

MEMORANDUM

Date: July 12, 2013

To: Honorable Eric Garcetti, Mayor

From: Geraldine Knatz, Executive Director, Port of Los Angeles

Attn: Ana Guerrero, Chief of Staff, Office of the Mayor

Re: General Manager Evaluation

As requested in your memo dated July 1, 2013, this memorandum details the Port of Los Angeles' mission, past achievements, and future goals and plans.

I. OVERVIEW

For the past seven years the Port has focused on cleaning the air and making dramatic changes in its operations toward the goal of restarting the Port's capital expansion program which had languished due to community resistance and environmental litigation. We set stretch goals and charged forth with programs that no one had ever tried before, learning as we went. In the end, we did what no other port or agency was able to accomplish: a 70 percent reduction in air emissions followed by approval of 6 major projects in an 18 month period. Many port employees view this period of challenges and the exhilaration of testing solutions as one of the most exciting times in their careers. Our motto was "it's impossible, it's difficult, it's done!"

We now face an equally serious but very different challenge. The business climate has changed, organic cargo growth is nominal, and competition is fierce. We are now emphasizing competitiveness and efficiency while increasing the diversity of jobs within the Port complex. We approach these new and different challenges with the same fervor. Our efforts to continuously monitor and measure our results are embodied in our new 2012-2017 Strategic Plan. In compiling this memo, we have not only drawn from that plan but we have also established new metrics for measuring progress that we believe will maintain our status as a world leader among ports in all aspects of environmental, financial and operational excellence.

II. OUR MISSION & STRATEGIC PLAN

On April 19, 2012, the Board of Harbor Commissioners approved the Port of Los Angeles' 2012-2017 Strategic Plan, which sets forth our long term Vision:

"We are America's Port – the nation's #1 container port and the global model for sustainability, security, and social responsibility."

This statement serves as a guidepost for the Port's Strategic Plan. This Plan focuses our activities on three key results areas that relate directly to the objectives of your agenda: (1) Competitive Operations, (2) Financial Strength, and (3) Strong Relationships.

- **Competitive Operations** is about meeting the increasing competitive challenges of rival ports and trade corridors by providing our customers the infrastructure they need, maximizing our use of land, and improving goods movement efficiency. We will also increase our market by cultivating international trade with growth markets and teaching more companies how to export.
- **Financial Strength** supports our competitive strategy by keeping a tight rein on operating costs, retaining our AA bond rating and maintaining a low cost of capital so each year we can advance critical port projects.
- **Strong Relationships** are critical in achieving the Port's mission. The support of our customers, the local community, and supply chain partners is the foundation for long term success. By diversifying the job clusters in the port and increasing the port's daily worker and visitor population, we strive to embed a larger constituency right in the port.

III. PAST ACHIEVEMENTS

The Port of Los Angeles has marked several notable achievements in each of our strategic focus areas since 2006:

- **Retained #1 Container Port Ranking by Attracting California United Terminals (CUT).** In 2010, we secured the business of a large new container terminal – California United Terminals (a subsidiary of Hyundai). *Impact: This new line of business brought new cargo volumes. In 2012, the Port's total cargo volume of 8.1 million twenty-foot equivalent units (TEUs) supported 117,500 direct and indirect jobs.*
- **Completed \$1.1b in Capital Development.** This includes the Main Channel Deepening Project (taking the Port's main channel to minus 53 feet), three deep water berths, and 90 new acres of terminal land. *Impact: Made us "Big Ship Ready," created 3,600 jobs through construction (2012), and facilitated greater terminal efficiency through use of new technology and improved terminal design. Under the Port's Project Labor Agreements, the Port supported a total of 1,237,360 hours of work (594 annual full-time equivalents, or FTEs), including 446,646 hours (214 FTEs) hired locally from 2007 to 2013.*
- **Reduced Port Pollution by 71% and Cleared Backlog of EIRs.** Our award-winning Clean Air Action Plan – including the Clean Truck Program – reduced pollution and lowered health risk for surrounding communities. *Impact: Diesel particulate matter (DPM) reduced 71%, nitrogen oxides (NOx) reduced 51%, and sulfur oxides (SOx) reduced 79%.*

