



**PORT OF GUAM**  
*ATURIDATI PUETTON GUAHAN*  
**Jose D. Leon Guerrero Commercial Port**  
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Eddie Baza Calvo  
Governor of Guam  
Ray Tenorio  
Lieutenant Governor

**REGULAR MEETING OF THE BOARD OF DIRECTORS**  
Jose D. Leon Guerrero Port Authority of Guam  
**Friday, February 15, 2013**  
**11:45am**

**AGENDA**

- I. CALL TO ORDER
- II. APPROVAL OF MINUTES
  - a. January 31, 2013 – Regular Board Meeting
- III. PUBLIC COMMENT:
  - a. Public Comments
  - b. Employee Comments
  - c. PAGGMA Association
- IV. GENERAL MANAGERS REPORT
- V. REPORTS:
  - a. List – Federal Grant & Local Funding Programs
  - b. Finance Report
  - c. Operations Productivity Report
  - d. Property Leasing/Port Development
  - e. Marina Report
  - f. Procurement Report
  - g. Safety Report
  - h. Engineering Report
- VI. OLD BUSINESS
  - a. Cementon Micronesia
  - b. KM&T
  - c. GEDA Loan Status
    - 1. Resolution No. 2013-02 – Sovereign Immunity
  - d. Port Modernization Program – Implementation Plan
    - 1. Task Order No. 28 – Project Management
    - 2. Task Order No. 35 – OAE Going Forward
- VII. NEW BUSINESS
  - a. FY2012 Financial Audit Report
  - b. FY2013 Budget
  - c. Merit Bonus
  - d. Harbor of Refuge – Boating Infrastructure Grant
- VIII. EXECUTIVE SESSION
  - a. Open Legal Issues
  - b. Personnel Matters
- IX. ADJOURNMENT



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**MINUTES OF THE  
REGULAR MEETING OF THE BOARD OF DIRECTORS  
Thursday, January 31, 2013**

**I. CALL TO ORDER**

There being a quorum, the regular meeting of the Board of Directors was called to order at 11:50 a.m., Thursday, January 31, 2013. Present at the meeting were:

Daniel Tydingco, Chairman  
Michael Benito, Vice Chairman  
Shelly Gibson, Board Secretary  
Eduardo Ilao, Member  
Christine Baleto, Member  
Felix R. Pangelinan, Acting Deputy General Manager  
Atty. Mike Phillips, Legal Counsel

Absent is Ms. Joanne M.S. Brown, General Manager. Also present were Cementon-Jerry Tang, Esther Mebabuun and John Perez; Jimmy Camacho-Office of Senator Tom Ada; Lee Vensel-Deloitte & Touche; Wayne Baumunk-Coral Reef; Zach Sprute-Parsons Brinckerhoff; Mark Calvo-Military Buildup Office-Governors Office; and Port Management staff.

**II. ELECTION OF OFFICERS**

The Vice Chairman made motion to retain Mr. Daniel J. Tydingco as Chairman of the Port Authority of Guam Board of Directors, seconded by Ms. Gibson. Motion was unanimously approved.

The Vice Chairman made motion to nominate Mrs. Christine Baleto as Vice Chairperson and retain Ms. Mary Michelle Gibson as the Board Secretary of the Port Authority of Guam Board of Directors, seconded by Mr. Ilao. Motion was unanimously approved.

**III. APPROVAL OF MINUTES**

a. **December 19, 2012:** Before the approval of minutes, a correction was made on page 4, line 14 which should reflect: "...the General Manager...". This correction was made on the minutes. With nothing further, Mr. Baleto made motion to approve the minutes of December 19, 2012 subject to correction. The motion was seconded by the Vice Chairperson and was unanimously passed.

#### IV. PUBLIC COMMENT

a. **Public Comment:** Mr. Wayne Baumunk, Coral Reef presented a proposal to the Board on the removal of dock B at Agat marina to accommodate more 40 to 60 foot boats. He indicated that by removal will reduce port maintenance costs while still providing a capacity of nearly 100 boats. Mr. Baumunk appreciates the progress being made at Agat marina and continues to work closely with the Commercial Manager.

The Vice Chairperson asked the status of the trash bin fence. Mr. Glenn B. Nelson, Commercial Manager said the materials are on order.

b. **Employee Comment:** None.

c. **PAGGMA Association:** Mr. John B. Santos, PAGGMA President said the association joined the GHRA Softball league that is ongoing. PAGGMA Christmas party is scheduled on December 14, 2013 and will advise on the venue once confirmed. The association will also commence discussions on the Chamorro Week event.

At this time, the Chairman acknowledged the appointment of Mr. Felix R. Pangelinan as Acting Deputy General Manager who has assisted with Port business while the General Manager is on personal leave.

#### V. GENERAL MANAGERS REPORT

1. **Informational Briefing-Port Authority of Guam:** An informational briefing of the Port is scheduled for March 5, 2013 before the Committee on Public Safety, Infrastructure & Maritime Transportation at the Public Hearing Room, Guam Legislature. A draft power point presentation will be provided to the Board for review.

2. **Office of Economic Adjustment Visit:** The Port was visited by Messrs. Gary Kuwabara, OEA and Jeff Peck, Port OAE Consultant on January 24, 2013 and addressed the status of the modernization program and OEA grant.

3. **General William M. Fraser, III Visits Port:** On January 25, 2013, General Fraser, Commander, U.S. Transportation Command who is manager of global air, land and sea transportation visited the port and was provided with a presentation and tour of the terminal yard. The presentation included items covering: facility constraints, capacity, cargo statistics, port significance to the region, impact due to the military buildup, capital improvement projects and terminal layout.

4. **rSIAS Interview (Revised Socioeconomic Impact Assessment Study)/Supplemental Environmental Statement:** Port management was called to an interview at the Governor's office to meet with Caroleen Toyama, NavFac Pacific on January 25, 2013. Information provided was the port constraints and capacity.

5. **Maritime Administration Visit:** On January 29, 2013, management met with Messrs. Joel Szabat, Executive Director and Brian Varney, Director of Pacific Gateway office to briefly discuss the modernization program progress.

6. **Ground Breaking Ceremony:** A ground breaking ceremony took place on January 30, 2013 for the Guam Commercial Port Improvement Program. Improvements include: container freight station building modifications; break bulk yard expansion, 4.6 acres container yard expansion and gate house renovation.

7. **Bill No. 7-32:** A public hearing is scheduled for February 1, 2013 on Bill No. 7-32 relative to the transfer of Port property to the Guam Ancestral Lands Commission. The Chairman had no issues with the transfer of properties to original landowners so long as such properties are not part of the modernization program nor on any lien hold by a financial institution. Mr. Benito asked the Commercial Manager whether there are any concerns with this bill. Mr. Nelson informed the Board that this is the seventh bill, stand alone legislation to basically transfer lands that are under administrative control of the Port to original landowners. He said portions of the land are designated wetlands. As known to the Board, the Port went through an aggressive master plan process to address the unprecedented military buildup which does not identify any need or purpose of this particular property (Lot No. 127-PI) which is basically the foundation for the return of prior parcels. Management was advised to prepare testimony in support of the bill and attend the public hearing.

At this time and without objections, the Acting Deputy General Manager addressed item b. **FY2013 Budget Authorization** under new business.

b. **FY2013 Budget Authorization:** The Acting Deputy General Manager said due to environmental health concerns there is a need for the Maintenance division to transfer within its division. He requested the Board to authorize the General Manager to transfer funds within the division to ensure environmental issues are addressed such as Admin air-conditioning and repair and maintenance of equipments critical to operations. Management is currently working on a quarterly budget and has been instructed that expenditures beyond the quarterly allotment require Board approval. Mr. Ernest G. Candoleta, Maintenance Manager said he has exhausted 1<sup>st</sup> and 2<sup>nd</sup> quarter budget and is in need to lift 3<sup>rd</sup> quarter budget to be able to repair and maintain cargo equipment critical to operations.

The Vice Chairperson said the budget is for the entire fiscal year so authority should be given on the expenditure for the year as oppose to a quarterly allotment. Mrs. Joann B. Conway, Acting Financial Affairs Controller clarified whether authority is being given to transfer and/or lift within each divisional budget. The Vice Chairperson said that would then be entirely different because that is transferring between categories which was the concern of the Board, but does not have issues to lift next quarters' budget which addresses the concern of the Maintenance division. In other words, budget authority is not granted to transfer from one category to another, but to allow leeway within a category for instance maintenance and repair, at any time during the fiscal year. Mr. Benito said from an operational standpoint, the repair and maintenance is based on the cost of a particular year and agrees to allow the flexibility to lift the

budget for the fiscal year, so long as it does not exceed that budgeted category which would then require Board approval.

The Vice Chairperson made motion to grant management the authority and flexibility to expend quarterly budgeted allotments within each divisional category at anytime during the fiscal year, seconded by Mr. Ilao. The motion was unanimously approved.

Before proceeding with the items under reports, there were no objections to entertain item a. FY2012 Financial Audit Report under new business.

a. **FY2012 Financial Audit Report:** Mr. Lee Vensel, Deloitte & Touche said the Port Authority's financial audit for fiscal year 2012 is completed with a *clean* opinion, meaning no issues. He briefly presented the following:

- Liabilities are down about \$600K mainly accounts payable largely due to timing.
- Net assets are up about \$2.1M.
- Operating revenues down about \$600K.
- Operating expenses down about \$300K.
- Non-operating (expenses) revenues: 600K reduction in federal grants which is off-set by the PILOT program at \$700K.

Mr. Vensel presented some points for the Port to consider as it prepares its financials moving forward, such as:

- Defined Contribution Retirement System / Define Benefit Plan. The Port in prior years had a significant amount in unfunded liability which was later determined that it was a multi-employer plan and under Generally Accepted Principals, accounting standards, the Port did not have to accrue this expense, relieving the Port from this liability. However, there are pronouncements being made that may require the Port to accrue this liability in 2014 or 2015.
- Port Modernization Plan. The Port has a \$13.8M recorded in construction work in progress for the modernization plan. He said the concern is that this is recorded under one account and suggested to have multiple accounts as to the type of projects or capital improvements for purposes of tracking and makes it easier to identify. Mr. Vensel said the idea is to start aligning the charges into the assets accordingly while these are still recent activities.
- Merit Bonus. This may be another potential liability the Port needs to consider.

The Chairman asked whether the audit captures the recent crane surcharge. Mr. Vensel said that was after this audit period, but it is indicated in the Management Discussion/Analysis report. The Vice Chairperson asked that as part of the audit, whether the Board will be provided with the remaining two reports: management letter and the internal control. Mr. Vensel said those have been completed in draft form. Management was advised to provide the Board with those reports.

## VI. REPORTS

a. **List-Federal Grant & Local Funding Programs:** Ms. Dorothy P. Harris, Chief Planner presented the following:

1. **DoAg-Division of Aquatic Wildlife & Resources** - dock C repairs at Hagatna marina is completed. This was a \$278K sub-grant of the DAWR. Black Construction will perform a final inspection on February 4, 2013. The Chairman asked that a ribbon cutting ceremony be arranged for this project completion.

2. **USDA-Rural Business Enterprise Grant** - the alternative management regime analysis has since been completed by the Port's Appraisal Consultant, Captains & Associates.

3. **Homeland Security Grant** - the container yard lighting project grant has been closed.

The Vice Chairperson asked the status of the OEA grant implementation plan balance at \$35,040. Ms. Harris said the Port may have requested for a modification, but will look into it.

b. **Finance Report:** The financial report for the month of November 2012 and December 2012 was presented to the Board for information.

The Chairman asked what the budget was for Marketing Division and Corporate Services Manager Division. Mrs. Conway said Marketing is at \$280K and Corporate is \$188K. The Chairman said he was interested in commencing conversation about the possibility of going through the process of re-organizing/realigning those particular divisions and perhaps utilizing those funds in the areas of essential personnel, employee increments or equipment acquisition. He mentioned that discussions on this would determine whether there is a need for a marketing division and redundancy in managerial leadership with the Corporate Services Manager position. The Chairman indicated that since there is a General Manager and Deputy General Manager position in place with the Port, he felt there is no need for an additional layer of bureaucracy, unless management determines that it is essential and critical to keep the marketing division and Corporate Services Manager position in place.

c. **Operation Productivity Report:** The operations productivity report for the month of December 2012 was presented to the Board for information.

Mr. Benito asked whether there are any discussions regarding Gantry 2. Mr. John B. Santos, Operations Manager said management has held discussions regarding that issue and will develop a plan. In the meantime, Gantry 2 needs to be in operational condition to be able to mobilize at the piers so as to not disrupt cargo operations. Mr. Benito said the other equipment such as the RTG needs to be removed from the yard as well. The Acting Deputy General Manager agrees and reminded the Board that those equipments have been surveyed to GSA since three years ago. The Port could either arrange with GSA to assist in removing the equipment or GSA will need to reduce the bid price. He expressed concern that once the construction aspect

of the modernization program commences, those RTG's will cause major disruptions and delays. Management was advised to work with GSA on this issue.

d. **Property Leasing/Port Development**: Mr. Nelson said briefing papers addressing properties from prior Board meetings have been provided to the General Manager, but have yet to receive guidance. As courtesy, he requested that property related items be tabled until the next meeting. There were no objections.

e. **Marina Report**: Tabled, until next meeting.

f. **Procurement Report**: Mrs. Alma B. Javier, Procurement Manager reported on the following:

- **RFP No. 12-003 Performance Management Services for Port Cranes**: The Port provided a counter-offer with the offeror, Marine Technical Services and hopes to receive a response by the next board meeting.
- **RFP No. 12-004 Risk Management Services**: Negotiations have been completed with the offeror, IRIS, Ltd. Request is now being made to approve contract award in the amount of \$42K per annum, payable at \$3,500 per month, plus travel cost.

Mr. Ilaio asked how long the contract period is for. Mrs. Javier said the term is a period of one year, with an option to renew for an additional four years, but not to exceed a contract term of five years. The Chairman asked how many proposals were submitted for this bid. Mrs. Javier mentioned that two prospective bidders had submitted a bid packet; however one was rejected. The qualification requirement for the risk management consultant basically requires an independent party that does not represent an insurance company or is affiliated with an insurance company for reasons that the consultant will be responsible for preparing the specifications for the Port's insurance program. She said if the consultant represent an insurance company may pose some conflict when preparing the specifications toward a particular insurance carrier. The Chairman wondered how this is deemed a conflict when the prospective bidder could easily opt to not bid on the insurance package. Mrs. Javier said during the bidding process, a pre-proposal conference is held for all interested parties to raise questions or concerns for Port consideration and if none is made, the specifications remain. Mr. Benito expressed concern that the Port is working on the workman's compensation issue which would require the assistance of a risk management consultant in completing this task. After discussion, Mr. Ilaio mentioned that usually as a vendor, when there are requirements from a government agency that is questionable, a request is made to waive that requirement; however if the concern is not brought up, then the qualification requirements remain as is. As there were some concerns about the qualification requirements that basically limited the pool on this request for proposal, the members decided to approve the contract award for a one year period.

Mr. Ilaio made motion to approve the contract award to IRIS, Ltd for RFP No. 012-004 Risk Management Consultant for a one year period at \$3,500 per month plus travel cost until the end of FY2013 where the remaining balance will be budgeted in FY2014, seconded by the Vice

Chairperson. In calling for the vote, all those who voted in favor of the motion were the Chairman, the Vice Chairperson, Director Benito and Director Ilaio. Ms. Gibson recused herself from this vote. The motion on the floor was approved by a majority vote.

- IFB No. CIP-013-001 Installation of Motor Operated Valve at Golf Pier Fuel Pipeline: Four bidders submitted their proposals and the lowest bid amount is \$324,400.41 from BME & Sons which is \$9,845.79 below the government's estimate of \$334,246.20. Based on this, Board approval is being request to award the contract to BME & Sons.

The Chairman asked the timeline for project completion. Mr. Simeon S. Delos Santos, Engineer Manager said the contract period is for four months. Ms. Gibson made motion to approve the contract award to BME & Sons, Inc. for IFB No. CIP-013-001 Installation of Motor Operated Valve at Golf Pier Fuel Pipeline in the amount of \$324,400.41, seconded by Mr. Ilaio. The motion on the floor was unanimously approved.

- Bid Procurement – General Services Agency: Items with GSA include: parts for the mobile harbor crane; a/c compressors; various a/c part and materials; workers compensation insurance and mobile screening machine.

The Chairman advised the Acting Deputy General Manager to communicate with GSA and follow up on these matters.

- Sole Source Procurement – Professional Services for JD Edwards Upgrade of Payroll Module: Ms. Gibson made motion to approve sole source procurement on the Professional Services for JD Edwards Upgrade of Payroll Module to Denovo Ventures LLC in the amount of \$6,750.00, seconded by the Vice Chairperson. The motion was unanimously approved.
- Procurement Plan: The two-year competitive procurement plan covering fiscal years 2013 and 2014 presented to the Board will be placed out on bid. These are items consistent with the capital improvement projects approved in the budget. Items not included will be brought before the Board for approval.
- Contract Management – Option to extend: Mr. Ilaio made motion to approve the option to extend the services of Pacific Human Resources Inc. on the administration of the Drug Free Workplace Program for the period February 1, 2013 – January 31, 2014, seconded by Ms. Gibson. The motion was unanimously approved.

### RECESS

At this time, the members agreed to take a break. The meeting recessed at 1:15 p.m.

### RECONVENED

The members reconvened the meeting at 1:40 p.m.



- Owner's Agent/Engineering Services – Amendment 4: Management requests for Board approval to extend the contract term of the Owner's Agent/Engineering Services (OAE).

Mrs. Javier said the extended contract term is expected to expire on February 17, 2013 and the contract provisions allow for one last extension option. She provided the members with the task order status report of January 8, 2013 that identifies items that are closed and opened and noted the open task orders as follows:

- Task Order 28 Project Management
- Task Order 29-7 – Security Integration
- Task Order 33 – ESA Phase II
- Task Order 34 – Structured Maintenance-Yard Equipment
- Task Order 35 – OAE Going Forward

The Vice Chairperson clarified whether the final year extension would be to complete those open projects. Mrs. Javier replied positively and had also presented the members with the Office of Economic Adjustment (OEA) funding assistance table that provides the federal funding support for OAE to perform their services on the majority of the projects. She said the approval being sought by management is on the master contract that would extend the term of Parsons Brinckerhoff contract for the OAE services for the period of February 2013 thru February 2014. Mr. Benito asked the amount on Port funds that will support these services. Mrs. Javier said \$470K was approved in FY2013 budget.

The Chairman asked what the \$470K will cover in terms of service. Mrs. Javier said the \$470K is specific to Task Order 28 Project Management which basically covers the OAE/PB core team to provide technical, support and administration services on all task orders under this program.

#### Executive Session

At this time, Mr. Benito requested to go into executive session. There were no objections. The Board went into executive session at 1:50 p.m. Executive session ended at 2:00 p.m. The Board is now back in regular meeting session.

Items addressed in executive session includes: Office of Economic Adjustment grant funding and Parsons Brinckerhoff/Owner's Agent/Engineering Service.

The Vice Chairperson made motion to approve the one year extension contract for Parsons Brinckerhoff covering the period of February 18, 2013 thru February 17, 2014 for the Owner's Agent/Engineering Service, subject to the outline of services listed on the OAE Assistance for Last Option Year, seconded by Mr. Benito. The motion was unanimously approved. (The outline of the OAE Assistance for Last Option Year is made part of this meeting minutes.)

At this time and without objections, the members entertained item c. GEDA Loan Status under old business.

c. **GEDA Loan Status:** Mrs. Javier reminded the Board that GEDA is assisting the Port through request for proposal for a commercial lending institution for the proposed financing of the Port's service life extension repairs on the wharf, financial management system and top lifter with a total amount not to exceed \$10M. GEDA has since gone through the procurement process and is in negotiations with the highest ranked offeror. She mentioned that as a result of the negotiations, GEDA recommends for the Port to work with the Guam Legislature in introducing legislation on sovereign immunity. The Chairman said the bank asked that legislation be enacted for this particular loan facility that enables them to sue above and beyond the government claim. He advised management to prepare the legislation for Board review. Mr. Benito understands that a Board resolution is also necessary which basically indicates that the Board agrees to waive its sovereign immunity for this particular loan.

Mr. Benito made motion to authorize management to draft resolution agreeing to the commitment terms set by the bank waiving Port sovereign immunity for this particular loan to be delivered to the Legislature prior to February 13, 2013 along with language that allows the Port for a proposed bill to be ratified at the Board's next February 2013 regular Board meeting. Motion was seconded by the Vice Chairperson and was unanimously approved.

At this time, the members entertained item d. **Merit Bonus** under new business.

d. **Merit Bonus:** Mrs. Javier said staff is currently gathering data for this purpose to determine the financial impact. Management is also engaging with the Department of Administration on questionable items with regard to implementing the merit bonus. The Vice Chairperson asked whether this merit bonus applies to the Port given its implementation of the compensation and benefits plan. Mrs. Javier said the merit bonus was enacted in 1991 and the Port's compensation and benefits plan was implemented in 2009. She mentioned that she will engage legal counsel on whether the merit bonus is allowable under the port's compensation plan. The Chairman asked how much was the salary increments recently disbursed to the employees. Mrs. Conway said \$800K which includes salary and benefits.

## VI. REPORTS (Cont.)

g. **Safety Report:** Mr. Francisco C. Roberto, Safety Administrator said for FY2013 to date: Personnel Injuries - 8 recorded, zero lost time, 4 recordable and 4 refused medical attention. Industrial accidents to date are 4 reported and investigated.

## VII. OLD BUSINESS

a. **Cementon Micronesia:** Legal Counsel said there was positive discussions that occurred in Singapore between regional counsel from Mobil and delegation of representatives from Cementon. One of the suggestions made was for the Port to write an endorsement letter informing the U.S. Coast Guard (USCG) and other regulatory entities that the Board supports this endeavor and to provide the relative functions of the parties involved in this project, and perhaps maybe meet with USCG. The Chairman asked whether a joint letter signed by the Port, Cementon and Mobil collectively prove beneficial to move this project along. Legal Counsel

mentioned that having worked with the individual parties, the challenge is that in order for Mobil and Cementon to sign off, everything has to be in order. For instance, Mobil may not be inclined to sign any documents until permits are in place. The Acting Deputy General Manager said having worked closely with USCG there may be a need to provide an operating plan of this project as well. The Chairman asked whether the meeting in Singapore between Mobil and Cementon was it anticipated that the endorsement letter be sent to help the regulatory agencies move on its approvals. Legal Counsel replied positively in that it would help facilitate this project to move forward. The Chairman asked legal counsel to prepare and send the letter without the operating plan at this time by next week.

Without objections, the members recognized the presence of Mr. John Perez, Cementon Micronesia representative. Mr. Perez said based on the Port Board minutes of November 28, 2012 where it states in part: “...if Mobil is assured by the Port that the motorized operational valve will be in place, that Mobil will allow reasonable period of time for Cementon to operate.”, asked whether that has been memorialized. Legal Counsel understands that Mobil regional counsel is aware of the developments on the motorized operational valves; however could provide an update as the Board had just approved the award with a contract period of four months for this project. Mr. Benito asked legal counsel to memorialize the status and indicate there to be an earlier understanding that this will serve as another step for allowing Cementon to move forward in the interim. He advised legal counsel to send the letter by February 4, 2013.

Legal Counsel recalled that the Board had no objections to the deferment in rent for Cementon and clarified with management whether that is the understanding. Mr. Nelson replied positively and said the deferment is for a period not to exceed eight months; ending June 2013 at which time the Board can revisit this matter.

At this time, discussions took place on the preparation of an operating plan and facility security plan by Cementon and Mobil for purposes of USCG. Mr. Nelson understands the concern being raised; however, he expressed this to be a contractual issue – the access for construction and the actual user agreement. The facility security plan is also two-fold – the landside and pier. He said the access for construction contemplates amending the existing management agreement with Mobil. Mr. Nelson expressed concern that if the agreements are not in place may present some issues. Legal Counsel agrees, but there still exist some unresolved matters regarding permits and insurance and neither side will enter into any agreements until Mobil is prepared to enter into both, likewise with Cementon. He said the compromise is the valve wherein Mobil may allow Cementon to operate in the interim, but does not change the outstanding issues on the permit and insurance. After discussion, Mr. Benito appreciates the concern raised on the contractual agreements, however, in order to move this forward advised legal counsel to proceed with the endorsement letter as well as the matter addressing the motorized operational valve. There were no objections.

