

Strategic Initiatives Briefing

Strategic Initiatives

January 26, 2015

Strategic Initiatives?

It is about helping staff

- Achieve Century Goals in the next 10 years
- Builds economic development
- Enables the Port staff to be more productive/effective

Achieving the Port's goals

Strategic Initiatives (SI)

Why?

- Tremendous Opportunity to advance the Century Agenda
 - Talented Organization
 - Strong Financial Resources and Economic Tailwinds

Challenges

- Rules Bound Organization
- Heavily Siloed
- Slow at times to Market

Are

Holding back a Talented team from addressing key opportunities and maximum performance

Strategic Initiatives Mission

- Help change the culture and results
- Move the needle very quickly
- Speed; Capacity; Reach

By

- Operations Excellence
 - Procurement Excellence
 - Long Range Plan (LRP) to operationalize the Century Agenda
 - Lean Training and Activities

Working cross functionally to achieve the Port's goals

Procurement Excellence

Strategic Initiatives

January 26, 2016



Overview of Procurement Excellence

Introduction & Current State

- **Why Procurement Excellence**
- **New Way of Working**

Future State

- Standardize Work - Best Practice Frameworks
- Improve Capability Delivery

Approach

- Diagnostic
- Implementation
- Payout

Why Procurement Excellence?

With upcoming capital expenditures, Procurement Excellence will lead to improved delivery time (speed) and results.

- **Current Situation**
 - Procurement a critical lever for the Port of Seattle's financial stewardship >\$280M spend (2015 est.)
- **Complicating Factors**
- **Key Questions**
 - Best approach
 - Value potential
 - Which capabilities have sustainable value

→ An outside 3rd Party assessment of procurement, will identify opportunities for improving performance and capability resulting in a comprehensive improvement roadmap

Procurement excellence will better support the organization and region

Procurement Excellence = A New Way of Working

A New Way of Working

Streamlined Processes

Faster end-to-end deliveries

Optimized Structure

Cross functional team lead by CPO to drive strategy and spend

Spend Analytics

Improved negotiations

Highly Trained Personnel

Building in house competency in key areas

Financial Stewardship

Cost Savings and Avoidance

- \$20M - \$30M annual savings
- 2% YOY reduction on ongoing spend

Century Agenda Goals

- **Small Business** Goals (incl. WMBE)
- **Environmental** Goals

This represents the future impact of procurement by the Port

Overview of Procurement Excellence

Introduction & Current State

- New Way of Working
- Current Situation

Future State

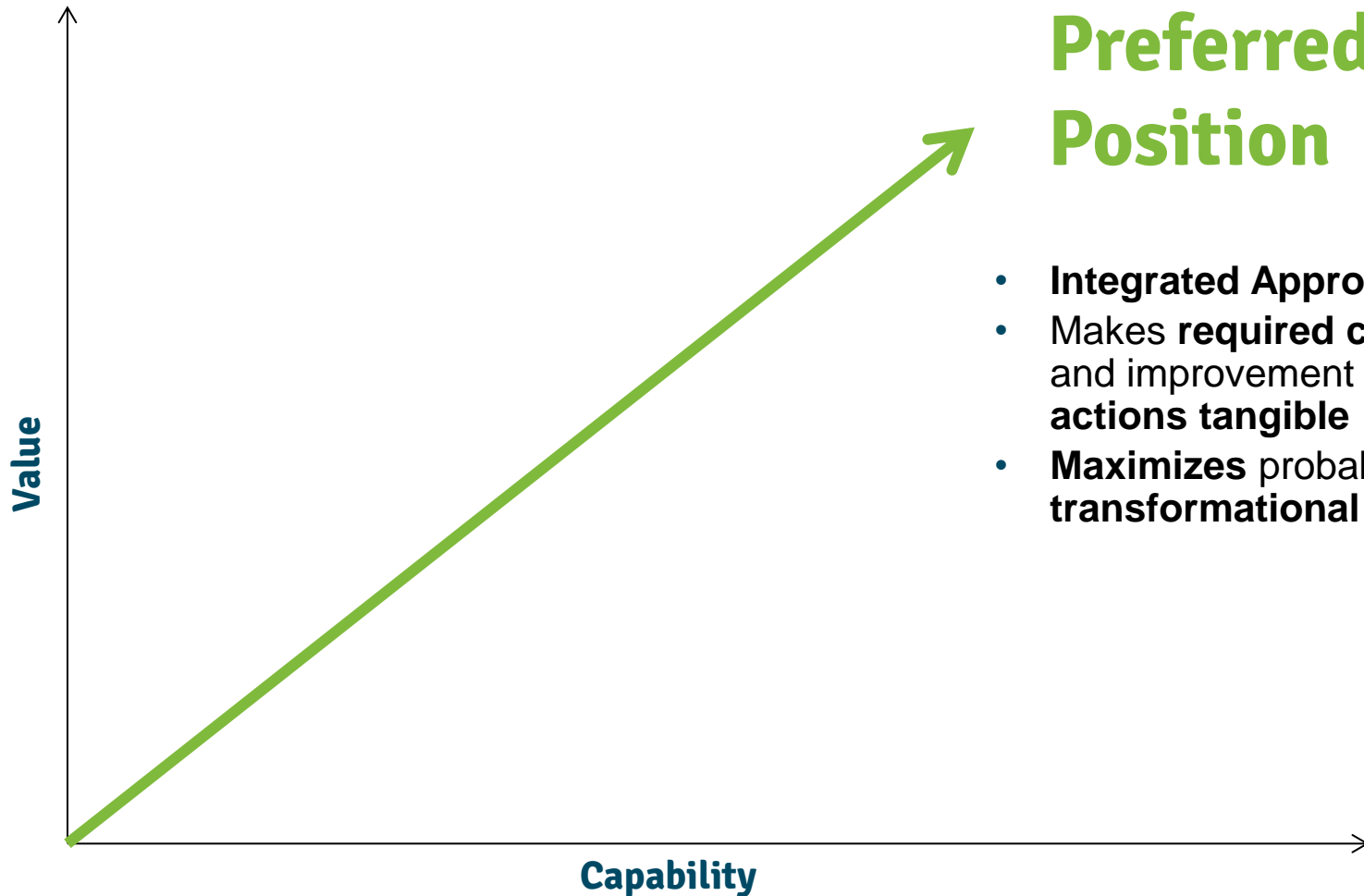
- **Future State**
- **Best Practice Frameworks**
- **Capability Delivery Pillars**

Approach

- Diagnostic
- Implementation
- Payout

Port needs an approach that builds capability AND value delivery

Future State



- **Integrated Approach**
- Makes **required changes** and improvement **actions tangible**
- **Maximizes** probability of **transformational success**

A combined value-capability approach maximizes benefits to the Port

Procurement Strategy

Best Practice Framework

- Procurement Org. Structure
- People, Metrics
- Strategic Sourcing
- Relationship
- Business Intelligence

Procurement can select key elements of a best practice framework to optimize

Build & sustain capability, leading to a New Way of Working

Capability Delivery Pillars

- Strategy & Performance
- Process & Tools
- Organization & Governance
- Information & Infrastructure
- Performance & Savings

Building increased capability is the key step in procurement excellence

Overview of Procurement Excellence

Introduction & Current State

- New Way of Working
- Current Situation

Future State

- Future State
- Best Practice Frameworks
- Capability Delivery Pillars

Approach

- Diagnostic
- Implementation
- Payout

Two Phased Approach

1. Diagnostic Assessment

2. Implementation Phase

- Seek Commission authorization to move into implementation phase.

