2005 Budget

CITY OF LONG BEACH
HARBOR DEPARTMENT

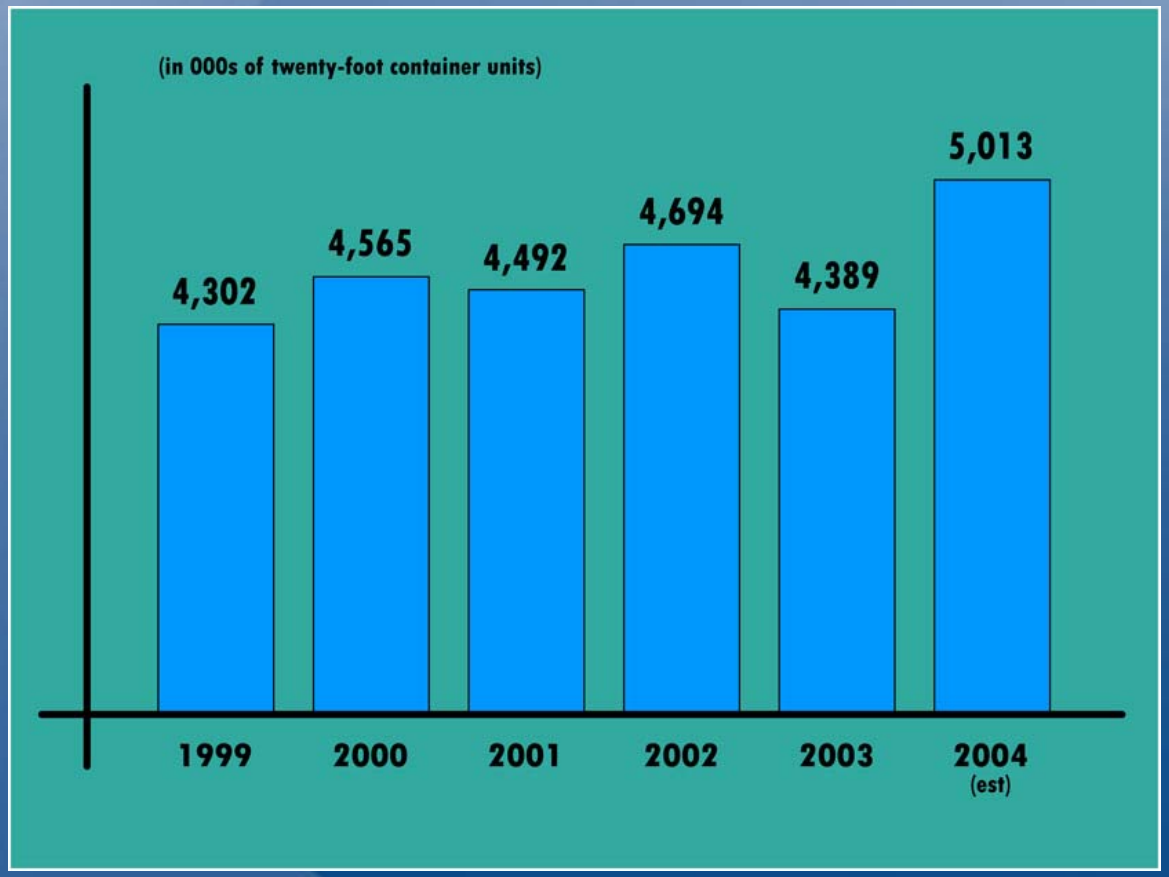
THE PORT OF LONG BEACH

Agenda

- **Current Performance**
- **Operational Highlights**
- **Budget Summary**

current performance

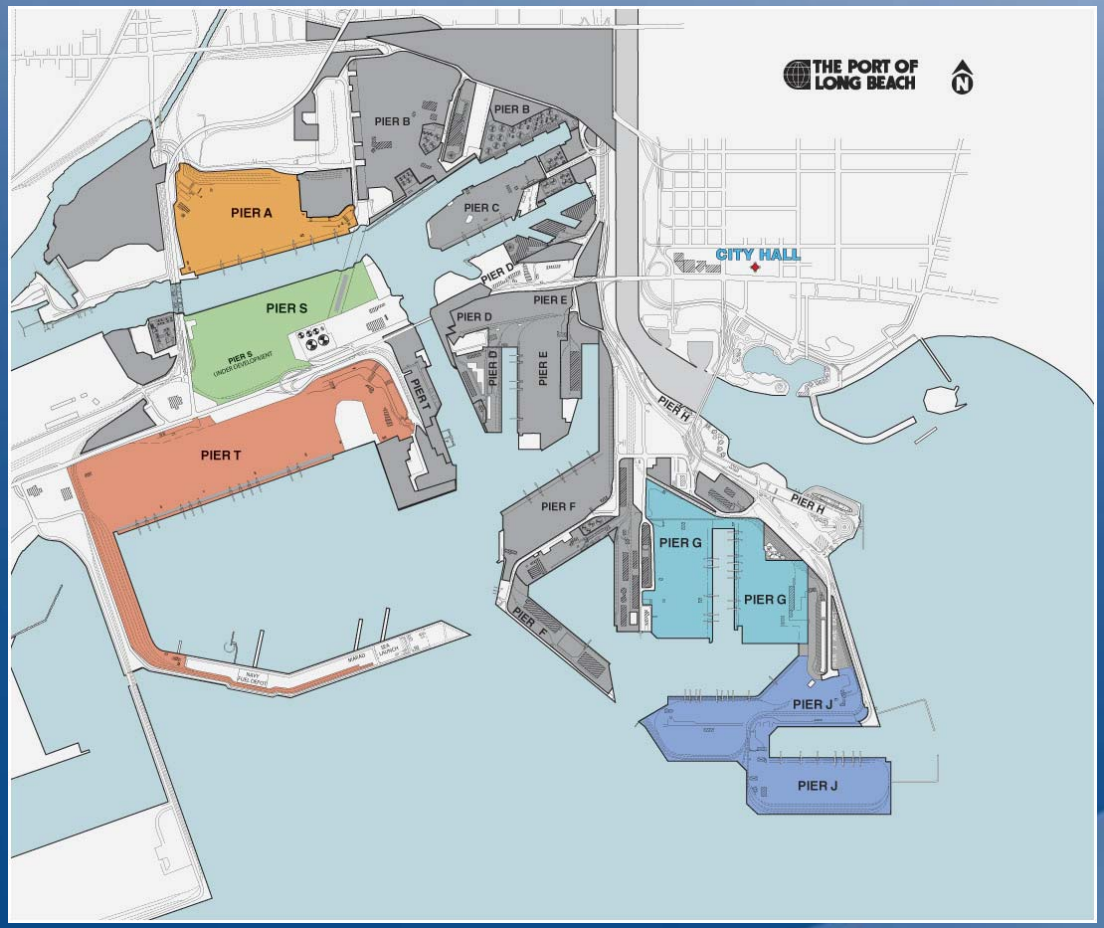
The Port has completely rebounded from the loss of a major tenant, Maersk