

**INDUSTRIAL, ECONOMIC AND  
ADMINISTRATIVE SURVEY  
OF THE  
LOS ANGELES HARBOR DEPARTMENT**

**FINAL REPORT**

Submitted to the:

Los Angeles City Controller,  
Mayor and City Council

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November 18, 2004

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**NORTHSTAR CONSULTING GROUP**

IN ASSOCIATION WITH:

**blue**

CONSULTING

a clear perspective

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IEA SURVEY  
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# I – INTRODUCTION

NorthStar Consulting Group and blueCONSULTING, INC. (NorthStar/blue) were retained in the fall of 2003 to perform an Industrial, Economic and Administrative Survey (IEA Survey) of the City of Los Angeles Harbor Department (the Department), which oversees the operations of the Port of Los Angeles (the Port). The overall objective of the IEA Survey was to identify opportunities for long-lasting and meaningful change in Department management, operations, and culture in order to accomplish the strategic goals of the Department. NorthStar/blue performed the IEA Survey under the direction of an Oversight Committee comprised of representatives from the Office of the Mayor, the City Council, and the Los Angeles City Controller. The IEA Survey field work and analyses were completed in the summer of 2004.

Throughout this report “Department” will refer to the Harbor Department: the organizational units, its managers and employees, and functions. “Port” will refer to overall port operations and facilities, which include terminals and berths, shipping lines and other business entities, other Port customers, and the community.

The IEA Survey was performed in four phases:

- Phase I: Survey of Responsibilities and Strategic Issues
- Phase II: Determine Strategic Focus
- Phase III: IEA Survey - Assessment
- Phase IV: Recommendations and Draft and Final Reports

Phases I and II accomplished the following objectives:

- Developed a historical overview of the Port, outlining major milestones and achievements.
- Reviewed the Department’s strategic planning process and draft Strategic Plan.
- Reviewed existing Department functions and responsibilities as outlined in various laws, policies, and directives, and as performed by the Department’s organizational units.
- Evaluated the strategies and policies utilized by the Department to address its responsibilities.
- Identified external and internal strategic issues that may affect the Department’s ability to fulfill its responsibilities.
- Identified key functions to assess the ability of the Department to address the challenges facing the organization.

The deliverable for the first two phases of the IEA Survey covered the preparation and presentation of the “Strategic Assessment Task Report” and “Work Plan.” It also included

our assessment of performance measures readily available within the Department and at the Port. Much of this earlier work product has been incorporated into this final report.

Phase III of the IEA Survey, the IEA Assessment, continued to build on the information obtained in Phases I and II, and focused on the effectiveness of operations that contribute to the strategic success of the Department.

To conduct the IEA Survey and to identify and assess the specific issues facing the Department, the NorthStar/blue team performed the following steps:

- Analyzed the strategic issues specified in the Request for Proposal to perform the IEA Survey.
- Identified and analyzed additional strategic issues.
- Developed a final “short list” of key strategic issues.
- Implemented a prioritization process to rank the strategic issues.
- Reviewed hundreds of documents relating to all aspects of Department and Port operations. A document request log is provided in Appendix A.
- Conducted more than 100 interviews, including interviews with Department managers, City Council members, Harbor Commissioners, Mayor’s Office representatives, Port tenants, representatives of public organizations and members of the local community, State Lands Commission, and various law enforcement agencies.
- Verified preliminary findings and conclusions with Department management and the Oversight Committee.

This final report documents the results of the IEA Survey. It is organized in nine chapters, as discussed below:

- **I – Introduction.** The Introduction (this chapter) discusses the project organization and lists project objectives.
- **II – Executive Summary.** The Executive Summary provides a concise listing of the IEA Survey findings and recommendations for improvement.
- **III – Survey of Strategic Issues.** The Survey of Strategic Issues provides a discussion of the Port’s current strategic issues. The chapter begins with a brief history of the Port and describes the process used by NorthStar/blue to identify current strategic issues. It lists the strategic issues identified and describes the prioritization process that provides the basis of the work plan for the IEA Survey - Assessment, Phase III of the project.

While NorthStar/blue, along with Department management, identified numerous strategic issues, given the limited resources and schedule available for Phase III, we addressed the six most important strategic issues that were identified from a business perspective. These six strategic issues are covered in Chapters V – IX.

- **IV – Survey of Organizational Responsibilities.** The Survey of Organizational Responsibilities discusses the primary responsibilities of the Department. It provides a brief discussion of the current organization structure and responsibilities, examines the Department’s current staffing levels, and identifies selected financial highlights.
- **V – Tidelands Trust Requirements.** The chapter on the State Tidelands Trust establishes the baseline environment in which the Port operates. In California, all tidelands and waterways are property of the State, with oversight vested with the California State Lands Commission. Through provisions in State law, most of the State’s ports are operated by local authorities.
- **VI – Executive Management and Decision-Making.** This chapter provides a detailed analysis of the Department’s executive management and decision-making in three contexts: the relationships between and among the Mayor’s Office, the Board of Harbor Commissioners and Department executive management; the leadership and direction provided by Department executive management (including strategic planning); and the impact of stakeholder input on Department decision-making.
- **VII – Master and Transportation Infrastructure Planning.** NorthStar/blue identified two strategic issues that pertain to port planning: Master Planning and Transportation Infrastructure planning. These strategic issues are interdependent and, accordingly, are addressed together in a single chapter of this report.
- **VIII – Environmental Stewardship.** The chapter on Environmental Stewardship addresses environmental laws and regulations governing Port operations and the Department’s role as a steward of the environment by integrating progressive environmental programs into all aspects of Port planning and business decisions.
- **IX – Port Security.** This chapter focuses on the complex interagency relations that the Port requires for universal Port-wide security coordination; the new federal transportation security regulations and how they affect Port operation; and future security concerns with the increase in cargo and passenger volumes projected for the Port.

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## II – EXECUTIVE SUMMARY

NorthStar Consulting Group and blueCONSULTING, INC. (NorthStar/blue) were retained in the fall of 2003 to perform an Industrial, Economic and Administrative Survey (IEA Survey) of the Los Angeles Harbor Department (the Department), which oversees the operations of the Port of Los Angeles (the Port). This chapter provides a summary of the findings, conclusions and recommendations resulting from the IEA Survey. The chapter contains an overview of the Department and a concise listing of the major findings and recommendations, organized by strategic issue area.

### A. General Overview

The United States is the world's leading trading nation and requires a large and effective network of waterways, roadways, and rail systems to support its current position in the global marketplace.

- Container trade in the United States has more than doubled from eight million twenty-foot equivalent units (TEUs) to 18 million TEUs between 1991 and 2001.<sup>1</sup>
- West Coast trade is primarily conducted with Asia and is largely composed of containerized cargo. California ports alone handled 48 percent of the United State's container imports and 32 percent of the container exports in 2001.

The Port is at the forefront of increased trade volumes in California. Between 1995 and 2001, the Port grew at an annual rate of over 10 percent. This annual growth rate is greater than the Port of Long Beach with a growth rate of 7 percent, and the Port of Oakland with a growth rate of less than one percent.<sup>2</sup>

The Harbor Department is one of three proprietary departments of the City of Los Angeles. As a proprietary department, it is substantially self-governing through its Board of Harbor Commissioners (Board). Additionally, the Department's financial accounts are segregated from general City funds, and all revenues are to be used for Port purposes. The State Tidelands Trust outlines the legal principles for the administration of tidelands and submerged lands administered by the Board, and specifies how Port funds are to be expended in the support of commerce, navigation and fishery. Funds derived from maritime business are to be used for the provision of facilities, necessary to promote commerce, navigation, and fishery consistent with the Trust.<sup>3</sup> These funds enable the Department to invest in large capital development and improvement projects.

The Department faces an escalation of challenges to its capital projects as a result of increased trade volume. These include:

<sup>1</sup> Twenty-foot equivalent units (TEUs) are an industry standard unit of measure for container cargo.

<sup>2</sup> Bureau of Transportation Statistics, Transportation Indicators Report, December 2002.

<sup>3</sup> Data Response 2: Summary of Legal Principles Applicable to Tidelands Trust Administration by the City of Los Angeles.

- The Department operates in a highly competitive industry that requires large capital investments. Increasing competition between ports requires intensive and ongoing capital investment in infrastructure projects to attract and retain customers.
- Expansion of the regional transportation infrastructure has not kept pace with trade growth at the Port of Los Angeles and Port of Long Beach. A recent study by the California Department of Transportation highlighted a number of issues related to the freight transportation network at the Port of Los Angeles and Port of Long Beach.
- Increasing land use conflicts and environmental concerns have an impact on Port operations and growth. The Port has limited growth space at its disposal. The increased use of land for recreational and community purposes reduces the amount to be used for cargo facilities. Additionally, environmental concerns for air quality, water pollution, soil contamination, and marine habitat preservation have an impact on the ability of the Department to continue to facilitate trade.
- Increasing container trade and larger ships are expected to enter the Port of Los Angeles. To handle the increased volume of cargo, and take advantage of economies of scale, many shippers are increasing the size of their ships.

The Department responded to the challenges to its growth strategy by developing a new “smart growth” policy, which states:

The Port of Los Angeles recognizes its mandate for smart growth as it shifts focus from achieving status as the leading containerport in the nation to being the #1 port in terms of technological advancements and innovation, efficiency, effective environmental mitigation measures, and community outreach and involvement...<sup>4</sup>

Despite the development of the “smart growth” policy, the Department does not have the fundamental plans in place to address these future challenges. The strategic planning process has not been active or effective in the last several years and there is no clear vision for the Department’s future. Whereas previously the Department was considered visionary (e.g., the 2002 completion of the Pier 400 Container Terminal and the commencement of channel deepening to 53 feet); the Department is now largely reactionary and is perceived as living off the fruits of its prior efforts. This has a potentially profound effect on the Department’s ability to address future challenges and on its relationship with its tenants and the community.

The Department does not have a formal, Board-approved strategic plan that communicates its vision, mission, and goals to all employees and external stakeholders. The Department does not have a clear definition of its purpose and mission that is the starting point for assessing and improving effectiveness. Performance improvement is dependent on the Department’s strategic planning process and end products to articulate this mission and how the Department identifies and approaches issues. The achievement of results is

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<sup>4</sup> Data Response 41.

dependent on specific, limited, clearly defined and measurable targets. The Department has not established such performance objectives.

In addition, the Department does not have an up-to-date master plan to guide Port development. The current master plan is more than 20 years old and does not provide adequate guidance to address either capital projects currently under consideration or the impact of expected increases in shipping and traffic volume. The IEA Survey found that the Department does not formally evaluate and prioritize these capital projects.

The lack of a formal planning effort also impacts the manner in which the Department addresses environmental issues. Although improvements are underway, the Department's environmental planning process is fragmented, and past programs have frequently been reactionary or considered based on individual merits, not as part of a comprehensive environmental planning effort. In the absence of strong executive management direction, the Mayor, Council members and the community have dictated the manner in which the Department meets its environmental objectives. Although this fills a void, it has a potentially deleterious effect on environmental planning and the development of a comprehensive environmental program, and contributes to the Department's reactionary mode of operation.

Since the establishment of the Port Community Advisory Committee (PCAC) in 2001, the Department has made unprecedented efforts to work with the community, including obtaining community input and feedback, assigning staff to support community-based activities, and allocating additional resources to working with the PCAC. The PCAC was established to advise the Board of Harbor Commissioners on Port planning and environmental issues; however, the PCAC continues to expand its role and is involved in day-to-day Department operations and policy development. This increased involvement is contrary to the original intent of the PCAC, and the adversarial nature of the PCAC-Department relationship undermines effective communication.

## **B. Summary of Findings, Conclusions and Recommendations**

The following is a summary of IEA Survey findings, conclusions and recommendations organized by strategic issue.

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### **Chapter V – Tidelands Trust Compliance**

#### **Findings and Conclusions**

1. In accordance with the purpose of the Tidelands Trust, the Department has promoted commerce and navigation.
2. While the Department has mechanisms to review compliance with the Tidelands Trust principles, there are no objective and agreed-upon criteria regarding appropriate uses of funds generated from Tidelands Trust properties. As a result, proposals are submitted to the Board for approval that do not meet Tidelands Trust requirements. There is risk to

the City if Department funds are used in ways that are inconsistent with the Tidelands Trust.

3. Department communications with the State Lands Commission and the public on matters related to the Tidelands Trust have generally been inadequate, although there have been recent improvements.

### **Recommendations**

1. Develop a widely-supported interpretation of the Tidelands Trust to improve compliance and to facilitate consistent, effective and unchallenged decisions.
2. Allow the Harbor Commissioners to utilize outside counsel for interpretation of Trust requirements. While the City Attorney's Office possesses extensive knowledge of Trust principles, that Office must serve many masters in addition to the Harbor Commissioners.
3. Allow Harbor Commissioners to serve their full term unless removed for malfeasance, rather than at the pleasure of the Mayor.

## **Chapter VI – Executive Management and Decision-Making**

### **Findings and Conclusions**

1. The Department does not have a formal, Board-approved strategic plan that communicates its vision, mission, and goals to all employees and external stakeholders. The strategic planning process has not been active or effective in the last several years and there is no clear vision for the Department's future.
2. The 2003 draft Strategic Plan was developed through a high-level process that did not adequately solicit input from Department managers, employees or external stakeholders. While the draft Strategic Plan included many components of a good strategic plan, it did not include any performance measurements or criteria nor did it require an ongoing evaluation or updating process.
3. The Board has recently indicated a desire for a new strategic planning process and has established an Ad-Hoc Committee on Port Strategic Planning; however, the process is suffering from numerous delays.
4. Individual Harbor Commissioners are too often directly involved in a number of the Department's day-to-day management and business functions.
5. The Department lacks clearly delineated management performance expectations and a methodology to report progress. The Department's strategic planning process does not provide a clear definition of the Department's performance objectives. The Department's 2003 draft Strategic Plan highlights goals and activities to address strategic issues but is silent with respect to their accomplishment.<sup>5</sup>
6. Performance measurement is not utilized at the Department.

<sup>5</sup> Data Response 40 Harbor Department Strategic Plan – Draft.

7. The Department's business processes are not well-documented and lack sufficient support and information to ensure control and accountability for results.
8. Since the establishment of the PCAC, the Department has made unprecedented efforts to work with the community, including obtaining community input and feedback, assigning staff to support community-based activities, and allocating additional resources to working with the PCAC.
9. Members of the newly formed PCAC interpreted the Mayor's directive and developed the PCAC Bylaws for Board approval. The January 2002 PCAC Bylaws depart from the Mayor's original directive by removing the oversight role of the Board "working in conjunction with the Community Advisory Committee" and transferring authority directly to the PCAC.
10. There are no clear guidelines regarding the scope of topics to be considered by the PCAC, the budget for PCAC activities, or the use of Department staff and other Department resources to support PCAC activities.
11. Lacking guidelines from either the Board or Department management, the PCAC continues to expand its role in ways that exceed or modify the Mayor's original directives and are contrary to its purpose. The PCAC is inserting itself into day-to-day Port operations and policy development. If the PCAC is not "the public," then the primary reason for establishing the PCAC is negated.
12. The adversarial nature of the PCAC-Department relationship undermines effective communication.
13. The PCAC may not equally represent all of the Port-adjacent stakeholders.

#### **Recommendations**

1. The Department should solicit input and direction from the Mayor's Office to assist the Departmental governance process by more clearly defining the terms "management and control" in the City Charter and define the overall management relationships within the Harbor Department. Every effort should be made to clarify the various roles and responsibilities of the Board of Harbor Commissioners vis-à-vis the Executive Director and other members of the senior management team.
2. The Department should continue the process of developing a comprehensive and integrated strategic planning process, resulting in a well articulated and communicated strategic plan. "Ownership" of the strategic planning process should appropriately rest with the Executive Director, with input and support from the Board of Commissioners. It is important that the Department own the strategic plan and that any resulting plan is not perceived as being forced upon the Department.
3. The Department should develop a comprehensive performance measurement program.
4. The Board and executive management should conduct management performance evaluations of all Department management positions on an annual basis.

5. The Board and the Department should develop policies and formal business procedures to address all of the responsibilities of the Board and the Department executive management in those matters that must receive Board approval.
6. Individual Commissioners should not intervene or perform the actual duties of the Department and should concentrate the Board's attention on the results of business processes conducted by the Department.
7. The Department should continue to establish credibility with its community stakeholders and build trust through responsive and relevant interactions with the community.
8. The Board of Harbor Commissioners should assert a more direct, leadership role vis-à-vis the PCAC.
9. Department management should assert a more direct, leadership role vis-à-vis soliciting and supporting community input while maintaining the integrity of day-to-day operations and decision-making.
10. The Board and executive management should insist on civil and respectful interactions between PCAC members and staff. Deliberate rudeness, name-calling, or otherwise acting in bad faith by either PCAC members or staff should not be tolerated.
11. The Board should examine how other similar agencies work with communities to get ideas for structuring effective community involvement. Interviews conducted by NorthStar/blue with three other ports illustrate different approaches to obtaining community input.

## **Chapter VII – Port Master and Transportation Planning**

### **Findings and Conclusions**

1. The Department's Port Master Plan is a land-use plan; it is not a "master plan."
2. The Department's long-term planning documents are outdated.
3. The Department does not plan for long-term Port development in a systematic manner.
4. The Department's Planning and Research Division is responsible for only a small component of Port planning.
5. The Department does not consistently follow its policies and procedures for capital project planning.
6. Key Department divisions are not consistently involved in the planning process. Coordination and communication on planned Port development is not effective and information needs to evaluate projects are not being met.
7. The Department has recently initiated efforts to obtain planning systems and models to facilitate planning for Port development; however, planning technology needs still exist.
8. The Department does not formally evaluate or prioritize projects according to their relative merit.

9. The Department would benefit from a consistent and coordinated strategy to involve external stakeholders in Port development.

### **Recommendations**

1. The Department should design and implement a strategy that provides formal mechanisms to ensure that master planning activities and stakeholder communication are coordinated, integrated, and accomplished. The establishment of a Port planning strategy will significantly assist the Department in conducting planning activities in a systematic manner, establish clear management roles and responsibilities for the planning process, ensure inclusion of external stakeholder groups in the process, and identify necessary planning systems and tools for a comprehensive view of future Port development.
2. The Department should expedite the development and implementation of planning policies and procedures for capital project development.
3. The Department should develop a project prioritization system for the Department Capital Improvement Plan.
4. The Department should develop a master plan to identify the cargo demand and provide guidance for development that will meet this demand, while meeting the needs of the community in a fiscally and environmentally responsible manner.

## **Chapter VIII - Environmental Stewardship**

### **Findings and Conclusions**

1. In the absence of strong executive management direction, the Mayor, Council members and the community have dictated the manner in which the Department meets its environmental objectives. Although this fills a void, it has a potentially deleterious effect on environmental planning and the development of a comprehensive environmental program, and contributes to a reactionary mode of operation.
2. The environmental baseline studies currently under development should provide the Department with the foundation for the development of targeted environmental initiatives and allow the Department to measure its progress in achieving “no net increase” in air emissions and traffic; however, as result of the timeframe required for PCAC input, the schedule for completion of these studies has slipped.
3. Because PCAC’s primary concern is with the negative environmental impacts of Port growth and development, PCAC has a disproportionate impact on Environmental Management Division (EMD) staff morale and environmental operations. The ongoing adversarial relationship (please refer to the discussion of PCAC in Chapter VI) between the Department and PCAC generally has prevented PCAC from appreciating EMD’s interest in developing appropriate mitigation efforts and solutions. The existing process for obtaining community input does not yet appropriately balance community issues with the operational needs of the Port.
4. A large portion of the responsibility for environmental compliance lies with the Department’s tenants, and the Department does not have jurisdiction over tenant

compliance. This limits the amount of change that can be effected by the Department. In recent years, the Department has taken a more active role in facilitating tenant compliance; however, this is not part of an overarching policy, and not all tenants and activities are addressed. This is shortsighted in light of the existing regulatory climate, and inconsistent with the Department's objective of environmental stewardship.

5. EMD inherently faces pressure from the Board, the Mayor, and the economic realities of its role as a landlord Port to expedite the environmental review process in order to meet the development needs of the Port and the needs of its tenants. The China Shipping lawsuit and the increased involvement of PCAC have served to extend the timeframe required to perform California Environmental Quality Act (CEQA) review and increased its complexity. These conflicting pressures threaten the Department's ability to prepare thorough CEQA documents within the timeframe required. Delays in the CEQA process have a negative impact on Port development. Additionally, roles and responsibilities for certain elements of the CEQA process are unclear or undefined, creating additional impediments to the process.
6. A number of organizations are involved in the identification of projects and provide input to the CEQA process; however, the roles and responsibilities for certain elements of the CEQA process are unclear or undefined, creating additional impediments to the process.
7. While EMD has developed a general framework for addressing these Department-specific regulatory requirements, the Department has not developed a formal, structured process for integrating environmental considerations that are not regulatory-driven into all aspects of its operations and training programs.
8. Although improvements are underway, the Department's environmental planning process is fragmented, and past programs have frequently been reactionary or considered based on individual merits, not as part of a comprehensive environmental planning effort. Programs are managed by a variety of organizations, and the Department does not consistently measure program effectiveness.
9. Recognizing the problems with the existing process, EMD has initiated steps to establish an appropriate framework for future environmental planning through the development of the Environmental Initiatives Program (EIP) and program-specific improvements. However, implementation of the EIP has not been timely.

### Recommendations

1. Executive Management should take a leadership role in ensuring that the Mayor's and City's goals have been translated into Department policies and establishing a corporate tone of environmental stewardship, consistent with the recently established environmental policy statement. Environmental considerations must have sufficient weight in executive management decision-making. The Department should also develop a more comprehensive, unified approach to environmental planning.

2. EMD should use the information gained from the baseline studies to develop performance measures. The Department should monitor and report performance against these measures on a routine, periodic basis.
3. The Department should more clearly define organizational responsibilities related to PCAC interface and should clarify expectations. The Department and the Board should work together to develop expectations for appropriate standards of conduct for Department employees, PCAC members, and subcommittee members. These expectations should be communicated to the PCAC by the Board and to the staff by executive management.
4. Working with the City Attorney and outside regulators, the Department should clarify its role with respect to tenant compliance issues in light of Mayoral and Board directives, the Department's objective of environmental stewardship, and the Department's rights and obligations as a landlord Port.
5. EMD should formalize, clearly define, and document the project development and environmental review process.
6. The Department should increase its efforts to ensure environmental considerations are factored into all aspects of operations and should formalize certain procedures.
7. With the support of Executive Management, EMD should expedite the development of the EIP. All environmental initiatives should be evaluated within the framework of a comprehensive environmental program, and should be subject to planning rigor, rather than the current reactionary, organizationally disjoint format. Programs should be considered within this framework regardless of whether the programs are administered by EMD or Marketing.

## **Chapter IX – Port Security**

### **Findings and Conclusions**

1. The Department is working with the appropriate federal, regional, and local agencies, as well as all Port tenants, to develop anti-terrorist coordination and provide for security of Port operations.
2. Although the Department is not directly responsible for the implementation of the new Maritime Transportation Security Act (MTSA) regulations, it has worked with the tenants to develop plans and implement training. However, it has not required site-specific information from the Port tenants to incorporate in the Department's overall Port security response capabilities.
3. The new MTSA regulations have positive and negative effects on Port operations.
4. The Department has been effective in requesting and receiving security-related grants and in coordinating its grant proposal efforts with the Port of Long Beach.
5. There are numerous areas where additional coordinated action could substantially reduce potential terrorist events at the Port.

6. In the event of a labor dispute, there might be conflicting allegiances (between the Department and the International Longshore and Warehouse Union (ILWU)) due to the fact that the Port Police have a limited affiliation and general service agreement with ILWU and a number of facility Security Guard Services are in the same union as the Port labor force.
7. The Office of Domestic Preparedness (ODP) is implementing all facets of the chemical, biological, radiological, nuclear, and high-yield explosive program nationally, and is also responsible in developing a national network of monitoring. The Department is taking steps to conform to the ODP national response plan.
8. The Office of Domestic Preparedness (ODP) is implementing all facets of the Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive (CBRNE) program nationally, and is also responsible in developing a national network of monitoring. The Department is taking steps to conform to the ODP national response plan.
9. The Department's Emergency and Disaster Procedures Plan is outdated and the Department has not developed an evacuation plan.
10. The Department is an active participant in the national Department of Defense exercise, Determined Promise 2004, but has not yet scheduled additional training or internal exercises. (Determined Promise 2004 met MTSA requirements for those terminals that participated.) The Department also needs to coordinate exercises and drills that include each tenant facility in raising the Port-wide security standard.
11. While the Port Pilots' primary mission is to provide for the safe transit of every vessel through the Port, security demands have placed an increased burden on their vessel operations. There is a concern that the increased security measures will become the responsibility of the Pilots and have an impact on the safe transit of the vessels.

### **Recommendations**

1. The Department should work with and encourage appropriate federal and State agencies to provide funding and approval to continue the current efforts to implement various programs and measures in a timely manner.
2. The Department should change its Tariff to require tenants to supply the Department with a copy of their security plan so that the Department can be better prepared to coordinate emergency security response.
3. The Department should control the Port jurisdiction that is defined in the City Charter, but continue to reach out continuously to all other agencies for coordinated incident response, federal funding, training, and exercises.
4. The Department should encourage the Mayor and City Council to fully support the Area Maritime Security Committee, and work with that committee to develop plans to address specific threats and responses.
5. The Department should eliminate the limited affiliation and general service agreement that the Port law enforcement agency has with the same union as the Port longshore

workers and labor force. (Other union affiliations may be more appropriate, separate from ILWU.)

6. The Department should work with the U.S. Office of Domestic Preparedness in implementing all facets of the CBRNE program on a local level.
7. The Department should update the Emergency and Disaster Procedures Plan and the Evacuation Plan for the Department.
8. The Department should move forward with plans to develop a security training program for all levels of personnel and to regularly schedule security exercises and drills within the Port complex.
9. The Department should continue the policy of having Sea Marshals accompany Port Pilots during vessel transits to address safety and security issues. This allows the pilot to focus on the sole mission of delivering each vessel safely through the Port.

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## III – SURVEY OF STRATEGIC ISSUES

### A. Historical Overview

The Port of Los Angeles has played an integral role in the growth of trade, transportation, and commercial development in Southern California, from its discovery in 1542 by Spanish explorer Juan Rodriguez Cabrillo, to the present.

From its discovery until the 1850s, the area around San Pedro continued to grow and develop through the influence of the missions, increasing trade, and land grants, and shifted from Spanish to Mexican to American control. During the second half of the 19<sup>th</sup> century, the Port began to develop the major role it continues to play today, especially as the link between the City of Los Angeles and San Pedro grew stronger. In 1869, rail service between the two cities began. Then, in 1871, the Main Channel was dredged to 10 feet and the breakwater was built between Terminal Island and Deadmans Island. By 1885, the Port was handling 500,000 tons of import and export cargo annually.

The harbor was an active shipping center in 1897, when a federal panel selected San Pedro Bay over other coastal communities as the site for development of a major port. Construction of the breakwater began in 1899. In 1906, the City of Los Angeles annexed a 16-mile strip of land on the outskirts of San Pedro and Wilmington. These two towns would eventually be incorporated into the City of Los Angeles. The modern Port of Los Angeles was officially founded in 1907 with the creation of the Los Angeles Board of Harbor Commissioners.

Major Port milestones during the early part of the 20<sup>th</sup> century include:

- 1911-12: The first 8,500-foot section of the breakwater was completed and the Main Channel was widened to 800 feet and dredged to thirty feet. Southern Pacific Railroad completed its first major wharf in San Pedro.
- 1914: The Panama Canal opened, making the Port of Los Angeles the natural port-of-call for most trans-Pacific and coastal users.
- 1920s: This was a period of dynamic growth for the Port, marked by a boom in petroleum, lumber, and citrus trade. For the first time in history, Los Angeles surpassed San Francisco as the West Coast's busiest seaport and ranked second only to New York in foreign export tonnage.
- 1941-1945 (World War II): Shipbuilding quickly became the Port's prime economic activity with shipyards collectively employing more than 90,000 workers. After the war, cargo containers were shifted to commercial use, changing the industry forever.

In the last twenty years, the Department:

- Completed dredging the Main Channel to 45 feet (1985).

- Opened the Intermodal Container Transfer Facility, providing for rapid transfer of containers from the Port's marine terminals to trains (1986).
- Exceeded two million containers (1989).
- Began dredging for Pier 300/400, the largest capital improvement undertaken by any U.S. seaport and the Department's most ambitious development project since the founding of the Port (1996).
- Opened the APL Limited's Global Gateway South, the Los Angeles Export Terminal, and completed the Terminal Island Container Transfer facility (1997).
- Established a new partnership with the world's largest shipping line, Maersk Sealand (1999).
- Completed the Pier 400 Dredging and Landfill Program (2000).
- Completed the Pier 400 container terminal and commenced deepening the Main Channel to 53 feet (2002).

The Port is operated and managed under the State Tidelands Trust, which grants the City of Los Angeles jurisdiction over the Port, and stipulates that Port activities must be related to commerce, navigation, and fishery. As a proprietary and self-supporting department of the City of Los Angeles (as are the Department of Water and Power and the Department of Airports), the Port is not supported by City taxes. Instead, revenue is derived from fees for shipping services such as dockage, wharfage, pilotage, storage, property rentals, royalties, and other Port services. As a "landlord port," the Department leases its property to tenants who then, in turn, operate their own facilities.

Today, the Port (in conjunction with neighboring Port of Long Beach) is the largest container complex in the United States, and the third largest in the world. Handling in excess of 7.2 million twenty-foot equivalent units (TEUs) of cargo on an annual basis, the Port is a gateway for international commerce and an economic engine for the local, regional, and national economy.

## B. Identification of Strategic Issues

Strategic issues comprise those factors on which the future business of the Port depends, or which may constrain the Department's ability to fulfill its responsibilities. In this IEA Survey, strategic issues were identified by comparing the Port's current operating environment to future trends in trade activity and the maritime shipping industry.

NorthStar/blue obtained broad input from management and stakeholders throughout Phase I of the IEA Survey to identify areas of concern or opportunity for the Department, and areas of risk to the City. In addition to the interviews, we reviewed numerous documents to help us gain a thorough understanding of the Department's operations, organization, management style, key management and operational processes, and performance. All Department managers were interviewed at least twice during this phase. Stakeholder

interviews included representatives from the Office of the Mayor, City Council, and the Controller's Office. Additionally, the consultants interviewed numerous external entities including union representatives, community representatives, Port tenants, external port experts, and other interested parties.

The outcome of this review was a list of potential strategic issues. Department management reviewed these issues and reached consensus as to which ten were the "most important." With few exceptions, all levels of management agreed on an initial list of ten strategic issues. NorthStar/blue then integrated the rankings of these issues by four different groups (executive management, division heads, the NorthStar/blue consulting team, and members of the Oversight Committee) to establish their relative overall priority. Clearly, each of the issues is of critical importance to the Department. However, the IEA Survey focused on those items that are of the *greatest importance* to the Department.

Giving equal weight to each of the four groups, the overall ranking of each strategic issue's importance to the Department was determined. The rankings of each of the four groups and the results of the overall ranking effort are provided in **Exhibit III-1**.

### Exhibit III-1

#### Prioritization of Strategic Issues

Overall Importance	List of Issues	Port Managers	Port Senior Managers	Consulting Team	Oversight Committee	Total Points Ranking
1	Executive Management and Decision-Making	1	1	1	3	6/1.50
2	Master Planning	5	2	2	2	11/2.75
3	Port Security	3	5	5	1	14/3.50
4	State Tidelands Trust Requirements	2	7	4	5	18/4.50
5	Transportation Infrastructure Planning	6	3	3	7	19/4.75
6	Environmental Stewardship	4	8	7	4	23/5.75
7	Port of L.A./Port of L.B. Competition	10	4	8	6	28/7.00
8	Community Input	7	6	9	8	30/7.50
9	Marketing & Customer Service	8	9	6	9	32/8.00
10	Staff Planning & Development	9	10	10	10	39/9.75

Although all ten issues are significant, NorthStar/blue focused its resources and time on what subsequent analysis determined to be the six "most important" strategic issues from a business perspective. In this way, the IEA Survey supported the overall objective of achieving the improvements in Department management, operations, and culture required to



## **State Tidelands Trust**

In California, all tidelands and waterways are property of the State with oversight vested with the California State Lands Commission. Through provisions of the State Tidelands Trust and oversight by the State Lands Commission, most of the State's ports are operated by local authorities. None of these authorities has any right to ownership of the port lands. In 1911, the land and water associated with the current Port were granted to the City by the State Legislature, subject to the requirement that the lands be developed and maintained as a public trust for the benefit of all Californians.

As a trustee of the State Tidelands Trust, the Department's responsibility to operate the Port for the benefit of the State of California is well established. However, there are inherent conflicts because the Department has a dual role as a trustee and as a proprietary, revenue-producing department of the City of Los Angeles. These conflicts need to be minimized, and Department actions must address the overriding public interest. For example, the impact of Port operations and development on the environment and local communities may require trade-offs between the benefits of continued growth and serving the shipping lines (and other Port customers) and the negative impact on the local quality of life.

### **Executive Management and Decision-Making**

After consideration of the impact of the State Tidelands Trust on Port operations, the next level of the assessment concerns how the Department is managed within the context of City government, the Board of Harbor Commissioners, and the Department's executive management team. This assessment, presented in Chapter VI, examines the relationships between Department executive management, the Board, and the Mayor's Office; the leadership and direction provided by Department executive management; and strategic planning.

Community input and community relations were identified as a potential strategic issue in Phase I, but were not ranked within the top six issues. However, because of their relationship to management decision-making, they are examined in light of Mayoral directives and the relative roles of the Board and Department management.

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### **Master Planning and Transportation Infrastructure Planning**

The Port is currently operating without the benefit of an up-to-date Master Plan, as the current Master Plan is more than 20 years old. While the Master Plan has been amended for a variety of reasons, it does not provide adequate guidance to address either capital projects currently under consideration or the impact of expected increases in shipping and traffic volume. Currently the Department has a \$1.3 billion Capital Improvement Program for fiscal years 2003-2007. Thorough planning of financial needs and resources are critical to maintaining the Department's credit rating and access to capital markets. Master planning and transportation planning, considered jointly in Chapter VII, are of strategic importance because the increasing volume of cargo and passenger ships will have a significant impact on:

- Port facilities
- Vessel types, and the frequency of vessel calls
- Rail and truck transportation infrastructure
- Traffic routes and congestion
- The environment
- Landside infrastructure
- The community

The increasing volume of cargo and passenger ships will increase pressure on the Department to maintain state-of-the-art facilities, which in turn will increase capital requirements.

### **Environmental Stewardship**

Port activities have significant impacts on the environment in terms of water and air pollution, traffic congestion (primarily trucks), and related quality of life issues. Furthermore, as a department accountable to the residents of the City of Los Angeles and to the State, the Department has a responsibility to act as the steward of this tidelands resource. The strategic issue addressed in this report is how to balance meeting the needs of Port customers and continuing to serve local, regional, and national economic interests through growth and development while minimizing and mitigating the negative environmental impacts.

### **Port Security**

In response to the September 11, 2001 terrorist attacks, many new regulations have been implemented in Los Angeles and around the country. As a major national business enterprise, the largest port complex in the United States (in conjunction with the Port of Long Beach), and the third largest port world-wide, Port security is a strategic issue. While new regulations at the Port deal with stated requirements such as fencing, security cameras, and placing radiation monitoring equipment in terminals for checking inbound boxes for radiation, the Port's high (and increasing) volumes of containers, cargo, and passengers may make the Port more vulnerable to the risk of terrorism. Therefore, it is of paramount interest to the Port to determine how new regulations will be addressed by terminal operators, whether existing security plans are adequate, and what additional factors need to be considered to ensure Port security.

## **C. Other Strategic Issues**

For background information, this section briefly describes the other strategic issues that were identified in Phase I of the IEA Survey.

### **Port of Los Angeles/Port of Long Beach Competition and Cooperation**

Together, the Port of Los Angeles and the Port of Long Beach comprise the largest trading port complex in the United States. The competition between the two ports is legendary and enduring due to the massive volume of trade. Because the two ports share

labor contracts, transportation systems, and rail connections, the Port of Los Angeles/Port of Long Beach competition has resulted in the development and building of mega-terminals. However, given scarce land resources, building large facilities in the future will be harder. Issues to be addressed in this area include whether the existing level of competition is healthy, or whether both Ports should consider additional cooperation; whether the Department has identified the appropriate factors to market the Port of Los Angeles most effectively in light of the fact that differentiation between the Port of Los Angeles and the Port of Long Beach will become increasingly difficult in the future; and whether the two ports consider increased cooperation, joint planning, and investment.

## **Staff Planning and Development**

The Department has lost a significant number of senior staff in the last few years. While some of the loss is due to retirement, staff planning and development practices could be improved at the Department. Staff development and training programs should be evaluated to ensure current personnel are being adequately prepared to fill future staff needs and to increase efficiency and productivity. The availability and retention of knowledgeable and well-trained staff is crucial to the future success of the Port.

## **Marketing and Customer Service**

The Department's 2020 Plan, now nearly 15 years old, discussed ways of increasing terminal productivity. Technology has provided further enhancements in the intervening time period. However, very few of these ideas have been implemented, primarily because West Coast ports have continued to stay out of the terminal operating business. Instead, the ports facilitate activities for the shipping and related industries, while allowing customers and tenants to take the lead in port operations. As terminal expansion acres become an increasingly scarce resource, the rationale for ports to increase their level of direct control is getting stronger. Due to its size and stature among national and international ports, the Department is in a position to take the lead and directly improve land utilization.

