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Eric Garcetti *Mayor, City of Los Angeles*

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Interim Executive Director

April 17, 2014

The Honorable Members of the City Council
City of Los Angeles
Room 395, City Hall
Attention: City Clerk

Subject: Council File No. 13-1501- Report to City Council on the TraPac Terminal Development Program

On November 19, 2013, the City Council requested (Transmittal 1 - Council File No. 13-1501) that the Los Angeles Harbor Department provide a report on the progress relative to the TraPac Terminal Development Program addressing the following:

- I. Specific procedural changes that will be made to rectify the issues raised in the reporting of this program to ensure that such issues do not reoccur.
- II. A study on the impacts of container terminal automation, specifically on the impacts on the port, workforce, community, etc.; and a cost/benefit analysis that takes into consideration the competitive challenges facing the port.
- III. A plan for integrating a liaison between Labor and the Harbor Department vendors.

The three actions requested by the City Council are summarized in this document and supported by the detailed transmittals attached. On April 17, 2014, the Board of Harbor Commissioners approved the recommendations in this report and its transmittals to move forward to the City Council (Transmittal 2).

I. Procedural Changes.

The Bronner Group LLC (Bronner) was selected through an expedited competitive proposal process to perform a review and provide recommendations to identify necessary "best practices" and address the City Council's requests. Bronner started its work by reviewing the existing After Action Review (Transmittal 3) along with the supporting source documents and highlighted gaps in the Harbor Department's operating framework. Bronner identified a set of "best-practices" components for organizational effectiveness that include six individual actions focused on two basic themes, 1) improved integration across the entire Harbor Department organization, and 2) strengthened risk management. The six recommended actions and their relative priorities are as noted below and are detailed in the attached Bronner report (Transmittal 4).

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1. Restructure and re-institutionalize the Harbor Department's Project Development Committee
2. Create a project lifecycle ownership structure
3. Implement independent validation and verification in project budgeting and control
4. Establish active roles in project control for finance and audit
5. Promote a culture of risk management across the Harbor Department
6. Explore opportunities to integrate and align information technology systems

The Harbor Department has implemented many of these recommendations including executive management team realignment, establishing single-point accountability of project managers, and starting implementation of Project Development Committee restructuring. The next steps are to establish and set a governance implementation steering committee (for project oversight), assign accountability and timeframe for individual key action items, and establish monitoring framework to ensure tasks are accomplished.

II. Container Terminal Automation Impacts.

The Harbor Department conducted a study on the status of container terminal automation both worldwide and in the San Pedro Bay. Staff extensively researched available studies, conducted in-house working sessions on this subject, and met with stakeholders including terminal operators and labor representatives. The full text of this study was presented and discussed at the April 3, 2014 Board meeting. Staff has further condensed and summarized this effort in the revised Container Terminal Automation Study (revised April 4, 2014) included as Transmittal 5. This report address the Council's request by including impacts on the port, workforce, community, as well as providing information related to a cost/benefit analysis.

The question of automation is new to us and new to the U. S. port industry. We need to continue to explore the issues of automation and create a forum to discuss these issues with industry participants. We will continue to explore this issue and we will keep the Council apprised.

III. Harbor Department Labor Liaison.

The Harbor Department has determined that further strengthening of relationships with labor organizations are of strategic importance for its ongoing competitiveness. Recent developments and upcoming contract negotiations indicate the need for a deliberate effort to strengthen relations with our labor stakeholders.

The Harbor Department has no direct relationship in these discussions and negotiations. Nevertheless, our enterprise is directly impacted by the outcome of these relationships and negotiations. Harbor Department staff determined that the most

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effective means to provide labor liaison capabilities would be to select a consultant to provide these services, including outreach, education, and advocacy services to the Harbor Department for a six-month period and a total amount not to exceed \$30,000. This amount covers all costs (travel and other expenses) associated with the performance of the duties defined in the attached Scope of Work. The Labor Liaison will be selected by the Executive Director with the contract term and amount falling within the Executive Director's authority limits (not to exceed one year or \$150,000).

