



**PORT OF GUAM**  
*ATURIDATI PUETTON GUAHAN*  
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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 20, 2015  
**11:45am**

**AGENDA**

- I. CALL TO ORDER
- II. APPROVAL OF MINUTES
  - a. January 30, 2015 – Regular Board Meeting
- III. PUBLIC COMMENT:
  - a. Public Comments
  - b. Employee Comments
  - c. PAGGMA Association
- IV. GENERAL MANAGER'S REPORT
- V. OLD BUSINESS
  - a. Mobile Harbor Crane
  - b. RFP No. PAG-013-004 Implementation & Integration Services TOS, Task Order No. 2
  - c. 5-Year Tariff Rate Petition
  - d. Board Resolution No. 2015-01 – 5-Year Tariff Rate Petition
  - e. Port Audit – Fiscal Year 2014
- VI. NEW BUSINESS
  1. IFB PAG-CIP-015-001 F-1, F-3 & Container Yard Southside Perimeter Chain Link Fence Replacement
  2. Hotel Wharf
- VII. ADJOURNMENT



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**MINUTES OF THE  
REGULAR MEETING OF THE BOARD OF DIRECTORS  
Friday, January 30, 2015**

**I. CALL TO ORDER**

There being a quorum, the regular meeting of the Board of Directors was called to order at 11:45 a.m., Friday, January 30, 2015. Present at the meeting were:

Francisco Santos, Chairman  
Timothy Kernaghan, Board Secretary  
Oscar Calvo, Member  
Joanne M.S. Brown, General Manager  
Maria D.R. Taitano, Deputy General Manager (Admin/Finance)

Absent was Mr. Felix R. Pangelinan, Deputy General Manager of Operations. Also present were Office of Senator Tom Ada-Blaine Dydasco; KUAM-Ken Quintanilla and Port Management staff.

**II. ELECTION OF OFFICERS**

The Chairman made motion to nominate Mr. Oscar Calvo as Vice Chairman of the Port Authority of Guam Board of Directors, seconded by Mr. Kernaghan. Motion was unanimously approved.

The Vice Chairman made motion to retain Mr. Francisco G. Santos as Chairman of the Port Authority of Guam Board of Directors and retain Mr. Timothy Kernaghan as the Board Secretary of the Port Authority of Guam Board of Directors, seconded by Mr. Kernaghan. Motion was unanimously approved.

**III. APPROVAL OF MINUTES**

a. **December 15, 2014 – Regular Board Meeting:** Mr. Kernaghan made motion to approve the minutes of December 15, 2014 subject to correction. The motion was seconded by the Vice Chairman and was unanimously passed.

**IV. PUBLIC COMMENT**

- a. **Public Comment:** None.
- b. **Employee Comment:** None.

c. **PAGGMA Association:** Mr. John B. Santos, Vice President, PAGGMA association announced that on February 2, 2015, the association will be hosting a NFL Super Bowl event and welcomed all to attend. PAGGMA is also coordinating the Relay for Life fundraiser.

## V. GENERAL MANAGER'S REPORT

The General Manager's report was provided for Board's information. Following key item(s) were noted as follows:

1. **Port Awarded Department of Defense Community Assistance Grant:** The Port Authority had submitted a grant request for the continuation of technical assistance by an Owner's Agent/Engineer services to assist the Port with the completion of existing projects relating to the military buildup. On December 24, 2014, the Port received favorable notice that the Office of Economic Adjustment had awarded \$1,380,000.00.

2. **Audit Report for 2014:** The Port has reached its third year of a clean audit which positions the Port as a low risk auditee. This is significant as it is a tremendous benefit for the Port when acquiring additional grant funding. Mrs. Maria D.R. Taitano, Deputy General Manager of Admin/Finance (DGMA) mentioned that the draft audit report has been provided and is currently being reviewed. During meeting discussions, the auditor raised several issues which include status of Gantry 3 on whether the Port had plans to survey this port asset; and the status of the Autonomous Agency Infrastructure Collections Fund that has a recorded \$700K liability for prior years. The DGMA said the auditors relayed that the Port is the only known autonomous agency to have recorded this and a decision needs to be made by the Port to either pay this liability or take action to remove this liability from the Port's books. Management recommends for this liability to be removed from Port books until such time enforcement is made. The Vice Chairman asked whether there would be any repercussions in doing so. The General Manager said this fee was assessed to autonomous agencies pursuant to Public Law 24-14 and understands that the Port is the only autonomous agency that has booked the amount required. This item is under new business should the Board wish to take action.

