

Breakout Sessions Highlights

“Strategic Asset Management Workshop”

Facilitator: Erik Stromberg

Breakout leaders: Jean Banker, Port of Oakland; Gary Tosh, PMV; Jeff Strader, NC Ports.

3-5pm, July 12, 2011

MED Seminar

Portland, Oregon

1. Status of AM at Ports
 - a. Need to distinguish between tenant versus port controlled property (eg, utilities, docks, access channels)—change in roles, over time with port requiring more tenant responsibility/cost coverage.
 - b. Definition of AM needs to distinguish between real estate management as opposed to strategic asset management dealing with entire portfolio of port assets
 - c. As a result of 9-11 driven changes there is a greater awareness of the need to better manage the entire range of port assets
 - d. Leased facilities issues complicated by common user facilities—where, when and how does port authority exert control and how can it earn a return on its activities and investments? Also, complicating is when the lease term is less than economic life of facility.
 - e. Status at selected ports:

- i. POLA, condition assessments underway (California state env. regulations require AM), also a capital fund for maintenance has been established
 - ii. POLB has an AM manual that guides maintenance, but no linkage of AM costs to revenues (lease terms)
 - iii. New Bedford has identified and inventoried assets and done condition assessments for critical assets
 - iv. NYEDC needs performance metrics for tenant AM
 - v. Brownsville Texas capital fund (\$50k/mo) reserved for maintenance\
- f. For most ports AM is a product of intuition and guess work according to one port observer
- g. A challenge is that few individuals at the port have the necessary background and knowledge to understand the port's AM needs
- h. General issues with regard to AM:
 - i. Many ports address AM in terms of scoping and scheduling work
 - ii. Most however react to failure—focus is on how much downtime, not how much uptime
 - iii. Most AM is tactical not strategic

2. Port's AM Needs

- a. Infrastructure investment recapture charge; with options to address as either:
 - i. Across all facilities
 - ii. Or, facility specific (more difficult to enforce)
- b. Need to know what is cost to renew/maintain basic infrastructure and how to recapture those costs in lease agmts or otherwise fund
- c. Need a systematic process enterprise-wide for reinvestment priorities
- d. Need to quantify future liabilities/risk of failure—ie risk assessment across enterprise
- e. Need to transition into a culture shift to effectively adopt AM

- f. Need a better way to prioritize AM needs—what methodology to use?
 - g. Must integrate AM into financial plan
 - h. It would be good to know what are opps for grant funding (ISF in Canada)
 - i. What are roles and responsibilities of port personnel as well as tenants?
 - j. Need to establish maintenance standards, condition standards)performance metrics)
 - k. Need reliable, regular funding for identified AM projects (too often lost in budget crises)
 - l. Need top level management buy in
3. Constraints to the development of AM
- a. Funding, esp re new construction, no replacement reserve funds. Also budgeting is difficult for critical AM process issues (eg permits) and ongoing carrying costs, both of which limit ability to execute
 - b. Staffing--No one has ownership for AM—not designated or coordinated; don't know roles and responsibilities
 - c. Competitive implications of lease enforcement ie cost recapture
 - d. AM soon becomes out of sight and out of mind
 - e. No means to differentiate btwn liabilities and assets in terms of port's strategic priorities
4. Next Steps
- a. Identify who has ownership
 - b. B/C for AM process and development
 - c. Benchmark
 - i. Financial/ROI
 - ii. Operations/performance measures
 - d. Set up pilot program
 - e. Education and training
 - f. Customize to port's needs
 - g. Policy directives from top—get buy in
 - h. Commit resources—human, financial, capital