue Tons)
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Total	Average annual growth
Containerized												
In	95,798	94,310	91,047	77,910	83,482	79,058	69,354	88,398	99,523	96,416	875,296	5.9%
Out	29,307	31,262	30,525	27,584	29,623	28,251	24,800	33,234	28,293	25,449	288,328	7.8%
Other breakbulk												
In	1,039	1,002	854	917	752	814	869	1,570	1,931	2,142	11,890	-5.5%
Out	101	92	108	98	827	613	644	619	743	789	4,634	-6.9%
Liquid bulk												
In	27,479	26,696	27,398	28,197	28,585	28,138	29,139	27,782	29,536	30,362	283,312	-0.6%
Out	3,521	2,995	3,197	2,466	3,239	4,151	3,800	3,924	5,064	4,223	36,580	4.0%
Dry bulk												
In	209	235	259	259	333	393	653	1,458	2,230	3,476	9,505	-14.1%
Out	6,820	8,934	8,869	7,713	7,576	6,148	5,996	5,925	5,717	5,559	69,257	7.9%
Total												
In	124,525	122,243	119,558	107,283	113,152	108,403	100,015	119,208	133,220	132,396	1,180,003	6.7%
Out	39,749	43,283	42,699	37,861	41,265	39,163	35,240	43,702	39,817	36,020	398,799	4.2%
Vessel calls*	2,676	2,752	3,425	3,993	4,758	4,826	4,933	5,140	5,653	5,588	43,744	
Annual growth / decline	-2.76%	-19.65%	-14.22%	-16.08%	-1.41%	-2.17%	-4.03%	-9.07%	1.16%	4.86%		
TEU's	7,088	6,818	6,648	5,857	6,298	5,936	5,282	6,737	7,362	7,167	65,193	
TEU annual growth / decline	3.96%	2.56%	13.51%	-7.00%	6.10%	12.38%	-21.60%	-8.49%	2.72%	7.89%		

* Beginning in FY2014 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.

Source: Finance Division - Harbor Department.

See accompanying independent auditors' report.

EXHIBIT 7

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Metric Revenue Tons and Container Counts

Last Ten Fiscal Years

(000's)

(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Municipal berths [1]										
Foreign	98,464	104,245	101,027	91,490	96,908	91,335	82,621	103,777	116,834	114,724
Coastwise/intercoastal	26,061	17,998	18,477	15,793	16,054	16,733	17,214	14,785	16,088	17,368
Total inbound cargo	124,525	122,243	119,504	107,283	112,962	108,068	99,835	118,562	132,922	132,092
Outbound cargo										
Foreign	33,592	37,067	36,769	33,278	36,210	33,340	29,557	37,529	32,233	28,648
Coastwise/intercoastal	4,843	5,348	5,141	3,270	3,507	3,536	3,519	4,075	5,060	4,650
Bunkers	1,313	867	843	1,311	1,546	2,412	2,110	2,088	2,460	2,625
Total outbound cargo	39,748	43,282	42,753	37,859	41,263	39,288	35,186	43,692	39,753	35,923
Total municipal cargo	164,273	165,525	162,257	145,142	154,225	147,356	135,021	162,254	172,675	168,015
Private berths [1]										
Inbound	-	-	-	-	192	209	233	654	362	402
Outbound	-	-	-	-	-	-	-	-	-	-
Total private cargo	-	-	-	-	192	209	233	654	362	402
Grand total	164,273	165,525	162,257	145,142	154,417	147,565	135,254	162,908	173,037	168,417
Container count summary (000's) [2]										
Loaded inbound TEUs	3,596	3,523	3,420	2,932	3,139	2,982	2,612	3,338	3,742	3,639
Loaded outbound TEUs	1,528	1,664	1,671	1,491	1,582	1,485	1,332	1,782	1,472	1,277
Total loaded	5,124	5,187	5,091	4,423	4,721	4,467	3,944	5,120	5,214	4,916
Full containers annual growth	-1.2%	1.9%	15.1%	-6.3%	5.7%	13.3%	-23.0%	-1.8%	6.1%	8.9%
Total empty	1,964	1,631	1,557	1,434	1,577	1,469	1,338	1,617	2,148	2,251
Empty containers annual growth	20.4%	4.8%	8.6%	-9.1%	7.3%	9.8%	-17.2%	-24.7%	-4.6%	5.7%
Total TEUs	**7,088**	**6,818**	**6,648**	**5,857**	**6,298**	**5,936**	**5,282**	**6,737**	**7,362**	**7,167**
Annual growth	4.0%	2.6%	13.5%	-7.0%	6.1%	12.4%	-21.6%	-8.5%	2.7%	7.9%

