

Transmittal #1



Strategic Plan

2012-2017

THE PORT
OF LOS ANGELES 

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



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who we are:

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

Vision for the Future

The Port of Los Angeles (Port) is America's Port®. It is currently the nation's #1 container port (ranked by container volume). Maintaining this position with changing economic tides requires new and innovative approaches and a concerted effort to stay focused on the critical issues.

The Port's container business accounts for more than 80% of its revenue and provides thousands of jobs in the region. Maintaining container business is necessary to continue to invest in the future of the Port and serve the community. Approximately 50% of the containers that pass through the Port are discretionary, meaning they are headed to destinations outside the region, mainly by rail to the Midwest. Future competitive challenges are expected from US West Coast ports that are expanding their facilities, Canadian investments in their ports and railroad infrastructure serving the US Midwest markets and US East Coast ports preparing to attract more cargo after expansion of the Panama Canal in 2014. Protecting and retaining discretionary cargo market share in the face of changing economic conditions and intensifying competition is the key to the future of the Port and the region. The Port will accomplish this with customers as the focus, and dedicated employees as the foundation.

In both the local and regional context, jobs and community investments are integrally tied to revenues generated from the container business at the Port. By succeeding at our mission, the Port will be able to continue to serve as the economic engine it is.

The international leadership role of the Port in setting security, sustainability, and social responsibility standards is growing. These standards are looked to around the world. By pro-actively addressing security, sustainability, and community issues, the Port remains the role model for innovative and visionary solutions to social, environmental, and economic needs.



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Strategic Plan

2012-2017

Why the Strategic Plan?

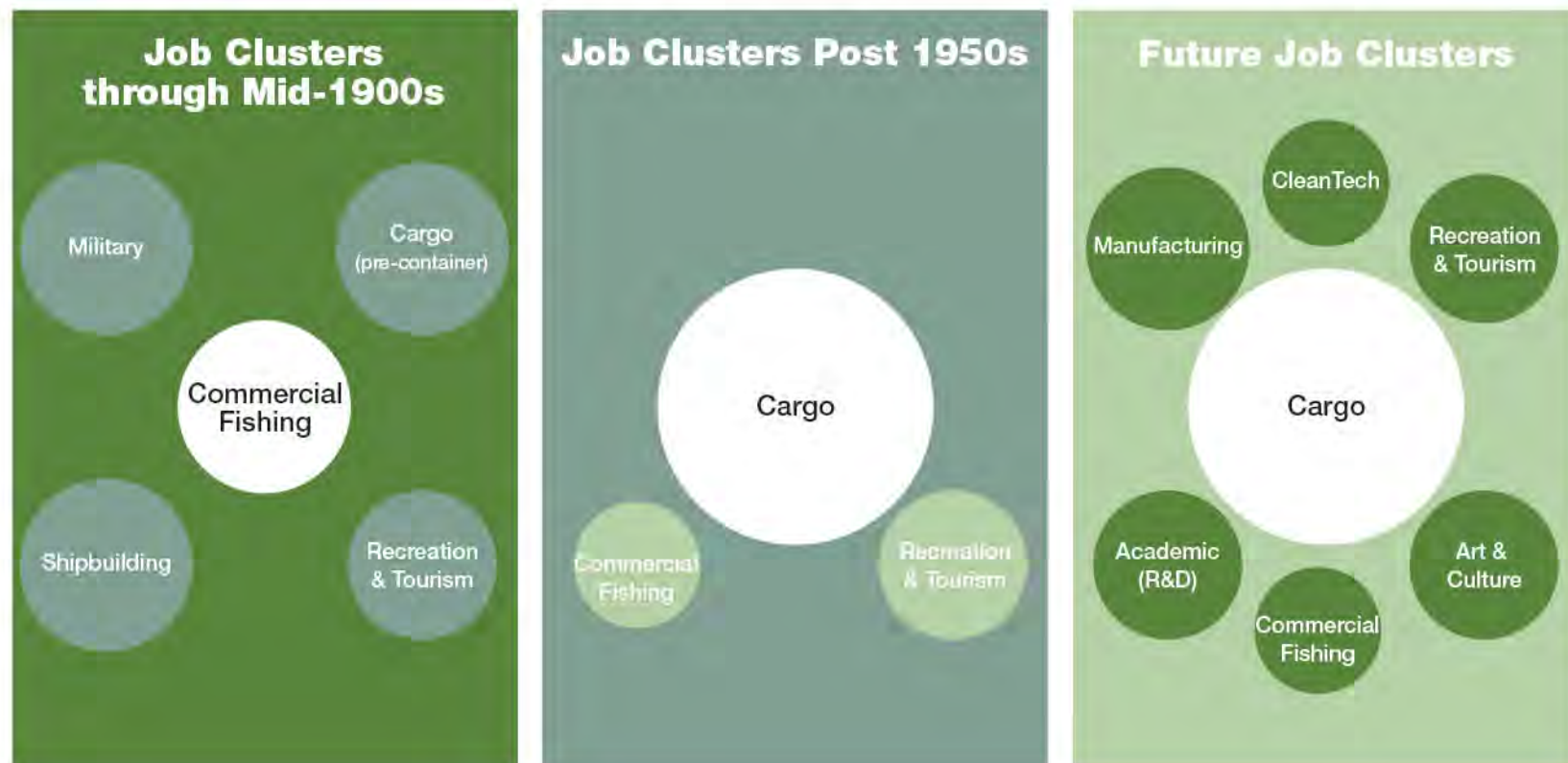
Competition for Trans-Pacific cargo will intensify with the expansion of the Panama Canal and the growth of ports in Canada and Mexico. The Port of Los Angeles grew to become the nation's leading port by offering a unique value proposition based on infrastructure supporting economies of scale and fast, consistent access to national markets. Maintaining our position as the nation's premiere trade gateway to the Pacific Rim requires a renewed and revitalized commitment to our key factors for success.