- b. **KM&T**: Tabled, until the next meeting.
- c. **GEDA Loan Status**: (Item addressed after procurement report.)

d. **Port Modernization Program-Implementation Plan:**

1. **Performance Management Contract:** The Chairman understands that Superior Court has ordered a dismissal of this case with prejudice (SP209-10) on November 28, 2012. Also, on December 24, 2012 the Office of Public Accountability (Appeal No. POA-PA-10-004) ordered the dismissal of the appellant's appeal with prejudice on this case. He advised management to determine whether this contract is necessary at this point given the development of the Port.

2. **Performance Management Contract for Cranes:** (Item addressed under procurement report.)

### VIII. NEW BUSINESS

a. **FY2012 Financial Audit Report:** (Item addressed after procurement report.)

b. **FY2013 Budget Authorization:** (Item addressed under General Manager's report.)

c. **Human Resources Department:** The Vice Chairperson expressed concern on the recent events relative to the recruitment process that had affected four personnel employees. She advised management to provide recommendations to ensure this is not repeated. Mrs. Javier mentioned that personnel in the Human Resources division will be undergoing refresher training courses on the processes and procedures. Coordination will be made with Department of Administration and Civil Service Commission to assist in this matter.

The Chairman asked the Acting Deputy General Manager to consult with the General Manager to determine the need to fill in the vacant positions in the Human Resources division. The Acting Deputy General Manager cautioned the Chairman and said that as a result of the former port employees appealing their cases, those positions are to remain vacant in the event those employees are restored back to their respective positions.

d. **Merit Bonus:** (Item addressed after procurement report.)

e. **Resolution No. 2013-01 – Designation of Signatories:** Mr. Benito made motion to ratify Board Resolution No. 2013-01 relative to the designation of signatories for the Port Authority of Guam, subject to replacing the Acting Corporate Services Manager to the Operations Manager, seconded by Ms. Gibson. Motion was unanimously approved.

### IX. EXECUTIVE SESSION

At this time, the Board went into executive session at 3:00 p.m. Executive session ended at 3:20 p.m. The Board is now back in regular meeting session.

Items addressed in executive session includes: Guam YTK; Civil Service Commission; Personnel Matters: Hiring Freeze, Merit System, Desk Audit; Modernization Chain of Command.

Next Board Meeting Date - The Board members agreed to hold their next meeting on Friday, February 15, 2013 at 11:45 a.m., Port Authority Board Conference Room.

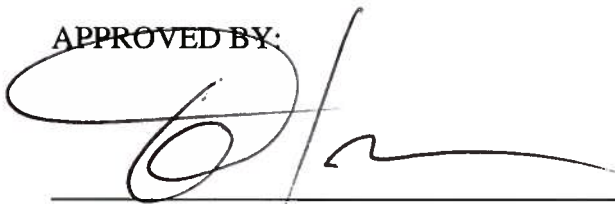
### X. ADJOURNMENT

There being no further business to discuss, it was moved by Mr. Benito and seconded by Ms. Gibson to adjourn the meeting at 3:25 p.m. The motion was unanimously passed.



MARY MICHELLE GIBSON, Board Secretary, Board of Directors

APPROVED BY:



DANIEL J. TYDINGCO, Chairman, Board of Directors



## **OAE Assistance for Last Option Year**

Master Plan Update...addresses changed course over past 5 years, expands look to address all Port assets, balances improvement with sustainability, incorporates Financial Feasibility and Implementation Strategy working with PUC and lays out plan for self-sufficiency

PUC 5-Year Tariff Request and 20-Year Projection...backed up by MP Update which provides more project definition than the previous PUC reports and justifies the 5-year tariff request

SLE Execution...general oversight and CM support

Security Enhancements Project Execution...general oversight assist and CM support...EOC and comms backbone...sets stage to roll out the TOS/GOS and integration with FMS

Additional Project Controls Assistance

Initiate development of FMS Upgrade, TOS, and GOS

Continue to assist PAG with TDT proceedings and TO's managed by MARAD/PMT

Continue to assist with Cabras Island Coordination

Assist in targeting Security Grants that add gate and other equipment such as generators, OCR readers, gamma scanners

Assist with roll-out/monitoring of Structured Maintenance Programs for Cranes and Yard Equipment...if desired

Any other tasking desired by PAG...OEA Grant supports tasking in following areas:

Working with PMT

Permitting Assistance

PMC Assistance

Equipment and Systems procurement and technical support

Cabras island coordination Assist

Planning, Construction Monitoring, Coordination assist

Stakeholder Communications

Cargo Forecasts, Program Strategy, Financial Feasibility, PUC tariff adjustments

Modernization Program Adjustment Planning

Port Authority of Guam, Board of Directors

February 15, 2013

RE: Agat Marina

In a continuing effort to keep the Board abreast of developments, and plans for the Agat Marina repair and maintenance I present the following updated report.

Agat Boaters have been advised that they must operate their boats to the outer channel marker within the next few weeks, in conformance of their Lease contracts. Some are willing, others are disgruntled. We are hopeful that this attention directed toward the Agat Marina means there is improvement of facilities to follow.

At a meeting conducted by the Captain Group, Steve Kasperbauer raised a promising idea. That being when the Guam Legislature moved the Marinas to the Commercial Port they knew the Port usually had profits, and that the Port could best afford to operate and maintain the marinas.

Due to circumstances not of our making, this has proven not to be true, and the Port has been unable to source funds adequate to sustain the marinas in optimum condition. Quite honestly, they are an embarrassment to the people of Guam, and the Tourists who transit these marinas enroute to one of the Primary Reasons for visiting Guam in the first place, Our Beautiful Ocean.

Mr. Kasperbauer's proposal was simple: Because Guam's Marinas are our Gateway to Our National Parks, everyone on Guam has a stake in these gateways properly representing Guam as a people proud of our Ocean Heritage, and our connection with the ocean. He proposed a \$2.00/container handled by the Port of Guam "Marina Use Fee". This fund could then be used to Guarantee Loans necessary to build the Marinas Guam deserves. Once built, User Fees, and occasional Federal Grants could maintain them.

Build necessary infrastructure at "Agat Marina" for proper, safe moorage of vessels. (North Breakwater, Replace Fuel Dock, Replace Outdated Dock System, New Restraunt and Concession Facility).

Turn "Harbor of Refuge" into a World Class harbor for our Submarine, and Dive fleets, and develop cost effective haul-out facilities for all boats on Guam.

Complete the long lost "Hagatna Boat Basin" development.

These are neither easy nor simple tasks. If we never get started, we'll never get done.

Respectfully Submitted,  
Wayne Baumunk  
D Dock Representative  
671-646-4895  
[crmcsrcv@teleguam.net](mailto:crmcsrcv@teleguam.net)



**General Manger Report**  
**To**  
**PAG Board of Directors**  
**February 15, 2013**

**Procurement of Workers Compensation Insurance**

The original bid documents were forwarded to GSA from the Port on December 28, 2012. After a month of follow-up by the Port, GSA finally responded and requested that the format for the Workers Compensation Insurance needed to be revised. The Port resubmitted the bid documents to GSA on Monday, February 11, 2013. The GM requested that an alternative bid with a deductible be included in the package. The deductible amount is \$150,000. Bidders will be able to provided two prices 1) with no deductible and 2) with a deductible.

GSA notified the Port on Thursday, February 14, 2013 that the bid notice will be issued out early next week.

**Notice to all Shipping Agents and Port Users Concerning PUC Crane Surcharge Order**

PUC provided a corrected order from their December 11, 2012 hearing concerning the Crane Surcharge that was submitted on September 20, 2012. A memo was sent by the Port GM to all Shipping Agents and Port Users on December 26, 2012 informing them of the PUC order and the \$105 interim surcharge for both foreign and domestic carriers that became effective on January 1, 2013 for all inbound, outbound and transshipment containers handled at the Port. This surcharge will terminate on February 28, 2013 upon which a \$125 surcharge will be applied to both foreign and domestic carriers. In the case of transshipment containers handled by the Port, these containers will be assessed only on the first carrier.

The PUC corrected order included the \$5 surcharge per ton for breakbulk, non-containerized cargo that is capped at \$105 per unit/item also placed in effect on January 1, 2013.

**Port Facility Maintenance Fee**

The PUC approved a Facility Maintenance Fee for the Port on February 25, 2010 (PUC Order Approving Implementation Policy Port docket 09-02). The purpose of the Facility Maintenance Fee was intended to charge \$25 per bill of lading when the total value is \$2,500 or more. The



Port was required to develop a process and policy to exempt cargo from the fee if the value was less than \$2,500 and that shippers that frequently shipped items that were less than \$2,500 would be exempt from the fee.

The PUC ordered the following:

1. the Facility Maintenance Fee Policy submitted by the Port to the PUC on February 17, 2010, is hereby approved; and,
2. the Port shall attach its Facility Maintenance Policy to its Port Authority of Guam Tariff Rate Table, and file the same with the Commission in accordance with this Order and the PUC Order of January 29, 2010 in this Docket.

According the regular meeting of the Board Directors on April 29, 2010, a motion was made “to approve the Facility Maintenance Policy as amended from a rate charge by bill of lading to a rate charge by container and by revenue tonnage for non-containerized and breakbulk cargoes. Charges include: \$25.00 for each loaded inbound, outbound and inbound transshipment container; and \$1.35 for breakbulk cargoes.” The motion was seconded and unanimously approved. A motion was also made to approve that the funds collected from the Facility Maintenance Fee be separated from Port funds in a lockbox type account which would help fund the annual capital replacement and facility maintenance needs identified in the Financial Feasibility Study. This motion was also unanimously approved.

Since this time concerns have been raised that these funds may not have been used for their intended purpose. The GM has discussed this matter with the Acting Financial Affairs Controller who stated the Port needs a formal policy for how the fee is to be recorded and what falls under the proper category use for the funds as ordered by the PUC.

The GM has requested that this issue be prioritized to insure that the Port gets back on track with the proper implementation of the PUC order to create a lock box account, and if further clarification is needed on the intent of the PUC, that a formal request be made to the PUC to do so.

The GM will have an updated report on this issue to the Port Board during its March 2013 meeting.

### **Weekly Division Managers Meetings**

The GM has instituted regular Monday Division Managers Meetings to provide the opportunity to keep the GM and all Division Mangers up to speed on current projects and issues facing the Port. This venue provides the opportunity not only to provide status reports but be kept informed and address collective resolutions when possible.

## **Technical Design Team Meetings**

The GM continues to attend the weekly Technical Design Team Meetings when her schedule permits to remain current on Port construction projects and the Port Modernization plans.

## **Meeting with Tidewater Distributor Inc. and Sanko Bussan (Guam) Co, LTD**

On Thursday, January 3, 2013, the GM met with Mr. Steven Stenson, owner of Tidewater Distributor Inc. and Mr. Tetsuo "Ted" Okubo, General Manager for Sanko Bussan (Guam) Co., LTD. The purpose of the meeting was to provide courtesy introductions as well as to discuss the process under which the Port can facilitate information and dialogue with its tenants for the interest of both parties. As both companies specialize in fisheries, they did express a concern about the current 30 day lease agreements with the Port that makes it difficult for them to have comfort to operate their business or expand their operations with the limited lease time provided.

## **OEA Meeting on Ongoing Port Grant Projects**

The GM was scheduled to meet with Mr. Gary Kuwabara from the OEA to discuss grant projects that have been provided to the Port from the Department of Defense Community Planning Assistance Funds that have supported the Port and its Port Modernization Program and also includes the support for the Master Plan and Public Outreach. According to Mr. Jeff Peck, PE, Senior Project Manager for PB, these grants are coordinated through the Office of the Governor and require an internal MOA between the Port and the Governor and an external agreement between the Governor and OEA.

Mr. Peck further relayed to the GM the following grants received by the Port from OEA:

- GR0706-08-02...\$ 544.5 K...OAE Contract Kickoff, Implementation Plan, Industry Forum Support, Protocol Manual...fully expended
- GR0706-09-04...\$ 2 M...TO's 4,6,14-24,28...Fact-Finding Studies (topo/hydro surveys, permit documents, environmental assessments, geotechnical, geology, seismic, PM)...fully expended
- GR0706-09-08...\$ 975 K...TO's 7,8,9,10...PMC Consultations, Master Plan Approval Documents, Terminal Development and Operations Plan, Terminal and Gate Operating Systems Specifications...fully expended
- GR0706-10-10...\$ 750 K...TO 12...Project Controls and PAGU...Funds remaining: approximately \$ 278 K...grant expiration: September 30, 2013 ? (per draft request...haven't seen final documents on this)
- GR0706-11-12...\$ 1.97 M...\$ 1.67 M OAE Technical Support Services, \$ 300 K Public Involvement...TO's 28,31,34,35...Funds remaining: approximately \$ 1.2 M...grant expiration : January 31, 2014

Mr. Peck further relayed that the areas of most interest to OEA where deliverables from the Port are desired are the "MP Update, PUC Tariff Support, FMS/TOS/GOS implementation support,

PMC implementation support, wharf service life extension (SLE) CM support...other routine activity includes Cabras coordination, MARAD/PMT oversight...questionable further activity would be with subtasks 2 (no more permitting envisioned in next year) and 8 (being driven by PAG under a PAG issued solicitation for Public Involvement).”

As the GM was on leave during Mr. Kuwabara’s visit, Acting General Manager Felix Pangelinan was able to meet with him and discuss issues between OEA and the Port.

### **Update Request for the 2007 Master Plan update Report**

On Monday, January 14, 2013, Senator Thomas C. Ada requested an update on the 2007 Master Plan for the Jose D. Leon Guerrero Commercial Port that was initiated in 2007. With the change and timing of the proposed military buildup, and issues related to the usage and management of Port related properties Senator Ada would like to have these issues addressed in accordance with 5 GCA Chapter 1 Subsection 1202.

The Port also received a similar letter from Senator Frank Aguon, Jr. on January 15, 2013, making a similar request to that of Senator Ada for an update on the Port Master Plan.

The Port responded to both Senators on Tuesday, January 22, 2013, relaying that the original Port Master Plan to response to the 2006 Department of Defense (DoD) plans for the relocation of the III Marine Expeditionary Force Personnel and their Dependents from Okinawa to Guam. The 2007 Master Plan had been intended to address the aggressiveness of the proposed build-up with a proposed start date of 2008 and cover Port needs within the immediate future and over a period of the next 20 years.

The *Guam and CNMI Military Relocation Final EIS (July 2010)* recommended the implementation of the DoD Adaptive Program Management Process which required that the Guam Port Master Plan be “re-set” to respond to the downsizing of the military initiative and the delay or cancellation of anticipated funds. The proposed decrease in military personnel went from a high of 8,600 to 5,000 Marines and a decrease of dependent family members to accompany active duty personnel from 9,000 to just 1,300.

The Port relayed to the Senators that it looked forward to providing an update to the Port Board of Directors and to the members of the Guam Legislature to address and align the Port Master Plan to current circumstances.

### **Request for Legislative Informational Briefing**

On Tuesday, January 22, 2013, the Port received a letter of request from Senator Tom Ada, informing the Port that his committee had scheduled an informational briefing to be conducted on Tuesday, March 5, 2013, at 6:00 p.m., at the Legislative Public Hearing Room.

The Senator requested that the following issues be addressed:

1. Status of Port Modernization
2. Crane Maintenance and Status of Gantry 3
3. PAG Facilities and Infrastructure, Fuel Lines and F-5 Structure
4. Gulf vis-a-vis Cementon
5. Hotel Wharf Geotechnical Study and Availability

Senator Ada requested that a Power Point presentation be provided and not exceed an allotted time of 45 minutes. He also requested that an advance copy be provided to his office no later than Monday March 4, 2013.

The Port is now in the process of preparing this information for the review of the Board and presentation to Senator Ada's Committee.

### **Port Audit Update Status Meetings**

The Port GM attended several meetings with the Office of Public Auditor representatives and Deloitte held on Friday, December 28, 2012, Friday, January 11, 2013, and January 25, 2013. Public Auditor Doris Brooks attended the meetings held on January 11<sup>th</sup> and 25<sup>th</sup>.

Primary representatives from the Port, in addition to the GM, included Ms. Joann Conway, Acting Financial Affairs Controller, Ms. Alma Javier, Procurement and Supply Manager, Acting Corporate Service Manager, and Ms. Miami Ulbenario, General Accountant Supervisor.

An updated presentation on the Independent Auditor's Reports on Internal Control and on Compliance for the Port for year ended September 30, 2012 was provided to the Port Board on Thursday, January 31, 2013.

### **Paseo De Susana Fishing Platform Project**

The Port received a request on January 3, 2013, from Department of Agriculture Director Mariquita F. Taitague concerning the installation of the Paseo De Susana Fishing Platform Project. The foundation of the project is primarily located on property owned by the Department of Parks and Recreation with the fishing platform extending over the riprap that is owned by the Army Corp of Engineers (ACOE), with the land beneath the riprap being owned by PAG.

The fishing platform is being constructed with grant funding to make the area more user friendly to rod and reel fishermen and Persons with Disabilities.

According to email correspondence between Ms. Athline M. Clark, Project Manager/Environmental Coordinator, USACE Civil and Public Works Branch to Mr. Jay Gutierrez from Guam Department of Agriculture, the Port is a Non-Federal sponsor for the Agana Small Boat Harbor. Ms. Clark relayed that it was the ACE "understanding that the

property was recently transferred to the Department of Parks and Recreation via an Executive Order from the Governor.” However, she further relayed that this transfer of property did not change the local cooperation agreement between the PAG and the USACE. As such, she requested that the Port would need to provide a letter of concurrence in support of the project or have the application filed through the Port on behalf of the Department of Agriculture.

The Department of Agriculture has requested the assistance of the Port to do one of the following 1) “ a letter of concurrence from PAG that they are in support of the Paseo De Susana Fishing Platform Project, or 2) have the ACOE application Filed through PAG on behalf of the Guam agency that is taking the lead.”

In response, the Port on January 22, 2013 provided a letter of support for the project signed by the Port GM to Mr. Ryan Winn, Guam Field Office Project Manager for USACE.

The Department of Agriculture also provided a Memorandum of Agreement (MOA) between the Department of Agriculture, Department of Parks and Recreation and the Port Authority of Guam. The responsibilities listed in the MOA related to the Port relay the following: provide a Liaison Officer to coordinate with the sponsor parties, allow for the construction of the platform located on the eastern side of the Hagatna Boat Basin, serve as a co-applicant on required federal applications or permits, allow for only “angling hook and line,” provide initial damage assessments in the event of a Presidential declared emergency (s) or natural disaster (s), coordinate for the revision of any regulation restricting angling on the eastern edge of the Hagatna, Boat Basin Channel, require ADA compliant operations, allow for unrestricted access to fishing platform though the Paseo de Susana location, designation of Alcohol Free Zone in accordance with P.L. 30-65:2, provide any and all notices to DOAG and DPR on any issues related to the fishing platform, provide any other assistance mutually agreed upon either orally or in writing.

The areas of additional responsibilities of the Port under the MOA will have a monetary impact:

- 1) provide assistance for the cost of trash disposal fees related to garbage collected on or near the fishing platform through a mutually agreed Cost Allocation Plan required as part of the construction permit document;
- 2) participate in the Cost Allocation Plan for the rules of conduct signage; and
- 3) agree to mutual enforcement of the rules of conduct for the protection of life and property.

The copy MOA provided to the signatures of the Director of Agriculture and the Acting Director of Parks and Recreation.

## **Update on the Mobile Pipeline Project**

The GM received an update from Ms. Richelle M. Takara, P.E. Transportation Engineer for FHWA on the status of the Mobile Pipeline Project. According to Ms. Takara the design for the pipeline is currently under review and FHWA, PTG and PB did not agree with the proposed design. A new design has been submitted and may be acceptable with additional changes. PB Port is providing assistance with the review of the project.

There are concerns raised by FHWA that the PAG designer, Mr. NC Macario may not have relayed to the Environmental Specialist for the CATEX preparation that this was an FHWA funded project and the letters sent to the resource agencies did not mention the use of federal-aid highway funds which is required. Apparently appropriate correspondence was not sent to the U.S. Fish and Wildlife Service (USFWS). Ms. Nora Camacho from PB is working to send a letter out to USFWS and a letter was recently sent out to SHPO to meet their notification requirements.

Ms. Takara further relayed that she provided the latest version of the MOA to Mr. Simeon Delos Santos, Port Engineer Manager and that the MOA needs to be executive to move forward on this issue.

On Tuesday, January 15, 2013, the GM, Mr. Simeon Delos Santos, Mr. Glenn Nelson and representatives from Mobile, General Manager Jaime Ortegas and Terminal Operations - Garrett Oliveras conducted a field visit of the existing fuel and water pipeline. The GM had an opportunity to see firsthand the number of metal patches and sleeves that have been added to the pipelines over the years. Mobil has a considerable concern that the current status of the fuel line limits the amount and speed that fuel can pass through the pipeline, thus slowing down the ability to unload fuels off the ships, into the fuel line and eventual storage tanks.

Without doubt and to avoid possible environmental issues and penalties, it is in the Port's best interest to move forward with the construction and replacement of the fuel line, especially with the contribution of federal funds that are available for this project.

The GM is in the process of reviewing the MOA and will provide a status update at the next Board Meeting scheduled for March.

## **Guam EPA Conditional Approval of Port Improvement Program Environmental Protection Plan**

On Tuesday, February 12, 2013, Guam EPA finally responded to the Port's request for approval of the Environmental Protection Plan (EPP) for the Port's Improvement Program. The EPP covers the following projects: the breakbulk Yard, existing container yard, new container yard and the new terminal gate yard.

Guam EPA provided conditional approval for these projects with the following requirements: Emergency Planning and Community Right-to-Know Act Reporting requirements, Soil Management Plan, Ground Water Management Plan, Waste Management Plan, Erosion and Sediments Control Plan and a Spill Prevention Plan.

### **Boating Infrastructure Grant Tier 1**

The Port was informed during a meeting that occurred on Tuesday, February 5, 2013 that there will be a 75%/25% cost share for the implementation of the project to address the Harbor of Refuge mooring and repairs. The amount requested under the grant for \$100,000 would require a \$25,000 contribution from the Port to address EA services.

### **Legal Counsel Review of Legal Agreements that Bind the Port**

The GM is requesting the concurrence of the Board for the review of Legal Counsel on all legal contacts and MOA agreements that bind the Port to any legal obligations. The GM wants to insure that before documents are forwarded for signature that the Port is protected and aware of its obligations and interest. The GM notes that this has not been a consistent process at this time.

### **Visit to Port Properties**

On Friday, December 28, 2012, the GM visited the Agana Boat Basin with Mr. Simeon Delos Santos, Engineer Manager, Mr. Glenn Nelson, Commercial Manager, Mr. Rudel Mangubat, Engineer III and Mr. Ray Munoz, Acting Facilities Maintenance Superintendent along with Mr. Joe Guevara, DPW Building Inspection and Permits Administrator, Acting. The Purpose of the visit was to provide the GM and introduction to the planned construction improvements for the Boast Basin to include Dock "C" and the dock slips, steel pile extensions and the waterlines replacement,. In addition, Mr. Guevara had been invited to inform him of the planned upgrades to the boat basin so that he could anticipate the required permitting for this project.

The GM has also extended an invitation to Mr. Guevera to visit the Port Authority in January to be advised of other upcoming construction projects for 2013 to better facilitate the coordination with DPW during the permitting process required for Port construction projects.

The GM is in the process of scheduling additional visits to the Agat Marina and surrounding Port properties that are leased.

### **Port Harbor Operations – Visiting Cruise Ship Asuka**

The GM had the opportunity on Sunday, December 30, 2012, at 4:30 a.m., along with Harbor Master Felix Pangelinan and Coast Guard Commander Brenden Kettner to ride the Tug Boat Talofoto and to board the Cruise Ship Asuka out in inner harbor. This experience provided the GM an opportunity to get a better understanding of Port operations with regards to the role,

partnerships and critical coordination needed to safely bring a vessel into port. The Port GM will continue to spend time getting more familiar with all Port operations dock side.

### **Meeting with Joint Guam Program Office (JGPO) Representatives**

The GM met with USN Captain Philip E. Old, JGPO Director and Major USMC Darren Alvarez, Deputy Director to provide formal introductions and discuss current issues with the Port modernization projects and the importance of maintaining the community and military partnership. The JGPO representatives relayed that while the initial military buildup has not proceeded as originally announced there was still a need to maintain collaboration for existing projects, including the DoD funded reconstruction of Route 11 leading to the Port properties. Major Alvarez also announced at this meeting that the Assistant Secretary of the Navy Energy, Installations and Environment (Acting) Roger M. Natsuhara and the Deputy Under Secretary of the Navy for Plans, Policy, Oversight and Integration Robert Martinage would be on-island to attend the ribbon-cutting for renovation of the CFS building and kick-off for the Port Modernization projects.