## **Community Input and Involvement**

The Department faces significant challenges to accommodate long-term growth, meet customer needs, ensure that environmental standards are met, and maintain community goodwill. The Mayor directed that the community have a greater voice in Port operations. Additionally, recent litigation associated with the China Shipping Terminal has increased community resolve, which has proved to be a formidable force for the Board and the Department. There are trade-offs between the goodwill and effective community relations generated by active Department involvement in the Port Community Advisory Committee (PCAC), Neighborhood Councils<sup>1</sup>, and other local groups, and the amount of time the Department staff dedicates to these efforts in lieu of other public affairs or operational

<sup>1</sup> Neighborhood Councils, certified by the Department of Neighborhood Empowerment (DONE), are groups representing community stakeholders, including residents, businesses, schools, etc. By definition, their membership is broader than a typical homeowner group or local chamber of commerce.

activities. How best to effectively obtain meaningful community input without hindering the operations of the Department is a strategic issue.

## IV – SURVEY OF ORGANIZATIONAL RESPONSIBILITIES

This chapter describes the responsibilities of the Department and the organizational structure and functions of the Board, executive management and other Department staff:

- State Tidelands Trust
- Board of Harbor Commissioners and Executive Management
- Engineering Development
- Maritime Services
- Business Development
- Finance
- Planning & Environmental Affairs
- Operations & Emergency Management

This chapter also discusses Department staffing and provides Department financial highlights.

### A. Responsibilities of the Department

At the highest level, the responsibilities of the Department are established in the original Tidelands Trust Grant enacted by the State Legislature on May 1, 1911:

... said lands shall be used by said city, and by its successors, solely for the establishment, improvement and conduct of a harbor, and for the construction, maintenance and operation thereon of wharves, docks, piers, slips, quays and other utilities, structures and appliances necessary or convenient for the promotion and accommodation of commerce and navigation...

Successive courts in the State have interpreted the grant literally, and, for the most part, so have the City and the Department.

In addition to the specific language of the grant, however, the Department has undertaken a broad mandate that includes these additional responsibilities:<sup>1</sup>

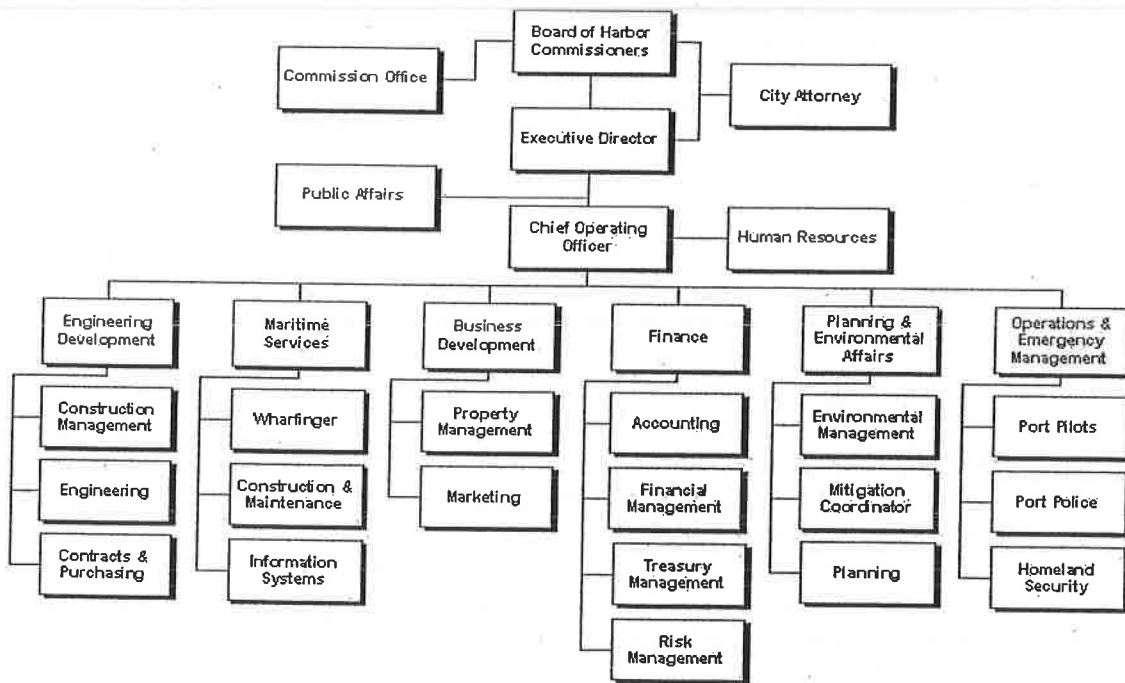
- Facilitating international commerce, along with the adjoining Port of Long Beach, as the primary trade gateway with the nation's major trading partners in East Asia.
- Facilitating the nation's trade, to help to sustain a massive base of businesses in Southern California which are engaged in the transportation, distribution and manufacturing associated with the movement of goods between East Asia and the U.S.
- Providing facilities for recreation and enjoyment of Southern California's ocean environment.

<sup>1</sup> Data Response 2, 4, and 11 – 13.

## B. Department Organizational Structure

According to the City Charter, the Department is a proprietary department of the City of Los Angeles. As a proprietary department, it is substantially self-governing through its Board. Additionally, the Department's financial accounts are segregated from general City funds, and all revenues are to be used for Port purposes. The Department is organized along functional lines as shown in Exhibit IV-1 below:

**Exhibit IV-1  
Department Organizational Structure**



The responsibilities of each division and organizational unit are described below.

### Board of Harbor Commissioners

A five-member Board of Harbor Commissioners has management and policy control of the Department and the Harbor District (City Charter Section 651).<sup>2</sup> The Mayor, subject to Council confirmation, appoints commissioners to staggered five-year terms. The Harbor District consists of all navigable waters, tidelands, and submerged lands within the City boundaries and within the federal breakwater, as defined in the City Charter.

<sup>2</sup> The Harbor District is defined in the City Charter as the geographic area of the Port of Los Angeles. NorthStar/blue refers to this as the Port throughout this report.

The Board governs the Department and has the authority to make and enforce rules and regulations governing the maintenance and operations of the Port; acquire, sell or dispose of property and other assets; issue bonds; or incur other indebtedness. The Board is responsible for appointing (subject to confirmation by the Mayor and City Council), removing (subject to confirmation by the Mayor), and providing performance direction to, and measurement of, the Executive Director. Furthermore, the Board has the authority to fix rates and charges and enforce rules through the Department's Tariff. The City Council must approve all changes to the Department's Tariff.

Specifically, the Board:

- Makes and enforces all rules and regulations governing the use and control of all lands and waters in the Harbor District.
- Regulates and controls the piloting, anchoring, mooring, towing and docking of all vessels and watercraft in the Harbor District.
- Regulates and controls the construction, maintenance, operation and use of any railroad, wharf, warehouse or other facility or improvement used in connection with commerce, navigation or fishery in the Harbor District.
- Regulates and controls all dredging, filling and excavating in the Harbor District.
- Fixes, regulates and collects rates, tolls and charges for the use of all facilities within the Harbor District; pilotage and towage; and any other service provided by the Department.
- Regulates and controls all public service and public utilities operated in connection with commerce, navigation or fishery in the Harbor District; and fixes the proper license fees to be paid to the City by any person or entity operating any such service or utility.
- Acquires, provides for, erects, maintains and operates all such improvements, utilities, structures, watercraft, appliances, facilities and services deemed necessary or convenient for the promotion of commerce, navigation or fishery; and acquires in the name of the City any real property for such purposes.<sup>3</sup>

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In order to provide a formal process for obtaining community input, the Board established the Port Community Advisory Committee (PCAC) as a standing committee of the Board in 2001. The PCAC is comprised of Board-appointed volunteers from the community; one Commissioner serves as the Co-Chair of the PCAC. The purposes of the PCAC are:

- 
- To assess the impacts of Port developments on the harbor area communities and to recommend suitable mitigation measures to the Board for such impacts.
  - To review past, present and future environmental documents in an open public process and to make recommendations to the Board that ensure that impacts of the

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<sup>3</sup> Data Responses 4, 11, 12, and 13.

communities are appropriately mitigated in accordance with federal and State of California law.

- To provide a public forum and to make recommendations to the Board to assist the Department in taking a leadership role in creating balanced communities in Wilmington, Harbor City and San Pedro so that the quality of life is maintained and enhanced by the presence of the Port.

### **Commission Office**

The Commission Office is responsible for maintaining complete and accurate minutes of all records for all Board meetings, orders published, resolutions and notices. The Commission Office staff provides clerical support to the Board, prepares and distributes agendas and issues official communications regarding Board proceedings.

### **City Attorney**

As the legal advisor for the Board and Department staff, the Office of the City Attorney renders legal opinions on various laws and ordinances, assists in contract negotiations, represents the Department in all judicial and legal administrative proceedings, and litigates the settlement of claims. The City Attorney's Office also supports the Board and Department in matters concerning compliance with the City Charter and the Tidelands Trust.

### **Executive Management**

#### **Executive Director**

The role of the Executive Director is to administer all policies developed by the Board and to function as the general manager of the Department under the supervision of the Board. As shown in the organization chart in Exhibit IV-1, the Executive Director directs the Public Affairs section and, through the Chief Operating Officer, coordinates and directs the activities of six Department functional organizations: Engineering Development, Maritime Services, Business Development, Finance, Planning and Environmental Affairs, and Operations and Emergency Management.

#### **Public Affairs**

The Public Affairs Division is responsible for community outreach and relations, legislative affairs, media relations, and corporate communications. As the legislative representative with City Hall, a Public Affairs staff member serves as the liaison between the Department and City Hall. The Director of Public Affairs also oversees a Communications Services section that provides Department-wide support services in the production of print and audiovisual materials. The division is responsible for maintaining and updating the Department's website ([www.portoflosangeles.org](http://www.portoflosangeles.org)).

Public Affairs services include:

- Bimonthly distribution of 68,000 *Main Channel* newsletters.

- Periodic distribution of 68,000 “save the date” postcards.
- Hosting of four quarterly Legislative Breakfasts.
- Speech writing. Approximately 25 speeches were prepared in fiscal year 2003-2004 for the Executive Director, Chief Operating Officer, Commissioners, and senior managers, including press conference comments and major addresses.
- Conducting press conferences. Eight press conferences and six major press special events (e.g., Navy Days, Waterfront Promenade Groundbreaking, and Red Car Revival) were conducted in fiscal year 2003-2004.
- Hosting foreign delegations. Public Affairs hosted 15 delegations in fiscal year 2003-2004.
- Speakers Bureau presentations. Department Speakers Bureau staff personnel have made presentations to 22 groups and represented the Department at two large-scale community events in fiscal year 2003-2004. The number of Speakers Bureau presentations is expected to increase significantly as part of the rejuvenation of a prior Speakers Bureau program.

### **Chief Operating Officer**

Working closely with the Executive Director, the Chief Operating Officer oversees Human Resources, and the six Department functional organizations. Whereas the Executive Director sets the overall tone and direction of the Department, and has a relatively more external focus toward the Board and the City, the Chief Operating Officer is responsible for day-to-day oversight and for ensuring the Executive Director’s vision and priorities are communicated throughout the organization.

### **Human Resources**

The Human Resources Division is responsible for providing personnel-related services, including the selection, retention and development of a diverse workforce consistent with the City civil service policies and procedures. Since most of the Department employees are represented by collective bargaining organizations, Human Resources represents the Department in communications with these organizations, reviews and makes recommendations regarding salary and benefit changes, and assists in resolving grievances and disciplinary matters.

### **Engineering Development**

The Engineering Development organization is comprised of three divisions:

- Engineering
- Construction Management
- Contracts and Purchasing

### **Engineering**

The Engineering Division is responsible for all design plans, specifications and other contract documents necessary for the construction of new facilities and for any modification

to existing Port facilities. The organization is also responsible for issuing permits, mapping, and facility records retention.

The Department has a long-range, major capital improvement program (CIP), which is based on forecasted demand for Port facilities and cargo volumes. The City Council must approve Board Orders authorizing the issuance of revenue bonds and other forms of indebtedness to finance the CIP. The Engineering Division manages the CIP, consistent with the Master Plan. The Engineering Division also performs planning for space needs, facilities, and functional support of business requirements, as well as economic forecasts, modeling studies and various technical analyses in support of business opportunities.

### **Construction**

The Construction Division oversees the construction of all capital improvement at the Port, administers construction contracts, and provides survey, construction inspection and materials testing services. The Department primarily uses a "design-bid-build" approach to capital projects. When Engineering has developed bid packages for construction work, Construction Management manages the project from bid advertisement through completion.

### **Contracts and Purchasing**

The Contracts and Purchasing Division coordinates the procurement of materials, equipment, and services required for Port operations as well as the salvage of obsolete materials consistent with City policies and procedures. The organization was recently charged with improving consistency in the development and execution of contracts and focusing greater effort on outreach and local materials and services providers.

### **Maritime Services**

The Maritime Services organization is comprised of three divisions:

- Wharfinger
- Construction and Maintenance
- Information Systems

### **Wharfinger**

The Wharfinger Division is responsible for the collection of shipping service fees governed by the Department Tariff. About 85 percent of the Department's revenue is generated through tariff and shipping service fees. As the first point of contact, the Wharfinger Division has significant interface with the Department's customers. Furthermore, the Wharfinger Division monitors all waterborne activities occurring within Port areas and serves as the primary contact for the operational needs of customers.

## **Construction & Maintenance**

The Construction and Maintenance Division, located at Berth 161, provides support for the maintenance, repair, alteration and reconstruction of Department facilities and infrastructure on a 24 hour-per-day, seven days-per-week (24/7) basis. Staff members assigned to this section represent the skilled trades, including electrical services, plumbing, carpentry, vehicle and equipment maintenance, painting, custodial services, and gardening/landscaping services. They also provide support in more specialized fields such as the maintenance and repair of marine vessels and container cranes, pile driving, and heavy equipment operation.

## **Information Systems**

The Information Systems Division operates, maintains, develops and monitors the information technology requirements and infrastructure of the Department. A primary goal is to increase departmental productivity through the use of technology.

## **Business Development**

The Business Development organization is responsible for managing the physical assets of the Port. The organization operates much like an industrial property landlord: personnel market the Port to the business community around the world and manage the leases that govern much of the Port's revenue generating property.

The Business Development organization is comprised of two divisions:

- Marketing
- Property Management

## **Marketing**

The Marketing Division interacts directly with customers, shipping lines, shippers, and other businesses to ensure that Port facilities are utilized at their highest and best usage. The Division administers the activities of the Department's network of overseas offices in major trading centers around the world. The international offices, like the Los Angeles-based marketing staff, provide marketing intelligence, technological assessments, and analysis of trade data that affect the Port's future competitive position.

## **Property Management**

The Property Management Division is responsible for the revenue generated from tenant occupancies, administers lease agreements, prepares analyses of proposed land uses, and prepares and administers programs related to land acquisitions and sales, and fee adjustments.

## **Finance**

The Finance organization, headed by the Chief Financial Officer, is responsible for all functions related to financial analysis, credit and collections, budget preparation, risk management, financial reporting and vendor payments.

The Finance organization is comprised of four divisions:

- Accounting
- Financial Management
- Treasury Management
- Risk Management

## **Accounting**

The Accounting Division is responsible for developing and maintaining a system of internal controls to safeguard Port assets. This includes the processes required to ensure the propriety and accuracy of all financial transactions between the Department and its customers, vendors, employees and other parties, allowing for the accumulation, measurement, and communication of costs for services. Accounting processes all payment requests for vendors and prepares management and compliance reports.

## **Financial Management**

The Financial Management Division performs financial analysis and credit and collections. Financial analyses include lease negotiations, lease price structures, rate of return and performance analyses; preparation of the long-term financial/business model used in strategic business planning and financing decisions; and independent financial analyses as requested. Credit/collection involves obtaining timely payments of funds owed to the Department pursuant to various leases and contracts, assessing the credit quality of prospective and existing customers, and making recommendations to establish, expand or curtail credit.

## **Treasury Management**

The Treasury Management Division develops the Department budget, works with the City Treasurer in investing funds, and assists with the issuance and management of short and long-term debt.

## **Risk Management**

The Risk Management Division protects the Port's assets through insurance owned by the Department and by assuring that the Department's contracts and leases provide appropriate insurance coverage. Risk Management also is responsible for employee safety and workers' compensation insurance programs in cooperation with the City's Personnel Department.

## **Planning and Environmental Affairs**

The Department recently underwent a reorganization for fiscal year 2003-2004. This reorganization transferred the Environmental Management and Planning and Research divisions into a new, single organization unit called Planning and Environmental Affairs. This change in organizational structure suggests an increased focus on planning within the Department.

The Planning and Environmental Affairs organization is comprised of three divisions.

- Environmental Management
- Mitigation Coordinator
- Planning

### **Environmental Management**

The Environmental Management Division assesses the various environmental impacts of development projects, and determines appropriate mitigation measures. Duties include the preparation and distribution of any environmental documentation mandated by state and federal law; special studies involving dredging, noise abatement, water quality and air quality; contamination characterizations; wildlife management; and establishment of policies regarding environmental quality issues. Additionally, Environmental Management develops Environmental Impact Reports (EIRs), assists the Planning and Development Division on the granting of coastal permits for Port capital projects, mobilizes emergency environmental response, develops environmental programs for engineering and construction activities, and provides limited oversight for lease tenants. The key functions in Environmental Management include site restoration, air quality, water quality and natural resources, in addition to California Environmental Quality Act (CEQA) regulatory affairs.

### **Mitigation Coordinator**

As a result of the China Shipping Settlement, as well as strong community reaction, the Department established the position of Mitigation Coordinator. Recently, groups including the Natural Resources Defense Council had sued the Department over plans to build a terminal for China Shipping Holding Company, claiming that the environmental reviews required by state and federal law were not conducted. In March, 2003, the Department agreed to spend at least \$50 million over five years to mitigate and evaluate the impact of the terminal on the nearby San Pedro and Wilmington neighborhoods. The funds are to be spent on projects to reduce pollution and traffic, and to improve aesthetics. Under the terms of that settlement, the Department agreed to use alternative-fuel trucks; enable ships to plug into electric power instead of idling their diesel engines while docked; and implement plans to decrease traffic.

### **Planning and Research**

The Planning and Research Division is currently responsible for maintenance of the Port Master Plan, risk management planning related to hazardous cargo, granting coastal

development permits, and conducting research and statistical analysis in support of marketing and business development activities and other internal Department functions. In addition, the Planning and Research Division is the liaison on city and regional development initiatives, joint planning projects with the Port of Long Beach, community projects, and federal government departments, such as the U.S. Department of Transportation Maritime Administration.

## **Operations and Emergency Management**

The Operations and Emergency Management organization is responsible for the Port Pilots, law enforcement, security, and emergency preparedness functions. There are three divisions within Operations and Emergency Management:

- Port Pilots
- Port Police
- Homeland Security

### **Port Pilots**

The Port Pilots direct the safe movement of vessels in and out of the Port in cooperation with navigational safety and enforcement agencies on a 24/7 basis. The Port Pilots are responsible for boarding incoming and outgoing vessels and safely directing them into or out of the harbor.

### **Port Police**

As California peace officers, the Port Police are charged with ensuring the safe and uninterrupted operation of the Port through the enforcement of various city, state and federal laws and regulations. The force maintains a 24-hour land and water patrol for the protection of persons, property, facilities, and the environment. The Port Police direct the Department's emergency preparedness and response activities. They act as a liaison with other agencies in the event of a natural disaster or other widespread emergency.

### **Homeland Security**

A Homeland Security Director has been recently hired and one additional position in this unit has been filled as of the date of this report. The Homeland Security section is intended to support the national emphasis on homeland security, following the terrorist attacks of September 11, 2001.

## **C. Department Staffing**

As a landlord, the Department does not directly operate the Port facilities and terminals. Instead, Department staff provides planning, engineering, financing, and construction management services to the numerous shipping lines that use the Port, and the businesses that operate the various Port facilities and terminals. For fiscal year 2003-2004, the Department

has 716 budgeted positions to provide these services and perform other Department functions.

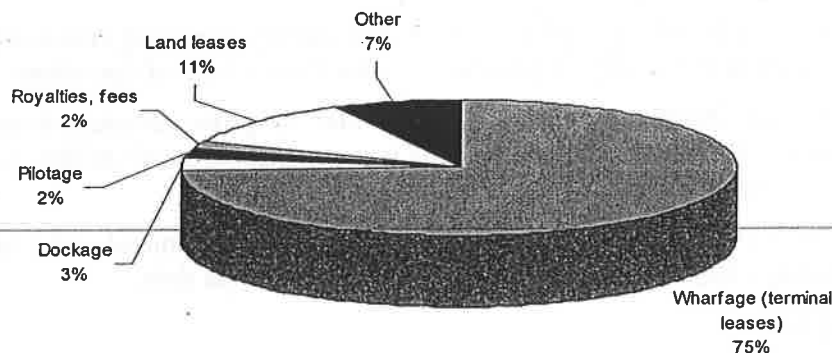
Of the 716 budgeted positions, virtually all are covered under civil service rules and belong to collective bargaining groups. Department resources are supplemented by numerous external consultants and contractors who bring focused expertise to specific projects or initiatives.

## D. Department Financial Highlights

### Port Revenue

The Department realized revenues of \$290 million during fiscal year 2001-2002. As indicated in **Exhibit IV-2**, Department revenues come from five primary sources. The majority of the revenues came from wharfage charges on cargo or TEU charges on containers, by far the most lucrative line of business for the Department. Land leases pertain to leasing revenue derived from Port land (excluding cargo terminals), buildings and warehouses. Pilotage refers to fees charged to shipping companies for providing Port Pilots to guide ships into the port. Dockage refers to charges for docking a ship at a wharf. Royalties and fees refer to charges for parking lots, production of natural gas, using Port facilities for motion picture production, etc. Other is a variety of miscellaneous sources of revenue.<sup>4</sup>

**Exhibit IV-2**  
**Port Revenue Sources**



Source: Moodys credit ratings and financial statistics, <http://moodys.com>.

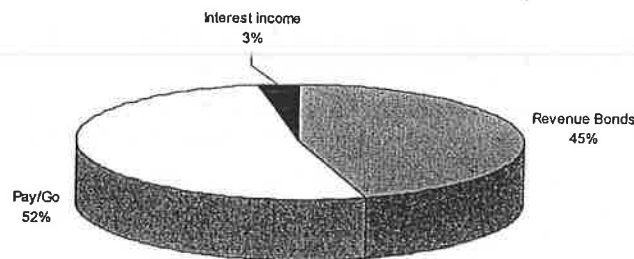
### Capital Improvement Financing

The Department has a capital financing plan that forecasts spending \$1.36 billion over the next five years. The largest projects include redevelopment in the West Basin and Terminal

<sup>4</sup> Data Responses 14, 15, 17, 24, 25, and 26.

Island/East Basin, and completion of Pier 400. **Exhibit IV-3** illustrates the three primary sources of capital financing: revenue bonds, interest income and Pay/Go. Pay/Go refers to the practice of financing capital improvements through current revenues as opposed to financing with debt or bonds. The actual term is “pay as you go financing.” This reliance on current revenues can be comfortably accommodated due to the significant net operating income realized by the Department.

**Exhibit IV-3**  
**Sources of Capital Financing**



Source: Moodys credit ratings and financial statistics, <http://moodys.com>.

## Financial Indicators and Ratios

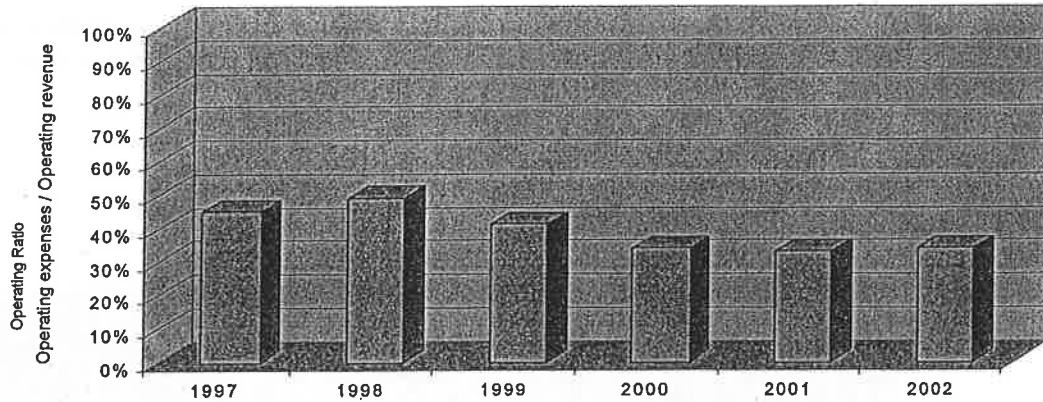
The Department’s financial health and vitality can be measured by several standard indicators and ratios:

- Operating Ratio (operating expenses divided by operating revenues) is a measure of leverage or the ability to generate revenue from a base of operations.
- Net Take-Down (operating income divided by gross revenue) is analogous to profit margins in the private sector. This is a measure of profitability, pricing power, and the ability to control the market.
- Debt Service Coverage (net income divided by annual debt service expenses) measures the ability of the organization to service its debt.

### Operating Ratio

**Exhibit IV-4** (page following) shows the five-year trend in the Department’s operating ratio, indicating a downward trend since 1998. (Operating Ratio refers to the operating expenses divided by the operating revenue). This ratio indicates increasing leverage, that is, there is more revenue generated from the same operating base (as measured by operating expenses).

**Exhibit IV-4**  
**Operating Ratio per Year (1997-2002)**

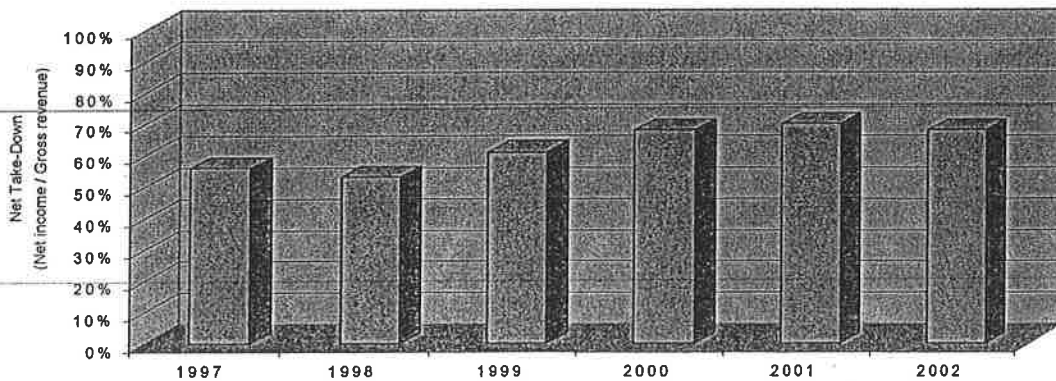


Source: Moodys credit ratings and financial statistics, <http://moodys.com>.

**Net Take Down**

**Exhibit IV-5** presents the five-year trend in the Department's net take-down, which has increased markedly over the past five years. (Net Take-Down refers to the net income divided by gross revenue). This increase provides significant capacity to service debt and fund capital improvements.

**Exhibit IV-5**  
**Net Take-Down per Year (1997-2002)**

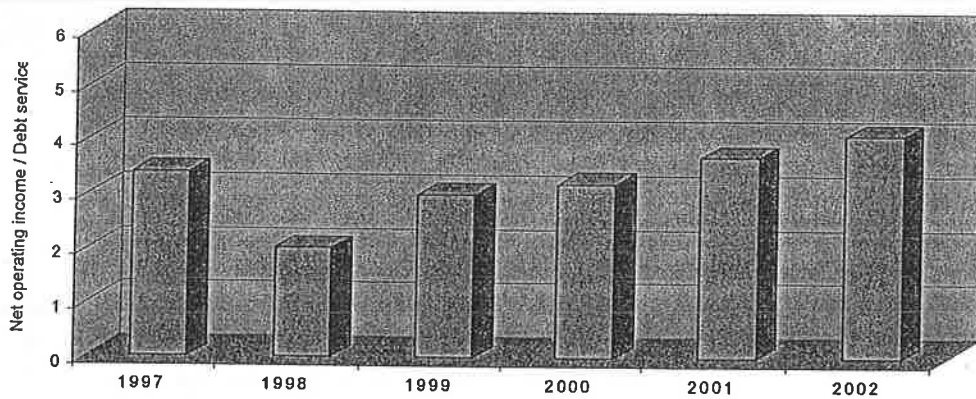


Source: Moodys credit ratings and financial statistics, <http://moodys.com>.

## Debt Service Coverage

Exhibit IV-6 presents the five-year trend in the Department's debt service coverage. (Debt service coverage is the amount of net operating income divided by the amount of debt service). With net income at four times the level of debt service in 2002, the debt coverage ratio is at a healthy level. This indicates substantial flexibility in financing capital improvements in the future. It also influences the Department's favorable credit ratings of Aa2 (Moody's) and AA (S&P).

Exhibit IV-6  
Debt Service Coverage Ratio per Year (1997-2002)



Source: Moodys credit ratings and financial statistics, <http://moodys.com>.

## V – TIDELANDS TRUST REQUIREMENTS

### A. Background

#### Strategic Issue

As a trustee of the State Tidelands Trust, the Department's responsibility to operate the Port for the benefit of the State of California is well-established. In 1911, the tidelands and the submerged lands associated with the Port were granted to the City by the State Legislature, subject to the requirement that the lands be developed and maintained as a public trust for the benefit of all Californians. Over time the boundaries, laws and legal principles that apply to the Port have evolved.

The Department also has responsibilities as a proprietary department of the City and is subject to a wide variety of State and federal laws and mandates. Conflicts in decision-making inevitably arise among these disparate responsibilities.

The strategic issue addressed in this section considers the effectiveness of the Department both in meeting Tidelands Trust requirements, and in managing the inherent conflicts between trust administration for the people of California and its responsibility as a proprietary department of the City to address issues of local public interest.

#### Tidelands Trust Legal Principles

In California, all tidelands and navigable waterways are the property of the State with oversight vested with the State Lands Commission. Local authorities operate most of the State's ports.<sup>1</sup> None of these authorities, including the Department, has direct ownership of the port lands that it administers. Rather, the Department holds and manages the land in trust for the people of California.

In August 2001, the City Attorney's Office provided a memorandum to the Board that summarized the legal principles that apply to the Board's administration of the tidelands and submerged lands, which were granted to the City by the State Legislature.<sup>2</sup> These legal principles make management of the Department unique among the City's proprietary departments and different from private enterprise. An abridged summary of that letter from the City Attorney is presented below:

A number of restrictions apply to tidelands in California and other states by virtue of a long line of Court decisions addressing this subject. One of the most enduring principles is that tidelands are inalienable – that is they cannot be conveyed away from the ultimate beneficial state ownership which exists

<sup>1</sup> Interview with State Lands Commission staff July 16, 2004.

<sup>2</sup> August 14, 2001 letter from City Attorney to Board of Harbor Commissioners.

with respect to these property interests. This principle is what is known as the public trust principle...

This ... is an ancient doctrine originally rooted in Greek and Roman law. These principles also existed in England ... America's absorption of the English common law brought this principle into the laws of the United States and into the laws of California ... Tidelands are therefore considered "sovereign lands" of the State of California ... In California, the oversight of all sovereign lands, even those granted in trust to the City, is vested in the State Lands Commission. ...

The 1911 Tidelands Grant from the legislature and its various amendments which have occurred over the past ninety (90) years has been the subject of a steady evolution of the public trust principles and restrictions. The Trust Grant imposes upon the City two main categories of restrictions: (1) those relating to the improvement of the lands which were the subject of the Grant; and (2) those relating to the use of revenues generated by these lands. ...

There have been numerous defining Supreme Court decisions associated with the Tidelands Trust doctrine and its ramifications for cities which administer ports. The more significant appellate decisions have made it clear that a city, when acting as trustee, is restricted by all of the requirements which are reposed upon a trustee of a private trust. Several major appellate court decisions came about as a result of the legislature's Trust Grant to the City of Long Beach. ...

The principle holding in these decisions is that the City may only expend the revenues generated by the granted lands for the same purposes which the City holds the land in trust ... .

The evolution of the Tidelands Trust Grant continued. In 2002, the Legislature passed Assembly Bill 2769 (Chapter 1130, Statutes of 2002) to amend the trust to, among other things, expand the allowable use of the Port lands granted to the City of Los Angeles.<sup>3</sup> Specifically, the bill allows the Department to use Port land and revenues toward broader maritime uses that are of a statewide benefit, than the previous maritime commerce, navigation and fishery uses. This broader definition specifically includes recreation as a permitted use.<sup>4</sup>

The State Lands Commission does not possess specific authority to approve or disapprove Department decisions. Rather, the State Lands Commission is vested with limited oversight authority, and may bring actions in Superior court to compel compliance with the terms and conditions of the statutory trust grant.<sup>5</sup>

<sup>3</sup> The State Legislature passed the Bill in 2002; the Bill became effective as of January 1, 2003.

<sup>4</sup> Assembly Bill 2769.

<sup>5</sup> August 14, 2001 letter from City Attorney to Board of Harbor Commissioners.

## Effects of Tidelands Trust on the Department

The City and the Department have faced legal actions by the State and other stakeholders questioning the Department's compliance with the Tidelands Trust restrictions. Some of the resulting lawsuits have cost the City millions of dollars.<sup>6</sup>

As discussed further in Chapter VIII – Environmental Stewardship, a recent court case was brought by the National Resources Defense Council and community activists against the City of Los Angeles and the Harbor Department regarding the proposed China Shipping terminal. The State Lands Commission became involved because the parties were concerned whether the proposed settlement actions were appropriate under the Tidelands Trust. The parties agreed to have the State Lands Commission review the proposed actions resulting from the settlement and provide comments to the Board prior to the Board taking any action. Under this process, the State Lands Commission has sent letters questioning whether some of the proposed settlement expenditures are consistent with provisions of the Tidelands Trust.

The Port provides important services in support of the regional and national economy. Department decisions about Port operations and development may require trade-offs between the benefits of continued growth through serving the Port's customers and the negative impact of Port operations on the local quality of life. Such trade-offs may be constrained by the Trust Grant principles which may limit mitigating actions that benefit the local community. The Department receives requests seeking financial sponsorships for a variety of events, activities, programs that might benefit the local community. The Department made contributions of over \$19 million to local community organizations in fiscal year 2002-2003.

Because decisions about Port operations and local requests may not always be consistent with the purposes of the Tidelands Trust, the City Attorney advises the Board on whether a proposed decision is an appropriate expenditure under the provisions of the Tidelands Trust. As noted above, the State Lands Commission may also advise the Board regarding some expenditure decisions.

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## B. Evaluative Criteria

The criteria used in evaluating this strategic issue area included:

- Does the Department effectively promote business opportunities that attract a growing customer base that meets the Tidelands Trust purposes of commerce, navigation and fishery?
- Are the decision-making processes used by the Department adequately defined and effectively implemented to ensure that matters related to Tidelands Trust are thoroughly considered and Trust responsibilities met?

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<sup>6</sup> Data Responses 7 and 8.

- Does the Department clearly and effectively communicate with external agencies and the public on matters related to the Tidelands Trust? Are these external groups effectively involved with regard to Tidelands Trust issues?
- Is there a substantial risk to the City from the use of the funds generated from Tidelands Trust properties?

## C. Findings and Conclusions

1. In accordance with the purpose of the Tidelands Trust, the Department has promoted commerce and navigation.
  - The Port handles more container volume each year than any other port in the United States and is ranked 7<sup>th</sup> largest in the world.<sup>7</sup>
  - The Department has attracted additional business and effective investment in infrastructure, including the following:
    - In 1996, the Department began dredging for Pier 300/400, at that time the largest capital improvement undertaken by any U.S. seaport and the Port's most ambitious development project since its founding.
    - In 1997, the Department opened the APL Limited's Global Gateway South, considered to be one of the world's largest and most technologically advanced ocean and rail container terminals.
    - In 1997, the Department completed the Terminal Island Container Transfer Facility, responding to the needs of Evergreen and NYK Line for on-dock intermodal capability. This 47-acre facility allows for more efficient transfer of containers to and from ships and railcars.
    - In 1999, the Department established a new partnership with the world's largest shipping line, Maersk Sealand (Maersk), estimated to bring the Port \$2 billion over a 25-year lease. Maersk commits to be the Port's exclusive customer at Pier 400.
    - In 2000, the Department completed the Pier 400 Dredging and Landfill Program, the largest such project in America. This was a significant milestone in positioning the Port to accommodate the tremendous growth in international trade well into the 21<sup>st</sup> century.
    - In 2002, the Department completed the Alameda Corridor in partnership with the Port of Long Beach and private industry. This project provides the largest intermodal facility in the United States. It facilitates rail and truck access to both

<sup>7</sup> Data Response 39, AAPA 2002 report.

ports by connecting the ports to the transcontinental rail yard near downtown Los Angeles while mitigating the effects of congestion in the local areas.

- To facilitate navigation, the Department is currently dredging the Main Channel to 53 feet to accommodate the next generation of container ships.
  - Fishing has declined in recent years due to increasing labor costs and other economic factors.
2. While the Department has mechanisms to review compliance with the Tidelands Trust principles, there are no objective and agreed-upon criteria regarding appropriate uses of funds generated from Tidelands Trust properties. As a result, proposals are submitted to the Board for approval that do not meet Tidelands Trust requirements. There is risk to the City if Department funds are used in ways that are inconsistent with the Tidelands Trust.
- The Harbor Commissioners, Department executive management and the City Attorney's legal staff assigned to the Department are familiar with the requirements of the Tidelands Trust. All of these individuals consider these requirements in evaluating decisions the Department must make.
    - The City Attorney reviews proposed actions of the Board for compliance.
    - The Commissioners have been given an orientation to Tidelands Trust principles and limitations by the City Attorney.
    - Many senior staff personnel have an extensive understanding of the Tidelands Trust and the State Lands Commission's interpretation in specific cases.
    - The State Lands Commission may offer opinions regarding compliance in some cases.
  - Based upon interviews, Harbor Commissioners, Department management and the City Attorney's Office are familiar with the requirements of the Tidelands Trust. However, they interpret the application of those requirements differently. Substantive differences of interpretation of the Tidelands Trust within the Department make decision-making extremely difficult. Moreover, such differences do little to improve the general public's understanding of these legal principles.
  - The Department does not have written and formally agreed-upon criteria for the determination of appropriate uses of funds generated from Tidelands Trust properties.
  - The State Lands Commission does not always agree with the Department's use of funds generated from the Tidelands Trust properties.
    - For example, the State Lands Commission recently sued the City and the Department to stop the payment of additional funds to the City by the Department

for fire and other services. As a result of this suit, the City must pay the money back to the Department with interest.