Decision to invest in implementation phase ensures alignment of Port Goals

Results



Increase contracting opportunities for small businesses



Improve environmental purchasing



Improved contractor performance



Speed up procurement time



Anticipate **5 times return** on initial investment

A large cruise ship is docked at a pier. In the foreground, a luggage cart is filled with several suitcases and bags. A person wearing a high-visibility vest with the "CRUISE SEATTLE" logo is pushing the cart. The scene is set outdoors with a clear sky and other people visible in the background.

Thank you!
Questions?

Long Range Plan Update

Commission Public Meeting

January 26, 2016

Port 
of Seattle®

Long Range Plan Update

LRP Overview

- **LRP Background**
- **Mapping LRP to Century Agenda**

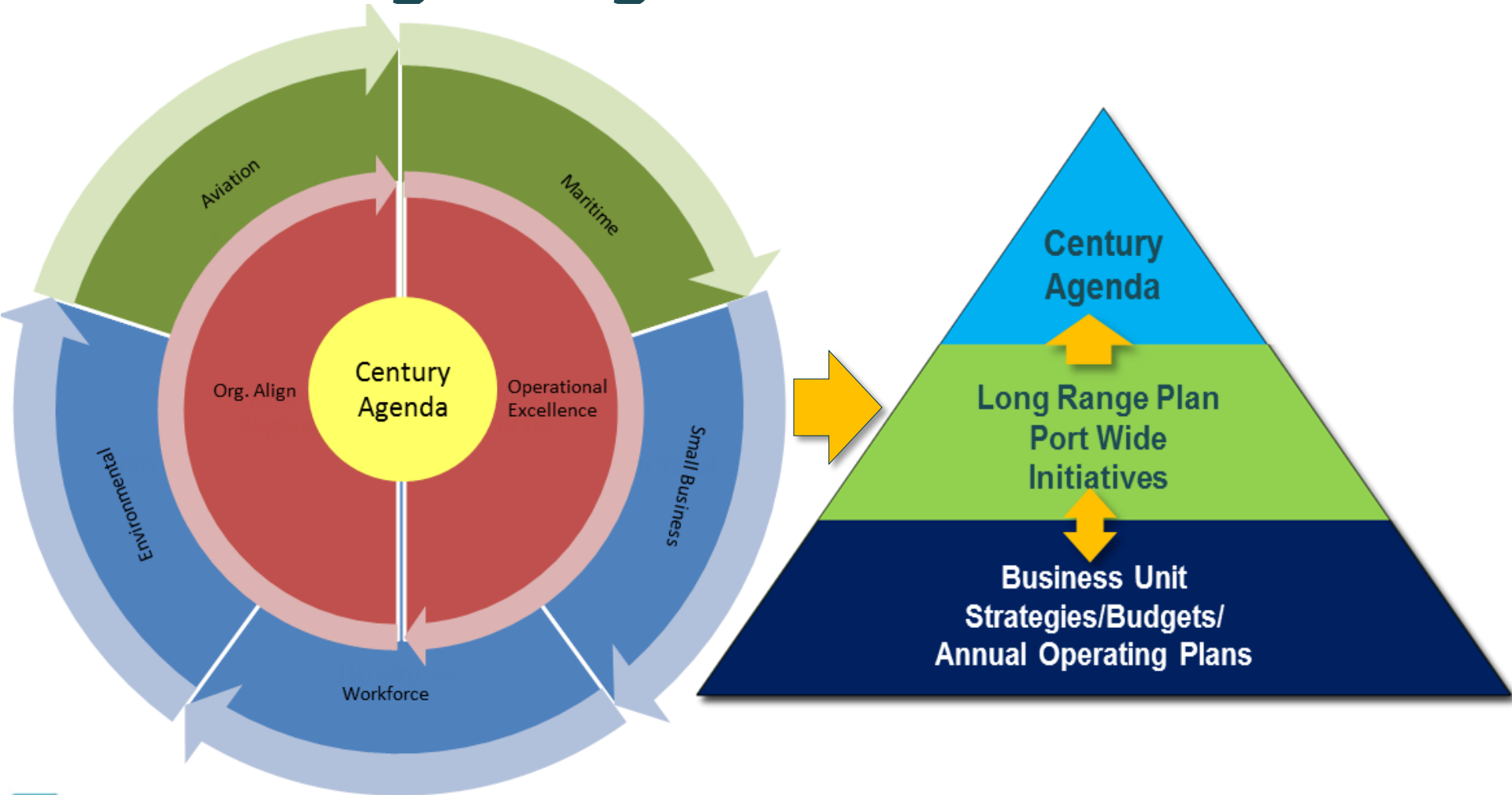
LRP Deliverables

- Strategic Review and Methodology
- LRP Document and Draft TOC

Next Steps

- Performance to Plan Process
- Timelines & Next Steps

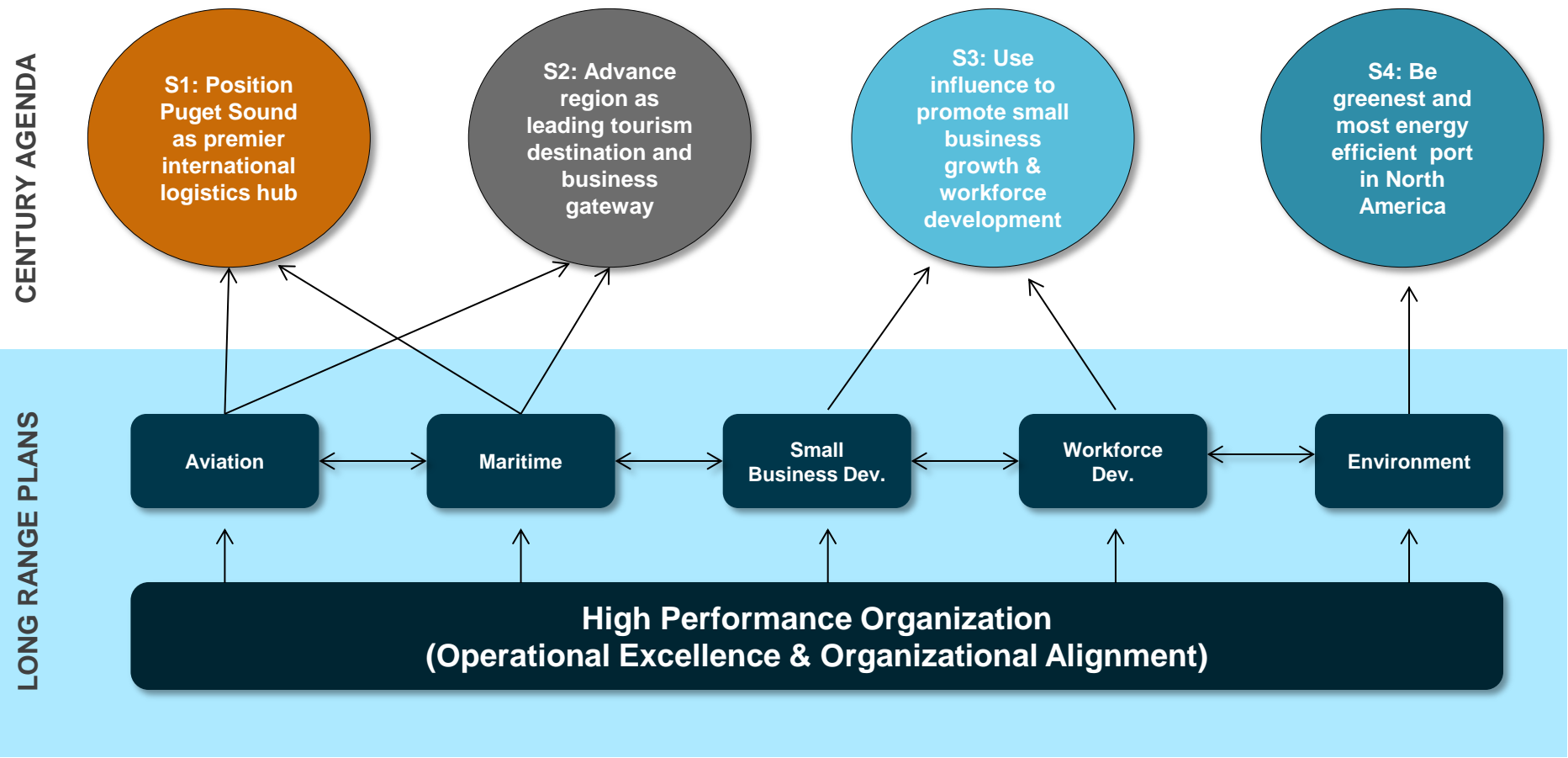
Long Range Plan Overview



Port wide collaborative process to develop a LRP that will operationalize the Century Agenda

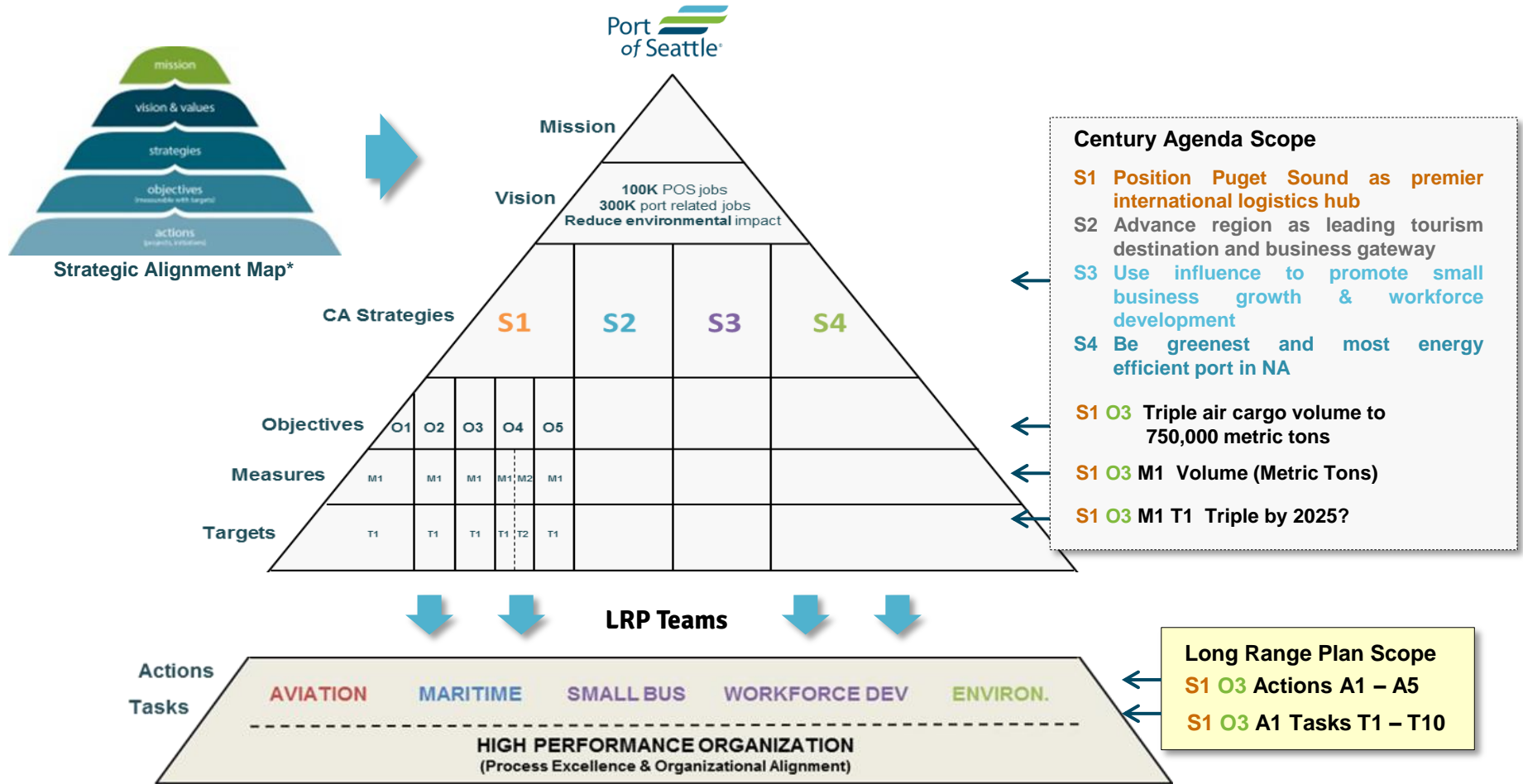
Mapping LRP to Century Agenda Strategic Goals

