

# AFTER ACTION REVIEW (AAR): TRAPAC TERMINAL PROGRAM – PERMIT NO. 881

## LESSONS LEARNED PAPER



**PREPARED FOR: CITY OF LOS ANGELES, HARBOR DEPARTMENT**

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## BACKGROUND

### AAR Statement of Purpose and Approach

The Executive Management Team (also referred to as Senior Managers or Senior Management Team) at the Port of Los Angeles (City of Los Angeles, Harbor Department or POLA or Port) requested an independent, neutral party to facilitate an internal discussion to review pre-identified lessons learned<sup>1</sup> (i.e. technical, procedural, and organizational), including new lessons not yet discussed or surfaced, related to a request to amend Permit No. 881 (Lease to the TraPac Terminal) and revise budget estimates impacting the design and construction of the TraPac Terminal Expansion Program. This Lessons Learned Paper is the outcome of such discussion and process, and suggests a series of lessons and action items for consideration to minimize re-occurrence and/or mitigate potential future risks that may be associated with other similar business scenarios.

The approach used to facilitate this After Action Review (AAR) is as follows:

- **Solicit Participation** - Invited and encouraged participation from Harbor Department staff involved in the TraPac Terminal Program (approximately 24 individuals identified and an email invitation sent by Executive Offices to staff). Participation by staff members provided a communication channel to share information and minimize that the information shared did not get filtered or censored, including an opportunity to gain whole group consensus.
- **Facilitate Discussion** - Conducted half-day AAR discussion on October 1, 2013, which included 16 individuals<sup>2</sup> with roles in project management, engineering, environmental assessment, Permit (lease) negotiations, real estate (asset) management, grant funding, fiscal analysis (i.e. rate of return),

<sup>1</sup> See Board Report dated September 11, 2013 titled “Approval of Second Amendment to Permit No. 881 and Approval of Revised Budget for the TraPac Terminal Program.” Request was considered by the Board of Harbor Commissioners on September 19, 2013 and can be accessed at [http://www.portoflosangeles.org/Board/2013/September%202013/091913\\_Item\\_8\\_Board\\_Report.pdf](http://www.portoflosangeles.org/Board/2013/September%202013/091913_Item_8_Board_Report.pdf)

<sup>2</sup> Facilitator would like to say thank you and express his gratitude and appreciation to all those who participated in the group discussions.

legal counsel, and executive team project sponsors<sup>3</sup> overseeing design and construction and real estate development (i.e. Deputy Executive Directors of Development and Business Development). No other senior management personnel or the Executive Director were present during the group discussion.

- **Protect Participants** - Encouraged participation and protected participants by not identifying comments made from a specific participant. This was accomplished during several “no-name-post-it” group sharing exercises in order to protect participant comment anonymity. In addition, this process aided in gathering facts, capturing various perceptions and views surrounding the business problem, while focusing on building group trust.
- **Establish Action List/Tasks** - Prepared Draft After-Action Item List within 24 hours from discussion date for participant review and comments. Comments were due within three business days.
- **Prepare and Release Lessons Learned Paper** - Prepared Draft Lessons Learned Paper for review and comment. Allowed up to three business days for comments. Prepared Draft Final Paper within four business days, and distributed to all participants, including entire Executive Management Team. Collected comments from Harbor Department to consider before finalizing paper. Lastly, released Final Lessons Learned Paper after final comments.

## AAR Limitations and Disclosure

**Limitations** - Information collected and gathered derived from primary and secondary resources; therefore, this Lessons Learned Paper is limited within these parameters. Primary resources included fact finding and gathering through an in-person work group discussion (see section above for composition of group comprised of 16 individuals) and the working group’s willingness to share information in an open and trust building environment. The group session duration was approximately four hours; therefore, the process allowed limited items to be surfaced for discussion within these constraints. If a full-blown audit or review had been conducted or additional time allocated for further discussion or subsequent fact gathering (e.g. second group-discussion, other senior

<sup>3</sup> The concept of “Project Sponsor” is considered a relatively new practice at the Harbor Department. Dialogue during this AAR revealed that a “Project Sponsor” was not designated during the major developments/events throughout the Program life cycle.

manager interviews/discussions, viewpoints from City staff outside of the Harbor Department/TraPac representatives/external consulting firms whom provided services related to the TraPac Terminal Program, review of project files and real estate logs, etc.), then other relevant matters and viewpoints may have surfaced.

Secondary resources provided context and background related to the TraPac Terminal Program to re-create critical events, such as the (a) Executive Director's Report to the Board of Harbor Commissioners dated September 11, 2013, (b) April 2011 Real Estate Priority Matrix Log and Sample Report, (c) Real Estate Division communication e-mail dated April 14, 2011, (d) Board of Harbor Commissioners September 4, 2008, October 2, 2008, October 23, 2008, and December 18, 2008, meeting minutes, and (e) reports related to TraPac as cited within this Lessons Learned Paper. Some additional documentation was collected during the comment review period (after the on-site group discussion on Oct. 1, 2013); therefore, referenced as applicable throughout this Paper. Most important, other documentation related to the TraPac Terminal Program exist throughout various divisions at the Harbor Department should further review be desired. Only 10 specified projects within the TraPac Terminal Program were considered and discussed. Excluded from the discussion were other related projects, such as the Berth 200 Rail-yard, Berth 200 Connections, and South Wilmington Grade Separation.

**Disclosure** - This Paper is prepared for the Port of Los Angeles as a working document to develop a series of lessons learned and future actions items for consideration, and provide additional insight of what occurred, what went right, what went wrong, and what can be done differently to improve project delivery and business processes. The AAR process utilized deviates from a typical AAR report<sup>4</sup> in that the facilitator collected data from the on-site group discussion and additional information from various participants during the comment review periods, which aided in developing both a series of suggested lessons learned and corrective actions. Based on the limited resources collected and reviewed, some suggested conclusions are made to provide viewpoint(s) of where things may have gone wrong. This Lessons Learned Paper should be viewed as a cursory review (not a

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<sup>4</sup> See sample After Action Reports prepared by the City of Los Angeles Emergency Management Department for typical format, which includes statement of purpose, event descriptive, major developments, findings, conclusions, and improvement plan.

comprehensive audit) of the events leading up to the approval request to the Second Amendment to Permit No. 881. Actions Items and recommendations herein are only suggestions and should be considered by the Port of Los Angeles for potential cost-benefit analysis prior to implementation. For example, one or more proposed Action Items may cost more than its effective outcome or potential efficiency gain.

The AAR facilitator is an employee of the City of the Los Angeles and some information may be protected as client-attorney privilege, if any. This Lessons Learned Paper was drafted through the lens of a discussion facilitator and fact gatherer, and not through the lens of an audit or review as would be required in the facilitator's official capacity as Inspector General. In addition, the facilitator is a doctoral candidate pursuing a doctorate in public administration and this exercise provides a platform to prepare for his dissertation on Port Terminal Expansion Projects and its linkages to port management and governance networks.