Sealand, in August 2002. Maersk represented 25 percent of 2002 container volume.



This year, container cargo is forecasted to increase by more than 14 percent.

current performance

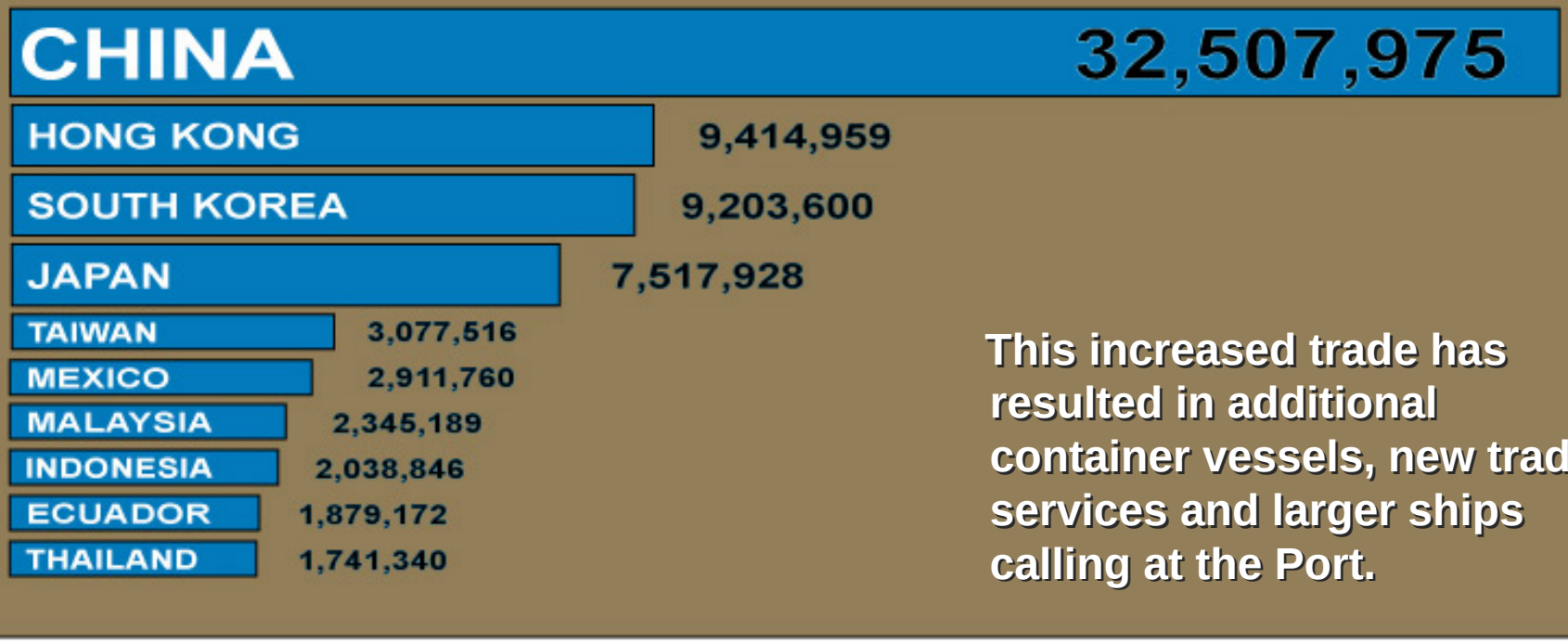
New and relocated tenants have settled in and are beginning to increase productivity at their new terminal areas.