Sincerely,



GARY LEE MOORE, P.E.
Interim Executive Director

GLM:MC:TZ

Enclosures:

1. Excerpts from Los Angeles City Council File Number 13-1501
2. Board of Harbor Commissioners Board Report (without transmittals) dated April 17, 2014 – Report to Los Angeles City Council, Trade, Commerce, and Tourism Committee, on the TraPac Terminal Development Program
3. After Action Review (AAR), revised on December 20, 2013
4. Bronner Group LLC report
5. Container Terminal Automation Study (revised 4/4/14)

cc: Trade, Commerce & Tourism Committee

Councilman LaBonge

Councilman Buscaino

Councilman Bonin

Gerry Miller, Chief Legislative Analyst

Miguel Santana, City Administrative Officer

Board of Harbor Commissioners (5) (Letter Only)

Gary Lee Moore, Interim Executive Director – Harbor (Letter Only)

Michael R. Christensen, Deputy Executive Director (Letter Only)

Molly Campbell, Deputy Executive Director (Letter Only)

Cynthia Ruiz, Deputy Executive Director (Letter Only)

Ronald Boyd, Acting Deputy Executive Director (Letter Only)

Dave Mathewson, Acting Deputy Executive Director (Letter Only)

Mandy Morales, Mayor's Office

Aaron Gross, Mayor's Office

Lisa Schechter, Council District 4

Christine Yee Hollis, CLA

Alvin Newman, CAO

Erick Martell, Harbor

CITY OF LOS ANGELES

CALIFORNIA



ERIC GARCETTI
MAYOR

HOLLY L. WOLCOTT
Interim City Clerk

Office of the
CITY CLERK

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Council and Public Services
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When making inquiries relative to
this matter, please refer to the
Council File No.

November 20, 2013

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council File
No. 13-1501, at its meeting held November 19, 2013.

City Clerk
kw

ADMINISTRATIVE EXEMPTION and TRADE, COMMERCE, AND TOURISM COMMITTEE REPORT relative to proposed second amendment to a permit for the Trapac Terminal Program to undertake cargo handling operations at Berths 136-147.

Recommendations for Council action:

1. ADOPT the determination by the Los Angeles Harbor Department that the proposed action is exempt under the California Environmental Quality Act (CEQA) as provided in Article II, Section 2(i) of the Los Angeles City CEQA Guidelines.
2. APPROVE the second amendment to a permit for the Trapac Terminal Program to undertake cargo handling operations at Berths 136-147, in accordance with Section 606 and 654(a)(1) of the Los Angeles City Charter.
3. RATIFY all previous Executive Director and Board actions undertaken in connection with the improvements Permit No. 881 obligating the City to construct and deliver (including, but not limited to, appropriations and expenditures of funds, contract solicitation and award, and grant funding), so that such actions shall be deemed to have been made pursuant to Permit No. 881 as amended by this second amendment.
4. INSTRUCT the Los Angeles Harbor Department to report in 90 days with:
 - a. Specific procedural changes that will be made to rectify the issues raised in the reporting of this program to ensure that such issues to not reoccur.
 - b. A study on the impacts of automation, specifically on the impacts on the port, workforce, community, etc.; and a cost/benefit analysis that takes into consideration the competitive challenges facing the port.
 - c. A plan for integrating a liason between Labor and the Los Angeles Harbor Department vendors.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that Harbor Department (Port) estimates that the approximate revenue from the income producing property of the TraPac lease is \$2.26 billion over the life of the 30-year contract term. This amount is assuming an 8.75 percent Rate of Return, with compound growth rate for twenty-foot equivalent units (TEUs). The proposed second amendment to the agreement with TraPac Inc. will commit existing Port land and facilities assets, plus an additional capital expenditure to expand, improve and modernize Port-owned container cargo terminals, wharf and backland properties at Berths 136-147. The proposed amendment will increase TraPac's current budget of \$364,495,525, by a proposed amount of \$145,916,813, for a total budget of approximately \$510.4 million over a 30-year lease agreement. The Port secured grant funding of \$60,081,000, which will be used to off-set the Port of Los Angeles's projected shared budget to a net cost of \$450,331,388 for the TraPac Program. The Port will incorporate into future year's budget requests sufficient funds to address the proposed increase. All revenues will be deposited into the Harbor Revenue Fund and will have no financial impact on the City General Fund.

Community Impact Statement: None submitted.