### **Visit of General William M. Fraser III to the Port**

General William M. Fraser III, from Scott AFB, Illinois had requested to include a visit to the Port of Guam from 9:15 to 10:15 A.M Friday, January 25, 2013.

General Fraser is interested the port modernization plan, timelines and a windshield tour of the Port facilities. His predecessor, Gen McNabb named the Port of Guam as "Strategic Port". As the GM was on leave during this time, Acting GM Felix Pangelinan facilitated the General's visit to the Port and coordinated with Port staff for a brief overview presentation and field tour of the Port facilities.

### **Port Improvement Program Ground Breaking Ceremony**

The Board of Directors and the Management and Employees of the Jose D. Leon Guerrero Commercial Port hosted the Port Improvement Program Ground Breaking Ceremony on Wednesday, January 30, 2013, from 9:00 to 10:00 a.m. The renovations of the CFS Building will provide for a Long shore Office and roll up doors for covered spaces. This project is Phase 1A Designed Construction to begin in 2013. Later this year the Port anticipates the demolition of Warehouse 2, to also include the existing wash down area, gas station and scale house. Anticipated at the end of the year is the container yard expansion by 4.6 acres

Attending the ceremony was the Assistant Secretary of the Navy Energy, Installations and Environment (Acting) Roger M. Natsuhara. According to his biography, Assistant Secretary Natsuhara "develops Department-wide policies, procedures, advocacy and strategic plans. He also oversees all Department of Navy functions and programs related to installations, safety, energy and environment."



The Deputy Under Secretary of the Navy for Plans, Policy, Oversight and Integration Robert Martinage. According to his biography, Deputy Under Secretary Martinage “serves as the Secretary of the Navy’s primary advisor on all matters relating to the Department of the Navy (DON) foreign policy and strategy, intelligence, and DON special operations advocacy and support. Per direction of the Secretary, he is responsible for policy integration with the DON and its interface with the interagency community of the federal government. On a day-to-day basis, he supports the Under Secretary on matters dealing with readiness and DON capabilities development.”

As the GM was on leave during this time, Acting GM Felix Pangelinan was able to coordinate with the Port Mangers for the successful execution of the ground breaking ceremony.

## **USDA**

On Tuesday, February 5, 2013, the GM received a response from Mr. Jeffery B. Flores from USDA concerning the trapping efforts for feral dogs and cats to improve the BTS inspections for ongoing Port cargo. According to Mr. Flores, USDA was able to capture four dogs and two cats that were taken to the GAIN facility over a four week period. As of Friday January 25, 2013, USDA completed its trapping operations and removed its traps on from the Port facilities on Monday, February 4, 2013.

## **Port Consultant Agreement with Parsons Brinckerhoff, Inc.**

In follow up to the Board Decision on Thursday, January 31, 2013 to extend the contact with Parsons Brinckerhoff, Inc., the GM signed the amended agreement to reflect an extension term of (1) year from February 18, 2013 to February 17, 2014 on Friday, February 8, 2013.

## **Procedures for the Lease of Port Properties**

The GM has requested for the Port Commercial Manager to provide the current written policy procedures for the lease of Port properties. While there may currently be procedures in the place, the GM has requested that a more formalized process be recommended for the GM and the Port Board to Review to insure that standard policies are in place and outlined for any interested applicants who desire to lease Port properties.

In addition, the GM has also requested that the Port Commercial Division review all Port leases to insure that all Port tenants have current insurance to address their buildings or vessels while occupying Port property. Insurance coverage is critical particularly in the event of a typhoon or other natural disaster where the Port could be left to address the removal or cleanup at the cost of the Port. Moreover, the GM has requested that all Port leases be reviewed to insure compliance with lease provisions and that the responsibilities of the Port to its tenants are being properly addressed.

An update on this issue will be provided during the next Board Meeting in March 2013.

### **Meeting with Mr. Brian Varney from MARAD**

On Monday, February 11, 2013, the GM met with Mr. Brian Varney from MARAD and Ms. Tresse Word, PE, Deputy Program manager from EA. The purpose of the meeting was primarily to address introductions with Mr. Varney and also to discuss the ongoing Port projects to include the implementation of the Brown Tree Snake Plan. The GM relayed that she looked forward to working with Mr. Varney and MARAD and address the ongoing projects.

### **Meeting with Tristar**

On Wednesday, February 13, 2013, the GM met with Tristar representatives who had requested a courtesy visit to discuss the status of the lease for the F1 properties and pipeline leases with the Port. Attending the meeting were Mr. KK Vikramn, General Manger, Mr. Eugene Mayne, Group Chief Executive and John Dennett and , Mr. Richard Brooks, Vice President, Logistics Operations for Agility Defense & Government Services. The representatives relayed that they have been working with the past two GM's since 2011 to address the status of their lease and desired to have a longer term lease addressed. The GM relayed that she would review the original lease agreement and then further discuss this matter with Legal Counsel and the Port's Commercial Division to determine the current status of the Tristar lease.

### **Meeting with IP&E Holdings, LLC**

On Monday, February 11, 2013, the GM and the Port Chairman met with representatives from IP &E Holdings, LLC. Mr. Jovino G. Lorenzo, Jr. and Mr. Richard Behang at their request to discuss possible leasing of Port Property in Area A or B; the old Exxon Mobil Drum Lot. The representatives stated that they had previously met with former GM Pete Leon Guerrero to inquire as to the process for leasing Port property.

The GM relayed that she would review the leasing policies at the Port to relay to IP&E the requirements and procedures needed so that the company would be made aware of this information to acquire a lease of port property.

### **Meeting with U.S. Coast Guard**

On Thursday, February 14, 2013 The GM and Acting Deputy GM met with Captain Casey White at the invitation of the U.S. Coast Guard. Aside from courtesy introductions, the primary focus of the meeting was to discuss the Port's compliance, operations, readiness issues and the cooperative partnership between the Port and the U.S. Coast Guard. Captain White relayed that the Coast Guard has a very good line of communication with the Port and would like to continue to grow on this partnership. The GM was provided with a tour of the operations center from which the Coast Guard monitors harbor operations and search and rescue missions within Micronesia.

### **Agana Marina Ribbon Cutting/Ground Breaking Ceremony**

The ribbon cutting ceremony for the completion of Docks A, B and C for the Agana Marina and a grounding breaking ceremony for the commencement of Phase 2 of the Marina improvements has been tentatively scheduled for Thursday, March 7, 2013. The date has been schedule to coincide with the Governor's participation at the ceremony.

### **XTERRA Guam Championship Race**

The Port received a formal letter from Mr. Eric Tydingco, Event Manger for the XTERRA Guam Championship Race to be one of the sponsors for the event scheduled for March 23, 2013. In past years the Port has served as a sponsor and provides the use of the Port beach as an event site for the beginning and after race activities. The Port's participation is non-monetary in nature and the GM has provided a favorable response of support for this event.

### **Guam Conference on the Americans with Disabilities Act Amendments Act (ADAAA)**

The GM and Mr. Frank Roberto, Safety Administrator, attended the Guam Conference on the Americans with Disabilities Act Amendments Act (ADAAA), held from Wednesday, January 9<sup>th</sup> to Friday, January 11, 2013. The conference provided a very good overview for management to be knowledgeable of the requirements of the ADAAA and the perimeters for the implementation of the Act. This information has been most helpful in dealing with some adverse action cases and mediation discussions related to employees within the Port that are covered by the ADAAA.

## **Freedom of Information Act Requests**

### **Request from Vice Speaker Benjamin Cruz**

1. On Wednesday, February 6, 2013, Senator Cruz sent another follow-up letter to the Port's response on Thursday, January 31, 2013 inquiring if there was a relation between the TWIC card issuance and the pay scale of employees that held the TWIC card. According to Senator Cruz, 74 employees out of the Port's 345 employees are not required to hold a TWIC as a condition of their employment. He further relayed that only ten of the "non-required" employees are presently without a TWIC Card. Senator Cruz wanted assurances that the TWIC was not attached to a higher level of salary compensation for Port employees.

The Port is finalizing a response today to Senator Cruz to relay that the information that he received is inaccurate and that there is no relationship for increase compensation to employees that have obtained TWIC cards that are not required as a condition of employment.

2. On Wednesday, January 23, 2013, Senator Cruz requested a list of Port employees that were TWIC card holders and also a list of employee positions that required TWIC cards as a matter of employment.

The Port provided Senator Cruz with a response on Thursday, January 31, 2013.

3. In a letter dated Wednesday, January 9, 2013 and received by the Port on Monday January 14, 2013, Vice Speaker Benjamin Cruz requested the following: a list of all unclassified Full Time Employees delineating the position title, salary, and the number of years they have been in the position in an unclassified status.

The Port provided a response to Senator Cruz on Wednesday, January 16, 2013.

4. On December 6, 2012, Senator Cruz requested information concerning the Port of Los Angeles (POLA) Gantry Cranes.

On December 13, 2012, the Port provided a response that the official sale and transfer of the ownership of the cranes was still in progress and that all data and records for the cranes had yet to be transferred to the Port by the owners, Matson & Horizon. The Port also relayed that the data requested concerning the down time for the POLA cranes was provided as a courtesy by the owners and that the Port did not have the legal authority to certify the accuracy of the information.

## **Request from Ms. Bernadette Meno**

1. On Thursday, February 14, 2013, Ms. Bernadette Meno requested electronic copies of the following documents: All notices and agendas published pursuant to the Open Government Law and all minutes or other public records of meetings held by the Port Authority Board of Directors for the period of August 1, 2012 to February 10, 2013.

The Port is currently compiling the information to respond to this request.

2. On an email dated Monday, February 4, 2013, and received by the Port on Tuesday, February 5, 2012, Ms. Meno sent a FOIA request to the Port for the following information: Legal Services, Board Travel and Reimbursement and Executive Session.

The Port responded to Ms. Meno's request on Friday, February 8, 2013, providing a copy of the legal services contract between the Port and the law firm of Phillips and Bordallo and all invoices and/or billings sent to the Port from the firm of Michael Phillips (Phillips and Bordallo) to include the billings and/or invoices for all attorneys in his firm.

The Port also provided copies of travel for TA 12-001, TA 12-009, TA-013, TA 12-022, TA 12-024, TA 12-049.

With regards to Ms. Meno request for Executive Session minutes for July 11, 2012, the Port relayed that there were pending legal matters that were discussed during this meeting concerning the Guam YTK Corporation and Cementon Micronesia and remain privileged information.

3. On Tuesday, January 8, 2013, Ms. Meno requested copies of Board of Directors Executive Session transcripts from June of 2011 to July of 2012.

The Port provided a response to Ms. Meno on Thursday, January 10, 2013.

4. On December 27, 2012, Ms. Meno requested a copy of the Port's Directors and Officers Insurance Policy.

A response was provided to Ms. Meno by the Port on Wednesday, January 2, 2013.

## **Request from Mr. Jeffrey A. Cook (Cunliffe & Cook)**

In a letter dated Monday, January 14, 2013, Attorney Jeffery A. Cook requested information on behalf of his client Mr. Eddie Taitano, regarding an incident that occurred on May 24, 2012. An overview of the information from Attorney Cook includes the following: a rules, regulations and

policies, protocols for officers handling of arrestees to include the use of handcuffs during an arrest, manuals, directives, policies related to making and arrest and the handling of arrestees, rules and regulations related to field drug test, the handling of information in employees personnel files and reports, statements and other documents related to an incident on May 24, 2012 when Mr. Eddie Taitano was detained by the Port Police.

The Port provided a response to Attorney Cook on Wednesday, January 16, 2013.

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NOTE: Pages 16-22 are Port Personnel related matters to be addressed in Executive Session.

**FEDERAL GRANT/LOANS & LOCAL FUNDING PROGRAMS**  
**FY2012 Port Modernization Plan**  
**Grant Strategy - Monthly Update**

As of February 11, 2013

**Summary Sheet of Funding/Financing**

	On-hand	Expenditures	Remaining Balance	NOTES
<b>Port Modernization</b>				
Loans	\$ 39,000,000.00	\$ 12,000,000.00	\$ 27,000,000.00	For Gantry Cranes & Port Modernization Program
Grants	\$ 64,926,816.94	\$ 16,755,296.62	\$ 48,171,520.32	\$48.5M Port Enterprise Fund
Security	\$ 9,338,705.28	\$ 2,496,049.11	\$ 6,841,163.22	
Marinas	\$ 3,984,106.00	\$ 320,480.26	\$ 3,663,625.74	
<b>Grand Totals:</b>	<b>\$ 117,249,628.22</b>	<b>\$ 31,571,825.99</b>	<b>\$ 85,676,309.28</b>	

**Applications/Approvals Pending**

		NOTES
Port Modernization	\$ 10,000,000.00	GEDA/Local Lender for Wharf SLE
Security	\$ -	
Marinas	\$ 261,000.00	
<b>Grand Totals:</b>	<b>\$ 10,261,000.00</b>	

**STRATEGIC PLANNING DIVISION - FEDERAL GRANT/LOANS & LOCAL FUNDING PROGRAMS**  
**FY2013 Port Modernization Plan**  
**Grant Strategy - Monthly Update**

AS OF February 11, 2013

**I. Port Modernization**

ITEM	LOAN #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Award Amount	Draw Down Approved	Remaining Balance	STATUS:
FY2006-01	ANZ Guam Inc., Guaranteed Loan	Purchase & Install New/Used Gantry Cranes	ANZ Guam Inc., Guaranteed	9/29/2006	100.0%	9/29/2006 - 9/29/2011 Extension 3/31/2012, Extension requested until 9/30/2012	\$ 5,000,000.00	\$ 5,000,000.00	\$ -	Signed & Closed December 20, 2012
FY2006-02	USDA Direct Loan	Purchase & Install New/Used Gantry Crane to replace an inoperable Gantry Crane	USDA RD CF Direct Loan	9/29/2006	0.0%	9/29/2006 - 9/29/2011 Extension 3/31/2012, Extension requested until 9/30/2012	\$ 2,000,000.00	\$ -	\$ 2,000,000.00	CLOSED
FY2006-03	ANZ Guam Inc., Guaranteed Loan	Procurement of 2nd Brand New/Used Gantry Crane	ANZ Guam Inc., Guaranteed	8/20/2007	100.0%	8/20/2007 - Extension requested until 9/30/2012	\$ 7,000,000.00	\$ 7,000,000.00	\$ -	Signed & Closed December 20, 2012
FY2010-02	USDA Direct Loan	Port Modernization Plan	United States Department of Agriculture Communities Facilities Program (USDA CF)	10/22/2010	0.0%	10/22/2010 - 10/22/2015	\$ 25,000,000.00	\$ -	\$ 25,000,000.00	Uplands

**GRAND TOTAL LOANS FOR MODERNIZATION:**  
**\$ 39,000,000.00 \$ 12,000,000.00 \$ 27,000,000.00**

ITEM	GRANT #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Award Amount	Draw Down Approved	Remaining Balance	STATUS:
FY2008-01	GUAM CIP 2009-3, GR # pending	Engineering Analyses and Consultations Project for the Jose D. Leon Guerrero Commercial Port Modernization	Department of Interior Office of Insular Affairs (DOI OIA)	09/03/09	94.9%	9/01/09 - 9/01/14	\$ 1,000,000.00	\$ 949,236.01	\$ 50,763.99	*Correction made on drawdown report reflecting PAG-Other not DOI OIA as indicated
FY2009-01	GUAM-CIP 2009-1, GR970144	Preliminary Engineering & Environmental Studies for the JDUG Commercial Port Facilities	Department of Interior Office of Insular Affairs (DOI OIA)	06/22/09	98.0%	3/18/2009 - 3/18/2014	\$ 2,000,000.00	\$ 1,960,048.19	\$ 39,951.81	
FY2009-02	GR0706-08-02-08-01	1. Implementation Plan Project No. GR0706-08-02-08-01 MOU Sub-Grantee 2, Protocol Manual	Office of Economic Adjustment (OEA) DoD	11/13/08	93.6%	11/14/2008 - 9/30/2010, extended to 09/30/2011, extended to 03/31/2012, CLOSED.	\$ 544,500.00	\$ 509,460.00	\$ 35,040.00	CLOSED. Remaining grant balance reimbursed to General Fund. (6/21/10 memo)



FY	GRANT #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Requested Amount	Draw Down Approved	Remaining Balance	STATUS:
FY2009-03	07-79-06339	Environmental Assessment & A/E Design of Proposed Wharf Modernization of F5, F6, F7 and Container Yard	Economic Development Administration (EDA) & Maritime Administration (MARAD)	04/30/09	100.0%	4/30/2009 - 4/30/2011 CLOSED	\$ 1,687,316.94	\$ 1,687,316.94	\$	CLOSED
FY2009-04	GR0706-09-04	Guam Military Complex - Port Fact Finding	Office of Economic Adjustment (OEA) DoD	05/01/09	100.0%	06/08/10 - 12/31/10, extended to 9/30/2011 CLOSED	\$ 2,000,000.00	\$ 1,999,819.00	\$ 181.00	CLOSED
FY2009-05	GR0706-09-08	Port Terminal Preliminary Design, Performance Management Services Benchmarks and Legislative Approval	Office of Economic Adjustment (OEA) DoD	06/01/09	99.1%	06/01/09-12/31/10, extended to 9/30/2011 extended to 03/31/2012 CLOSED	\$ 975,000.00	\$ 965,837.24	\$ 9,162.76	CLOSED Reprogramming request for remaining balance was denied. Funds reverted back to grantor.
FY2010-01	Port Enterprise Fund	Port Modernization Plan - (Transfer from DOD to DOT)	DoD to DOT Maritime Administration Agency (MARAD)	09/22/10	4.8%	9/22/2010 - 9/22/2015	\$ 48,500,000.00	\$ 2,310,670.57	\$ 46,189,329.43	Transferred to the Port Enterprise Fund on 09/22/2010. As of 7/2/2012 Dashboard Total Transferred to Project \$50M; Total for Contracts \$48.5M; Total for MARAD Admin \$1.5M; EA Engineering \$2,037,751.02; Pending Contract Obligations \$274,919.55 for TO 007 Prog Mgmt Support; 8/7/2012 Dashboard
FY2010-02	CLOSED	Procurement of Cargo Handling Equipment	ANZ / USDA Guarantee	08/20/07	100.2%	8/20/2007 CLOSED	\$ 3,500,000.00	\$ 3,505,986.00	\$ (5,986.00)	4 Tls (2,598,686) 10 Tractors (807,300) USDA Letter of Commitment assigns the \$4.5M to ANZ, however, loan closing documents to date total \$3.5
FY2010-03	GR0706-10-10	Project Controls and Program Accountability Services	Office of Economic Adjustment (OEA) DoD	10/01/10	62.9%	10/1/2010 - 9/30/2012 Extension approved until 9/30/2013	\$ 750,000.00	\$ 472,036.69	\$ 277,963.31	TO 12 held in abeyance. Grant extension approved until September 30, 2013
FY2010-04	Guam-GI-2010-1	Implementation of Programs and Projects Relevant to the Port Modernization Program	Department of Interior Environmental and Related Agencies Appropriations Act 2010 (DOLOIA)	10/25/10	88.6%	9/28/2010 - 9/28/2015	\$ 2,000,000.00	\$ 1,772,353.54	\$ 227,646.46	\$3,217.48 pending reimbursement from DOJ/DOA.
FY2011-01	GR0706-11-12	Owner's Agent Engineer Support Services	Office of Economic Adjustment (OEA) DoD		31.6%	4/01/2011 - 3/31/2012 Extension approved 01/31/2014.	\$ 1,970,000.00	\$ 623,532.44	\$ 1,347,467.56	\$124,475.89 pending reimbursement from OEA.

**GRAND TOTAL GRANTS FOR MODERNIZATION:** \$ 64,926,816.94 \$ 16,755,296.62 \$ 48,171,520.32

ITEM	GRANT #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Requested Amount	Draw Down Approved	Remaining Balance	STATUS:
FY 2013	PROPOSED LOAN/BDND	Wharf Service Life Extension (SLE)	GEDA/Local Lender				\$ 10,000,000.00			PAC working with GEDA on loan financing options for wharf SLE

**GRAND TOTAL FOR MODERNIZATION PENDING:** \$ 10,000,000.00

II. SECURITY

ITEM	GRANT #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Award Amount	Draw Down Approved	Remaining Balance	STATUS:
FY2007-01	2007-GB-T7-0437	Three (3) Trailer able Fire Pumps W/Monitor Units	The Department of Homeland Security Office of Grants and Training (DHS OG&T)	Purchase Order was issued during 2nd quarter of FY2010.	100.0%	10/01/2007 - 6/30/2012 (close out reporting period 09/30/12)	\$ 540,000.00	\$ 540,000.00	\$ 0	Final Close Out CAPR and FSM were submitted to US DHS/FEMA and was subsequently approved. Grant is now in grant file and will be in storage for 3 years as federally required.
FY2007-02	2007-GB-T7-0437	Container Yard Lights	The Department of Homeland Security Office of Grants and Training (DHS OG&T)	Notice to Proceed given during 2008. However, due to the Port Modernization Plan, this project was put on hold.	100.0%	10/01/2007 - 6/30/2012 (close out reporting period 09/30/12)	\$ 834,016.00	\$ 834,016.00	\$ 0	CLOSED OUT 10/10/2012
FY2008-01	2008-GB-T8-0148	Acquisition of Interoperable Communication Equipment	The Department of Homeland Security Office of Grants and Training (DHS OG&T)	Notice to Proceed was given in early 2009.	99.7%	08/01/2008 - 05/31/2013	\$ 573,693.97	\$ 573,693.97	\$ 1,867,530.00	Extension request granted through May 31, 2013. Remaining balance will be used to purchase CCTV Surveillance System.
FY2008-02	2008-GB-T8-148	Comprehensive Port Wide Video Surveillance System	The Department of Homeland Security Office of Grants and Training (DHS OG&T)	Notice to Proceed given in early 2009.	0.0%	08/01/2008 - 05/31/2013	\$ 556,326.69	\$ 59,391.69	\$ 496,935.00	Extension request granted through May 31, 2013. Contractor is in the process of identifying all equipment and accessories for the initial purchase and utilization of this grant funding for the Security Enhancements Program.
FY2009-02	2009-PU-T9-0043	II 2: Access Control/Secured Credentialing System with TWIC Reader Capability	PSGP	03/01/10	5.1%	2/2009 - 12/31/2013	\$ 622,811.62	\$ 31,811.78	\$ 590,999.84	Request for Extension through December 31, 2013 was granted by US DHS/FEMA on Feb. 4, 2013.
FY2009-03	2009-PU-T9-0043	II 3: Communication Duct Bank Work (formerly Radar/Intrusion Detection System)	PSGP	03/01/10	1.7%	2/2009 - 12/31/2013	\$ 600,832.50	\$ 30,000.00	\$ 590,832.50	Request for Extension through December 31, 2013 was granted by US DHS/FEMA on Feb. 4, 2013.
FY2009-04	2009-PU-RI-0164	Renovation/Upgrade of Existing Port Police Building to Serve as the PAG's Maritime and Port Security Operations Center	President's ARRA Supplemental PSGP	04/12/10	17.6%	09/2009 - 02/28/13	\$ 910,593.50	\$ 160,539.45	\$ 750,054.05	Request for Extension through Feb. 28, 2014 was submitted on Dec. 4, 2012. Currently waiting on response.
FY2009-05	W090280-003	To acquire a new fully equipped Emergency Response Vehicle	Guam Homeland Security Office of Civil Defense	09/20/10	100.0%	9/20/2010 - 07/31/12 (CLOSED)	\$ 50,000.00	\$ 50,000.00	\$ 0	CLOSED OUT 11/07/2012
FY2010-01	2010-PU-TD-0080	II 1: Command and Control Integration of CCTV Security Surveillance, Access Control/Secured Credentialing, Radar Intrusion/Detection, and TWIC Reader, Social Media	PSGP	02/10/11	10.6%	06/01/10 - 05/31/13	\$ 2,257,500.00	\$ 238,463.75	\$ 2,017,543.30	65% Design submitted and accepted by the Port on Feb 5, 2013. Currently working with Engineering and OAE PB on review and comments.
FY2011-01	EMW-2011-PU-00200-501	II1: Upgrade of Emergency Back-up Generators to Support Maritime and Port Security Management and Operations	PSGP	09/01/11	0.0%	09/01/2011 - 08/31/2014	\$ 867,141.00	\$ -	\$ 867,141.00	Final Draft Specifications have been completed. Anticipated bid announcement sometime in April 2013.
FY2011-02	EMW-2011-PU-00200-501	II2: Mobile Cargo and Vehicle CBRNE Detection and Screening System	PSGP	09/01/11	0.0%	09/01/2011 - 08/31/2014	\$ 1,525,790.00	\$ -	\$ 1,525,790.00	Final Specifications were returned by GSA, they recommend to research and include two other similar type of systems for their review. They want to make sure that the specs was generic to ensure open competition. In addition, the Port is currently waiting on signed MOU by Customs which is a requirement for this project to move forward.