In a more recent example, the Department provided \$300,000 to fund new seating at a theater in San Pedro despite a negative opinion by the State Lands Commission.<sup>8</sup>

- Risks to the City associated with inappropriate use of funds include the following:
    - The courts can compel the repayment of trust-generated funds with interest.
    - The State could request additional remedies, including revoking the Grant to the City. This would remove all decisions regarding the Port from local control.
    - Some observers believe it is also possible that the Harbor Commissioners could be held personally liable for inappropriate uses of trust-generated funds just as private trustees are.
  - The City Attorney is an elected official of the City, independent from the Mayor, City Council, Controller and proprietary departments.<sup>9</sup> Staff resources from the Office of the City Attorney are assigned directly to the Department. The City Attorney represents the Department along with all other organizations of the City in all judicial and legal administrative proceedings, and litigates the settlement of claims.
    - The City Attorney's Office renders legal opinions on various laws and ordinances, assists in contract negotiations and supports the Board and Department in matters concerning compliance with the City Charter and Tidelands Trust.
    - Upon recommendation of the Board and written approval of the City Attorney, the City may contract with attorneys outside of the City Attorney's Office to assist the City Attorney in providing legal services to the Department.<sup>10</sup>
  - As discussed in Chapter VII – Port Master and Transportation Planning, both the frequency and the processes used to develop plans for the Port need improvement. A critical element of an improved planning process is more effective consideration of the Tidelands Trust.
3. Department communications with the State Lands Commission and the public on matters related to the Tidelands Trust have generally been inadequate, although there have been recent improvements.
- Prior to the China Shipping settlement agreement, the Department did not communicate directly with the State Lands Commission on matters related to the Tidelands Trust.

<sup>8</sup> Data Responses 144-160, Letters from State Lands Commission.

<sup>9</sup> Los Angeles City Charter Section 200.

<sup>10</sup> Los Angeles City Charter Section 275.

- Without information directly from the Department, the State Lands Commission had to review agendas and public announcements to determine what actions the Department planned that might be related to the Tidelands Trust.
- While there is no ongoing obligation for the Department to report intended actions to the State Lands Commission, the historic method of communication has done little to build relationships with the Commission.
- The State Lands Commission and the Department have communicated Tidelands Trust requirements and obligations to the Port Community Advisory Committee (PCAC).<sup>11</sup> Based on a review of PCAC by-laws, direct observation and analysis of PCAC processes, and work products, it does not appear that the PCAC recognizes Tidelands Trust obligations of the Department.<sup>12</sup>

## D. Recommendations

1. Develop a widely-supported interpretation of the Tidelands Trust to improve compliance and facilitate consistent, effective and unchallenged decisions.
  - All stakeholders should be involved in the process to develop a statement of understanding of the Department's responsibilities under the Tidelands Trust.
  - Development of an interpretation of the Tidelands Trust would most logically occur as part of developing a strategic plan for the future of the Port. This would both allow the development of the interpretation in the context of specific issues and provide a roadmap for future development, making future decisions easier and less contentious.
2. Allow the Harbor Commissioners to utilize outside Counsel for interpretation of Tidelands Trust requirements. While the City Attorney's Office possesses extensive knowledge of Tidelands Trust principles, that Office must serve many masters in addition to the Harbor Commissioners.
3. Allow Harbor Commissioners to serve their full term unless removed for malfeasance, rather than at the pleasure of the Mayor.

<sup>11</sup> Interview with State Lands Commission staff July 16, 2004.

<sup>12</sup> Data Responses 2, 80-87, PCAC by-laws, and direct observation.

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## VI – EXECUTIVE MANAGEMENT AND DECISION-MAKING

### A. Background

#### Strategic Issue

This chapter addresses executive management in three contexts: 1) the leadership and direction provided by Department executive management, particularly as related to strategic planning; 2) the management relationships between Department executive management, the Board, and the Mayor's Office; and 3) the impact of stakeholder input on the Department's decision-making.

Ideally, effective executive management provides ongoing direction and leadership to staff. At the highest organizational levels, this is accomplished through a comprehensive strategic planning process, with related activities and outcomes distributed throughout all parts of the organization. The strategic plan for the Port of Los Angeles must be developed within a framework of State and City directives. Since the Port is subject to the requirements of the State Tidelands Trust, the strategic plan must fit with and be complementary to the goals and objectives of the Tidelands Trust and other legislative directives. The Department's strategic plan for the Port must also fit with and be complementary to the goals and objectives of the City of Los Angeles as described by the Mayor.

In addition to strategic thinking, the Board, the Department Executive Director, and the Mayor's Office all have roles in the more fundamental aspects of Department management. Interviews with Department managers, Harbor Commissioners, City Council members, and other City representatives indicated that there is some disagreement or miscommunication regarding the relative authority of the Mayor's Office, the Board, and Department management as well as the chain of command among the three entities. Clarifying the roles of the various parties, and clarifying the overall management decision-making processes are strategic issues affecting the Department.

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#### Executive Leadership

#### Strategic Planning

Strategic planning is a process designed to help an organization do a better job: to focus its energy and resources; to ensure that members of the organization are working toward the same goals; and to assess and adjust the organization's direction in response to a changing environment. It is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future. "Strategic" means clearly identifying the organization's objectives, being aware of the organization's resource limitations, and being responsive to a dynamic environment. The process involves setting goals and developing an approach to achieve those goals.

The process of strategic planning is useful only if it enables strategic thinking and leads to strategic management. In fact, one of the primary benefits of a strategic planning process and plan is that it communicates what is important throughout the organization to assist managers and employees at all levels when they are confronted with various decision-making responsibilities. Strategic management occurs when strategic thinking is applied to the job of leading an organization. It entails attention to the “big picture” and the willingness to adapt to changing circumstances. Strategic management consists of three primary elements:

- Formulation of the organization’s future mission in light of changing external factors such as regulation, competition, technology, customers and other external pressures.
- Development of a competitive strategy to achieve the mission.
- Creation of an organization structure which will deploy resources to carry out its strategy successfully.

Strategic planning may be further defined as the formal process of defining objectives for the organization and its component parts, developing alternative strategies to achieve these objectives, and doing this against a background of a systematic appraisal of internal strengths and weaknesses and changes in the external business environment. The strategic planning process requires that strategy be translated into detailed operational plans with controls to ensure that these plans are carried out.

Strategic planning is not a substitute for the exercise of judgment by management. Strategic planning involves anticipating the future environment, but the decisions are made in the present. This means that over time, the organization must stay abreast of changes in order to make the best decisions it can at any given point—it must manage, as well as plan, strategically. It can, however, support the intuition, reasoning skills, and judgment that people bring to their organization. It can assist management in the communication of what the important issues confronting the organization are and establish some focus on performance in accomplishing the goals of the organization.

Typically, the best way to communicate expectations and direction to staff is through a sound strategic planning process and strategic plan that balance a thoughtful examination of strengths and weaknesses of the organization with the desired goals and direction of management and external stakeholders. A good strategic planning process identifies where an organization needs to go, provides direction to staff on how to get there, and measures and reports their ability individually or as a group to accomplish the stated goals within a defined period of time.

Strategic planning is a decision-making process for the allocation of strategic resources, including funds, people, and technology. Good planning is opportunistic, efficient, and creative in order to adapt to and develop opportunities in the business environment. Integration of planning efforts throughout the organization is required for efficiency of operations.

Planning for governmental units is inherently different than planning for privately held businesses. Strategic planning and decision-making are much more open in a governmental

setting, and plans are available to the public. Additionally, governmental units are required to respond to, and be restricted by, a set of regulatory guidelines and requirements. Flexibility of resource assignment and allocation are oftentimes restricted by civil service requirements and special interests often impose their own parameters and constraints. Organizationally, authority may be diffused or fragmented, and intended separation of powers may make it difficult to implement a strategy without building a broad consensus.

### **Executive Management in a Governmental Environment**

The processes used in managing a governmental entity differ from those used in non-government organizations in the following ways. Since governmental processes are, by their nature, part of a political process, there is additional protection provided to employees through the civil service system. Additionally, since government answers directly to the public and taxpayers, governmental processes require a high degree of openness and clarity. For example, the Brown Act requires open public meetings when more than two Commissioners are present. Because of the required openness of the governmental process, most governmental organizations follow a fairly strict chain of command. The chain of command for the Port is outlined below:

- The Mayor is elected by the public.
- The Mayor appoints the Board of Harbor Commissioners, subject to confirmation by the City Council.
- The Board appoints the Executive Director, subject to confirmation by the Mayor and Council. The Board also evaluates the performance of the Executive Director.
- The Executive Director establishes performance expectations and conducts reviews of direct reports, including the Chief Operating Officer.
- The Chief Operating Officer establishes performance expectations and conducts reviews of direct reports, including Department managers.
- Department managers establish performance expectations and conduct reviews of Departmental staff.
- External stakeholders may provide input and influence through public meetings (e.g., Board meetings), public hearings, or other forums.

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### **Department Management Responsibilities**

As discussed in Chapter V – Tidelands Trust, the responsibilities of the Department are set forth in the original Tideland's Trust Grant enacted by the State Legislature on May 1, 1911, and by succeeding legislative action. Additionally, the Charter for the City of Los Angeles (City Charter) provides "General Provisions for Proprietary Departments,"<sup>1</sup> which includes the Harbor Department. There are several "General Provisions" that pertain to the

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<sup>1</sup> Charter of the City of Los Angeles obtained from the City of Los Angeles website.

governance or management of the Harbor Department. Some of the more relevant information related to this discussion of executive management and decision-making is provided in **Exhibit VI-1** (page following).

### **Community Input on Department Decision-Making**

From the perspective of some Port-adjacent community members, prior to 2001 the Department did not seek adequate public input into decisions with an impact on the local communities (e.g., air pollution, increased traffic, etc.). Department outreach efforts were limited primarily to those required by the California Environmental Quality Act (CEQA) for review of Environmental Impact Reports, such as notification of public meetings or hearings. To remedy this situation, in 2001 the Mayor directed the Board to establish a community advisory committee to facilitate public input to the Department in order “to improve communications between the Department and the community and improve the quality of life for harbor area residents.” Specifically, in his letter to the Board dated August 9, 2001, the Mayor directed the Board to:

Establish a Community Advisory Committee to assess the impacts of Port developments on the harbor area communities. This committee will work closely with the soon-to-be-formed local neighborhood councils and existing community groups to enhance communication and improve our neighborhoods.

In conjunction with the Community Advisory Committee, review all past, present, and future environmental documents in an open, public process to ensure that all laws – particularly those related to environmental protection – have been obeyed, all City procedures followed, and all adverse impacts upon the communities mitigated.

In conjunction with the Community Advisory Committee, take a leadership role in creating balanced communities in Wilmington, Harbor City and San Pedro so that the quality of life is maintained and enhanced by the presence of the Port. For example, immediately evaluate how the Port can develop the proposed Promenade project and how it can participate in the proposed international business charter high school.

This directive resulted in the establishment of the Port Community Advisory Committee (PCAC), whose bylaws were approved by the Board on January 31, 2002. Given its broad mandate, the PCAC co-chair requested clarification of PCAC’s role from the Mayor. In his response, dated October 17, 2003, the Mayor states that he “envisioned an advisory body that could give voice to the concerns of the Harbor community stakeholders.”<sup>2</sup>

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<sup>2</sup> October 17, 2003 Letter from Mayor Hahn to the Board of Harbor Commissioners.

## Exhibit VI-1

### General Provisions of the City Charter that Pertain to the Harbor Department

#### **Section 509. Powers of Chief Administrative Office of Department Under the Control of a Board of Commissioners.**

Subject to the provisions of the Charter, the rules of the department and the instruction of his or her board, the chief administrative officers of a department or bureau under the control and management of a board of commissioners, except the Police Department, shall:

- a. administer the affairs of the department or bureau as its chief administrative officer;
- b. appoint, discharge, suspend, or transfer the employees of the department or bureau, other than the secretary of the board and the chief accounting employee of the department, all subject to the civil service provisions of the Charter;
- c. issue instructions to employees, in the line of their duties, all subject to the civil service provisions of the Charter;
- d. expend the funds of the department or bureau in accordance with the provisions of the budget appropriations made after adoption of the budget;
- e. recommend to the board of the department prior to the beginning of each fiscal year an annual departmental budget covering the anticipated revenues and expenditures of the department or bureau, conforming so far as practicable to the forms and dates provided in Article III in relation to the general City budget;
- f. certify all expenditures of the department or bureau to the chief accounting employee;
- g. file with the board and the Mayor a written report on the work of the department or bureau on a regular basis and as requested by the Mayor or board; and
- h. exercise any further powers in the administration of the department as may be conferred upon him or her by the board of the department.

#### **Section 600 (b) Head of Department.**

Each Proprietary Department shall be under the control and management of a board of commissioners that shall be the head of the department.

#### **Section 604. General Managers.**

**Appointing Authority.** The board of each Proprietary Department shall appoint the general manager subject to confirmation by the Mayor and Council, and shall remove the general manager subject to confirmation by the Mayor. A general manager removed pursuant to the provisions of this section may appeal the removal to the Council in the manner provided in Section 508(e).

**Annual Review.** The board of each Proprietary Department shall evaluate its general manager at least annually and shall set or adjust the compensation of the general manager within guidelines established by Council, after recommendations concerning those guidelines have been made to the Council by the Director of the Office of Administrative and Research Services. The board shall forward a copy of its performance evaluation and salary determination to the Mayor and Council.

**Powers and Duties.** The powers and duties of general managers contained in Section 509 (shown above) shall apply to general managers of the Proprietary Departments. Additionally, the board of each Proprietary Department may authorize its general manager to contract on behalf of the department where the contract does not involve payment or receipt of money or consideration reasonably valued in excess of a monetary limit provided by ordinance.

## Exhibit VI-1

### General Provisions of the City Charter that Pertain to the Harbor Department (Cont'd)

#### **Section 652. Powers and Duties of the Board.**

The board shall have the power and duty to:

**Rules and Regulations.** Make and enforce all necessary rules and regulations governing the maintenance, operation and use of the Harbor District, and enforce penalties for the violation of those rules and regulations. (The Charter previously defined the Harbor District as "The lands and waters, and interests therein, under the possession, management and control of the Board of Harbor Commissioners.")

**Harbor Traffic.** Regulate and control the piloting, anchoring, mooring, towing and docking of all vessels and watercraft in the Harbor District.

**Control Over Harbor Facilities.** Regulate and control the construction, maintenance, operation and use of any railroad, wharf, warehouse or other facility, utility, structure or improvement used in connection with the Harbor District.

**Dredging.** Regulate and control all dredging, filling and excavating in the Harbor District.

**Rates.** Fix and Collect rates and charges for the use of the Harbor Assets, pilotage and towage, and any other service provided by the department.

**Development of the Harbor District.** Acquire, provide for, construct, maintain and operate all improvements, utilities, structures, watercraft, facilities and services for Departmental purposes and to acquire and take, by purchase, lease, condemnation or otherwise, in the name of the City, any property, real or personal, or any interest therein, and to designate the site for any public buildings, structures or facilities in the Harbor District. The power of condemnation shall only be exercised with the approval of Council

#### **Section 655. Powers and Duties of the General Manager.**

In addition to those powers and duties described in Section 604, the general manager of the Harbor Department shall have the power and duty to:

- a. enforce all orders, rules and regulations adopted by the board relating to regulation, operation or control of the Harbor District;
- b. supervise and manage the design, construction, maintenance and operation of all work or improvements authorized or ordered by the board;
- c. designate and assign berths or landings for the use of vessels at any wharf or like facility at the established rates or charges, subject to the rules and regulations of the department;
- d. designate and assign space in any warehouse, elevator or similar facility at the established rates or charges and subject to the rules and regulations of the department;
- e. subject to approval of the board, grant revocable permits to use the lands and waters, or interests therein in the Harbor District, or any structure or appurtenance thereto, for any and all purposes which shall not interfere with commerce or navigation, and are not inconsistent with any trust upon which the land may be held by the City;
- f. revoke any assignment made under subsection (c), (d), or (e) of this section in accordance with Section 654 (c); and
- g. carry out all powers and duties of the department delegated by the board.

## B. Evaluative Criteria

The criteria used in evaluating this strategic area included:

- Does planning in the Department evolve from the top-down direction of the Executive Director and effectively employ a process that results in a clear vision of the Department's direction?
  - Is the Department's strategic planning process effective?
  - Have strategic plans routinely been developed by management and approved by the Board?
  - Are the reporting relationships between the Department, the Board, the Mayor, and City Council effective in keeping parties adequately informed? Is the chain of command recognized and followed? Are relative levels of authority recognized and respected?
  - Does the Department have effective methods and procedures to identify all of the policy issues that may impact future operations?
  - Is executive management properly organized and informed to provide sufficient direction and oversight of the Department? Are the levels of management and spans of control adequate and appropriate, given the strategic importance and complexity of each function?
  - Are external stakeholders and the financial community kept abreast of Department activities and important developments?
  - Are employees familiar with the Department's vision, mission, and strategies for the Port?
  - Are the decision-making processes between the Department, the Board, the Mayor's Office, and City Council adequately defined and operating effectively?
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- Does management clearly and effectively communicate with external and regulatory agencies and with the public?
  - Does the PCAC provide an effective forum for providing community input to the Board and to management?
-

## C. Findings and Conclusions

In this section, our findings and conclusions are presented in three categories, corresponding to the three areas we examined in this strategic issue:

- Leadership and strategic planning.
- Management processes and performance measurement.
- The impact of community input on decision-making.

### Leadership and Strategic Planning

1. The Department does not have a formal, Board-approved strategic plan that communicates its vision, mission, and goals to all employees and external stakeholders. The strategic planning process has not been active or effective in the last several years and there is no clear vision for the Department's future.
  - The Port of Los Angeles was one of the first public ports in the United States to develop a formal strategic plan.<sup>3</sup> The Department's first strategic plan was completed in 1986. In 1988, the Planning and Research Committee of the American Association of Port Authorities (AAPA) published a booklet entitled "Strategic Planning: A Guide for The Port Industry."<sup>4</sup> The committee chair was an employee of the Port of Los Angeles and a major contributor to AAPA's work in developing the booklet. Much of the content of the Guide was derived from the process used at the Port of Los Angeles.
  - The Department's last formal strategic plan was developed and approved by the Board in 1996.<sup>5</sup> In the past eight years, the operating, political, and business environment for the port industry has changed dramatically, both world-wide and, especially, in Los Angeles. It is important to have an ongoing strategic planning process to address such changes.
    - There has been a change in the City administration since the last strategic planning process.
    - The Mayor's vision has had a significant impact on the operations of the Board and, thus, on the Department as a whole. For example, the PCAC was created at the request of the Mayor, and the Mayor's "no net increase" mandate has, and will continue to have, a significant impact on Department operations.
  - The 1996 Strategic Plan contained most of the required elements of a good strategic plan including:

<sup>3</sup> Data Response 204, Q 6.

<sup>4</sup> Data Response 205.

<sup>5</sup> Port of Los Angeles Strategic Plan, 1996.

- Background of the Port
  - Mission Statement including values
  - Description of the Process
  - Key Strategic Issues
  - Goals and Strategies
  - Implementation Plan
- Although the 1996 Strategic Plan identified several procedures which were intended to update and coordinate the plan with existing Department programs and operations, and to continue the strategic planning evolution, the Department has not implemented several of these procedures. Examples of the Department's failure to take the necessary steps to maintain an ongoing strategic planning process, as outlined in the 1996 strategic plan, include the following:
    - Updates to the Strategic Plan have not occurred at three to five year intervals.
    - Strategic planning issues and goals have not been reviewed, updated or reaffirmed by the Board, the Executive Director or the Chief Operating Officer on an annual basis.
    - Despite the fact that the 1996 plan states that the strategic planning process and the Port of Los Angeles Strategic Plan are to be communicated to all Department employees as part of the Department's Annual Business Plan, there has not been an Annual Business Plan since 1996.
    - Strategic planning has not been integrated with the budgeting and performance review elements of the Annual Business Plan. Performance reviews are not conducted at Division Manager levels and above, nor is there an Annual Business Plan.
    - The new strategic planning process is currently under the direction of a Board Ad-Hoc Committee (established in March 2004) and not the responsibility of the Executive Director and Chief Operating Officer, as specified in the 1996 plan.<sup>6</sup>
- 
- A current strategic message has not been established or communicated in a meaningful manner. Although a draft Strategic Plan was developed and distributed among the executive management team in 2003, this plan has not formally been adopted, as discussed further in Conclusion 2.<sup>7</sup>
- 
- Currently, there is no overarching or inspirational vision for the Department as a whole, short of what remains from the 2003 draft Strategic Plan which states that "The Port of Los Angeles shall continue to be the nation's premier port."
  - There is currently a draft Mission Statement for the Department (based on the 2003 draft plan). It was developed as part of the off-site meeting with senior management.

<sup>6</sup> Data Responses 188, 190 and 192.

<sup>7</sup> Data Response 40.

This draft Mission Statement reflects some changes from those stated in the prior (1996) mission statement.<sup>8</sup> The current draft Mission Statement is as follows:

The Port of Los Angeles shall set the standard for domestic and international ports by focusing resources on enhanced environmental and community sensitivity while maintaining its commitment to customer service as it provides unequalled facilities to a diverse group of maritime and port dependent customers ...

2. The 2003 draft Strategic Plan was developed through a high-level process that did not adequately solicit input from Department managers, employees or external stakeholders. While the draft Strategic Plan included many components of a good strategic plan, it did not include any performance measurements or criteria, nor did it require an ongoing evaluation or updating process.
  - Although senior department management produced a draft Strategic Plan in 2003, it was not distributed to staff for input or formally submitted to the Board for approval. The planning process excluded input from managers and employees in the Department, as well as from external stakeholders. As a result, the 2003 draft Strategic Plan is not in alignment with the strategic priorities informally adopted by senior management. Employees and stakeholders alike receive conflicting messages about Department priorities.
  - While the 2003 draft Strategic Plan included the basic components of a good strategic plan, including vision, workplace values, mission statement, goals, and strategies for achieving the goals, it did not include any performance measurement or criteria or describe any required ongoing evaluation or updating process.<sup>9</sup>
  - Departmental goal categories have been established; however, the goals are not quantified; and many lack a schedule for completion. The plan is still in draft form and a new process is being contemplated.<sup>10</sup> The 2003 draft Strategic Plan outlines the Department goals which are consistent with the Mayor's vision as follows:

**Safe and Secure Port Community:** Continue to enhance the safe and efficient movement of cargo and passengers with enhanced security at Port properties.

**Community Outreach:** Establish effective methods to increase broad-based communication with harbor area communities and stakeholders.

**Planning and Environmental Stewardship:** Ensure that planning and environmental issues are appropriately addressed in coordination with various stakeholder groups.

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<sup>8</sup> Data Response 40.

<sup>9</sup> Data Response 40 and NorthStar/blue analysis.

<sup>10</sup> Data Response 40 and NorthStar/blue analysis.

**Public Access Projects:** Complete public access projects for the benefit of the community as well as visitors.

**Customer Service:** Maintain strong, positive relationships with maritime industry customers by continuing to provide value, competitive advantage and financial stability.

**Terminal Facilities and Infrastructure:** Improve the Port's terminal facilities and infrastructure to provide customers with the most efficient and environmentally sensitive facilities on the West Coast.

**Fiscal Responsibility:** Maintain a comprehensive financial program that will provide sufficient funds to finance Department requirements.<sup>11</sup>

3. The Board has recently indicated a desire for a new strategic planning process and has established an Ad-Hoc Committee on Port Strategic Planning; however, the process is suffering from numerous delays.
  - On March 24, 2004, the Board adopted Resolution No. 6256, establishing the Ad-Hoc Committee to act as an Advisory Committee on Port Strategic Planning and appointed two Commissioners to the "Strategic Planning Committee."<sup>12</sup>
  - In May 2004, the Department initially sent out a "Request for Qualifications (RFQ)" to thirty-five consultants qualified to update the Port's Strategic Plan.<sup>13</sup>
  - Subsequent to the issuance of the strategic planning RFQ, the Finance Department proposed to obtain a consultant to conduct a "best practices or benchmarking" study of leasing practices. The Ad-Hoc Committee combined the leasing and strategic planning studies into one Request for Proposal (RFP). That RFP was sent to the Mayor's Office for review and remained there as of August 31, 2004.
  - The Mayor's Office review of the RFP has delayed its distribution and may delay the beginning of a new strategic planning process.
  - NorthStar/blue was not permitted to review the original RFQ or the follow-up RFP and cannot comment on the comprehensiveness of either document.<sup>14</sup> There is concern that while both studies may be needed, the focus on the strategic planning component may be diffused by the request for a "best practices" review.

<sup>11</sup> Data Response 40.

<sup>12</sup> Data Responses 190 and 192.

<sup>13</sup> Data Response 204, Q 2.

<sup>14</sup> Data Response 204, Q 3.

4. Individual Harbor Commissioners are too often directly involved in a number of the Department's day-to-day management and business functions.

- The City Charter states that each proprietary department shall be under the control and management of a board of commissioners that shall be the head of the department. However, the terms "control" and "management" have never been specifically defined in terms of relationships between the Mayor, his representatives, Commissioners, and the Executive Director, or other senior managers.<sup>15</sup>

- City Charter Section 509 states that the chief administrative officer of a department under the control and management of a board of commissioners shall:

...appoint, discharge, suspend, or transfer the employees of the department or bureau, other than the secretary of the board and the chief accounting employee of the department, all subject to the civil service provisions of the charter.

Section 509 notwithstanding, the lack of formal definition, as well as the lack of formal, rigorous business practices, has led to several situations in which the Mayor's representative or individual Commissioners have taken on Department responsibilities.

- On November 13 and 14, 2003, during the first phase of the IEA Survey, the Deputy City Mayor instructed Department staff and Commissioners to reverse direction on a lease decision that was in process. Subsequently, one Commissioner requested a formal clarification of the legally defined guidelines regarding the relationship between the Mayor's staff, Harbor Commissioners, the Department's executive staff, and governance of the Port in the areas of:

- Policy matters
- Mandates
- Operations of the Port
- Relationships between the Port and its tenants
- Decisions and directives established by the Board<sup>16</sup>

- The Commissioner's request was withdrawn a few days later and, the activities were made public in a news article addressing Port decision-making.<sup>17</sup>

- The Mayor recently directed the Commissioners to become less directly involved in contracting/leasing evaluations and negotiations.

- On January 5, 2004 the Mayor's Executive Directive No. MO-1 prohibited Commission subcommittees and individual Commissioners from participating in the evaluation and recommendation of contractor and contract selection.<sup>18</sup>

<sup>15</sup> Data Response 179, Q3.

<sup>16</sup> Memo to the City Attorney's Office dated December 2, 2003 – withdrawn December 5, 2003.

<sup>17</sup> "Harbor rift is raising eyebrows" – Daily Breeze, December 17, 2003.

- On June 1, 2004 under Executive Directive No. MO-2, this prohibition formally included lease evaluation processes.<sup>19</sup>
- The Board recently created a number of ad hoc committees, each comprised of two Board members, for the purpose of reacting spontaneously to Department management issues.<sup>20</sup> These committees include the following:
  - Strategic Planning
  - Audit Committee
  - Small, Minority and Women Business Affairs
  - Port Legal Issues
  - Human Resources
  - Leasing<sup>21</sup>
- The Board recently established another ad hoc committee to act as an advisory committee on the Mayor's "no net increase" initiative.<sup>22</sup>
- Commissioners directly performed the evaluations and individual selection for recent Department management positions. The Department's Executive Director and Chief Operating Officer did not participate in the process to select these Department directors.<sup>23</sup>
  - Director of Planning and Environmental Affairs appointed June 28, 2004 – interview team of two Commissioners.
  - Director of Homeland Security appointed February 9, 2004 – interview team of two Commissioners.
  - Director of Operations and Emergency Management appointed December 29, 2003 – interview team of two Commissioners.
  - Director of Engineering Development appointed June 2, 2003 – interview team of two Commissioners and one Department Director.
- The Executive Director was directed in writing by a sub-committee of two Commissioners to demote a manager, and to hire an external person, even though the Executive Director did not have prior knowledge of the action and was not involved in the selection process.

<sup>18</sup> Data Response 207, Executive Directive No. MO-1 January 5, 2004.

<sup>19</sup> Data Response 208, Executive Directive No. MO-2 June 1, 2004.

<sup>20</sup> Data Response 192, Board Resolution March 19, 2004, and Board Resolution May 24, 2004, Adopted June 9, 2004.

<sup>21</sup> Eliminated by the Board May 12, 2004 – Resolution No. 6273

<sup>22</sup> Agenda of Regular Meeting of the Los Angeles Board of Harbor Commissioners July 28, 2004

<sup>23</sup> Data Response 169, Q4.

- Two Commissioners directed the Executive Director to demote the Public Affairs Director on June 23, 2004, after being appointed to the position April 21, 2002.<sup>24</sup>
- The Commissioners then announced the selection of a new Public Affairs Director.
- The Department had no record of the evaluation and selection of the current Public Affairs Director as of July 6, 2004.<sup>25</sup> An evaluation and selection package for the Public Affairs Director was placed on file with the Human Resources Division office on July 13, 2004 and made available for review. The evaluation package contained three resumes, only one individual received a complete evaluation, and the documents were signed, but not dated.

### Management Processes and Performance Measurement

5. The Department lacks clearly delineated management performance expectations and a methodology to report progress. The Department's strategic planning process does not provide a clear definition of the Department's performance objectives. The Department's 2003 draft Strategic Plan highlights goals and activities to address strategic issues but is silent with respect to their accomplishment.<sup>26</sup>
  - The current Executive Director of the Department has not had formal goals established for his position since fiscal year 1999-2000. Although proposed goals for fiscal year 2003-2004 for the Executive Director were developed, they have never been formally recognized or specifically approved by the Board.<sup>27</sup>
  - The current Board has not performed an annual performance evaluation of the Executive Director as required by City Charter.<sup>28</sup> This process was initiated on July 28, 2004 during the final days of the IEA Survey after discussion with the survey team and as noted on the Board's closed session agenda.<sup>29</sup>
    - City Charter Section 604(b) requires that the board of each proprietary department evaluate its general manager at least annually and shall set or adjust the compensation of the general manager within guidelines established by Council.
    - The Executive Director of the Department has not received a performance evaluation by the Board since December 2000.<sup>30</sup>
  - While many people, including the Commissioners, may be interested in the Executive Director's performance, one Commissioner stated "that's probably a year from now,

<sup>24</sup> Office Memorandum from the Port Human Resources Ad-Hoc Committee Board of Harbor Commissioners to the Executive Director and attached letter.

<sup>25</sup> Data Response 169, Q4 from July 6, 2004.

<sup>26</sup> Data Response 40 Harbor Department Strategic Plan – Draft.

<sup>27</sup> Data Response 169, Q1.

<sup>28</sup> Data Responses 1 and 169.

<sup>29</sup> Agenda of Regular Meeting of the Los Angeles Board of Harbor Commissioners July 28, 2004.

<sup>30</sup> Data Response 169, Q1a from July 6, 2004.

if at all” and another Commissioner felt that a performance review is not necessarily needed.<sup>31</sup>

- Performance reviews have not been conducted for the Department’s top three managerial levels over the past two years.<sup>32</sup>
- The IEA Survey found that none of the directors have had a formal performance review since 1993.<sup>33</sup>
- There are no management performance measures or goals currently in effect for the Department’s Chief Operating Officer. Performance goals have been drafted for Department senior managers, but not for division heads at this time.<sup>34</sup>
- The Department has begun to re-introduce a managerial performance evaluation system that was last used in the late 1980s and early 1990s. It included the Executive Director’s performance goals based upon the Strategic Plan, the senior managers’ goals based on the Executive Director’s and the division heads’ goals based on those of the senior managers. However, according to the Director of Human Resources, the implementation of this process will be further delayed until the Department has an updated Strategic Plan in place since that will be the focus of the managerial performance evaluation effort.
- NorthStar/blue reviewed the list of performance goals for Department directors. These goals reflected those contained within the draft Strategic Plan.<sup>35</sup>
- The reestablishment of a management performance review initiative is mentioned in the Department’s draft Strategic Plan. Initial training was provided to supervisors. The next steps have yet to be outlined and implemented.<sup>36</sup>

6. Performance measurement is not utilized at the Department.

- As discussed earlier in this chapter, meaningful and effective performance measurement begins with a strategic planning process to identify the organization’s vision, values, mission, and strategic issues. A strategic plan aligns the organization’s processes, objectives, and goals and includes performance measurements to evaluate progress toward achieving goals. The Department’s 2003 draft Strategic Plan does not identify specific goals or performance measures.
- With few exceptions, such as the Finance and Engineering organizations, the Department’s measures of performance are limited to quantification of input and output such as employee time, division budgets, and activity schedules.

<sup>31</sup> Data Response 166 Daily Breeze: Hahn appointees overdue for performance reviews - June 28, 2003.

<sup>32</sup> Data Response 169, Q3 from July 6, 2004.

<sup>33</sup> Data Response 169, Q3.

<sup>34</sup> Data Response 169, Q2 from July 6, 2004.

<sup>35</sup> Data Response 169, Q3.

<sup>36</sup> Data Response 169, Q3.

**Input** measures the amount of resources needed to create products or services. Normally, measures of input include resource hours, materials, equipment and supplies. Input measures are useful in showing the relative cost, resource mix, demand or amount spent providing a service or developing a product.

**Output** measures the amount of products or services actually provided. Output measures focus on the results but do not indicate whether goals or objectives have been accomplished. They rarely reveal any information about the quality or efficiency of the product or service.

- Measures of efficiency and effectiveness are not used.

**Efficiency** measures compare meaningful units of input to output measures and output per unit of time.

**Effectiveness** measures the outcome or results of a product or service and provides information about quality.

- Management reporting and control systems vary by division in the Department. For example, Engineering has well-documented reports of operational performance measures and uses a number of reports to communicate progress on capital projects, including those described below:
  - Project/program quarterly reports and construction contract payment reports are used to evaluate project progress, cost growth trends, and schedule trends, and measure these against target milestones. If problems occur with the budget or schedule, or if there are issues involving potential claims from a contractor, these measures are used to provide direction and develop strategies to improve performance.
  - Project priority reports provide information on new projects that have been initiated, including their level of priority and target dates. The reports communicate the level of workload and potential resource issues that may need to be addressed.
  - Engineering quarterly reports provide information on the overall status of the operating budget, Capital Improvement Program (CIP), new positions filled, vacant positions, key project status, and permits issued. They are used as a communication tool to understand how the division is operating.
  - Various financial and budget reports are obtained from the Finance Division and are used to obtain information on topics such as net/gross revenues, terminals throughput, and overall CIP cash flow.
- The Department recognizes the need for meaningful performance measurement. Our review of Department documents and management interviews found that there are some initiatives being undertaken to develop more control over performance.

- A customer satisfaction initiative is noted in the performance goals for the Marine Services Division.
  - The Construction and Maintenance Division is in the initial stages of developing a customer satisfaction survey.
  - The “no net increase” project is noted in the Department’s draft Strategic Plan as an activity for Planning and Environmental Management. Environmental Management is developing baseline measures to support the Mayor’s environmental initiative of “no net increase.”
  - Workforce planning is noted in the Department draft Strategic Plan as a tool to understand current staffing needs to enable managers to plan for future organizational demands.
  - Information Systems implemented a traditional project management monitoring system with performance measures, policies, and procedures to facilitate, streamline, and control development of computer systems and networks.
7. The Department’s business processes are not well documented and lack sufficient support and information to ensure control and accountability for results.
- Formal policies and procedures, including technical standards that address business processes for structure, completeness, suitability, and compliance with City standards have not been developed by the Department.
  - The IEA Survey included a high-level review of the Department’s business policies and procedures. The results of this survey revealed that in many cases policies and procedures which govern the Department’s business processes are not documented. In some cases, procedures are maintained within the respective organizational units and functions, but are not aggregated or integrated for the Department as a whole. Examples of these division-level policies and procedures include Engineering Development, Finance, and Human Resources (consistent with City civil service policies and procedures).
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- The Department maintains administrative policies and procedures. However, in most cases these policies and procedures are brief summaries, limited to a few pages each, and as shown in **Exhibit VI-2** (page following), were last updated in the early 1990s.

**Exhibit VI-2**

**Port of Los Angeles Administrative Manual Table of Contents**

Topic	Revision Date	Topic (continued)	Revision Date
1. General Procedures		6. Port Development Committee Procedure	1/91
1.1. Revisions to Manual	9/90	7. Communications	
1.2. Chain of Command	6/99	7.1. Procedures for Confidential Documents	9/90
1.3. Release of Public Information	9/90	7.2. Standardized Letters and Memos	3/98
1.4. Contractor's Proposals as Public Info	9/90	7.3. Board Reports	1/91
1.5. Identification of Contractors On-Site	12/95	7.4. Records Access and Records Retention	11/98
2. Supervisor's Guide to Personnel Procedures		7.5. Forms Control Procedures	1/99
2.1. Employment Selection	11/98	7.6. Board Communication	9/90
2.2. Employee Illness/Injury	9/90	7.7. Fees for Copying Public Documents	2/91
3. Department Contract Procedures		8. Facilities	11/98
3.1. General Contract Requirements	11/93	8.1. Conference Room Reservations	9/90
3.2. Personal Service Agreement Preparation	6/99	8.2. Public Use of Harbor Department Facilities	4/91
3.3. Removed		8.3. First Level Parking Regulations	1/97
3.4. Removed		8.4. Building Maintenance	3/97
3.5. Removed		8.5. Wharf Damage	
3.6. Short Form Contract Agreements	11/93	9. Services	9/90
3.7. M/WBE Enterprise Program	3/00	9.1. Graphics and Audio Visual Services	1/99
3.8. Business Tax Reg. Cert.	9/90	9.2. Facsimiles	9/90
3.9. Job Training Program Act	9/90	9.3. Telephone Services	9/90
3.10. Affirmative Action	9/90	9.4. Bridge Tickets	9/90
3.11. Insurance Requirements	9/90	9.5. Computer Services	3/98
3.12. Payment Procedure	5/92	9.6. Mail and Special Messenger Services	8/97
4. Travel and Transportation		9.7. "Angelina II" Use	9/90
4.1. Travel and Non-Travel Business Exp.	9/90	9.8. Construction and Maint. Requests for Service	8/97
4.2. Travel Coordinator Procedures	9/90	9.9. Cellular Telephone Issuance and Usage	
4.3. Assigned Vehicles	9/90	10. Materials and Equipment	
4.4. Personal Vehicle Use	3/98	10.1. Hazardous Materials	9/90
4.5. Pool Vehicle Checkout Procedures	3/98	10.2. Purchase Orders	9/90
4.6. Vehicle Rental		10.3. Vehicle and Equipment Replacement Guidelines	9/90
5. Accounting and Financial Mgt.	9/90	10.4. Salvaging Property	9/90
5.1. Budget Procedure	9/90		
5.2. Personal Expenses	10/95		
5.3. Petty Cash			

Source: Data Response 16.