This includes Total Terminals (Hanjin) at Pier T; SSA (MSC/ZIM Shipping) at Pier A; PCT (COSCO) at Pier J; and ITS (K-Line) at Pier G.

current performance

Consumer-driven demand for lower priced goods is driving up trans-Pacific trade, particularly with China, the Port's leading trading partner.

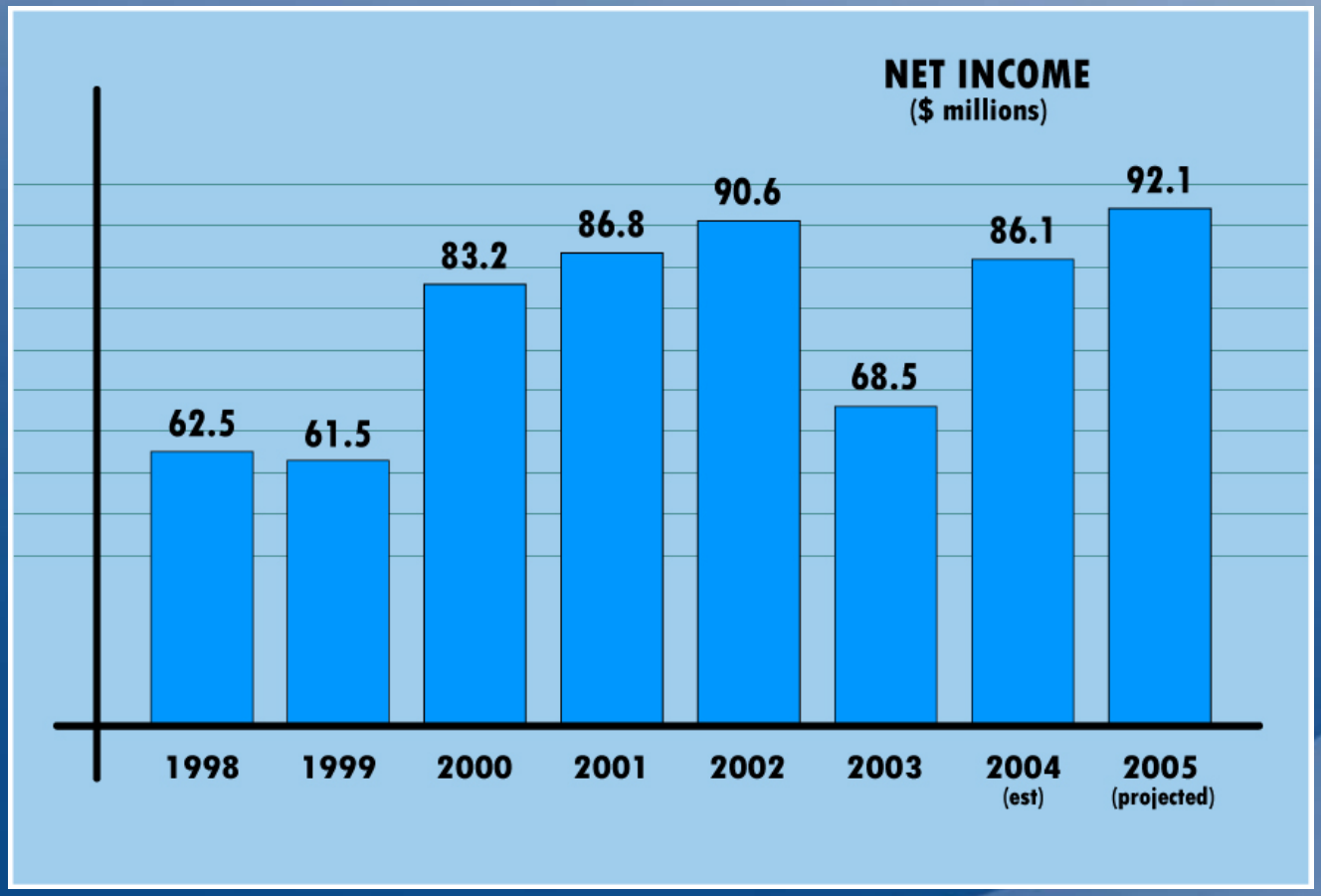


This increased trade has resulted in additional container vessels, new trade services and larger ships calling at the Port.

(in metric revenue tons; 2003 data)

current performance

Higher cargo volume has pushed up revenues. By controlling costs, this has resulted in greater net income.

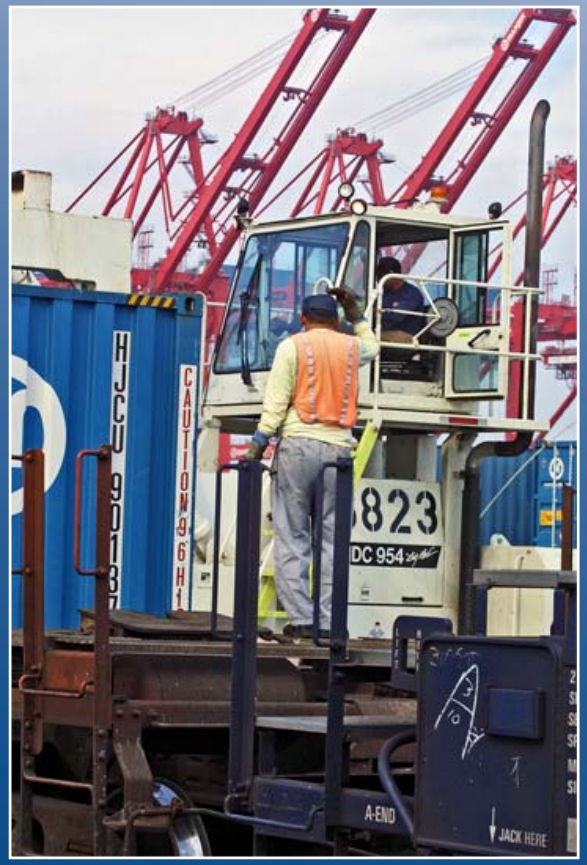


Net income is expected to grow to $86 million this year and exceed $90 million in 2005.

current performance

Expanded trade has "stressed" the entire logistics system that could impact future net income.

- Longshore labor shortage
- Rail congestion
- Trucking system
- Transportation Infrastructure



Operational Highlights

- Environmental Stewardship
- Security Leadership
- Responsible Development
- Tidelands Community Support
- City Support
- Local Economic Benefits
- Small Business Contracting Program

operational highlights

The Port remains committed to protecting and improving the environment. The proposed budget includes more than $26 million to support our Healthy Harbor Initiative and other environmental programs.