- **Expanded grant portfolio from \$20 million to \$424 million.** The Port is currently managing \$424 million in active grants. Our 2013/14 budget includes \$121 million in operating and capital grant reimbursement (\$29 million in federal and \$92 million in state grants). *Impact: This grant funding facilitated capital improvement, port security, and environmental projects, while expanding our financial portfolio.*
- **Protected the Port with \$200 million in Port Security Improvements.** Since the events of September 11, 2001, the port has spent more than \$200 million on security improvements – over half provided by state and federal grants. The port has implemented a \$27 million threat detection system comprised of cameras, radar and other sensors that allow us to continuously monitor the port in order to detect and deter criminal activities. *Impact: the Port has doubled the size of the Port Police, built a new state-of-the-art Police Headquarters, improved its maritime law enforcement capabilities, and established the nation’s only training facility specifically designed to provide maritime training to federal, state and local law enforcement agencies (the Maritime Law Enforcement Training Center, or MLETC).*
- **Issued \$4 million in Grants under the Technology Advancement Program.** The Port implemented the Technology Advancement Program (TAP) with annual funding of \$1.5 million. These funds are used to provide grants to technologies identified as having potential to reduce emissions. *Impact: To date, 19 projects have been successfully completed and 7 projects are in progress. The TAP yielded the first all-electric drayage truck and the first hybrid tugboat.*
- **Created more than 60 acres of Public Open Space.** Completed projects include the Gaffey Street Buffer, the Fanfare Fountain & Plaza, Wilmington Waterfront Park, 22nd Street Park, Ghost Fish Plaza, and the Cabrillo Way Marina. New attractions include the Battleship IOWA, “CRAFTED at the Port of Los Angeles” marketplace and a growing roster of special events. In addition, at least another 20 acres of park and open space have been entitled for future development. *Impact: Waterfront development has attracted over 450,000 additional visitors to the new venues in the past year.*
- **Developed the Award-Winning Trade Connect Program.** This education program teaches small and medium-sized companies how to export and recently won the prestigious President’s E-Star Award. In 2013, 13 new companies that have been through the extensive Trade Connect training have begun exporting.
- **Created the Port’s Small Business (SBE) and Very Small Business Enterprise (VSBE) Program.** The Port set a goal of 25% SBE participation, including 5% VSBE participation, for all construction and professional service contract awards. *Impact: Average participation for the last 5 years: 35.8% in SBE Participation; 11% in VSBE Participation; 8.5% in minority-business enterprise (MBE) Participation; and 9.7% in women-owned business enterprise (WBE) Participation.*

- **Significantly Enhanced Student Work Opportunities.** The Port is a leader in student hiring. The Port's Student Employee Program provides part-time employment to college/university students from surrounding communities. We also created a Port Police Cadet Program, provide summer internships to university students, and employ Banning High School students via the International Trade Education Program (ITEP). *Impact: Since 2009, we have hosted 882 student employees and interns. This year alone, we are hosting 222 student employees and interns.*

IV. FUTURE GOALS AND PLANS

Consistent with the values you have articulated, the Port is poised to support your vision for the City of Los Angeles:

- **Economic development and job creation:** The Port of Los Angeles is an economic engine for the City of Los Angeles, the Southern California region, and the nation. By focusing on Competitive Operations – especially in the Port’s container business, which accounts for more than 80% of our revenue – we can maintain our role as a driver of economic growth.

Based on our latest economic impact study, the cargo moved by the Port of Los Angeles (together with the Port of Long Beach) sustains nearly 3 million jobs nationwide, including nearly 900,000 in the LA region, including direct, secondary, and port cargo-related jobs.