- With a focus on facilitating an efficient, clean, and reliable flow of goods, infrastructure development will continue to be a key variable differentiating the Port.
- We must place greater emphasis on building stronger relationships with current and future customers, with critical strategic partners, such as railroads and transportation agencies, and with communities.
- A new era of fiscal and financial realities requires a more disciplined and efficient operation.

The alignment of the many Port activities is of central importance to the overall sustained growth and improvement of Port facilities – and the ability to adapt to the new economic climate.

Along with sustained growth, job creation is a strategic focus of the Port. The job clusters at the Port have evolved from being diversified in the first half of the 1900s to being predominantly focused on cargo handling. Today, we recognize the need to expand the job clusters to support a more balanced and sustainable work force at the Port. As the Port moves forward, a more diversified job cluster will focus not only on cargo handling, but other activities, such as clean technology development, academic research, commercial fishing, and recreation and tourism.

The 2012-2017 Strategic Plan will serve as the roadmap to ensure that the Port remains competitive over the coming years, aptly and proactively meeting the needs of a new era of international trade.



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Strategic Plan

2012-2017



Overview

How was the Strategic Plan created?

The Port's 2012-2017 Strategic Plan (Plan) serves to align the broad spectrum of activities of the Port with a focused vision – embracing a new economic era and remaining the leading container port in the nation. Given the changing competitive landscape, maintaining our role as the nation's #1 container port will require significant effort and new approaches.

The strategic planning process began in March 2011 and builds on the previous 5-Year Strategic Plan with the input of a multi-division Strategic Plan Task Force. The process involved many hours of meeting, analyzing and discussing both internal and external issues with key stakeholders. In its development, the Plan has undergone continuous review by both staff and senior management. Feedback and comments were received on various drafts of the Plan from the Board of Harbor Commissioners and outreach to Port staff, the community, customers, and labor representatives.

How will the Plan be used?

The Plan provides the high-level areas of focus, with which divisions and staff align their activities. While these overarching priorities are critical to the Port's success, creative diversity of initiatives is encouraged by divisions as they structure their operational plans. Organizationally, both the budget planning process and staff performance reviews will be influenced by the Plan.

The Plan will undergo continuous evolution and performance measurement over the next five years and will undergo an annual assessment and re-evaluation to ensure relevance prior to the start of the annual budget process. An organizational performance dashboard will also be used to measure progress on the goals and strategic issues identified in the Plan and provide an assessment of how well the organization is performing.