**GRAND TOTAL FOR SECURITY: \$ 9,338,705.28 \$ 2,496,049.11 \$ 6,841,163.22**

III. MARINAS

ITEM	GRANT #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Award Amount	Draw Down Approved	Remaining Balance	STATUS:
FY2010-01	MOU 1-21	GU B Repair Dock A, Dock B, Pillings, Water blasting - GOP Marina	Federal Assistance Boating Access Funds - Department of Agriculture	04/28/10	36.4%	Aug 2009 - Sept 2012 Extension APPROVED - 09/30/13	\$ 744,106.00	\$ 271,147.26	\$ 472,958.74	Dock A Completed - Federal reimbursement totaled \$209,000. Dock B - Completed. Pending reimbursement \$200,202.76. DOCKS A & B Pile Extension - Completed. DOCK C - Completed. Final payments & Requests for Reimbursements to be processed. Project slated to commence March 2013. Preparing for Ground Breaking Ceremony slated for last week of Feb 2013.
FY2011-01	Guam-CIP-2011-1	Gregorio D. Perez Marina Actual Renovation & site improvements - Phase II	Department of Interior Office of Insular Affairs (DOI OIA)	07/22/11	0.0%	Aug 2011 - August 2016	\$ 440,000.00	\$ -	\$ 440,000.00	Final Reimbursement received. Awaiting grant close out notification.
FY2011.02	GRANT	Analysis & Development of Management Regime for Small Boat Marinas	United States Department of Agriculture Rural Business Enterprise Grant (RBEG)	07/02/10	98.7%	Aug 2010 - Dec 2012	\$ 50,000.00	\$ 49,333.00	\$ 667.00	PAG in receipt of \$250K advance payment. Pending site assessment by Engineering in February 2013.
FY2012.01	12 5FF II-01	Agat Marina "Dock A" Repairs	NOAA Commission on Fisheries	10/01/12	0.0%	Sep 11, 2012 - Sep 30, 2013	\$ 250,000.00	\$ -	\$ 250,000.00	Project slated to commence March 2013. Preparing for Ground Breaking Ceremony slated for last week of Feb 2013.
FY2012.02	Guam-CIP-2012-1	Gregorio D. Perez Marina Actual Renovation & Site Improvements - Phase II	Department of Interior Office of Insular Affairs (DOI OIA)	02/22/12	0.0%	Feb 22, 2012 - Feb 22, 2017	\$ 2,500,000.00	\$ -	\$ 2,500,000.00	
<b>GRAND TOTAL FOR MARINAS:</b>							<b>\$ 3,984,106.00</b>	<b>\$ 320,480.26</b>	<b>\$ 3,663,625.74</b>	

ITEM	GRANT #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Requested Amount	Draw Down Approved	Remaining Balance	STATUS:
PENDING FY2013-01		Harbor of Refuge Moorage Repairs: A/E Design, Environmental Study, Permits & Pump Out System	Dept of Ag, DAWR - Boating Infrastructure Grant (BIG) Tier I				\$ 100,000.00			Application submitted by state designated agency, Dept of Ag on September 19, 2012. Announcement of awards by March 2013. Amount reduced to \$100K for A/E Study. Future application for grant cycle FY2015 will be for actual repairs of anchorage & hardware. On Feb 5, 2013 federal officials from USF&WR held a meeting with PAG, & Dept of Ag and was informed of a 75% BIG Tier I Cost Share and 25% PAG Cost Share. Reason, Harbor of Refuge utilized for multi-uses, transient, recreational & other uses. Prior to any repairs on the moorage (in-water work) it requires Environmental Compliance
FUTURE FY2014-02		Harbor of Refuge Anchorage & Moorage Repair	Dept of Ag, DAWR - Boating Infrastructure Grant (BIG) Tier I				\$ 100,000.00			FUTURE \$100,000.00
FUTURE FY2013-01		Marinas: Replace & upgrade sewage pump station	Dept of Ag, DAWR - Clean Vessel Act				\$ 61,000.00			Application submitted by state designated agency, Dept of Ag on December 5, 2012. Announcement of awards by May 2013.
<b>GRAND TOTAL FOR MARINAS PENDING:</b>							<b>\$ 261,000.00</b>			

**PORT AUTHORITY OF GUAM**

**Budget Transactions**

15-Feb-13

*In the January 31, 2013 board meeting, Acting General Manager requested authorization from the Board of Directors to allow management to lift quarterly budget and be able to transfer money within divisions budget to give them the flexibility to manage their division. The Board of Directors approved the above request provided that the request be documented and that the Board be informed. Therefore, below are the current transactions.*

**Budget Lifts:**

Memo		Annual		Quarter		
<u>Date</u>	<u>Division</u>	<u>Request</u>	<u>Acct. No.</u>	<u>Budget</u>	<u>Budget</u>	<u>Reason</u>
2/1/2013	Transportation	Lift 3rd qtr OT	332.8114	160,135.00	40,033.75	Needed to cover OT expenses.
			333.8114	16,101.00	4,025.25	
2/1/2013	Maintenance	Lift 3rd/4th Oper Supplies	421.8524	34,046.00	8,511.50	Materials for Agat Mar dumpster fence & for future requisitions
2/1/2013	Maintenance	Lift 3rd/4th Equipment Rental	421.8665.EQMTRENT	263.00	65.75	Rent digger for poles-Agat Marina Dumpsters \$200
2/1/2013	Maintenance	Lift 3rd/4th Oper Supplies-Electrical	423.8524	42,350.00	10,587.50	Needed to purchase electrical parts & materials
2/4/2013	Stevodore	Lift 3rd qtr OT	312.8114	211,689.00	52,922.25	Needed to cover OT expenses.
			313.8114	11,142.00	2,785.50	
2/5/2013	Maintenance	Lift 3rd/4th qtr OT	411.8114	43,499.00	10,874.75	Needed to cover OT expenses.
2/5/2013	Maintenance	Lift 3rd/4th qtr OT	413.8114	19,973.00	4,993.25	Needed to cover OT expenses.
2/4/2013	Maintenance	Lift 3rd/4th Oper Supplies	422.8524	16,600.00	4,150.00	Needed for janitorial supplies
2/6/2013	Terminal	Lift 3rd qtr OT	320.8114	152,628.00	38,157.00	Needed to cover OT expenses.

**Divisional Transfers:**

Memo		Amount	
<u>Date</u>	<u>Division</u>	<u>Request</u>	<u>Acct. No.</u>
2/4/2013	Maintenance	Tr. for pwr tools fr 422 to 421	422.8366.PHTLS
			600.00

Note: Highlighted is routing for approval.

Bldg Maint does not have a budget, to purchase Pwr actuated gun fastening tool.

**JULY 2012 - JANUARY 2013**

**VESSEL OPERATION RECAP**

	July	August	September	October	November	December	January	
<b>MATSON</b>								
No. Vessel	5	4	4	5	4	4	5	
Discharge	2937	2362	2282	2972	2617	2437	2615	<b>31</b>
Loaded	2590	2415	1996	2789	2200	2246	2577	<b>18222</b>
Total Moves	5527	4777	4278	5761	4817	4683	5192	<b>16813</b>
Cranes used	P14,16,17	P14,16,18	P14,16,17	P14,16,17	P14,16,17	P14,16,17	P14,16,17	<b>35035</b>
Average GMPH	21.4	20.9	22.9	22.2	20.9	23	22	<b>21.9</b>
<b>ISLANDER</b>								
No. Vessel	2	2	2	2	2	1	2	<b>13</b>
Discharge	316	440	339	370	406	179	479	<b>2529</b>
Loaded	524	386	454	600	381	248	476	<b>3069</b>
Total Moves	840	826	793	970	787	427	955	<b>5598</b>
Cranes used	P16,17	P16,18	P16,17	P16,17	P16,17	P14,16,17	P14,16,17	<b>16.6</b>
Average GMPH	18.2	20.8	16.4	16	18	10		
<b>SHUTTLE/S-2011</b>								
No. Vessel	5	6	4	5	7	6	6	<b>39</b>
Discharge	210	251	146	196	201	242	280	<b>1526</b>
Loaded	213	265	230	216	257	284	241	<b>1706</b>
Total Moves	423	516	376	412	458	526	521	<b>3232</b>
Cranes used	G2,3	G2,3	G2,3	G2,3	G2,3	G2,3,P14,16	G3,P14,16	<b>15.3</b>
Average GMPH	17.2	14.1	16.4	14	16.6	17	12	
<b>MELL</b>								
No. Vessel	5	4	4	5	4	6	6	<b>34</b>
Discharge	793	611	690	943	611	699	466	<b>4813</b>
Loaded	714	561	669	826	693	528	956	<b>4947</b>
Total Moves	1507	1172	1359	1769	1304	1227	1422	<b>9760</b>
Cranes used	G2,3	G2,3	G2,3	G2,3	G2,3	G2,3,P17	P14,16,17	<b>15.7</b>
Average GMPH	17.1	14.3	14.6	15	16	16	17	

**JULY 2012 - JANUARY 2013  
VESSEL OPERATION RECAP**

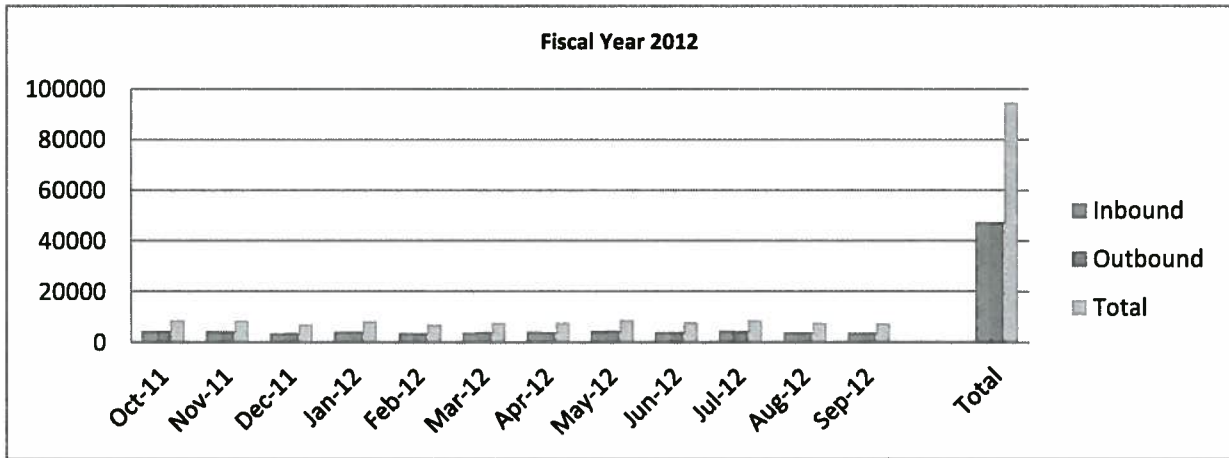
<b>KYOWA</b>		2	2	2	0	3	2	1	12
No. Vessel		2	2	2	0	3	2	1	<b>810</b>
Discharge		138	111	59	0	155	234	113	<b>1161</b>
Loaded		151	214	119	0	132	442	103	<b>1971</b>
Total Moves		289	325	178	0	287	676	216	
Cranes used		G2,5g	G2	G2	0	G2,3	G2,3	P17	
Average GMPH		8.8	7.8	9.6	0	12.4	13	8.1	<b>10.0</b>
<b>BARGE</b>									
No. Vessel		1	1	1	2				<b>5</b>
Discharge		0	28	0	1				<b>29</b>
Loaded		1	0	1	44				<b>46</b>
Total Moves		1	28	1	45				<b>75</b>
Cranes used		G3	G2	G2	G2,3				
Average GMPH		2.1	3	0.2	8.6				<b>3.5</b>
<b>Kwangsi</b>									
No. Vessel			1		1			1	<b>3</b>
Discharge			6		13			26	<b>45</b>
Loaded			0		11			11	<b>22</b>
Total Moves			6		24			37	<b>67</b>
Cranes used			G3		G2,3			P16	
Average GMPH			11.6		5.7			15	<b>10.8</b>
<b>Pacific Condor</b>									
No. Vessel				2	2	1	1	2	<b>8</b>
Discharge				77	47	95	147	284	<b>650</b>
Loaded				128	155	182	124	281	<b>870</b>
Total Moves				205	202	277	271	565	<b>1520</b>
Cranes used				G2,3	G2	G2	G2,3	G3,P17	
Average GMPH				6.3	6.7	9.3	8.9	7.9	<b>7.8</b>



Month	Inbound	Outbound	Total
Oct-11	4248	4367	8615
Nov-11	4298	4179	8477
Dec-11	3421	3525	6946
Jan-12	4051	4102	8153
Feb-12	3523	3458	6981
Mar-12	3694	3877	7571
Apr-12	4014	3775	7789
May-12	4276	4406	8682
Jun-12	3912	3910	7822
Jul-12	4394	4189	8583
Aug-12	3809	3796	7605
Sep-12	3733	3719	7452

8048 (Four Months Average)

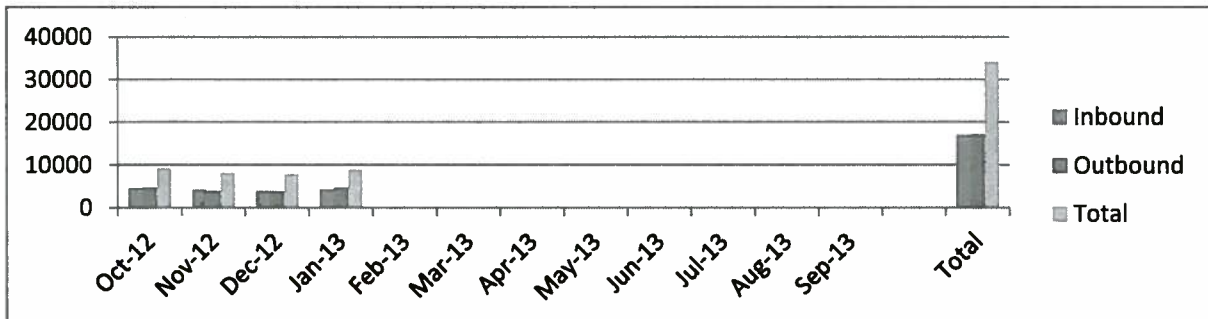
<b>Total</b>	<b>47373</b>	<b>47303</b>	<b>94676</b>
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Month	Inbound	Outbound	Total
Oct-12	4557	4656	9213
Nov-12	4211	3944	8155
Dec-12	3938	3873	7811
Jan-13	4263	4645	8908
Feb-13			0
Mar-13			0
Apr-13			0
May-13			0
Jun-13			0
Jul-13			0
Aug-13			0
Sep-13			0

8522 (Four Months Average)

<b>Total</b>	<b>16969</b>	<b>17118</b>	<b>34087</b>
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<b>"Matson Navigational"</b>																								
Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts		Total Ctnrs	Total TEUs	Ops Hrs	Loss Hrs	Berth Hours	G #2	G #3	Down Time	Shift GMPH					Nmpth	Gmph		
						In	Out									1st	2nd	3rd	4th	5th				
Manukai	133	04 Jan - 10:32	05 Jan - 19:04	04 Jan - 13:17	05 Jan - 18:47	669	604	1273	2440.5	29.5	7.2	32.5			0:00	0:00	0:10	17	24	23		25.8	22	
Manulani	88	10 Jan - 11:57	11 Jan - 10:25	10 Jan - 13:30	11 Jan - 08:12	442	543	985	1878.8	18.7	4.3	22.5			0:00	0:00	0:29	19	28	31		28.7	25	
Maunawili	108	16 Jan - 08:58	17 Jan - 10:07	16 Jan - 09:46	17 Jan - 06:10	378	451	829	1603.3	20.4	6.6	25.1			0:00	0:56	0:00	17	25			26.7	21	
Maunalei	69	24 Jan - 04:07	25 Jan - 10:03	24 Jan - 05:24	25 Jan - 07:48	459	524	983	1866.0	26.4	3.8	29.9				0:13	0:00	22	19	28	20	26.6	23	
PJ Pfeiffer	378	31 Jan- 06:51	01 Feb - 12:29	31 Jan - 07:56	01 Feb - 11:17	667	455	1122	2139.5	27.3	23.5	29.6			0:17	0:28	0:21	18	16	36		28.5	19	
<b>Total:</b>									<b>2615</b>	<b>2577</b>	<b>5192</b>	<b>9928.1</b>											<b>27.3</b>	<b>22</b>
<b>"Matson Navigational" (Islander Matson)</b>																								
Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts		Total Ctnrs	Total TEUs	Ops Hrs	Loss Hrs	Berth Hours	G #2	G #3	Down Time	Shift GMPH					Nmpth	Gmph		
						In	Out									1st	2nd	3rd	4th	5th				
Islander	165	06 Jan - 16:30	07 Jan - 11:30	06 Jan - 17:31	07 Jan - 11:15	286	264	550	711	17.7	4.8	19			0:02	0:26		17	20	19		24.5	20	
Islander	166	28 Jan - 10:55	01 Feb - 22:05	28 Jan - 13:19	01 Feb - 21:17	193	212	405	550.3	27.1	17.1	83.2			0:00	1:09	10	8	9.3	19		18.5	11	
<b>Total:</b>									<b>479</b>	<b>476</b>	<b>955</b>	<b>1261.3</b>											<b>21.5</b>	<b>16</b>

<b>"Marianas Steamship Agency" (Super Shuttle/2011/2006)</b>																										
Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts		Total Ctnrs	Total TEUs	Total Ops Hrs	Loss Hrs	Berth Hours	Down Time			Shift GMPH					Nmph					
						In	Out						G #2	G #3	Mtgor Yokina	Machocho	Bunuchacho	1st	2nd	3rd		4th	5th			
S-2011	007/008	03 Jan - 00:15	05 Jan - 11:45	03 Jan - 04:28	05 Jan - 09:58	31	55	86	151.5	8.1	3.7	59.5			0:00				37	10	11			19.3	11	
S-2011	008/009	08 Jan - 09:42	11 Jan - 14:00	08 Jan - 13:35	11 Jan - 11:25	74	33	107	178.5	6.7	2.1	76.3			0:23				23	9.6				22.8	16	
S-2011	9s/10n	14 Jan - 16:50	17 Jan - 17:22	14 Jan - 17:16	17 Jan - 15:55	21	57	78	128.3	6.6	1.7	10.7							0:00	25	11			15.9	12	
S-2011	10s/11n	20 Jan - 08:00	25 Jan - 09:25	20 Jan - 10:57	25 Jan - 03:14	86	83	169	277	13.7	5.1	18.9			0:09	0:00			12	13				19.6	12	
S-2006	11	29 Jan - 21:00	30 Jan - 03:00	30 Jan - 02:00	30 Jan - 02:38	0	13	13	18	0.6	1.3	6							0:00	6.5				18.9	6.5	
S-2011	11s/11s	29 Jan - 16:10	30 Jan - 09:16	29 Jan - 19:40	29 Jan - 22:11	68	0	68	123.3	5.2	2.9	17.1							1:37	13				29.3	13	
<b>Total:</b>									<b>280</b>	<b>241</b>	<b>521</b>	<b>876.6</b>								<b>Month Nmph/Gmph Average:</b>					<b>21.0</b>	<b>12</b>
<b>"Marianas Steamship Agency" (Kyowa)</b>																										
Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts		Total Ctnrs	Total TEUs	Total Ops Hrs	Loss Hrs	Berth Hours	Down Time			Shift GMPH					Nmph					
						In	Out						G #2	G #3	Mtgor Yokina	Machocho	Bunuchacho	1st	2nd	3rd		4th	5th			
Cattleya	129	15 Jan - 23:12	17 Jan - 06:48	16 Jan - 01:38	17 Jan - 06:18	113	103	216	270	19	13.9	31.6							0:53	8	11	11		17.1	8.1	
<b>Total:</b>									<b>113</b>	<b>103</b>	<b>216</b>	<b>270</b>													<b>17.1</b>	<b>8.1</b>

Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts		Total Ctnrs	Total TEUs	Ops Hrs	Loss Hrs	Berth Hours	G #2	G #3	Down Time			Machocho	Mchor Mokina	Bunuchacho	Shift GMPH					Nmph			
						In	Out								1st	2nd	3rd				4th	5th							
						Month Nmph/Gmph Average:																							
<b>" CTSI" (Meil )</b>																													
Sayang	24	08 Jan - 18:54	09 Jan - 18:52	08 Jan - 20:37	09 Jan - 10:58	146	313	459	559	14.3	3.3	23.9			0:40	0:00	22	30					28.7	24					
Sudong	19	14 Jan - 05:36	14 Jan - 16:06	14 Jan - 08:31	14 Jan - 15:46	106	3	109	152	7.3	1.8	10.5			0:00	0:00	15						19.5	15					
Seringat	19	14 Jan - 01:06	14 Jan - 18:48	14 Jan - 02:22	14 Jan - 18:03	0	388	388	497	15.7	6.1	17.1			0:32	0:12	0:00	25	14				25.4	18					
Stamford	20	20 Jan - 07:06	20 Jan - 18:48	20 Jan - 08:42	20 Jan - 17:40	86	114	200	248	8.9	2.8	11.7			0:00	0:00	14						18.1	14					
Sayang	25	28 Jan - 01:15	28 Jan - 08:06	28 Jan - 02:17	28 Jan - 06:44	128	18	146	179	4.4	1.8	6.8			0:00	0:00	18						23.4	18					
Springwood	23	28 Jan - 07:30	28 Jan - 17:06	28 Jan - 09:28	28 Jan - 15:42	0	120	120	161	6.2	2.7	9.6			0:00	0:37	14						20.6	14					
<b>Total:</b>												<b>466</b>	<b>956</b>	<b>1422</b>	<b>1796</b>												<b>Month Nmph/Gmph Average:</b>	<b>22.3</b>	<b>17</b>
<b>" AMBYTH" (Kwangsi)</b>																													
Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	In	Out	Total Ctnrs	Total TEUs	Ops Hrs	Loss Hrs	Berth Hours	G #2	G #3	Down Time			Machocho	Mchor Mokina	Bunuchacho	Shift GMPH					Nmph			
Kwangsi	1221	03 Jan - 01:00	03 Jan - 06:15	03 Jan - 01:55	03 Dec - 04:17	26	11	37	50	2.4	0.9	5.3						0:00							25.3	15			
<b>Total:</b>									<b>26</b>	<b>11</b>	<b>37</b>	<b>50</b>												<b>Month Nmph/Gmph Average:</b>	<b>25.3</b>	<b>15</b>			

"MSA" (Pacific Condor)																														
Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts		Total Ctns	Total TEUs	Total Ops Hrs	Loss Hrs	Berth Hours	G #2		G #3		Down Time			Shift GMPH										
						In	Out						Meget Molina	Machocho	Bunuchacho	1st	2nd	3rd	4th	5th										
Condor	111	03 Jan - 01:24	06 Jan - 02:54	03 Jan - 02:53	06 Jan - 07:17	148	129	277	348	20.9	16.5	73.5	0:00	18	4.1	8.1	15													
Condor	111	23 Jan - 07:00	24 Jan - 17:24	23 Jan - 08:17	24 Jan - 15:42	136	152	288	360	31.4	19.6	34.4	0:01		5.6	8.7	11													
								0																						
								0																						
								0																						
<b>Total:</b>						284	281	565	708					<b>Month Nmph/Gmph Average:</b>		<b>16.1</b>					<b>7.9</b>									



**PORT OF GUAM**  
ATURIDAT I PUETTON GUAHAN  
**Jose D. Leon Guerrero Commercial Port**  
1026 Cabras Highway, Suite 201, Piti, Guam 96925  
Telephone: 671-477-5931/35 Facsimile: 671-477-2689/4445  
Website: [www.portguam.com](http://www.portguam.com)



Eddie Baza Calvo  
Governor of Guam  
Ray Tenorio  
Lieutenant Governor

February 13, 2013

**MEMORANDUM**

**TO:** Board of Directors  
**FROM:** Procurement and Supply Manager  
**SUBJECT:** Procurement Division Status Report for February 2013

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**1. Request for Proposals**

- A. No. 12-003: Performance Management Services for Port's Cranes  
The Cost Negotiations Committee has initiated discussions with the selected Offeror and will continue to conduct negotiations.
- B. No. 13-001: Real Estate Appraisal Services
- Advertised on February 4, 2013
  - Pre-Proposal Meeting: February 12, 2013
  - Deadline to Submit Proposals: February 22, 2013