### TraPac Company Profile

TraPac operates in three major United States ports and distinguishes itself as the leading container terminal operator serving the West Coast of the United States. Operating as one of eight container terminals within the Port of Los Angeles network, TraPac occupies Berths 136-147 located at 920 West Harry Bridges Blvd. Wilmington, CA 90744. According to the Port of Los Angeles, TraPac’s mode of operation is a containerized cargo terminal using both a wheeled and grounded operation. Geographical and operating descriptors include<sup>5</sup>:

<b>Land Area:</b>	173 acres
<b>Total Berth Length:</b>	4050'
<b>Berths:</b>	3
<b>Height:</b>	15.0-15.7'
<b>Water depth:</b>	45-53'
<b>Cranes:</b>	11 post-Panamax (100'-gauge, 40-long-ton hoist capacity)
<b>Shipping Lines Served:</b>	MOL, APL, HMM, CMA/CGM, CSAV
<b>Other Features:</b>	28,000-sq. ft. maintenance shop; 546 reefer plugs (wheels); 48 grounded plugs; 10 transtainers; 12 side-handlers; four top-lifts.

According to TraPac<sup>6</sup>, the following company data points provide an overview of the terminal operator:

- TraPac Inc., Founded in 1987 by parent company Mitsui O.S.K. Lines Ltd., is the leading container terminal operator and stevedore.
- Offers high quality port terminal service to the West Coast of the United States.
- Operates at the Port of Oakland (CA) at Berth 30, Port of Los Angeles (CA) at Berths 136-147, and Port of Jacksonville (FL) at Berths 16-17.

More specifically, TraPac’s Vision<sup>7</sup> is to be “*recognized as a global leader in container handling operations by fully understanding the dynamics that impact customer service, providing world class customer service, setting industry standards for productivity, security, safety and environmental protection, creating an open and participative work environment that rewards innovation and promotes growth, security and opportunity for all employees, and producing consistently superior financial returns for our shareholder.*” Gaining recognition as a global leader in container handling operations, TraPac Mission Statement<sup>8</sup> is focused on (1) Customers, (2) People, (3) Innovation, (4) Communities, and (5) Shareholders.

<sup>5</sup> Source: Container terminal information and descriptions located at the Port’s website at [http://portoflosangeles.org/facilities/ter\\_berth135-139.asp](http://portoflosangeles.org/facilities/ter_berth135-139.asp). Accessed on October 7, 2013.

<sup>6</sup> Source: TraPac Company Information is located at <http://www.trapac.com/ci/>. Accessed on October 6, 2013.

<sup>7</sup> Source: TraPac Vision Statement is located at <http://www.trapac.com/ci/vision.asp>. Accessed on October 6, 2013.

<sup>8</sup> Source: TraPac Mission Statement is located at <http://www.trapac.com/ci/mission.asp>. Accessed on October 6, 2013.

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## TraPac Terminal Program

In brief, the TraPac Terminal Program commenced with the approval of Permit No. 881 (TraPac “Lease” or “Permit”) in December 2009, which obligated TraPac Inc. to a 30 year lease term, including various rental obligations. Permit No. 881 authorized TraPac to conduct cargo handling operations at Berths 136-147 while requiring the Harbor Department to redevelop the wharf and backlands, deepen water depths, expand the backlands at Berths 134 and 135, construct/update a terminal building, main gates, and crane maintenance building, and develop (construct) a new Intermodal Container Transfer Facility. In total, the proposed TraPac Terminal Program is comprised of ten projects/component elements as follows:

- Environmental Impact Report (EIR)/Statement (EIS) and Misc. Improvements
- Berth 147 Backland Improvements (Phase 1A – Includes Automation)
- Berths 145-147 Wharf Improvements
- Berths 136-139 Terminal Buildings and Main Gates
- Berths 145-147 Backland Improvements (Phase 1B – Includes Automation)
- Berths 144-145 Backland Improvements (Phase 1C – Includes Automation)
- Berths 142-143 Backland Improvements (Phases 2-4 – Includes Automation)
- Berths 142-147 TraPac ICTF (Includes Automation)
- Berth 142 Crane Maintenance Building
- Berths 134-135 Backland Expansion (5 Acre expansion)

Prior to the December 2009 Permit No. 881 approval, many actions were considered and/or adopted by the Board of Harbor Commissioners (BOHC) related to the TraPac Terminal Program. For example, in September 2008, the BOHC conducted a public hearing on the issuance of a Level III Coastal Development Permit (No. 08-07) for Berths 136-147. In October 2008, the BOHC awarded nearly \$103 million contract to Manson Construction Company (Reso. No. 08-6626) for construction services at Berths 145-147, awarded a construction management services contract to Parsons Water and Infrastructure Inc. (Parsons) for Berths 136-147, and provided first year funding at about \$11.2 million to the TraPac Community Mitigation Trust Fund (Reso. No. 08-6640). Lastly, in December 2008,

a contract at approximately \$6.8 million was awarded to Parsons for construction management services related to both Berths 100-109 and Berths 136-147.

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## BUSINESS SCENARIO

### Fiscal Situation

The Los Angeles City Council and Board of Harbor Commissioners (BOHC) approved Permit No. 881 in September 2009, launching the TraPac Terminal Program (or “Program”) at an estimated cost of \$245 million with an anticipated Rate of Return of approximately 10%. Subsequently, a First Amendment to Permit No. 881 was approved in May 2010 to allow for the 2010 Container Customer Initiative<sup>9</sup> valued at about \$5.1 million with no change to the estimated Program cost. In March 2010, TraPac initiated discussions to revise the project scope and include an automated transtainer operation. Unrelated to the First Amendment, in March 2010, TraPac requested to include Rail-Mounted Gantry Crane operations. In August 2010, POLA prepared a Second Amendment to incorporate these proposed project scope changes. The Second Amendment was not submitted to the BOHC or City Council for consideration. In April 2012, the BOHC approved the TraPac Program “Baseline Budget” at approximately \$365 million. This action was not referred to City Council since setting or approving a “budget” is within the BOHC’s authority and does not require City Council approval. As of September 2013 and as proposed in the Second Amendment to Permit No. 881, the Program budget is expected to increase by 40% or \$145.9 million from \$364.5 million to \$510.4 million<sup>10</sup> or a 110% increase from \$245 million to \$510.4 million. Furthermore, this revised budget reduces the Rate of Return by 1.34% from 10.09% to 8.75%, which deviates from the Harbor Department’s Real Estate Leasing Policy for land set at 10%.

