

(Public Committee on Operations 2/19/15)

**The Port Authority of New York and New Jersey
Committee on Operations Transcripts
February 19, 2015**

[S. Dawson] Good morning Commissioners.

[Multiple speakers]

[S. Dawson] All right, I'm sorry. I'm sorry.

[Crowd noise]

[Chair J. Degnan] It is being held in public session in its entirety. At this point, I would ask the board secretary to advise those present of the composition of this committee on operations and any commissioner recusals on the first item before the committee at today's public session.

[K. Eastman] Thank you, the committee is comprised of Chairman Degnan as the Chair, Vice Chairman Rechler as the Vice-Chair, and Commissioners Laufenberg, Lipper, and Steiner. All committee members are present today with the exception of Commissioner Steiner. There are no actions being requested so there are no recusals on the matter required.

[Chair J. Degnan] Thank you. Stephanie, you're up.

[S. Dawson] Morning Commissioners. I will be giving an update on the 2014 year-end overtime performance. When we met in December, I gave a substantial update, but there were a few followups, which I will talk through in this discussion. One had to do with the realism for the planned element of the overtime for 2015. You asked a number of questions about snow and various adjustments have been made to how we account for snow emergencies. You asked about performance management, and I'm happy to say that each of the departments has reconfirmed that they can meet the 2015 overtime objectives. They met with the Overtime Steering Committee which includes the Chief of Human Capital, the CFO, the COO and the Chief Engineer as well as the Chief Security Officer, and those will be re— reflected in each of the facilities, divisions, and offices within each of those departments as appropriate. And, also the integrated management, sick management program continues to bear fruit which will be talked about as we move forward. As we look at the 2014 Overtime Performance Highlight, you see highlighted in yellow is the actual performance and below in the bullets, we talk about the key overtime drivers. So there were 2.4 million overtime hours expended. As you can see that includes both planned and unplanned elements and a total of 581 hours or 33% over planned; 35% of the overage is due to unplanned weather and other emergencies, and 13% is due to other one-time events. So a total of \$250 million was spent, and in terms of dollars, that represents 21% over the plan. The key drivers are indicated below in the chart. We were able to maintain facility operations despite unplanned weather events. The snow budget was actually exceeded by 51% in 2014, and, again, we had to rise to the challenge and continue to service those emergencies. A significant component was the first-of-its-kind transit— supporting the first-of-its-kind transit Super Bowl. That will not be an issue in 2015, obviously, but we provided seamless operational support and patron services for that event. We also, to support

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the Pulaski Skyway closure, we enhanced the frequency of train service to support that critical regional project. This year elements of that project are included in the budget. So we do not contemplate a overrun. And, we also address regulatory mandated requirements, such as those that are indicated below pertaining to FAA airfield maintenance compliance requirements at both JFK and LGA. Again unplanned, but we rose to the challenge and overtime dollars again— When we use overtime dollars, we recognize that when you agree the work has to be done, you have a couple of alternatives. You can increase staffing, which for many of these you can't because of the short-term notification, you can outsource, or you can use overtime. So we do balancing. We also support the FRA automated train control system implementation, which is critical for PATH. And as you know, that's a major safety initiative that's been mandated by the FRA. There were also significant construction implications that led to overtime usage. Some of the projects were the airfield rehabilitation projects at EWR, expediting the Bayonne Navigational Clearance Project, and implementing required Sandy recovery and other priority construction projects. As you know, there were also a number of heightened security levels that the Port Authority had to respond to, and that was also covered by this budget. Since we met in December, the agency has continued to focus on mitigating overtime usage and using it only where it's appropriate. So from quarter 3 to quarter 4 of 2014, the total overtime usage trended downward by 12.6%. That was 75,000 hours less quarter to quarter. Police continued to experience the impact of their recruit class thereby showing a 30% reduction in usage quarter to quarter, while civilians had a slight uptick of 6%. All in all, 2014 was very challenging due to, as I mentioned, the harsh winter season and the need to meet those operational requirements that I talked about.

[Chair J. Degnan] Shouldn't the charts be re— pushed forward? Stephanie is now talking about something on another chart; I don't know who's doing that. Is that you Stephanie that controls that?

[S. Dawson] Yes.

[Chair J. Degnan] Okay, now we're on the right chart.

[S. Dawson] So, I've actually spoken to the items on this page.

[Chair J. Degnan] Okay.