**2. Invitation for Bids – Construction**

- A. No. CIP 013-002: Warehouse 1 Demolition of CMU Walls & Column Spalling Repairs
- Advertised on February 6, 2013
  - Pre-Bid Conference: February 13, 2013
  - Bid Opening: February 28, 2013

**3. Invitation for Bid – General Services Agency**

- A. Issued Bids
- Part for Mobile Harbour Crane – Awarded and PO was received
  - A/C Compressors and various units – Pending award by GSA
  - A/C Refrigerants and various materials and supplies – Pending award by GSA
- B. Pending Bid Announcements/Issuance
- Workers Compensation
  - Mobile Screening Machine (Federally funded)

**4. Contract Management**

- A. Installation of MOV at Golf Pier Fuel Pipelines – Contract being reviewed by Legal Counsel  
B. Risk Management Consulting Services – Contract being reviewed by Legal Counsel

**5. Procurement Plan ( See attached)**

Gregorio D. Leon Guerrero Commercial Port  
**PORT AUTHORITY OF GUAM**  
**2-YEAR COMPETITIVE PROCUREMENT PLAN**

Revised: 2/13/2013

**FISCAL YEAR 2013**

METHOD	SOLICITATION TYPE	PROJECT TITLE/DESCRIPTION	REQUESTING OFFICE	ESTIMATED ISSUANCE	PROPOSED TERM	CONTRACT VALUE (EST.) PER ANNUM	CONTRACT VALUE (EST.) TTL TERM	FUNDING SOURCE	COMPLIANCE	
									PL 30-72	PUC
IEB	Construction	Installation of MOV at Golf Pier Fuel Pipelines	CIP	January 2013	thru completion	\$	300,000	O&M	NO	NO
GSA/IFB	Equipment Purchase	Compressors for Admin Building A/C System	Facilities	January 2013	thru completion		80,000	O&M	NO	NO
GSA/IFB	Equipment Purchase	Various Air Conditioning Units & Parts/Supplies	Facilities	January 2013	thru completion		30,000	O&M	NO	NO
GSA/IFB	Equipment Purchase	Harbour Crane Part/Supply - Bearing Unit	Facilities	January 2013	thru completion		16,000	O&M	NO	NO
RFP	Professional Services	Real Estate Appraisal Services	Commercial	February 2013	5 yrs	\$	40,000	O&M	NO	NO
IFB	Construction	Warehouse 1, CMU and Column Repairs	CIP	February/March 2013	thru completion	\$	300,000	CIP Local	NO	NO
GSA/IFB	Equipment Purchase	Cargo & Vehicle Detection/Screening Machine	Planning	March 2013	thru completion		1,525,790	PSGPDHS	YES	YES
GSA/IFB	Insurance	Workers Compensation Insurance Coverage	Corporate	March 2013	pro-rated		250,000	O&M	NO	NO
RFP	Professional Services	Architectural/Engineering Services	CIP	March 2013	1 - 5 years		-	O&M	NO	NO
GSA/IFB	Equipment Purchase	Emergency Back-Up Generators	Facilities/Planning	March 2013	thru completion		850,000	PSGPDHS	YES	NO
IFB	Construction	Agat Marina Dock "A" Repairs	Planning/CIP	March/April 2013	thru completion		250,000	NOAA Fisheries	NO	NO
IFB	Construction	Upgrade of Power System for IT Office	CIP	March-April 2013	thru completion		100,000	CIP Local	NO	NO
GSA/IFB	Supply/Srvcs	Trash Collections Services	Facilities	April/May 2013	one year		200,000	O&M	NO	NO
RFP	Professional Services	Management for B-1 Hotel Pipe Facilities	Commercial	May 2013	5 yrs	\$	400,000	O&M	YES	YES
IFB	Construction	Service Life Extension (SLE): Wharf Repairs	CIP	June/July 2013	thru completion		5,500,000	Loan Proceeds	YES	YES
RFP	Professional Services	SLE: Financial Management Systems Upgrade	Finance/Corp	June/July 2013	thru completion		2,500,000	Loan Proceeds	YES	YES
GSA/IFB	Equipment	SLE: Acquisition of Cargo Handling Equipment	Operations	June/July 2013	thru completion		2,000,000	Loan Proceeds	YES	YES
GSA/IFB	Supply/Srvcs	Port Insurance Coverages - Renewal	Finance/Corp	June/July 2013	one year		2,500,000	O&M	YES	YES

**FISCAL YEAR 2014**

METHOD	SOLICITATION TYPE	PROJECT TITLE/DESCRIPTION	REQUESTING OFFICE	ESTIMATED ISSUANCE	PROPOSED TERM	CONTRACT VALUE (EST.) PER ANNUM	CONTRACT VALUE (EST.) TTL TERM	FUNDING SOURCE	COMPLIANCE	
									PL 30-72	PUC
IFB	Construction	Electrical Work for Additional 56 Reefer Outlets	CIP	November/Dec 2012	thru completion	\$	850,000	CIP Local	YES	NO
IFB	Construction	Electrical Work for Reefer Lights Installation	CIP	November/Dec 2012	thru completion	\$	75,000	CIP Local	NO	NO
IFB	Construction	Agat Marina Loading Dock Structural Repair	CIP	Jan/February 2013	thru completion		200,000	CIP Local	NO	NO
IFB	Construction	Port Police Security Upgrade	CIP	Jan/February 2013	thru completion		200,000	CIP Local	NO	NO
IFB	Construction	Renovations to Harbor Refuge	CIP/Planning	March-April 2014	thru completion	\$	200,000	BIG Grant	NO	NO
IFB	Construction	Marrinas Sewage Pump Station Upgrade	CIP/Planning	March-April 2014	thru completion	\$	60,000	Federal Grant	NO	NO
IFB	Construction	Container Yard Storm Drain Channel Repairs	CIP	April/May 2013	thru completion		600,000	CIP Local	YES	NO
IFB	Construction	Automatic Transfer Switch for LC2 & LC3	CIP	April/May 2013	thru completion		100,000	CIP Local	NO	NO
IFB	Construction	Repair/Upgrade Perimeter Fence	CIP	June/July 2014	thru completion		200,000	CIP Local	NO	NO
RFP	Professional Services	Terminal and Gate Operating Systems	Corp/Finance	To be Determined			7,000,000	TBD	YES	YES

**Port Authority of Guam**  
(FY-13 (10-2012 to 09-2013))

02/15/2013

**ACCIDENT SCOREBOARD**

**Personal Injuries**

There were No personnel injuries this reporting period: 01/31 to 02/15/13.

To Date on FY-13: 10/01/12 to 02/15/2013, we recorded -8- personal injuries:

0 - Lost-time  
4 - Recordable  
4 - Refused Medical Attention

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Number of Days since Last Disabling Work Injury: 167

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\*Lost-time = If an employee was injured on the job and medical doctor sent him/her home, his/her injury is considered a lost-time.

\*\*Recordable = If an employee was injured on the job and medical doctor treated him/her and released him/her back to work on the same day (Recordable because of medical charges).

\*\*\*Refused Medical Attention: Filed WC Forms 201 & 202 for record purposes only.

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**Industrial Accidents**

There were No industrial accidents recorded/investigated: 01/31 to 02/15/13

To Date of FY-13: 10/01/2012 to 02/15/2013 we investigated -4- industrial accidents:

<u>Crane</u>	<u>Tractor</u>	<u>Forklift</u>	<u>MV</u>
2	1	1	0

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PORT AUTHORITY OF GUAM  
Jose D. Leon Guerrero Commercial Port  
ENGINEERING/CIP DIVISION  
Piti, Guam 96925

February 12, 2013

**INTER-OFFICE MEMORANDUM**

TO: General Manager

VIA: Corporate Services Manager, Acting

FROM: Engineer Manager

SUBJECT: Brief Summary Status of Ongoing & Proposed CIP Projects for the Year 2013  
First Quarter, aside from the Guam Commercial Port Improvement Program.

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The following is a summary list of currently on-going projects including projects in the planning stage.

- 1) **PROJECT:** **GDP Marina Renovation & Site Improvements Project Phase-II**
- IFB NUMBER: PAG CIP-012-007
- CONTRACTOR: Black Construction Corporation
- PROJECT AMOUNT: \$1,698,877.00
- FUNDING SOURCE: Department of Interior of Insular Affairs Grant # 670090 & 770061
- NOTICE TO PROCEED: February 6, 2013
- COMPLETION TIME: January 3, 2014 (332 CD)
- PAYMENT TO DATE: \$0
- BALANCE PAYMENT: \$0
- Construction Manager: N.C. Macario & Associates & Port Engineering/CIP Division
- % Completion: 0%
- WORK STATUS: BCC is processing for submission of the required submittals.
- NOTE: BCC got the DPW permit on February 6, 2013. Permits from ACOE, BSP, & GEPA are on file.
- 
- 2) **PROJECT:** **Replacement of Welded Steel Petroleum Distribution Piping**
- RFP NUMBER: PAG-011-00
- PROJECT AMOUNT: \$2,496,332.97 (Conservative estimate)
- DESIGNER: N.C. Macario & Associates
- FUNDING SOURCE: 1) A/E Design funded by PAG (\$289,928.18)  
2) CM funded by PAG (\$245,000.00)  
3) Available fund by FHWA (\$2,464,042.22)



A/E Completion Time: February 10, 2012  
PAYMENT TO DATE: \$260,935.35  
CONTRACTOR: N/A  
BID OPENING DATE: N/A  
NOTICE TO PROCEED: N/A  
COMPLETION TIME: 305 Calendar Days  
Construction Manager: SSFM International, Inc. & Port Engineering/CIP Division  
PAYMENT TO DATE: \$0  
WORK STATUS: N/A  
NOTE: NCMA has forwarded the Final design drawing to FHWA for review. MOU awaiting review by signatories from FHWA, PAG & DPW

**3) PROJECT: Warehouse I, Bay 2 & 3 Concrete Column Repair & CMU Wall Demolition**

IFB NUMBER: PAG-012-00  
CONTRACTOR: N/A  
PROJECT AMOUNT: \$65,000.00 (Budget appropriation)  
FUNDING SOURCE: Port Authority of Guam  
NOTICE TO PROCEED: N/A  
COMPLETION TIME: 6 months after NTP  
PAYMENT TO DATE: \$0  
WORK STATUS: N/A  
Construction Manager: Port Engineering/CIP Division  
NOTE: This is a safety issue with the U.S. Coast Guard citation. Pre-bid conference is on February 13, 2013. Bid opening on February 28, 2013

**4) PROJECT: Design/Build Port Security Enhancement Project**

IFB NUMBER: PAG CIP-012-006  
CONTRACTOR: MAEDA Pacific Corporation  
PROJECT AMOUNT: \$2,933,000.00  
FUNDING SOURCE: U.S. Department of Homeland Security Grant # 2008-GB-T8-0148, 2009-PU-R1-0164, 2009-PU-T9-0043, & 2010-PU-T0-0080  
NOTICE TO PROCEED: January 14, 2013 for DNTP  
COMPLETION TIME: March 23, 2013(60 CD for design & permitting)  
PAYMENT TO DATE: \$0  
WORK STATUS: Contractor submitted the 65% Design Submittal for approval.  
Construction Manager: Parsons Brinkerhoff & Port Engineering/CIP Div.  
NOTE: Contractor is processing the design phases & for the permits. Construction NTP will follow.

**5) PROJECT: GDP Marina New Water Line System**

IFB NUMBER: PAG-012-005

CONTRACTOR: MAEDA Pacific Corp.  
PROJECT AMOUNT: \$119,600.00  
FUNDING SOURCE: Port Authority of Guam  
NOTICE TO PROCEED: December 10, 2012  
COMPLETION TIME: May 10, 2012 (153 CD after NTP)  
PAYMENT TO DATE: \$0  
WORK STATUS: Submitting the required submittals  
Construction Manager: Port Engineering/CIP Division  
NOTE: Awaiting the DPW permit approval.

6) **PROJECT:** **New 58 ea. 480V Reefer Outlets & Reefer Lights Installation**  
IFB NUMBER: PAG-012-00  
CONTRACTOR: N/A  
PROJECT AMOUNT: \$950,000.00 (Conservative estimate)  
FUNDING SOURCE: Port Authority of Guam  
NOTICE TO PROCEED: N/A  
COMPLETION TIME: 8 months after NTP  
PAYMENT TO DATE: \$0  
WORK STATUS: N/A  
Construction Manager: Port Engineering/CIP Division  
NOTE: Port Engineering office is finalizing the Technical Provision (30% design-built) bid packet & will request for funding.

7) **PROJECT:** **Agat Marina Fish Utility Boom Repair**  
RFQ NUMBER: PAG-012-00  
CONTRACTOR: N/A  
PROJECT AMOUNT: \$6,875.00 (Grant funding)  
FUNDING SOURCE: Department of Agriculture, Sport Fish Restoration/Boating Access Grant # F-21-B1  
NOTICE TO PROCEED: N/A  
COMPLETION TIME: 30 days after P.O. issuance  
PAYMENT TO DATE: \$0  
WORK STATUS: N/A  
Construction Manager: Port Engineering/CIP Division  
NOTE: Department of Agriculture is finalizing the MOU with PAG. Lowest responsive quote bid shall be reconfirmed from contractor.

8) **PROJECT:** **Agat Marina Ramp's Left Side Concrete Catwalk Repair**  
RFQ NUMBER: PAG-012-00  
CONTRACTOR: N/A  
PROJECT AMOUNT: \$35,000.00 (Conservative estimate)  
FUNDING SOURCE: Department of Agriculture, Sport Fish Restoration/Boating Access Grant # F-21-B1

NOTICE TO PROCEED: N/A  
COMPLETION TIME: 3 months after P.O. issuance  
WORK STATUS: N/A  
PAYMENT TO DATE: \$0  
Construction Manager: Port Engineering/CIP Division  
NOTE: Department of Agriculture is finalizing the MOU with PAG..  
Technical provision scope for Bid packet is ready for advertisement.

9) **PROJECT:** **Concrete Storm Drain Channel System Upgrade**  
IFB NUMBER: PAG-012-00  
CONTRACTOR: N/A  
PROJECT AMOUNT: \$600,000.00 (Conservative estimate)  
FUNDING SOURCE: Port Authority of Guam  
NOTICE TO PROCEED: N/A  
COMPLETION TIME: 6 months after NTP  
PAYMENT TO DATE: \$0  
WORK STATUS: N/A  
Construction Manager: Port Engineering/CIP Division  
NOTE: Bid opening was on October 3, 2012. Lowest responsive bid was \$330,000.00 (BME & Sons). Procurement issued a cancellation letter in regards to GEPA requirements affecting this project.

10) **PROJECT:** **A/E Design Consultant Services**  
RFP NUMBER: PAG-013-001  
CONTRACTOR: N/A  
PROJECT AMOUNT: \$200,000.00  
FUNDING SOURCE: Port Authority of Guam  
NOTICE TO PROCEED: N/A  
COMPLETION TIME: 12 Months after NTP  
PAYMENT TO DATE: N/A  
WORK STATUS: N/A

11) **PROJECT:** **Installation of MOV at Golf Pier Fuel Pipelines**  
IFB NUMBER: PAGCIP-013-001  
PROJECT AMOUNT: \$324,400.00  
A/E DESIGNER: N.C. Macario & Associates  
FUNDING SOURCE: Port Authority of Guam  
A/E Completion Time: December 14,, 2012  
PAYMENT TO DATE: \$0  
CONTRACTOR: BME & Sons Corporation  
NOTICE TO PROCEED: Notice of Intend to Award issued on January 31, 2013  
CHANGE ORDER: N/A  
COMPLETION TIME: 150 Calendar days after NTP  
Construction Manager: NCMA & Port Engineering/CIP Div.  
WORK STATUS: Contractor is processing for the submission of Bond requirement

**COMPLETED PROJECTS:**

- 1) **PROJECT:** **GDP Marina Renovation & Site Improvement Project, Phase I**  
**IFB NUMBER:** PAG-010-002  
**CONTRACTOR:** Black Construction Corporation  
**PROJECT AMOUNT:** \$1,252,000.00  
**FUNDING SOURCE:** Department of Interior Office of Insular Affairs Grant # 670090 & 770061  
**NOTICE TO PROCEED:** May 2, 2011  
**COMPLETION TIME:** March 12, 2012  
**CHANGE ORDER:** 1) \$234,616.00 (C.O. #1, Channel widening)  
2) \$11,576.17 (C.O. #2, Demobilization)  
**TOTAL AMOUNT:** \$1,498,192.20  
**PAYMENT TO DATE:** \$1,498,192.20  
**NOTE:** 100% Complete
  
- 2) **PROJECT:** **10" Waterline Break Repair @ F5, Sta.15+45**  
**P.O. NUMBER:** P.O. # 10072-OF  
**CONTRACTOR:** Barrett Enterprises  
**PROJECT AMOUNT:** \$11,852.00  
**FUNDING SOURCE:** Port Authority of Guam  
**NOTICE TO PROCEED:** August 27, 2012  
**COMPLETION TIME:** September 27, 2012  
**PAYMENT TO DATE:** \$0  
**Construction Manager:** Port Engineering/CIP Division & Facility Maintenance  
**NOTE:** 100% Completed
  
- 3) **PROJECT:** **Troubleshoot Cathodic Protection System**  
**P.O. NUMBER:** 9799 OF  
**CONTRACTOR:** CORRPRO  
**PROJECT AMOUNT:** \$3,250.00  
**FUNDING SOURCE:** Port authority of Guam  
**NOTICE TO PROCEED:** May 5, 2012  
**COMPLETION TIME:** 90 Calendar days  
**Construction Manager:** Port Engineering /CIP Division  
**NOTE:** 100% Completed. CORRPRO repaired all the zero readings which was in the corroded splice joints.
  
- 4) **PROJECT:** **Port CY Lighting Upgrade Project**  
**IFB NUMBER:** PAG-CIP11-001  
**CONTRACTOR:** DCK Pacific Guam  
**PROJECT AMOUNT:** \$748,412.00  
**FUNDING SOURCE:** Homeland Security Grant # PSGP 2007-GB-T7-0437  
**NOTICE TO PROCEED:** January 24, 2012

COMPLETION TIME: Nov. 19, 2012 (300 CD)  
CHANGE ORDER: \$56,867.64  
PAYMENT TO DATE: \$805,279.64  
TOTAL AMOUNT: \$805,279.64  
Construction Manager: AmOrient Engineering/PAG Engineering/CIP Division  
Work Status: 100% Completed  
NOTE: This project was incorporated with the Guam Commercial Port Improvement Project under MARAD & selected EA Engineering, Science & Technology, Inc. as the prime engineer.

5) **PROJECT:** **GDP Marina Dock “B” Repairs**  
IFB NUMBER: PAG-011-001  
CONTRACTOR: GEMCCO  
PROJECT AMOUNT: \$318,000.00  
FUNDING SOURCE: Department of Agriculture, Sport Fish Restoration/Boating Access Grant # F-21-B1, & Port Authority of Guam  
BID OPENING DATE: November 23, 2010  
NOTICE TO PROCEED: April 25, 2012  
COMPLETION TIME: August 24, 2012 (122 CD), extended to December 3, 2012  
PAYMENT TO DATE: \$318,000.00  
TOTAL AMOUNT: \$318,000.00  
Construction Manager: Port Engineering/CIP Division  
Work Status: 100% Completed  
NOTE: This is a cost sharing project between Department of Agriculture & PAG.

6) **PROJECT:** **Electrical Upgrade on Building’s Secondary Distribution Sub-Panel Boards**  
IFB NUMBER: PAG CIP-011-002  
CONTRACTOR: M.D. Crisostomo, Inc.  
PROJECT AMOUNT: \$60,874.00  
CHANGE ORDER: \$20,857.03  
TOTAL AMOUNT: \$81,731.03  
FUNDING SOURCE: Port Authority of Guam  
NOTICE TO PROCEED: May 21, 2012  
COMPLETION TIME: Oct. 20, 2012 (153 CD), extended to December 19, 2012  
PAYMENT TO DATE: \$81,731.00  
Construction Manager: Port Engineering/CIP Division  
WORK STATUS: 100% Complete

7) **PROJECT:** **GDP Marina Dock “A” & Dock “B” Pile Extension**  
IFB NUMBER: PAG-012-003  
CONTRACTOR: BME & Sons Corp.  
PROJECT AMOUNT: \$96,230.00

FUNDING SOURCE: Department of Agriculture, Sport Fish Restoration/Boating  
Access Grant # F-21-B1  
NOTICE TO PROCEED: September 21, 2012  
COMPLETION TIME: January 20, 2013  
PAYMENT TO DATE: \$96,230.00  
Construction Manager: Port Engineering/CIP Division  
WORK STATUS: 100% Complete  
NOTE: This is a cost sharing project with DoAg & PAG.

8) **PROJECT:** **GDP Marina Dock “C” Repair**  
IFB NUMBER: PAG-012-004  
CONTRACTOR: Black Construction Corp.  
PROJECT AMOUNT: \$278,700.00  
FUNDING SOURCE: Department of Agriculture, Sport Fish Restoration/Boating  
Access Grant #F-21-B1 & Port Authority of Guam  
NOTICE TO PROCEED: September 10, 2012  
COMPLETION TIME: January 10, 2013  
PAYMENT TO DATE: \$0  
WORK STATUS: N/A  
Construction Manager: Port Engineering/CIP Division  
NOTE: BCC is processing for the DPW Building Permit. Permits for  
ACOE, BSP, & GEPA are on file. This is a cost sharing project  
with DoAg & PAG.

9) **PROJECT:** **Wharf F1 Catwalk Repair**  
RFP NUMBER: Tristar  
CONTRACTOR: Rico’s General Construction  
PROJECT AMOUNT: \$413,419.00  
FUNDING SOURCE: Port Authority of Guam  
NOTICE To proceed: March 9, 2012  
COMPLETION TIME: February 11,2013  
PAYMENT TO DATE: \$278,820.00  
WORK STATUS: 100% Complete  
Construction Manager: NET Guam Inc./Port Engineering/CIP Division

These are projects on-going and planning stage aside from the Guam Commercial Port Improvement Program. On the GCPIP, my division continues coordinating with AE Engineering Consultants & other assessments, including the review of Task Orders for payments. Should you have any question, please call my office.

cc: Interim Deputy General Manager  
Engineer Manager

PROJECT	PROJECT SCHEDULE																			
	2012				2013				2014											
	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	
1) GDP Marina Site Improvement Project - Phase II																				
2) Replacement of Welded Steel Petroleum Distribution Piping																				
3) Warehouse 1, Bay 2 & 3 Concrete Column Repair & CMU Wall Demolition																				
4) Design/Build Port Security Enhancement Project																				
5) GDP Marina New Water Line																				
6) New 58ea. 480V Reeler Outlets & Reeler Lights Installation																				
7) Agat Marina Fish Utility Boom Repair																				
8) Agat Marina Boat Ramp's Left Side Concrete Catwalk Repair																				
9) Concrete Storm Drain Channel System Upgrade																				
10) A/E Design Consultant Services																				
11) Installation of MOV at Golf Pier Fuel Pipelines																				

NOTE: On-Going Projects  
Proposed Projects

**BOARD OF DIRECTORS**

*Daniel J. Tydingco, Chairman  
Christine Won Pat Baleto, Vice Chairperson  
Mary Michelle Gibson, Secretary  
Michael T. Benito, Member  
Eduardo R. Ilao, Member*



**Resolution No. 2013-02**

**RELATIVE TO WAIVING SOVEREIGN IMMUNITY  
AS A CONDITION OF BANK OF GUAM LOAN**

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE PORT AUTHORITY OF GUAM:**

WHEREAS, on March 30, 2012, the Board of Directors authorized the Port Authority of Guam (PAG) to initiate the procurement process with the Guam Economic Development Agency (GEDA) to solicit financial assistance in an amount up to \$15M to fund the service life extension repairs for the wharfs; and

WHEREAS, after some developments, the Board of Directors at its June 28, 2012 regular board meeting concurred the issuance of the Request for Proposal (RFP) No. 12-014 for a commercial lending institution for the proposed financing of the Port's service life extension repairs on the Port's wharf; financial management system and top lifter with the total amount not to exceed Ten Million Dollars (\$10,000,000.00); and

WHEREAS, GEDA issued the RFP on September 14, 2012 and received three responses to the proposal. Two of the responses were deemed acceptable and the third withdrew its interest; and

WHEREAS, after a thorough analysis, the Evaluation Team scored and ranked the offerors based on their response to the request for proposal; and

WHEREAS, on October 26, 2012, the Negotiation Team met with Bank of Guam and was able to successfully negotiate the terms and conditions; and

WHEREAS, on January 22, 2013, it was made known to the Port Authority of Guam that Bank of Guam through review by their legal counsel, had expressed that the condition on closing the loan was for the Port Authority of Guam to waive its sovereign immunity; now therefore be it

RESOLVED, that the Port Authority of Guam Board of Directors approves to waive the Port Authority of Guam's sovereign immunity as a condition to close the loan and as well agrees to the commitment terms by Bank of Guam; and be it further

RESOLVED, that this resolution be transmitted to the Chairman, Committee on Public Safety, Infrastructure & Maritime Transportation of the 32<sup>nd</sup> Guam Legislature to introduce legislation with respect to sovereign immunity as stated herein; and be it further

RESOLVED, the Chairman certify to and the Secretary attest the adoption hereof and that a copy of this resolution be transmitted to the Chairman, Committee on Public Safety, Infrastructure & Maritime Transportation of the 32<sup>nd</sup> Guam Legislature.