- Despite the lack of formal, documented policies, procedures, and controls described above, the Department states that its functions are conducted in a structured, systematic manner. However, it is not possible to evaluate the merits, strengths, or weaknesses in management processes that are not formally documented. More importantly, the Department lacks policies that address strategic issues such as those identified in the IEA Survey, specific Board and executive management organizational responsibilities (as noted in Chapter IV of this report), as well as in the City Charter.
- The Department does not have a formal written policy for notice, evaluation, and selection of exempt management positions.<sup>37</sup>
- Recent studies have made similar observations regarding the Department's informal management processes.
  - The Controller's Office recently conducted a review of the Department's leasing practices. This review noted a lack of formal policies and procedures, no requirement to document due diligence activities, an intended informal flow of negotiations, avoidance of documentation, and an over-reliance on institutional memory.<sup>38</sup>
  - A March 2003 study of the Environmental Initiatives Program described weaknesses typical of organizations with an "informal" management system.<sup>39</sup>

## **The Impact of Community Input on Decision-Making**

8. Since the establishment of the PCAC, the Department has made unprecedented efforts to work with the community, including obtaining community input and feedback, assigning staff to support community-based activities, and allocating additional resources to working with the PCAC.
  - The PCAC has had an impact on Department decision-making in terms of community input to Board meetings, interaction with Department staff, and community involvement in such Department functions as budgeting, use of subject-area expert consultants, and environmental planning.
  - Communication between the Department and the community has increased since the establishment of the PCAC. Department staff assigned to the PCAC, and additional staff who contribute on an issue-specific basis, have dedicated many hours of paid and volunteer time to responding to the PCAC.
  - Community input to the Department, as delivered by the PCAC, has increased significantly since the establishment of the PCAC. All PCAC members have

<sup>37</sup> Data Response 169, Q 5.

<sup>38</sup> Report by Sjöberg-Evashenk Consulting LLC for the Los Angeles City Controller June 16, 2003.

<sup>39</sup> Environmental Initiatives Program Implementation Plan: Port of Los Angeles, Shaw Environmental, Inc., March 25, 2003, pg. iv.

volunteered substantial amounts of time and effort in attending PCAC and subcommittee meetings, conducting research, and attending Board meetings.

9. Members of the newly formed PCAC interpreted the Mayor's directive and developed the PCAC Bylaws for Board approval. The January 2002 PCAC Bylaws depart from the Mayor's original directive by removing the oversight role of the Board "working in conjunction with the Community Advisory Committee" and transferring authority directly to the PCAC.
  - A comparison of the Mayor's August 2001 directive and the January 2002 PCAC Bylaws is shown in **Exhibit VI-3** (page following).
  - The PCAC Bylaws depart from the Mayor's directive.
    - The Bylaws transfer the Board's leadership role to the PCAC.
    - Although the Mayor's directive addresses both the Board and Department staff, the Bylaws do not address the role of Department management and staff.
    - The Mayor's directive does not specifically direct the Board to establish a "standing committee of the City of Los Angeles Board of Harbor Commissioners" that "constitutes a legislative body pursuant to Section 54952 et seq. of the California Government Code."
    - The Bylaws do not address communications between the community, the Board, and Department staff.
10. There are no clear guidelines regarding the scope of topics to be considered by the PCAC, the budget for PCAC activities, or the use of Department staff and other Department resources to support PCAC activities.
  - The PCAC presents motions to the Board, rather than the Board recommending topics for the PCAC to pursue. The Board considers all motions presented by the PCAC and does not indicate if a topic is appropriate for PCAC review.
  - Section 205 of the PCAC Bylaws, "Outside Resources," indicates that the PCAC can request that the Board provide outside experts.

On an ad hoc basis, a majority of the voting members may request the Board to provide outside experts to assist the Committee in achieving its purposes. Experts in such fields as environmental sciences, engineering, urban planning, port development, port operations, law and others may be requested as appropriate to the matters before the Committee at any given time.<sup>40</sup>

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<sup>40</sup> Bylaws of the Port of Los Angeles Community Advisory Committee

Exhibit VI-3

Comparison of the Mayor's Directive and PCAC Bylaws

Mayor's Directive	PCAC Bylaws	NorthStar/blue Comments
<p>I am urging the new Harbor Commission and the Port and staff to implement the following recommendations immediately so that we can begin to improve communications between the Port and the community and improve the quality of life for harbor area residents:</p>	<p>The purposes of the Committee are:</p>	<p>The role of the Board and Port is transferred to the PCAC.</p>
<p>Establish a Community Advisory Committee to assess the impacts of Port developments on the harbor area communities. This committee will work closely with the soon-to-be-formed local neighborhood councils and existing community groups to enhance communication and improve our neighborhoods.</p>	<p>To assess the impacts of Port Developments on the Harbor area communities and to recommend suitable mitigation measures to the Board for such impacts.</p>	<p>The bylaws add "recommend suitable measures" as a responsibility of the PCAC – not the Board or Department staff.</p>
<p>In conjunction with the Community Advisory Committee, review all past, present, and future environmental documents in an open, public process to ensure that all laws – particularly those related to environmental protection – have been obeyed, all City procedures followed, and all adverse impacts upon the communities mitigated.</p>	<p>To review past, present and future environmental documents in an open public process and to make recommendations to the Board that ensure that impacts on the communities are appropriately mitigated in accordance with Federal and State of California law.</p>	<p>The Board's role in the review of environmental documents is transferred to the PCAC.</p>
<p>In conjunction with the Community Advisory Committee, take a leadership role in creating balanced communities in Wilmington, Harbor City and San Pedro so that the quality of life is maintained and enhanced by the presence of the Port. For example, immediately evaluate how the Port can develop the proposed Promenade project and how it can participate in the proposed international business charter high school.</p>	<p>To provide a public forum and to make recommendations to the Board to assist the Port in taking a leadership role in creating balanced communities in Wilmington, Harbor City and San Pedro so that the quality of life is maintained and enhanced by the presence of the Port.</p>	<p>The Board's leadership role in "creating balanced communities" is transferred to the PCAC.</p>

Note: References to the Board's oversight role are in bold, while language common to both is underlined

Source: Mayor's Directive, August 9, 2001; PCAC Bylaws, January 31, 2002.

- Nevertheless, the PCAC does not prepare an annual budget for review or approval by the Board, but requests reimbursement on an ad hoc basis for such expenses as travel to attend conferences and fees for external consultants.
- Without specific guidelines, Department personnel have been generally directed to assist and respond to the PCAC on an as-needed basis, with the “need” defined by the PCAC.
  - Staff personnel are assigned to each subcommittee (five subcommittees in 2002, seven in 2003, and eight in 2004) as well as to each of five Neighborhood Councils.
  - Additional staff personnel are directed to attend meetings and respond to PCAC requests for assistance, as required for subject-area specific topics (e.g., engineering, environmental).
  - When the PCAC presents motions to the Board, the Board in turn gives the motions to staff for review.
- A significant number of Department employees were assigned to PCAC-related activities.<sup>41</sup>
  - In 2002, 24 Department employees were assigned to or attended PCAC subcommittee meetings.
  - In 2003, 87 Department employees were assigned to or attended PCAC subcommittee meetings.
  - In 2004 (through June), 82 Department employees have been assigned to or have attended PCAC subcommittee meetings.
  - PCAC members contact staff directly, rather than through Board requests, thereby acting as de facto Board representatives or managers.
- As allowed by the PCAC Bylaws (Section 205), the Department has hired or assigned already retained consultants specifically to work on PCAC issues or has paid for consultants requested by the PCAC.<sup>42</sup>
  - In 2002, 13 consultants attended one or more subcommittee meetings.
  - In 2003, 33 consultants attended one or more subcommittee meetings.
  - In 2004 (through June), 46 consultants attended one or more subcommittee meetings.

<sup>41</sup> The Department has not maintained a comprehensive record of hours spent by staff at meetings or working on PCAC-related activities. The number of assigned staff is based on minutes and attendance records from subcommittee meetings.

<sup>42</sup> Minutes and attendance records from subcommittee meetings.

11. Lacking guidelines from either the Board or Department management, the PCAC continues to expand its role in ways that exceed or modify the Mayor's original directives and are contrary to its purpose. The PCAC is inserting itself into day-to-day Port operations and policy development. If the PCAC is not "the public," then the primary reason for establishing the PCAC is negated.

- Many of the individuals interviewed during the IEA Survey (Commissioners, PCAC members, Department staff, and other Port stakeholders), consider the PCAC to be uncontrolled in terms of its impact on day-to-day Port operations, and its expanding reach into all aspects of Department management and processes. While there is consensus that a formal forum for community input and feedback to the Port should exist, there is concern about the extent to which the PCAC has asserted a right to review, evaluate, and challenge the merits of capital projects, Department budget allocations, and even the expertise and good faith of Department management and staff.
- The PCAC is reviewing the Port Master Planning process at the subcommittee level.
- The PCAC intervened directly into the Department budgeting process by presenting a motion to retain 10 percent of gross Port revenue to mitigate the impact of Port operations on air quality.
- At the September 10, 2003 Board meeting, the PCAC made recommendations which modify the PCAC from a community forum for input and feedback to the Board and the Department to a working participant in day-to-day Department operations. By recommending essentially equal participation in Department operations and work products, the PCAC negates its advisory role.

At the September 10, 2003 Board meeting, the PCAC recommended that:

The Board direct Department staff to work cooperatively with the PCAC to the fullest extent allowed by law as new environmental documents are prepared.

The Board further direct that, consistent with the Mayor's and Commission's actions establishing the PCAC, the PCAC is not the public and, as a standing committee of the Board, PCAC shall work with Department staff to develop measures that enable PCAC to fulfill effectively its advisory role to the Board.

Measures developed by Department staff and PCAC provide for PCAC participation in development of environmental documents as they are prepared, rather than simply the opportunity for PCAC to comment at each stage of review when completed documents are released for general public comment.<sup>43</sup>

<sup>43</sup> Synopsis of Minutes of the Regular Meeting of the Los Angeles Board of Harbor Commissioners, Wednesday, September 10, 2003.

- PCAC members are not required to have maritime or other relevant expertise or experience and therefore may not have the required technical expertise to make appropriate contributions to Department operating decisions.
  - There is no accountability for the outcomes of PCAC participation.
12. The adversarial nature of the PCAC-Department relationship undermines effective communication.
- NorthStar/blue observations at Board meetings, PCAC meetings, and subcommittee meetings indicate that some PCAC members do not trust the outcomes of studies conducted by Department staff or by consultants retained by the Department, even when the consultants were independently selected by the PCAC.
  - Despite presentations explaining the impact of the State Tidelands Trust on Port operations, the PCAC continues to challenge State Tidelands law by requesting funding for such items as a dog park and street beautification outside the physical Harbor District boundaries.
  - Some PCAC members are suspicious of and do not trust Department management in general and operate under the assumption that the Department has acted or continues to act in bad faith. For example, the following quotation from the *Preliminary Findings Summary of the Interim Report* draft of the PCAC Past EIR Document working group illustrates the PCAC's assumptions that the Department primarily cares about growth and is not committed to improving the quality of life for the Port community:

In past EIRs evaluated by the Working Group, industrial growth at the port *is assumed to have an inexorable logic*. Expansion of port industrial facilities, without mitigation of the harmful effects of expansion, is assumed to be an acceptable policy for the City of Los Angeles.

...Past EIRs show a strong commitment to accommodating port industrial operations but *fail to show a corresponding commitment to identify, quantify and mitigate the harmful effects of that growth*.<sup>44</sup>  
[Emphasis added]

13. The PCAC may not equally represent all of the Port-adjacent stakeholders.
- **Exhibit VI-4** (page following) details the current representation of various stakeholders on the PCAC, according to the current bylaws.
    - Seventy-four percent of the voting membership is the general community, with the remaining 26 percent representing the business community.

<sup>44</sup> PCAC Past Environmental Documents Working Group, Interim Report Draft 08/ 21/03.

- Of the general community membership, 42 percent of the voting members represent homeowners associations.
- Neighborhood Councils, which represent various stakeholders, account for just 17 percent of the total voting membership.

### Exhibit VI-4

#### PCAC Voting Membership

Represented Organizations	Number of Voting Members	Percent of Total
Homeowners Associations	11	31%
Business/Industry Groups	9	26%
Neighborhood Councils	6	17%
At-Large Members (Education)	4	11%
Wilmington Community Advisory Committee	3	9%
Organized Labor	2	6%
<b>Total Voting Membership</b>	<b>35</b>	<b>100%</b>

Source: <http://www.lacity.org/portofla/Community/pcac.htm>; NorthStar/blue analysis.

- Members representing other stakeholders, such as the business community, have complained about the lack of balance or have stopped attending PCAC meetings on a regular basis out of frustration. Excerpts from letters of PCAC members to the co-chair indicate the level of discomfort with representation.

The PCAC does not operate in a manner that allows the interests of the port's business and commerce to be adequately represented.

Because the PCAC, as currently structured, is overwhelmingly made up of homeowners, it is difficult if not impossible to gain any significant consideration or meaningful debate of business interests with respect to motions being considered.

- Subcommittees are a key part of the PCAC process. In 2002, there were five subcommittees; there are currently eight. It is in the subcommittees that most of the analysis and decision-making occurs and motions are developed for consideration by the PCAC as a whole. The PCAC Bylaws do not limit the number of subcommittees on which members may serve.<sup>45</sup> Furthermore, participation on PCAC subcommittees is open both to voting and alternate members. As shown in Exhibit VI-5 (page following):
  - Seventeen PCAC members (49 percent of the 35 voting members) do not serve on any subcommittees.

<sup>45</sup> PCAC Bylaws approved January 31, 2002

- Several voting members and alternates serve on one or more subcommittees. One individual chairs one subcommittee and has been a member of every other subcommittee.

### Exhibit VI-5

#### Participation in Multiple PCAC Subcommittees

Number of Subcommittees	Number of Voting Members or Alternates Serving on One or More Subcommittees
One	16
Two	16
Three	6
Four	6
Five	1
Six	3
Seven	4
Eight	4
Nine	1
None	17

Source: Attendance records from 2002, 2003, and 2004 subcommittee meetings

- Department staff, some PCAC members, and other stakeholders consider that a core group of homeowners (representatives of the San Pedro Homeowners Coalition) dominates the PCAC. Some members report being “bullied” and otherwise coerced into agreeing with or not challenging the ideas of this core group. For example, representatives of Neighborhood Councils or other groups are encouraged to vote on issues without returning to their organizations to get input and delaying a vote until the next meeting. Excerpts from letters to the PCAC co-chair indicate members’ concerns with this group:

Motions are being introduced and carried forward, especially with respect to environmental issues, with little or no objective discussion.

PCAC has become the vehicle of the ‘elite’ with their own agenda.

PCAC wants to usurp the Board’s powers. The elite will hold a project hostage until the department and tenant agrees to their desires.

- Many meetings are scheduled during the workday, which makes it difficult for members who have full-time jobs to attend.

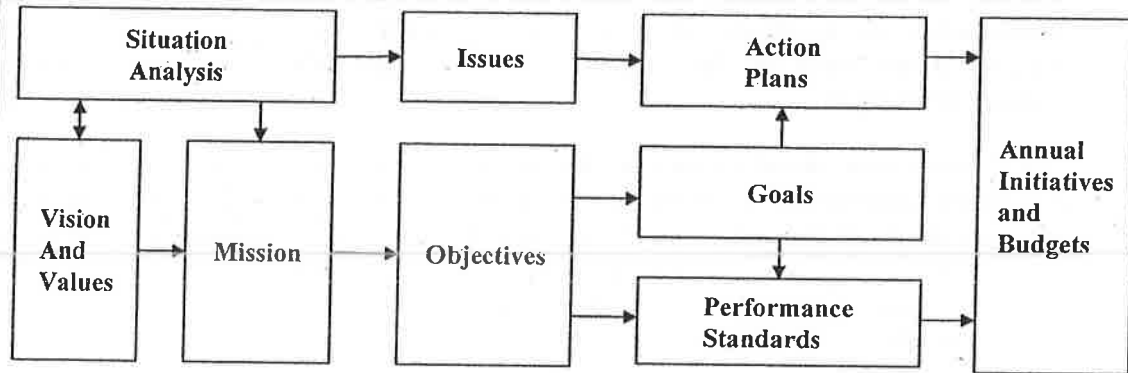
## D. Recommendations

1. The Department should solicit input and direction from the Mayor's Office to assist the Departmental governance process by more clearly defining the terms "management and control" in the City Charter and define the overall management relationships within the Department. Every effort should be made to clarify the various roles and responsibilities of the Board vis-à-vis the Executive Director and other members of the senior management team.
2. The Department should continue the process of developing a comprehensive and integrated strategic planning process, resulting in a well articulated and communicated strategic plan. "Ownership" of the strategic planning process should appropriately rest with the Executive Director, with input and support from the Board. It is important that the Department own the strategic plan and that any resulting plan is not perceived as being forced upon the Department.
  - Exhibit VI-6 (page following) presents recommended elements of an effective strategic planning process.
  - If the RFP requesting consulting assistance for strategic planning is comprehensive (again, we have not seen it to be able to comment on it), it should be distributed so that the process can begin.
  - Separate the leasing and contracting practices and the strategic planning RFP. While it may be desirable for the Department to obtain additional information about leasing best practices, it is not synergistic with a strategic planning proposal and should be conducted separately.

## Exhibit VI-6

### Elements of an Effective Strategic Planning Process

The inter-relationships of the various elements and flow of information that is needed in the design of an effective strategic planning process is shown below:



#### Situation Analysis

The situation analysis is performed at the beginning of each planning cycle to identify and update the consideration of opportunities and threats in the external business environment, and the current strengths and weaknesses in the organization. This activity provides the basis for identifying critical issues and reviewing the mission and objectives to ensure their continued applicability in light of the current situation. It also serves to prioritize opportunities for improvement, and to coordinate resources and actions to achieve desired results. This activity is often referred to as a SWOT (strengths, weaknesses, opportunities, and threats) analysis. From this analysis, the Department can identify the critical issues, risks, obstacles, and opportunities that must be addressed through strategies implemented during the period covered by the strategic plan.

As a separate element, the Department should identify and document key assumptions and requirements that will become the basis for planning. Among these are a set of enabling legislation and statutes (federal, State and local) that authorize the establishment and operation of the various programs. For the Department as a whole, assumptions should be developed in all important areas that are outside its sphere of influence and control. Examples include demographic changes, availability and cost of capital, new and changing regulation, and competitive market conditions.

#### Issues

When properly conducted, the Situation Analysis results in the identification of critical and strategic issues. Based on the analysis, and the application of evaluation criteria, priorities can be established for the emerging issues. Most organizations can effectively deal with only a few issues at a time, and the establishment of priorities enables the development of action plans to address the matters of most significance in the current planning cycle.

#### Vision and Values

A Vision Statement is an aspiration of what the organization wants to become or achieve in the future. It is long-term, inspirational, and over-arching. Values are like points on a compass that help direct the organization towards the desired vision. Values help keep the organization on course.

## Exhibit VI-6 (Cont'd)

### Elements of an Effective Strategic Planning Process

#### **Mission**

A department's mission statement describes its reason for existence in general terms that capture its unique purpose and functions. It typically describes the organization, what it does, why it does it, and for whom. It should be a broad definition of purpose that defines the business services to be offered in selected markets and other aspects of the scope and conduct of the business. This stated purpose is the set of organizational behaviors through which the vision is to be achieved.

#### **Objectives**

Objectives are broad, high-level, issue-oriented statements of a department's desired future direction or desired states or outcomes. Objectives elaborate on the department's vision statement, articulating the overall expectations and intentions for the department. They are developed to translate the broad statement of purpose contained in the mission statement into key performance areas. Objectives are developed for the long-term. However, in each planning cycle objectives may be added, modified or deleted in order to reflect changes in the business or social environment.

#### **Goals**

Goals are quantified, time-phased statements of accomplishment that help define how the organization is to meet its objectives. Goals are less enduring than objectives and are added or modified as conditions change. Attainment of a goal requires action beyond what occurs routinely.

#### **Performance Measures**

Performance measures are also quantified, time-phased statements of accomplishment, but they focus on defining how well an objective is to be met and on specific accountability. Once goals have been attained, they can be retained as performance measures to describe the level of desired accomplishment. Standards or desired performance targets must be defined to effectively motivate action towards the achievement of the goal.

#### **Action Plans**

Action plans describe "who" must do "what" by "when" to bring about the changes needed to move from the current situation to the conditions described in an objective. Together with their related goals, action plans describe the results expected upon completion of the programs. Action plans must be sufficiently complete to support program implementation. They must include milestone schedules and identify the resources needed for their implementation. These actions, once implemented, change the capabilities of the organization and create the abilities required to make strategies happen.

Without identification of "who" and "by when", it is extremely difficult to hold any given person accountable for the action to be taken. The detail in action plans needs to be complete and accountability needs to be built in for the evaluation of performance or accomplishment. Accountability is one of the most important elements of an effective management process, and in the planning area, is achieved through the development and implementation of action plans.

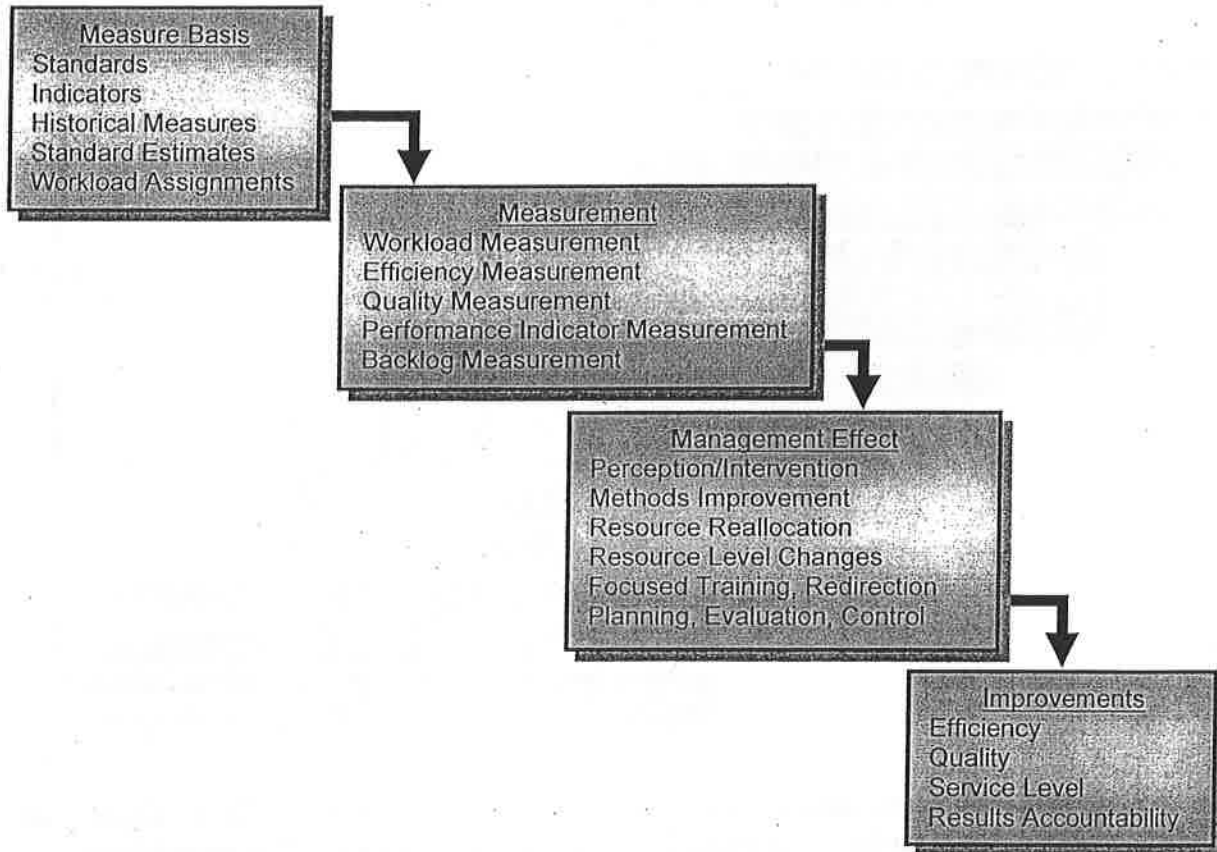
#### **Annual Initiatives and Budgets**

Once developed, each action plan competes for funds with all other action plans as well as other elements of the capital, operations, and maintenance budgets. If action plans cannot be funded as described, it is unlikely that the goal will be achieved and the action plan goal should be changed so as not to represent an unreasonable expectation. It is therefore essential that the strategic planning process be designed so that annual initiatives and budgets are linked and integrated with the strategic plan.

3. The Department should develop a comprehensive performance measurement program.
- The goal of a performance management program is to provide the correct products and services in the best possible way. Once major business processes and their products and services have been identified, objectives should be established for their delivery. These objectives may include increased quantity, timeliness, resource utilization, or customer satisfaction. Performance measures are used to evaluate how well the delivery system is performing and to ensure that the correct products and services are still being provided. Information is provided to upper management concerning the attainment of Department-wide (strategic) objectives and goals as well as feedback on Department operational objectives and goals. Feedback, accomplished through correctly administered performance measures, can be a powerful tool for improving performance.
  - Most performance measures and measurement systems focus on how well and how many things are done. Too often organizations assume that the right products, services and support to customers are being provided. These traditional performance measurement systems examine the activities performed in terms of inputs and outputs instead of business processes and services provided. It is important that the Department pursue a performance measurement program that focuses on the outcome of business processes and services and not simply the output.
  - **Exhibit VI-7** (page following) presents the fundamental elements of a performance measurement program. An effective measurement system is an important tool for improving Department performance. Identifying current performance levels can help a work group develop a plan and specific improvement objectives. Various types of measures are reported which give management the opportunity to intervene constructively and improve performance. Improvements in efficiency, quality and service can be expected.

## Exhibit VI-7

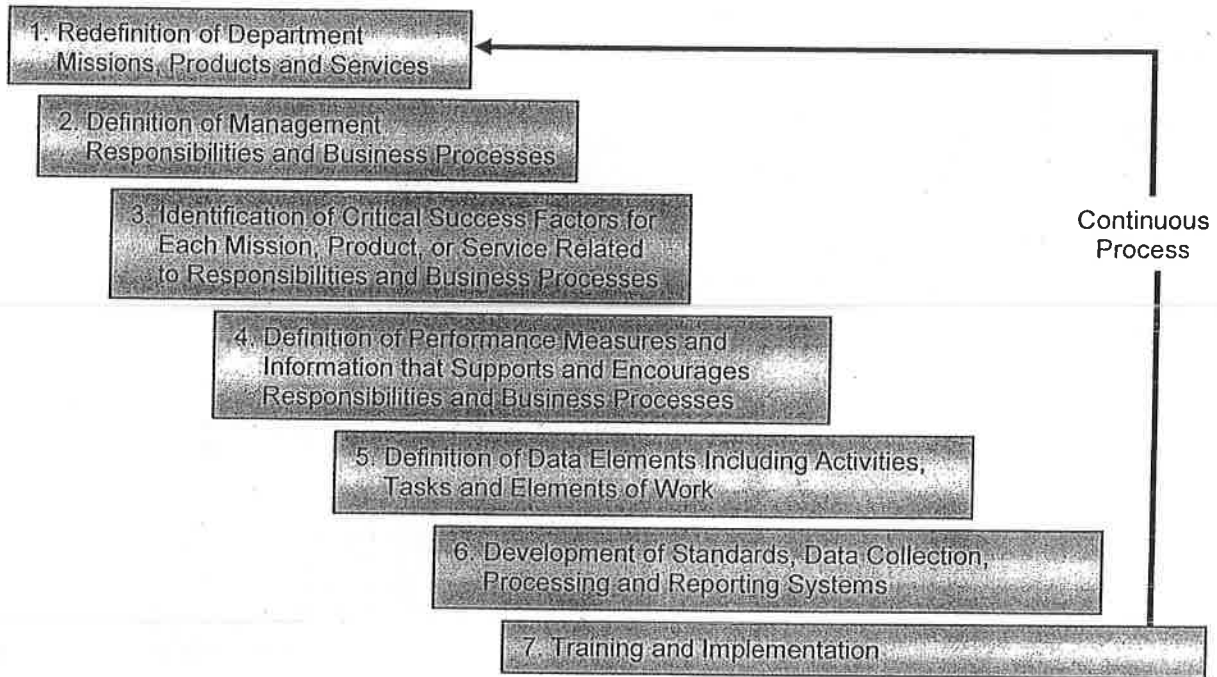
### Performance Management Elements



- **Exhibit VI-8** (page following) presents the overall approach to performance management development. It should be stressed that performance measurement is an ongoing process. The Department must aggressively pursue this as a long-term goal. As organizational units change, missions, end-products, activities, critical success factors, and performance measures should be re-assessed and realigned to ensure appropriateness. This orientation along with performance reporting and supporting management philosophies will ensure that the correct services are provided in the best possible way.

## Exhibit VI-8

### Overall Approach to Performance Management Development



4. The Board and Department executive management should conduct management performance evaluations of all Department management positions on an annual basis.
  - Based on the results of the IEA Survey, the current Board and the Department do not feel an obligation to perform formal performance evaluations. Both the Board and executive management should require the submission of specific performance expectations for each Department managerial position and the results of each position's performance evaluation.
  - Develop and formalize a schedule of performance evaluations.
  - Develop performance expectations which are consistent with the City's standards.
  - Audit results of management performance evaluations on a formal, periodic basis.
5. The Board and the Department should develop policies and formal business procedures to address all of the responsibilities of the Board (as previously described in Chapter IV – Organizational Responsibilities) and the Department executive management in those matters that must receive Board approval.
  - Develop a comprehensive inventory of formal policies and procedures currently recognized by the Department.

- Establish an effective date for when these policies and procedures were last updated.
  - Perform an analysis of the gaps in coverage.
  - Identify development and update requirements and respective update assignments with a firm timetable for completion.
6. Individual Commissioners should not intervene or perform the actual duties of the Department and should concentrate the Board's attention on the results of business processes conducted by the Department.
- Objective policy development as well as effective management and control over business processes requires independence from the specific activities performed.
  - It is not possible to manage objectively and control the results of the Department's business processes if those processes are performed directly by Commissioners or resources other than the Department. Similarly, it is not possible to gauge management's effectiveness if individuals that are not members of the organization or under the respective manager's direction conduct business processes.
7. The Department should continue to establish credibility with its community stakeholders and build trust through responsive and relevant interactions with the community.
- The Department did not historically seek adequate community input and only did so upon the Mayor's directive to establish the PCAC.
  - As a public agency, accountable to the City of Los Angeles, the State Tidelands Trust, its customers, and the community, the Department should actively solicit, welcome, and facilitate community input.
  - Opportunities for meaningful community input into Port activities are critical to the Port's future. The public is increasingly well-informed about the harmful effects of pollution and aware of the impact it can have on public policy.
8. The Board should assert a more direct, leadership role vis-à-vis the PCAC.
- 
- Because the PCAC is a standing committee of the Board, all Commissioners, not just the Commissioner assigned as co-chair of the PCAC, should be actively involved in the current revisions to the PCAC Bylaws, paying particular attention to the ways in which PCAC will function as an advisory group. For example, the Board should ensure that the bylaws:
    - Define membership to be truly representative of all Port stakeholders.
    - Define subcommittee participation (for example, the bylaws might state that all PCAC members serve on at least one subcommittee and no member may serve on more than two subcommittees) to ensure that input, recommendations, and motions are representative of all Port stakeholders.

- Set reasonable guidelines for requesting the assistance of Department staff through the appropriate channels.
  - Outline an annual budget development process for submission to and approval by the Board, as opposed to the current process of submitting funding requests on an ad hoc basis.
  - Define a process for review and approval of the issues to be addressed by the PCAC, and the establishment of subcommittees to ensure that they are consistent with the original intentions of the PCAC.
- The Board should ensure that PCAC is not involved in the day-to-day operations of the Department.
    - The Board should direct the PCAC to refrain from calling any Department staff directly.
    - The Board should not pass any motion that suggests or permits PCAC members to participate directly in Department operations, such as reviewing the Department budget, or otherwise abandoning its advisory role.
  - All Harbor Commissioners should demonstrate their commitment to public input by routinely attending PCAC meetings or subcommittee meetings. Such participation would not require all Commissioners to attend all meetings, but each Commissioner should make a commitment to regularly attend full PCAC meetings or to stay involved with a particular issue through regular attendance at the subcommittee level.
9. Department management should assert a more direct, leadership role vis-à-vis soliciting and supporting community input while maintaining the integrity of day-to-day operations and decision-making.
- Executive management should demonstrate its commitment to public input by routinely attending PCAC meetings or subcommittee meetings. Such participation would not require all high level managers to attend all meetings, but each manager should make a commitment to regularly attend full PCAC meetings or to stay involved with a particular issue through regular attendance at the subcommittee level.
  - Executive management should present to the Board a compelling case for the number of staff, level of staff, and amount of time dedicated to PCAC activities. Staff personnel should be directed to track their time, using an alternate system if the existing payroll system cannot meet tracking needs. Management must determine whether the burden is excessive on an individual, division, and overall level.
  - Within these guidelines, Department management and staff should cooperate and collaborate to the fullest extent possible with community groups.
10. The Board and executive management should insist on civil and respectful interactions between PCAC members and staff. Deliberate rudeness, name-calling, or otherwise acting in bad faith by either PCAC members or staff should not be tolerated.

11. The Board should examine how other similar agencies work with communities to get ideas for structuring effective community involvement. Interviews conducted by NorthStar/blue with three other ports illustrate different approaches to obtaining community input.

- The Port of Oakland establishes community input committees or task forces on a project-specific basis, linked to the project's duration. In addition, the Community Relations Department has set up two storefront annexes in neighborhood shopping centers to provide information on the port and emphasize port benefits to the local residents. The annexes also post port and tenant job openings, and annex staff facilitate job matching and help improve job seeking skills.
- While the Port of Houston Authority (POHA) has no ongoing citizens advisory panel, it does put together a citizens panel for a specific project. Three years ago POHA convened a panel associated with the construction of a new terminal (Bayport Terminal). This panel, called the Community Advisory Group or CAG, was sponsored by the port's executive office. (Note: POHA is the first port to receive an ISO 14001 certification for environmental management. This certifies that they have an environmental management system in place that can be audited by third parties.)
- The Port of Vancouver in British Columbia, Canada, does not have a standing citizens advisory committee. Its method of collecting community input involves hosting open houses in impacted communities every six months. The key area is the Deltaport area south of Vancouver where the Port is expanding and building new container terminals. These open houses include exhibits on planned projects and then a town hall format where citizens and port neighbors can speak. The Port staff, with the aid of a contractor, take notes and build a database of comments and concerns. Top ranked concerns are incorporated into planning and engineering. This type of public input has resulted in significant changes to terminal siting. For example, the location for a new terminal was moved to protect an eel grass marsh after the public and environmental groups caused an uproar. These open houses are sponsored by the Container Development Group which plans new container facilities.

Canada's Environmental Assessment Act (EAA) is analogous to the National Environmental Policy Act in the U.S. EAA requires posting notice on large projects and providing a way for citizens to comment. The minimum requirements are to post on the project sponsor's website and take comments online. The Port of Vancouver, however, goes beyond this and will conduct town hall-style, open house meetings for large projects. Public comments are recorded and used in determining the conditions for a large project prior to final approval (by the Province or the federal environmental agency). The community input process ends once a project has been approved.

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## VII – PORT MASTER AND TRANSPORTATION PLANNING

### A. Background

#### Strategic Issue

As discussed in Chapter III – Strategic Issues, NorthStar/blue identified two strategic issues which pertain to Department port planning: Master Planning and Transportation Infrastructure planning. These strategic issues are interdependent and, accordingly, are addressed together in this report. Transportation infrastructure planning is a significant component of the overall master planning for a port. The consolidation of these two strategic topics into one management issue is due to the interdependency of the port environment.

Comprehensive port planning is a strategic issue as the Department must develop the appropriate tools and strategies to protect its market share, benefit from opportunities, alleviate transportation congestion, and meet increasing cargo volumes in a way that is environmentally sound and sensitive to community concerns.

#### Port Planning

A port represents a gateway between marine and land transportation. Marine transportation is made up of cargo ships, cruise ships, barges, and other seaborne vessels that deliver freight and people to and from a port. The land transportation system is made up of rail and roadway networks that are used by trains, trucks, and other vehicles to transport cargo to its appropriate destination. The primary function of a port is to supply infrastructure for freight (warehouses, terminals, cranes, etc.) and ships (harbors, channels, wharves, berths, etc.) for the movement of large volumes of freight from the waterside to the landside.

Ports are composed of a number of operational elements such as harbors, channels, terminals, roadways, and rail networks that are integrated and interdependent. These operational elements must be aligned to avoid capacity constraints or bottlenecks, which result in delays in the movement of freight. Delays have negative implications for a port, its customers, the environment, and the community. These negative implications manifest themselves in increased shipping costs, decreased port revenues, increased traffic congestion, decreased air quality and other environmental conditions.