Linking LRP Team Outputs to the CA Strategies and Objectives



LRP will be the foundation for tracking the Port's Century Agenda progress

Example of Aviation LRP integrated with Strategic Alignment Map

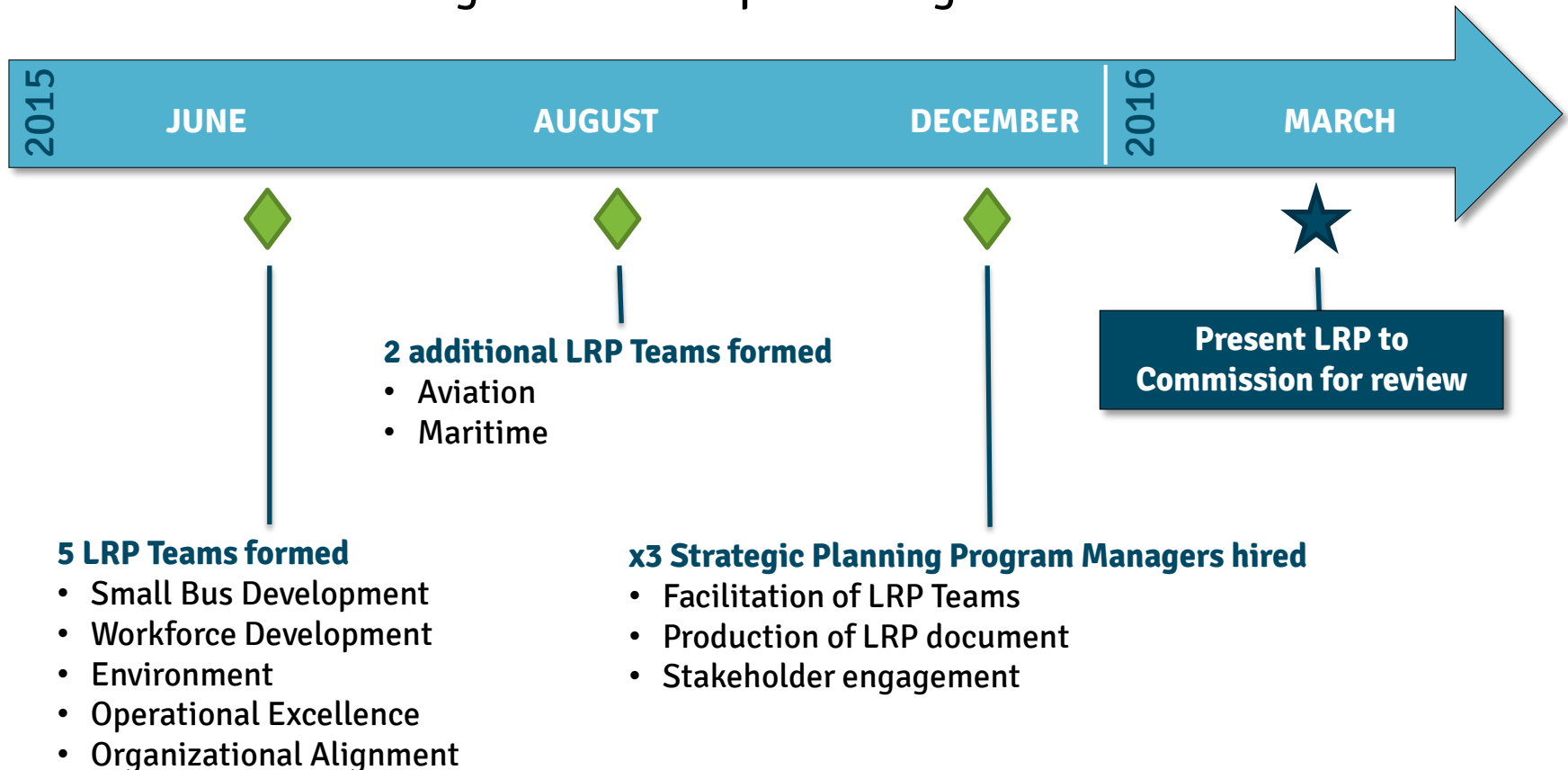


Focused on the logical Actions and Tasks that drive the CA Strategies and Objectives

*Strategic Alignment Map facilitated by Kristal Roberts and Marlene Slugay

Long Range Plan (LRP) Background

Office of Strategic Initiatives partnering with teams Port-wide



*Designed to strengthen Port wide participation/ownership
and operationalize the Century Agenda*

Long Range Plan Update

LRP Overview

- LRP Background
- Mapping LRP to Century Agenda

LRP Deliverables

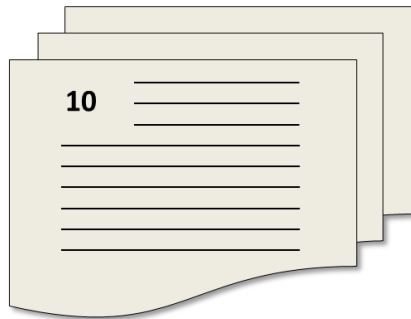
- **Strategic Review and Methodology**
- **LRP Document and Draft TOC**

Next Steps

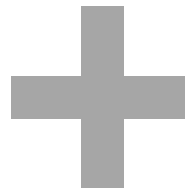
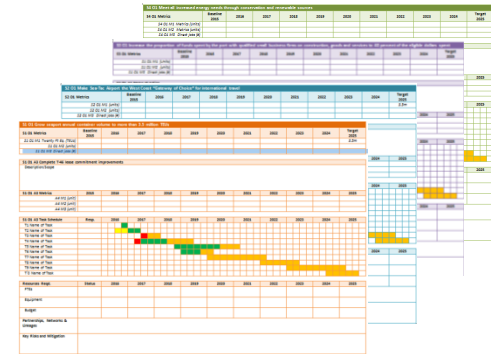
- Performance to Plan Process
- Timelines & Next Steps

LRP Strategic Review & Methodology

A 10 Key Strategic Assessments per Objective



B Detailed Action Plans with SMART goals

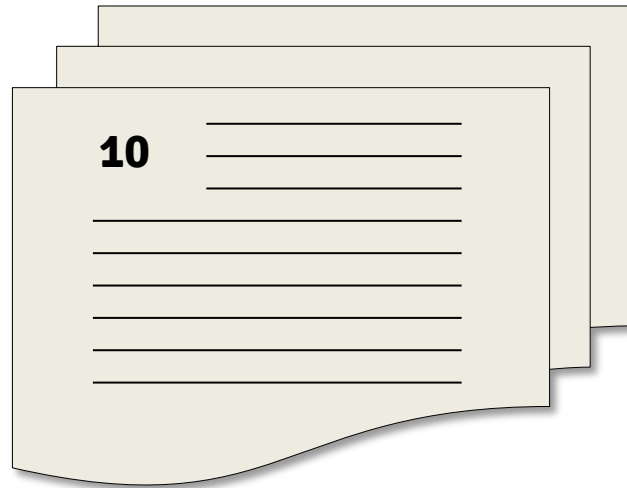


C Long Range Plan

Together, the 10 Key Strategic Assessments and Actions Plans for each Century Agenda Strategy and Objective form an integrated Long Range Plan

