



Commission Approves \$881 million Port Budget Environmental programs maintained as costs reduced

May 19, 2009

The Long Beach Board of Harbor Commissioners on Monday, May 18, 2009 approved an \$881 million budget for the Port of Long Beach that reflects the sluggish state of world trade and reduced cargo revenue but maintains the Port's aggressive investment in environmental projects.

The fiscal year 2010 budget, which will cover October 2009 through September 2010, reduces Port spending by \$139 million, or 13.6 percent, from the fiscal year 2009 spending plan. Despite the reduction, the new budget includes \$369 million for capital projects to modernize terminals, cut air pollution and improve traffic flow on roads and railways.

More than \$96 million is designated for environmental programs, including \$26 million for electrification of berths so ships can plug in and shut down diesel engines.

Much of the difference between the budgets of 2008-09 and 2009-10 stems from the evolution of the Clean Trucks Program. Conceived as a mostly Port-funded enterprise, the program has turned out in this current fiscal year to be based mostly on private transactions, thanks to changes in Clean Truck Fee exemptions. The desired clean air benefits are still being achieved, but without the originally anticipated level of cash flow through the Port.

Overall, the Port has tailored the new budget in line with the economic realities of the global cargo-shipping slowdown. Already, based on the first half of the current fiscal year, the Port is expecting a 16 percent decline in operating revenue from the previous year.

"Despite the downturn, the Port's financial outlook is still strong. Thanks to years of sound fiscal management, we are able to continue to pursue the major projects that will allow this Port to modernize its facilities and

reduce its environmental impact,” said James C. Hankla, President of the Long Beach Board of Harbor Commissioners.

Environmental projects in the budget include \$26 million for shore power projects on six piers, \$5 million for the development of clean-air technology, and \$5 million for potential wetlands restoration projects at the Colorado Lagoon and Los Cerritos Wetlands. The wetlands projects are planned as partnerships with city and state agencies and local citizens groups.

Other highlights of the budget include:

- \$27 million for spending on Clean Air Action Plan projects.
- Approximately \$54 million for the first phase of construction on the 10-year Middle Harbor Redevelopment project, which will combine and modernize two aging terminals in order to double cargo capacity while cutting air pollution in half.
- \$26.4 million to develop plans for the replacement of the Gerald Desmond Bridge. The Port will also continue to seek state and federal funding for this \$1.1 billion proposed project.
- An allocation of \$16.1 million to transfer to the City of Long Beach’s Tidelands Operating Fund, which helps to pay for city beach and marina services. Pending separate approval of this transfer by the Commission, the total moved to the tidelands fund from the Port since 1995 would be \$146 million.
- Approximately \$68 million for security projects including \$20 million for security technology and communications systems and \$6 million to participate in programs to implement the Transportation Worker Identification Credential federal security system.

The Port’s largest source of funding, container terminal revenue, is expected to be \$307 million in fiscal year 2010. Given the decline in cargo shaping up throughout 2008-2009, the Port began implementing mid-year reductions, including cuts to travel, overtime and hiring.

While this budget is smaller than the previous year’s, the Port remains in strong financial condition, thanks to a healthy income, considerable cash reserves and high bond ratings.

The Port is a public entity, but it does not rely on taxes to operate. It is funded mostly by income from terminal leases and existing reserves.