New Initiatives

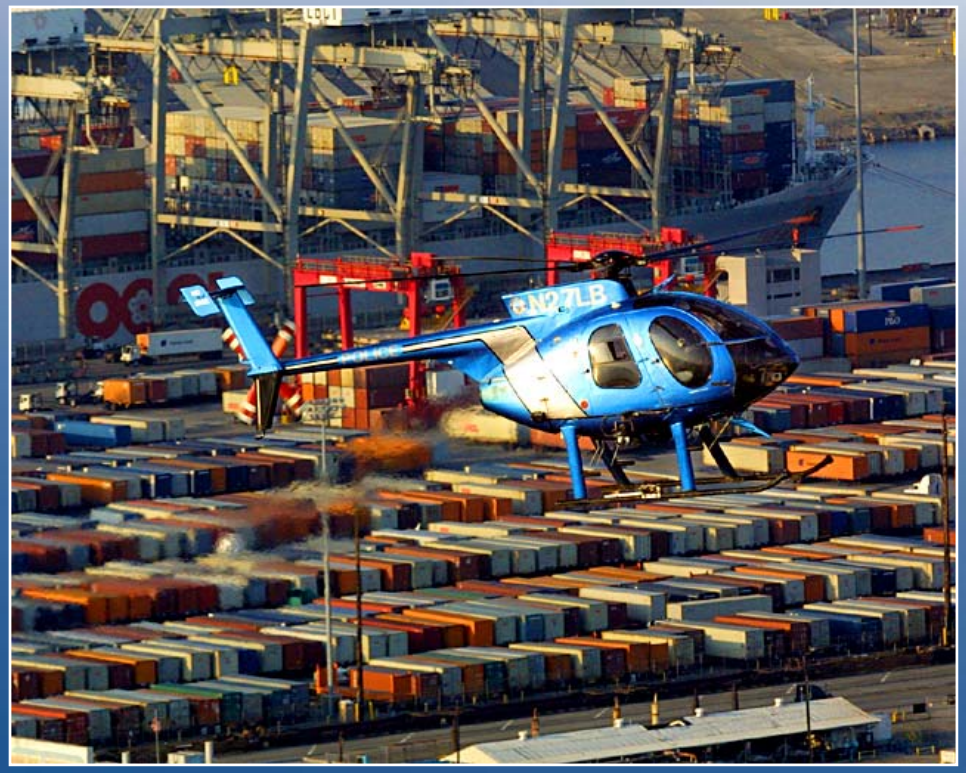
- Cold-Ironing
- Air Quality Improvement Tariff
- Pacific Harbor Line Locomotive Replacement
- Clean Diesel Fuel for Construction Equipment
- LNG Yard Hostler Demonstration Project

On-going Initiatives

- **Diesel Emission Reduction Program**
- **Petroleum Coke Fallout Reductions**
- **Vessel Speed Reduction Program**
- **Smoke Stack Emissions Program**

Security Leadership

With the assistance of almost $35 million in federal grants to date, the Port is on the leading edge of improving harbor security and meeting current challenges.



The American Association of Port Authorities estimates that $5.4 billion will be required to improve security at America's ports over the next ten years.

Security Projects

- Increased LB Police Support
- New Command and Control Center
- Video Camera Surveillance System
- Joint-Container Inspection Facility
- Transportation Worker Identification Program
- Radiation Portal Monitors
- Operation Safe Commerce

Secretary of Homeland Security, Tom Ridge, at the Port of Long Beach

Security Leadership

The Port is in the process of preparing a comprehensive 5-year security plan.

All Port tenants submitted individual security plans for their facilities by July 1, 2004 as required by the 2002 Maritime Transportation Security Act.

Responsible Development

The Port continues to invest in terminal improvements to increase efficiency, meet consumer-driven demand and provide outstanding customer service to our tenants.

Responsible Development

Development in 2005 focuses on the remediation and re-use of existing land, or "land recycling."

Major investments include the completion of Pier T, the former Naval Shipyard, and the preparation of Pier S, an old oilfield, for development.

operational highlights

In order to move cargo efficiently, the Port continues to invest in significant infrastructure improvements.

While critical, these projects are expensive and are not directly revenue-generating.

- **Gerald Desmond Bridge Replacement**
- **Ocean Blvd/Terminal Island Freeway Interchange**
- **Back Channel Navigational Improvements**
- **Pier B Rail Yard**

Responsible Development

As part of responsible development, the Budget also includes *half a million* dollars to continue our Truck Trip Reduction Program, a collaborative effort with ACTA and the Port of Los Angeles, to reduce freeway congestion in the near-term.

Strategies being evaluated include:

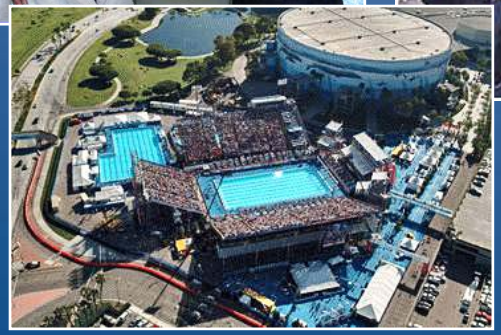
- **Implementation of Extended Gate Hours**
- **Development of a Virtual Container Yard**
- **Increased Utilization of On-Dock Rail**
- **Use of Short-Haul Rail**

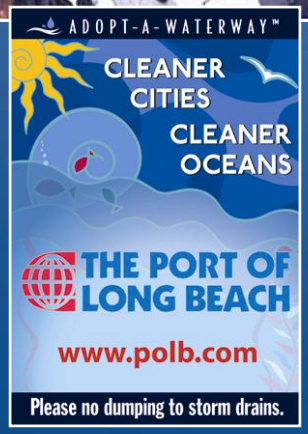
Tidelands Community Support

The Proposed budget includes $500,000 to sponsor community events, groups and outreach activities. This funding promotes the Port's maritime and commercial interests, which in turn benefits many worthwhile community-based, non-profit and other organizations.

