PORT OF GUAM
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Eddie Baza Calvo
Governor of Guam
Ray Tenorio
Lieutenant Governor

September 20, 2017

The Honorable Benjamin J.F. Cruz
Speaker
IMina 'Trentai Kuattro Na Liheslaturan Guahan
163 Chalan Santo Papa
Hagatna, Guam 96910

Speaker Benjamin J.F. Cruz

SEP 2 8 2017

Time: 10:30 [AM] [ ] PM File No. 34-954

Received By:

GL# 34-17-1012

Dear Speaker Cruz:

Hafa Adai!

Pursuant to Public Law 30-127, the attached report is for the 2016 Citizen Centric Report for the Port Authority.

If you have any questions regarding this matter or need additional information, please feel free to call our office at 477-5931/5 extension 303 or 302.

2017 SEP 28 PM 4:27

Sincerely,

JOANNE M.S. BROWN
General Manager

Attachments

Cc: Senator Frank Aguon
Public Auditor
Deputy General Manager, *Operations*
Deputy General Manager, *Admin. & Finance*
Acting Financial Affairs Controller

1012

- Renovation of the Existing Pump-out Stations at the Gregorio D. Perez Marina is in progress and estimated to be completed in 2016 under the Clean Vessel Act Grant Program.
- Agat Small Boat Marina Concrete Catwalk was completed in February 2016 under the Department of Interior Sport Fish Restoration Grant.

■ Service Life Extension (SLE) Program

The SLE Program was developed to address structural repair work at the Port's F-5 Wharf and marine repairs to F-3, F-4 and F-6 wharf. After obtaining approval from the Port's Board of Directors, the Authority engaged the Guam Economic Development Authority (GEDA) to begin soliciting the financing services on behalf of the Port to fund the SLE Program for $10 Million Dollars. In September 2012, GEDA issued the solicitation package for a $10 million dollar loan to fund the SLE Program, upgrade the Financial Management System and acquisition of cargo handling equipment. The financing contact award took place in November 2012. The $10M loan documents were fully executed on April 3, 2014.

The solicitation process for the construction work for the SLE Program began in April 21, 2014 through an Invitation for Bid. The Public Utilities Commission approved the construction agreement in the meeting of July 31, 2014; thereby followed by contract execution in August 20, 2014. The Notice to Proceed the construction work was issued in December 30, 2014 to take effect January 5, 2015 and anticipated completion within 360 calendar days (January 2016). A Recent change order has extended construction to be completed in April 2016. PAG encountered workmanship issues on construction that is being resolved. PAG anticipates closing out this project in 2017.

■ Terminal Operating System (TOS)

The Port Authority of Guam is striving to develop into the world-class container terminal of the Western Pacific Region. Along with the Port Modernization Project the Terminal Operating System is a new system to replace Port's GTS system. The TOS will allow for automated invoicing and cargo and container tracking system anticipated to be completed in October 2016. The TOS project is funded through loan proceeds and Port's funds.

The Port's Future—Challenges Ahead

Modernization Plan

The Port's Modernization Program is designed to meet the Island's growth including the expansion of the military and the growing tourism market.

Key Project Initiatives include:

■ Expansion of wharf space to accommodate larger vessels and increase vessel handling capacity

■ Upgrade of terminal operating system to allow for automated invoicing, cargo and container tracking, financial management and maintenance management

■ Expansion of existing facilities to support fishing and cruise line industries

■ Replacement of gantry cranes at the end of useful life to maintain continuous, uninterrupted cargo movement

Other Current and Anticipated Projects[1]