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Strategic Plan

2012-2017

How the Plan is Organized

The 2012-2017 Strategic Planning process identified three key result areas:

- **Competitive Operations** Identifies how the Port can best meet the increasing competitive challenges it faces from rival ports
- **Strong Relationships** Encompasses the Port's challenges and opportunities in dealing with its customers, its stakeholders, its political environment, and its own internal culture
- **Financial Strength** Is essential to the Port implementing its competitive development strategy, and which faces its own challenges in the current turbulent economic environment

Under these key result areas, the Plan prioritizes seven objectives for 2012-2017



1. Develop and Maintain World Class Infrastructure
2. Retain and Grow Market Share
3. Advance Technology and Sustainability
4. Optimize Land Use
5. Create a Positive Workplace Culture
6. Increase Stakeholder and Community Awareness and Support
7. Strengthen Financial Performance

The Strategic Plan outlines both Port-wide objectives and Bureau-specific initiatives that will be implemented to accomplish our mission. Each initiative is paired with metrics that will be used to measure the Port's performance and success.

Each Strategic Objective contains the following sections:

- **Why?** Identifies the issue at hand that the Port is responding to
- **How?** Outlines the Port's strategy for addressing the issues and metrics for measuring success
- **Outcome** Describes the results if the objective is successfully carried out

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Strategic Plan

2012-2017



What are our Priorities?

Our Main Things for Fiscal Year 2012/2013 are:

- Deliver critical terminal and infrastructure projects through the execution of the Capital Improvement Program
- Adapt the Business Development Plan to changing dynamics of the industry and leverage relationships with ocean carriers, marine terminal operators, beneficial cargo owners and other key supply chain stakeholders
- Implement the recommendations of the Competitive Cargo Strategy Committee and/or Port-initiated incentive programs
- Update the Port Master Plan, including the Terminal Island Plan
- Develop and implement a comprehensive Stakeholders Outreach Plan by second quarter 2013. Use the Strategic Plan as the first topic for a message matrix system that maintains consistent “one voice” messaging across the entire organization.



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Competitive Operations

STRATEGIC OBJECTIVE 1

Develop and Maintain World Class Infrastructure

Initiative 1

Deliver critical terminal and infrastructure projects on time and within budget through the execution of the Capital Improvement Program (CIP).

Metrics

- Spend 90% of budgeted CIP by 2015
- 90% of planned new construction projects will begin within 90 days of the scheduled advertised date.

Development Bureau

Initiative 2

Comply with the Marine Oil Terminal Engineering and Maintenance Standards.

Metrics

- Complete ExxonMobil mooring by May 2013
- Complete Shell, Valero/Nustar and Vopak/Exxon/Conoco wharfs within 36 months of lease approval
- Implementation of all requirements by 2018

Development Bureau

why?

Our commitment to building and maintaining world class infrastructure is what keeps our customers calling here time and again. The Port must continue to deliver terminal and transportation development projects that meet both the current and future needs of our customers.

how?

Through the implementation of our Capital Improvement Program, we will ensure our facilities are state of the art and continue to demonstrate our leadership. In addition to building facilities to suit our customers' immediate needs, the Port will also focus on building infrastructure that will meet the region's long-term needs. We will lead the way in implementing automation of container terminals.

outcome

By ensuring that the capabilities of our infrastructure are as attractive as our location, the Port will continue to be the desired port of call in the maritime industry.

Initiative 3

Enhance Port resiliency by providing emergency management training to managers and staff.

Metrics

- Provide training for 25% of employees in FY 2012/13, to expand to 75% in FY 2013/14 and 100% in FY 2014/15
- Train one Senior Manager and one Harbor Commissioner per quarter in FY 2012/13, continuing and to be completed in FY 2013/14

Operations Bureau

Initiative 4

Develop a self-sustaining internationally recognized law enforcement training center for port and maritime professionals.

Metric

- Ensure that training center operating revenues exceed expenses in FY 2012/13 and that phase 3 operating revenues exceed expenses in FY 2014/15

Operations Bureau

Initiative 5

Optimize maintenance of infrastructure.