Major causes or breakdown of various elements of this cost escalation, as described in the Executive Director’s report to the BOHC, include:

- \$52.1 million – Electrical and Communication System Infrastructure (12.47 kV vs. 4.16 kV)
- \$43.6 million – Construction Phasing, specialty design, construction management

<sup>9</sup> Discount set forth by No. 550-[A] 031 of Tariff No.4 (Tariff) for empty containers exceeding 20 percent and No. 515 of the Tariff discounts by 50 percent for merchandise charges; provides a one-time credit of six percent of the Fiscal Year 2007/2008 compensation; and cumulative credits and discounts cannot exceed an amount that reduces overall permit revenue below the Minimum Annual Guarantee (MAG) of the permit.

<sup>10</sup> The proposed 2<sup>nd</sup> Amendment approved by the BOHC revises the project from a non-automated terminal development to an automated terminal development (construction) project, and does not appear to alter any of the terms and conditions of the rent provisions or restructure the financial arrangement.

- \$20.8 million – Concrete Paving and Foundation Due to Poor Soil Conditions
- \$12.9 million – Storm Drain System (comply with local/state/federal regulations)
- \$8.6 million – Construction Inflation
- \$4.8 million - Fire Protection System
- \$3.1 million – Safety and Secured Access (fencing and gates)

Furthermore, construction cost inflation created a 5.9% increase in cost or about \$8.6 million. This outpaces the Los Angeles Consumer Price Index (CPI) - Urban Area, which increased at approximate .8% (or less than 1%) and the CPI-Work at approximately .9% (or less than 1%) from Aug. 2012 to Aug. 2013. During the same time, food and energy increased by .6% and .4% year-on-year, respectively<sup>11</sup>. It is important to note that according to the Engineering News Records, a McGraw-Hill Construction publication, the Materials Price Index indicates that the composite mill (i.e. Lumber/Drywall) price increased 10.8%, RCP piping price decreased between 3% to 6%, predicted asphalt price will increase at about 6.8%, and steel price increased about 2.5% from approximately October 2012 to October 2013<sup>12</sup>.

### Infrastructure and Technical Situation

The majority of the revised budget increase at approximately \$85 million (or \$33 million for ASC technology as estimated in November 2010 + \$52 million for electrical and communication system as estimated in May 2013) is from the infrastructure for Automated Rail Mounted Gantry Stacking Cranes and other infrastructure required for delivering an automated container terminal. The infrastructure and electrical system (e.g. electrical substations, multiple feeds from DWP, switchgear, transformers, and voltage conversion switchgear) requires 12.5 kV to deliver enough power to operate the proposed Automated Rail Mounted Gantry Stacking Cranes. A typical port terminal uses 4,160V. It is important to note that in concept, it was assumed that the power needed to operate was based on 4,160V yet this power supply was proven to be inadequate for the type of new technology

<sup>11</sup> Source: Bureau of Labor Statistics, Consumer Price Index, Los Angeles Area. Accessed on Sept. 21, 2013 at <http://www.bls.gov/ro9/cpilosa.htm>

<sup>12</sup> Source: Engineering News Report (ENR) provides information on construction trends and industry best practices. Various reports published in October 2013 were used. According to ENR, the Materials Cost Index is the “materials component of ENR’s building and construction cost indexes. It tracks the weighted price movement of structural steel, Portland cement and 2 X 4 lumber.” Accessed on October 18, 2013 at [http://enr.construction.com/economics/materials\\_trends/](http://enr.construction.com/economics/materials_trends/)

selected. Therefore, power supply designs had to be changed to deliver 12.47 kV. In addition, the cost for stronger and more durable concrete and foundation is now required due to poor soil conditions not previously known. Lastly, an additional \$44 million is being incurred to accommodate more complex construction phasing as a result of higher than anticipated levels of cargo in the terminal. This was due in part to the Harbor Department helping TraPac with its business plans to increase its customer base, incorporating safety measures required for the new infrastructure, and accelerating cost to meet grant funding deadlines.

### **Environmental Situation**

Due to the existing soil and groundwater contamination (see BOHC report for details), additional storm drain measures (e.g. development of an intricate design, such as sand filtration, sub-drains, trench drains, overflow systems, etc.) are required at an additional cost of \$12.9 million. In addition, the added cost will ensure compliance with the City of Los Angeles Watershed Protection Program, Standard Urban Storm-water Mitigation Plan, and Harbor department environmental standards.

### **Governance and Oversight Situation**

Thirty-eight months (from August 2010 to September 2013) to process and seek approval to Amend (i.e. Second Amendment) Permit No. 811. This time frame included a period for which the Deputy Executive Director of Business Development informed the Real Estate Division that compensation to the Permit had not changed; therefore, a Permit Amendment was not required immediately but changes to the scope could be captured the next time the Permit is amended<sup>13</sup>, and also a period for which the Real Estate Priority Matrix Listing reported this Amendment “on-hold pending resolution of cost.” The proposed Second Amendment approval, submitted in September 2013 to the BOHC, ratifies previously unauthorized changes in Scope of Work (i.e. plan, design/development, construction). Further, on or about August 2010, the Real Estate Division requested and received a draft Second Amendment from the Office of the City Attorney and prepared a

<sup>13</sup> Instructions provided via e-mail between Deputy Executive Director, Business Development and the Real Estate Division in March/April 2011.

Board report yet both said report and proposed Second Amendment were not processed. The action to halt processing the proposed Second Amendment was communicated in summer 2010 by the Deputy Executive Director of Business Development. Notification that the Second Amendment was a “High Priority Item” was sent from the Real Estate Division to the Deputy Executive Director of Business Development between May 2010 and April 2011 via the Real Estate Division’s Priority Matrix Listing yet the status of the Amendment in this listing is “[in] negotiations.” By April 2011, the Real Estate Division’s Priority Matrix Listing report indicates that the status of the Amendment is “Canceled for now.”<sup>14</sup>. Moreover, the Engineering Division continued project construction based on the understanding that approvals were in place and when cost escalated, this information was communicated to the Deputy Executive Director of Development in November 2012. Cost escalations were not shared with the Executive Director or the BOHC until April 2013 (or nearly a six month time interval). During this time period, the Deputy Executive Director of Development requested a “Value Engineering” review to seek cost savings measures. Subsequently, in January 2013, a notification of cost escalation (no dollar amount) was forwarded to the Audit Committee of the BOHC, which was then followed by an actual dollar cost escalation in April 2013.

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<sup>14</sup> During the comment review period of this paper, additional documentation was submitted to the facilitator to substantiate that on April 2011, the Real Estate Division provided notice in its Real Estate Priority Matrix.