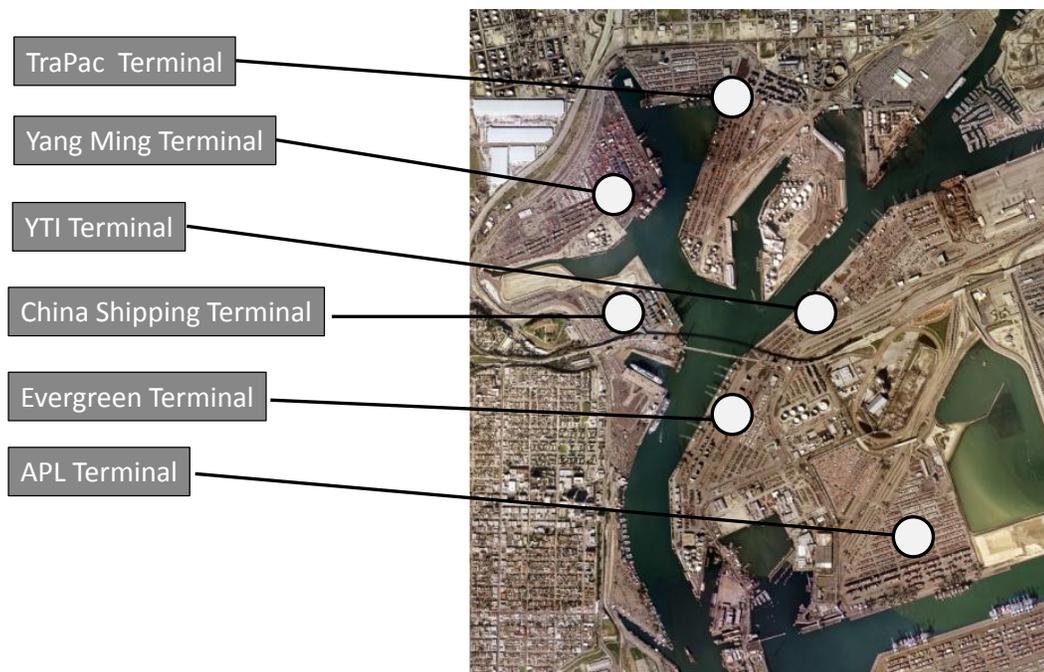
- **Increased efficiency through the use of improved technology and systems:** Maintaining our position in the face of intensifying competition requires new and innovative solutions to support Competitive Operations and Financial Strength. The Port has worked to improve the efficiency of our internal functions and controls (e.g., going paperless, implementing our enterprise resource planning system, and reorganizing our real estate division) as well as facilitate greater efficiency in the cargo handling operations of our tenants.
- **Improved customer service:** Protecting and retaining cargo market share in the face of intensifying competition will require stronger relationships with our customers and supply chain partners. Improved customer service includes a department-wide focus on easier-to-understand and streamlined processes, greater inclusion and transparency for the public and on-time delivery of projects. When we are better partners to our customers on everything big and small, we’re better positioned to compete for the long haul.
- **Creation of a sustainable and livable city:** Over the past seven years, we have proven that a strong focus on our core business complements efforts to make the City and surrounding communities more livable. This is evident in the Clean Air Action Plan, the Water Resources Action Plan, and the Harbor Community Benefit Fund. Maintaining the

Port's Competitive Operations and Financial Strength is necessary to continue to invest in and serve the community.

A. COMPETITIVE OPERATIONS/CUSTOMER SERVICE

1. **Spend 100% of Capital Improvement Program funds (CIP) allocated for critical port projects.** *Impact: On-time and on-budget delivery of critical port projects creates jobs, keeps the Port competitive, and is an indicator of an efficiently-run Capital Improvement Program. The Port will also reach out to local educational institutions, customers and labor to develop a workforce development program related to the implementation of automating container terminal operations and will also continue to support PortTechLA, a maritime technologies incubator, in bringing manufacturing jobs to the City. This year's CIP is poised to create approximately 7,000 construction jobs and create over 19,000 operational jobs in the long term based on additional terminal capacity.*

- Completion of the China Shipping Program by December 2013
- Start Construction of Yusen Terminal (YTI) improvements in 2015
- Start Construction of American Presidents Line (APL) terminal improvements in 2015
- Start Construction of Evergreen terminal improvements in 2016
- Start Construction of Yang Ming terminal improvements in 2015
- Completion of the TraPac Program in 2017