LRP Strategic Review & Methodology

- A** Each Objective is evaluated utilizing the 10 Key Strategic Assessments



Focused on thorough review and data driven Actions

Example with Maritime LRP Team

A

CA Strategies and Objectives

S1: Position Puget Sound as Premier Intn'l Logistics Hub

- 01 Grow** seaport **annual container volume** to more than **3.5 million TEUs**
- 02 Structure relationship with WA ports** to optimize **infrastructure investments & financial returns**
- 04 Triple the value** of our outbound (sea) cargo to **over \$50 billion**
- 05 Double the economic value** of the **fishing and maritime** cluster industries

S2: Leading Tourism Destination and Business Gateway

- 04 Double the economic value** of **cruise traffic** to **Washington** state

LRP Teams:

- Conduct a **3-5 page review** of the **10 Key Strategy Assessment** that support their **CA Strategy Objectives**
- Identify the top **3-5 Actions** that optimally achieves each **Objective**

10 Key Strategic Assessment

1. Background & Overview

- *How will Maritime units advance the Century Agenda?*

2. Market /Sector Review

- *What is the market/sector/customer data supporting the strategy?*

3. Policy & Regulatory Review

- *How have we considered the applicable policy framework?*

4. Strategic Review

- *What is our “go out and bring them in” growth strategy?*
- *What is our “build it because they will come” enabling strategy?*
- *What is our “raise the bar” innovation strategy?*
- *Who else has done similar “game changing” transformative strategies?*

5. Options Review

- *What are alternative options we have considered?*

6. Risk Review

- *How have we analyzed risks and provided mitigations?*

7. Integration and Synergies

- *What are synergies with Econ Dev (Real Estate, Tourism)?*
- *How can we integrate across Small Bus, Workforce Dev, Environ, etc.?*
- *What are key constraints, tradeoffs, prioritizations, win-wins?*

8. Partnerships & Linkages

- *How can we develop partnerships that support the CA strategies?*

9. Cost Benefit Analysis

- *What are the costs vs benefits?*

10. Economic and Environmental Impact

- *What are the economic impact/benefits/mitigations?*

Recommended Actions

What are the Top 3-5 Actions per Objective?

Applying a systematic and consistent mini-“business case” unpacking of each Objective into its enabling Actions

LRP Strategic Review & Methodology

B Detailed Action Plans with SMART goals

S4 O1 Meet all increased energy needs through conservation and renewable sources												
S4 O1 Metrics	Baseline 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Target 2025	
S4 O1 M1 Metrics (units)												
S4 O1 M2 Metrics (units)												
S4 O1 M3 Direct jobs (M)												

S3 O1 Increase the proportion of funds spent by the port with qualified small business firms on construction, goods and services to 40 percent of the eligible dollars spent												
S3 O1 Metrics	Baseline 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Target 2025	
S3 O1 M1 (Units)												
S3 O1 M2 (units)												
S3 O1 M3 Direct jobs (M)												

S2 O1 Make Sea-Tac Airport the West Coast "Gateway of Choice" for international travel												
S2 O1 Metrics	Baseline 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Target 2025	
S2 O1 M1 (units)											2.5M	
S2 O1 M2 (units)												
S2 O1 M3 Direct jobs (M)												

S1 O1 Grow export annual container volume to more than 3.3 million TEUs												
S1 O1 Metrics	Baseline 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Target 2025	
S1 O1 M1 Twenty-Foot Equivalent Units (TEUs)											2.5M	
S1 O1 M2 (units)												
S1 O1 M3 Direct jobs (M)												

S4 O3 All Complete T-46 lease commitment improvements												
S4 O3 All Metrics	2016	2018	2017	2018	2019	2020	2021	2022	2023	2024	2025	
S4 O3 M1 (units)												
S4 O3 M2 (units)												
S4 O3 M3 (units)												

S4 O3 All Tree Schedule												
Req.	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
T1 Name of Task												
T2 Name of Task												
T3 Name of Task												
T4 Name of Task												
T5 Name of Task												
T6 Name of Task												
T7 Name of Task												
T8 Name of Task												
T9 Name of Task												
T10 Name of Task												

Resource Req.	Status	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FTS											
Equipment											
Budget											
Partnerships, Networks & Outreach											
Key Risks and Mitigation											

The review against 10 Key Strategic Assessments generates robust Action Plans with SMART goals

B

Example with Environmental Development LRP Team

3-5 Top Actions per Objective

S4 O1 Meet all increased energy needs through conservation and renewable sources											
S4 O1 Metrics	Baseline 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Target 2025
S4 O1 M1 Metrics (Units)											
S4 O1 M2 Metrics (units)											
S4 O1 M3 Direct jobs (#)											

S4 O1 A1 Name of Action				
Description/Scope				
S4 O1 A1 Metrics	2015	2016	2017	2018
A1 M1 (unit)				
A1 M2 (unit)				
A1 M3 (unit)				

S4 O1 A1 Task Schedule	Resp.	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
T1 Name of Task		█	█	█							
T2 Name of Task			█	█	█						
T3 Name of Task			█	█	█						
T4 Name of Task			█	█	█	█	█	█	█	█	█
T5 Name of Task			█	█	█	█	█	█	█	█	█
T6 Name of Task				█	█	█	█	█	█	█	█
T7 Name of Task					█	█	█	█	█	█	█
T8 Name of Task							█	█	█	█	█
T9 Name of Task								█	█	█	█
T0 Name of Task									█	█	█

Resources Req'd.	Status	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FTEs											
Equipment											
Budget											
Partnerships, Networks & Linkages											
Key Risks and Mitigation											

Each **Action** has **Measures** and **Targets**

Each **Action** would be a “mini-project plan” with about 7-10 Tasks

- with timelines
- color coded status of progress, and
- responsibilities

Each **Action** also has **Resources Required, Partnerships, and Risk Management**

In terms of **duration**, the LRP is a **5 year rolling plan** that spans **10 years until 2025**

- Higher (**quarterly**) granularity **Years 1-2** as actions ramp up
- Biannual** granularity in **Years 3-5** as steady state approaches
- Annual** granularity in **Years 6-10** over the long term

Each LRP Team to populate an **Excel Sheet per Action**



Drilling down into Actions and Tasks i.e. “mini-project plans” enables the Port to track progress and metrics at a higher level of granularity

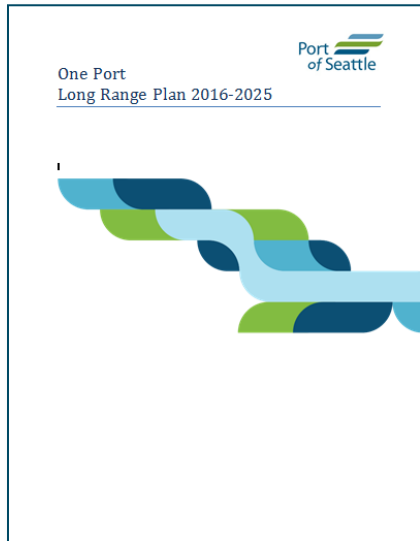
LRP Strategic Review & Methodology

c

Long Range Plan

Together, the 10 Key Strategic Assessments and Actions Plans for each Century Agenda Strategy and Objective form an integrated One-Port Long Range Plan

Proposed Contents for LRP Document for Commission



DRAFT TABLE OF CONTENTS

SECTION A EXECUTIVE SUMMARY

SECTION B INTRODUCTION

- B1 Background
- B2 Century Agenda
- B3 Strategic Alignment Map
- B4 POS Organizational Structure

SECTION C KEY STRATEGIC AREAS

- C1 CA Strategy S1: Position Puget Sound as Premier Intn'l Logistics Hub
- C2 CA Strategy S2: Leading Tourism Destination and Business Gateway
- C3 CA Strategy S3: Promote Small Business Growth and Workforce
- C4 CA Strategy S4: Greenest and Most Energy Efficient Port in NA

Development

SECTION D INTERNAL STRATEGIES

- D1 High Performance Organization

SECTION E SUPPORTING/ENABLING STRATEGIES

- E1 Economic Development Strategy
- E2 Partnership Strategy
- E3 Innovation Strategy
- E4 Others?