If a port's harbors, channels, terminals, roadways, and rail networks are integrated and interdependent, port planning must be integrated as well. Ports plan for infrastructure development through the creation of facility, transportation, and land-use plans to handle large quantities of freight effectively. A facility plan is a set of capital projects for both landside and waterside infrastructure improvements designed to meet the demands of the market. A transportation plan is a set of capital projects developed to efficiently move freight from port facilities on road and rail networks. Land-use planning segregates the siting of major port functions into the most appropriate land and water areas to eliminate

incompatible uses. The integration of these plans into a “master plan” is important for developing infrastructure and managing constraints associated with port operations.

## Port of Los Angeles Planning Issues

The United States is the world’s leading trading nation and requires a large and effective network of waterways, roadways, and rail systems within a port to support its current position in the global marketplace. Planning for these multimodal networks<sup>1</sup> is especially important for trade due to increasing cargo volumes.<sup>2</sup>

- Container trade in the United States more than doubled from eight million twenty-foot equivalent units (TEUs) to 18 million TEUs between 1991 and 2001.
- West Coast trade is primarily conducted with Asia and largely composed of containerized cargo. California ports alone handled 48 percent of the United States’ container imports and 32 percent of the container exports in 2001.
- The Port is at the forefront of increased trade volumes in California. Between 1995 and 2001, the Port of Los Angeles grew at an annual rate of over 10 percent. This annual growth rate is greater than the Port of Long Beach with a growth rate of seven percent, and the Port of Oakland with a growth rate of less than one percent.

California’s Gross State Product (GSP) has increased 26 percent in the last five years to \$1.3 trillion making its economy larger than most developed countries.<sup>3</sup> With more than 25 percent of the state’s GSP tied to international commerce, California’s economy depends on trade. More than one in seven jobs in California is tied to the movement of goods.<sup>4</sup>

As discussed in Chapter V, the State Tidelands Trust outlines the legal principles for the administration of tidelands and submerged lands administered by the Board of Harbor Commissioners and specifies how Port funds are to be expended in the support of trade. Port funds derived from maritime business are to be used for the provision of facilities necessary to promote commerce, navigation, and fishery consistent with the Trust.<sup>5</sup> These funds have enabled the Department to invest in large capital development and improvement projects, such as those contained in the multi-billion dollar 2020 Plan. Large capital projects have significantly increased Port development and growth as a response to increasing levels of trade.

The Department faces an escalation of environmental and community challenges to its capital projects as a result of increased port development and growth. Recently, these challenges resulted in a lawsuit regarding the environmental impact of the China Shipping Holding Company terminal. As further discussed in Chapter VIII – Environmental

<sup>1</sup> Multimodal networks are sets of transportation modes offering connections between origins and destinations.

<sup>2</sup> Bureau of Transportation Statistics, Transportation Indicators Report, December 2002.

<sup>3</sup> <http://www.wallstreetview.com/GDPRankings.html>.

<sup>4</sup> Global Gateways Development Program: Stakeholder Perspectives on Options to Facilitate the Movement of Goods in California, California Department of Transportation, January 2002.

<sup>5</sup> Data Response 2.

Stewardship, in June 2001, the Natural Resources Defense Council, with other plaintiffs, sued the City for building the China Shipping terminal without a proper environmental assessment for future phases of terminal development. This lawsuit was settled by the City in March 2003, requiring funds to be set aside for environmental programs in and around the Port of Los Angeles while allowing the Department to finish constructing the terminal.<sup>6</sup>

The Department responded to the challenges to its growth strategy by developing a new “smart growth” policy which states:

The Port of Los Angeles recognizes its mandate for smart growth as it shifts focus from achieving status as the leading containerport in the nation to being the #1 port in terms of technological advancements and innovation, efficiency, effective environmental mitigation measures, and community outreach and involvement...<sup>7</sup>

The Department faces significant challenges to balance the demands of the port industry given its commitment to smart growth.

- Increasing commodity flows and larger ships are expected to enter the Port of Los Angeles. A 2001 Mercer Management long-term cargo forecast for container throughput estimates that 47.2 million TEUs will be handled by the Ports of Long Beach and Los Angeles in 2025.<sup>8</sup> This represents a four-fold increase from the current 2003 level of 11.8 million TEUs. To handle the increased volume of cargo and take advantage of economies of scale, many shippers are increasing the size of their ships. Just this year, the Port of Long Beach berthed two 8,000 TEU ships at their Orient Overseas Container Line Ltd (OOCL) terminal. This size ship surpassed ships of 6,500 TEUs that arrived in the area just five years ago.<sup>9</sup>
- The Department operates in a highly competitive industry which requires large capital investments. Increasing competition between ports requires intensive and ongoing capital investment in infrastructure projects to attract and retain customers. The March 2003 U.S. Port Expenditure Report shows that ports spent a total of \$23.6 billion in capital expenditures in the period 1946 to 2001. U.S. ports in the South Pacific expended thirty-two percent of the \$23.6 billion during the same time frame.<sup>10</sup>
- Expansion of the transportation infrastructure has not kept pace with trade growth at the Port of Los Angeles and Port of Long Beach. A recent study by the California Department of Transportation highlighted a number of issues related to the State’s freight transportation network at the Port of Los Angeles and Port of Long Beach.

<sup>6</sup> Data Response 32.

<sup>7</sup> Data Response 41.

<sup>8</sup> San Pedro Bay Long-Term Cargo Forecast 2001 Update, Mercer Management Consulting, April 2001.

<sup>9</sup> Press release from the City of Long Beach, “Giant Cargo Ship Arrives: World’s largest vessels come to Long Beach,” <http://www.longbeach.gov/news/displaynews.asp?NewsID=434>.

<sup>10</sup> United States Port Development Expenditure Report, US Department of Transportation, Marine Administration, Office of Ports and Domestic Shipping, March 2003.

These issues include capacity constraints for the large railroads that serve the two ports, truck delays, and congestion on Interstate 710.<sup>11</sup>

- Increasing land use conflicts and environmental concerns have an impact on Port operations and growth. The Port has limited growth space at its disposal. The increased use of land for recreational and community purposes reduces the amount to be used for cargo facilities. Additionally, environmental concerns for air quality, water pollution, soil contamination, and marine habitat preservation have an impact on the ability of the Department to continue to facilitate trade.

In 2001, the Port Community Advisory Committee (PCAC) was established to advise the Board of Harbor Commissioners on Port planning and environmental issues.<sup>12</sup> Currently, the PCAC has four subcommittees associated with planning issues: the Review of the Port Master Plan subcommittee, the Coordinated Plan for Waterfront Development subcommittee, Wilmington Waterfront Development subcommittee, and the Specific Traffic Planning subcommittee.<sup>13</sup>

## B. Evaluative Criteria

The evaluative criteria listed below provided a framework for this review.

- Does the Department systematically plan for future Port development projects? Are master planning documents updated?
- Does the Department maintain forecasts of future cargo demand and other forecasts? Are these regularly updated?
- Do processes exist for cost estimation, scope, facility requirements, schedule estimation, environmental concerns, alternative analyses, and funding source?
- Are alternatives adequately reviewed from the standpoint of cost, customer service, market uncertainties, changes in shipping technology, and capability?
- How are projects integrated into the Department's Capital Improvement Program?
- Does the Department have an acceptable prioritization methodology?
- How does the Department coordinate Port planning with environmental management to ensure responsible infrastructure development and growth?
- Does the Department coordinate with other City, State, and regional planning initiatives?

<sup>11</sup> Global Gateways Development Program: Stakeholder Perspectives on Options to Facilitate the Movement of Goods in California, California Department of Transportation, January 2002.

<sup>12</sup> Data Response 83.

<sup>13</sup> Data Response 334.

- Are there appropriate structures and processes in place to coordinate public input in planning programs?
- Does the Department maintain the level of staff technical proficiency, planning tools, and systems required to conduct planning projects?
- How does management evaluate the effectiveness of the planning function?

## C. Findings and Conclusions

### 1. The Department's Port Master Plan is a land-use plan; it is not a "master plan."

- The Port Master Plan is a tool to guide Port development by means of an approved land-use pattern within the Port. This is implemented by means of the Coastal Development Permit process. In essence, it is a record of land-use decisions that allows the implementation of proposed, near term growth projects or the conversion of properties from one function to another. To a large degree, this document simply reflects the Department's approach to an environmental compliance process. In accordance with the California Coastal Act of 1976 (Coastal Act), a commercial port is granted the authority to issue its own coastal development permits once it completes a "master plan" certified by the Coastal Commission. Each commercial port in California has a certified port master plan which identifies acceptable development uses of port land.<sup>14</sup>
- The Port Master Plan reflects only one element (the land-use plan) of many that are inherent to a "master plan." Other elements that are not part of the Port Master Plan include:
  - Analysis of current conditions and issues that are required to establish a baseline of the Port and its facilities, infrastructure, and transportation networks.
  - Forecast of expected cargo and vessel technology trends over a specified planning horizon.
  - Requirement analysis of facilities and transportation infrastructure to understand the relationship of current capacities and future forecasts.
  - Facility plan which identifies capital projects for both landside and waterside infrastructure improvements planned to meet market demands
  - Transportation plan which identifies capital projects to move cargo through the Port on road and rail networks.

<sup>14</sup> California Coastal Act of 1976, California Coastal Commission, January 1998.

2. The Department's long-term planning documents are outdated.

- The Port Master Plan (i.e. the land-use plan, as previously discussed) was approved by the Coastal Commission in 1980. The primary objective of the land-use plan was to segregate the siting of major port functions into the most appropriate land and water areas in the Port to eliminate non-compatible uses.
- The Department's situation has evolved since 1980 and the Department's land-use plan has outlived its usefulness.
  - Since 1980, the Department has introduced 22 different plan amendments for approval by the Coastal Commission; 16 amendments have been incorporated into the land-use plan.<sup>15</sup> The number of amendments suggests an evolution in the Port operating environment, such as increased dredging for changing ship size, larger terminal space to accommodate increasing cargo demand, increasing environmental issues, and the community's desire for more recreational areas.
  - Additionally, Port security should have a role to play in the siting and development of facilities, infrastructure, and road and rail networks after September 11, 2001.
- The Department's last comprehensive planning project was a 2020 focused capital improvement plan, completed in 1985. The Department and the Port of Long Beach, with the Army Corp of Engineers, launched a joint planning effort to create the largest integrated marine-highway-rail transportation hub in the world.<sup>16</sup> The 2020 Plan was designed to develop facilities, road, rail, and waterside infrastructure that would meet projected cargo handling needs through the year 2020.<sup>17</sup> At an estimated cost of \$4.8 billion for the 1988-2020 planning horizon, the 2020 Plan was the nation's most ambitious port expansion program at that time.
- In 1999, the Department developed the 2030 plan in response to increased container volume.<sup>18</sup> However, the scope of the 2030 Plan was limited, as it did not provide a comprehensive facility or transportation plan due to its primary focus on container terminals. Currently, the 2030 Plan is considered defunct.
- While there are a small number of projects in the Department's Capital Improvement Program (CIP) that can be traced to the 2020 Plan, the Department's CIP is without the benefit of a comprehensive plan to guide the Port of Los Angeles' long term development.
- The Department's 10-year, \$1.7 billion CIP, developed in fiscal year 2003-2004, shows approximately 70 percent of CIP dollars will be spent in the first five years.<sup>19</sup>

<sup>15</sup> Data Response 65.

<sup>16</sup> California Global Gateways: Challenges and Opportunities for Trade Development, June 2003.

<sup>17</sup> Port of Los Angeles 2020 planning documents.

<sup>18</sup> Data Responses 38 and 299.

<sup>19</sup> Port of Los Angeles 10 Year Capital Improvement Program, October 2003.

This suggests that many of the projects in the Department's CIP are not the result of a long-term planning process.

3. The Department does not plan for long-term Port development in a systematic manner.
  - The Department is assembling the elements of a master plan; however, planning responsibilities are diffused through the organization. Key master planning elements are distributed to three different divisions in the organization as shown in Exhibit VII-1.<sup>20</sup>

### Exhibit VII-1

#### Summary of Current and Recent Planning Projects and Department Division

Master Plan Element	Port Study	Date Completed	Department Division
Forecast	Long-Term Cargo Forecast	2001	Planning and Research
Forecast	Vessel Forecast	In Process	Planning and Research
Requirements Analysis	Port Rail Capacity Analysis	2003	Engineering Development
Requirements Analysis	Terminal Capacity Analysis Report	2003	Engineering Development
Requirements Analysis	Transportation Baseline Study	2004	Environmental Management
Land Use Plan	Port Master Plan	1980	Planning and Research
Transportation Plan	Transportation Master Plan	In Process	Engineering Development

- Planning documents are developed without the benefit of standard practices or policies and result in planning efforts that are not coordinated or fully integrated. Coordination between planning sponsors and integration of planning studies are important to the master planning effort, as each study provides a foundation for the next. Exhibit VII-2 (page following) segments master planning elements into categories of what the Department has completed and what is in process or still required.
- Finance is not included in the planning process for many capital improvement projects despite the fact that the Department is expected to spend in excess of \$1.4 billion on capital improvement projects over the next five years. The Department anticipates \$375 million of additional borrowing over the same period. Finance does periodically analyze the Department's cash flow, including CIP expenditures, to determine implications for debt issuance and management.

<sup>20</sup> Data Responses 65, 66, 218, 322, and 323.

Exhibit VII-2

Status of Master Planning Elements

Planning Element	Complete	In Process	Not Performed	Comments
Inventory of Current Facilities and Issues			X	This analysis is important to develop a baseline of the Department's current situation. It includes data points on existing Port waterside infrastructure and facilities, environmental conditions, land uses, area planning efforts, and socio-economic and other community related information.
Cargo Forecast (2001)	X			The study evaluated the potential cargo throughput demand for the San Pedro Bay Ports in 2001. The forecasts were based on projected long-term trends for various types of waterborne cargo.
Vessel Forecast		X		The Department and the Port of Long Beach are developing an RFP to conduct a forecast of number of container cargo vessels that will be calling on the ports over the next twenty years. The purpose of the forecast is to help the ports design terminal wharfs and channel widths, determine minimum bridge heights, calculate terminal operating capacities and calculating vessel emissions and energy requirements.
Terminal Capacity (2003)	X			The study evaluated the physical capacity of the Port's existing and planned container terminal expansion for the years 2005, 2010, and 2025. The study examined the physical throughput capacity of each terminal based on a detailed analysis of berthing and backland operational criteria. Changes to operational labor practices, increased hours of operation, ship sizes, container stacking heights, and other factors were built into a capacity analysis model that calculated future years' throughput capacity for the berths and backland areas independently for each terminal.
Rail Capacity Study (2003)	X			This study was conducted to determine future potential rail traffic demand; identify the rail system deficiencies and necessary improvements; and develop an implementation plan. Study areas included an analysis of existing conditions, intermodal forecasts for on-dock rail yard as well as train traffic, rail network simulation modeling, and a recommended rail improvement program.

Planning Element	Complete	In Process	Not Performed	Comments
Baseline Transportation Study (2004)	X			This study evaluated existing and future vehicular traffic demand; transportation deficiencies, and necessary improvements. The baseline area includes the Port, plus the roadway system surrounding the Port such as key freeway facilities that carry freight traffic. A total of 92 key intersections were analyzed as part of the research.
Land Use Plan		X		The Department's land-use plan is in the process of being developed. The process began over two years ago with the inclusion of the PCAC subcommittee review of the Port Master Plan.
Facility Plan			X	Facility plan has not been developed.
Transportation Plan		X		A Transportation Master Plan initiative launched by the Port that builds upon the foundation of the transportation requirements analysis conducted in terminal, rail, transportation studies. The objective of this long-term study is to improve the Port's transportation system and prepare to meet future demands with the creation of a port-wide transportation planning tool. To meet this objective the Port will develop different engineering alternatives and methods to improve the Port's transportation network. The goal of the plan is to accommodate future container cargo projections through 2025 and reduce traffic congestion and air emissions in the local communities.

- Several of the individual planning elements were developed without the requisite input from other planning activities. Many of these planning elements discussed in Exhibit VII-2 have a narrow perspective focused on container trade and do not consider other facilities (i.e. dry bulk, liquid bulk, cruise ship infrastructure, retail space, and recreational uses).
  - An Inventory of Current Facilities has not been conducted to understand the current conditions of the Port's channels, terminals, and other assets. The Department needs to understand the status of its assets as they exist before it can plan for new development.
  - The Long-Term Cargo Forecast includes all cargo types; however, the Terminal Capacity Study focuses on container terminals.
  - The as-of-yet incomplete Vessel Forecast focuses on container vessels and does not include dry bulk, liquid bulk, or cruise ships. The purpose of a vessel forecast is to help the ports in designing terminal wharfs and designing channel widths to

assist calculating terminal operating capacities; however the Terminal Capacity Study has already been completed.

- The Transportation Plan is in process of being developed without a facilities plan. While such a plan is necessary, it is without the benefit of an updated facility plan. This situation increases the risk of developing transportation projects without understanding potential impacts of new facilities (such as terminals and recreational projects.)
  - The Transportation Plan is being developed without an updated land-use plan. The land-use plan is the foundation from which facility plans and transportation plans are derived and reduces the potential for incompatible development.
  - The Baseline Transportation Study uses the Terminal Capacity Study as a reference. The Terminal Capacity report only studied container terminals not other types of cargo terminals.
4. The Department's Planning and Research Division is responsible for only a small component of Port planning.
- The Planning and Research Division is a process-oriented organization, in which tasks are executed on a near-term, project-by-project basis primarily for the Department's land-use plan and forecasting studies, rather than for long-term planning activities. As a result, the Division is not utilized as a centralized planning function or to coordinate and communicate with other internal divisions or external stakeholders a long-term Port planning vision.
  - The Planning and Research Division was reorganized in June 2003. At that time, Planning and Research was moved from Business Development and incorporated with other environmental sections under a new organizational structure called Planning and Environmental Affairs. This reorganization highlighted the importance of the planning function.<sup>21</sup> A comparative review of the position description for the Director of Planning and Research and the description of Planning and Research Division responsibilities shows the planning roles and responsibilities have not changed, despite the May 2002 policy of smart growth and the June 2003 reorganization.<sup>22</sup>
  - The Director of Planning and Research has developed a role with dual responsibilities. The Director became associated with Business Development (lease negotiation) while still managing the Planning and Research Division.<sup>23</sup> This dual role continues despite promotion to Director of Planning and Environmental Affairs in July 2004.

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<sup>21</sup> Data Response 343.

<sup>22</sup> Data Responses 5, 202, and 203.

<sup>23</sup> Data Response 4.

- The staffing level of the Planning and Research Division has decreased from seven professional planning positions (Director and Harbor Planning Analyst positions) in fiscal year 1994-1995 to five in fiscal year 2003-2004.<sup>24</sup>
5. The Department does not consistently follow its policies and procedures for capital project planning.
- The Department has thorough planning policies and procedures documentation for capital projects. However, these documents have not been updated since the early 1990s.<sup>25</sup> The Engineering Development Division is addressing this issue by updating its documentation and enhancing its current project controls system as part of its strategic goals. Due to the increased breadth and depth of the project, the original completion date of March 2004 was moved to December 2004.<sup>26</sup>
  - NorthStar/blue's examination of the capital project planning process included a review of eight projects ranging from \$5 million to \$61 million as shown in **Exhibit VII-3** (page following).<sup>27</sup> The primary planning documents for these capital projects are the Project Request Package and the Preliminary Plan. These planning documents provide information essential for approving projects for the Department's CIP; however, NorthStar/blue's review of selected projects found that that these planning documents are not always complete.
    - The review found that many elements of the Project Request Packages are not consistently completed, as shown in Exhibit VII-3. The Project Request Package consists of a formal request/memo, cost estimates, and a prioritization matrix. Projects requested without a formal procedure can be a source of disruption and impact the overall ability of the Department to deliver projects according to a defined process.
    - The review found that the process of defining projects in the Preliminary Plan is not consistently followed, as shown in Exhibit VII-3. The Preliminary Plan consists of a project scope document that outlines project location, specific user requirements, facility size requirements, environmental concerns, utilities, schedule, financial analysis, and other relevant elements of a project that should be fully documented before it is included in the CIP.

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<sup>24</sup> Review of Department organization charts from FY 1994/1995 through 2003/2004.

<sup>25</sup> Data Response 303.

<sup>26</sup> Data Response 12.

<sup>27</sup> Data Responses 344 through 351.

**Exhibit VII-3**

**Selected Capital Projects in the Department Capital Improvement Program  
(Dollars in Millions)**

Project Name								
	Waterfront Promenade and Plaza Development	B.210-211 Relocation	Berths 90-93 Cruise Terminal Facility	B.100 75 Acre Backland Improvement	Berth 100 Container Wharf	San Pedro Waterfront Red Car Line	B. 212-224 Backland Reconstruction	Red Car Museum and Maintenance Facility
Total Cost	\$61	\$60	\$53	\$38	\$31	\$11	\$10	\$5
Work Order Number	24655	N/A	24683	24493	24479	24405	N/A	24673
<b>Project Request Package</b>								
Project Request Memo	✓	NA	NA	✓	✓	NA	NA	NA
Project Request Assessment and Prioritization Form	NA	NA	NA	NA	NA	NA	NA	NA
Cost Estimate	IP	✓	✓	✓	✓	✓	NA	✓
<b>Preliminary Plan</b>								
Project Scope	IP	✓	✓	✓	✓	✓	NA	✓
Cost Estimate	IP	✓	✓	✓	✓	✓	NA	✓
Resource Identification	NA	NA	NA	NA	NA	NA	NA	NA
Schedule	IP	NA	✓	✓	✓	✓	NA	✓
Drawings	IP	✓	✓	✓	✓	✓	NA	✓
Financial Analysis	IP	✓	NA	✓	✓	NA	NA	NA
Impact on Cargo Throughput	NA	NA	NA	NA	NA	N/A	NA	N/A

NA-Not Available, ✓- Available, IP- In Process, N/A- Not Applicable

- As shown in Exhibit VII-3, the Department does not consistently use the systems and controls outlined in its policies and procedures to operate effectively in its business environment. Areas that need attention include the following:
  - Formal project requests and approvals
  - Formal assessment and prioritization

- Formal commitment of resources
  - Financial analysis
  - The Department does not have performance measures that determine the effectiveness of capital project planning policies and procedures.<sup>28</sup>
6. Key Department divisions are not consistently involved in the planning process. Coordination and communication on planned Port development is not effective and information needs to evaluate projects are not being met.
- Planning requires involvement from many internal stakeholder groups. Success requires consistent and timely information from various organizations to develop an understanding of a project's impact on Port business. Until the mid 1990s, the Port Development Committee (PDC) served as the Department's primary method of involving important internal stakeholders in the planning process. The PDC was comprised of senior managers from all major Department divisions. The purpose of the PDC was to review all Port projects over \$500,000 in order to establish priorities and to review changes to existing projects. The PDC had defined roles and responsibilities for each Division to provide supporting data for proposed or existing projects.<sup>29</sup> However, the PDC stopped meeting in the mid-1990s.
  - The Department recently began a new effort to inform staff of projects and development plans through the Project Review Committee. This effort involves Division managers and selected staff.<sup>30</sup> This is an initial step to revive the PDC, however, the Project Review Committee requires further definition regarding its purpose, role, responsibility, and required duties for other Divisions to support it.
  - Major leases (greater than \$500,000) are presented to the Board with a Chief Financial Officer (CFO) Analysis.<sup>31</sup> However, there is no comparable requirement for financial analysis of capital projects which are not lease-related.
    - Board Resolution 4909, issued in 1986, set forth the requirement to perform financial analyses of major leases. Typically, the CFO Analysis provides calculations of expected rates of return under varying assumptions about future levels of shipping activity.
    - Because the term financial analysis is often interpreted by Department management to mean determination of rate of return, some do not see a role for financial analysis for projects that do not produce revenue in the way a lease does. However, clearly some non-lease-related projects are revenue producing and therefore are amenable to a rate of return financial analysis. One example would be the cruise ship terminal which is expected to produce revenue but has not been

<sup>28</sup> Data Response 352.

<sup>29</sup> WorldPort LA Administrative Manual, Port Development Committee roles and responsibilities.

<sup>30</sup> Project Review Committee manual.

<sup>31</sup> Data Responses 127 to 134.

analyzed to determine its rate of return because it is not a lease. More importantly, the term financial analysis might be interpreted more broadly than just the expected rate of return. There are several question that should be addressed in a financial analysis, such as:

- What effect does a non-lease-related capital project have on the funding needs and sources of the Department?
  - How does each project affect the ability of the Department to incur additional indebtedness?
  - How does each project affect the rating of indebtedness the Department incurs?
  - Should any of these effects including rate of return be considered in prioritizing which capital projects to undertake soonest?
- A review of non-lease-related capital projects such as wharf upgrades and cruise terminal development shows that a financial analysis is not consistently performed on such projects.<sup>32</sup>
- The Environmental Management Division provides detailed support data on environmental requirements, permitting, scheduling, and staffing for existing and proposed projects and development plans according to the Administrative Manual. However, Environmental Management is not consistently involved in defining the scope of capital projects or large development plans outside of state and federal environmental regulations.<sup>33</sup>
7. The Department has recently initiated efforts to obtain planning systems and models to facilitate planning for Port development. However, planning technology needs still exist.
- The Department has made efforts regarding technology transfer and training from consultants in the Port planning studies. The Department obtained container terminal capacity simulation software for container terminal planning. This software, called PRECAP, was obtained upon completion of the Terminal Capacity Study. The Department also uses PRECAP for Environmental Impact Statement/Environmental Impact Report (EIS/EIR) development.<sup>34</sup> Additionally, the Department is in the process of having transportation networks integrated in the Department's Geographic Information System (GIS) as part of the Transportation Master Plan effort.<sup>35</sup>
  - The Department needs systems and models for forecasting, and cargo terminal (other than container), truck traffic, and rail capacity computer simulation applications. Integration of simulation programs can provide planners with a holistic view of the Port.

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<sup>32</sup> Data Response 342.

<sup>33</sup> Data Responses 344-351.

<sup>34</sup> Review of PRECAP Software documentation (part of JWD Terminal Capacity Report).

<sup>35</sup> Data Response 322.

- The Department's GIS contains some information on the condition of Department capital infrastructure assets; however, much of the data still reside in disparate data sources such as design drawings, written records, studies, and databases.<sup>36</sup> The Department is addressing this issue by continually populating and maintaining the GIS with infrastructure information.
8. The Department does not formally evaluate or prioritize projects according to their relative merit.
- Until the mid-1990s, the Port Development Committee was the primary instrument for approving and prioritizing projects in the CIP. The PDC prioritized projects based on safety, financial analysis, community/political, environmental, competition, labor relations, tenant needs, and operational support.<sup>37</sup>
  - When the PDC stopped meeting in the mid-1990s, a new prioritization scheme was developed by the Engineering Development Division. The current prioritization scheme does not prioritize projects according to PDC parameters; rather, it assigns a high, medium, or low priority on a project based on needs and resources available. A list of capital projects is circulated among Engineering Development management on an individual basis to assess the perceived needs of projects on the list. When the Division management has commented on the needs of the projects, the list is delivered to the Chief Harbor Engineer to prioritize the projects. Low priority is assigned to projects that are not being worked on due to lack of available resources, and/or if the project is on hold for other Department reasons. Medium priority is assigned to projects that are worked on when resources are available. High priority is assigned to projects that are in construction or being worked on with dedicated resources. A memo is sent with the attached list of prioritized projects to other Divisions on a bi-monthly basis.<sup>38</sup>
  - The current capital project priority ranking process does not formally evaluate projects on their merit consistent with documented procedures.
  - The Department prioritization process does not rank the relative importance of capital projects. There has not been a need to prioritize projects based on merit and importance since the Department has always had the capital to fund all requested projects. As a result, the Department has considerable difficulty declining a request for a project.
  - Without a formal process of determining project priority, it is not clear how projects are recommended for inclusion in the CIP.
9. The Department would benefit from a consistent and coordinated strategy to involve external stakeholders in Port development.

<sup>36</sup> Data Responses 66 and 316.

<sup>37</sup> Data Response 302.

<sup>38</sup> Data Response 302.

- Community outreach is new for the Department and it is learning from experience. The Department has not involved the public in the planning process until recently.
- Currently, the Department does not have a strategy to coordinate its outreach efforts.
  - There are currently three Department projects with a community outreach component: 1) the Transportation Master Plan, 2) the Police Building and Maritime Studies Center, and, 3) the Waterfront Redevelopment.<sup>39</sup> Each of the three projects has its own outreach program. Outreach consultants have meetings and use a shared database of community contacts; however, these programs are not formally coordinated through documented processes or procedures to achieve effective community participation.<sup>40</sup>
  - The Engineering Division Project Manager is responsible for providing oversight of the different outreach programs. The Public Affairs Division is not formally involved in the process. A Project Manager's skill set is typically focused on delivery of capital projects, not with community outreach. The Public Affairs Division has experience in working with the public on Port issues and can provide greater insight into developing an outreach strategy. It may also prove to be difficult for the community to understand who speaks for the Department on capital project issues.
- The Department customers interviewed believe the Department to be generally effective in involving them in plans for the development of capital projects. However, some Department customers cite concerns over the Department plans for the future development of the Port.<sup>41</sup>
  - On one hand, Department customers believe the Department is effective in involving customers in capital projects that are being engineered and designed specifically for them. Customers cite frequent meetings on design issues to ensure the project will meet their needs.
  - On the other hand, the customers are concerned about future development plans and the strategic direction of the Port. Historically, the Department has held meetings with its customers to discuss the strategic direction, development plans, and industry issues. These regular meetings stopped a few years ago. The Department has not held meetings with customers as a group to obtain input on future Port development until recently, in June 2004.
  - Communication with customers on development plans and strategic direction is important. Department customers depend on planning information to develop their own business plans and decisions.

<sup>39</sup> Data Responses 326, 328, and 329.

<sup>40</sup> Data Response 360.

<sup>41</sup> Interviews with selected Port customers.

- Some customers do not believe the Department has a plan for future Port development. This view is captured in a January 2003 survey conducted on behalf of the Department to determine whether its capabilities are consistent with the needs of its immediate and extended client base. The survey report states:

Many of the Port's customers do not think the Port has an overall vision or master plan. The Customers perceive operations and planning at the Port to be reactive rather than the Port implementing plans and initiatives that are part of a master plan.<sup>42</sup>

- The Department meets with various external stakeholder groups such as Port of Long Beach, Gateway Cities/Council of Governments, Southeast Los Angeles County and various other regional groups to discuss Port development plans. As planning roles and responsibilities are diffused through the organization, attendance by the Department at meetings can sometimes include many organizations such as Planning and Research, Engineering, and other divisions. This is confusing for external stakeholders and inhibits the ability to communicate and integrate planning efforts. In one case, the manager of the Port Pilots represented the Department on a recent study on marine transportation infrastructure needs which was completed by the California Marine and Intermodal Transportation Council.<sup>43</sup> Port Pilots are a specialized group of individuals that guide ships into the Port from outside the harbor area; they are not transportation planners.
- The Department's strategy for integrating land-use plans with the City is to coordinate with the City's Department of Planning. However, the Department is not required to update its component of the City's General Plan.
  - The Department integrated its land-use plan with the City of Los Angeles General Plan in 1982. The Department's land-use plan, as it exists in the City's General Plan, was intended to serve as a 20-year guide to the future development and operation of the Port.
  - The Framework Element of the City of Los Angeles General Plan, as adopted in 1996, requires community plans to be updated every five years if necessary based on significant population and employment changes. The Framework Element of the City of Los Angeles General Plan does not address plan-monitoring requirements for the Port or the City of Los Angeles Airport.<sup>44</sup> Without a plan monitoring requirement, the Department is not obligated to update its land-use plan with the City's General Plan as significant changes occur before the 20 year horizon.

<sup>42</sup> Data Response 53.

<sup>43</sup> Marine Transportation Infrastructure Needs, California Marine and Intermodal Transportation Council, March 2003.

<sup>44</sup> Data Response 339.

## D. Recommendations

1. The Department should design and implement a strategy that provides formal mechanisms to ensure that master planning activities and stakeholder communication are coordinated, integrated, and accomplished. The establishment of a Port planning strategy will significantly assist the Department in conducting planning activities in a systematic manner, establish clear management roles and responsibilities for the planning process, ensure inclusion of external stakeholder groups in the process, and identify necessary planning systems and tools for a comprehensive view of future Port development.
  - Develop master planning policies and procedures that are endorsed by senior management. Policies and procedures are necessary to standardize the Department's relationships with internal and external stakeholders, establish a managerial control structure, and communicate planning information with various stakeholder groups through outreach programs.
    - The first step is the development of an initial set of master planning policies. This will initiate the process and begin building consensus among organizations within the Department, City executives, and the Port's other external stakeholders (i.e., the community, Department customers, and other groups.) Specific areas to be addressed include the following:
      - Mission, goals and objectives of the planning function.
      - Technical specifications and standards to be followed.
      - Management and public reporting responsibilities.
      - Stakeholder outreach and involvement in the planning process.
      - Participation and consensus-building.
    - To increase the instructional value of planning policies and procedures to all users, the following steps should be taken:
      - Policies and procedures should be organized in segments dedicated to answering questions and solving problems with respect to a particular aspect of Port planning.
      - Policies and procedures should be developed with a focus toward providing planning services. Management control and regulatory compliance should be a byproduct of effective process design.
      - Once developed, planning policies and procedures should be widely distributed. This should be followed with an extensive outreach program to educate groups with which the Department regularly interfaces and solicit their input concerning planning issues.
      - Planning policies and procedures should be succinct and be subject to formal periodic review and revision with the intent to improve effectiveness, not increase volume.

- Integrate master planning policies and procedures with the project delivery documentation used for capital projects.
  - Define roles and responsibilities for the planning function.
    - Delegate planning responsibility and define direct support by other organizational units.
    - Identify planning methods and analytical work products that will be produced on a formal and systematic basis.
    - Develop a plan for dedicating resources toward planning activities.
    - Monitor forecasts and initiate Port development based on milestones.
    - Formalize planning interfaces with external stakeholder groups. Develop committees to interface with external stakeholder groups on planning issues and provide appropriate guidance on goals, objectives, and roles and responsibilities.
  - Ensure that the appropriate technology transfer of analytical capabilities and tools is a component of the master planning initiative. Computer systems, databases, and models should be integrated as necessary to provide a composite view of the Port.
2. The Department should expedite the development and implementation of planning policies and procedures for capital project development.
- Update the Department capital project planning policies and procedures, obtain senior management approval and buy-in, and integrate those developed for master planning.
  - Define deliverables required for each project phase and the criteria for completing each project phase.
  - Include all elements of a Project Request Package and Preliminary Plan.
    - ~~Accepted project requests should include a formal project request, and a detailed scope including proposed project location, specific user requirements, facility requirements, environmental concerns, required utilities, schedule, budget, funding, financial analysis, and other relevant elements of the project.~~
    - ~~Establish an official budget at the initiation of a project. This amount should not change throughout planning, design, or construction, without sound rationale, documentation and management approval.~~
  - Ensure that key internal organizations are included in the planning process with defined roles and responsibilities. Communication from various key functions is important for successful project planning. A forum such as the Port Development Committee should be created with responsibilities to review all major development plans, capital programs and projects, and maintenance tasks; provide project analysis

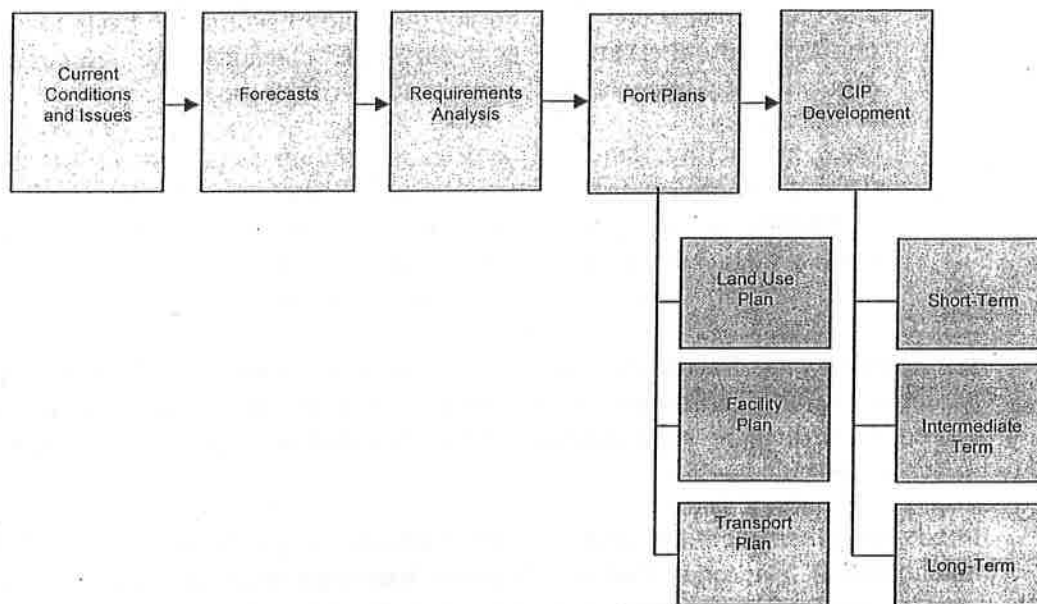
to determine impacts on other Port development projects; and report recommendations to senior management on project approval, prioritization, and resource allocation.