Tidelands Community Support

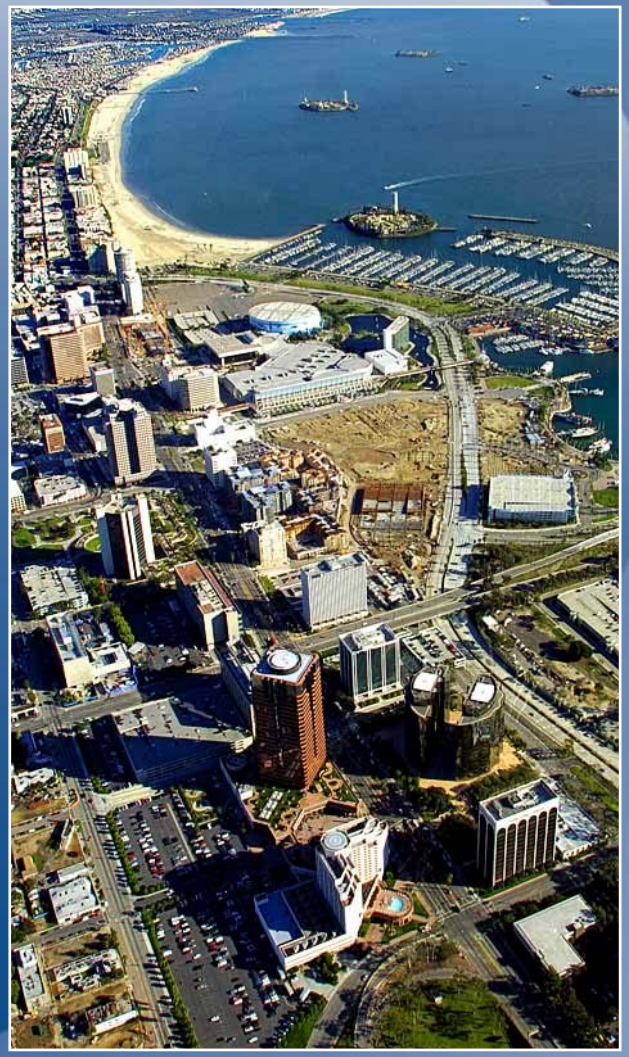
- Community Scholarships
- Educational Programs
- Community Events
- Adopt-A-Waterway Program