[S. Dawson] Why do we feel comfortable with the commitment to the 2015 budget? On this slide, I've indicated the budget which is 1.7 million hours and \$204 million. We've enhanced the extreme weather budget by 26,000 hours compared to the 2014 budget, and the police budget has been decreased by 350,000 to impact— to recognize the impact of new recruits compared to the 2014 actual. The overtime baseline was also reset to reflect the issues and opportunities that I talked about on the earlier slide. And the overtime budget discussion, we've started to talk about in terms of the planned and unplanned elements, and the staff effort will be focused on the core or recurring operational maintenance, capital construction, and security workload. With regard to the major drivers from 2014, one of the challenges, as I mentioned, was the commitment to the Super Bowl. This will not be an issue in 2015. Support for the Pulaski Project, which was another driver for overtime, is now included in the

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budget. We—I talked briefly about the overtime performance measures that have been developed. That will be discussed in length in one of the upcoming presentations, but overtime is recognized as a departmental responsibility as well as facility, division, and office within each of those departments, and each of the department directors met with the Overtime Steering Committee and recommitted to achieving their overtime budget. They identified some specific challenges and opportunities that we have to ensure they are able to overcome since roughly 54% of the budget is outside, in the case of the line departments, outside of their direct control. So that requires coordinated effort across the lines of business. We also have launched, as I—

[Chair J. Degnan] Let me just—be sure I'm calculating this correctly. The reduction projected for 2015, in the overtime budget, is 30% lower than the actual hours that were expended on overtime in 2014. Fairly aggressive goal right? >>

[S. Dawson] Very aggressive.

[Chair J. Degnan] And, you're telling us that you have a high level of confidence that the commitment to achieve the budgeted reduction in 2015 will be realized. >>

[S. Dawson] Yes.

[Chair J. Degnan] Okay. >>

[S. Dawson] And, we have created a band of excellence which will be talked about in terms of the plus and minus, and we're comfortable that as long as we continue to manage the mitigation efforts, which we are committed to do, that we should be within that band of excellence.

[Chair J. Degnan] Thank you. >>

[S. Dawson] As—

[Comm. K. Lipper] Stephanie, may I ask a question? >>

[S. Dawson] Yes.

[Comm. K. Lipper] At your meeting that you project to have with us, the chairmen asked that you create and that the Personnel Department create, a series of incentives and penalties for those individual department heads, whom as you said are responsible ultimately for their own department overtime, to meet the goals that they've given for the 2015 budget. Will you have such a— Will you have such a plan in place when you make your presentation to the board?

[Chair J. Degnan] Ken I think, if you'll allow me. I think that the next presentation by Mary Lee will address the specific question of performance goals of managers, which I presume will include an overtime component. So if we could defer the question to Mary Lee in the context of her report back that'll be— >>

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[Comm. K. Lipper] Yes, yes. Yes, I just wanted to make sure that not only do we have the goals, but we have the reward and penalties in place for not reaching those goals. In other words, I want the performance system put in place, as you asked at the last meeting, when we have this discussion of the goals and the metrics to measure them.

[Chair J. Degnan] Mary Lee is going to address both of those questions today.

[Comm. K. Lipper] Perfect. >>

[P. Foye] Sir, may I just jump in for a second? One of the reasons that management is comfortable about this progress has been made in realizing the 4th quarter, at least for our division. Point is, as a result of the 112th and 113th police classes, Port Authority Police Department overtime is starting to— is starting to decline, and that's why in the budget there's a 350,000 hour reduction compared to 2014. One, progress has been made on IOD, injured on duty, and sick as a result— Thank you. Thank you —as a result of terrific work by Stephanie, Mary Lee Hannell and her team, Dr. Fischer, and others and we'll be reporting on that. Thirdly, some of the overtime that was occurred in 2014 is non-recurring, and I'm talking about non-weather related overtime. So the confidence that Stephanie expressed is based in part on progress that has been made in 2014. And the reduction with respect to the Police Department as a result of the new 112th and 113th classes, is something that Joe Dunne and Tom Belfiore had spoken about a benefit of the classes, and I just wanted to note that.

[Chair J. Degnan] Thanks Pat. >>

[P. Foye] Thank you.

[S. Dawson] Okay, and just to follow up on a couple of other open items with regards to why we are comfortable with this budget is we also launched the workload review for PATH. Because one of the things that we talked about is, first we have to agree on the work, and then we agree on how we meet that workload. So that study is underway. We completed Aviation's last year and that led us to a place where we identified additional staffing requirements, outsourcing opportunities, and temporary staff usage opportunities that are being implemented. We've also commenced formal assessment of our peer organizations and their measures and metrics as well to make sure that the metrics that we've come up with are consistent with our peer organizations. In addition, we're advancing contracts to outsource where appropriate, specifically work in aviation. Pat spoke about the absence management system that's been put in place that's bearing fruit since it was implemented in March 2014. There have been a— a total decrease of 10.3% for lost days due to sick and 14.3% for injuries on duty. And that, I understand, will be talked about further with regard to the discussion on the— performance measures and metrics.