Metric

- Develop a plan that establishes priorities for ongoing and deferred maintenance by 2013

Operations Bureau

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Competitive Operations

STRATEGIC OBJECTIVE 2

Retain and Grow Market Share

Initiative 1

Adapt the Business Development Plan to changing dynamics of the industry and leverage relationships with ocean carriers, marine terminal operators, beneficial cargo owners and other key supply chain stakeholders.

Metric

- Develop and implement strategy from results of the spring 2012 customer survey

Business Development Bureau

Initiative 2

Increase exports by expanding Trade Connect programs.

Metrics

- Achieve a 50% increase in the number of Trade Connect programs over the next five years from twelve in 2011 to twenty-four in 2016
- Improve tracking of contacts made at Trade Connect programs to better quantify increases in exports by July 2012

Business Development Bureau

why?

Growing market share will generate the revenues necessary to continue investment in terminal and infrastructure development. Growing market share also increases the Port's economic benefits to the region through increased jobs.

how?

With the most susceptible area being the Chicago to Memphis corridor, the Port will build brand recognition throughout the Midwest by leveraging its relationships with existing trade organizations and personal customer contact. The Port will also leverage government contacts created through Trade Connect, as well as aligning with academic institutions to make the Port of Los Angeles stand out from competitive threats. We will refocus trade missions to develop new relationships and open up business opportunities for our customers.

outcome

Our goal is to become the port of desire, not of necessity. Growing market share will increase revenue, create more jobs and allow us to retain our position as the #1 container port in the nation.

Initiative 3

Target marketing efforts to evaluate and research commodities and emerging markets such as Latin America and Vietnam for both imports and exports.

Metric

- Focus 50% of marketing travel time on meeting with new or potential Port users

Business Development Bureau

Initiative 4

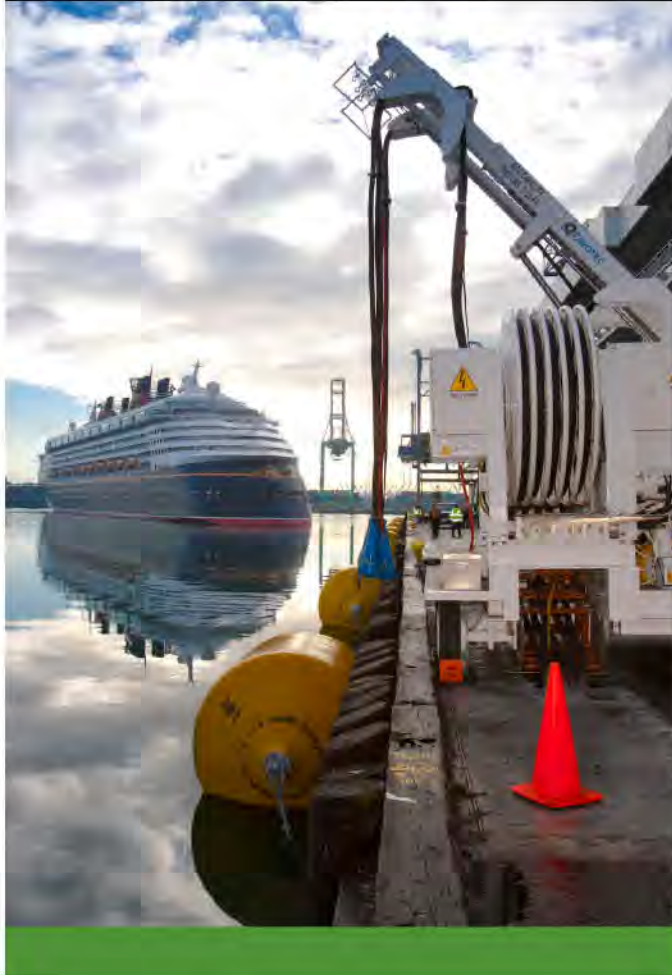
Implement the recommendations of the Competitive Cargo Strategy Committee and/or Port-initiated incentive programs.

Metric

- Metrics to be determined based on recommendations

Business Development Bureau

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Competitive Operations

STRATEGIC OBJECTIVE 3

Advance Technology and Sustainability

Initiative 1

Increase number of zero emission trucks in the Port drayage fleet, focusing on trips to and from rail yards.