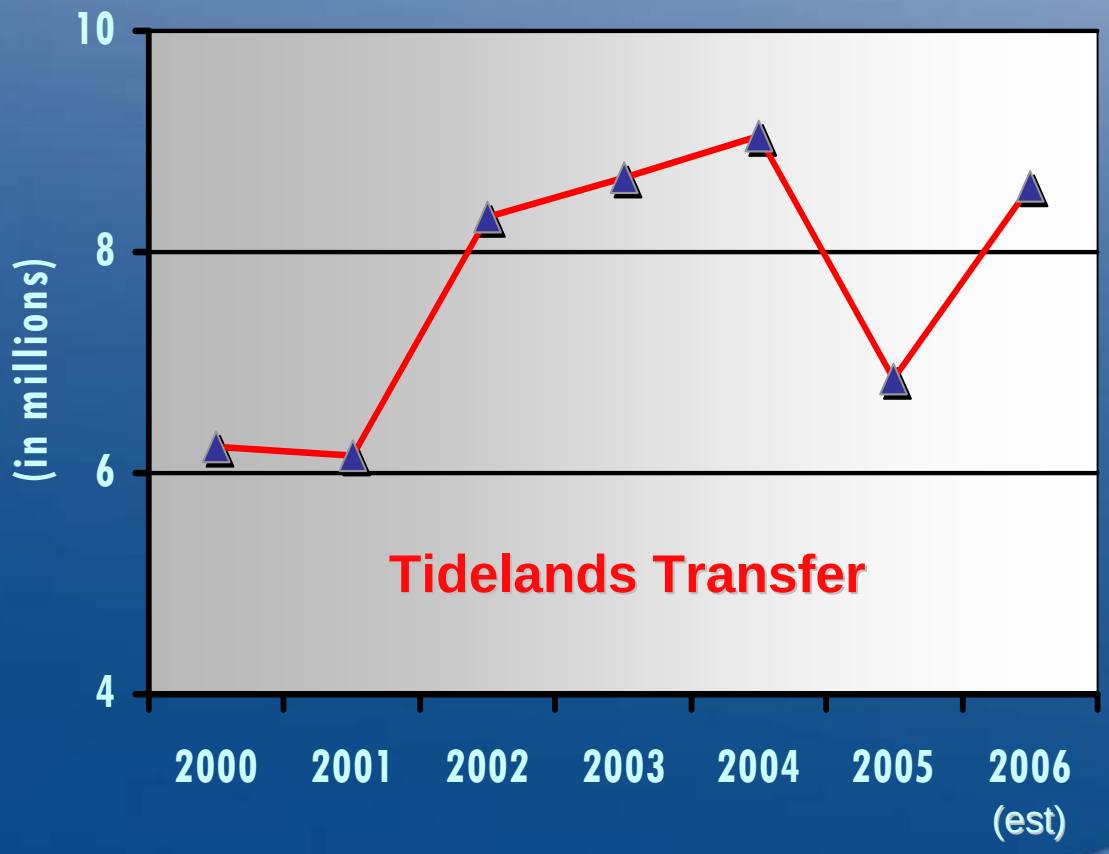


City Support

Consistent with prior years, the budget incorporates a significant allocation to the City for various support services and overhead as well as the 10 percent transfer to the City's Tidelands Fund.



City Support



More than $20 million (including 10% Tidelands Transfer) will be transferred in 2005.

In addition, the Port has agreed to defer $8.8 million in repayments owed on the $30 million Convention Center/Aquarium loan.