## MAJOR DEVELOPMENTS/EVENTS

In summary, four major developments or events occurred within the TraPac Terminal Program context, which are:

1. **Second Amendment to Permit No. 881 Not Processed For More Than Three Years** - The Harbor Department did not process or secured approval to Amend Permit No. 881 for more than three years (from August 2010 to September 2013). The most recent proposed Second Amendment would authorize a change in project scope (i.e. non-automated to automated terminal). The failure to seek Amendment approval is untimely and did not allow City Council to exercise its jurisdiction on proposed Scope of Work changes prior to the actual start of work related to the TraPac Terminal Program.

One contributing factor for not processing the Amendment is driven by two major Scope of Work changes submitted by TraPac within the three year time frame, which both proposed changes required additional staff time for review and analysis (i.e. cost, materials, technology, etc.). First, in March 2010, TraPac requested to use Rail Mounted Gantry Cranes rather than Rubber Tire Gantry Cranes, which the latter is the Crane type approved by City Council in 2009. The Executive Director responded to TraPac that this change would require City Council approval. However, the action to approve such change did not occur because the cost impact was unknown for five months between March 2010 and August 2010, at which time the preliminary cost estimate reached \$311.5 million for a conventional container terminal compared to \$245.2 million as originally approved in 2009. Second, in October 2010, TraPac requested a second change to use Automated Stacking Cranes that would transform this terminal from a non-automated to an automated operation. Again, cost estimates for this new request were unknown for an additional three to four months (from August 2010 to December 2010). During this time period, a Rate of Return re-analysis was conducted by the Harbor Department's Finance Division. Combined, a total of one year was dedicated to developing cost estimates related to both requests, which included an additional three months to respond formally (referred to

as the “Letter of Agreement” in this paper) to TraPac’s second change of scope request (i.e. from January 2011 to March 2011).

A second contributing factor is the shift in resources and decisions made within the Real Estate function, including the unintended consequence of the Second Amendment to Permit No. 881 to fall off the radar (see Footnote 16 on page 13 for additional explanation). In August 2010, the Real Estate Division halted the process to seek a Second Amendment because the BOHC report prepared to amend the Permit was deferred pending the Environmental Impact Report Addendum. Between August and December 2010, the then Director of Real Estate continued to report in its Real Estate Priority Matrix Listing to the Deputy Executive Director of Business Development that TraPac Second Amendment continues in “negotiations.” By January 2011, the then Director of Real Estate is reassigned within the organization. By April 2011, the Real Estate Priority Matrix Listing Report changed the Amendment status from in “negotiations” to “Canceled for now” based on communication by the Deputy Executive Director of Business Development to the Real Estate Division that an amendment was not needed immediately because there was “no change in compensation.” This provides one perspective that the Deputy Executive Director of Business Development may have not recognized the need to process an amendment. Shortly after April 2011, the Harbor Department appoints a new Director of Real Estate yet the amendment continues off the radar.

A third contributing factor is a “Letter of Agreement” signed by the Executive Director that commits to the proposed scope of work changes (see next major development below for additional details).

2. **Letter of Agreement to Change Scope of Work Signed with No Amendment Approval** – In March 2011, the Harbor Department agreed to the proposed Scope of Work changes made by TraPac via a “Letter of Agreement” signed by the Executive Director. This action was perceived by both the Deputy Executive Director of Development and Chief Engineer (including Engineering Division staff) as a “green

light” or authority to move forward yet others within the organization did not perceive this as full authority to change the scope of work without amending the Permit. For example, the Real Estate function of the organization was not impacted by the Letter of Agreement since the request to Amend the Permit was “canceled for now” in April 2011. More specifically and prior to the Letter of Agreement, the then Director of Real Estate continued in “halt” mode from August to December 2010 (or did not move forward with processing the Second Amendment<sup>15</sup>). Afterwards, from January to March 2011, the Director of Real Estate position become vacant and the interim Director of Real Estate held by the Deputy Executive Director of Business Development did not move forward with processing the Second Amendment. Tracking of the Permit Amendment remained in “Canceled for now” status and falls off the radar<sup>16</sup>. This continued during the tenure of the newly appointed Director of Real Estate post-April 2011 and up through July 2013. Combined, the concept of or perceived authority from the “Letter of Agreement” and the unresolved perspective that an Amendment was not needed due to no compensation changes, coupled with the instruction to “cancel” the processing of the Second Amendment resulted in the proposed Second Amendment not being processed for nearly an additional two years.

3. **Cost Escalation Amount Not Communicated for More Than Six Months** – Communication at the Harbor Department between both the Deputy Executive Directors of Development and Business Development and the Executive Director appeared to have been unclear and/or delayed. Information provided from line staff to each respective Deputy Executive Director did not float up quickly to the Executive Director and/or BOHC. For example, information on the “cost escalation

<sup>15</sup> Per Real Estate Priority Matrix Log provided during the comment period, on August 11, 2010, no recommendation memo is “required due to concurrent Board Letter per new procedure.” This new procedure was not discussed during the group discussion and may warrant further review if the Harbor Department desires to conduct a thorough audit.

<sup>16</sup> “Falls of the Radar” is construed by the facilitator as a reporting element that was present at one time and then no longer provided. For example, the need for a TraPac amendment was clearly categorized as a pending action in “high priority” based on communication sent to the Deputy Executive Director of Business Development by the Real Estate Division and then, subsequently TraPac is categorically reprioritized as “no action.” Therefore, the same reporting element is no longer provided. In addition, the Real Estate Priority Matrix Listing report is unclear as to what the color coding scheme means, the types of priority, lack of or alternative use of priority categorization (typical use is high, medium, low or numeration sequence), indication or visualization of where a new Permit or Permit Amendment is within the negotiation life cycle stage, or what actions or correction actions are required to meet the stated goal. Therefore, one viewpoint is that this inconsistency or lack of clarity in the report could allow an item to “fall of the radar.”

amount” was not communicated by the Deputy Executive Director of Development until after six months (i.e. from Nov. 2012 through July 2013) from date of first knowledge. More specific, cost escalations or budget overruns were not communicated by the Deputy Executive Director of Development to the BOHC’s Audit Committee until January 2013 or about two months after first knowledge. This initial communication did not include a cost escalation amount. Subsequently, in September 2013 (or more than six months), a cost escalation amount was communicated by the Deputy Executive Director of Development to the BOHC after new construction bids were opened and undergoing a “Value Engineering” process.