- Planning performance measures should be defined to include the effectiveness of cost estimation and scheduling. Cost estimates and schedules developed for Preliminary Plans should be evaluated when a project is complete to determine where further enhancements can be made.
3. The Department should develop a project prioritization system for the Department Capital Improvement Plan.
- The Department should devise a prioritization system for ranking the relative merit of capital projects. The parameters previously used by the PDC included:
    - Tenant Need – maintain, improve or create tenant facilities or infrastructure.
    - Community/Political – meet community or political needs and comply with the State Tidelands Trust.
    - Competitive – improve competitive position within maritime industry.
    - Environment – as required by law or improve environmental stewardship.
    - Labor Relations – improve labor relations within Port operating environment.
    - Operational Support Needs – maintain or improve tenant operating performance.
    - Safety – address public or labor safety and perceived security.
    - Rate of Return – relative return on investment over time.
  - Each priority element identified should receive a numeric ranking to reflect its relative position within predefined guidelines. The sum of all categories should indicate a project's evaluated priority. The Department's CIP should then be organized by descending priority level and performance measured with a focus on project priority.
  - Broaden the scope of financial analyses performed by the Department and used for prioritizing capital projects.
    - Financial analysis should be expanded from rate of return calculations to include the effects on capital use and on the rating of the Department's indebtedness.
    - Financial analyses should be performed for all major capital projects, whether or not they are lease-related.
  - Senior management should be involved in the prioritization process. A team approach, such as the PDC, requires that senior management have a greater appreciation of the issues associated with a project, its alternatives, and other factors that a project will have on the Port, stakeholders, and operating environment. The PDC approach requires senior management to recognize the risks associated with each project and develop strategies to manage these risks.

4. Immediately undertake efforts to develop a Port master plan. The Department should develop a master plan to identify the cargo demand and provide guidance for development that will meet this demand, while meeting the needs of the community in a fiscally and environmentally responsible manner.
  - Master plan updates should be conducted as changes in the needs and requirements for the Port dictate.
  - Follow the process defined in master planning policies and procedures. The general process should reflect **Exhibit VII-4**.

### Exhibit VII-4

#### Master Planning Process



- The master plan scope should be sufficiently detailed to provide in-depth information on the existing conditions and issues, forecasts, and facility and transportation requirements needed to meet demand.
  - An assessment of existing conditions and issues is important to develop a baseline of the Department's current situation. This baseline provides the foundation from which the Department can assess its needs to meet future trade demands in an environmentally, fiscally, and community sensitive manner. A report should be generated to document all existing Port waterside infrastructure and facilities, environmental conditions, land uses, area planning efforts, and socio-economic and other community related information that impact the Port and its surroundings.

- Forecasted cargo demands and changes in shipping technology are important factors for determining potential constraints that would impede the flow of cargo through the Port. Various forecasts should be developed for peak time operations, around which Port development should be determined. Inventory data and historic activity trends should be used to develop forecasts of freight demand. These forecasts are normally established for short, intermediate, and long-range time periods.
- Requirements analysis is a study of demand/capacity relationships for facilities (including waterside infrastructure) and transportation access points to provide a determination of infrastructure capacities and constraints. Generally, the demand/capacity analysis considers comparisons such as cargo demand versus terminal capacity, number of ships calling against berth space, or cargo against intermodal transportation type.
  - The requirements identified during this study become the basis for feasibility studies and alternatives analysis that consider the community and environmental impacts and financial needs of the projects.
  - Once all facility, land-use, and transportation requirements are identified, alternatives are analyzed, initial environmental reviews are conducted, and financial feasibility plans are integrated, the results should be translated into a Facility Plan, Transportation Plan, and Land-Use Plan.
- The Department's Master Plan should be viewed as a tool and resource to establish priorities, set a framework from which decisions flow, and specify funding parameters so infrastructure development is advanced in a thoughtful, comprehensive and cohesive manner.
- The Department's Master Plan should establish freight levels based on forecast trends, and then identify Port development based on reaching these levels. In this manner, staff has conceptual plans for what development is required to support a certain level of freight throughput including roadway and rail network points, terminal facilities, and waterside infrastructure needs.

## VIII - ENVIRONMENTAL STEWARDSHIP

### A. Background

#### Strategic Issue

While there are a number of environmental laws and regulations governing Port operations, under the direction of City of Los Angeles Mayor James Hahn, the Department has been called upon to go beyond existing regulation to minimize the environmental effects of Port operations on the surrounding community. Accordingly, in 2002, the Department's mission statement (as reported in the Department's 2002/2003 Marketing Plan) increased the visibility of environmental management in Department operations, calling for the Department to serve as a steward for the environment.<sup>1</sup> The increased visibility of the Department's environmental stewardship continued in the August 15, 2003 draft Mission Statement:

The Port of Los Angeles shall set the standard for domestic and international ports by focusing resources on enhanced environmental and community sensitivity while maintaining its commitment to customer service as it provides unequalled facilities to a diverse group of maritime and port dependent customers. The Port's development and operation shall:

...Reflect the Port's role to serve as stewards for the environment by integrating progressive environmental programs into all aspects of Port planning and business decisions.<sup>2</sup>

The Department faces significant challenges in achieving its objective of environmental stewardship.

- In 2001, Mayor Hahn pledged "no net increase" in air emissions and traffic from Port operations.<sup>3</sup> The baseline date established for the Mayor's "no net increase" mandate predates the development of Pier 400 and the China Shipping project. As a result, absent any other changes in Port operations, the Department must reduce emissions beyond the existing level in order to meet the target. To accomplish the Mayor's objective, the Board ordered the preparation of a number of baseline studies assessing existing conditions and the impact of Port operations on the surrounding community.
- Recent growth forecasts predict a significant increase in container throughput. The growth forecasts underlying the Transportation Baseline Study predict a doubling of

<sup>1</sup> Data Response No. 5, as included in the 2002/03 Marketing Plan and the subsequent August 15, 2003 Draft Vision and Mission Statement; interview with Environmental Management Division (EMD) Director.

<sup>2</sup> August 15, 2003, Draft Port of Los Angeles Mission Statement.

<sup>3</sup> The Mayor did not specify the type of traffic; however, the baseline study developed in response to the Mayor's mandate addresses on-road traffic.

Twenty-foot Equivalent Unit (TEU) throughput from 2002 to 2010 (9.9 million TEUs to 19.7 million TEUs), with a further increase by 2025 (47.2 million TEUs).<sup>4</sup>

- Over the last few years the community has become increasingly involved in the environmental process. The PCAC has established a number of subcommittees to address environmental matters. These include air quality; water; traffic; light, aesthetics and noise; past Environmental Impact Reports (EIRs); and the China Shipping EIR.
- As a landlord port, much of the responsibility for compliance with environmental laws and regulations falls on the Department's tenants.<sup>5</sup> Tenant participation is also necessary for the success of environmental initiatives and programs which are not compliance driven. The transportation infrastructure which connects the Port to the distribution network (i.e., trucks and rail) has significant effect on the Port environment, but regulation of these mobile sources of emissions is not within the jurisdiction of the Department.

To achieve its objective of environmental stewardship, the Department's programs must address a complex framework of regulatory requirements affecting the Department, regulatory requirements affecting the Department's tenants, and other environmental programs targeted at improvements not specifically required under existing regulation.

- **Tenant Environmental Requirements** – The operations of the Department's tenants are subject to a variety of regulatory requirements, including regulations related to the discharge of materials into the water under the Clean Water Act, the treatment and handling of hazardous materials, and emissions levels. With the exception of on-road vehicles, until recently, air emissions regulations on Port operations were limited, and many regulations have not yet gone into effect. The 1990 Clean Air Act Amendments mandated the Environmental Protection Agency (EPA) to establish emissions standards for a variety of previously unregulated nonroad mobile sources. Locomotives, ocean-going vessels and other marine diesel engines were included in the requirements; however, many standards were not established or do not go into effect until 2004.
- **Departmental Environmental Requirements** – The Department is responsible for compliance with environmental laws and regulations governing its activities and the facilities it operates. For those facilities, the Department is generally subject to the same requirements as its tenants.
  - On an ongoing basis these requirements primarily govern the Department's construction and maintenance activities. Construction activities are subject to requirements related to stormwater pollution prevention, dust prevention, noise

<sup>4</sup> April 2004 Port of Los Angeles Baseline Transportation Study, Submitted by Meyer, Mohaddes Associates, Inc., p. 24. Sources of growth information include July 2001 Mercer Management Consulting Study and the November 2002 JWD Capacity Analysis Report.

<sup>5</sup> "The Port operates primarily as a landlord, as opposed to an operating, port. Its docks, wharves, transit sheds, and terminals are leased to shipping or terminal companies, agents and to other private firms. Although the Port owns these facilities, it has no direct hand in managing the daily movement of cargo. The Port is also landlord to various fish markets, boat repair yards, railroads, restaurants, a shipyard, and other maritime activities." Port of Los Angeles Annual Financial Statement, Fiscal Year Ending June 30, 2002.

abatement and water quality monitoring (for dredging projects).<sup>6</sup> Ongoing maintenance requirements include storm drain permit compliance and the handling and disposal of hazardous materials used by the Department.

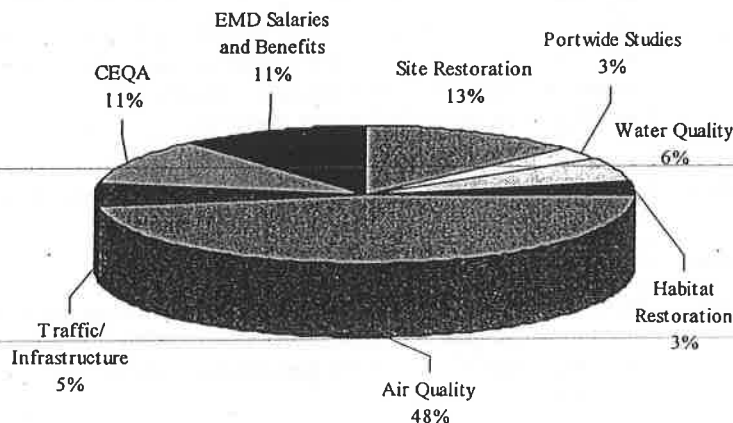
- For Port development, environmental compliance is addressed through the National Environmental Policy Act (NEPA) or the California Environmental Quality Act of 1970 (CEQA) processes, depending on the nature of the project and its funding. The NEPA/CEQA processes address the environmental impacts of a proposed project and encompass a number of regulations governing air, water, biological, historical and other resources.
- **Proactive Environmental Programs** – The Department offers a number of proactive environmental programs and initiatives which are not specifically addressed or required by regulation. These include voluntary tenant-based programs, required programs under the terms of tenant leases, and programs targeted at Department equipment and operations.

A list of key environmental requirements affecting the Department and its tenants is provided in **Appendix B**.

### Environmental Spending

During the period July 2001 through April 2004 (approximately three fiscal years), the Department’s environmental spending totaled over \$41 million. **Exhibit VIII-1** provides a breakdown of this spending.

**Exhibit VIII-1**  
**Environmental Spending July 2001 through April 2004**



Source: Strategic Issue No. 6, Information Request 2, Question 2.

<sup>6</sup> July 28, 2004 Interview with Chief Harbor Engineer, Construction Division.

## Environmental Roles and Responsibilities

As summarized in Exhibit VIII-2, a number of organizations and stakeholders provide input or support to the Department's environmental processes. Although the Department has an Environmental Management Division (EMD), many other organizations are responsible for environmental compliance or are involved in addressing environmental issues. Additional discussion of the roles of key organizations is provided following the exhibit.

### Exhibit VIII-2

#### Department and Key Stakeholder Roles and Responsibilities

Division/Stakeholder	Role
Environmental Management	Assess the environmental impacts of development projects and determine appropriate mitigation measures. Direct site restoration involving contaminated soil and groundwater. Develop environmental programs. See additional discussion of responsibilities following exhibit.
Mitigation Coordinator	Administer the \$50 million in payments required under the China Shipping Settlement Agreement.
Planning and Research	Issue Coastal Development Permits and prepare project descriptions which serve as the basis for the environmental review. Coordinate feasibility and planning studies with EMD to consider environmental factors. (EMD prepares environmental assessments for Port Master Plan updates and amendments.)
Engineering	Grant permits for physical modifications to Port facilities. Prepare project descriptions which serve as the basis for the environmental review. Translate environmental rules and regulations into bid specifications. (Environmental considerations are also factored into engineering designs.)
Public Affairs	Prepare press releases related to environmental programs and activities. Develop website content.
Construction Management	Manage construction contracts and inspect engineering construction permits issued to tenants for construction work on Port property. (Construction activities are subject to a number of environmental requirements, including mitigation measures resulting from the environmental approvals.)
Construction & Maintenance (C&M)	Comply with municipal stormwater permit requirements, including storm drain and catch basin inspection. Comply with maintenance-related environmental requirements.
Business Development	Manage the lease process.
Property Management	Manage the Application for Development Permit process which initiates the environmental review under CEQA. Request that EMD perform a property audit to determine potential soil and/or groundwater contamination prior to title transfers or purchase of land.
Marketing	Coordinate with tenants and administer the AMP, low sulfur fuels, and vessel speed reduction programs. (EMD tracks, funds and reports on these programs.) Currently evaluating extended gate operations and other transportation programs.
Risk Management	Involved in hazardous waste disposal, management and minimization issues.
Mayor and City Council	Establish Department direction. Recommend environmental programs.

Division/ Stakeholder	Role
City Attorney	Provide legal input as required and input to EIRs.
Port Police	Respond to the release of hazardous materials. Notify Department of potential environmental compliance violations.
Tenants	Comply with environmental requirements.
PCAC	Advisory committee to the Board. Involved in most aspects of environmental process.
Other Community Members	Provide comment as part of the EIR Process. Speak at public meetings.

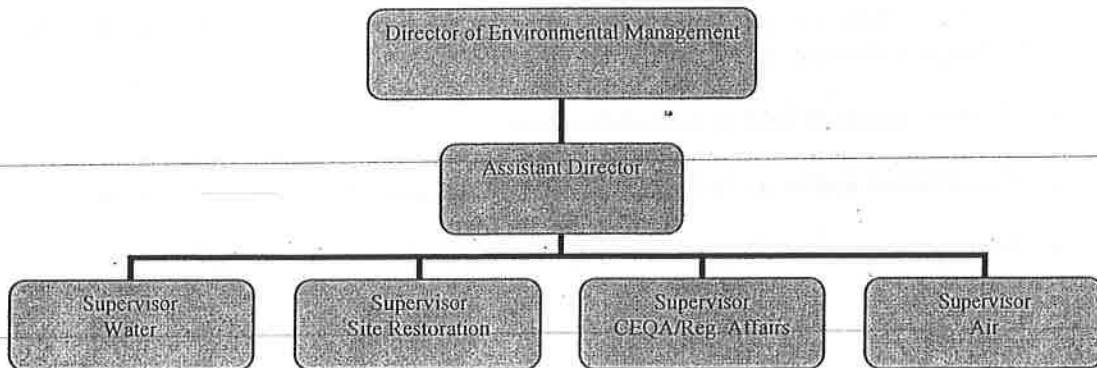
Source: Interviews with Department personnel, Strategic Issue No. 6, Information Request 2, Question 1.

### Environmental Management Division

EMD is responsible for assessing the environmental impacts of development projects and determining appropriate mitigation measures.<sup>7</sup> EMD's responsibilities include the preparation and distribution of any environmental documentation mandated by state and federal law; special studies involving dredging, noise abatement, water quality and air quality; contamination characterizations; wildlife management; and establishment of policies regarding environmental quality issues.<sup>8</sup> In addition, EMD is responsible for the preparation of baseline environmental studies and the development and ongoing management of environmental mitigation programs and measures.<sup>9</sup> Currently, EMD is functionally aligned in accordance with these responsibilities as shown in **Exhibit VIII-3**.

### Exhibit VIII-3

#### Environmental Management Division Organizational Overview



EMD reports to the Director of Planning & Environmental Affairs.

<sup>7</sup> Data Response No. 5.

<sup>8</sup> Data Response No. 5.

<sup>9</sup> Interviews with Environmental Management Director, Assistant Director and Supervisors.

## Water

The Water section of EMD is responsible for the Port's water resources, including: water quality monitoring, stormwater, biological resources (except the least tern), dredging and sediment characterization, the performance of special studies, and the inspection of catch basins as part of the City's Stormwater Pollution Prevention Plan. The actual inspection of catch basins is performed by the Department's Construction & Maintenance Division (C&M). The Water section provides input to Engineering, Construction Management and C&M in the development of Stormwater Pollution Prevention Plans required by the National Pollutant Discharge Elimination System (NPDES) permitting process and prepares the Annual Reports required under the Municipal Permit.<sup>10</sup>

The Water section also performs biological mitigation and dredging/sediment characterization work on a project-specific basis, and as required by the CEQA process. Port dredging projects which impact fish or wildlife must be balanced with biological mitigation as approved by state and federal agencies. The Water section is currently developing a Clean Marinas Program that addresses tenant environmental requirements and provides additional best management practices, and is also preparing the Water Quality Baseline Study.

## Site Restoration

The Site Restoration section of EMD is responsible for the investigation and cleanup of hazardous materials (hazmat) contamination throughout the Port, and the proper treatment and handling of hazardous materials used by the Department, primarily C&M. Specific activities performed by the Site Restoration section include:

- Site investigation and site characterization. Characterization refers to the process by which the physical and chemical conditions at a site are investigated, and the sources, nature, and extent of contamination are identified. Site investigation and characterization is performed by both the tenants and the Department. **Exhibit VIII-4** (page following) provides a flow chart of the process.
- Review and oversight of remedial actions.
- Compliance audits (to help tenants deal with hazmat laws and regulations.)
- Management of the Department's Waste Minimization Program.<sup>11</sup>

<sup>10</sup> There are three types of permits under the Stormwater Program: a General Construction Activities Stormwater Permit (GCASP) which regulates the Department's (or a tenant's) activities during construction projects; a Los Angeles Countywide Municipal Permit (NPDES stormwater) that, among other things, provides ongoing regulation of the activities of the Department's C&M Yard at Berth 161; and a General Industrial Activities Stormwater Permit (GIASP) that regulates the activities of the Department's industrial tenants. The GIASP has similar requirements to the Municipal Permit. All permits require the development of, and include inspection, monitoring, training, implementation of best management practices and reporting requirements.

<sup>11</sup> Interviews with EMD Director and Supervisor, Site Restoration; Internal POLA website.

## Exhibit VIII-4

### Site Investigation/Characterization Process

<u>Step</u>	<u>Type of Activity</u>	<u>Stage</u>
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Site Audit/ Site Investigation</div>	Visual inspection and records research to determine where potentially hazardous materials may have been located. Determine if characterization necessary.	Precursor to characterization. Performed by Dept. upon acquisition of property or for general planning purposes. (To date, the majority of existing Port has been investigated.)
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Characterization/ Remedial Action Investigation</div>	Actual sampling (e.g., drilling) performed to determine whether contamination exists. More intrusive than site audit.	Performed by tenant upon spill, lease renewal or vacating premises. Performed by Department if investigation warrants, or prior to project development (initial study under CEQA).
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Remedial Action Plan (RAP)</div>	Plan for site clean-up, including analysis of various alternatives and timetable for completion.	

Source: Interviews with EMD Director, and Supervisor, Site Restoration; Site Characterization Guidance Manual.

- Review and oversight of Source Control Programs. The Source Control Program was established in 1992, and is a required element of new leases. The Source Control Program addresses detection of tank leaks, tank inspection, relocation of piping to aboveground, and procedures for addressing contamination of multi-use pipeline rights of way. The program also requires groundwater and soil remediation.

The Site Restoration Section also oversees or conducts site investigations in support of the City Attorney's Office regarding cost recovery from third parties and other litigation.

### CEQA/Regulatory Affairs

The CEQA/Regulatory Affairs section manages the Department's responsibilities as a lead agency under CEQA. A lead agency is the public agency that has the principal responsibility for carrying out or approving a project that is subject to CEQA. The lead agency is responsible for determining the appropriate document to address environmental issues (e.g., an EIR) and for its preparation. The CEQA/Regulatory Affairs section is also responsible for tracking new legislation that may affect Port activities and for the conduct of special studies associated with the preparation of environmental documents. Staff personnel in this section are also assigned specialty areas such as cultural/historical resources, noise and aesthetics.

## Air

The Air section of EMD is responsible for the Department's air quality programs, addressing the Mayor's "no net increase" initiative, and the preparation of the air quality baseline study. There are relatively few emission-related requirements regulating Department operations. The majority of the Department's air quality programs are voluntary tenant-based programs or programs targeted at the Department's vehicles and equipment. Emissions and the associated health risks are among the primary concerns of the PCAC.

On September 25, 2002, the Board approved the Port of Los Angeles Clean Air Program (POLACAP). The intent of the POLACAP was to consolidate the existing clean air programs and provide necessary funding for the successful management of the programs. In addition to the existing programs, the POLACAP includes testing elements designed to address gaps in marine emissions data. Current POLACAP programs include:<sup>12</sup>

- Diesel Oxidation Catalyst (DOC) Program – DOCs are installed on equipment to reduce emissions of diesel particulates, gas phase hydrocarbons, and carbon monoxide. 585 DOCs have been purchased and delivered for use in terminal yard equipment. Installation is underway.
- Emulsified Diesel Fuel Program – Emulsified diesel fuel has been utilized in approximately 200 pieces of yard equipment, and the Department is expanding its use into construction equipment. Board Resolution 6164 requires that new purchases of yard equipment be alternative fuel and old equipment utilize emulsified diesel fuel and DOCs.
- Alternate Fuel Vehicles – Approximately 35 percent of the Department's fleet of heavy duty and passenger vehicles have been converted to alternate fuels (compressed natural gas (CNG) or gas/electric hybrids).
- Vessel Speed Reduction Program – The POLACAP also includes the Vessel Speed Reduction Program whereby vessels reduce their speed to 12 knots when transiting to and from open water to the San Pedro Bay Port complex (Ports of Los Angeles and Long Beach). Although part of POLACAP, the Vessel Speed Reduction Program is managed by the Marketing Division.

The Marketing Division also operates the Alternative Maritime Power (AMP) Program to improve air quality, which is not included under POLACAP. AMP involves the retrofit of terminals, berths and ocean-going vessels to allow the use of shore-side power. Although Marketing manages the program, the Air section will be responsible for determining its benefits.

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<sup>12</sup> POLACAP, Strategic Issue No. 6, Data Request 2, Question 12.

## Environmental Mitigation Coordinator (China Shipping Settlement)

In 2003, the Department established an Environmental Mitigation Coordinator position as required by the China Shipping Settlement Agreement, as discussed below. The Environmental Mitigation Coordinator is responsible for administering the payments required by the Settlement Agreement. Under the current organization, this position is located outside EMD, reporting directly to the Director of Environmental Planning and Affairs.

On May 8, 2001, the Department and Board approved construction of a container terminal at Berths 97-109 and a lease to China Shipping Holding Company (China Shipping) that contemplated construction of improvements for and operation of a container facility at Berths 100 and 102. The terms of the lease contemplated a three-phase project. An environmental assessment was performed and the Department determined that the proposed activity was exempt from CEQA, finding that elements contained in the lease had been adequately addressed in a 1997 program EIR for the West Basin Transportation Improvements Program and a 2000 EIS/EIR titled, "Port of Los Angeles Channel Deepening Project."

On June 14, 2001, the National Resources Defense Council, Inc. (NRDC), San Pedro and Peninsula Homeowners Coalition, San Pedro Peninsula Homeowners United, Inc., and the Coalition for Clean Air Inc., sued the Department and City of Los Angeles, alleging that the Department did not perform sufficient environmental studies before construction of the China Shipping Terminal began.<sup>13</sup> The NRDC, et al, contended that the City violated CEQA by failing to prepare a separate EIR addressing all three phases combined of the proposed project before entering into a lease/permit with China Shipping. It was the City's position that the China Shipping project fell within the scope of the original 1997 program EIR and the subsequent EIS/EIR completed in September 2000. On September 30, 2002 the Second District Court of Appeals concluded that the City failed to follow the dictates of CEQA, finding no evidence that any site-specific environmental issues related to the China Shipping project were addressed in either the 1997 EIR or the 2000 EIS/EIR.<sup>14</sup> The parties entered into an agreement and stipulated judgment (often referred to as the China Shipping Settlement Agreement) which was approved by the Court as amended on June 14, 2004.

As part of the Settlement Agreement, the Department is required to prepare a project-specific EIR evaluating the impacts of all three phases of the project combined, and will make \$50 million in mitigation payments over a five year period. The Settlement Agreement also requires specific mitigation measures including: the use of alternative fuels for container handling equipment, low-profile marine terminal cranes, alternative marine power

<sup>13</sup> China Shipping Settlement Agreement, Schedule of Mitigation Payments, Q & A – China Shipping Settlement Agreement, Data Response 32.

<sup>14</sup> In the Court of Appeal of the State of California Second Appellate District Division Four, National Resources Defense Council, Inc., et al., v. City of Los Angeles, et al., B159157 (Super. Ct. No. BS070017), Field 10/30/02, Data Response 32.

during the hotelling of ships, the evaluation of low sulfur marine fuel, and the creation and implementation of a traffic mitigation plan.<sup>15</sup>

### **Construction Management Division**

A number of the environmental requirements are construction-related. As a result, the Department's Construction Management Division plays a significant role in achieving the Department's objective of environmental stewardship. As required by the NEPA/CEQA process, the Department identifies mitigation measures and mitigation monitoring requirements for Port development projects which are to be addressed during the construction process. The Department is also subject to fugitive dust, noise and other requirements during the construction process. Construction Management is responsible for ensuring construction contractor compliance with mitigation and other requirements as set forth in the environmental documents prepared by EMD. Construction contractors prepare environmental compliance plans which are provided to Construction Management and EMD for review and approval. Construction Management, EMD, or other divisions as appropriate, perform the required mitigation monitoring and reports the results to EMD.

### **Construction and Maintenance Division**

C&M provides the maintenance and repair support for the Department's facilities. Activities performed by C&M include electrical services, plumbing, carpentry, vehicle and equipment maintenance, painting, custodial services, and gardening/landscaping services. As the Department's main operational organization, C&M is subject to ongoing environmental requirements related to soil erosion, stormwater pollution prevention and the handling of hazardous materials. C&M also maintains the Department's fleet of alternative fuel vehicles and will be responsible for the physical connection of ships to shore power under the AMP program. C&M is located at Berth 161.

### **Marketing Division**

The Marketing Division interacts directly with customers, shipping lines, shippers, and other businesses to ensure that Port facilities are optimally utilized. Because of its interface with the shippers, Marketing sponsors or coordinates tenant participation in a number of the Department's voluntary environmental programs. These include the AMP program, Vessel Speed Reduction Program and the evaluation of potential operational solutions to existing transportation problems (e.g., extended gate operations). The programs sponsored by Marketing are not compliance-based.

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<sup>15</sup> Amended Stipulation Judgment, Modification of Stay and Order, Case BS 070017, Ordered June 14, 2004.

## B. Evaluative Criteria

The evaluative criteria listed below provided a framework for this review.

- Has the Department adequately considered the impact of its environmental program on its customers, the community, and the City?
- Does the Department have a process that systematically reviews and documents various environmental requirements?
- Does the Department maintain technical proficiency and an awareness of emerging technologies?
- Does the Department have adequate plans in place to address the Mayor's "no net increase" mandate and other legal mandates? How is the Department measuring "no net increase"?
- Has the Department developed a process for obtaining community input for the environmental planning process that balances community issues with the operational needs of the Port?
- Has the involvement of the PCAC in the discussion and resolution of environmental processes been beneficial?

## C. Findings and Conclusions

1. In the absence of strong executive management direction, the Mayor, Council members and the community have dictated the manner in which the Department meets its environmental objectives. Although this fills a void, it has a potentially deleterious effect on environmental planning and the development of a comprehensive environmental program, and contributes to a reactionary mode of operation.
  - The Department failed to respond to the changing political and environmental climate. As a result, the Department has had its environmental policy dictated to it, rather than developed by it.
    - In 2001, City of Los Angeles Mayor James Hahn pledged "no net increase" in air emissions and traffic from Port operations, thus establishing the framework in which future development must be considered. This pledge was made absent underlying study, establishes the basis against which future actions are decided, and serves as the foundation for the measurement of the Port's environmental

performance.<sup>16</sup> The Mayor also created the PCAC to address community concerns.

- To initiate action on meeting the Mayor's goal of no net increase in air emissions and traffic, the Board of Harbor Commissioners directed staff to plan, schedule and carry out several environmental baseline studies on the impact of Port operations on the surrounding communities. In establishing the baseline studies, the Board acted on its own, and not in response to any recommendation brought forth by the Department.<sup>17</sup>
- Despite the Mayor's 2001 vision for the Port, it was not until May 22, 2002, that the Board adopted the following policy statement:

The Port of Los Angeles recognizes its mandate for smart growth as it shifts focus from achieving status as the leading container port in the nation to being the #1 port in terms of technological advancements and innovation, efficiency, effective environmental mitigation measures, and community outreach and involvement. In doing so, [the] Port pledges to work cooperatively with the Port of Long Beach and other agencies to develop sound growth strategies which are environmentally sensitive, to work in concert relative to joint marketing efforts and to implement sound security measures throughout both San Pedro harbors.<sup>18</sup>

- Many significant environmental program concepts have been generated outside the Department.
- It is generally acknowledged that the AMP program was driven by the Mayor as a result of the Mayor's 1<sup>st</sup> Asia Trade Development Mission. In November 2002, the Mayor returned from Asia with signed Memorandums of Understanding (MOUs) with four of the Asia steamship lines to evaluate the feasibility of shore power for container vessels.<sup>19</sup> The MOUs did not represent any agreement or obligation on the part of the steamship lines to retrofit ships to accommodate shore power.<sup>20</sup> However, AMP program participation requirements were included in the initial China Shipping Settlement in March 2003, prior to any existing tenants' agreement to participate in the program.

<sup>16</sup> Recirculated Draft Supplemental EIR for West Channel/Cabrillo Marina Phase II Development Project (Cabrillo Way Marina). Describes October 10, 2001 Board meeting and provides excerpt from the hearing transcript.

<sup>17</sup> Minutes of the Meeting of the Los Angeles Board of Harbor Commissioners, March 21, 2002.

<sup>18</sup> Synopsis of Minutes of the Regular Meeting of the Los Angeles Board of Harbor Commissioners, Wednesday, May 22, 2002.

<sup>19</sup> June 23, 2004 Interview with Marketing; December 6, 2002, press release "Mayor Hahn Unveils Vision for the Harbor"

<sup>20</sup> AMP MOU.

- The Department's consideration of extended gate operations was initiated by Janice Hahn, Councilwoman for the 15<sup>th</sup> District.<sup>21</sup> On June 12, 2003, Councilwoman Hahn introduced a motion requesting that the Department "immediately work on a plan for opening Port terminals, 24 hours a day, 7 days a week."<sup>22</sup> The Department responded at the October 8, 2003 Board meeting by approving a working group to reduce truck traffic. Councilwoman Hahn co-chairs this working group.<sup>23</sup> Following the Board's creation of a working group to reduce truck traffic, the West Coast Marine Terminal Operators announced on August 23, 2004, that they have a plan for an extended gate hours program based on input received from the Regional Goods Movement Efficiency Team co-chaired by Councilwoman Janice Hahn and Commissioner James Acevedo.<sup>24</sup>
- Since its inception, the PCAC has made a number of motions to the Board or recommendations to the Department that would establish policy or direct the Department's efforts. Examples include:
  - On May 13, 2003, the PCAC recommended that the air and traffic baseline studies be established before the release of any further draft EIR/EIS for Port expansion.<sup>25</sup> The PCAC subsequently recommended that neither baseline be adopted. If approved, the combination of these recommendations would effectively curtail development at the Port.<sup>26</sup>
  - On January 5, 2003, the PCAC released the first draft of its "POLA NET New Environmental Targets Program to Achieve 'No Net Increase.'" This document presents the PCAC's plan to implement the Mayor and Board's "no net increase" policy.<sup>27</sup>
  - On September 10, 2003, the PCAC recommended that it be allowed to participate in the development of environmental documents as they are prepared, rather than the opportunity to comment at each stage of review.<sup>28</sup>
  - As discussed in detail later in this chapter, beginning with fiscal year 2004-05, PCAC will be involved in the determination of which air quality mitigation programs will be funded.

<sup>21</sup> July 7, 2004 Interview with Mike DiBernardo and Jim MacLellan; January 23, 2004 News Release, Statement of Councilwoman Janice Hahn.

<sup>22</sup> Testimony by James E. Acevedo, Commissioner Los Angeles Board of Harbor Commissioners before the State Assembly Select Committee on California Ports Extended Terminal Gates Hearing, January 23, 2004.

<sup>23</sup> News Releases, Councilwoman Janice Hahn, 15<sup>th</sup> District, Los Angeles City Council.

<sup>24</sup> Oversight Committee draft review comments.

<sup>25</sup> PCAC Motions Recommended to Board of Harbor Commissioners 2003/2004, dated June 13, 2004

<sup>26</sup> List of PCAC motions; July 28, 2004 Board Meeting Agenda

<sup>27</sup> POLA NET, PCAC Draft A.1, January 5, 2003.

<sup>28</sup> Synopsis of Minutes of the Regular Meeting of the Board of Harbor Commissioners, Wednesday, September 10, 2003.

2. The environmental baseline studies currently under development should provide the Department with the foundation for the development of targeted environmental initiatives and allow the Department to measure its progress in achieving “no net increase” in air emissions and traffic; however, as a result of the timeframe required for PCAC input, the schedule for completion of these studies has slipped.
  - At the March 21, 2002 Board meeting, Board President Commissioner Nick Tonsich established that the no net increase baseline date as mandated by the Mayor would be October 10, 2001. The Board required the conduct of seven environmental studies to be carried out by Department staff in coordination with the PCAC. In December 2001, the Board approved the Department’s Concept Plan for the Port-wide environmental studies.<sup>29</sup> The Concept Plan consolidated a number of the studies as shown in **Exhibit VIII-5**, which lists the baseline study addressing each of the Board’s requests.

**Exhibit VIII-5**

**Seven Environmental Studies Required by the Board as Addressed by the Department**

Study Number	Board Request	Department Study to Address the Request
1	Conduct a baseline air emission inventory which focuses on diesel particulates.	Air Emission Inventory/Effects Study
2	Conduct a baseline traffic study with an emphasis on intersections of critical importance to the communities of San Pedro and Wilmington. To be coordinated with the Los Angeles Department of Transportation and the California Department of Transportation.	Baseline Transportation Study
3	Evaluate the effects of air emissions, particularly diesel particulates, from Port operations in the local communities and coordinate with the appropriate regulatory agencies to define the methodologies.	Air Emission Inventory/Effects Study
4	Identify the effects of Port operations on the environment of San Pedro and Wilmington including, but not limited to, the effects on water quality, transportation, lighting, aesthetics, and other community quality of life issues.	Transportation, Water Quality and LAN (Lighting, Aesthetics and Noise) Studies
5	Identify real measures that will reduce the air emissions from Port operational activities.	Air Emission Inventory/Effects Study
6	Identify a plan to implement a program that will provide for quantifiable reductions in diesel particulate emissions from Port operations.	Air Emission Inventory/Effects Study
7	Identify facilities at the Port which may pose a risk to the community and distribute an evacuation plan for the community in coordination with the Fire Department and other state, local, and federal agencies with authority in this area.	Facilities Upset and Evacuation Study

Source: Excerpt from the Los Angeles Board of Harbor Commissioners Hearing transcript of October 10, 2001, Re-circulated Draft Supplemental Environmental Impact Report for West Channel/Cabrillo Marina Phase II Development Project (Cabrillo Way Marina), pages 1-16, and interview with the Director, Environmental Management.

<sup>29</sup> June 2004 Final Draft Port-Wide Baseline Air Emissions Inventory, prepared for the Port of Los Angeles by Starcrest Consulting Group, LLC, p. 12.

- A review of the scope of these studies confirmed that they will assess the existing environmental condition of the Port.<sup>30</sup> This information can then be used to determine where improvements should be directed.
- Future projects will be evaluated for compliance with the Los Angeles CEQA Thresholds Guide, City Municipal Code, and applicable Department policies and guidelines; and for their potential to affect the surrounding communities based on concerns identified by the baseline studies.<sup>31</sup>
- The baseline studies were assigned to the appropriate group within EMD and corresponding PCAC subcommittees were developed. Draft work scopes were provided to the associated PCAC subcommittee for comment. Scope modifications are made where possible to reflect PCAC concerns and input. Once Department staff and PCAC finalize the scope, it is presented to the Board for review and approval. Regular updates on the status of the studies are provided to the PCAC subcommittee, and the Department works with the PCAC subcommittee on key assumptions. As a result of this process, a number of the studies have been delayed as shown in Exhibit VIII-6. Only two of the studies had been completed as of July 2004.

#### Exhibit VIII-6

#### Baseline Study Schedule Status as of July 2004

Baseline Study	Key Organizations Involved	Original Schedule as Proposed in the 12/01 Concept Plan	Earliest Completion Assuming Jan 2002 Start	Status as of July, 2004
Air Emission Inventory/ Effects	Air Section of EMD PCAC Air Quality Subcommittee	27 months	March 2004	Complete. Final Draft Port-Wide Baseline Air Emission Inventory completed June 2004. Final Draft No Net Increase of Air Emissions at the Port of Los Angeles completed July 2004. Results presented to PCAC Air Quality Subcommittee on July 7, 2004.
Transportation	Assistant Director EMD PCAC Traffic Subcommittee	12-14 months	December 2002 – February 2003	Complete. Pending submittal of concept mitigations to full PCAC.

<sup>30</sup> Review of baseline study project scopes, provided in response to Strategic Issue No. 6, Data Request 2, Question 5.

<sup>31</sup> Baseline study scopes of work, provided in response to Strategic Issue No. 6, Data Request 2, Question 5; Berth 206-209 Draft EIR.

Baseline Study	Key Organizations Involved	Original Schedule as Proposed in the 12/01 Concept Plan	Earliest Completion Assuming Jan 2002 Start	Status as of July, 2004
Water Quality	Water Section of EMD PCAC Water Quality Subcommittee	4-5 months	April – May 2003	Data compilation stage. Database has been developed, and preliminary analysis has been performed to identify data gaps. PCAC subcommittee did not meet for nearly a year, and no PCAC Chair was assigned.
LAN (Lighting, Aesthetics and Noise)	CEQA Section of EMD PCAC Lighting, Aesthetics and Noise Subcommittee	6-7 months each for lighting and aesthetics. 8-9 months for noise	August – September 2002	Studies to be performed consecutively with lighting first. Lighting study started approximately June 2003. Consultant is currently measuring light levels. The work plan was provided to PCAC subcommittee, but subcommittee did not meet again for a year, and no PCAC Chair was assigned.
Facilities Upset and Evacuation Study		8 months	August 2002	Deferred
Seismic		7 months	July 2002	Deferred. Engineering is performing seismic calculations.
CEQA		6 months	June 2002	A PCAC focus group met independent of staff in developing POLANET, the PCAC's concept for future EIRs. Past EIR subcommittee has held its first meeting.