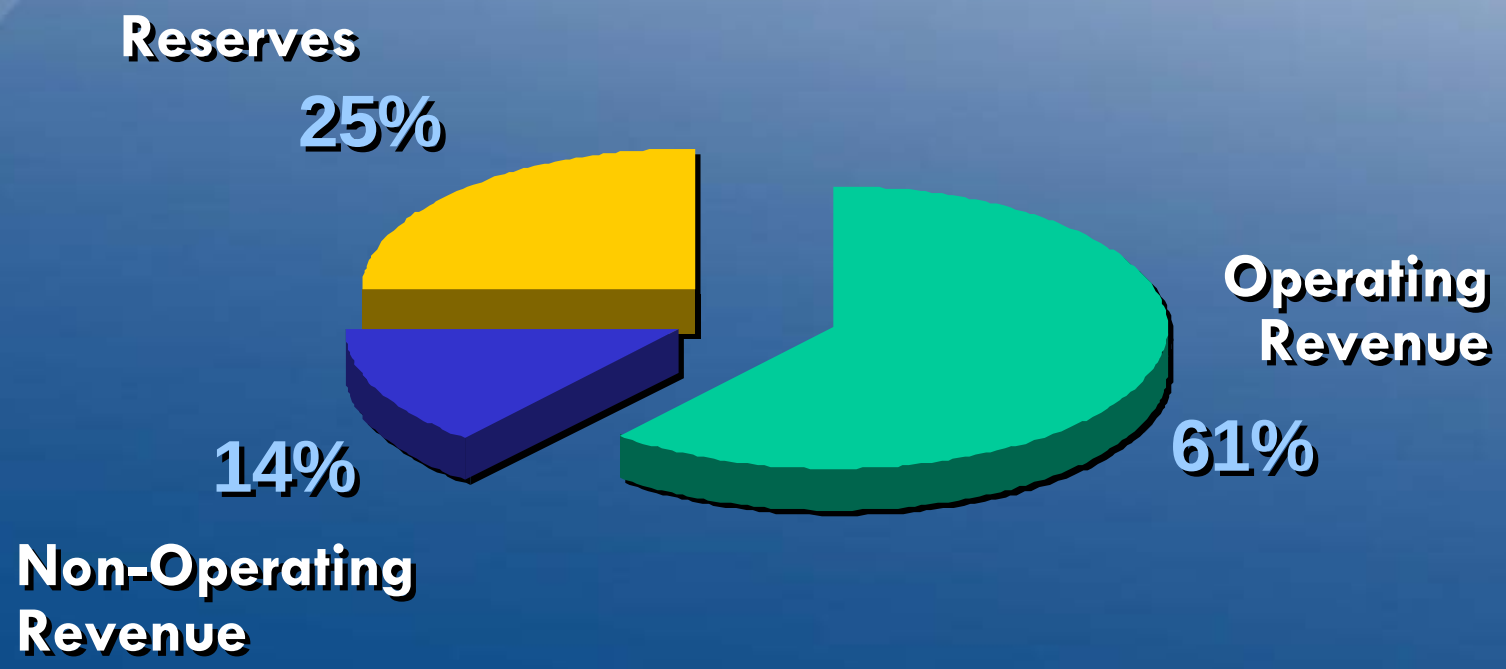
Local Economic Benefits

- **Trade-related activity supports 30,000 local and 320,000 regional jobs.**

Small Business Contracting Program

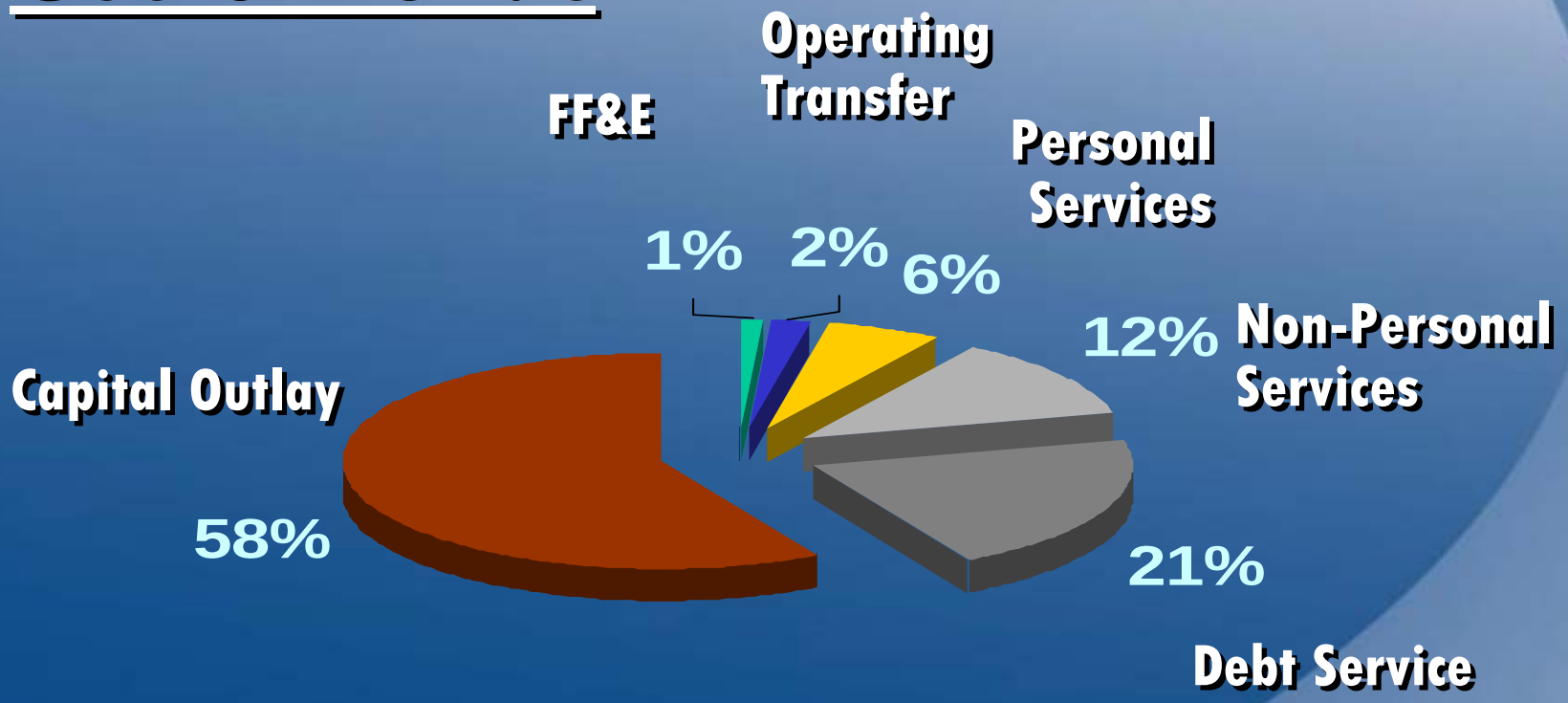
The Budget includes $200,000 to fund the development and implementation of a Small Business Contracting Program to increase the percentage of small and local businesses that are awarded Port contracts.

Source of Funds



$ 450.8 million

Use of Funds



$ 450.8 million

Financial Challenges

- **With $1.1 billion in outstanding debt (with a high credit rating), annual debt service payments total more than $95 million annually.**
- **The 2005 Budget includes no new debt, but draws down $114 million in cash accumulated funds. Additional debt may be required as early as 2006.**
- **The cost of infrastructure projects, with constraints on State and Federal funding, as well as increased Security and Environmental requirements, will drive up future costs.**

Conclusion

The Port continues in it's role as an economic engine for Long Beach and the surrounding area.

"People are hungry for a decent job."

James Spinosa
International President, ILWU
(Press-Telegram, Aug 20,2004)

Comment made in reference to more than 300,000 applications for approx. 3,000 longshore jobs .

Questions