SECTION G SUMMARY LONG RANGE PLANS

- G1 Action Plans

SECTION F REPORTING FORMAT

- F1 Triple Bottom Line, Balanced Scorecard?

SECTION I CONCLUSION

SECTION J APPENDICES

- J1 Detailed Long Range Plans

DRAFT

*Planning against a common format and consistent templates
achieves an integrated, One-Port LRP*

Long Range Plan Update

LRP Overview

- LRP Background
- Mapping LRP to Century Agenda

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Next Steps

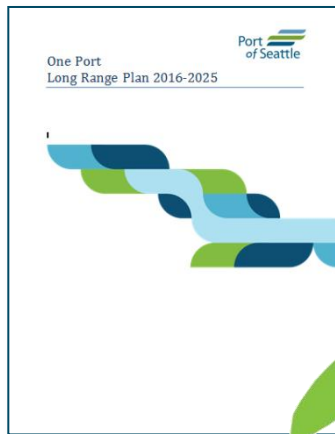
- **Performance to Plan Process**
- **Timelines & Next Steps**

Performance to Plan

Approved Long Range Plan



Executive dashboard and recurring Port Leadership review



Management review of plans and performance against the Triple Bottom Line

Drives transparency and accountability

Air Cargo Example of LRP Review

CA Strategy	Objectives	Status	Root Cause	Corrective Actions
S1 Premier international logistics hub	<ul style="list-style-type: none"> O3 Triple air cargo volume to 750K MT 		<ul style="list-style-type: none"> Development of new cargo space constrained by new air service construction 	<ul style="list-style-type: none"> Renegotiate lease to takeover additional cargo space
S2 Leading tourism destination and business gateway	<ul style="list-style-type: none"> O3: Cost effective expansion of passenger and cargo service 			
S3 Promote small business and workforce development				
S4 Greenest and most energy efficient port in NA				

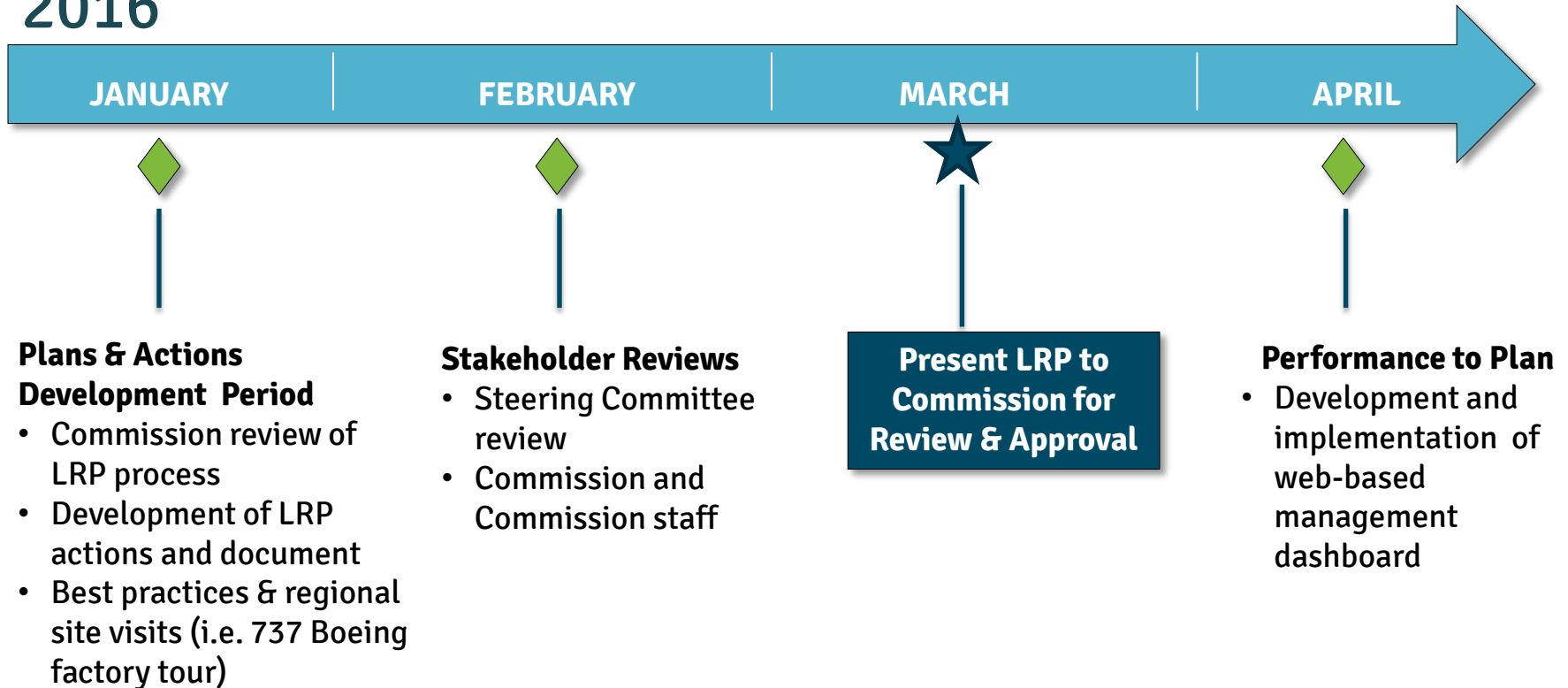
Air Cargo Metrics	2016Q3			
	Target	Actual	Variance	Status
Tonnage (MT)	400	350	%	
Efficiency Ratio (MT:Sq.Ft)	1:1	1:1.2	-20%	
Enplaned Value (\$)	\$ X MM	\$ X MM	%	
Deplaned Value (\$)	\$ Y MM	\$ Y-1 MM	%	

Developing a Management review cadence will identify counter-measures as needed

*Illustrative examples based on in progress work by LRP Air Cargo Sub team led by Tom Green

Long Range Plan Schedule

2016



Requesting Commission Approval on March 29, 2016



Thank you!
Questions?