Source: Concept Plan for Port-wide Environmental Studies; Interviews with EMD Director, Assistant Director and Supervisors; July 7, 2004 PCAC Air Quality Subcommittee Meeting and associated handouts; Transportation Baseline Report and the June 15, 2004 PCAC Meeting.

3. Because the PCAC's primary concern is with the negative environmental impacts of Port growth and development, PCAC has a disproportionate impact on EMD environmental operations. The ongoing adversarial relationship (please refer to the discussion of PCAC in Chapter VI) between the Department and the PCAC generally has prevented the PCAC from appreciating EMD's interest in developing appropriate mitigation efforts and solutions. The existing process for obtaining community input does not yet appropriately balance community issues with the operational needs of the Port.

- Seven of the nine PCAC subcommittees or working groups are directly related to environmental issues:
  - Air Quality
  - China Shipping EIR
  - Light, Aesthetics, and Noise
  - Past, Present, and Future EIRs

- Traffic
  - Water Quality
  - Wilmington Waterfront Development.
- At least 14 individuals in EMD are assigned to, attend, or otherwise contribute to one or more PCAC subcommittee or working group meetings. In general, PCAC subcommittees meet at least monthly, and analysis is frequently required before, and as a result of, the meeting. The PCAC subcommittees meet after the typical work day, and meetings can last several hours.
  - Of the 26 motions presented to the Board from May 15, 2003 through May 18, 2004, at least 14 are directly related to environmental issues.<sup>32</sup> PCAC motions to the Board are generally referred to the staff for review and consideration, adding to staff's existing workload.<sup>33</sup>
  - EMD staff is in frequent contact with PCAC outside of the subcommittee meetings.<sup>34</sup>
  - The Department reported low EMD staff morale due to the PCAC's questioning the Department's competence and trustworthiness, and the lack of civility during subcommittee meetings.<sup>35</sup>
4. A large portion of the responsibility for environmental compliance lies with the Department's tenants, and the Department does not have jurisdiction over tenant compliance. This limits the amount of change that can be effected by the Department. In recent years, the Department has taken a more active role in facilitating tenant compliance; however, this is not part of an overarching policy, and not all tenants and activities are addressed. This is short-sighted in light of the existing regulatory climate, and inconsistent with the Department's objective of environmental stewardship.
- The majority of the Department's environmental compliance requirements are construction or development-related, and are addressed during construction or through the CEQA process. Only limited operational activities fall under regulatory requirements. A list of Department and tenant environmental requirements is provided in Appendix B.
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- The Department and its tenants are responsible for compliance with federal, state and municipal requirements governing construction and maintenance activities, stormwater pollution prevention, air emissions, discharge of waste, and the handling of hazardous waste or dangerous cargo.<sup>36</sup> Enforcement of these requirements is under the jurisdiction of various regulatory authorities as shown in Exhibit VIII-7 (page following).

<sup>32</sup> PCAC Motions Recommended to the Board of Harbor Commissioners 2003/2004, 6/14/04

<sup>33</sup> Interview with Commissioner Townsend-Kosol.

<sup>34</sup> Various EMD interviews.

<sup>35</sup> Various EMD interviews.

<sup>36</sup> The Department does not maintain a comprehensive list of environmental requirements (Department or tenant).

**Exhibit VIII-7**

**Selected Tenant Environmental Requirements**

Requirement	Discussion	Enforcement	Department Program to Facilitate Compliance?
Clean Water Act	Prohibits discharge of untreated sewage or garbage within 3 nautical miles of shore. Prohibits dumping of oil, fuel or bilge water.	EPA	Clean Marinas Program
Clean Water Act - NPDES permitting (waste water discharge)	Requires the facility to monitor its discharges and notify EPA and state regulatory agency of results, and when the facility determines it is not in compliance with permit requirements.	EPA  California Regional Los Angeles Region Water Quality Control Board (LARWQCB) performs inspections.	No
Clean Water Act - NPDES permitting (Stormwater Program)	Stormwater Pollution Prevention Plans required during construction and for industrial operations.	RWCB	Yes Included in bid specifications
State Toxic Injection Well Control Act of 1985	Regulates underground tanks that store hazardous materials.	Los Angeles Fire Department (LAFD) performs underground tank inspection.	Compliance Audits [Note 1]
Resources Conservation and Recovery Act	Regulates operation of hazardous waste treatment storage and disposal facilities and provides regulatory framework for "cradle-to-grave" management of hazardous waste. Permits are issued for hazardous waste generators and disposal facilities, and provide for enforcement actions and remediation actions.	California EPA Department of Toxic Substances Control (DTSC)  State Water Resources Control Board (SWRCB) and RWQCB implement groundwater monitoring provisions.	Compliance Audits [Note 1]  Site Restoration Program
California Health and Safety Code, Division 20, Chapter 6.67	Aboveground Storage of Petroleum - regulates construction, installation, operation and monitoring of aboveground petroleum storage tanks.		Source Control Program  Lease [Note 2]

Requirement	Discussion	Enforcement	Department Program to Facilitate Compliance?
California Health and Safety Code, Chapter 6.95	Hazardous Material Release Response Plans and Inventory Law - requires businesses that handle hazardous materials to develop a Release Response Plan for hazardous material emergencies. Hazardous materials must be handled in a safe manner.	LAFD must determine business is in compliance before certificate of occupancy is issued.	Compliance Audits [Note 1]
California Health and Safety Code, Chapter 6.5	Hazardous Waste Control Law - establishes criteria for defining hazardous waste and its safe handling, storage, treatment and disposal.	Los Angeles County Fire Department licenses and inspects all hazardous waste generation. USCG responds to oil or hazardous materials releases in the marine environment.	Compliance Audits [Note 1]
Municipal Code, Chapter 5, Section 57, Divisions 4 and 5 (Fire Protection)	Regulates the construction of buildings and other structures used to store flammable hazardous materials, and the storage of these materials. These sections ensure that the business is equipped properly and operates in a safe manner in accordance with laws and regulations.	LAFD issues permits.	Included in language in bid specifications
Local government requirements	Controls the handling and disposal of solid, non-hazardous waste.	California Integrated Waste Management Board reviews and concurs on local permit decisions to ensure compliance with state policy.	No
Water Quality Protection Regulations	Requires monitoring of groundwater quality.		

Note 1: Historically, the compliance audits have only been performed at the boatyards.

Note 2: Lease language describes tenant compliance requirements.

Source: EPA website, Berth 206-209 Draft EIR.

- Historically, limited information has been provided to tenants regarding environmental requirements and their responsibilities, as the Department perceives the tenants to be knowledgeable of the environmental requirements to which they are subject. Property Management, one of the primary interfaces with the customer, views itself as having no role with respect to tenant compliance.<sup>37</sup>

<sup>37</sup> Interviews with Environmental Supervisors, Environmental Management Division, Interview with Property Management.

- Tenant leases serve as the Department's primary vehicle for regulating tenant activities. Existing leases require compliance with applicable environmental laws and regulations; however, not all regulations are specifically identified in the lease, and it is the tenant's responsibility to identify and comply with applicable regulations. The Department does not maintain a comprehensive list of environmental regulations (tenant or otherwise).<sup>38</sup>
- In the event of tenant bankruptcy, the Department may be responsible for addressing environmental issues such as cleanup, and the Department has been increasingly named in environmental lawsuits.<sup>39</sup> The Department does not have a stated policy with respect to its role in ensuring or facilitating tenant compliance with environmental regulations, but recognizes that increased Department responsibility may be required given changes in the regulatory climate.<sup>40</sup> The Department has developed some programs; however, not all tenants and activities are addressed. Examples of the Department's increased role in facilitating tenant compliance include:
  - In 2004, the Department added an Environmental Compliance Coordinator position to the Site Restoration section. Although the responsibilities of that position have not been finalized, the objective is to ensure tenants are performing their Port operations in an environmentally responsible manner.<sup>41</sup>
  - Beginning in 2003, the Department began a proactive program of outreach and education to document and promote tenant compliance with General Industrial Activities Stormwater Permit (GIASP) requirements.<sup>42</sup> Tenants are responsible for development of Stormwater Pollution Prevention Plans and compliance with other requirements of the GIASP, part of the NPDES permitting process.
  - The Department's tenants are responsible for maintaining litter-free facilities and for catch basin cleaning. Under the terms of the City's NPDES municipal permit, C&M routinely inspects all catch basins within the Port's storm drain system. C&M will notify Property Management if a facility needs cleaning. Property Management will then send a letter to the tenant requesting that the facility be cleaned. Currently, there is no required feedback loop, and the Department does not consistently follow-up to ensure the facility was cleaned.
  - The Department maintains a Site Characterization Guidance Manual which is provided to some of the Department's tenants to assist them in meeting their site

<sup>38</sup> Interviews with EMD Supervisors, Sample leases, Permit No. 260, 552, 742.

<sup>39</sup> Interviews with EMD Directors and Supervisor, Site Restoration.

<sup>40</sup> July 8, 2004 Interview with Director, EMD.

<sup>41</sup> EMD Organization Chart; and July 28, 2004 Interviews with EMD Director; and Strategic Issue No. 6, Data Request2, Question 11.

<sup>42</sup> July 6, 2004 Interview with Environmental Specialist; sample letters sent to tenants. The Clean Water Act requires stormwater associated with industrial activities to be regulated by an NPDES permit. The SWRCB adopted a statewide general permit (GIASP) for discharges from industrial sites. Industrial tenants are required to develop and implement Stormwater Pollution Prevention Plans, eliminate unauthorized discharges and conduct stormwater discharge monitoring.

characterization requirements. Although not required by specific legislation, the Department requires its tenants to perform site characterization and remediation upon lease renewal or vacation of the premises to ensure potential contamination has been identified and addressed. The manual is targeted at those tenants whose operations typically involve the use of hazardous materials: ship repair and boat building facilities, scrap metal facilities, and liquid and dry bulk terminals.<sup>43</sup>

- The Site Restoration section of EMD performs compliance audits to help its smaller tenants deal with hazmat laws and regulations.<sup>44</sup> Compliance audits are not performed for all tenants.
- As the Department's primary field organization, C&M will notify EMD of possible tenant environmental requirement violations, if identified.<sup>45</sup>
- Current leases contain additional language addressing the use of hazardous materials, site characterization, and site remediation, including references to applicable regulatory requirements, notification, and documentation requirements.<sup>46</sup>
- As a condition of its lease, the Department requires its liquid bulk terminal tenants to prepare and comply with the provisions of the Department's Source Control Program.<sup>47</sup> The Source Control Program was designed to minimize potential leaks and contamination.<sup>48</sup> The program is not targeted at any specific regulation, but is designed to minimize the potential for reportable spills.<sup>49</sup> In the future, the Environmental Compliance Coordinator will monitor compliance.<sup>50</sup>
- The Department is currently developing a Clean Marinas Program targeted at the Port's seventeen marinas and 4,000 boat slips. The Clean Marinas Program will include: educational and voluntary components; measures for tenant compliance with federal, state and local regulations; Department leases and CEQA mitigation requirements; best management practices; and incentive programs (e.g., engine replacement). There are no Department compliance requirements related to this program.

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5. EMD inherently faces pressure from the Board, the Mayor, and the economic realities of its role as landlord Port to expedite the environmental review process in order to meet the development needs of the Port and the needs of its tenants. The China Shipping lawsuit and the increased involvement of the PCAC have served to extend the timeframe required

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<sup>43</sup> February 2004 Site Characterization Guidance Manual.

<sup>44</sup> Interviews with Supervisor, Site Restoration and Director EMD; Draft Preliminary Site Assessment and Environmental Compliance Audit, Southwest Marine Inc., September 2002.

<sup>45</sup> Interviews with EMD supervisors and C&M.

<sup>46</sup> Sample leases, Permit No. 999, First Amendment to Permit No. 742.

<sup>47</sup> Sample lease, Second Amendment to Permit No. 742.

<sup>48</sup> General Marine Oil Terminal Lease Renewal Program.

<sup>49</sup> Follow-up Interview with Supervisor Site Restoration and July 28, 2004 Interview with Director EMD.

<sup>50</sup> Follow-up Interview with Supervisor Site Restoration.

to perform CEQA review and increased its complexity. These conflicting pressures threaten the Department's ability to prepare thorough CEQA documents within the timeframe required. Delays in the CEQA process have a negative impact on Port Development.

- An overview of the CEQA process is shown in **Exhibit VIII-8** (pages following).
- Recent changes in the United States Army Corps of Engineers (USACE) process will add to the CEQA process time requirements, for those projects where the USACE also has jurisdiction. The USACE now requires that the majority of the Department's EIRs also include an Environmental Impact Statement (EIS). As a general rule of thumb, preparation of an EIR historically required a minimum of 12 months, compared to 18 months for an EIS.<sup>51</sup>
- As a result of the China Shipping lawsuit, the Department and Board have become understandably cautious in the consideration of alternatives. The number of alternatives considered has increased dramatically, and the range of the alternatives has broadened beyond that which can be reasonably considered as meeting the proposed project objective (e.g., a proposed expansion and improvement to tenant container terminal operations may include the conversion to a commercial retail facility as an alternative). As these alternatives are being subject to co-equal analysis, this increases the time frame for completion of an EIR or EIS.<sup>52</sup>
- The PCAC's Past EIR Subcommittee was chartered with reviewing past, present and future EIRs, and has made a number of recommendations to increase PCAC involvement and modify the existing process.<sup>53</sup> PCAC involvement has already resulted in a longer time frame for the completion of EIRs, and there are indications that the PCAC's involvement will only increase.
- Delays in the CEQA process have caused frustration and concern among the Department's tenants and affect Port development.<sup>54</sup> As an example, Chiquita Brands International (Chiquita) was working with the Planning Division to move its operations to Los Angeles. As minimal new construction would be required, conversations regarding the required level of CEQA review were held informally and no project review task force was convened. The Planning Division received initial feedback that, as a reuse, the project would be exempt under CEQA; however, this assessment subsequently changed. In order to meet the required schedule for the move, a negative declaration would have been required which prevented the Department from granting Chiquita a long-term lease, as the existing time frame was insufficient to allow for the preparation of an EIR. Chiquita pulled out due to concerns about the terms and schedule.<sup>55</sup>

<sup>51</sup> July 28, 2004 Interview with Director EMD.

<sup>52</sup> The COE requires co-equal analysis for all potentially approved alternatives. The EIR process does not require co-equal analysis. Interviews with EMD, Engineering, and Planning; review of draft EIRs.

<sup>53</sup> August 9, 2001 letter from Mayor Hahn to the Board of Harbor Commissioners.

<sup>54</sup> Tenant interviews, various dates.

<sup>55</sup> July 7, 2004 Interview with Director Planning and Environmental Affairs (and several others).

## Exhibit VIII-8

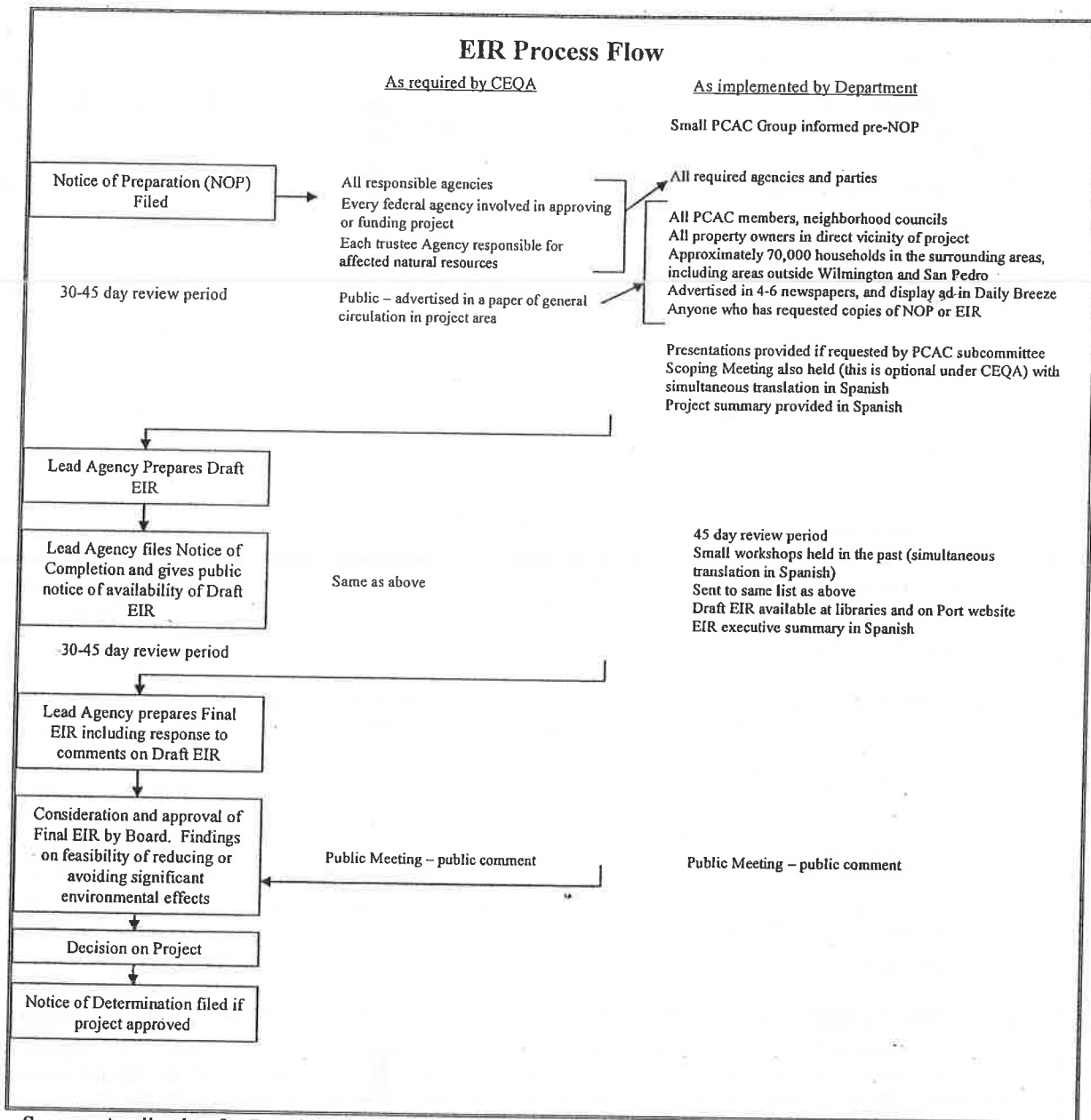
### Overview of the Department's CEQA and EIR Process

#### CEQA Process

1. All projects initiated within or for the Department require an Application for Development Project which is to be completed and submitted to Property Management.
2. Property Management assigns an Application for Development Project number and forwards the application to EMD for environmental assessment and preparation of the required environmental documents.
3. EMD determines if the activity is a "project" under CEQA, where "project" is defined as an activity that may potentially have a physical impact on the environment. Projects may receive the following exemptions: statutory; ministerial (not discretionary, technically these are not projects); emergency or declared emergency (very rare); or categorical. Examples of categorically exempt projects include personnel changes, supply purchases, lease renewal with no changes, minor installation projects with no significant expansion of facility use (e.g., fences and canopies.)
4. For those projects which are not exempt, the analysis of a project under CEQA usually takes the form of an EIR, a Negative Declaration (ND) or a Mitigated Negative Declaration. An initial study (IS) is prepared to determine whether an EIR or ND must be prepared. A checklist assesses whether the proposed project has no impact, less than significant impact or potentially significant impact for a variety of potential environmental effects.
  - An ND is prepared when a lead agency determines that there is no substantial evidence that a project may have a significant environmental effect.
  - A Mitigated Negative Declaration is prepared when the initial study identifies potentially significant effects, but: (1) revisions in the project plans or proposals made by, or agreed to by the applicant before a proposed mitigated negative declaration and initial study are released for public review would avoid the effects or mitigate the effects to a point where clearly no significant effects would occur, and (2) there is no substantial evidence, in light of the whole record before the agency, that the project as revised may have a significant effect on the environment.
  - An EIR is prepared if a proposed project is believed to have a potentially significant impact on the environment. An EIR is a detailed report describing and analyzing the significant environmental effects of the proposed projects, identifying alternatives, and discussing ways to reduce the possible environmental damage. For projects involving federal action an Environmental Impact Statement (EIS) pursuant to NEPA is prepared. An overview of the EIR process including points of required public comment is shown on the following page.

## Exhibit VIII-8

### Overview of the Department's CEQA and EIR Process



Source: Application for Development Project package; City of Los Angeles Harbor Department CEQA Notification Process; Guide to the California Environmental Quality Act (CEQA): Notice of Preparation (NOP); Interview with Julia Nagano; Berth 206-209 Draft EIR.

6. A number of organizations are involved in the identification of projects and provide input to the CEQA process; however, the roles and responsibilities for certain elements of the CEQA process are unclear or undefined, creating additional impediments to the process.
- Because of the need for quick response times, initial assessments of the required level of CEQA review may be made informally, without the benefit of final analysis.<sup>56</sup>
  - Projects are generated either internally or by the customer. Internal projects are typically generated by Engineering. Customer-initiated projects may be generated by Planning, Marketing, or Property Management, which files the Application for Development Project. The Application for Development Project initiates the environmental review process under CEQA. Project scopes of work may be generated by either Planning or Engineering, although Engineering is involved in most of them.<sup>57</sup> For larger projects an internal task force may be formed to discuss the project.
  - Engineering provides the information needed for the project descriptions which are the basis for the CEQA determination. The level of detail required is subjective, and it is unclear whether the Department has achieved optimal balance between the required specificity and the associated design effort.<sup>58</sup> Engineering is responsible for ensuring that final design matches the project description. Construction is responsible for ensuring that final construction meets the design specifications.
  - Project alternatives are developed by senior management, potentially with input from the public. Senior management includes EMD, Planning, Engineering and potentially members of the Board.<sup>59</sup>
  - EMD and Construction Management have dual responsibility for mitigation monitoring; however, the appropriateness of the specific division of oversight responsibilities is not completely clear. Construction Management is currently responsible for ensuring that the construction contractors comply with the mitigation measures included in the final EIR, and that the required monitoring is performed.<sup>60</sup>
7. While EMD has developed a general framework for addressing Department-specific regulatory requirements, the Department has not developed a formal, structured process for integrating environmental considerations that are not regulatory-driven into all aspects of its operations and training programs.
- Existing requirements regulate C&M's maintenance activities and the activities of the Department's construction contractors. The Department has developed programs or procedures to address these requirements:

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<sup>56</sup> Interviews with Department personnel (various).

<sup>57</sup> July 7, 2004 Interview with Director Planning and Environmental Affairs.

<sup>58</sup> Interviews with Engineering, Planning and EMD.

<sup>59</sup> July 28, 2004 Interview with Director EMD; Interview with Planning.

<sup>60</sup> July 28, 2004 Interview with Construction Management.

- Under the terms of its Municipal NPDES permit, the Department is responsible for the development of a Stormwater Pollution Prevention Plan for its C&M activities.<sup>61</sup> The Department's current Stormwater Pollution Prevention Plan is dated April 2001, and EMD and C&M are in the process of updating the plan.<sup>62</sup>
- In addition to the ongoing stormwater-related requirements, the Department is subject to compliance with stormwater requirements during construction. Construction projects that disturb one acre or more are required to obtain a construction general permit under the NPDES Stormwater Program.<sup>63</sup> This permit requires the development of a Stormwater Pollution Prevention Plan. The Department has incorporated these requirements into its bid specifications to ensure construction contractor compliance and requires contractors to submit an Annual Certificate of Compliance.<sup>64</sup> Construction projects that disturb less than one acre must use the minimum best management practices required under the Municipal Permit. This requirement is also incorporated into the Department's bid specifications.
- In 2004, the Department formalized its procedures for special event stormwater compliance to ensure EMD and C&M are aware of the event and the additional debris has been handled appropriately.
- The Department is currently participating in an Environmental Management System (EMS) Assistance Program sponsored by the American Association of Port Authorities (AAPA), the EPA and the Global Environment and Technology Foundation. C&M is the subject of the two-year program which began in October 2003.<sup>65</sup> An EMS is a set of management processes and procedures that allow an organization to analyze, control and improve the environmental consequences of its activities.<sup>66</sup> The EMS will provide the Department with a more structured approach to ensuring compliance and integrating environmental considerations into its C&M operations.<sup>67</sup>
- EMD maintains an Environmental Information Management System (EMIS) which tracks CEQA and other projects (e.g., hazmat investigation requests and internally generated projects). All discretionary actions are tracked in the database which allows the users to determine progress and generate required paperwork.<sup>68</sup>

<sup>61</sup> Interview with Environmental Specialist; Harbor Department's NPDES Stormwater Permit Reporting Form for Fiscal Year 2002/2003.

<sup>62</sup> Stormwater Pollution Prevention Plan for Construction and Maintenance Yard, Revised: April, 2001.

<sup>63</sup> EPA website <http://cfpub.epa.gov/npdes/stormwater/cgp.cfm>.

<sup>64</sup> Interview with Environmental Specialist; sample bid specifications; Stormwater Pollution Prevention Plan/WWECP for Crescent Avenue Pathway and Bloch Field Site Improvements, submitted by Belaire-West Landscape, Inc., December 8, 2003.

<sup>65</sup> Interview with EMD Director; Port EMS Assistance Program Project Overview and Application Guidelines.

<sup>66</sup> Press Release, AAPA and USEAP Announce Kick-off of the Port Environmental Management System Assistance Program.

<sup>67</sup> July 7, 2004 Interview with EMD Supervisor, Site Restoration.

<sup>68</sup> June 16, 2004 walkthrough of EMIS.

- Knowledge of existing and future regulations is obtained through EMD's interface with regulators and its participation on various task forces and committees; however, this is not consistently documented. EMD also maintains technical proficiency and an awareness of emerging technologies through its interface with regulators and consultants, review of literature and professional journals; and discussion with the tenants.<sup>69</sup>
- Environmental considerations have been factored into some, but not all aspects of Department operations.
  - In January 2003, Shaw Environmental, Inc. completed an independent third party assessment of the Department's environmental programs and initiatives. The analysis identified several operational weaknesses, including a lack of integration of the Port-wide environmental objectives and targets into the business goal-setting process at the organizational level, and the fact that the environmental function remains fairly isolated within the overall organization.<sup>70</sup>
  - The Department prepared an "EMD Organization and Procedures Manual" in 1991; however, the manual does not provide a comprehensive listing of all regulatory requirements. While many of the procedures remain valid, a number of administrative procedures are not addressed, particularly those with respect to Department interface and responsibilities. Additionally, information on environmental requirements is not communicated throughout the organization as part of a formal process.
  - The Department has not recently undergone a master planning exercise which might facilitate the integration of environmental considerations in the Department's long-term decision-making process. The Department is currently working from a master plan which was devised under a different policy framework and predates the Department's and the City's focus on environmental stewardship. The absence of a master plan requires the Department to develop individual land use alternatives as part of the CEQA review process. According to Department personnel, environmental considerations are not adequately factored into the planning process as a constraint on land-use alternatives.
  - EMD provides environmental training for Department personnel; however, it is not part of a formal process of routine, periodic training and does not cover all aspects of Department operations. Training focuses on stormwater pollution prevention and the pilot EMS at the yard.
  - The Department's primary means of communicating environmental programs to its employees and tenants is through its newsletters, "Main Channel," "What's New, Crew?" and the Department's intranet site. This is not done consistently.

<sup>69</sup> Interview with EMD Supervisors: Gap Analysis Rev. 1/29/03

<sup>70</sup> Environmental Initiatives Program Gap Analysis Final Report, January 29, 2003, Shaw Environmental, Inc., pp. 3-2 to 3-3.

- Space and berth assignments do not require an Application for Development Project, and as such may not be subject to environmental review. The definition of space assignment is relatively broad.
  - Environmental considerations have not historically been a significant factor in leasing decisions.
  - The Department performs site characterizations as part of its property acquisitions and planning process.
  - Environmental considerations are factored into the Department's bid specifications, and updated guidelines are under development. The Department also incorporates energy efficiency concepts into its building design.
8. Although improvements are underway, the Department's environmental planning process is fragmented, and past programs have frequently been reactionary or considered based on individual merits, not as part of a comprehensive environmental planning effort. Programs are managed by a variety of organizations, and the Department does not consistently measure program effectiveness.
- Environmental programs are managed by a variety of organizations. Marketing administers three of the Department's air quality programs; however, it is not necessarily responsible for measuring program results. The Environmental Mitigation Coordinator, who reports outside EMD, administers the China Shipping Settlement Agreement mitigation payments. EMD manages the remaining environmental programs.
  - Funding of environmental initiatives is derived from a variety of sources and not the result of a unified planning and budgeting effort. In addition to the \$13 million environmental operational budget for fiscal year 2004-2005, the China Shipping Settlement Agreement requires \$50 million in mitigation payments over the next five years, and a recent Board action created the potential for additional air quality mitigation funding to be added mid-year. In addition to the impact on budget development, this piecemeal funding creates a less-than-unified approach to the development of environmental programs, as differing organizations are responsible for the determination of the use of funds, and funds are not aggregated to maximize potential benefits.<sup>71</sup>
  - The Department's existing environmental programs are not the result of a comprehensive, integrated, planning effort. In its August 2003 recommendation to the Board for the adoption of an environmental policy statement and the development of an environmental management system, the Department staff acknowledged that while the Department has successfully developed a number of environmental

<sup>71</sup> Environmental Management Division 2004/2005 Budget Capital/Operating (Strategic Issue No. 6, Data Request 2, Question 2; China Shipping Settlement Agreement, Schedule of Mitigation Payments, Q & A – China Shipping Settlement Agreement, Data Response 32; Commissioner comments at June 23, 2004 Regular Meeting of the Los Angeles Board of Harbor Commissioners, blueCONSULTING attendance.

programs and policies, these programs were not integrated and do not provide a broad structured approach.<sup>72</sup> Additionally, individual programs may not be subject to a rigorous planning and evaluation process. As an example, the AMP program was politically driven, and was undertaken without the determination of program cost-effectiveness or evaluation of alternatives. Actual savings resulting from the program have not been quantified, nor have measurement protocols been developed.<sup>73</sup>

- Until recently, the Department did not have a general environmental policy, and policies do not exist for all areas.
- The environmental policy adopted by the Board in August 2003 has not been communicated to all employees and stakeholders.
- Recent programs have not benefited from the development of program implementation plans, which would include goals, targets, and implementation schedules.
- Absent the baseline studies, past programs could not be targeted to achieve maximum benefit.
- Past programs were initiated based on immediate needs and did not consider alternatives.
- The Department does not have cost effectiveness criteria or thresholds for its environmental programs, and cost effectiveness is not a primary consideration in program selection. According to the Department, “many environmental initiatives are developed in response to regulatory or political initiatives and are developed regardless of cost.”<sup>74</sup> While this may be appropriate, the Department should be aware of the economic impact of these decisions.
- While the Department performs calculations of the projected environmental benefits of its programs, it does not consistently measure program effectiveness or quantify the environmental benefits.
- The Department does not consistently monitor program performance or compliance with voluntary program requirements. For example, the Department provides Vessel Speed Reduction Program monitoring reports to those shippers participating in the program. Confidential reports show each shipper’s relative percent compliance. According to Department personnel, if they do not provide the monitoring reports, shipper performance tends to decline. Initially the Department was not consistent about providing the reports; however, since January the reports have been provided monthly.<sup>75</sup>

<sup>72</sup> Agenda Item 21, August 27, 2003, Adoption of a Port Environmental Policy Statement and Development of an Environmental Management System.

<sup>73</sup> June 23, 2004, Marketing Interview.

<sup>74</sup> Strategic Issue No. 6, Data Request 2, Question 13.

<sup>75</sup> Sample VSR Program Monitoring Report; June 23, 2004 interview with Marketing.

- **Exhibit VIII-9** identifies some of the missing planning elements for recent environmental programs.

### Exhibit VIII-9

#### Planning Elements in Recent Environmental Programs

Program	Consideration of Alternatives [Note 1]	Program/ Execution Plan	Goals/ Targets	Cost Effectiveness Test	Monitoring/ Measurement
Clean Marinas Program (under development)	No	Yes	General [Note 2]	No	Yes
AMP	No	No	No	No	Not yet
Emulsified Diesel Fuels	No	No	No	No	No
Vessel Speed Reduction Program (VSRP)	No	No	Expected emission reduction.	No. Minimal cost to Department.	Shipper compliance – generally Calculated emission benefits
DOCs	No	No	No	No	No
Gateway Cities	No	No	No	No	No

Note 1: According to the Department, alternatives were considered during the development of the DOC, Emulsified Diesel Fuel and VSRP programs; however, this was not reflected in the final program documents, and the audit team was unable to verify that the consideration of alternatives had occurred.

Note 2: According to the Department, once the Clean Marinas Program is fully developed and implemented, specific goals and targets will be set.

Source: Department Interviews and Strategic Issue No. 6, Information Request 2, Question 14.

9. Recognizing the problems with the existing process, EMD has initiated steps to establish an appropriate framework for future environmental planning through the development of the Environmental Initiatives Program (EIP) and program-specific improvements. However, implementation of the EIP has not been timely.
  - The January 2003 independent assessment performed by Shaw Environmental found that the management system currently in place does not fully conform to all the required elements of the benchmark standards and does not provide the mechanisms to fully address the environmental performance information needs of the Department's internal and external stakeholders. The study found that because a number of existing environmental programs were disjointed and in many cases there was an overlap of roles and responsibilities, the Department is not in a position to demonstrate effective program implementation and quantifiable performance results.<sup>76</sup>
  - On August 27, 2003, the Board adopted an Environmental Management Policy statement which established the tone and requirements for the proposed EIP.<sup>77</sup> Prior to the adoption of this policy statement, the Department had several individual policy

<sup>76</sup> Environmental Initiatives Program Gap Analysis Final Report, Prepared for the Port of Los Angeles by Shaw Environmental, Inc., January 29, 2003.

<sup>77</sup> August 27, 2003 Agenda Item 21, Adoption of a Port Environmental Policy Statement and Development of an Environmental Management System; July 29, 2004 Interview with Director EMD.

statements for mitigation of certain environmental impacts, but no overarching environmental policy. **Exhibit VIII-10** lists the elements of the Department's approved environmental policy.

**Exhibit VIII-10**  
**Environmental Policy as Approved August 27, 2003**

	Objective
1	Ensure environmental policy is communicated to Port staff, customers and community.
2	Ensure compliance with all applicable environmental laws and regulations.
3	Ensure environmental considerations are included in planning, property, financial, developmental, and operational decisions, including feasible and cost effective options for exceeding applicable regulatory requirements.
4	Define and establish environmental objectives, targets and best management practices and monitor performance.
5	Ensure Port maintains a Customer Outreach Program to address common environmental issues.
6	Fulfill the responsibilities of each generation as trustee of the environment through environmental awareness and communication.

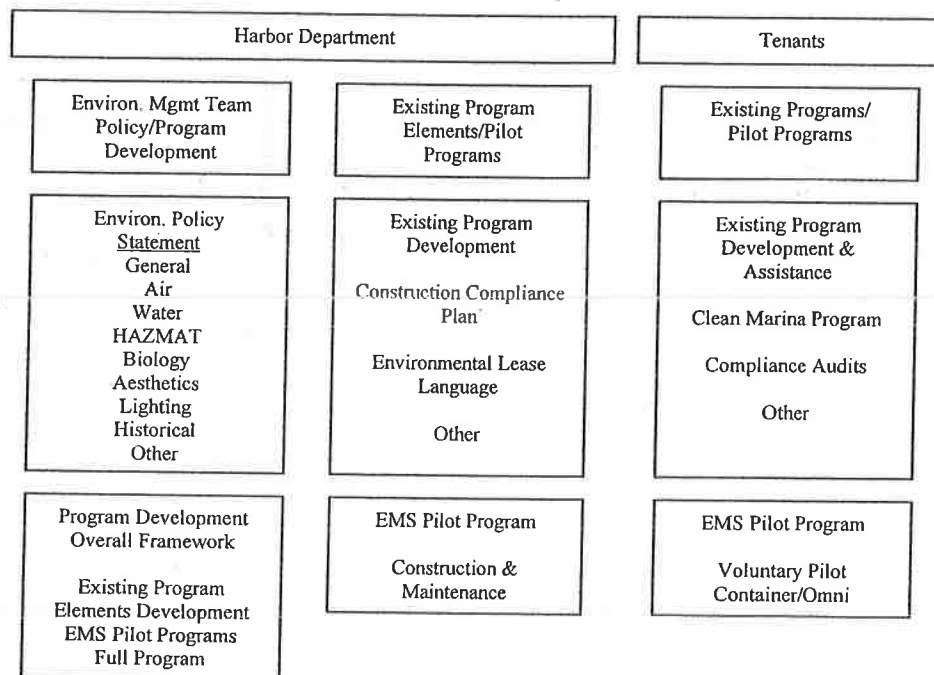
Source: Agenda Item 21, August 27, 2003, Adoption of a Port Environmental Policy Statement and Development of an Environmental Management System.

- The Board also authorized \$300,000 to be spent on consulting assistance over the next two years to develop the EIP. As described by the Department, the purpose of the EIP “is to provide an introspective, organized approach to environmental management, further incorporate environmental considerations into day-to-day Port operations, and achieve continual environmental improvement.”<sup>78</sup>
  - Since its approval by the Board, EMD has developed the conceptual framework for the EIP. As envisioned, the EIP will encompass existing and future programs, will include the Department's tenants and other stakeholders, and will provide the framework for the development of a comprehensive environmental program. The EIP will assist the Department in achieving its environmental policy objectives. Conceptually the EIP provides an appropriate planning framework; however, development of the EIP has not proceeded in a timely manner. According to the Department, the delay results from existing workload demands.
- **Exhibit VIII-11** (page following) provides a schematic of the conceptual EIP design.