[1] Metric revenue tons is equal to either 1,000 kilograms or one cubic meter.

[2] A TEU represents a twenty-foot equivalent unit.

Source: Finance Division - Harbor Department.

See accompanying independent auditors' report.

EXHIBIT 8

The Harbor Department of the City of Long Beach
Principal Customers
(Unaudited)

Port's largest customers	Effective Date	Expiration Date
CEMEX Construction Materials Pacific, LLC - CEMEX USA	09/1981	08/2021
Chemoil Corporation	07/2010	06/2025
Crescent Terminals, Inc.	07/2000	Month-to-Month
Crescent Warehouse	11/2009	Month-to-Month
CSA Equipment	02/2013	02/2023
Energia Logistics Ltd.	01/2013	Month-to-Month
International Transportation Service, Inc.	09/2006	08/2026
Jacobsen Pilot Service, Inc.	08/1982	07/2017
Koch Carbon, Inc.	01/1988	12/2027
OOCL, LLC - Long Beach Container Terminal, LLC	07/2011	09/2051
Metropolitan Stevedore Company	09/2014	09/2034
MCC Terminal, Inc - Mitsubishi Cement Corporation	06/1989	06/2022
Oxbow Carbon & Minerals, LLC	09/2014	09/2029
Pacific Maritime Services - Pacific Container Terminal	05/2002	04/2022
SA Recycling, LLC	11/1994	11/2019
SSA Terminals, LLC - SSA Terminal C60/Matson Navigation	05/2002	04/2022
SSA Terminals (Long Beach), LLC	12/2002	12/2027
Tesoro Refining & Marketing	01/1995	Month-to-Month
Tesoro Refining & Marketing Co - Tesoro Logistics LP	01/2012	01/2022
Carson Cogeneration Company - Tesoro Refining & Marketing	06/1983	05/2023
Total Terminals International, LLC	08/2002	08/2027
Toyota Logistics Services	01/2009	12/2028

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

Source: Real Estate Division, Harbor Department.

See accompanying independent auditors’ report.

EXHIBIT 9

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
Number of Employees by Division / Bureau
Last Ten Fiscal Years
(Unaudited)