Metric

- Increase zero emission truck trips to and from the Port to 50% including 100% of the trucks to and from the near dock rail yards through the development of an action plan to be completed by 2014

Development Bureau

Initiative 2

Partner with educational institutions to create workforce development programs that provide a smooth transition to automated terminal technology.

Metrics

- Determine the workforce implications of automated systems (traditional jobs lost, type of new jobs created)
- Work in partnership with educational institutions, customers and labor force to develop a training curriculum

Business Development Bureau

why?

The Port is committed to environmental stewardship and improving the health of local residents and workers through the use of emerging technologies. These technologies will have the added benefit of ranking the Port among the most efficient ports in the world.

how?

The Port will work with technology companies and collaborate with customers to advance emerging technologies with applications in the Port.

outcome

Recognition that the Port is a world leader in applying sustainable advanced technologies that both enhance the environment and result in more efficient cargo handling, improved quality of life for the Port's labor force and communities and an increase in the diversity of job opportunities at the Port.

Initiative 3

Examine opportunities for efficient and renewable energy for Port-owned and customer facilities in partnership with PortTechLA and CleanTechLA.

Metrics

- Incubate three renewable energy startup companies by June 2013
- Establish relationships with CleanTechLA to identify additional clean technology companies with maritime applications

Business Development Bureau

Initiative 4

Examine and encourage Alternative Maritime Power alternatives as a means to a more rapid and efficient reduction of vessel emissions.

Metric

- Implement at least one demonstration project by 2013

Development Bureau

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Competitive Operations

STRATEGIC OBJECTIVE 4

Optimize Land Use

Initiative 1

Update the Port Master Plan, including the Terminal Island Plan.

Metric

- Complete Port Master Plan update by June 2013

Business Development Bureau

Initiative 2

Optimize job creation diversity by expanding visitor-serving maritime commercial and academic uses within the San Pedro Waterfront.

Metrics

- Begin developer selection process for Ports O' Call by summer 2012
- Advance adaptive reuse of City Dock No. 1 area for marine research uses and associated job creating development

Executive Office

why?

With the San Pedro Waterfront and portions of the Wilmington Waterfront committed to enhanced public access and recreational uses, Terminal Island and other areas of the Port must be reserved and placed into service to accommodate our core business of handling cargo.

how?

The Port's land uses will be optimized through Coastal Commission certification of an updated Port Master Plan that preserves and expands cargo handling activities focused on Terminal Island, bringing up-to-date all existing tenant agreements with current land and water values and maximizing the utilization of all Port lands.

outcome

With a new master plan, putting long vacant land into productive revenue generating use and ensuring Port land is used for water dependent uses, the Port will remain the #1 container port in the nation and optimize our revenues.

Initiative 3

Ensure that uses of Port property are revenue efficient and enhancing by maximizing agreements that reflect current land values and market-based compensation by cargo sector.

Metric

- Update 20% of holdover real estate agreements by the end of 2012

Business Development Bureau

Initiative 4

Create development plans for the full utilization of contaminated facilities, low performing assets, and for the removal of unused assets.

Metric

- Complete inventory of contaminated sites, under performing leases and vacant land, prepare schedules for remediating sites and identify redevelopment plans for sites consistent with the updated Port Master Plan by June 2013

Business Development Bureau

Initiative 5

Eliminate non-water dependent use facilities from Port cargo-designated waterfront properties.

Metrics

- Inventory all non-water dependent uses in the Port by June 2012
- Reduce the acreage of non-water dependent facilities on the waterfront by 50% by 2017

Business Development Bureau

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Strong Relationships

STRATEGIC OBJECTIVE 5

Create a Positive Workplace Culture

Initiative 1

Implement an Internal Communications Plan based on the findings of the 2011 Internal Communications and Cultural DNA Survey.

Metrics

- Strengthen internal communication channels to keep employees more informed about Port news and related activities
- Increase frequency of internal events and discussion forums to provide more dialogue opportunities between senior management and staff, educate employees about strategic priorities and showcase division-specific initiatives
- Improve overall employee engagement scores by 2-5 points annually (100 point scale) over the benchmark August 2011 Employee Communication and Cultural DNA Survey scores

External Relations Bureau

why?