**PASSED AND ADOPTED UNANIMOUSLY BY THE BOARD OF  
DIRECTORS THIS 15<sup>th</sup> DAY OF FEBRUARY, 2013.**

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**DANIEL J. TYDINGCO  
CHAIRMAN, BOARD OF DIRECTORS  
PORT AUTHORITY OF GUAM**

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**MARY MICHELLE GIBSON  
SECRETARY, BOARD OF DIRECTORS  
PORT AUTHORITY OF GUAM**



**PORT AUTHORITY OF GUAM  
(A COMPONENT UNIT OF THE  
GOVERNMENT OF GUAM)**

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**INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE**

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**YEAR ENDED SEPTEMBER 30, 2012**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Port Authority of Guam:

We have audited the financial statements of Port Authority of Guam (the Authority) as of and for the year ended September 30, 2012, and have issued our report thereon dated \_\_\_\_\_, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

We noted certain matters that we reported to management of the Authority in a separate letter dated \_\_\_\_\_, 2013.

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Authority, the Board of Directors, others within the entity, the Office of Public Accountability - Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

\_\_\_\_\_, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Directors  
Port Authority of Guam:

Compliance

We have audited the Port Authority of Guam's (the Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended September 30, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (page 8). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Port Authority of Guam as of and for the year ended September 30, 2012, and have issued our report thereon dated \_\_\_\_\_, 2013 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (page 6) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's response, and accordingly, we express no opinion on the response.

FOR DISCUSSION PURPOSES  
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This report is intended solely for the information and use of management of the Authority, the Board of Directors, others within the entity, the Office of Public Accountability - Guam, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

\_\_\_\_\_, 2013

**PORT AUTHORITY OF GUAM  
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2012

<u>CFDA #</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
	<u>U.S. Department of Defense</u>	
12.607	Pass through Government of Guam Office of the Governor: Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	\$ 905,127
	<u>U.S. Department of the Interior</u>	
15.605	Pass through Government of Guam Department of Administration: Sport Fish Restoration Program	62,147
15.875	Economic, Social and Political Development of the Territories (Port Modernization Plan)	1,844,975 *
	U.S. Department of Interior Totals	<u>1,907,122</u>
	<u>U.S. Department of Homeland Security</u>	
	Direct Programs:	
97.056	Port Security Grant Program	949,373 *
97.116	ARRA - Port Security Grant Program	18,887
	Subtotal Direct Programs	968,260
97.067	Pass through Government of Guam Department of Administration: Homeland Security Grant Program	50,000 *
	U.S. Department of Homeland Security Total	<u>1,018,260</u>
	Total Federal Awards Expended	<u>\$ 3,830,509</u>

\* Denotes a major program.

See accompanying notes to Schedule of Expenditures of Federal Awards.

**PORT AUTHORITY OF GUAM  
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2012

(1) Scope of Audit

The Port Authority of Guam (the Authority) is a component unit of the Government of Guam created by Public Law 13-87 as an autonomous agency of the Government of Guam. Only the federal expenditures of the Authority are included within the scope of the OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as the Authority's cognizant agency for the Single Audit.

Programs Subject to Single Audit

A Schedule of Expenditures of Federal Awards present for each Federal program related to the following agencies:

- U.S. Department of Defense
- U.S. Department of the Interior
- U.S. Department of Homeland Security

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting, consistent with the manner in which the Authority maintains its accounting records. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. All expenses and capital outlays are reported as expenditures.

The Authority recognizes contributions from the federal government when qualifying expenditures are incurred and expenditures are recognized on the accrual basis of accounting.

(3) American Recovery and Reinvestment Act of 2009 (ARRA)

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2012, the Authority's grant award notification and expenditures are as follows:

<u>CFDA Program</u>	<u>Grant Amount</u>	<u>FY 2012 Expenditures</u>
97.116 Port Security Grant Program – ARRA	\$ 910,594	\$ 18,887



**PORT AUTHORITY OF GUAM  
 (A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2012

**Part I - Summary of Auditors' Results Section**

*Financial Statements*

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued:                          | Unqualified |
| Internal control over financial reporting:                   |             |
| 2. Material weakness(es) identified?                         | No          |
| 3. Significant deficiency(ies) identified?                   | Yes         |
| 4. Noncompliance material to the financial statements noted? | No          |

*Federal Awards*

- |   |             |
|---|-------------|
| Internal control over major programs:   |             |
| 5. Material weakness(es) identified?  | No          |
| 6. Significant deficiency(ies) identified?  | Yes         |
| 7. Type of auditors' report issued on compliance for major programs:  | Unqualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | Yes         |
| 9. Identification of major programs:  |             |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
15.875	Economic, Social and Political Development of the Territories: Port Modernization Plan
97.056	Port Security Grant Program
97.067	Homeland Security Grant Program

- |  |           |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$300,000 |
| 11. Auditee qualified as low-risk auditee?                                   | No        |

**Part II – Financial Statement Findings Section**

<u>Finding Number</u>	<u>Finding</u>
2012-1	Local Noncompliance - Procurement

**Part III – Federal Award Findings and Questioned Costs Section**

<u>Finding Number</u>	<u>Finding</u>
2012-2	Equipment and Real Property Management

**PORT AUTHORITY OF GUAM  
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

Finding No.: 2012-1  
Area: Local Noncompliance - Procurement

Criteria: The Guam Procurement Regulations require that for small purchases of supplies or services between \$500 and \$15,000, no less than three positive written quotations shall be solicited, recorded and placed in the procurement file. Awards shall be made to the lowest responsible and responsive bidder. Further, the names of the entity and authorized personnel submitting quotations to include the date and amount of each quotations shall be recorded and maintained as a public record.

Condition: Of eighteen expenditure items tested, evidence of procurement for gas card purchases for one \$7,096 item (ref. FUEL#12-006) was not available for examination.

Cause: The cause of the above condition is possible noncompliance with Guam Procurement Regulations.

Effect: The effect of the above condition is incurrence of expenditures that may not have been appropriately procured.

Recommendation: Pertinent documents should be maintained to support procurement rationale.

Auditee Response and Corrective Action: The tested item refers to the Government-wide gas card use for the government fleet. The procurement process for this contract award was conducted and administered by the General Services Agency (GSA). Therefore, the procurement files are managed and stored by the procuring agency. However, in an effort to assist our Auditors to facilitate the examination as part of the audit tasks, the Port has made the request to GSA and coordinated the schedule. No action to be taken by the Port since file management of procurement performed by GSA is not its responsibility.

Name and Job title of responsible personnel: Ms. Claudia S. Acfalle, Chief Procurement Officer

**PORT AUTHORITY OF GUAM  
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2012

Finding No.: 2012-2  
Federal Agency: U.S. Department of Homeland Security  
CFDA Program: 97.056 U.S. DHS Port Security Grant Program  
CFDA Program: 97.067 Homeland Security Grant Program  
Area: Equipment and Real Property Management  
Questioned Costs: \$0

Criteria: In accordance with applicable equipment and real property management requirements, grantees that acquire property and equipment with Federal funds are required to perform a physical inventory of property and equipment and reconcile results with property records at least once every two years.

Condition: The Authority has not performed the required comprehensive physical inventories of its property in fiscal year 2012 or in the two prior years. We are unable to assess the overall cumulative monetary value of this deficiency.

Cause: The cause of the above condition is inadequate equipment management system that complies with applicable equipment management standards.

Effect: The effect of the above condition is noncompliance with applicable equipment and real property management requirements.

Recommendation: The Authority should conduct a physical inventory and reconcile results with property and equipment records at least once every two years.

Auditee Response and Corrective Action: The Port concurs with the recommendation relative to this finding. The Port's Finance and Procurement and Supply Division will jointly conduct the physical inventory and reconciliation of property and equipment records for fiscal year 2013. Upon completion of task in fiscal year 2013; the subsequent physical inventories will be conducted in random sectional inventories in the duration of two years.

Responsible Divisions: Finance and Supply Division

**PORT AUTHORITY OF GUAM  
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Schedule of Prior Year Findings and Questioned Costs  
Year Ended September 30, 2012

Unresolved Prior Year Findings and Responses

The status of unresolved prior year findings is stated below.

There are no unresolved prior year questioned costs.

Summary of Schedule of Prior Audit Findings

Status of audit findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2011:

**Findings relating to the financial statements, which are required to be reported in accordance with GAGAS:**

None reported.

**Findings and questioned costs – Major Federal Award Programs Audit**

Finding No. 2011 – 1 – Not corrected.

Finding No. 2011 – 2 – Not corrected.

Views of Responsible Officials and Planned Corrective Actions on Finding Nos. 2011-1 and 2011-2 related to Cash Management:

The Finance Department regularly checks the assigned bank account for federal funds transferred from the pass-through agency to the Authority's bank account. By the time the actual transfer is recorded in the bank account, a day or two has passed from the posting date. PAG normally aim to make the payment to the vendor three days after being notified that payment has not been received. There are some situations wherein the authorized signatories are not available to sign the check or the wire transfer approval. If the payment is by check, the delay in posting to the vendor's bank account can be attributed to the time the check is picked up and deposited to the vendor's account. These are some of the reasons for the delay of seven to eight days since the time the funds were originally transferred to PAG's account. PAG Finance Department will ensure federal funds received are disbursed within a reasonable time.

Finding No. 2011 – 3 – Corrected.

Finding No. 2011 – 4 – Corrected.

**PORT AUTHORITY OF GUAM  
(A COMPONENT UNIT OF  
THE GOVERNMENT OF GUAM)**

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**FINANCIAL STATEMENTS AND  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

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**SEPTEMBER 30, 2012 AND 2011**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Port Authority of Guam:

We have audited the accompanying statements of net assets of the Port Authority of Guam (the Authority), a component unit of the Government of Guam, as of September 30, 2012, and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of and for the year ended September 30, 2011 were audited by other auditors whose report, dated January 26, 2012, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses and summary of salaries and wages on pages 32 through 36 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 2012 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 financial statements or to the 2012 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 schedules of operating expenses and summary of salaries and wages are fairly stated in all material respects in relation to the 2012 financial statements as a whole. The 2011 schedules of operating expenses, summary of salaries and wages, and employees by department were subjected to auditing procedures by other auditors whose report, dated January 26, 2012, referred to above, stated such schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements. The 2012 schedule of employees by department on page 37 is presented for the purpose of additional analysis and is not a required part of the 2012 basic financial statements. Such 2012 information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

February 8, 2013

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The following Management's Discussion and Analysis (MD&A) of the Port Authority of Guam (PAG, Port, Authority) provides an overview of the activities and financial performance for the fiscal years ended September 30, 2012 and 2011. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the accompanying notes which follow this section and are integral to the data contained in the financial statements.

**ABOUT THE AUTHORITY**

The Port Authority of Guam was established as a public corporation and an autonomous agency of the Government of Guam 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 of 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 Manager who are responsible for maintenance, operation and development of the Port and the Authority's business affairs.

With over 90% of the region's goods and supplies passing through its doorways, the Port's impact on the quality and sustenance of life for residents of the region cannot be overstated. As Guam can only produce limited amounts of food and products on the island, the Port is truly the life link between the region and the rest of the world.

The Authority is dedicated to providing full services to ocean vessels in support of loading and unloading cargo from Guam and Micronesia. The Port Authority of Guam is the main lifeline of consumer goods into the island, and as such, recognizes its responsibility to deliver these goods in a timely 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 Authority dedicates all of its profits to the upgrading of equipment and facilities and the continued growth of the island's seaport.

**FINANCIAL HIGHLIGHTS**

- The net assets of the Authority as of September 30, 2012 are \$71.2 million. Of this amount, \$62.2 million is invested in capital assets and \$9.0 million is considered unrestricted.
- The Port's net assets increased by \$2.0 million for fiscal year ended September 30, 2012.
- The Port's total assets increased by \$1.4 million during the fiscal year ended September 30, 2012. The major component of this change was an increase in current assets by \$365 thousand and an increase in capital assets by \$1 million.
- The total liabilities decreased by \$636 thousand during fiscal year ended September 30, 2012. The major component of this change was due to decrease in accounts payable trade of \$605 thousand.



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- Since Fiscal Year 2003, the Port's finances have shown an increase in net assets for 10 straight years.

**Overview of Financial Statements**

The Authority's basic financial statements consist of the following: 1) statements of net assets, 2) statements of revenues, expenses, and changes in net assets, 3) statements of cash flows and 4) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

The statements of net assets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses, and changes in net assets present information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Financial Analysis**

The largest portion of the Authority's net assets (88%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets, and excluding any outstanding debt proceeds. The Authority uses these assets to provide services to its customers; consequently these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Authority's net assets represents resources that are unrestricted net assets which may be used to meet the Authority's ongoing obligations to employees and creditors.

A summarized comparison of the Port's assets, liabilities, and net assets at September 30 is as follows:

**Condensed Statements of Net Assets**  
*(In thousands)*

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$16,350	\$15,983	\$14,439
Capital assets	<u>65,456</u>	<u>64,406</u>	<u>61,374</u>
Total assets	<u>\$81,806</u>	<u>\$80,389</u>	<u>\$75,813</u>

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**Condensed Statements of Net Assets**  
*(In thousands)*

<u>LIABILITIES AND NET ASSETS</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current liabilities	\$ 5,982	\$ 6,445	\$ 7,884
Other non-current liabilities	<u>4,591</u>	<u>4,764</u>	<u>1,248</u>
Total liabilities	<u>10,573</u>	<u>11,209</u>	<u>9,132</u>
Net assets:			
Invested in capital assets	62,255	61,051	61,375
Unrestricted	<u>8,978</u>	<u>8,129</u>	<u>5,306</u>
Total net assets	<u>71,233</u>	<u>69,180</u>	<u>66,681</u>
Total liabilities and net assets	<u>\$ 81,806</u>	<u>\$80,389</u>	<u>\$75,813</u>

The Authority's total assets increased by \$1.4 million during the fiscal year ended September 30, 2012, from \$80.4 million in FY 2011 to \$81.8 million in FY 2012.

The increases were primarily due to the increases in the Port's current assets by \$365 thousand or 2% and property, plant and equipment by \$1 million or 2%. Total liabilities decreased by \$636 thousand or 6% from \$11.2 million in FY 2011 to \$10.6 million in FY2012. This was primarily due to the decrease in Port's current liabilities. The net assets increased by \$2 million during the fiscal year ended September 30, 2012. Net assets invested in capital assets net of related debt increased by \$1.2 million and unrestricted net assets increased by \$849 thousand.

Key elements of this increase are identified in the following schedule of changes in net assets and related explanations.

**Revenues, Expenses, and Changes in Net Assets**  
*(In thousands)*

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Cargo throughput charges	\$ 23,785	\$ 23,605	\$ 24,281
Wharfage charges	4,089	3,939	4,131
Equipment and space rental	6,893	7,453	7,365
Special services	359	368	382
Other operating revenue	<u>121</u>	<u>485</u>	<u>397</u>
Total operating revenue	<u>35,247</u>	<u>35,850</u>	<u>36,556</u>
Operating expenses:			
Operations	9,205	9,191	8,014
Equipment maintenance	5,266	5,609	5,753
Facility maintenance	1,500	1,468	1,343
Management and administration	8,762	8,236	7,936
General expenses	<u>6,445</u>	<u>7,416</u>	<u>8,472</u>
Total operating expenses before depreciation	<u>31,178</u>	<u>31,920</u>	<u>31,518</u>

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**Revenues, Expenses, and Changes in Net Assets, Continued**  
*(In thousands)*

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating income before depreciation	4,069	3,930	5,038
Depreciation	<u>3,720</u>	<u>3,351</u>	<u>2,808</u>
Operating income	349	579	2,230
Nonoperating expenses, net	<u>2,000</u>	<u>2,491</u>	<u>1,245</u>
(Loss) earnings before capital contributions	(1,651)	(1,912)	985
Capital contributions-US Government Grants	<u>3,703</u>	<u>4,413</u>	<u>6,077</u>
Increase in net assets	2,052	2,501	7,062
Net assets at beginning of the year	<u>69,181</u>	<u>66,680</u>	<u>59,618</u>
Net assets at end of year	<u>\$ 71,233</u>	<u>\$ 69,181</u>	<u>\$ 66,680</u>

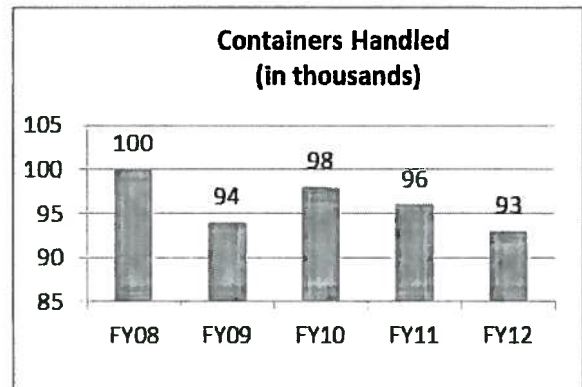
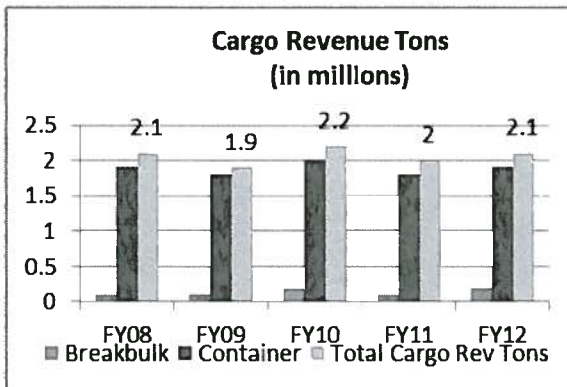
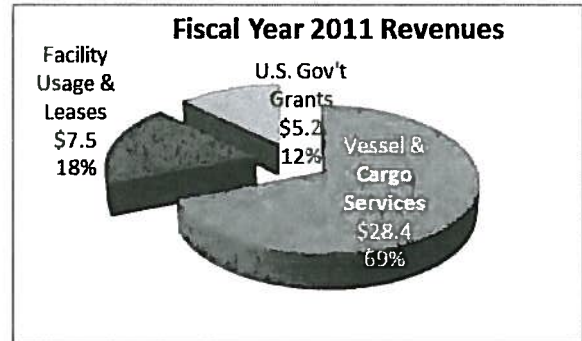
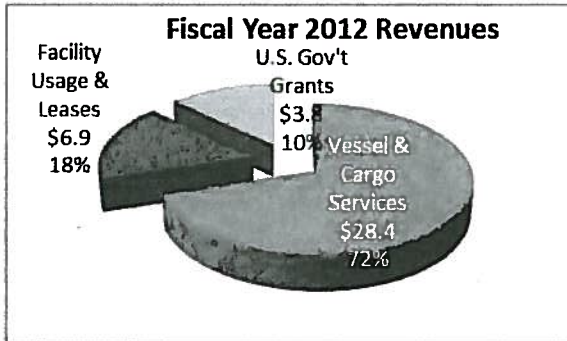
**Revenues**

- PAG Docket 11-1, Terminal Tariff #1 was approved by the PUC on January 11, 2012 and rates were implemented on March 1, 2012. The petition increased majority of the tariff rates by 3.95%.
- Vessel and cargo services revenues in FY2012 decreased by \$43 thousand. This was due to decreased total containers handled of 3 thousand or 3%, from 96 thousand containers in FY 2011 to 93 thousand containers in FY 2012. Due to the tariff increases, the impact on vessel and cargo revenues resulting from a decrease in the number of containers handled was minimal.
- Facility usage and leases decreased by 8% or \$560 thousand, from \$7.45 million in FY 2011 to \$6.89 million in FY 2012. FY 2011 facility revenue had a spike due to the fees adopted from appraisal reports which were retroactive to tenants (Mobil, Tristar, SPPC).
- Federal contributions in FY2012 decreased by \$1.3 million, from \$5.2 million in FY2011 to \$3.8 million in FY 2012.

Vessel and cargo services in FY 2011 decreased by 3% or \$.08 million compared to FY 2010 primarily due to decreases in non-containerized or break bulk cargos by 40% or \$660 thousand and a \$200 thousand decrease in container throughput revenues and \$200 thousand decrease in wharfage revenues. The cause of the decrease in container throughput was due to a 2% decrease in the total number of containers handled of 96 thousand containers in FY 2011.

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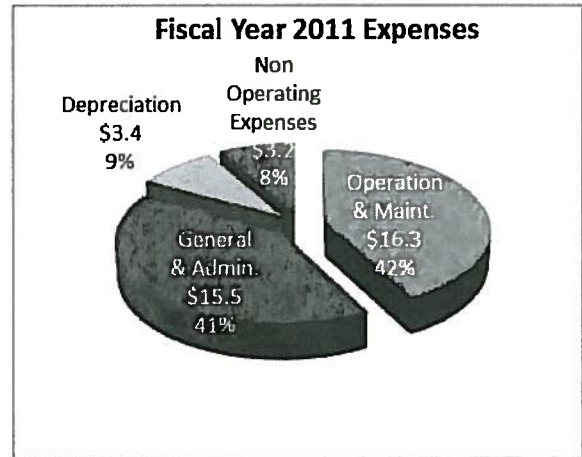
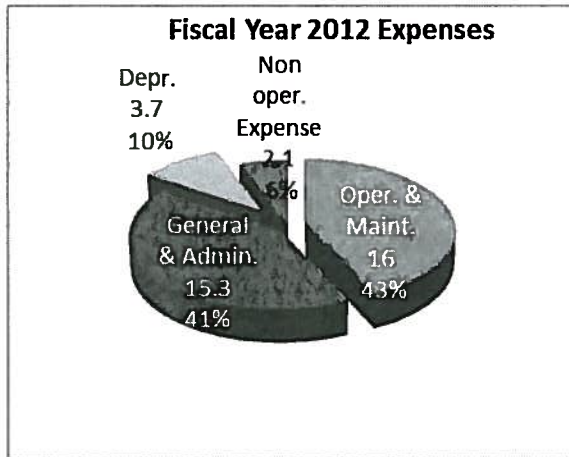
**Expenses**

In Fiscal Year 2012, the total operating expenses were \$34.9 million and non-operating expenses were \$2.1 million. Operating expense decreased by \$266 thousand and non-operating expenses decreased by \$1.1 million compared to fiscal year 2011. Operation and maintenance salaries and benefits increased due to 10 new employees hired during the fiscal year; however, the overall expense of operation and maintenance decreased by \$300 thousand as a result of reduced operational supplies. General and administrative expenses decreased by \$302 thousand due to decreases in professional services of 37%, other contractuals of 27%, and supplies of 25%. Depreciation expense increased by \$369 thousand or 11% due to the reclassification of the completed construction in progress project on GDP renovation phase 1 and purchase of new assets in FY 2012.

In Fiscal Year 2011, the operations and maintenance expenses of the Port increased by \$1.2 million or 7% compared to FY 2010, due to increases in the salaries and benefits caused by annual employee increments, increase in fuel expenses by \$125 thousand and new employees hired in operations and facility maintenance divisions. General and administrative expenses in FY 2011 decreased by 5% or \$755 thousand primarily due to decreases in insurance and utility cost totaling \$750 thousand. Management and administration expenses increased by 4% or \$300 thousand due to salary and benefits annual increases and new employees hired in FY 2011. Depreciation expenses increased by 19% or \$543 thousand due to the reclassification of completed construction in progress projects on the Port's cargo handling equipment and purchase of new assets in FY 2011. Operating expenses in FY 2011 increased by 3% or \$946 thousand from \$34.3 million in FY 2010 to \$35.3 million in FY 2011.