<sup>78</sup> Berth 206-209 Draft EIR, May 2004, p. 1-11; July 28, 2004 Interview with Director EMD. Note: the Board approval actually refers to an EMS; the Department has named it the EIP as it encompasses more than a traditional EMS and to avoid confusion with existing pilot programs.

## Exhibit VIII-11

### Environmental Initiatives Program Conceptual Framework



Source: Strategic Issue No. 6, Information Request 1; July 28, 2004 Interview with Director EMD.

- The EIP will consolidate existing programs under one umbrella and provide a framework (with stakeholder input) for the development of future programs which will include: development of individual policy statements; identification of operational and regulatory requirements; needs assessment (baseline studies and stakeholder input); identification of feasible technologies and initiatives; consideration of alternatives; plans for implementation of initiatives (including goals and schedules); quantification of the benefits achieved by the initiatives; and a measurement and monitoring plan.<sup>79</sup>
- The Department is currently preparing an RFP to obtain assistance in the development of the EIP. Although funding was authorized in August 2003, progress has been significantly delayed. According to EMD, it plans to release the RFP at the end of August 2004.<sup>80</sup>
- Recent improvements at the program level include:
  - The development of POLACAP which consolidated the existing air quality programs. The goal of the POLACAP is to identify cost effective technologies,

<sup>79</sup> July 28, 2004 Interview with Director EMD.

<sup>80</sup> July 28, 2004 Interview with Director EMD.

fuels, and operational measures which can be implemented to reduce emissions; development of methodologies to quantify emission benefits; and the maximization of funding. The POLACAP includes research elements and criteria for project selection.<sup>81</sup>

- The development of the Clean Marinas Program plan which includes: the development and dissemination of a guidebook containing best management practices for the marina manager and boaters; information on environmental resources; a marina recognition program; a boat slip inventory; an education component; funding for equipment and facilities; inspections and documentation maintenance; and an effectiveness evaluation. The effectiveness evaluation will track the level of participation and compliance in the various program elements and will be used to shape objectives for the following year. The program addresses water quality, air quality, and hazardous materials and waste.<sup>82</sup>
- EMD is developing the conceptual framework for a Green Terminals Program, similar to the Clean Marinas Program.<sup>83</sup>
- The Department is currently monitoring ambient emissions.

## **D. Recommendations**

1. Executive Management should take a leadership role in ensuring that the Mayor's and City's goals have been translated into Department policies and establishing a corporate tone of environmental stewardship, consistent with the recently established environmental policy statement. Environmental considerations must have sufficient weight in executive management decision-making. The Department should also develop a more comprehensive, unified approach to environmental planning.
2. EMD should use the information gained from the baseline studies to develop performance measures. The Department should monitor and report performance against these measures on a routine, periodic basis.
3. See recommendations regarding the PCAC included in Chapter VI. Additionally, the Department should more clearly define organizational responsibilities related to the PCAC interface and should clarify expectations. The Department and the Board should work together to develop expectations for appropriate standards of conduct for Department employees, PCAC members, and subcommittee members. These expectations should be communicated to the PCAC by the Board and to the staff by executive management.

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<sup>81</sup> September 25, 2002 Board Agenda Item No. 7, Approval of Proposed Port of Los Angeles Clean Air Program.

<sup>82</sup> Port of Los Angeles Clean Marinas Guidebook, 3<sup>rd</sup> Draft, June 8, 2004 and June 8, 2004 Draft Standard Operating Procedures for the Port of Los Angeles Clean Marinas Program.

<sup>83</sup> January 5, 2004 Green Terminals Concept Paper.

4. Working with the City Attorney and outside regulators, the Department should clarify its role with respect to tenant compliance issues in light of Mayoral and Board directives, the Department's objective of environmental stewardship, and the Department's rights and obligations as a landlord Port. If it is determined that the Department appropriately has a role in ensuring tenant compliance, the Department should:
  - Work with existing regulators to develop non-redundant methods for promoting and/or ensuring compliance.
  - Develop additional compliance-related programs.
  - Review and modify existing lease language, as necessary to grant the Department the requisite authority.
  - Maintain a list of tenant regulatory requirements.
  - Consider development of a tenant "permit handbook" or other guidance material.
5. EMD should formalize, clearly define, and document the project development and environmental review process. Recommended improvements include:
  - Revisit the language of CEQA and NEPA and provide internal and external training on the Department's legal requirements. Training should include a discussion of legal requirements, the City's CEQA guidelines, what constitutes a "project" under CEQA/NEPA, the requirements associated with each type of determination (e.g., mitigated negative declaration, exempt projects), and examples of when those determinations can be made.
  - Establish typical timelines and expected durations for the various CEQA/NEPA determinations (e.g., average time required to complete an EIR). These should be communicated throughout the Department, and to external stakeholder to ensure consistency of expectations.
  - Minimize informal CEQA assessments. Eliminate communication of expected timelines or preliminary assessment of the level of CEQA review that will be required without formal evaluation. Clearly specify the amount of analysis/information that is required before initial determinations are made.
  - Clarify the chain of command and the roles and required inputs of each Department division and other key stakeholders. Specify the timing and format of inputs. In particular:
    - Clarify the process by which projects are initiated and initially defined.
    - Assign responsibility for the identification of alternatives.
    - Coordinate efforts of EMD, Engineering, and Planning to define the level of detail required in the CEQA project descriptions.

- Clearly assign accountability for ensuring tenant commitments, leases, environmental review, engineering design and construction build are consistent.
  - Clarify when information can/should be communicated back to the tenant.
  - Include Construction Management in the determination of mitigation measures to ensure implementation feasibility.
  - Clarify the respective roles of EMD and Construction Management in mitigation monitoring.
- Streamline the consideration of alternatives included in the EIR/EIS process. Land use alternatives should be evaluated as part of a comprehensive master planning effort. The alternatives evaluated as part of the CEQA process should then be consistent with future master plans. In the interim, a manageable set of alternatives should be developed for each project.
  - Ensure the results of the baseline studies are considered in the environmental review process.
  - Complete development of the EIR template which will standardize EIR format and language, and address PCAC input.
  - Evaluate whether the existing definition of space and/or berth assignment is consistent with the Department's objective of environmental stewardship, or whether it needs to be redefined.
  - Develop administrative procedures.
6. The Department should increase its efforts to ensure environmental considerations are factored into all aspects of operation and should formalize certain procedures.
- The Department should identify the potential environmental effects (both positive and negative) of the operations and decisions of each of the Department's divisions. For example, environmental considerations should be factored into the master planning process and business development/lease decisions. The Department should develop appropriate procedures and processes to address environmental effects. In the near-term, the Department should increasing corporate commitment to environmental stewardship through consideration of the environment in key executive management decisions, such as leasing. Land use commitments to prospective tenants should not be made absent environmental review.
  - The Department should formalize and expand the scope of its environmental training, and increase awareness of the Department's programs through improved communication.

7. With the support of Executive Management, EMD should expedite the development of the EIP. All environmental initiatives should be evaluated within the framework of a comprehensive environmental program, and should be subject to planning rigor, rather than the current reactionary, organizationally disjoint format. Programs should be considered within this framework regardless of whether the programs are administered by EMD or Marketing. The development of the EIP should:

- Consolidate program selection and funding.
- Consolidate responsibility for program development and sponsorship within one organization, with coordinated support and input from other divisions.
- Consider Department and tenant environmental requirements and the Department's broader responsibility.
- Incorporate and coordinate community, tenant and other stakeholder input.
- Include research and education components.
- Include a communication and public awareness/promotion component.
- Incorporate the following elements proposed by EMD in its existing conceptual design for the EIP, as discussed in Conclusion No. 9:
  - Situation assessment (existing baselines).
  - Executive management buy-in.
  - Policies and objectives.
  - Identification and assessment of potential environmental initiatives and technologies (cost effectiveness, technological and implementation feasibility, persistence, alignment with objectives and situation assessment).
  - Development of goals and targets and implementation plans.
  - Ongoing measurement, monitoring and performance reporting, including quantification of benefits.
  - Feedback/lessons learned and corrective action, with management involvement.

# IX – PORT SECURITY

## A. Background

### Strategic Issue

The Port of Los Angeles, along with the Port of Long Beach, is of strategic importance not only to the Cities of Los Angeles and Long Beach, but also to the Southern California region, the State of California and the entire United States.

- Forty percent of the nation's cargo is handled in the combined Ports of Los Angeles and Long Beach (the Ports).<sup>1</sup> Forty-seven billion dollars in direct and indirect business sales annually result from this cargo.<sup>2</sup>
- The Ports are responsible for one in seven jobs locally, for 500,000 jobs within the region and 1.4 million jobs nationwide.<sup>3</sup>
- One million passengers pass through the Ports annually.<sup>4</sup>

The Ports are crucial to the economic well-being of the region, State and nation. Security of the Los Angeles and Long Beach Port Complex is paramount to continue the injection of commerce this complex produces locally, regionally, nationally, and overseas. The effect of a potential security incident in the Ports was highlighted in 2002, when a labor lockout (due to a labor dispute) caused a 10-day shutdown of the Ports and cost the nation's economy an estimated \$1 billion a day.<sup>5</sup>

The Ports of Los Angeles and Long Beach are viewed as "One Port" by all federal agencies. Whether the focus is on counter-terrorism, critical infrastructure protection, security implementation, or funding through federal grants, the Port, as it relates to security, is viewed as one system. All security enhancements from either side are viewed as single elements that the Ports of Los Angeles and Long Beach incorporate into a unified Port security area plan.

The security of the Port is of strategic importance to the Department and the City. Port security depends on constant vigilance by the entire Department and the communication capabilities to respond efficiently and effectively to a security event.

This chapter focuses on the complex interagency relations that the Port requires for universal Port-wide security coordination, the new federal transportation security regulations and how they affect Port operations, and future security concerns with the expected increase

<sup>1</sup> The Port of Los Angeles Facilities Guide, August 2003.

<sup>2</sup> The Port of Los Angeles Welcome Brochure, November 2003.

<sup>3</sup> The Port of Long Beach Fact Card, 2004.

<sup>4</sup> Data Request 105, Testimony of Noel K. Cunningham to AAPA, June 9, 2004.

<sup>5</sup> Data Request 105, Testimony of Noel K. Cunningham to AAPA, June 9, 2004.

in cargo and passenger volumes projected for the Port. Specifically, this chapter will accomplish the following objectives:

- Describe the current law enforcement environment and jurisdictional control.
- Define the new transportation security regulations.
- Discuss the importance of integrated grant funding to assist in implementing the new regulations.
- Develop findings and conclusions that describe the current security issues.
- Develop recommendations to assist the Department and City security personnel in protecting Port operations.

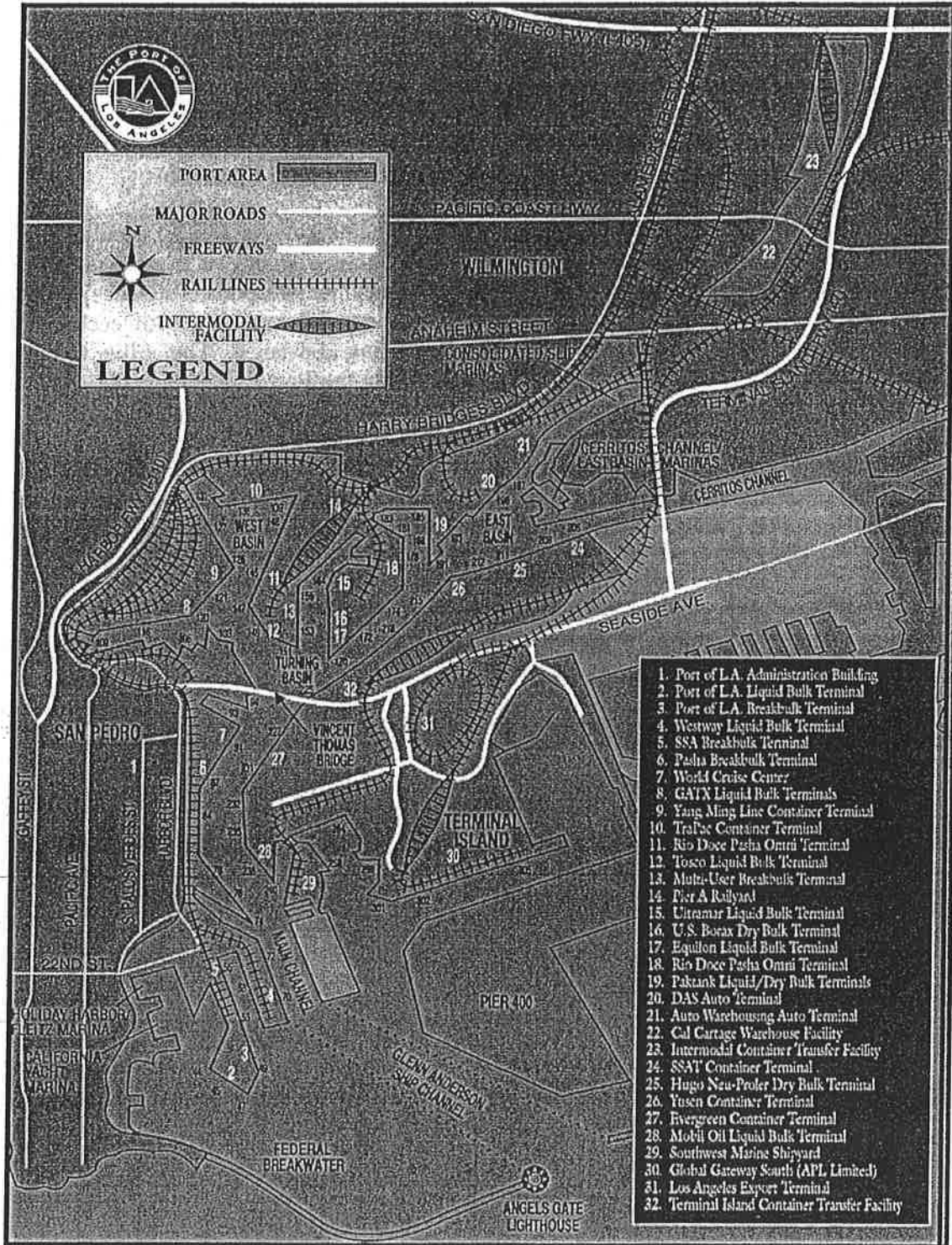
### **Current Law Enforcement Environment and Jurisdictional Control**

In response to post-September 11, 2001 expectations, the current Port security environment requires that the Department, and all the law enforcement entities throughout the Port, increase security measures to protect the Port, the region, and the nation from a number of different terrorist attack scenarios. These expectations were mandated from the local cities and numerous entities that operate within the Port, as well as a nationwide focus on terrorism. As the Port is the number one container port in the nation, there is particular interest in how it is handling the increased security threat.

In the initial period following the September 11 attacks, neither the Department nor the other 55 ports which are critical to the nation had the resources, capabilities, training, or direction to efficiently and effectively protect their ports. A national effort was then implemented to develop one agency capable of focusing on all the nation's security issues and develop new security regulations to protect the nation's critical infrastructure.

The security efforts taking place throughout the Port consist of both physical enhancements and improvements in operational planning and policy. The response element of law enforcement and fire departments are streamlined through this process with a clearer understanding of jurisdictional boundaries. Port boundaries can be viewed in **Exhibit IX-1** (page following). The Port of Los Angeles covers 43 miles of waterfront and 38 miles of local streets.

**Exhibit IX-1**  
**Port of Los Angeles**



Source: Harbor Department.

## Interagency Operational Control

The Port Police are charged with ensuring the safe and uninterrupted operation of the Port through the enforcement of various city, state, and federal laws. The Port Police have primary law enforcement jurisdiction for the entire complex. They have responsibility for incident command unless relinquished by the Chief of the Port Police.

Depending on the type of incident, either the Port Police or Los Angeles Fire Department is the primary first responder to any incident within the Port. As the first law enforcement agency representative onsite, the police officer or firefighter will take control of the scene and follow a "chain of command" policy when calling for back-up support.

In order for the Port Police, as the immediate incident command, to accurately define a security situation and call upon the appropriate mitigating agency, it is necessary to identify not only the severity and scope of the situation, but also the weapons or devices being used in the incident. A thorough knowledge of the mission and capabilities of each responding agency is also essential to the Port Police in requesting assistance. The ability to control the area as a possible crime scene must always be within the Port Police capabilities in order to ensure that possible terrorist or criminal evidence is not disturbed.

Department operations include working with representatives from many different regulatory and law enforcement security agencies on a regular basis throughout the Port. The relationships that are built among Department personnel, Port Police and agency personnel are critical when a security incident occurs within the Port.

When a security incident has occurred at the Port, the first responder is in the immediate position to identify the situation and identify the appropriate law enforcement agency to address the issue, as shown in **Exhibit IX-2**.

### Exhibit IX-2

#### Incident Identification Classifications

Classifications	Terrorism	Criminal	Negligence
Potential Responders — General Jurisdiction	FBI United States Coast Guard LAPD Port Police	Port Police LAPD FBI	Port Police

Source: NorthStar/blue interviews.

The consequence management and mitigation efforts to neutralize a threat, hazard, or fire will occur as the identified incident is unfolding. The ability of the Port Police or Fire Department, as the first responder, to direct onsite coordination with attending agencies and their corresponding equipment during any time frame of an incident is critical to the safety and security of all on-site personnel, facilities, and the event's outcome. Planned exercises and drills are designed to periodically test these capabilities during live on-site scenarios.

The Port complex is an intricate web of law enforcement jurisdictions depending on the identified incident. The agencies involved with Port security include:

- U.S. Coast Guard (USCG or Coast Guard)
- U.S. Customs and Border Protection (CBP)
- U.S. Citizenship and Immigration Services (USCIS)
- Federal Bureau of Investigations (FBI)
- U.S. Department of Energy (DOE)
- U.S. Army Corps of Engineers (USACE)
- California Highway Patrol (CHP)
- City of Los Angeles Police Department (LAPD)
- Port of Long Beach Security Department
- City of Los Angeles Fire Department and the City of Long Beach Police and Fire Departments
- Los Angeles Port Police Department (LAPP)

Each of these entities is briefly described below.

- **U.S. Coast Guard** – This agency is represented locally by the Captain of the Port, located at the Marine Safety Office/Group Los Angeles-Long Beach Station on Terminal Island. The Captain of the Port oversees and audits the implementation of the new Maritime Transportation Security Act (MTSA) security regulations (discussed later in this chapter) throughout the Port and has the authority to assess fines and sanctions upon properties that do not conform. The Coast Guard has been an active proponent in all stages of the developing regulations and maintains an open dialogue with the Department and the 27 tenant facilities.

The Maritime Safety and Security Teams (MSSTs) are federal maritime special weapons and tactics (SWAT) teams that are highly trained, strategically located, and specially equipped to provide an extra layer of security to key ports, waterways and facilities. The MSSTs board and inspect ships to search for threats and confirm the identity of those aboard. The MSSTs might coordinate with LAPP or LAPD Special Operation teams for Port security events.

The Sea Marshal Program incorporates Coast Guard law enforcement officers and LAPP Officers to complete boarding procedures where the officer remains onboard certain ships with the Port Pilot as they enter and leave the Port of Los Angeles/Long Beach to ensure they stay safely on course.

Regionally, the Coast Guard is the representing chairman on the newly established Area Maritime Security Committee (AMSC) for Central California. The Area Maritime Security Committee is mandated by 33 Code of Federal Regulations 101 and 102 and each committee is chaired by the USCG Captain of the Port. Each committee is made up of federal, state, and local agencies, industry representatives and other interested parties. The AMSC is charged with the development of the Area Maritime Security (AMS) plan in order to integrate the plan with the Federal Maritime Security Coordinator (FMSC) national efforts. The committee, through the

plan, will coordinate contingency planning, conduct exercises, facilitate information sharing and foster opportunities for joint training to enhance maritime security. The committee has 14 voting members representing all regimes within the Port. Subcommittees are created by the Executive Steering Committee and tasked with sections of the AMS plan to complete. Representatives from the Department are on many of the committees.

- **U.S. Customs and Border Protection** – This agency has agents and inspectors working full time on regulatory operations throughout the Ports of Los Angeles and Long Beach. CBP is a member of the AMSC. CBP efforts also include addressing security issues, acquiring security related intelligence on the waterfront, serving Deserter/Absconder warrants through the Sea Marshal program with Port Police assisting regularly in these efforts, administering the Customs-Trade Partnership Against Terrorism program, participating in exercises and drills, and monitoring for weapons of mass destruction.

CBP has an office at the Port of Los Angeles World Cruise Center and, through its Strategic Problem Solving Team, is addressing the vulnerability of the high volume of passengers being dropped off in one location in a short amount of time.

- **U.S. Citizenship and Immigration Services** – USCIS is the investigative arm of the Border and Transportation Security Directorate (BTS), the operational directorate within the Department of Homeland Security (DHS), tasked with securing the nation's borders and safeguarding its transportation infrastructure. The largest component within the DHS, BTS employs more than 100,000 men and women. Immigration and Customs Enforcement brings together more than 20,000 employees who focus on the enforcement of immigration and customs laws within the United States, the protection of specified federal buildings, and air and marine enforcement. The Port Police team up with USCIS on investigations and the issuing of federal warrants within the port.
- **Federal Bureau of Investigations** – The FBI, through the Joint Terrorism Task Force, is the vice chairman of the AMSC and chairman of the AMSC planning subcommittee which is tasked with the development of the area security plan and regional evacuation plan. These efforts are undertaken through the cooperation of the Los Angeles and Long Beach Harbor Departments. The FBI is also the receptor for all security related intelligence relative to the Ports of Los Angeles and Long Beach. The FBI is the Incident Commander when a terrorist act has occurred within the Port and, to enhance the working capabilities between responding agencies during an incident, the FBI is implementing an incident command network.
- **U.S. Department of Energy** – The DOE operations relating to the Port are to protect the nation's critical infrastructure by locating weapons of mass destruction and monitoring stations throughout the region for early warning alarms.
- **U.S. Army Corps of Engineers** – The United States Army Corps of Engineers (USACE) is made up of approximately 34,600 civilian and 650 military men and

women. Military and civilian engineers, scientists and other specialists work hand in hand as leaders in engineering and environmental matters. The diverse workforce of biologists, engineers, geologists, hydrologists, natural resource managers and other professionals meets the demands of changing times and requirements as a vital part of America's Army. The Department may require federal permits from USACE when developing new physical security measures to be constructed along the waterfront.

- **California Highway Patrol** – The CHP works in conjunction with the AMSC and the Ports of Los Angeles and Long Beach in developing regional security and transportation evacuation plans.
- **Los Angeles Police Department** – The LAPD is constantly coordinating with the Department and the LAPP through many different channels. The LAPD Harbor Unit is located within the Port and patrols the harbor district surrounding the Port. Representatives from both agencies participate on joint operations teams and committees, including:
  - Area Maritime Security Committee
  - Joint Terrorism Task Force
  - USCG Joint Operations Command
  - Port Diving Operations Group (P-DOG)
  - City of Los Angeles Emergency Operations Organization

The LAPD has the regional Explosive Ordinance Disposal response and dive team capabilities which it coordinates with all the Port agencies. LAPD Special Operations Team is researching the capabilities of a Remote Operated Vehicle or underwater sea sled with a multi-function package for a safer operational environment and to reduce diver demands.

- **The Port of Long Beach, Security Department** – The Port of Long Beach has a multi-level law enforcement entity. The Long Beach Port Security Unit consists of 15 sworn LBPD officers and the Long Beach Harbor Patrol consists of approximately 30 Port security guards. The sworn officers are the marine patrol in vessels covering the waters of the Port and the land based security guards have different levels of responsibilities from unarmed facility access control to armed vessel boarding's upon arrival.
- **City of Los Angeles Fire Department and the City of Long Beach Police and Fire Departments** – These are support organizations which respond to incidents within the Port complex following direction from the first respondent. They play a significant role in Port security and are involved at every level of the collaboration between agencies.
- **The Port of Los Angeles Port Police Department** – LAPP personnel have a limited affiliation and general service agreement with the International Longshore and Warehouse Union (ILWU), and are members of Local 65.<sup>6</sup> Presently, there are

<sup>6</sup> Information provided in [www.ILWU65.org](http://www.ILWU65.org).

approximately 58 sworn Port Police with an authorization to hire up to 22 more officers, and twelve civil service private security officers, with five vacancies, charged with access control of Department buildings. The Port Police have complete jurisdiction over Port property and have just received grant funding for two new patrol boats to protect the 35 miles of coastline. This mission enhancing capability, along with the proposed Command Center equipped to handle joint agency operations, and complete Port security sensing equipment integration, will enable the Port Police to respond to terrorist or crime related incidents more effectively. LAPP has nine different operational units serving the Port: Detectives, Investigators, Sea Marshals, Homeland Security, K-9, Divers, Patrol, Training, and Reserve/Volunteer. These units work on a regular basis on joint operations with multiple agencies from the region. LAPP is currently entering into a Memorandum of Understanding with LAPD for direct air support over the Port.

- **The Los Angeles Pilot Service** – The Port Pilots are the first and last points of contact that any vessel, doing business with the Department, will come in contact with. The Port Pilots control the vessel traffic flow throughout the Port with the assistance of the Vessel Tracking System and operate under USCG Captain of the Port regulations. Their operational system is similar to air traffic controllers in that they are responsible for the safe transit of multi-million dollar cargo on multi-million dollar vessels through navigationally constrained channels. The expertise required for the safe transit of almost 3,000 vessels annually is paramount to the safety and security of the entire Port. The Port Pilots regularly attend AMSC meetings but are not formal members of the AMSC.

## **New Port Security Regulations**

Recently, the United States, through the Department of Homeland Security, initiated a new, robust baseline of security for the nation's ports. There are several categories of new regulations that relate to port operations and security.

- **Maritime Transportation Security Act and International Ship and Port Facility Security Code Amendment** – Through interagency teamwork, the Coast Guard, Transportation Security Administration, and the Bureau of Customs and Border Protection, developed the Maritime Transportation Security Act of November 25, 2002, along with the new security amendments to the International Convention for Safety of Life at Sea 1974. Additionally, the International Maritime Organization completed the International Ship and Port Facility Security Code in order to address maritime security on all international waters.
- **24-Hour Advanced Manifest Rule** – All sea carriers, with the exception of bulk carriers and approved break bulk cargo, are required to provide proper cargo descriptions and valid consignee addresses *24 hours before cargo is loaded* at the foreign port for shipment to the United States through the Automated Manifest System. Failure to meet the 24-hour rule results in a "Do Not Load" message and other penalties. Through this program, administered by CBP, the Department has greater awareness of what is being loaded onto ships bound for the United States and

the advanced information enables DHS to evaluate the terrorist risk from sea containers.

- **Container Security Initiative** – Under this program, the screening of containers that pose a risk for terrorism is accomplished by teams of CBP officials deployed to work in concert with their host nation counterparts. Potential suspect containers are targeted and identified before being loaded onto vessels bound for US shores.
- **Absconder Apprehension Initiative** – On January 25, 2002, the Bureau of Immigration and Customs Enforcement (BICE) was directed by the Deputy Attorney General to remove absconders from the United States.

“Arriving Alien” means an applicant for admission coming or attempting to come into the United States at a port-of-entry, or an alien seeking transit through the United States at a port-of-entry, or an alien interdicted in international or United States waters and brought into the United States by any means, whether or not to a designated port-of-entry, and regardless of the means of transport. A number of these “arriving aliens” are aliens who have not gone through the admissions process and are known as illegal aliens. Although there are no available numbers, these people transfer through the Port on at least a weekly basis.

“Alien Absconders” are foreign nationals who have been ordered removed by an immigration judge, but have failed to comply with that order. BICE has created a Most Wanted Criminal Aliens list, part of an aggressive new strategy at BICE known as the National Fugitive Operations Initiative. The aim of the effort is to reduce the number of Alien Absconders in the United States. LAPP works directly with the Coast Guard, CBP, and BICE in the Sea Marshal program responding to warrants for stowaways and absconders that are issued by Federal Agencies; LAPP is then responsible for local custody and processing.

## Port Security Initiatives

In addition to the above stated regulations, there are new Federal Port Security Initiatives that have been suggested but not yet mandated.

- **Transportation Worker Identification Credential** – The Transportation Security Administration (TSA) has committed funding through the prototype phase of developing a uniform identification credential for all transportation workers who require unescorted access to secure areas at seaports, airports, rail, pipeline, trucking and mass transit facilities. The Department has grant funding proposals in place to move this effort forward.
- **Joint Container Inspection Facility (JCIF)** – The JCIF, which is a voluntary project that the Ports of Los Angeles and Long Beach applied for in the first three rounds of TSA funding, is equipped with imaging and detection equipment for non-intrusive container inspections to identify weapons of mass destruction as well as intrusive container inspections for high interest/high risk contraband. This facility would be

used by multiple agencies (CBP, BICE, FBI, the Coast Guard, the Drug Enforcement Agency, the Bureau of Alcohol, Tobacco, Firearms and Explosives), and local first responders. The Ports of Los Angeles and Long Beach would have a means of achieving their goals of significant improvements in the quality and quantity of container inspection in the Los Angeles Basin and in providing facilities to control and examine hazardous materials away from highly populated areas.

- **Customs-Trade Partnership Against Terrorism (C-TPAT)** – C-TPAT is a joint government – business initiative to build cooperative relationships that strengthen the overall supply chain and border security. It involves all levels of trade including importers, custom brokers, carriers (air, land and sea), warehouses and manufacturers.

Customs recognizes that a safe and secure supply chain, from the manufacturer overseas to the importer in the United States, is the most critical aspect of its work in keeping our country safe. The program begins with a Memorandum of Understanding between Customs and each company, committing them to the specific actions. A comprehensive self-assessment of each participant's supply chain security using C-TPAT guidelines is the beginning of the program, with follow-on development of the supply chain security enhancement program. Once the program is approved, the benefits are: reduced examinations, expedited exam process, and the eligibility for account-based processes.

- **Operation Safe Commerce** – This program was initiated by the Department of Homeland Security to analyze security in the commercial supply chain and tests solutions to close security gaps. The technologies tested through the program will enhance maritime cargo security, protect the global supply chain, and facilitate the flow of commerce. DHS has awarded \$58 million in grants to the three major load centers (Port of Los Angeles/Long Beach, Port of New York/New Jersey and Port of Seattle/Tacoma) since its inception and will award another \$17 million to bolster these efforts.

### Grants Funding

The Department of Homeland Security, through the Office of Domestic Preparedness, has grant funding categories in place to address the high costs of transportation security at our nation's Ports and surrounding areas. The Urban Areas Security Initiative and the Port Security Initiative are the prime funding categories for the Ports of Los Angeles and Long Beach. State and local municipalities, port authorities, and private entities who own or operate port related critical infrastructure or facilities that are regulated by the MTSA, are eligible for federal grants. Grant proposals must identify security vulnerabilities and the appropriate mitigating response to be approved, and are reviewed by the Coast Guard for credibility and coordination with the Area Security Plan.

## B. Evaluative Criteria

The following evaluative criteria were used to evaluate this area:

- Has the Department done everything possible to protect itself from terrorism with increasing cargo and passenger volumes?
- Has the Department developed sufficient security plans to address new Port Security regulations?
- Do the Port of Los Angeles and the Port of Long Beach have a coordinated effort for identifying and obtaining security-related grants?
- Are there specific areas within the Port complex that pose security concerns or risk?
- Has the Department developed chemical, biological, radiological, nuclear, and high-yield explosive programs?
- Do Port Disaster Plans exist and do they coordinate locally and regionally?
- Do regularly scheduled employee security training programs exist?

## C. Findings and Conclusions

1. The Department is working with the appropriate federal, regional, and local agencies, as well as all Department tenants, to develop anti-terrorist coordination and provide for security of Port operations.
  - The Department faces security risks that require mitigation efforts which are coordinated with City officials, federal, State, and local authorities and Department tenants. The new federal security laws, regulations and partnership programs, along with security grant programs to pay for the physical security implementation, are the building blocks for the Port-wide anti-terrorism program. By incorporating this anti-terrorism program into its methodology of Deterrence, Detection, and Defense, the Department is continuously addressing its vulnerabilities to terrorism by addressing the four elements of security, as shown in **Exhibit IX-3** (page following).
  - The Department, through its Homeland Security Division, is assisting each tenant facility in meeting the federally mandated schedule for the development and implementation of the new MTSA security plans and assist in interaction with the Coast Guard.

### Exhibit IX-3

#### Departmental Responses to Elements of Security

Element of Security	Representative Department Action
<b>RAM:</b> Random anti-terrorism measures	The Department varies its patrols, ID checks and military assistance throughout the Port.
<b>Intelligence:</b> Identifying the threat	The Department is in regular contact with intelligence agencies working within the Port and in the region.
<b>Vulnerabilities:</b> Identifying Port critical infrastructure	The Department is working with federal agencies to identify and update the critical infrastructure list to develop protective strategies throughout the Port.
<b>Hardening:</b> Physical security, planning, training and exercise	The Department is increasing manpower, acquiring direct security enhancing equipment, training all employees to qualified response security levels and developing exercises for effective response capabilities.

Source: Decision Strategies interviews and analysis.

- The Department is also developing Port grant proposals and combined Port of Los Angeles/Long Beach proposals to address identified Port vulnerabilities. As a member of the USCG Area Maritime Security Committee, the Department is coordinating joint Port security grant proposals with multi-agency input.
  - There will never be a 100 percent security umbrella protecting the Port. With continued increases in Port commodity volumes, the need for constant internal and external security vigilance is necessary, and coordination between all the Port activities must continue.
2. Although the Department is not directly responsible for the implementation of the new MTSA regulations, it has worked with the tenants to develop plans and implement training. However, it has not required site specific information from the Department tenants to incorporate in the Department's overall Port security response capabilities.
- As a landlord port that does not operate specific maritime facilities, the Department is not required by the Coast Guard to develop security plans or be responsible for the implementation of the new MTSA regulations. That is the responsibility of each Department tenant whose facility falls under the MTSA regulations and is governed by the Coast Guard. (The Department is required to have a security plan by the City of Los Angeles' Emergency Operations Center.)
  - The Coast Guard has complete governance oversight of the implementation and continued monitoring of the new MTSA regulations at each regulated tenant facility and tasks identified by the AMSC that are Port security-related. The Department's Homeland Security Division and the Port Police can assist facilities in a liaison role to

the Coast Guard and the AMSC, but they have no regulatory or governing authority in reference to the MTSA.

- The MTSA stipulated several requirements for the tenants of the Port.
  - Each tenant facility had to accomplish 6 principal tasks:
    - Complete a facility threat assessment.
    - Complete a facility vulnerability assessment.
    - Develop a facility security plan.
    - Identify and train a facility security officer.
    - Implement the facility security plan.
    - Certification and implementation approval of the security plan (by the Coast Guard).
  - Tenants are now faced with changes in their facility layouts with complete perimeter closure capability, limited access points to their facilities, restricted areas identified within their facilities, installation of property monitoring systems, increased exterior lighting, personnel identification systems and security plan integration with all berthing vessels.
  - Tenants now have a new Facility Security Officer position that is responsible for the implementation of all new security enhancements as well as future audits, personnel training, drill scheduling, Coast Guard and Department exercise planning, vessel security interaction and regional plan integration.
- The Department's Homeland Security Division supported the tenants' efforts to comply with MTSA by scheduling quarterly Facility Security Officer meetings to address MTSA related issues.
  - The MTSA regulations have specific time frame deadlines for the completion and submittal of each task to the Coast Guard.
  - The tenants decided whether to complete these tasks with their own in-house resources or hire specific contractors to complete each task.
  - The Coast Guard developed limited guidelines and procedures to develop the plans and the facilities requested additional guidance from the Department Homeland Security Division.
- The Department tenants have implemented the various requirements of the MTSA and worked with the Department to develop plans and implement training.
  - Each facility has security guard services that protect facility perimeters, access points, and vessel berthing. The security services are provided by either private companies hired by the tenant or by ILWU guard services, based on a call out system from the union hall.

- There are a total of 27 tenant facilities in the Port. Each tenant has the responsibility for “hardening its target” (facility) and the Department will coordinate with the other “hardened” targets so that Port security becomes universal. (“Hardening” the target refers to increasing security around each facility and the port as a whole to reduce their vulnerabilities.) The tenants will then conduct drills to test their own security and also work together with the Department and the Coast Guard in exercises to continuously test the security of the Port.
  - The Department, as a member of the AMSC, is on the planning sub-committee for security, training, exercises, and evacuation throughout the Port.
  - The Department is coordinating the development of plans that pertain to the operational boundaries of the 27 tenant facilities. However, the Department has not required that each of its tenant facilities provide it with a copy of the facility security plan. The Department’s possession of all the tenant facility security plans could be crucial to ensuring a coordinated response to any incident.
    - The IEA Survey team interviewed the Facility Security Officer of the four largest terminals and the passenger cruise terminal. The Facility Security Officers interviewed had differing opinions about whether each facility’s security plan should be on record with the Department for response knowledge, or remain solely with the Coast Guard as the regulatory agency.
    - The Port of Long Beach has a section in its tariff contract requiring each facility within the port to have a conforming security plan on file.
  - The Facility Security Officers of the four largest terminals and the passenger cruise terminal believe that it would be appropriate for the Port Police to be present during the MTSA required facility to vessel Declaration of Security turnover when the vessel arrives at the berth. The Port Police are not currently involved.
  - Interviews with the Facility Security Officers also revealed that each tenant facility has enhanced its security by adding perimeter fencing, access control, lighting, closed circuit television, waterfront monitoring and increased security guard service. These physical additions, coupled with employee training and operational security procedures outlined in their new security plans, accomplished a more secure and safer facility.
3. The new MTSA regulations have positive and negative effects on Port operations.
- Positive effects on Port operations include:
    - The Port is a more secure and safer commerce transportation complex with security focused on personnel, facilities and vessels.
    - Enhanced communications at multiple levels throughout the Port.