4. **No Sole Responsible Party Designated, Which Blurred the Responsibility Lines** – Two channels of communication and processing occurred simultaneously, sometimes in concert with each other and other times independent of each other. For example, the Deputy Executive Director of Development is responsible for development, construction, project delivery, and cost control, while the Deputy Executive Director of Business Development is responsible for asset (real estate) management and lease negotiations. Each is responsible to oversee respective daily requirements to move this Program forward and share information as-needed. However, the TraPac Terminal Program did not appear to have one sole designated responsible party to make decisions and report “up” the organization (e.g. to the Executive Director, BOHC, and/or City Council). Having two senior management executives involved in overseeing a major capital project is beneficial, such as an opportunity to blend and leverage two areas of discipline and expertise, yet not having a sole responsible party designated to take the lead role of decision making, project and financial oversight, and communication may compromise project outcome or effectiveness. Therefore, the lines of accountability and responsibility may have been blurred because there was no clear “lead” or “project owner/sponsor.” It is important to note that each Deputy Executive Director’s role appeared to be clear.

## CHRONOLOGY OF EVENTS – HOW THE PORT GOT HERE?

Date	Event
<b>Aug. 2009</b>	Board of Harbor Commissioners (BOHC) Approves Permit No. 881 with a <b>construction cost estimate at \$245.2 million</b> . Project cost is in concept-level design and based on a typical, non-automated terminal development.
Sept. 2009	City Council approves Permit No. 881 (see Council File 09-2165) as requested by POLA via Charter Section 606 and 654(a)1.
<b>March 2010</b> <sup>17</sup> *	<b>TraPac requested Rail Mounted Gantry (RMG) Cranes rather than the originally approved Rubber Tire Gantry Cranes</b> (Modifies Scope of Work).
<b>April 2010</b>	Board of Harbor Commissioners approves 1 <sup>st</sup> Amendment to Permit No. 881. POLA develops preliminary estimates at <b>\$270.4 million</b> (or \$20M additional for RMG – plus \$5.2M for environmental costs). Executive Director responds to TraPac’s request regarding RMG changes and said changes require BOHC approval.
May 2010	City Council approves 1 <sup>st</sup> Amendment (C.F. 10-0886) via Charter Section 606 1 <sup>st</sup> Amendment provided discounts, credits, and incentives at about \$5.1 million to TraPac within the 2010 Container Customer Initiative context.
June 2010	Real Estate Division requested the Office of the City Attorney to prepare a Second Amendment to Permit No. 881 changing the project scope of work.
July 2010	Office of the City Attorney provided Real Estate Division a draft Second Amendment to Permit.
<b>Aug. 2010</b>	POLA provides draft 2 <sup>nd</sup> Amendment to TraPac for Modified Scope of Work. Real Estate Division prepares Second Amendment Board Report. This report addresses the automated terminal infrastructure but is not processed. POLA provides draft 2 <sup>nd</sup> Amendment to TraPac for Modified Scope of Work. * Real Estate Division halts 2 <sup>nd</sup> Amendment process as requested by the Deputy Executive Director, Business Development yet Harbor Department, in general, continues to proceed with proposed scope changes. * EIR Addendum for Automated Stacking Cranes (ASC) technology prepared but not considered.

<sup>17</sup> Upon request from TraPac, POLA and TraPac continuously discussed its requested between March 2010 through March 2011

	*	POLA prepares preliminary cost est. at <b>\$311.5 million</b> for conventional container terminal.
Oct. 2010		TraPac formally proposes to Revise Scope of Work (SOW) to install ASC – See Alternative K.
<b>Nov. 2010</b>	*	POLA Engineering Division responds to Real Estate Division with updated cost estimates at <b>\$344 million</b> (or \$32.5M additional with ASC technology over the conventional option currently estimated to cost \$311.5 million. This is still at conceptual level).
Aug. - Dec. 2010		Finance conducts Rate of Return re-analysis.
Feb. 2011		TraPac requests expedited response from POLA regarding revised SOW.
<b>March 2011</b>	*	<b>Executive Director Approves Letter of Agreement</b> to revised SOW.
	*	Deputy Executive Director, Development and Engineering Division interprets Letter of Agreement as “Green Light to Proceed,” while Environmental and Goods Movement Divisions view letter as having no impact yet Real Estate Division still requires 2 <sup>nd</sup> Amendment to Permit; and some Divisions are unaware of such Letter of Agreement.
	*	No legal input sought by POLA.
April 2011		Deputy Executive Director of Business Development provides instructions not to prepare an amendment immediately due to “no change to compensation” and that any changes agreed to would be included the next time the Permit needs to be amended.
June 2011		Staff directed CH2MHill to develop the concept design for the Automated Terminal.
Feb. 2012		Mayor sends letter to “All General Managers” regarding “Priority Capital Projects at the Port of Los Angeles [POLA].” Mayor identified the expediting of capital projects at POLA as having significant impacts on economic development in the City of Los Angeles. This includes the TraPac Terminal Program. In addition, Mayor calls on each department to support the timely completion of these projects.
		Design commences on Phase 1C (The first element with automation infrastructure).
<b>April 2012</b>	*	Board of Harbor Commissioners approves Budget Baseline at <b>\$364.5 million</b> (or \$21 million additional across all Program elements).

June 2012		City Council adopts motion to explore option that would allow transfer to/from POLA permitting rights to/from Dept. of Building and Safety (CF 12-0788).
June 2012	*	EIR Addendum 1.1 e-released as complete without consideration to clarify Berth 200 Rail-yard project description with no change to prior analysis on ASC technology.
July 2012		Board of Harbor Commissioners approves grant funding baseline agreement for approximately \$56 million with the CA Transportation Commission.
Nov. 2012		Board of Harbor Commissioners approves the construction contract for the Administration Bldg. and Main Gate project elements (i.e. Rear Berths 136-139 Terminal Buildings & Main Gate, Berths 145-147 – Phase 1B).
	*	POLA prepares revised cost estimate for the Phase 1 of TraPac Program with automation infrastructure; the Berths 144-145 Backlands Phase 1C Backland Project cost estimate increases from \$27M to \$50M.
Jan. 2013		Engineering Division and Deputy Executive Director, Development inform the BOHC's Audit Committee of budget overrun concerns on TraPac Program. POLA opens new construction bids for the Phase 1C Backland Project and confirmed November 2012 cost estimate for the Phase 1C Project element.
<b>Nov. '12 to May '13</b>		Engineering Division conducts "Value Engineering" to re-assess cost of entire Program and seeks ways to reduce cost without changing Scope of Work as agreed to in the March 2011 Executive Director Letter of Agreement End Result = Revised cost estimate at approx. <b>\$510.4 million</b> (\$146M additional, which includes a \$50M cost savings from "Value Engineering"). On May 1, 2013 discussed revised cost estimate and value engineering results with Deputy Executive Director, Development.
April 2013	*	Engineering Division/ Deputy Executive Director, Development release "Radar Report" to the Audit Committee highlighting the TraPac Program Budget as a concern <sup>18</sup> yet no clear reason or no updated cost escalation figures provided. Audit Committee reported to BOHC on April 18, 2013.
May 2013		Revised Rate of Return financial analysis conducted.
June 2013		Executive Director requested to agendize approval for 2 <sup>nd</sup> Amendment and revisions to baseline budget for Audit Committee yet item returned for possible down-scoping of project.