Lean Training/Activities

January 26, 2016

Why Lean at the Port?

- Experiencing dramatic growth in all lines of business
- Lean creates the opportunities to streamline our work so we have more **capacity** to support this growth
- Drives Efficiency and Effectiveness to help drive Century Agenda goals freeing up:
 - Human Capital
 - Financial Capital

*Lean is an Enabler accelerating Century Agenda achievement
in an effective and efficient approach*

How Does Lean Benefit Port Employees?

Input from Port Employees

- Employees identify and fix processes that frustrate them and waste their time
- Use capacity gained for more value-added activities
- Improve health and safety of the workforce

Principles from Leadership

- Safety and Work Conditions will not be compromised!
- Reduce or eliminate inefficient and wasteful processes
- Port employment will grow with the dramatic business growth through a effective and efficient process

Lean improves the work environment

Benefits to Stakeholders

Customers -- Improved Service

Taxpayers _ – Lower Costs

Tenants – More Cost-Effective Solutions

Suppliers _ -- Reduced Contracting and Delivery Time

Employees – Increased Safety and Morale

Quality, cost, delivery, safety, and morale



Recent Successes

Airport Rental Car Shuttles

Focus on improved customer service:

- Previous: 12 to 18 minute wait time during peak hours
- Target: 5 minutes

Countermeasures:

- New standard pacing process
- Visual controls curbside: stanchions & signage
- Load and unload zones

Results

- Consistently hitting 5 min target across all shifts

**Testing reduction in cost:
60 day trial without curbside assist**



AV LSO RCF Video

AVM Safety Solutions Team

8-step Problem Solving: Occupational Injuries

Focus on Safety:

- Awareness and visibility of PROBLEMS
- Root causes and countermeasures
- Employee engagement
- Spirit and excitement
- Results!

Countermeasures:

- Hand scanners at the C60 failsafe
- Partnership with Delta and Alaska on bag hygiene
- Standardizing start of the work day with safety huddle and pertinent communication
- Occupational Fitness vendor

Safety Solution Team Update Port of Seattle

Goal Statement
Reduce the Occupational Injury Rate (OIR) of the Aviation Maintenance Department by 50%, from 12.1 to 6.05 by December 31, 2015 by reducing the frequency of sprains and strains by 75%. SST CREATED 3/5/15

Next steps

- Begin implementation planning for pilot programs
- Measure all current state baseline statistics
- Evaluate effectiveness of proposed solutions

Your Frontline Safety Solutions Team

-  **Eric Schaefer – GF Field Crew**
-  **Anthony Wesley – Electric Shop**
-  **Debra Eastburn – Paint Shop**
-  **Eric Topinka – Conveyor Shop**
-  **Nate Olafsen – Distribution Center**

Recognition Update:
The SST team is also reviewing recognition for the exceptional work of Aviation Maintenance this year. Stay tuned for a recognition event for all AVM employees in early November.

Updates from the five teams:
Remember you can always ask any team member or Manager for updates.

- AIRLINE PARTNERSHIP**
Partner with airlines on bag hygiene.
MILESTONE: The team has met with Delta, Alaska, and United to discuss the importance of proper bag placement. When bags are found out of standard, airlines are now contacted directly.
- TOOL BOX MEETING**
Communicate and prepare the workgroup for a safe and effective operation. Establish use of the Tool Box Template as a reminder of discussion topics - Emphasis on work related safety.
MILESTONE: Testing the effectiveness of the standard briefing with field crew and conveyor shop.
- ERGONOMIC DESIGN**
Identify and correct access issues in the bag well as well as any area process that inherently creates ergonomic challenges.
MILESTONE: Met with design liaison and craft employees to draft a fixed ladder engineering standard. Challenged Optimization design team to engineer fail-safe location with ergonomics in mind.
- OCCUPATIONAL FITNESS**
Prepare the workforce for the workday using stretch and flex.
MILESTONE: Purchasing meeting is scheduled for Monday, October 20th. Project implementation goal is first quarter 2016.
- TASK SPECIFIC TRAINING**
Develop a consistent relevant curriculum for common, repetitive, work assignments in challenging environments.
MILESTONE: Team to perform site visits and observations with four Conveyor Shop employees at the end of October.

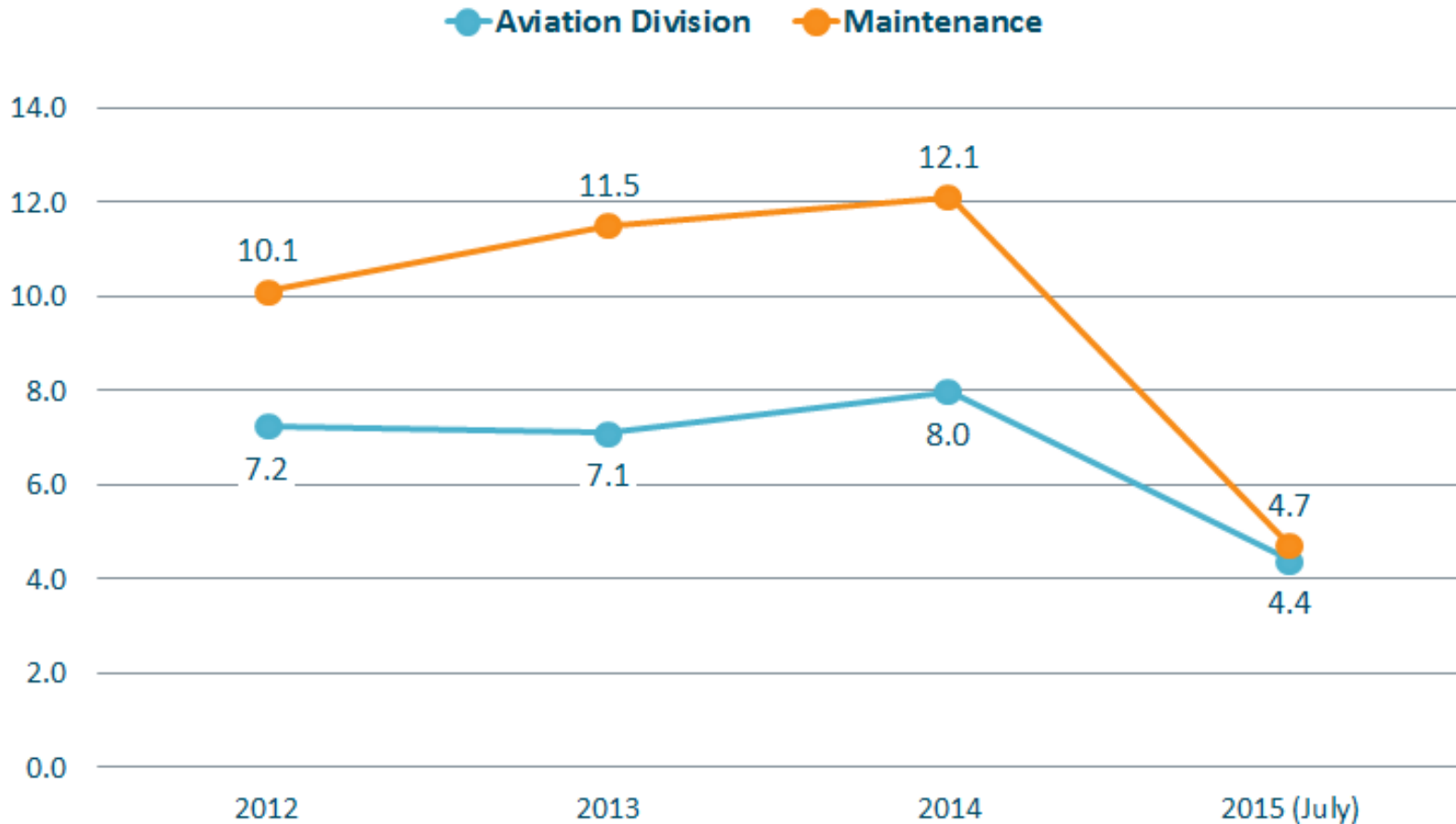
SST TEAM - Benny Astin, Lusia Bangs, Debra Eastburn, Teri Grossenord, Wes Henke, Ivan Martel, Manetta Moses, Nate Olafsen, Tiffany Olson, Ryan Pecenovski, Kim Ramers, Eric Schaefer, Eric Topinka, Anthony Wesley, Jim Wilczman