2. **Increase trade with “growth markets” by 5% per year from 2013 to 2017.** *Impact: Connecting Los Angeles with the growth markets in Brazil, Chile, Colombia, Panama, Peru, Indonesia, New Zealand, the Philippines, and Thailand ensures continued economic growth and the creation of 360 direct full time jobs.*
3. **Increase the number of Trade Connect client companies that export by 500% by 2017.** *Impact: Actively engaging small and medium size businesses with the global economy supports local economic development and job creation. From a baseline of 13 since program inception, our target is 75 businesses by 2017.*
4. **Increase energy efficiency by 25%, as measured by kilowatt-hours per twenty-foot equivalent unit (kWh/TEU) used to move a container through a terminal.** *Impact: Greater energy efficiency lowers energy cost for our customers, keeping them competitive and securing our role as an economic engine for the City and region. This will be a key metric in our new E-MAP, our Energy Management Action Plan.*
5. **Ensure the Port has the capability to handle 50% of petroleum and 25% of container cargo during natural or manmade disasters.** *Impact: This is our first-ever resiliency goal – we know of no other port with such an initiative. Making the Port resilient to natural or man-made disasters ensures that critical goods and cargo continue to flow into the City and region. Our efforts to green the port resulted in our being more reliant on electrical power. We need to be able to keep critical cargos moving despite a power outage. This goal supports the objective of making LA a more livable and sustainable city; it also ensures jobs and cargo are not permanently diverted in the event of a port shut-down.*

B. ENVIRONMENTAL LEADERSHIP

1. **Reduce greenhouse gas (GHG) emissions port-wide by 25% in 5 years with annual reporting similar to our Clean Air Action Plan (CAAP).** *Impact: Reducing GHG emissions at the Port helps combat climate change and supports efforts to make LA a more sustainable and livable city.*
2. **Achieve Clean Air Action Plan (CAAP) Update Goals.** *Impact: By meeting our “CAAP Update” goals, the Port continues to deliver on the commitment it has made to “grow green.” The CAAP remains a key mechanism by which we support a sustainable and livable city.*

- Reduce port-related emissions by 22% for oxides of nitrogen (NOx), 93% for oxides of sulfur (SOx), and 72% for diesel particulate matter (DPM) by 2014.
- Reduce port-related emissions: 59% for NOx, 92% for SOx, and 77% for DPM by 2023.
- Lower cancer risk from diesel particulate emissions by 85% in the port region and in the communities adjacent the ports by 2020.

C. ECONOMIC DEVELOPMENT

1. **Redevelop Ports O’Call Village and Deliver the Wilmington Waterfront.** We branded our waterfront developments in San Pedro and Wilmington as the “Los Angeles Waterfront.” Making the largest stretch of Los Angeles on the coast a destination makes Los Angeles a “Great Port City.” *Impact: Redeveloping Ports O’Call is the capstone in our efforts to transform the LA Waterfront into a regional visitor-serving destination. Following our successes in bringing the battleship IOWA to the waterfront, opening the CRAFTED at the Port of Los Angeles crafts marketplace and expanding the number of special events along the waterfront, including Cirque Du Soleil, the redevelopment of Ports O’Call will not only significantly increase the number of waterfront visitors, but will also generate 600 jobs associated with operations at the commercial development and hundreds of construction jobs based on the developer’s project scope.*

- Execute an agreement with the Los Angeles Waterfront Alliance and begin construction by 2015.
- Reach major benchmarks for Wilmington Waterfront Development, including adaptive re-use of the Bekins Box Building and relocation of the Catalina Freight operation to give the Wilmington community waterfront access.

2. **Deliver AltaSea at the Port of Los Angeles.** The AltaSea Marine Research Center is a transformative project that can create a new marine-oriented innovation and research-based job cluster in the Harbor Area. It also reconnects surrounding communities with the Port and the ocean, supporting efforts to create a sustainable and livable city. *Impact: The port is leveraging its investment of \$32 million into a first phase project of \$155 million project with philanthropic participation which includes a signature public building, marine research and technology laboratories and business spaces. Phase I will create 1087 construction jobs, 71 direct jobs on site along with 23 jobs at the interpretive center. In addition, for every \$1 million invested in research by the 11 universities and colleges at AltaSea, 9 direct jobs will be created. Construction of Phase II will generate over 4,100 construction jobs and approximately 90 additional operational jobs.*

- Execute an agreement with the new non-profit AltaSea by 2014.