<sup>18</sup> During the group discussion, participants described raising this as a "concern" by indicating the Program as "red" or depicting it as a "red flag" on the report. Based on additional information provided by the Deputy Executive Director, Development, cost escalation figures was not provided until more than six months (i.e. from Nov. 2012 through June 2013).

BOHC approves additional \$3.5 million in grant funding secured for the Berth 142-143 Backlands (Phases 2-4).

July 2013 On July 24 2013 Senior Managers and Executive Director meet to discuss cost increase to the TraPac program and next steps.

Sept. 2013 Executive Director submits report to BOHC requesting approval of Second Amendment to Permit No. 881 and revised budget for the TraPac Terminal Program. BOHC approves and forwards the 2<sup>nd</sup> Amendment<sup>19</sup> to City Council.

Asterisk (\*) Denotes areas of concern, potential process or communication breakdown, or relatedness to business problem/situation.

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<sup>19</sup> Second amendment deletes the Exhibit B attached to the Permit approved in 2009 and replaces it with a new Exhibit B reflecting construction of an automated terminal. The 2013 Exhibit B is substantially identical to the Exhibit B attached to the draft amendment that did not go forward in the summer of 2010.

## FINDINGS

### PRACTICES TO SUSTAIN OR WHAT WENT RIGHT?

Various actions to-date within the TraPac Terminal Program context appear to be beneficial or advantages for the Port of Los Angeles (POLA). For example, seeking and securing approximately \$60 million in alternative funds (i.e. federal and/or state grants) allowed the Port of Los Angeles to defray some of the cost associated with the TraPac Terminal Program. This excludes other grant funding secured for related capital projects, such as the Berth 200 Rail-Yard and South Wilmington Grade Separation. The working group discussed multiple areas where things were done right (correctly) and are viewed as beneficial or advantages. These areas range from Financial Management (budgeting, grant funding, and “good” project value) and Project and Contract Management to Strategic Alignment and Competitiveness among world ports. For example, it is argued that POLA will position itself as one of a few ports world-wide (others include Hamburg, Germany and Norfolk, VA USA) to build an infrastructure that will incorporate terminal automation. In addition, the TraPac Terminal Program as proposed in the Second Amendment will support nearly 7,500 jobs providing an economic benefit to the local and state economy and appears to be on a path to deliver the Program on schedule.

Below is a compilation list of the areas the group perceived as what went right or areas that should continue to be sustained:

- Delivering Program on schedule;
- Secured \$60 million in grant funding;
- Reduced cost by \$50 million from “Value Engineering” process;
- Contained cost within construction contract authority;
- Controlled for further “Scope Creep” once final Scope of Work (i.e. Alternative K) was agreed to;
- Started Construction or Advertised Bid on 12 of the 13 related Program elements (includes three additional projects not included in list of 10 referred to in report);
- Created “Great” Team composition, support, and relationships that aided in improved coordination and cooperation by stakeholders, particularly TraPac;

- Provided quick response to requests from Engineering, Real Estate, and Goods Movement for Environmental Assessments;
- Completed EIR Addendum (1 and 1.1) on-time and as-scheduled;
- Committed to build the first automated facility in San Pedro Bay Port Complex and the West Coast;
- Aligned Program and associated elements to POLA's strategic plan;
- Explored new territory/frontier;
- Established a baseline budget as recommended by the Industrial, Economic, and Administrative Survey, and
- Develop lessons learned to improve future Port development and operations.

Therefore, the Port of Los Angeles should strongly continue to:

- Conduct routine "Value Engineering" on all capital projects;
- Seek Alternative Funding Sources (i.e. Grants, State-Aid, etc.);
- Integrate Cross Divisional Collaboration (e.g. continue to share project status, cost, and schedules with all division and all disciplines);
- Enhance and Further Develop its Project Management Expertise, Project Delivery Process, and Inter-Sector Coordination (Note: this Program required one project manager to oversee 13 projects with various moving parts);
- Ensure Rapid Response on Environmental Related Issues;
- Use of Innovation and Leverage Technology to Redefine Port Operations (i.e. 1<sup>st</sup> Automated Container Terminal in the West Coast);
- Maintain Focus and Alignment to POLA's Strategic Plan (i.e. goals and objectives); and
- Maintain a close working relationship between POLA staff and the customer.

## PRACTICES NOT SUSTAINABLE OR WHAT WENT WRONG?

The following provides a list of areas identified that could be perceived as practices not sustainable or areas that went wrong or may require improvement (note: references made in quotes derive from anonymous participant in the October 1, 2013 group discussion):

- Externalities
  - “External forces played too large of a role in the business deal” (i.e. external forces from political and business stakeholders), which influenced or bypassed standardized internal processes (i.e. lease negotiations, etc.).
- Budget
  - Set the “Budget” at conceptual design level without a prescribed, well-communicated process for reviewing and approving budget revisions;
  - Cost was severely under-estimated at time of setting the “Budget” due to unknown and unforeseen factors (i.e. electrical system, phasing to minimally disrupt business continuity, poor soil conditions, ; pavement/foundation, storm drain system, construction inflation, fire protection system, and security access and safety); and
  - Did not effectively communicate that the “Budget” or cost were estimated figures and could change due to unknown or unforeseen circumstances, such as constructing/expanding a terminal with emerging technology infrastructure.
- Financial/Risk Management
  - No open internal direction instructing staff to negotiate specific terms that would have “shared investment” or otherwise provided POLA value for increased investment (e.g. decision not to materially re-open compensation negotiations<sup>20</sup> via Permit Amendment); however, closed session discussions were held in accordance to applicable Government Codes pertaining to negotiations (no additional information available).

<sup>20</sup> During the After Action Review discussion, the Deputy Executive Director and the then Director of Real Estate provided good background related to lease language from a 2008 APL term sheet, which indicates that “Any material change in the Project Scope . . . may result in the renegotiation of compensation of . . . the term sheet if determined to be necessary by the Parties and/or may result in delays of the CEQA/NEPA process or completion.” This lease language is not evident in the TraPac term sheet. However, discussions to renegotiate terms did occur between TraPac and the Harbor Department but were unsuccessful.

- Communication
  - Deputy Executive Director of Development did not elevate cost estimates/escalation to Executive Director or BOHC quickly for discussion;
  - Senior Manager discussions with the Audit Committee of the BOHC were abbreviated;
  - Legal input solicited by the Harbor Department from the Office of City Attorney was insufficient; and
  - Limited notification across the organization of decisions made, including impact or consequences.
  