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**Port Modernization Plan**

*Overview*

The Port Modernization Program, as authorized by the Guam Legislature, spans a 30-year planning horizon and is valued at a little more than \$260 million. Phase I-A and Phase I-B of the program focuses on near term critical maintenance and repair of waterfront activities and improvements needed to handle near-term cargo of the military buildup, and projected organic population increases. Phase II of the program will occur 20 years into the future and focuses on the expansion needed to address the cargo demands of the long-term growth of Guam and its neighboring islands.

The Authority is currently in Phase I-A of its Port Modernization Program. Phase I-A includes reconfiguration and expansion of the break-bulk laydown area, renovation of the CFS Building, creation of a new gate complex, and upgrade of utilities and security features. Phase I-A is to be funded by a \$50 million appropriation from the Department of Defense.

*\$50 million appropriation from the Department of Defense*

In June 2008, the Authority partnered with the Maritime Administration (MARAD), through a Memorandum of Understanding (MOU), for the "Port of Guam Improvement Enterprise Program" (the Program). MARAD was designated as the lead federal agency assisting the Port in securing funding sources to modernize its facilities and operations. Under the Program, MARAD's role is to provide federal oversight and coordination of projects under the program, act as a central procurement organization, leverage federal, non-federal and private funding sources, and streamline the environmental review and permitting process. This partnership with MARAD was formalized through U.S. Public Law 110-417, National Defense Authorization Act for 2010. U.S. Public Law 110-417 also established the "Port of Guam Improvement Enterprise Fund" (the Fund) which is a separate account in the Treasury of the United States and will be used to receive funding from federal and non-federal sources to carry out the Program.

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In July 2010, the United States House of Representatives passed the 2010 Supplemental Appropriations Act which provided \$50 million for the Port Modernization Program. This bill was signed by President Barack Obama in August 2010. The appropriation of \$50 million was transferred from the Department of Defense to the Fund on September 22, 2010. As set out in the MOU, the Fund will be administered and disbursed by MARAD, with the approval/authorization of the Authority.

*\$54.5 million funding from the USDA*

On October 22, 2010, the USDA awarded a \$54.5 million loan appropriation to the Authority to complete the funding of Phase I-A of the Port Modernization Program. This loan consists of the following:

- \$25 million USDA Community Facilities Direct Loan
- \$25 million USDA Community Facilities Guaranteed Loan with ANZ Guam, Inc. (ANZ)
- \$4.5 million USDA Guaranteed Term Loan with ANZ

On the same date, the Authority received the proceeds of the USDA Guaranteed Term Loan with ANZ of \$3,500,000.

*USDA Rural Development Community Facility Loans*

Presented below are the USDA Rural Development Community Facility (CF) Loan Commitments as of September 30, 2012, which are intended for the Authority's specific projects (i.e., purchase of a Gantry Crane, Port Modernization Plan and purchase of top lifters and other cargo handling equipment (TLOCHE)):

	<i>USDA Loan Commitments:</i>		<i>Intended for the following Projects:</i>		
	<u>Direct</u>	<u>Guaranteed</u>	<u>Gantry Cranes</u>	<u>Modernization</u>	<u>TLOCHE</u>
CF Loan 1	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -	\$ -
CF Loan 2	-	5,000,000	5,000,000	-	-
CF Loan 3	-	7,000,000	7,000,000	-	-
CF Loan 4	-	4,500,000	-	-	4,500,000
CF Loan 5	25,000,000	-	-	25,000,000	-
CF Loan 6	-	25,000,000	-	25,000,000	-
	<u>\$ 27,000,000</u>	<u>\$ 41,500,000</u>	<u>\$ 14,000,000</u>	<u>\$ 50,000,000</u>	<u>\$ 4,500,000</u>

\*Proceeds of the CF Direct Loans will come from USDA, while the rest are from ANZ which is "Guaranteed" by the USDA; except for the \$1 million unused portion of CF Guaranteed Loan 4, which the Authority will issue a request for proposal by fiscal year 2013.

Of the above, CF Loan 4 (Guaranteed) of \$4,500,000 which is intended for the purchase of cargo handling equipment, was issued by ANZ through a guaranteed term loan agreement. During 2011, the Authority used \$3,500,000 of this loan, with \$1,000,000 unused as of September 30, 2012. The outstanding balance of this term loan as of September 30, 2012 amounts to \$3,201,009.

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CF Loans 4 (Guaranteed), 5 (Direct) and 6 (Guaranteed) totaling \$54.5 million pertains to the Port Modernization Plan as per Public Law 30-57. The Authority intends to first use the \$50 million appropriation from the Department of Defense and then the CF Loans 5 (Direct) and 6 (Guaranteed) totaling \$50 million (at \$25 million each) for its Port Modernization Plan. However, due to changes in certain factors relating to the military buildup and cargo forecast, management does not intend to utilize the \$25 million CF Loan 6 (Guaranteed), and on April 17, 2012, the Authority officially withdrew the loan application for the \$25M Guaranteed Loan.

On November 30, 2011, USDA communicated with the Authority that the \$25 million CF Loan 5 (Direct) is to be used within a reasonable amount of time after obligation. Given the current budget situation in the U.S. Congress, all loans that have been "obligated" but not yet closed and/or disbursed are facing increased scrutiny. USDA is encouraging the Authority to finalize their plans to use the proceeds from CF Loan 5 (Direct) by December 31, 2011. On December 20, 2011, the Authority requested the USDA to extend the CF Loan 5 (Direct). As of audit report date, the Authority is waiting for the approval of this request from USDA.

CF Loans 1 (Direct), 2 (Guaranteed) and 3 (Guaranteed) totaling \$14 million are intended for the procurement of gantry cranes pursuant to Public Law 30-100 which mandates the Authority to acquire at least two gantry cranes no later than December 31, 2012. On November 2011, Public Law 31-145 was enacted that authorized the Authority to enter into negotiations with Matson and Horizon for the specific purpose of acquiring one or more of the Port of Los Angeles (POLA) gantry cranes through purchase or lease-to-own

On June 5, 2012, the Port Board of Directors approved and ratified the purchase of the 3-POLA cranes and Gantry 3 for \$12 Million. On August 27, 2012, Public Utilities Commission (PUC) approved the Sales Agreement and Interim Maintenance Agreement related to the purchase of the POLA Cranes. Subsequently, PUC in their meeting of September 25, 2012, authorized the Authority to proceed with finalizing the loan documents with the financial institution. It is anticipated that the closing of the \$12M loan and official signing of the Sales Agreement for the purchase of the POLA will take place by December 2012 to ensure compliance with the statute. The Authority anticipates that the CF Loan 1 (Direct) for \$2M that is intended for the procurement of gantry crane will not be utilized.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital assets**

The Authority's investment in capital assets as of September 30, 2012, totaled \$65.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvement other than buildings, office and cargo handling equipments, inventory and construction-in-progress. The total net increase in the Authority's investment in capital assets for the current fiscal year was \$1 million or 2%.

Major capital asset activity during 2012 included the following:

- Building and wharf improvements increased by \$2.2 million due to the completion of GDP Renovation Phase I, Warehouse 1 upgrade of column spillings and F3 Waterpit waterline.
- Crane increased by \$418 thousand due to capital improvements for G3

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- Vehicles increased by \$72 thousand due to purchase of new Ford truck for Port Police.

See additional information on the Port's capital asset activity in fiscal years 2012 and 2011 in note 3 to the financial statements.

**Debt**

The Authority obtained a \$3.5 million loan from ANZ bank in October 2010 for the purchase of 4 brand new Hyster Top Lifters and 10 brand new Ottawa terminal yard tractors. At the end of 2012, the Authority had a total debt outstanding of \$3.2 million.

The financial covenant of the loan requires the following ratios:

- a) Interest Coverage Ratio: PAG shall maintain an Interest Coverage Ratio of 1.5 to 1, calculated as follows:

$$\frac{\text{Net Profit (Loss) Before Depreciation, Interest, Taxes and Amortization}}{\text{Total Interest Expense}}$$

- b) Debt Service Coverage Ratio: PAG shall maintain a Debt Service Coverage ratio of 1.30 to 1, calculated as follows:

$$\frac{\text{Net Profit (Loss) Before Depreciation, Interest, Taxes and Amortization}}{\text{Total Interest Expense} + \text{Principal Debt Reductions}}$$

The interest coverage ratio is 30.98 to 1 and the debt service coverage ratio is 16.52 to 1.

See additional information on the Port's debt in note 5 to the financial statements.

**FISCAL YEAR 2013 OUTLOOK**

The following are the courses of action that the Port aims to accomplish or complete in FY 2013:

**Acquisition of Gantry Cranes**

Following the Port Board of Directors' approval of the purchase of 3-POLA cranes and Gantry 3 from Matson & Horizon, Port management submitted to the Public Utilities Commission (PUC) a petition to approve the Sales Agreement and Interim Maintenance Agreement. In August 2012, the PUC approved the Sales and Interim Maintenance Agreements. The official signing of these Agreements for the Acquisition of the Gantry Cranes was completed on December 20, 2012.

**Crane Surcharge Rate**

In June 2012, the Port Board of Directors approved the proposed crane surcharge of up to \$125 for loaded containers and \$5.00 per tonnage for non-containerized cargos. In September 2012, the Authority submitted its Petition to the PUC to establish Crane Surcharge Rate related to the purchase, maintenance and use of the POLA gantry cranes. The approval and implementation of the crane surcharge fees was received in December 2012 and is effective January 2013 at \$105 per container. The fee increased to \$125 per container beginning March 2013.



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**Performance Management Contract (PMC) for the Maintenance of Gantry Cranes**

Pursuant to PL 31-145, the Authority is to acquire PMC for the performance, operation and maintenance of the acquired cranes. The Authority has begun the competitive solicitation of the PMC Services and is expected to make the contract award within the fiscal year 2013.

**Port Security Grant Program (PSGP)**

As part of the Security Grant Program of US Department of Homeland Security, the Authority was awarded over \$5 Million in federal security grants to help secure the commercial port. Through this program, the Authority proceeded with the following projects:

- Container Yard Lighting Project: The construction work to upgrade of the existing lights at the container yard was awarded in January 2012 and is expected to be completed in November 2013.
- Maritime and Security Operations Center and Integration of Communications Systems Project: The construction work to build a centralized emergency operations center, as well as, the integration of all communications and security systems was awarded in October 2012 with a projected completion date by December 2013.
- Procurement of Mobile Containerized X-Ray Screening System, 2-Emergency Backup Generators and Harbor Master's Communication System are other funded projects that are expected to be completed within fiscal year 2013.

**Hagatna Marina Renovations**

Through federal grant awards from the Department of the Interior/Office of Insular Affairs and USFW, the Gregorio D. Perez "Hagatna" Marina is undergoing several capital improvement projects. Subsequent to the project completion of the Hagatna Marina Renovation and Site Improvements-Phase I and Dock A repairs in 2012, the following projects are currently on going and are programmed to be completed within fiscal year 2013:

- GDP Waterline Replacement
- Dock C Replacement
- Dock B Repairs
- Dock A and B Pile Extensions
- Hagatna Marina Renovation and Site Improvement-Phase 2.

**Agat Small Boat Marina Renovation**

The Western Pacific Regional Fishery Management Council has recently awarded the Authority a \$250,000 federal grant to fund dock improvements at the Agat Small Boat Marina. The Authority has programmed to solicit and award this improvement project within fiscal year 2013.

**Port Modernization Program (Guam Commercial Port Improvement Program)**

As a result of the then planned US military relocation to Guam, the Port opted to update its Master Plan in 2007 as the framework of the Port Modernization Program. However, due to changing factors resulting from the reduction in the scope and timeline for the military buildup and corresponding impact on cargo forecasts, the Port Modernization Program was re-set and reconfigured to address organic growth. The Guam Commercial Port Improvement Program (GCPIP) aims to expand its terminal yard operations area, upgrade its equipment and maintenance capabilities and improve its waterfront access. The GCPIP-Phase IA are preliminary improvements to meet the minimum requirements of PL 29-125, the needs of the people of Guam, reduced relocation military troops and modernize critical facilities at the Commercial Port. Projects under the GCPIP include the following:

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- Container Freight Station Building Renovation: The construction work has been awarded and is expected to be completed within fiscal year 2013.
- Selected Break Bulk Yard Modifications: The project is forecasted to be awarded by mid-2013
- Container Yard and Gate House Expansion Project is programmed for fiscal year 2014.

**Replacement/Upgrade of Golf Pier Fuel Pipeline**

The Replacement/Upgrade of the existing fuel lines at the Golf Pier is a joint project with the Department of Public Works. This project will be funded by the Federal Highway Administration (FHWA) and in part by the Port Authority of Guam. The design work for this project was commissioned by the Authority and has since been turned over to FHWA/DPW for bid packaging. The procurement for this construction work is expected to begin by March 2013 with project completion by year 2014.

**Service Life Extension (SLE) Program**

The SLE Program was developed to address unforeseen structural repair work at the Port's F-5 Wharf, upgrade of the existing Financial Management Systems and acquisition of cargo handling equipment. 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. In September 2012, GEDA issued the solicitation package and is expected that the contract award will take place within January 2013. Upon obtaining approval of this loan, the following projects under the SLE Program are expected to begin:

- Construction Repairs to F5 Wharf
- Marine Repairs to Berths F3, F4, and F6
- Upgrade of JD Edwards Financial Management System
- Procurement of Cargo Handling Equipment

**CONTACTING THE PORT'S FINANCIAL MANAGEMENT**

The Management's Discussion and Analysis report is intended to provide information concerning known facts and conditions affecting the Port's operations. This financial report is designed to provide a general overview of the Port Authority's finances and to demonstrate the Port's accountability for the funds it receives and expends.

Management's Discussion and Analysis for the year ended September 30, 2011 is set forth in the Authority's report on the audit of financial statements which is dated January 26, 2012. That Discussion and Analysis explains in more detail major factors impacting the 2011 financial statements. A copy of that report can be obtained via the contact below.

For additional information about this report, please contact Joann B. Conway, Port Authority of Guam, 1026 Cabras Highway Suite 201, Piti, Guam 96915 or visit the website at [www.portguam.com](http://www.portguam.com).

**PORT AUTHORITY OF GUAM**  
**(A Component Unit of the Government of Guam)**

Statements of Net Assets  
September 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 10,886,253	\$ 10,710,367
Accounts receivable, net of allowance for doubtful accounts of \$971,565 in 2012 and \$1,141,114 in 2011	5,209,762	5,009,950
Prepaid expenses	128,485	139,109
Total current assets	16,224,500	15,859,426
Replacement parts inventories, net of allowance for obsolescence of \$76,304 in 2012 and \$113,243 in 2011	125,875	123,872
Depreciable property, plant and equipment, net	46,372,709	47,321,482
Nondepreciable property, plant and equipment	19,083,165	17,084,899
	<u>\$ 81,806,249</u>	<u>\$ 80,389,679</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities:		
Current portion of long-term bank debt	\$ 165,692	\$ 144,144
Accounts payable, trade and others	4,032,769	4,637,654
Security deposits and other payables	337,870	251,150
Accrued payroll and withholdings	321,687	344,201
Current portion of accrued annual leave	940,610	856,942
Deferred revenue	183,361	210,463
Total current liabilities	5,981,989	6,444,554
Long-term bank debt, net of current portion	3,035,317	3,210,951
Accrued annual leave, net of current portion	449,967	524,620
Accrued sick leave	1,105,722	1,028,941
Total liabilities	10,572,995	11,209,066
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	62,254,865	61,051,286
Unrestricted	8,978,389	8,129,327
Total net assets	71,233,254	69,180,613
	<u>\$ 81,806,249</u>	<u>\$ 80,389,679</u>

See accompanying notes to financial statements.

**PORT AUTHORITY OF GUAM**  
**(A Component Unit of the Government of Guam)**

Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Cargo throughput charges	\$ 23,784,571	\$ 23,604,599
Equipment and space rental	6,893,541	7,453,245
Wharfage charges	4,088,748	3,939,244
Special services	359,364	368,421
Other operating income	121,584	485,307
	<u>35,247,808</u>	<u>35,850,816</u>
Provision for bad debts	(17,707)	(126,301)
	<u>35,230,101</u>	<u>35,724,515</u>
Operating expenses:		
Management and administration	8,761,565	8,236,302
Equipment maintenance	5,266,400	5,609,224
Transportation services	4,210,757	4,371,798
Depreciation	3,719,994	3,350,881
Stevedoring services	3,054,227	2,974,329
General expenses	2,388,175	3,234,644
Utilities	2,204,216	2,215,178
Terminal services	1,940,149	1,844,832
Insurance	1,834,528	1,840,210
Facility maintenance	1,500,053	1,468,589
Total operating expenses	<u>34,880,064</u>	<u>35,145,987</u>
Earnings from operations	<u>350,037</u>	<u>578,528</u>
Nonoperating (expenses) revenues:		
U.S. Government operating grants	127,500	738,354
Other income (expense), net	3,088	-
Contribution to Autonomous Agency Infrastructure Collection Fund	-	(700,000)
Loss from disposal of property, plant and equipment	(754)	(245,599)
Interest (expense) income, net	(51,173)	(62,588)
COLA/supplemental annuities	(2,079,067)	(2,221,807)
Total nonoperating expenses, net	<u>(2,000,406)</u>	<u>(2,491,640)</u>
Loss before capital contributions	(1,650,369)	(1,913,112)
U.S. Government grants	<u>3,703,010</u>	<u>4,413,323</u>
Increase in net assets	2,052,641	2,500,211
Net assets at beginning of year	<u>69,180,613</u>	<u>66,680,402</u>
Net assets at end of year	<u>\$ 71,233,254</u>	<u>\$ 69,180,613</u>

See accompanying notes to financial statements.

**PORT AUTHORITY OF GUAM**  
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Statements of Cash Flows  
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from customers	\$ 35,003,187	\$ 37,186,572
Cash payments to suppliers for goods and services	(11,071,007)	(12,702,506)
Cash payments to employees for services and benefits	<u>(22,614,392)</u>	<u>(23,164,719)</u>
Net cash provided by operating activities	<u>1,317,788</u>	<u>1,319,347</u>
Cash flows from investing activity - interest received	<u>138,047</u>	<u>140,322</u>
Cash flows from capital and related financing activities:		
Capital grants received	3,703,010	5,151,677
Proceeds from long-term bank debt	-	3,500,000
Repayment of long-term bank debt	(154,086)	(144,905)
Interest paid	(189,220)	(202,910)
Purchase of property, plant and equipment	<u>(4,770,241)</u>	<u>(6,628,151)</u>
Net cash (used in) provided by capital and related financing activities	<u>(1,410,537)</u>	<u>1,675,711</u>
Cash flows from non-capital related financing activities:		
Operating grants received	127,500	-
Other non-capital activities	<u>3,088</u>	<u>-</u>
Cash provided by non-capital and related financing activities	<u>130,588</u>	<u>-</u>
Net increase in cash and cash equivalents	175,886	3,135,380
Cash and cash equivalents at beginning of year	<u>10,710,367</u>	<u>7,574,987</u>
Cash and cash equivalents at end of year	<u>\$ 10,886,253</u>	<u>\$ 10,710,367</u>

See accompanying notes to financial statements.

**PORT AUTHORITY OF GUAM**  
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Statements of Cash Flows, Continued  
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of earnings from operations to net cash provided by operating activities:		
Earnings from operations	\$ 350,037	\$ 578,528
Adjustments to reconcile earnings from operations to net cash provided by operating activities:		
Depreciation	3,719,994	3,350,881
Bad debts	17,707	126,301
Payments for COLA/supplemental annuities	(2,079,067)	(2,221,807)
Changes in operating assets and liabilities:		
Accounts receivable, net	(217,519)	1,588,461
Prepaid expenses	10,624	(139,109)
Replacement parts inventories, net	(2,003)	14,595
Accounts payable, trade and others	(604,885)	(1,852,662)
Security deposits and other payables	86,720	(193,767)
Accrued payroll and withholdings	(22,514)	(164,521)
Accrued annual leave	9,015	151,861
Deferred revenue	(27,102)	(58,938)
Accrued sick leave	76,781	139,524
Net cash provided by operating activities	<u>\$ 1,317,788</u>	<u>\$ 1,319,347</u>

See accompanying notes to financial statements.

**PORT AUTHORITY OF GUAM**  
**(A Component Unit of the Government of Guam)**

Notes to Financial Statements  
September 30, 2012 and 2011

1. Organization and Summary of Significant Accounting Policies

The Port Authority of Guam (the Authority) was created by Public Law 13-87 as an autonomous instrumentality of the Government of Guam to own and operate the facilities of the Commercial Port of Guam. All assets and liabilities were transferred from the Commercial Port of Guam to the Authority at book value effective April 20, 1976. The Authority is governed by a five member Board of Directors appointed by the Governor with consent provided by the Legislature. The Authority is a component unit of the Government of Guam.

The Authority's main cargo handling facilities are located on thirty acres of reclaimed land on Cabras Island in Piti, Guam. Title to this land was transferred from the Government of Guam to the Authority in 1979. Eleven acres of adjacent property was assigned to the Authority from the U.S. Navy at an annual rent of \$1 to be used for future container yard expansion.

The Authority controls and/or manages approximately 260 acres of fast and submerged lands inclusive of the thirty acres noted previously. These areas include the Harbor of Refuge, Aqua World Marina, a portion of the Piti Channel, Agat Marina, Gregorio D. Perez Marina, Hotel Wharf, Dog Pier, Family Beach and the Port Authority Beach. The Guam Economic Development Authority (GEDA) has assigned the management of the thirty-two acre Cabras Industrial Park to the Authority.

On July 14, 2009, Public Law 30-52 was enacted into law placing the Authority under the oversight of the Public Utilities Commission of Guam (PUC). A comprehensive study of the Authority's tariff was performed in 2010 and the proposed rate increases were published in 2011. On January 11, 2012, the PUC approved the Authority's petition for tariff rate increases effective March 1, 2012. Because of the rate making process, certain differences may arise in the application of accounting principles generally accepted in the United States of America between regulated and non-regulated enterprises. Such differences mainly concern the time at which various items enter into the determination of net earnings in order to follow the principle of matching costs and revenues.

Basis of Accounting

The Authority utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The Authority has implemented GASB 20 and elected not to apply FASB Statements, Interpretations and Codification updates issued after November 30, 1989.

**PORT AUTHORITY OF GUAM**  
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Notes to Financial Statements  
September 30, 2012 and 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Operating and Non-operating Revenues and Expenses

The Authority's revenues are derived primarily from providing various services to major shipping line customers under an approved tariff rate schedule and are reported as operating revenues. Revenue is recognized on the accrual basis and is recorded upon billing when services have been completed. Capital, grants, financing or investing related transactions are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses. COLA/supplemental annuities are reported as nonoperating expenses and revenues. Capital grants and other contributions from governmental agencies are recorded as net assets when earned. Operating grants are recorded as revenue when earned.

Net Assets

Net assets represent the residual interest in the Authority's assets after liabilities are deducted and consist of the following three sections:

Invested in capital assets, net of related debt:

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted:

Nonexpendable - Net assets subject to externally imposed stipulations that require the Authority to maintain them permanently.

Expendable - Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire with the passage of time.

The Authority does not have restricted net assets at September 30, 2012 and 2011.

Unrestricted:

Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Cash and Cash Equivalents

For purposes of the statements of net assets and of cash flows, cash and cash equivalents is defined as cash on hand and deposits in banks and time certificates of deposit with initial maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Substantially all of the Authority's accounts receivable as of September 30, 2012 and 2011 are due from international steamship lines/agents which are located or operating on Guam.



**PORT AUTHORITY OF GUAM**  
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Notes to Financial Statements  
September 30, 2012 and 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Accounts Receivable and Allowance for Doubtful Accounts, Continued

The Authority performs periodic credit evaluations of its customers, and generally does not require collateral. Receivables are considered past due when payment is not received within 90 days from the date of billing. As of September 30, 2012 and 2011, receivables that are more than ninety days past due totaled \$1,134,888 and \$1,230,434, respectively. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectibility of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. Uncollectible accounts are written-off against the allowance or are charged to expense in the period the Authority deemed the accounts to be uncollectible.

Replacement Parts Inventories

Replacement parts inventories consist of spare parts and supplies stated at average cost and are charged to expense as used. Due to the nature and availability of parts necessary for operations, inventory includes items which often are not used within one year. Thus, replacement parts inventories are classified as non-current assets.

Property, Plant and Equipment and Depreciation

Land is recorded at its appraised value on the date of transfer from the Government of Guam. Buildings and structures are stated at cost, which includes interest during the construction period. Equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (5 - 40 years for buildings and equipment). Current policy is to capitalize individual purchases over \$1,000 with useful lives exceeding one year. Normal maintenance and repairs are charged to operating expense as incurred; expenditures for major additions, improvements, infrastructure and replacements are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to nonoperating revenue/expense, respectively.