LAN Infrastructure Upgrades	Pavement Replacement all Terminal Yards
Acquisition of Cargo Handling Equipment	Yard Lighting
Gate Operating System	A/E Services for Storm Drainage and Gatehouse
Replacement of Administration Building	Gulf Pier Repairs
Waterline Replacements	Agat Marina Demolition Dock B
Demolition of Equipment	Hagatna/Agat Marina WiFi Digital Connectivity
Inbound/Outbound OCR Portals and Canopies	Demolish Admin Building
Architectural/ Engineering Services - IDQ	Data Warehousing Systems
Agat Marina Loading Dock Structural Repair	Gatehouse CapEx
Renovations to Harbor of Refuge	Port Police Security Upgrade
Upgrade of Power System for IT Off/Genset & Line Conditioner	Rehabilitation of Hotel Wharf and Access Road

[1]Representative list and may not include all potential projects

The Port currently estimates that approximately $58 million will be needed to fund its 2017-2021 Five Year Capital Improvement Plan. The Port is evaluating funding alternatives, which may include the issuance of municipal bonds. This would be subject to approval by the Governor and the Guam Legislature. A portion of bond proceeds will be used as the Port's local match toward its recently awarded TIGER Grant for the Rehabilitation of Hotel Wharf and Access Road.

To help fund its five-year CIP, the Port submitted a new Five-Year Tariff Petition to the Guam Public Utilities Commission (PUC), which oversees and approves all tariff increases. The Port proposed a 17% tariff increase phased in over five years.

■ The Guam PUC approved a 7% increase on Port tariffs in December of 2015

Citizen Centric *Report*

2016

PORT OF GUAM

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Page 1 Overview, Mission and Vision Statement

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Strategic Goals:



To modernize the Port as a first class facility in the region.

Provide cargo services in a safe, efficient and sustainable manner.

Promote economic growth and opportunities for maritime related industries.

Address the needs of Port Users.

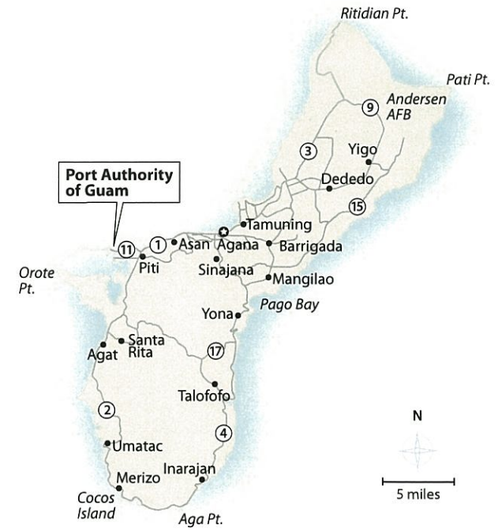
About the Authority

The Port Authority of Guam was established as a public corporation and autonomous agency of the government by Public Law 13-87 in October 1975. The Port operates the only commercial seaport in the Territory and, as the primary seaport in Micronesia, serves as a transshipment point for the entire Western Pacific region. It operates the largest U.S. deepwater port in the region and currently handles about 2 million tons of cargo a year. The Port owns 5 cargo-handling piers along with two fuel piers and three marinas. The cost for operations and capital improvements are funded largely from the Authority's own revenues.

The Authority is presided over by five board members appointed by the Governor of Guam with the advice and consent of the Legislature. The Board of Directors appoints the General Manager and Deputy General Managers who are responsible for maintenance, operation and development of the Port and the agency's business affairs.

With more than 90% of the region's goods and supplies passing over its dock, the Port's impact on the quality and sustenance of life for residents of the region cannot be overstated. Primarily dependent on the importation of goods, the Port is truly the lifeline between the Western Pacific Region and the rest of the world.

The Port facilities were designed in the 1960s and put into service in 1969. The facilities have remained unchanged since its construction in 1969 with the exception of the repair of F5 Wharf in 1999. This is in contrast to most modern mainland ports which have undergone two or more cycles of technological and maintenance improvements during this same period of time.



Mission Statement

The Port Authority of Guam is dedicated to providing full services to ocean vessels in support of loading and unloading cargo for Guam and Micronesia. PAG is the main lifeline of consumer goods into the island, and as such, recognizes its responsibility to deliver these goods in a timely and efficient manner. In support of this mission, the Port Authority also provides land and infrastructure to private interests to further develop the maritime industries on Guam. As a public corporation, the Port Authority dedicates all of its profits to the upgrading of equipment and facilities and the continued growth of the island's seaport.