	2015 [1]	2014 [2]	2013	2012	2011	2010	2009	2008	2007	2006
Executive administration	17.0	11.9	9.3	15.4	17.3	15.6	16.3	13.6	11.8	8.4
Growth / decline	42.86%	27.96%	-39.61%	-10.98%	10.90%	-4.29%	19.85%	15.25%	40.48%	-9.68%
Government affairs	4.0	4.0	4.0	4.0	3.4	3.8	3.9	3.3	2.8	2.8
Growth / decline	0.00%	0.00%	0.00%	17.65%	-10.53%	-2.56%	18.18%	17.86%	0.00%	12.00%
Finance and administration bureau										
Finance	26.0	24.5	24.9	26.0	21.2	17.9	15.5	14.2	14.4	15.2
Human resources	-	17.4	16.3	17.0	17.8	17.6	16.9	15.3	13.3	14.8
Information management	22.0	20.6	20.8	21.0	18.6	18.0	13.1	7.3	7.1	6.8
Real estate	8.0	8.8	9.0	9.0	8.0	7.3	6.1	6.7	7.1	6.9
Risk management	10.0	8.3	7.6	8.0	7.0	6.4	6.0	5.2	4.0	0.6
Subtotal bureau	66.0	79.6	78.6	81.0	72.6	67.2	57.6	48.7	45.9	44.3
Growth / decline	-17.09%	1.27%	-2.96%	11.57%	8.04%	16.67%	18.28%	6.10%	3.61%	-4.73%
Engineering bureau										
Construction management	46.0									
Design	47.0									
Maintenance	85.0									
Program delivery/surveys	25.0									
Program management	25.0									
Project controls	9.0									
Engineering design and maintenance	1									
Engineering	-	140.7	128.8	128.0	117.1	115.2	109.7	105.3	103.9	98.7
Subtotal bureau	238.0	140.7	128.8	128.0	117.1	115.2	109.7	105.3	103.9	98.7
Growth / decline	69.15%	9.24%	0.63%	9.31%	1.65%	5.01%	4.18%	1.35%	5.27%	-0.50%
Environmental affairs and planning bureau										
Environmental planning	23.0									
Transportation planning	6.0									
Master planning	6.0	31.7	30.6	31.0	30.3	28.6	25.3	21.1	19.6	16.8
Subtotal bureau	35.0	31.7	30.6	31.0	30.3	28.6	25.3	21.1	19.6	16.8
Growth / decline	10.41%	3.59%	-1.29%	2.31%	5.94%	13.04%	19.91%	7.65%	16.67%	12.75%
Commercial operations bureau										
Business development	11.0									
Communications	-	15.0	12.8	14.0	14.8	14.7	14.1	13.0	11.6	9.8
Maintenance	-	76.3	81.1	81.0	76.8	72.7	72.1	69.6	68.3	73.8
Marketing	-									
Security	80.0	68.0	71.2	76.5	69.8	63.8	58.7	50.7	47.5	47.8
Tenant services	9.0									
Trade relations	-	19.3	16.5	16.0	14.9	15.8	15.6	14.5	13.7	14.3
Subtotal bureau	100.0	178.6	181.6	187.5	176.3	167.0	160.5	147.8	141.1	145.7
Growth / decline	-44.01%	-1.65%	-3.15%	6.35%	5.57%	4.05%	8.59%	4.75%	-3.16%	1.46%
Communications bureau										
Communications	16.0									
Government relations	-									
Marketing	-									
Subtotal bureau	16.0	-	-	-	-	-	-	-	-	-
Growth / decline	n/a									
HR & Team development bureau										
Human resources	18.0									
Team development	-									
Subtotal bureau	18.0	-	-	-	-	-	-	-	-	-
Growth / decline	n/a									
Part-time / temporary	38.0	25.5	29.4	13.0	18.9	27.3	27.7	30.6	21.2	21.5
Growth / decline	49.02%	-13.27%	126.15%	-31.22%	-30.77%	-1.44%	-9.48%	44.34%	-1.40%	-1.38%
Number of employees	532.0	472.0	462.3	459.9	435.9	424.7	401.0	370.4	346.3	338.2
Growth / decline	12.71%	2.10%	0.52%	5.51%	2.64%	5.91%	8.26%	6.96%	2.40%	0.12%

[1] 2015 represents year-end count

[2] 2006-2014 represent annual average count

Source: Human Resources, Harbor Department.
See accompanying independent auditors' report.

PIER A WEST
PIER A
PIER B
PIER C
PIER D
PIER E
PIER F
PIER G
PIER H
PIER J
PIER S
PIER T
City of Long Beach
City of Los Angeles
Cerritos Channel
Turning Basin
Inner Harbor
Channel Two
Channel Three
Back Channel
East Basin
Middle Harbor
West Basin
Basin Six
Southeast Basin
Outer Harbor
Long Beach Channel (Main Channel)
Pier J Entrance Channel
Queensway Bay
Downtown Marina
Grissom
Los Angeles River
City of Long Beach Harbor Department
City of Long Beach
The Queen Mary
Cruise Terminal
Long Beach Convention Center
Aquarium of the Pacific
World Trade Center
The Pike
Port of Long Beach Map Legend
Containerized Cargo
Breakbulk / Neo-Bulk Cargo
Dry Bulk Cargo
Petroleum / Liquid Cargo
Land
Miscellaneous
Roads
Port of LONG BEACH
The Green Port

Port of
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