[Chair J. Degnan] Thank you Stephanie. >>

[S. Dawson] So—

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[Chair J. Degnan] Any commissioners have any questions or comments about the report? Okay, thank you. >>

[S. Dawson] Thank you.

[Chair J. Degnan] I'm now going to ask the corporate secretary to advise— ask the corporate secretary to advise of any commissioner recusals on the next matter before the committee which is the— update on the development of performance metrics for senior managers.

[K. Eastman] This is for information only, and

[inaudible]

[Chair J. Degnan] Okay, Mary Lee. Thank you.

[M. Hannell] Good morning. >>

[Chair J. Degnan] Morning.

[M. Hannell] I will move very quickly through this. I want to take a little bit of time to set up what Commissioner Lipper referred to as the performance management system idea. We have some context setting here about the changing nature of work that I think is important. This is not that different from other organizations, but it does provide challenges. Obviously, we are an organization that's grappling with the long term effects of doing more with less. We also have a changing work environment. We have more matrixed organizations. Our workforce demographics are changing significantly. We have multiple generations in the workforce, and just a higher volume of information that employees have to sift through and leaders have to make decisions about how to prioritize that information and make the best decision possible. There's greater interdependence in our work, greater collaboration that's needed amongst the senior leaders of this organization, greater interpersonal connections and reliance on others to get the work done, and more importantly, a real need to work across silos and not just in very narrowly defined business areas for us to achieve success. Transparency and accountability have never been more important to us. The work that we do necessitates this as a public agency. We have gone through, in the last several years, a Navigant Report and a Special Oversight Committee Report that require us to put in place transparency and accountability. Our performance gains and innovation are really critical. As the work is evolving, we find that employees need a really different skill set than they've ever needed before. They need to be much more agile. They need to learn much more quickly to meet the challenges that we face each day, and we must find ways to incent and reward those new skills and behaviors. And, we need to mitigate our enterprise risks more effectively and ensure that, really, our Executive Leadership Team is completely aligned along what those enterprise risks are and that we are closely aligned in how we're going to achieve our goals and objectives so that we can achieve success. Just from a historical perspective on performance management in the Port Authority, I want to share that we've had both formal and informal systems in place since the late 1980s. We have evolved in performance management, however, from a single event that's done once a year to a continuous event where there's ongoing feedback and communication, where we've

gone from little differentiation to high-performance driven and higher differentiation in how we reward individuals based on their performance and their contribution, from individual performance ratings that are about what I do in my very specific job to what contribution I make in the agency and how I've contributed to others being able to make a contribution in the agency, and then lastly, not a stand-alone process but one that is integrated with some form of compensation. The process overview, again, you always want to start with strategic business priorities and key initiatives because that's the way you achieve your agency and department outcomes. You start with objective setting. We have spent some time setting objectives among out senior leaders, chiefs, and directors to agree on them and to evaluate and identify appropriate metrics. The second part of that is an interim review period where we will actually formally assess progress against those objectives and competencies, and a final review period in a review at year end where we actually assess performance metrics and ensure that we have accomplished those against the objectives and competencies that were set out. It is not just about what we do, it is also about how we do it. And, ongoing during that period, you'll see coaching and mentoring that goes on so that as the annual review cycle progresses, there'll be timely feedback and we'll be able to mid-course correct as we need to. Specifically for the Port Authority, what we wanted to do is use a unified organizational strategy. It is one that we have developed with chiefs and directors as a result of our enterprise risk management process. We've come—we've identified a unified vision and mission, strategic priorities that speak across six broad functional areas, key initiatives that align under each of those strategic areas of focus, and then organizational outcomes and metrics that are very specific. They're attainable, they're measurable, they're relevant, and they're timely so they can be measured. For the 2015 executive leadership goals and objectives, we will have common goals and objectives versus siloed by business. They chiefs felt very strongly that our collective success is what we'll deliver on the accomplishments that we've set before us. Especially with the need for increased collaboration and coordination among the executive team. There will be common executive leadership competencies. Again, these are built specifically for the Port Authority based on some of our key leadership and how successful they have been in the Port Authority and based on the current environment that we have. Where you will see variation in metrics will be at the director level where metrics will be specifically aligned with their business imperatives. Those broad functional areas that I talked about for common goals and objectives will include safety, security, and resiliency. They will include operational objectives for regional transportation network. They'll also include delivering and maintaining highly efficient facilities. They'll be around financial self-sustainability, and the last one, which is around attracting and retaining talent, wouldn't normally be a separate goal and objective since it permeates all of those areas, but it was—it came out as a recurring theme, and so we decided as a group of leaders to pull that out and spend a fair amount of time focused on attracting and retaining talent across the organization. Our key competencies talk about championing and driving change. In an organization like the Port Authority, where we are required to respond to change in an agile manner, we need to anticipate and remove obstacles to hit those goals and objectives. On enterprise results where we need strong collaboration across the entire agency and on strategic orientation where decision making needs to be consistent with our vision and our mission of the agency, and we need to have a clear understanding of long-term and short-term impact. we have a proposed timeline so you'll see right now I'm—