TIME LIMIT FILE - DECEMBER 8, 2013

(LAST DAY FOR COUNCIL ACTION - DECEMBER 6, 2013)

SUMMARY

At a regular meeting held on November 19, 2013, your Trade, Commerce and Tourism Committee considered a Port transmittal relative to the proposed second amendment to Permit No. 881 with TraPac Inc., to design, develop and construct container terminal facilities at Port Berths 136-147. The CAO reports that the proposed amendment will allow the Port to modify and amend the TraPac Terminal Program's scope of work and budget, as follows: incorporate new automated container terminal operations; include corrections, clarifications, and technical changes (to the project scope); and increase the current \$364,495,525, budget by a proposed 45,916,813, for a total budget of approximately \$510.4 million over a 30-year lease agreement. The modified TraPac Program consists of 10 capital projects for wharves, rail facilities, building and gate complexes, an Alternative Maritime Power (AMP) system, an intermodal container transfer facility (ICTF), and the first automated terminal on the West Coast.

The ICTF serves to enhance the efficient flow of intermodal (truck and rail) cargo through the Port of Los Angeles and Port of Long Beach. These projects are intended to increase the efficiency of Port operations and will allow for the greater use of Port land and facilities in the future.

An opportunity for public comment was held. After a brief discussion, the Committee moved to approve the recommendations contained in the transmittal as amended in Committee as stated above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

TRADE, COMMERCE, AND TOURISM COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
LABONGE:	YES
BUSCAINO:	YES
BONIN:	YES

ADOPTED

NOV 19 2013

LOS ANGELES CITY COUNCIL

FORTHWITH

-NOT OFFICIAL UNTIL COUNCIL ACTS-

**THE PORT
OF LOS ANGELES**Executive Director's
Report to the

Board of Harbor Commissioners

DATE: APRIL 11, 2014

FROM: EXECUTIVE OFFICE

**SUBJECT: RESOLUTION NO. _____ - REPORT TO LOS ANGELES CITY
COUNCIL ON THE TRAPAC TERMINAL DEVELOPMENT PROGRAM**

SUMMARY:

On November 19, 2013, the Los Angeles City Council (City Council) considered and adopted the Second Amendment to Permit No. 881 with TraPac, Inc. to deliver container terminal facility improvements at Port of Los Angeles (Port) Berths 136-147. During its consideration the City Council requested that the City of Los Angeles Harbor Department (Harbor Department) report back on, a) specific procedural changes that will be made to rectify the issues raised in the reporting of this program to ensure that such issues do not reoccur, b) the impacts of container terminal automation, and c) a plan for integrating a liaison between Labor and the Harbor Department vendors.

On April 3, 2014, the Board of Harbor Commissioners (Board) heard staff reports and discussed staff recommendations concerning the requested actions from City Council. The Board provided directions to staff for modification to these reports and asked that this item be returned to the April 17, 2014 Board meeting before moving forward to the City Council. This Board Report incorporates these Board directions.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Discuss the revised documents and response to requested actions included in this report and its transmittals, and provide staff with further directions on any additional modifications concerning this information;
2. Forward this report and its transmittals to the Los Angeles City Council for its information and discussion; and
3. Adopt Resolution No. _____.

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SUBJECT: REPORT TO CITY COUNCIL ON THE TRAPAC TERMINAL DEVELOPMENT PROGRAM

DISCUSSION:

Background/Context – At the April 3, 2014, Board meeting, the Board discussed the report to the City Council on the TraPac Terminal Program (Transmittal 1). The following recommendations and actions came from that discussion coupled with steps taken by staff to address these recommendations and actions.

1. Provide a copy of the TraPac After Action Review (AAR).

The Board requested that the AAR (Transmittal 2) be provided to establish a more defined link between what happened to initiate the TraPac AAR and the recommendations suggested in the Bronner report (Transmittal 3). The AAR, revised on December 20, 2013, included a more in-depth account of the events that led up to the approval of the revised TraPac budget and the Second Amendment to the TraPac lease.

2. Provide a copy of the September 19, 2013 Board report – Approval of Second Amendment to Permit No. 881 and Approval of Revised Budget for the TraPac Terminal Program.