Equipped for the continuous and uninterrupted flow of commerce



Doc No. 34 GL-17-1012.

Financial Highlights

The net position of the Authority as of September 30, 2016 was $101 million. Of this amount, $102 million is net investment in capital assets, $5.5 million is considered restricted and $(6.4) million is considered unrestricted.

The Port's net position increased by $7.1 million for fiscal year ended September 30, 2016.

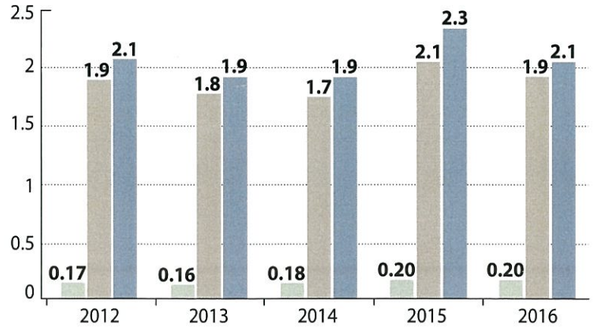
The Port's total assets increased by $7.6 million during the fiscal year ended September 30, 2016. The major components of this change was an increase in current assets.

The total liabilities increased by $5.9 million during fiscal year ended September 30, 2016. The major component of this change was due to increase in net pension liability of $4.7 million. Since Fiscal Year 2003, the Port's finances have consistently showed an increase in net assets for 14 straight years.

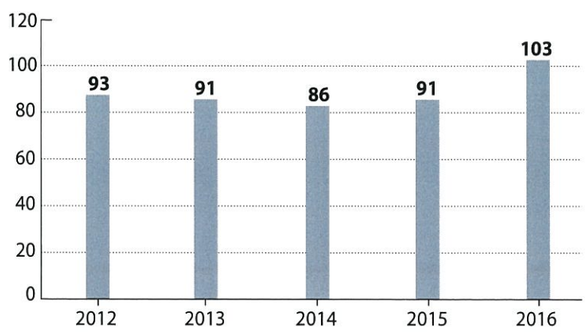
How Are We Doing – A Performance Report on Key Missions and Service

Breakbulk **Container** **Total Cargo Revenue Tons**

Total Revenue Tons (in millions)



Total Containers Handled (in thousands)





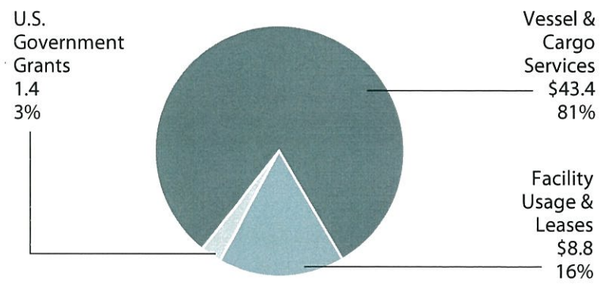






The Port's Finances – Revenues and Expenses

Primary Sources of Port Revenues — FY 2016

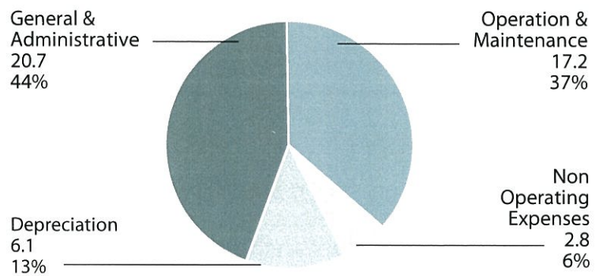


Vessel and cargo services revenues in FY 2016 increase by $3.3 million. The increase was primarily due to implementation of new tariff rates and increase in cargo volume.