Sustain it/ Own it/ Empower All/ Lead the Way/ Everyone Accountable continuous process improvement

Sustain the improvements

When AVM succeeds the Aviation Division Succeeds

Reduction in OIR (OSHA Injury Rate)



Employee engagement

A large Delta Air Lines aircraft carrier is being transported on a white Delta-branded transporter. The carrier is suspended by two large metal cranes. The transporter has the Delta logo and the word "DELTA" on its side. The scene is set on an airfield with other aircraft and ground support equipment visible in the background.

Focus in 2016

AVM Systems and Assets

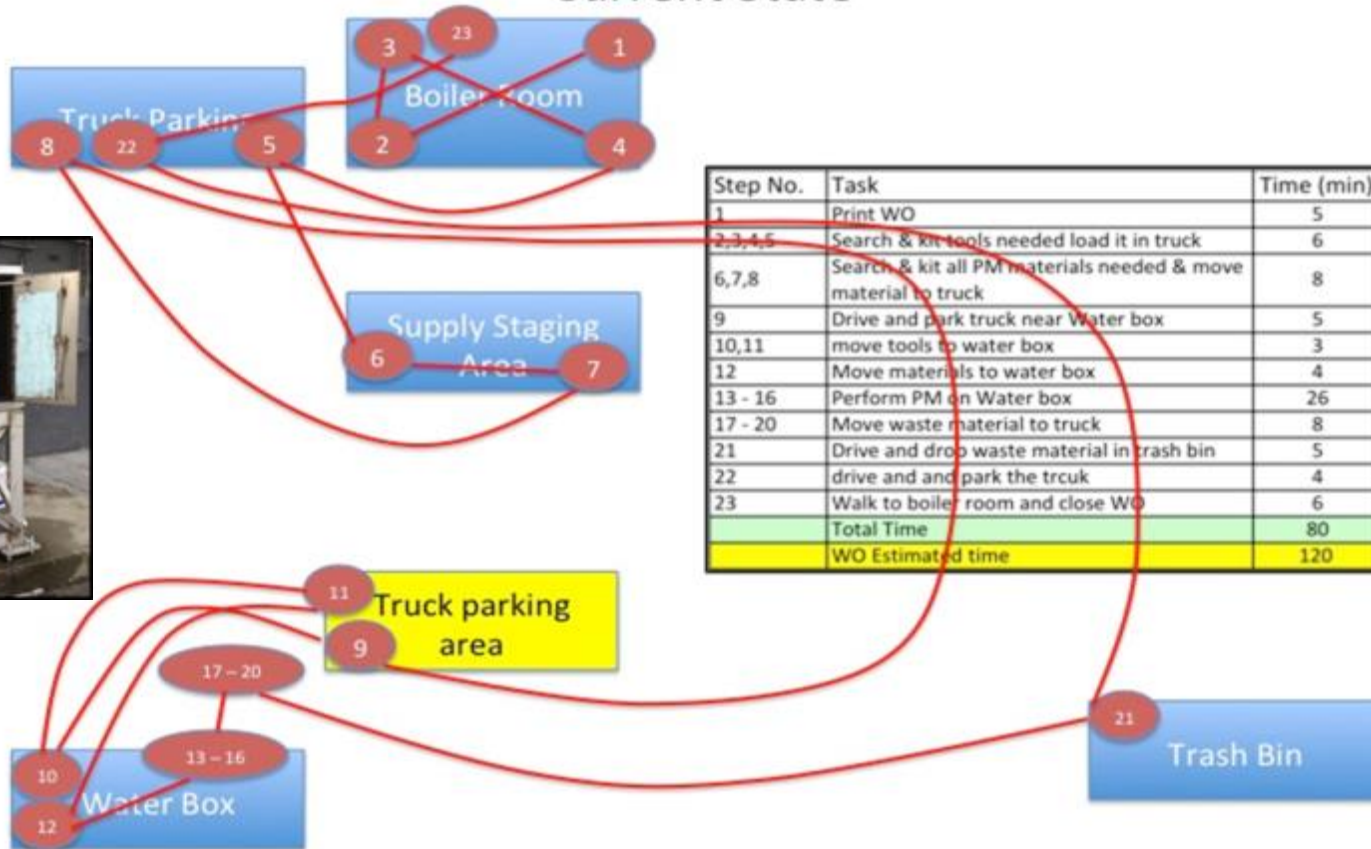
Example: Passenger Loading Bridge and Potable Water Box



Free up maintenance personnel for other tasks

AVM Transportation and Worksite Organization: Annual Potable Water Box PM Inspection

Current State



Reduce the wastes of transportation and motion

Focus in 2016

Aviation Maintenance

- Create a “model area”
 - Largest department (360 employees)
 - Maintain more than 30,000 assets
 - 10,000 PM inspections
- A “systems” approach i.e., restrooms, baggage, gates
- Lean Champion Training for 75 employees
- Target: 10% capacity gain

AV Capital Project Value Stream

- Starting with the Design Review process
- Reduce change order costs downstream
- Value stream transformation

Improve Quality, Cost, Delivery, Safety, Morale and Create Capacity

A large, modern atrium with a high ceiling and large windows, filled with people sitting at tables. The space is bright and open, with a grid-like ceiling structure and a large glass wall on the right side. People are seated at various tables, some with umbrellas, suggesting an outdoor or semi-outdoor setting. The overall atmosphere is one of a busy, public space.

Thank you!
Questions?