A copy of the September 19, 2013 Board report was requested to provide detail and a deeper analysis on the causes of the TraPac Program issues. This report and its transmittals are attached as Transmittal 4.

3. Revised Final Draft of TraPac Terminal Program Assessment Report by Bronner Group LLC (revised 4/9/14).

The Board requested that the Bronner report presented at the April 3, 2014, Board meeting be revised to include additional information related to who was interviewed. Bronner conducted over 40 stakeholder interviews with Harbor Department staff, managers, executives, and commissioners along with the AAR facilitator. Bronner's interviews did not include the former Executive Director or Deputy Executive Director of Business Development who had provided comments and input earlier as part of the AAR.

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The Board also asked to see a more defined version of how the recommendations in the Bronner report address the key issues and achieve effectiveness and targeted outcomes, thus providing a better linkage between the causes of the TraPac program issues and the recommended actions. A summary of the issues and recommendations is attached as a table in Transmittal 5. These recommended actions address the root causes of the issues highlighted in the AAR and the Bronner report.

4. Container Terminal Automation Study (revised 4/4/14).

Harbor Department planning and marketing staff conducted a study on the status of container terminal automation both worldwide and in the San Pedro Bay. Staff extensively researched available studies, conducted in-house working sessions on this subject, and met with stakeholders including terminal operators and labor representatives. The full text of this study was presented and discussed at the April 3, 2014 Board meeting. The Board wanted to see a more concise version of the automation report that focuses on what the Los Angeles City Council, Trade, Commerce, and Tourism Committee specifically asked for which included the impact on the workforce, and the impact on our competitiveness. The summarized automation report is attached as Transmittal 6.

5. Additional Discussions on Automation.

The Board requested that staff review the previous draft of the automation report that dealt with throughput and capacity, discuss these issues further with members of the recently-formed Board Ad Hoc Committee on Port of Los Angeles Financial Operations and Programs, and make modifications to the draft automation report as warranted. Staff will work with the Board Ad Hoc Committee and discuss path forward as part of their next agenda.

Also included for consideration is a Draft Letter to Los Angeles City Council summarizing the April 3, 2014 report to City Council on the TraPac Terminal Development Program. This report, included as Transmittal 7, addresses the specific concerns of the City Council including procedural changes, container terminal automation impacts, and labor liaison.

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DEVELOPMENT PROGRAM

ENVIRONMENTAL ASSESSMENT:

The proposed action is to provide staff with direction on any modifications concerning TraPac Terminal Development Program recommendations. As an administrative activity, Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

FINANCIAL IMPACT:

The financial impact of the TraPac Terminal Development Program was previously presented in the Board action recommending approval of the Second Amendment to Permit 881. The Labor Liaison proposed will be selected by the Executive Director with the agreement term and amount falling within the Executive Director's authority limits (not to exceed one year and/or \$150,000). Funding in the amount of \$30,000 for the current fiscal year will from Account 54290, Center 0260, Program 000. Funding in the amount of \$150,000 for Fiscal Year 2014/2015 has been requested to be budgeted as part of the annual budget adoption process in Account 54290, Center 0260, Program 000.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed this Board report and finds there are no legal issues at this time.

TRANSMITTALS:

1. March 27, 2014 Board of Harbor Commissioners Report on the Report to Los Angeles City Council, Trade, Commerce, and Tourism Committee, on the TraPac Terminal Development Program (including Transmittals)
2. After Action Review (AAR): TraPac Terminal Program (revised 12/20/2013)
3. Revised Final Draft of TraPac Terminal Program Assessment Report by Bronner Group LLC (revised 4/9/14)
4. September 11, 2013 Board of Harbor Commissioners Report on Approval of Second Amendment to Permit No. 881 and Approval of Revised Budget for the TraPac Terminal Program (including Transmittals)
5. Summary of Recommendations and Issues
6. Container Terminal Automation Study (revised 4/4/14)
7. Draft Letter to Los Angeles City Council

FIS Approval: KJ (initials)
CA Approval: MC (initials)

Molly Campbell

for MICHAEL R. CHRISTENSEN, P.E.
Deputy Executive Director

APPROVED:

Molly Campbell

for GARY LEE MOORE, P.E.
Interim Executive Director