A positive workplace culture serves to enhance the morale of our employees, their understanding of Port strategic priorities, and the overall efficiency and productivity of our organization. A high level of employee enthusiasm and engagement will help align our most important asset (our employees) with the Port's strategic priorities, which is critical to the Port remaining the #1 container port in the nation.

how?

By improving communications, focusing on staff development, creating more opportunities for interaction (between divisions, management and staff) and recognition of employee/team contributions, the Port will create a workplace culture that empowers our employees to excel at their duties.

outcome

A knowledgeable, well trained, confident and enthusiastic workforce that will support the Port as it focuses and responds to future challenges.

Initiative 2

Develop and implement a comprehensive POLA Leadership Academy employee development program.

Metric

- Initiate a multi-course leadership training curriculum to strengthen employee skills in the areas of interpersonal communications, leadership and staff management, public speaking, conflict management, and staff coaching and development by FY 2012/13

Finance & Administration Bureau

Initiative 3

Acknowledge the contribution of employees in carrying out and achieving the strategic objectives of the organization.

Metric

- Implement an Employee Recognition Program where supervisors and managers nominate employees for Department recognition

Finance & Administration Bureau

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Strong Relationships

STRATEGIC OBJECTIVE 6

Increase Stakeholder and Community Awareness and Support

Initiative 1

Enhance coordination of customer and community outreach and engagement.

Metrics

- Increase number of Port tours given to visitors from 25 to 50 per quarter by June 2014
- Increase number of community and business presentations from 25 to 40 per quarter by June 2014
- Increase social media presence (10,000+ Facebook friends and 5,000+ Twitter followers) by June 2013

External Relations Bureau

Initiative 2

Develop and implement a comprehensive Stakeholder Outreach Plan by second quarter 2013. Use the Strategic Plan as the first topic for a message

why?

With increased stakeholder and community support, the Port will be able to move forward on projects that enhance our core business and add value to the region.

how?

Through increased outreach and dissemination of information, the Port will highlight our importance to the nation, our contributions to our community and our commitment to our customers. We will continually reevaluate and potentially refocus our community investments.

outcome

Through these efforts, the Port will increase our visibility locally, nationally and internationally, while earning the trust and support of our community and our customers, allowing us to achieve our mission.

matrix system that maintains consistent “one voice” messaging across the entire organization.

Metrics

- Establish annual goals and track year over year increases in our geographically targeted outreach to key stakeholder audiences
- Establish annual goals and track year over year increases in specific outreach initiatives to targeted groups across the supply chain

External Relations Bureau

Initiative 3

Create a Media Engagement Plan by 2013 aimed at increasing our visibility and reputation as an industry leader and regional economic asset.

Metrics

- Measure the efficacy of specific media campaigns in terms of audience reach and number of positive news stories generated
- Produce and distribute a minimum of 12-18 video news stories annually beginning in calendar year 2012

External Relations Bureau

Initiative 4

Enhance the passage of critical information between the Port and local stakeholders through enhanced use of Web media.

Metric

- Develop a “See Something, Say Something” iWatch-type interactive Web site that fosters more collaboration and real-time communication and notification capability between Port Police, the ILWU workforce, community members and other stakeholders who have a role or interest in Port safety and security

Finance and Administration Bureau

continued on next page...

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Strong Relationships

STRATEGIC OBJECTIVE 6

Increase Stakeholder and Community Awareness and Support

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Initiative 5

Provide hands-on training in areas such as security and emergency response.

Metric

- Provide six classes per year for ILWU, two classes per year for facility security officers and terminal personnel, and four classes per year for community members in FY 2012/13, FY 2013/14 and FY 2014/15 respectively

Operations Bureau

Initiative 6

Engage the Board of Harbor Commissioners in the evaluation of community investments and partnerships.



Metric

- Develop return on investment criteria used to evaluate community program funding by 2013 and implement a Community Investment Sponsorship Program in FY 2013/14

External Relations Bureau

Initiative 7

Foster industry-leading customer service by establishing a Customer Service Account Manager program.

Metric

- Develop a program to support customer service by January 2013

Business Development Bureau



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Financial Strength

STRATEGIC OBJECTIVE 7

Strengthen Financial Performance

Initiative 1

Enhance cash flows through consistent revenue growth and expense controls.