- Resources
  - Reassignment of the Director of Real Estate; and
  - “Sticker Shock” – Having to ask for an additional \$146 million (“need to focus on the bigger picture and not this specific funding request”).
  
- Authority
  - City Council exercised jurisdiction through Charter Section 606 and 654(a)1 in September 2009 when it approved Permit No. 881 and then again in June 2010 when it approved the 1<sup>st</sup> Amendment yet neither request sought approval to amend the Permit for scope of work or change in technology;
  - Executive Director may have unintentionally exceeded authority when revision to the Scope of Work was approved without a 2<sup>nd</sup> Amendment; and
  - Work continued without proper authority (i.e. approved Permit Amendment) based on Executive Director Letter of Agreement between POLA and TraPac.
  
- Breakdown in Communication
  - Decision making process and actions made by the Deputy Executive Directors of Development and Business Development were independently made impacting the Program, which prevented early warnings from staff to rise quickly to the Executive Director or BOHC;
  - No input solicited from the Office of the City Attorney related to the Letter of Agreement signed in March 2011 to change the Scope of Work in lieu of seeking a Permit Amendment (i.e. change from non-automated terminal to automated terminal);
  - Inadequate communication of unfinished activities (agreements) by the Deputy Executive Director of Business Development to the Real Estate and Engineering Divisions and unclear notification of consequences/impacts (or limited follow-up and follow-through); and
  - No effective elevation ladder to where once an issue is elevated there is a definitive action taken to resolve the issue. For example, no protocol

established with some sort of time clock where if an issue is raised, then the project manager or project lead would be required to respond or resolve issue within a time certain.

- Circumvented or Omitted Established Processes
  - Did not process 2<sup>nd</sup> Amendment. Real Estate staff was asked to stop processing the 2<sup>nd</sup> Amendment, while others in the organization continue to work on the Program with the perception that work was properly approved.
  - Did not follow established process related to the Recommendation Memo, Term Sheet, Permit, and Permit Amendments. Adequate Internal Controls are embedded into process yet process was circumvented or ignored.
  
- Failure to Make Optimal Business Deal<sup>21</sup>
  - “Failed to take a forceful negotiating posture [with TraPac]...to recover added cost while TraPac requested additional features.”
  - Failed to “make sure changes to project scope of work are reflected in Permit (Lease) Agreement”, including follow-up and follow-through on changes agreed by both POLA and tenant.
  - Did not leverage existing business relationship to ensure negotiated items were followed-up and completed.
  
- Risk Management
  - “Department committed to [TraPac] and started building it without addressing associated...risk in lease.”

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<sup>21</sup> Discussion time constraints did not allow the group to discuss why a more favorable compensation outcome may have been achieved or what a more favorable outcome may look like. Therefore, should the Harbor Department opt to conduct a more thorough audit, it may want to seek other documentation available within the department or explore the concept of why it could or could not make a different financial arrangement, such as sharing the cost, etc.

## LESSONS LEARNED – WHAT SHOULD BE DONE DIFFERENTLY?

- 1) The Harbor Department should include appropriate disciplines in “ALL” major Business Deals from Cradle to Grave to improve knowledge gained from interdisciplinary perspectives and expertise (i.e. Engineering, Real Estate, Finance, Safety and Security, Government Affairs, etc.). Further, any employee in the organization regardless of position that realizes that there is a lapse in the process or a de-escalated level of involvement that may prejudice the City’s interest, then such employee should have the responsibility (as a public servant) to raise/surface the issue. This will ensure that the City’s best interest is protected and represented.
- 2) The Harbor Department should improve its communication by informing staff of important decisions made related to TraPac that impact the organization and also communicate down the organization about required follow-up and follow-throughs. A commitment from senior management and division heads will also be required, since effective communication is bi-directional.
- 3) The Harbor Department should consider establishing a check-list to capture, track, and monitor major follow-ups required by the project development team, including documentation of any follow-throughs, such as expected outcomes/outputs, commitments by the City Council, Board of Harbor Commissioners, Executive Director, Senior Management Team, etc.
- 4) The Harbor Department should clearly designate one sole responsible party (i.e. higher level project lead) to oversee all aspects of TraPac or in the future other major capital project(s) yet Accountability or the “buck [should] stop” at the top (i.e. Executive Director). This would require that all critical players understand their roles and responsibilities.
- 5) The Harbor Department should consider outweighing the benefits and feasibility of conducting a (a) more thorough review or an independent audit of the TraPac Terminal Program, if desired, and (b) periodic independent review(s) of major capital

projects to assess departmental and City policy compliance, performance measurement, project delivery, and review of best and leading industry practices, including validation of internal controls and continuous improvement feedback.

- 6) The Harbor Department should improve how it links its Program budget to Construction budget and then to anticipated revenue. This would require frequent budget change reviews (e.g. scope of work, non-material changes, etc.) to determine Rate of Return impact each time the budget estimates change. In addition, the Harbor Department should formalize a budget establishment protocol (i.e. setting the “Baseline” budget at 80% or 100% design) and also a budget revision process (e.g. when changes are requested, a form should be signed by all impacted divisions before actual changes occur – all parties should signoff). Afterwards, it should adhere to and follow its established processes. If any major touch points are omitted or circumvented, a protocol should be established to communicate such actions directly to the Executive Director or at minimum, request for independent review of potential deviation(s).
- 7) The Harbor Department should explore and review opportunity to develop language to include in its Permit (Lease Agreement) template that would spread or share the risk and cost associated with requests for changes in scope of work. This may require clarifying or adding a re-opener clause to negotiate proposed changes in scope or nature of work that substantially impacts any party.
- 8) The Harbor Department should solicit input from the Office of the City Attorney on all major business decisions. This would require establishing parameters to maintain independence between legal input and administrative or business decisions.
- 9) The Commission Office should track and monitor City Council exercised or exerted jurisdictions on specific Board of Harbor Commissioners’ actions to reduce the potential of the Harbor Department to exceed or unintentionally overlook its authority.

- 10)The Real Estate Division should monitor all leases categorized in “open negotiations” and track every required step to properly accomplish its targeted (stated) goal(s). This would include tracking leases/permits for Charter and Real Estate law adherence and also notifying the Senior Management Team and the Board of Harbor Commissioners or its Committees of upcoming or existing expired leases. This may be done by revamping its existing Real Estate Priority Matrix report. The revised tracking mechanism should have a trigger or dashboard to highlight critical “open leases” requiring a higher degree of oversight. Other improvements include definition of the color coding schematics used, agreement on the levels or types of priority, creation of a dashboard that visually depicts the life cycle stage of a pending new Permit or Permit Amendment or upcoming lease reaching expiration, and most important, what actions or correction actions are required to meet the targeted (stated) goal.
- 11)The Harbor Department should consider establishing a standing committee of the Board of Harbor Commissioners, whose attention is focused on the Port’s Development Projects. This would provide a communication pathway between staff and the Board of Harbor Commissioners on Harbor Department capital projects. This will also aid to institutionalize a governance structure that will oversee and establish clear budgets per project and/or a program budget feeding from/to one or more projects.