Compensated Absences

Compensated absences are recorded as a long-term liability in the statements of net assets. Estimated amounts to be paid during the next fiscal year are reported as current liabilities. Vacation pay is convertible to pay upon termination of employment.

In accordance with Public Law No. 27-5 and Public Law No. 28-68, employee vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service as follows:

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service;
2. Three-fourths day (6 hours) for each full bi-weekly pay period in the case of employees with more than five (5) years of service but less than fifteen (15) years of service; and
3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with more than fifteen (15) years of service.

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Notes to Financial Statements  
September 30, 2012 and 2011

1. Organization and Summary of Significant Accounting Policies, Continued

Compensated Absences, Continued

The statutes further amended the maximum accumulation of such vacation credits from 480 to 320 hours. Public Law No. 27-106 amended subsection (c) of 4 Guam Code Annotated § 4109. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over the excess shall be lost.

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement.

Risk Management

The Authority has commercial insurance coverage for directors' and officers' liability, comprehensive liability, employee dishonesty and forgery, money and securities loss, and automobile injury and property damage. Worker's compensation is managed through the local Department of Labor under the Government of Guam Special Fund (Special Fund); however, the Authority reimburses the Special Fund for the costs of claims. The Authority also has commercial property insurance coverage for 100% of the total net book value of property, plant and equipment, subject to deductibles. The Authority incurred no losses in excess of insurance coverage during the years ended September 30, 2012, 2011 and 2010.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Taxes

As an instrumentality of GovGuam, the Authority and all property acquired by or for the Authority, and all revenues and income there from are exempt from taxation by GovGuam or by any political subdivision or public corporation thereof and from all taxes imposed under the authority of the Guam Legislature, or with respect to which the Guam Legislature is authorized to grant exemption.

New Accounting Standards

During the year ended September 30, 2012, the Authority implemented the following pronouncements:

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

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Notes to Financial Statements  
September 30, 2012 and 2011

1. Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

**PORT AUTHORITY OF GUAM**  
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Notes to Financial Statements  
September 30, 2012 and 2011

1. Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the Authority.

Reclassifications

Certain reclassifications have been made to 2011 financial statements to correspond to the 2012 presentation.

2. Deposits

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

GASB Statement No. 40 requires disclosures for deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Authority does not have a deposit policy for custodial credit risk.

As of September 30, 2012 and 2011, the carrying amount of the Authority's cash and cash equivalents totaled \$10,886,253 and \$10,710,367, respectively, and the corresponding bank balances were \$11,061,516 and \$10,438,823, respectively, all of which were maintained in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of September 30, 2012 and 2011, bank deposits in the amount of \$1,868,624 and \$1,087,214, respectively, were FDIC insured. The Authority does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. The Authority has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its deposits.

**PORT AUTHORITY OF GUAM**  
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Notes to Financial Statements  
September 30, 2012 and 2011

3. Property, Plant and Equipment

A summary of changes in property, plant and equipment for the years ended September 30, 2012 and 2011 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2011</u>	<u>Transfers</u> <u>and Additions</u>	<u>Transfers</u> <u>and Deletions</u>	<u>Ending Balance</u> <u>September 30, 2012</u>
<u>Depreciable:</u>				
Buildings	\$ 70,692,078	\$ 2,206,054	\$ -	\$ 72,898,132
Equipment	<u>28,174,492</u>	<u>572,048</u>	<u>(18,415)</u>	<u>28,728,125</u>
	98,866,570	2,778,102	(18,415)	101,626,257
Less accumulated depreciation	<u>(51,545,088)</u>	<u>(3,719,994)</u>	<u>11,534</u>	<u>(55,253,548)</u>
	<u>47,321,482</u>	<u>(941,892)</u>	<u>(6,881)</u>	<u>46,372,709</u>
<u>Non-depreciable:</u>				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	<u>13,521,899</u>	<u>4,735,138</u>	<u>(2,736,872)</u>	<u>15,520,165</u>
	<u>17,084,899</u>	<u>4,735,138</u>	<u>(2,736,872)</u>	<u>19,083,165</u>
Total	<u>\$ 64,406,381</u>	<u>\$ 3,793,246</u>	<u>\$ (2,743,753)</u>	<u>\$ 65,455,874</u>
	<u>Beginning Balance</u> <u>October 1, 2010</u>	<u>Transfers</u> <u>and Additions</u>	<u>Transfers</u> <u>and Deletions</u>	<u>Ending Balance</u> <u>September 30, 2011</u>
<u>Depreciable:</u>				
Buildings	\$ 70,502,621	\$ 189,457	\$ -	\$ 70,692,078
Equipment	<u>24,824,596</u>	<u>7,481,047</u>	<u>(4,131,151)</u>	<u>28,174,492</u>
	95,327,217	7,670,504	(4,131,151)	98,866,570
Less accumulated depreciation	<u>(52,097,070)</u>	<u>(3,350,881)</u>	<u>3,902,863</u>	<u>(51,545,088)</u>
	<u>43,230,147</u>	<u>4,319,623</u>	<u>( 228,288)</u>	<u>47,321,482</u>
<u>Non-depreciable:</u>				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	<u>14,581,563</u>	<u>6,213,756</u>	<u>(7,273,420)</u>	<u>13,521,899</u>
	<u>18,144,563</u>	<u>6,213,756</u>	<u>(7,273,420)</u>	<u>17,084,899</u>
Total	<u>\$ 61,374,710</u>	<u>\$ 10,533,379</u>	<u>\$ (7,501,708)</u>	<u>\$ 64,406,381</u>

4. Employees' Retirement Plan

Defined Benefit Plan

Plan Description:

The Authority participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing, multiple-employer defined benefit pension plan, administered by the GovGuam Retirement Fund (GGRF) to which all funds and agencies, including component units, as well as employees who are members of the DB Plan, contribute a fixed percentage of qualifying payroll. The DB Plan provides retirement, disability, and survivor benefits to members and beneficiaries who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature.

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Notes to Financial Statements  
September 30, 2012 and 2011

4. Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

All new employees whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group. Membership in the DB Plan was mandatory for all full-time employees, except for those compensated on a fee basis, independent contractors, and persons aged 60 or over upon employment. Most employees may retire with full benefits at age 60 with at least 10 years of service, or after 25 years of service, regardless of age. Vesting of benefits is optional for employees with 3 to 19 years of service, but is mandatory for employees with 20 or more years of service.

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the GGRF, 424 A Route 8, Maite, Guam 96910, or by visiting its website - [www.ggrf.com](http://www.ggrf.com).

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2010, 2009, and 2008, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2012, 2011 and 2010, respectively, have been determined as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal costs (% of DB Plan payroll)	17.07%	17.00%	18.34%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>7.57%</u>	<u>7.50%</u>	<u>8.84%</u>
Employer portion of normal costs (% of total payroll)	3.03%	3.03%	3.73%
Unfunded liability cost (% of total payroll)	<u>23.75%</u>	<u>21.75%</u>	<u>22.69%</u>
Government contribution as a % of total payroll	<u>26.78%</u>	<u>24.78%</u>	<u>26.42%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>28.30%</u>	<u>27.46%</u>	<u>26.04%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

The Authority's contribution to the DB Plan for the years ended September 30, 2012, 2011 and 2010 totaled \$1,482,141, \$1,489,052 and \$1,349,514, respectively, which are equal to the required contributions for those years.

Defined Contribution Retirement System (DCRS)

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual investment account within the DCRS. Employees are afforded the opportunity to select from different investment accounts available under the DCRS.

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4. Employees' Retirement Plan, Continued

Defined Contribution Retirement System (DCRS), Continued

Statutory employer contributions for the DCRS plan for the years ended September 30, 2012 and 2011, are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

The Authority's contributions for the DCRS plan payroll for the years ended September 30, 2012, 2011 and 2010 were \$3,111,487, \$2,821,611 and \$2,335,320, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$2,773,979, \$2,508,418 and \$2,103,696 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2012, 2011 and 2010, respectively.

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. The Authority has accrued an estimated liability of \$1,105,722, \$1,028,941 and \$889,417 at September 30, 2012, 2011 and 2010, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and the actual payout may be materially different than estimated.

Other Post-Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

For the years ended September 30, 2012, 2011 and 2010, the Authority reimbursed GovGuam for certain supplemental benefits for retirees, including contributions for the abovementioned Plan, as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Medical and dental	\$ 1,171,262	\$ 1,439,584	\$ 1,045,627
Supplemental benefits	861,201	727,658	1,952,134
Life insurance	<u>46,604</u>	<u>54,565</u>	<u>54,812</u>
	<u>\$ 2,079,067</u>	<u>\$ 2,221,807</u>	<u>\$ 3,052,573</u>

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5. Long-Term Liabilities

Summary

Long-term liabilities of the Authority consist of annual leave and sick leave payable to its employees and long-term bank debt. Changes in long-term liabilities for the years ended September 30, 2012 and 2011 are as follows:

	Outstanding at September 30, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding at September 30, <u>2012</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued annual leave	\$1,381,562	\$1,053,249	\$1,044,234	\$1,390,577	\$ 940,610	\$ 449,967
Accrued sick leave	1,028,941	76,781	-	1,105,722	-	1,105,722
Long-term bank debt	<u>3,355,095</u>	<u>          -</u>	<u>154,086</u>	<u>3,201,009</u>	<u>165,692</u>	<u>3,035,317</u>
	<u>\$5,765,598</u>	<u>\$1,130,030</u>	<u>\$1,198,320</u>	<u>\$5,697,308</u>	<u>\$1,106,302</u>	<u>\$4,591,006</u>
	Outstanding at September 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding at September 30, <u>2011</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued annual leave	\$1,229,701	\$1,057,777	\$ 905,916	\$1,381,562	\$ 856,942	\$ 524,620
Accrued sick leave	889,417	139,524	-	1,028,941	-	1,028,941
Long-term bank debt	<u>          -</u>	<u>3,500,000</u>	<u>144,905</u>	<u>3,355,095</u>	<u>144,144</u>	<u>3,210,951</u>
	<u>\$2,119,118</u>	<u>\$4,697,301</u>	<u>\$1,050,821</u>	<u>\$5,765,598</u>	<u>\$1,001,086</u>	<u>\$4,764,512</u>

Long-term Bank Debt

Long-term debt pertains to a \$3,500,000 loan obtained from ANZ Guam, Inc. (ANZ) on October 22, 2010, representing a portion of the \$4,500,000 United States Department of Agriculture (USDA) Guaranteed Term Loan. The remainder of the USDA guaranteed loan is unused as of September 30, 2012. The term loan bears interest at 3% above the Federal Home Loan Bank of Seattle's 15-year amortizing fixed advanced rate at the time of funding (6.18% at September 30, 2012 and 2011) and is payable in monthly installments of \$30,049 in principal and interest over fifteen years. Proceeds of the loan were used to reimburse the Authority for the acquisition of four top lifters and ten terminal yard contractors which are also pledged as collateral for the loan.

As of September 30, 2012, future maturities of long-term bank debt are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 165,692	\$ 195,857	\$ 361,549
2014	175,348	185,234	360,582
2015	186,660	173,925	360,585
2016	198,238	162,347	360,585
2017	211,481	149,104	360,585
2018 through 2022	1,305,084	527,890	1,832,974
2022 through 2025	<u>958,506</u>	<u>92,969</u>	<u>1,051,475</u>
	<u>\$ 3,201,009</u>	<u>\$ 1,487,326</u>	<u>\$ 4,688,335</u>



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6. Major Customers

The Authority has two and five major shipping agency customers that collectively account for 67.41% and 84.24%, respectively, of total operating revenues for the years ended September 30, 2012 and 2011, respectively. The Authority has a high concentration of credit risk due to the limited number of entities comprising its customer base. In November 2011, one of the Authority's major customers, Horizon Lines, Inc., discontinued its Five Star Express trans-Pacific container shipping service between the U.S. West Coast, Guam and China.

7. Rental Operations

The Authority, in cooperation with the GEDA, leases space to tenants under noncancelable operating leases, with options to renew, providing for future minimum rentals. The minimum future rental on noncancelable operating leases for the five succeeding fiscal years and thereafter, are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2013	\$ 756,709
2014	756,709
2015	756,709
2016	756,709
2017	756,709
Thereafter	<u>4,565,549</u>
	\$ <u>8,349,094</u>

The Authority also leases equipment and space to tenants on a month-to-month basis. Total equipment and lease space revenue from tenants for all rentals totaled \$6,893,541 and \$7,453,245 respectively, for the years ended September 30, 2012 and 2011, respectively.

8. Commitments and Contingencies

Port Modernization Plan

The Port Modernization Plan (the Plan) spans a 30-year planning horizon with an estimated project cost of \$260 million and was conditionally approved in 2008 through Public Law 29-125. The Plan consists of Phases I-A and I-B with a focus on critical maintenance and repair of waterfront activities over the next five years and Phase II with a focus on expansion needed to address long-term cargo growth demands of Guam and neighboring islands over the next twenty years. In 2009, the Guam Legislature approved Phases I-A and I-B of the Plan through Public Law 30-57.

In June 2008, through a Memorandum of Understanding (MOU), the Authority partnered with the Maritime Administration (MARAD) for the "Port of Guam Improvement Enterprise Program" (the Program). MARAD was designated as the lead federal agency assisting the Authority in securing funding sources to modernize its facilities and operations. Under the Program, MARAD is to provide federal oversight and coordination of projects, act as a central procurement organization, leverage federal, non-federal and private funding sources, and streamline the environmental review and permitting process. The partnership with MARAD was formalized through U.S. Public Law 110-417, *National Defense Authorization Act for 2010*. U.S. Public Law 110-417 also established the "Port of Guam Improvement Enterprise Fund" (the Fund), a separate account in the Treasury of the United States that will be used to receive funding from federal and non-federal sources to carry out the Program.

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Notes to Financial Statements  
September 30, 2012 and 2011

8. Commitments and Contingencies, Continued

Port Modernization Plan, Continued

The Authority commenced with the Phase I-A of the Plan in 2010 and is to be funded by the following:

Appropriation from the U.S. Department of Defense (USDOD)	\$ 50,000,000
Appropriations from the USDA:	
Direct loans	25,000,000
Community Facilities Guaranteed Loan with ANZ	25,000,000
Guaranteed term loan with ANZ	<u>4,500,000</u>
	\$ <u>104,500,000</u>

The appropriation from the USDOD is sourced from the 2010 U.S. Supplemental Appropriations Act that was signed into law in August 2010. The appropriation was transferred to the Fund on September 22, 2010 and will be administered and disbursed by MARAD based on the terms of the MOU, however, with the approval and authorization of the Authority. The Authority intends to first utilize this appropriation before drawing down on the \$25,000,000 USDA appropriations.

The appropriations from USDA were awarded on October 22, 2010. On the same date, the Authority received \$3,500,000 of the guaranteed term loan with ANZ (see note 5). The remaining \$1,000,000 guaranteed term loan is unused as of September 30, 2012. The Authority plans to issue a request for proposal in FY2013 for the utilization of the unused portion.

In 2011, due to changes in certain factors relating to the military buildup and cargo forecast, management no longer intends to utilize the \$25,000,000 Community Facilities Guaranteed Loan with ANZ and has formally withdrawn the loan application on April 17, 2012. Also, USDA communicated with the Authority that the \$25,000,000 direct loan is to be used within a reasonable amount of time after obligation and encouraged the Authority to finalize their plans of loan utilization. Given the current budget situation in the U.S. Congress, all loans that have been obligated but not yet closed and disbursed are facing increased scrutiny. On December 20, 2011, the Authority requested the USDA to extend the direct loan. As of the audit report date, the Authority has not received the approval from USDA.

At September 30, 2012, the Authority has \$13.8 million recorded in construction work in progress for the Port Modernization Plan. Realization of these assets is dependent on future events, including continuation of the Plan as currently envisioned.

USDA Community Facility Loans

In 2010, USDA also awarded a \$2,000,000 direct loan and \$12,000,000 of guaranteed loans intended for the purchase of gantry cranes pursuant to Public Law 30-100 which mandates the Authority to acquire at least two gantry cranes no later than December 31, 2012. In November 2011, Public Law 31-145 was enacted authorizing the Authority to enter into negotiations with Matson and Horizon for the specific purpose of acquiring one or more refurbished gantry cranes through purchase or lease-to-own. On August 27, 2012, the PUC approved the Sales Agreement and Interim Maintenance Agreement related to the purchase of the refurbished cranes. Further, on September 25, 2012, the PUC authorized the Authority to proceed with finalizing the loan documents with ANZ for a \$12,000,000 loan which is guaranteed by USDA. The Authority anticipates that it will no longer utilize the \$2,000,000 direct loan from USDA.

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Notes to Financial Statements  
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8. Commitments and Contingencies, Continued

Government of Guam General Fund

In March 2011, the Authority received a \$12,250,000 invoice from the Government of Guam's Department of Administration (DOA) representing an annual assessment of \$875,000 for each of the fiscal years 1998 to 2011 pursuant to 5 GCA Chapter 22 Section 22421, *Transfer of Autonomous Agency Revenues To Autonomous Agency Collections Fund*. In May 2011, the Authority responded to DOA requesting a further review of the assessment as the Authority believes that it does not owe DOA the entire \$12,250,000 based on previous funds transferred in 1994 and 1997 of \$500,000 and \$3,500,000 to the General fund and to the Government of Guam Autonomous Agency Infrastructure Collection Fund (AAICF), respectively. The Authority also asserts that it funds certain government services provided by the Guam Customs and Quarantine Agency, Guam Environment and Protection Agency, Guam Police Department and Guam Fire Department through ongoing operations at Port; contributes to GEDA and Port's Base Realignment and Closure Commission; and, will fund the Tri-Star Pipeline and water line projects in the future. Further, the Authority understands that is only required to transfer amounts to the AAICF when there is an operating surplus.

In September 2011, the Authority accrued \$700,000 representing its liability towards the AAICF funding based on its interpretation of the law. The amount is included in accounts payable, trade and others in the accompanying statements of net assets as of September 30, 2012 and 2011.

Lawsuit and Claims

The Authority is a defendant in various lawsuits and proceedings arising in the normal course of business. While the outcome of these lawsuits and proceedings cannot be predicted with certainty and could have a material adverse effect on the Authority's financial statements, it is the opinion of management, after consulting with its legal counsel, that the ultimate disposition of such suits and proceedings will not have a material adverse effect on the Authority's financial statements.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of the Government of Guam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of the Government of Guam who earn a superior performances grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. The Authority has not assessed the impact of the requirements of the law as of September 30, 2012. Therefore, no liability which may ultimately arise from this matter has been recorded in the accompanying financial statements.

9. Subsequent Events

On December 20, 2012, the Authority signed an agreement with Matson for the \$12 million purchase of four cranes. A loan equal to the purchase cost was obtained from ANZ as part of the Port Modernization Plan Funding Source as discussed in note 8.

**OTHER FINANCIAL INFORMATION**

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Details of Operating Expenses  
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Management and administration:</b>		
<i>Management:</i>		
Salaries and wages - regular	\$ 332,304	\$ 237,072
Benefits - Government contribution	104,484	71,073
Annual leave	21,854	12,478
Fringe benefits	9,893	8,499
Office supplies	1,763	2,133
Furnishings and equipment	149	1,962
Miscellaneous	<u>14,701</u>	<u>22,768</u>
Total management	<u>485,148</u>	<u>355,985</u>
<i>Administration:</i>		
Salaries and wages - regular	5,196,957	4,974,332
Benefits - Government contribution	1,677,026	1,538,060
Annual leave	405,284	391,834
Fringe benefits	300,579	319,710
Repairs and maintenance	168,260	169,143
Salaries and wages - overtime	150,064	112,746
Salaries and wages - other	53,112	55,543
Furnishings and equipment	39,308	30,055
Office supplies	27,967	31,371
Operational supplies	17,457	26,398
Miscellaneous	<u>240,403</u>	<u>231,125</u>
Total administration	<u>8,276,417</u>	<u>7,880,317</u>
Total management and administration	<u>\$ 8,761,565</u>	<u>\$ 8,236,302</u>

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Details of Operating Expenses, Continued  
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Equipment Maintenance:</b>		
Salaries and wages - regular	\$ 2,036,291	\$ 1,981,044
Repairs and maintenance	1,505,005	1,568,612
Benefits - Government contribution	698,614	659,839
Operational supplies	346,744	608,847
Salaries and wages - other	167,113	197,090
Annual leave	158,222	147,120
Fringe benefits	156,898	170,183
Salaries and wages - overtime	108,291	190,304
Contractual	82,348	53,206
Furnishings and equipment	4,644	31,506
Office supplies	2,230	1,473
	<u>5,266,400</u>	<u>5,609,224</u>
Total equipment maintenance	<u>\$ 5,266,400</u>	<u>\$ 5,609,224</u>
<b>Transportation Services:</b>		
Salaries and wages - regular	\$ 2,292,477	\$ 2,352,393
Benefits - Government contribution	786,850	780,862
Gas, oil and diesel	490,954	559,429
Fringe benefits	185,770	203,314
Annual leave	182,162	187,196
Salaries and wages - overtime	146,653	158,404
Salaries and wages - other	122,621	127,702
Furnishings and equipment	1,591	313
Operational supplies	1,047	1,324
Office supplies	632	861
	<u>4,210,757</u>	<u>4,371,798</u>
Total transportation services	<u>\$ 4,210,757</u>	<u>\$ 4,371,798</u>

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Details of Operating Expenses, Continued  
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Stevedoring Services:</b>		
Salaries and wages - regular	\$ 1,896,230	\$ 1,823,300
Benefits - Government contribution	618,222	596,122
Salaries and wages - overtime	141,232	167,483
Fringe benefits	138,688	133,972
Annual leave	130,982	128,843
Salaries and wages - other	114,097	119,806
Operational supplies	13,736	3,022
Office supplies	<u>1,040</u>	<u>1,781</u>
Total stevedoring services	<u>\$ 3,054,227</u>	<u>\$ 2,974,329</u>
<b>Facility Maintenance:</b>		
Salaries and wages - regular	\$ 869,283	\$ 893,115
Benefits - Government contribution	300,704	286,360
Operational supplies	101,068	100,933
Annual leave	71,769	73,797
Salaries and wages - overtime	67,015	21,193
Fringe benefits	65,700	64,194
Salaries and wages - other	14,331	20,173
Furnishings and equipment	7,453	1,257
Office supplies	185	499
Miscellaneous	<u>2,545</u>	<u>7,068</u>
Total facility maintenance	<u>\$ 1,500,053</u>	<u>\$ 1,468,589</u>

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Details of Operating Expenses, Continued  
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Terminal Services:</b>		
Salaries and wages - regular	\$ 1,254,532	\$ 1,197,439
Benefits - Government contribution	407,728	378,347
Fringe benefits	98,207	104,786
Annual leave	83,730	79,325
Salaries and wages - overtime	50,891	33,630
Salaries and wages - other	35,750	35,291
Office supplies	8,611	12,264
Furnishings and equipment	-	3,606
Operational supplies	700	144
	<u>          </u>	<u>          </u>
Total terminal services	<u>\$ 1,940,149</u>	<u>\$ 1,844,832</u>
<b>General Expenses:</b>		
Professional services	\$ 1,043,043	\$ 1,702,934
Legal counsel	299,222	445,854
Managers' fee	411,862	407,969
Waste removal	144,740	129,138
Workmen's compensation injury allowance	66,056	106,701
Maintenance	97,455	89,255
Audit	43,523	47,158
Port incentive award	42,866	35,802
Agency fee	38,683	30,087
Claims and damages	31,253	31,282
Inventory adjustment	7,780	(8,973)
Board of Directors expense	6,751	3,761
Miscellaneous	154,941	213,676
	<u>          </u>	<u>          </u>
Total general expenses	<u>\$ 2,388,175</u>	<u>\$ 3,234,644</u>

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Summary of Salaries and Wages  
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Salaries and wages - regular	\$ 13,878,074	\$ 13,458,695
Benefits - Government contribution	4,593,628	4,310,663
Fringe benefits	955,735	1,004,658
Salaries and wages - overtime	664,146	683,760
Salaries and wages - other	<u>507,024</u>	<u>555,605</u>
	<u>\$ 20,598,607</u>	<u>\$ 20,013,381</u>

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Employees by Department  
Years Ended September 30, 2012 and 2011

Department:	<u>2012</u>	<u>2011</u>
Management and administration	125	129
Equipment maintenance	53	60
Transportation services	65	63
Stevedoring services	57	52
Facility maintenance	24	24
Terminal services	<u>37</u>	<u>36</u>
	<u><u>361</u></u>	<u><u>364</u></u>

See accompanying Independent Auditors' report.