Facility usage and leases increased by 2% or $190 thousand, from $8.6 million in FY 2015 to $8.7 million in FY 2016.

Federal contributions in FY 2016 decreased by $50 million, from $51.5 million in FY 2015 to $1.4 million in 2016. FY 2015 Federal contribution was primarily due to the Port Modernization Program (PMP). No funds under the PMP passed to the Port. The Port of Guam Improvement Enterprise Program was created and MARAD was appointed as the lead federal agency to administer and disburse this program.

Primary Uses of Port Expenses — FY 2016



In Fiscal Year 2016 , the total operating expenses were $37.8 million and non-operating expenses were $2.8 million. Operating expense increased by $5.5 million and non-operating expenses increased $2 million compared to fiscal year 2015. Operating expenses for General Expense increased $1.3 million or 36%, Terminal Services increased by 35%, Management & Administration and Depreciation increased by 28%. Non-operating expenses increased by $2.5 million due to loss on asset disposal. The major asset surveyed this year was Gantry 3.

Key Project Initiatives

The following are the courses of action that the Port aims to accomplish or complete in FY 2017:

■ **5 Year Tariff Petition**

In June 2015, the Port reengaged it Owner's Agent/Engineer to revisit, update and modify the current 5 Year Tariff Schedule that factored changes to the PMP and updated financial and volume information. In the September 7, 2016 Board Meeting, the Board of Directors approved and adopted a 5 Year Accelerated Tariff Petition Analysis (2017-2021) to pursue rate increases with the PUC . The Port published its proposed rate on September 12, 2016 and filed the Increase Tariff Petition on November 16, 2016.

PAG Docket 17-01, 5 Year Tariff Rate Petition is anticipated to be placed in the PUC Agenda in the April 2017 regular monthly meeting. If approved, management will implement rates effective June 1, 2017, or 30 days after PUC approval.

■ **Facility Maintenance Fee Projects**

Through the Facility Maintenance Fee, the Authority plans the following projects:

- A/E Services for Wheel Stopper, Storm Drainage System Repair & Gate House Repair
- Concrete Storm Drain Channel System Upgrade
- Container Yard Water Line Valves
- Container Yard Asphalt Pavement Repairs
- Container Yard Stripping & Bumpers
- Canopy/Shelter for Maintenance

■ **Port Security Grant Program (PSGP)**

Through the Port Security Grant Program of the U.S. Department of Homeland Security, the Authority proceeded with the following projects:

- Cyber Security Assessment to scan IT infrastructure for vulnerabilities, penetration test, and cyber resilience review with an estimated completion date of June 30, 2017.
- PAG was awarded 2015 PSGP for two projects: 1) procure and maintenance and sustainment contract for its CCTV and access control systems, and 2) install additional security lights at various strategic port locations, specifically 4 new light poles and fixtures adjacent to F6.
- PAG was recently awarded 2015 PSGP for two projects: 1) procurement of additional cameras for Hagatna Marina, Agat Marina, and the Port, and 2) Phase III supplemental lighting project for industrial road, roadway heading to H-Wharf, and other strategic Port locations.

■ Other Marina and Harbor of Refuge Project

- Agat Marina demolition of B Dock under the Department of Agriculture Sport Fish Restoration Program.
- Renovation of the Guam Harbor of Refuge-Architectural and Engineering Design including Environmental Study Phase for the moorings was completed on September 2015 under Boating Infrastructure Grant Program Tier1. U.S. Wildlife Fisheries Service requested additional site assesssment be performed to the actual moorage system. Design of the pump-out system is scheduled to be completed in February 2017. Procurement and construction of pump out facility is anticipated to commence in 2017.

PAG's financial statements for fiscal year 2016 received a clean opinion from the auditors of Deloitte & Touche. This is the Port's 3rd consecutive year as a low risk audit. To view the Annual Audit Report or for more information visit: www.portguam.com

Give us your opinion, please tell us what you think about our report by contacting webmaster at (671)477-5931/5.

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