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[Chair J. Degnan] Let me, let me— >>

[M. Hannell] Go ahead.

[Chair J. Degnan] Let me ask you a question that emanates from Commissioner Lipper's comment— >>

[M. Hannell] Yes, >>

[Chair J. Degnan] and my expectations.

[M. Hannell] Yep. >>

[Chair J. Degnan] First, will there be contained in the performance goals and metrics of the directors and the chiefs specific accomplishments related to overtime, and secondly, when will you be prepared in the timeline process to share, on a confidential basis with the board, the specific objectives and metrics applicable to each of those individuals?

[M. Hannell] So, yes they will include overtime and overtime will not just be necessarily in a department where they have a workforce that generates overtime, but for instance in the human resources department, one of the keys to overtime that Pat mentioned was absence monitoring and management or time to fill vacancies. So many of the departments will have very specific overtime related metrics. We will be prepared at the next board meeting to share confidentially those specific goals and objectives and the specific metrics with you. >>

[Chair J. Degnan] Great, thank you.

[Comm. P. Schuber] Chairman, may I ask a question here if I might? >>

[Chair J. Degnan] Yes.

[Comm. P. Schuber] I'm applauding the presentation you're making, but I'm having trouble reading one aspect of it. On the connection to organizational strategy, which was several slides prior to this one,— I'm sorry. >>

[M. Hannell] This one?

[Comm. P. Schuber] I have trouble, even with my glasses actually, I'm having trouble reading that right hand sli— that right hand portion up in the corner because it—

[M. Hannell] Me too.

[laughter]

[Comm. P. Schuber] I was wondering if you might provide us something a little more easy to read, and second, I'm assuming it contains, because you indicated that you have

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identified strategic priorities that move across six broad functional areas of the Port. I'm assuming that might be what's in those dark blue rectangles on that, which I can't read. So if you could provide that I would appreciate that.

[M. Hannell] Sure. So Commissioner I will provide it also confidentially to all of the board. I did not— We could actually spend an entire session just talking about this document, and so it was rather intentional on my part that you wouldn't be able to read it, [laughter] quite frankly, but I will provide it to you along with the goals and objectives in the metrics because then you'll be able to see the alignment very clearly.

[Comm. P. Schuber] Well you accomplished your goal— >>

[M. Hannell] Thank you.

[Comm. P. Schuber] Thank you. So if later on you could provide that I would appreciate that.

[M. Hannell] I shall. >>

[Comm. P. Schuber] Thank you.

[M. Hannell] Just in terms of time frame, if I could go back for just a moment so we're clear on the proposed time frame. It is an annual cycle. It is one that requires constant monitoring and update. You will see in the March time frame, we'll come back, again confidentially, and share with you very specific goals, objectives, and metrics. We will have the executive director come back in the middle of the year to share a mid-year assessment of how well we're doing against them, and then at the end of the year, a final review of how we've done accomplishing those goals and objectives.

[Chair J. Degnan] Great, thank you. Questions, comments? Commissioner Lipper. >>

[Comm. K. Lipper] I just wanted to— Thank you. I just want to commend you and all the members of the team on the ERM, the Entity Risk Management Program. For those of you who have been concerned about the strategic, this is the tactical, and the entire organization meets with the audit committee led ably by our Chairman David Steiner, who cannot be with us today, and I'm sure that we are happy that he's having a speedy recovery from his surgery. But this work is being constantly being updated and improved, and it's important, because we are, as you said, trying to anticipate the unanticipated for the entire Authority especially where we serve hundreds of millions of travelers both domestic and international, and we serve, I don't know— tens of millions of commuters and many, many employees. So I just wanted to take this opportunity to say very good, keep up the good work, and I know it's an important part of the overall presentation, but I don't want to lose it in your presentation. Thank you.

[M. Hannell] Thank you. >>

[Chair J. Degnan] Anyone else? Okay, thank you Mary Lee.