Metrics

- Operating margins to be greater than or equal to 45% per year
- Break even on the Clean Truck Program by FY 2013/14
- Increase grant funding for maintenance, upgrade and replacement of existing equipment and systems by 5% per year in FY 2012/13, FY 2013/14, and FY 2014/15

Finance & Administration Bureau

Initiative 2

Improve overall financial reporting, control and efficiency through implementation of Enterprise Resource Planning.

why?

To ensure stakeholders remain confident in the ability of the Port to continue to operate in a sound fiscal manner and to maintain the confidence of the investor community so that the Port may borrow money in the most cost effective manner.

how?

Through improved timeliness and completeness of financial reporting, stakeholders will be able to see financial results and conditions quickly. Also, on-going verification of processes will assist in ensuring compliance and action. Finally, our ability to obtain diverse sources of funding will add to the financial flexibility and strength of the Port.

outcome

Transparency in financial reporting and an ability to monitor and control financial obligations and results will allow for greater trust from stakeholders, including the investor community, resulting in maintaining the Port's cost of capital at the lowest appropriate levels.

Metric

- Availability of real-time financial information to divisions by October 2012

Finance & Administration Bureau

Initiative 3

Advance process and financial controls through on-going performance and tenant audits.

Metric

- Complete 2-3 performance audits and 10 gross receipts/tenant audits annually by 2014

Finance & Administration Bureau

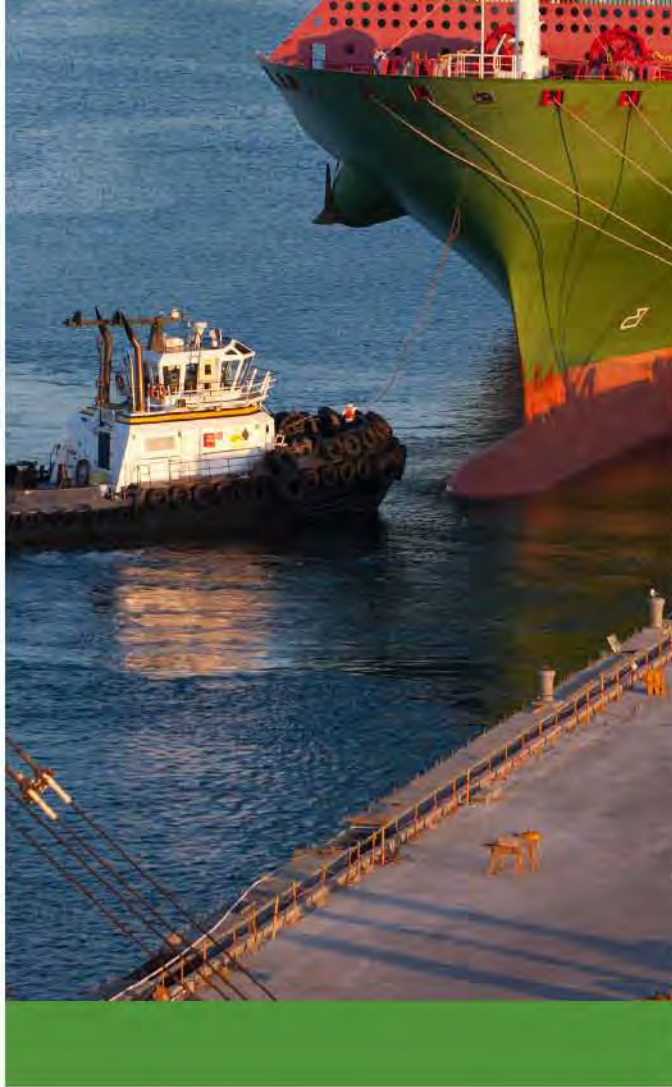
Initiative 4

Diversify and maximize grant funding.

Metrics

- Increase grants being spent within allowed timeframe to 100% of total grants
- Increase non-traditional (grants, foundations, etc.) sources of funding from the current baseline of \$381 million by 6-10% by 2017
- Increase grant funding for maintenance, upgrade and replacement of existing equipment and systems by 5% per year in FY 2012/13, FY 2013/14, and FY 2014/15

Finance & Administration Bureau



Senior Management

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Michael Christensen
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Deputy Executive Director
Finance and Administration

Captain John M. Holmes
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