## RECOMMENDED CORRECTIVE ACTION PLAN

The following list prescribes a compilation of action items or tasks identified to be important or critical in order to launch a corrective action plan. If implemented, the intent is to ensure that a similar event does not occur again. Potential implementation lead(s) is identified, including level of urgency for completion.

Action Items/Tasks	Implementation Lead	Urgency <sup>22</sup>
1. Process Permits (Leases and any Amendments) in a timely manner. <ul style="list-style-type: none"> <li>- Follow Existing Processes Related to Recommendation Memo, Term Sheet, Permit, and Permit Amendments</li> <li>- Create Checklist to Highlight “Established” Check Points throughout Process for Internal Controls</li> <li>- Add Component that Business Deal is Complete (i.e. best value for Port, etc.)</li> </ul>	<b>DED – Bus. Dev.</b>	<b>Critical</b>
2. Include appropriate disciplines (i.e. Finance, Safety and Security, Engineering, Contracting, etc.) in the decision making process and involve said discipline experts throughout the project lifecycle, including a review and improvement of the current Project Development Committee process. Project managers must be invited to all meetings and be included in all communications related to their assigned project(s)	<b>Ex. Dir./Senior Managers</b>	<b>Desired</b>
3. Conduct In-Depth Project Development Team Discussion Related to: <ul style="list-style-type: none"> <li>- Process Requirements</li> <li>- Clarify Executive Director and/or Senior Manager authority to commit the department to a course of action and communicate the extent of this authority to staff. This would include authority granted by the Executive Director to the sole party designated as project lead.</li> <li>- Clearly define which actions require BOHC approval and which do not. This would require input by the Office of the City Attorney and the Harbor Department’s Commission Office.</li> <li>- Clearly define roles and responsibilities, including responsibility on a Project (not just the project manager but the project lead or project sponsor if</li> </ul>	<b>Ex. Dir./Senior Managers/or as designated</b>	<b>Critical</b>

<sup>22</sup> Designation made by facilitator. May change as needed or determined by Port (Harbor) personnel.

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different). Project Manager and/or Sponsor must Elevate Problem(s), including Agreed upon Solution and need to Follow-Up and Follow-Through not only for TraPac but also any major capital project(s).

- |   |   |                         |
|---|---|-------------------------|
| <p>4. Clearly Communicate Project Manager and Project Sponsor Roles and Responsibilities, such as</p> <ul style="list-style-type: none"> <li>- Develop clear Project Team structure/composition</li> <li>- Develop Point of Contact List to Ensure Right Point of Contacts throughout Project</li> <li>- Develop key milestone Checklist to raise awareness of project requirements, the need to process a permit amendment, change in scope, cost schedule, or issues impacting the permit.</li> </ul> | <p><b>DED – Dev.</b></p>  | <p><b>Important</b></p> |
| <p>5. Develop a Project Budget Process</p> <ul style="list-style-type: none"> <li>- When and How to Establish a Budget</li> <li>- How to Manage Budget and What Types of Internal Controls are Needed</li> </ul>  | <p><b>DED – Dev.</b><br/><b>DED - Finance</b><br/><b>Chief Harbor</b><br/><b>Eng. – Eng. Div.</b></p> | <p><b>Critical</b></p>  |
| <p>6. Require that the Office of the City Attorney (legal) input is factored into decision making processes and that input on potential legal implications is sought throughout process. This could be done by requiring the Office of the City Attorney to be part of the Recommendation Memo, Term Sheet, Permit, and Permit Amendments communication protocols.</p>  | <p><b>Ex. Dir./Senior</b><br/><b>Managers</b></p>   | <p><b>Important</b></p> |
| <p>7. Connect Budget Process (i.e. when and how to establish budget) to Construction Budget and then to Revenue Generating Review Process (i.e. ROR, Risk Tolerance, etc.)</p> <ul style="list-style-type: none"> <li>- ROR analysis must be conducted at every change interval (immaterial and material changes) throughout Program/Project</li> </ul>   | <p><b>DED - Finance</b><br/><b>/CFO</b></p>   | <p><b>Important</b></p> |
| <p>8. Improve Communications</p> <ul style="list-style-type: none"> <li>- Focus on Lateral (Deputy to Deputy), then Top Down and Bottom Up (internal and external)</li> <li>- Transparency and Disclosure</li> <li>- Frequency (Consider Monthly major project review meetings, Weekly/Bi-Weekly E-Blasts, Discuss Major Programs at shorter frequency)</li> </ul>  | <p><b>DED – Dev.</b></p>  | <p><b>Important</b></p> |
| <p>9. Develop and/or Follow Established Lease/Development Processes to Ensure that the Port</p> <ul style="list-style-type: none"> <li>- Follow-Up (i.e. negotiation requests, change in scope or nature of work) and process the appropriate lease documents</li> <li>- Follow-Through (i.e. post-negotiation agreements)</li> </ul>   | <p><b>DED – Bus. Dev./</b><br/><b>DED – Dev.</b></p>  | <p><b>Critical</b></p>  |

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- and commitments)
- Analyze Impact and Cost Recovery for Agreed Additional Program features

- 10. Develop Process to Integrate Risk Management in Lease Negotiations to Mitigate and Assess Potential Liability for cost increases (i.e. Share Cost) **DED – Bus. Dev./ DED - Finance** **Important**
- 11. Consider establishing a standing committee of the Board of Harbor Commissioners (e.g. Development Committee or Project Committee) to oversee Port development projects **Ex. Dir. and President of the Board** **Important**
- 12. Review Lease Policy Evaluation Criterion and Real Estate Procedures and Protocols **DED – Bus. Dev.** **Desired**

**Action Item Proposed Timeline (excludes Lessons Learned)**

Suggested Due Date:	30 Days	60 Days	90 Days	120 Days	150 Days	180 Days
<b>Action Item (Abbreviated)</b>						
1. Agree on Permit Processing Steps	X					
2. Involve Inter-Disciplinary Expertise				X	X	X
3. Conduct In Depth Project Development Discussion	X					
4. Communicate Roles and Responsibilities	X	X	X			
5. Engage in Budget Process	X	X				
6. Seek Legal Input			X	X		
7. Connect Budget/Construction Process to Revenue			X	X		
8. Improve Communications			X	X		
9. Review Lease/Development Processes	X	X				
10. Implement Financial/Risk Management Guidelines for Negotiations			X	X		
11. Establish Project Development Committee	X	X	X			
12. Review Lease Policy and Procedures				X	X	X

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