3. **Repair of Power Lines to EQMR:** The Port coordinated with Black Construction to shut down power on January 10, 2015 for purposes of power connections to the new Wash Rack facility. Upon completion, power to the port compound was back online, except EQMR building. After inspection, a defect was discovered on the electrical line which now requires replacement of the underground lines. Further investigation revealed that the power shutdown was not the cause of the defect to the electrical lines that is now over ten years old. Request will be made under new business for funding to procure and reimburse back the account of Maintenance division that had to facilitate the procurement process due to the critical nature of this repair.

4. **Meeting with MARAD and EA:** Management met with Maritime Administration Director for Pacific Gateway Brian Varney and EA President Ian MacFarlane to discuss the performance of EA with the current construction of Phase III and the completion of

Phase I and Phase II. EA was hired by MARAD to perform engineering services for the modernization projects. Discussion also addressed other projects in the event there are remaining funds upon completion of Phase III. Possible project options include additional repairs and improvements in the existing yard or the procurement of critically needed equipment.

5. **Meeting with Army Corps of Engineers:** On January 28, 2015, Management met with representatives of Army Corps of Engineer relative to moving forward with the implementation of the Shoreline Protection Study for Agat Small Boat Marina which would aid in reducing erosion problems. Other discussion included the rip current issue at the Agat Marina and while Army Corps of Engineer would include this project in its budget request, would also require special appropriation from Congress. Management will arrange to meet with Congresswoman Madeleine Bordallo to request for congressional appropriation on this matter.

6. **Port Visit for Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics:** The Port has scheduled a briefing presentation on Port operations and current construction projects on February 3, 2015 for Deputy Under Secretary Alan Estevez and 23 other officials which includes 8 generals. Mr. Estevez develops and implements strategies, policies, and programs that increase the Department's war-fighting capabilities, management efficiency, and buying power in support of the War-fighter. Mr. Estevez also supports the Under Secretary of Defense in all matters related to acquisition, logistics and material readiness; research and engineering, nuclear, chemical, and biological weapons; operational energy; installations and environment and the defense industrial base. Joint Region Marianas Rear Admiral Bette Bolivar and Andersen Air Force Base 36<sup>th</sup> Brigadier General Andrew Toth will also be part of this visit.

7. **Guam Federation of Teachers (GFT):** On January 26, 2015, Management with Port legal counsel attended a hearing at the Chambers of Judge Michael Bordallo in response to a Writ of Mandamus related to the collective bargaining agreement. GFT is requesting Judge Bordallo to direct the Port General Manager to make changes to the effective date and provide a signature line for the Attorney General to the agreement. Port legal counsel argued that that authority to the agreement is vested with the Board of Directors and not the General Manager and also that the processes entirely is discretionary on the Board of Directors to move this issue forward or not. Port legal counsel is not of the opinion that GFT through this writ can essentially require the General Manager to take this action. Judge Bordallo relayed that he will take this under advisement and the Port is waiting his decision on this matter.

8. **Association of Pacific Ports 2015 Winter Conference and Meeting with Matson's Hawaii Operations:** Board Chairman Frank Santos and the General Manager attended the winter conference earlier this month and also attended a meeting and tour of the Matson's Hawaii operations in Oahu. More information concerning the conference and meeting with Matson officials is included in the General Manager's travel report.

9. **XTERRA Guam Championship:** The Port received a letter from Event Coordinator Eric Tydingco requesting the use of Port Beach for the championship sporting event to be held on April 11, 2015. This year will mark the 11<sup>th</sup> anniversary of this event. The Port

has served as a sponsor for a number of years and its participation has been non-monetary in nature.

10. **Major Port Projects from 2011-2014:** A chronological outline of the major port projects from 2011 thru 2014 was provided for the Board's reference. Project initiatives beyond 2015 thru 2018 were provided as well.

## VI. OLD BUSINESS

- a. **Mobile Harbor Crane:** Still in the procurement process.
- b. **RFP No. PAG-013-004 Implementation & Integration Services TOS, Task Order No. 2:** Discussion continues with the selected offeror.
- c. **Lifesavers National Conference: Highway Safety Priorities, March 15-17, 2015, Chicago, Illinois:** At its previous meeting, the Board had authorized travel for port participation to the conference; however, as the Port is a sub-grantee through a Project Agreement, Section 402 Grant with the Office of Highway Safety, Department of Public Works receiving federal funds from the U.S. Department of Transportation, the travel procedure calls for the Port to secure the travel cost for reimbursement. As such, Board approval is being requested to advance funds for the Lifesavers National Conference.

Mr. Kernaghan made motion to fund the travel cost for Port participation in the Lifesavers National Conference: Highway Safety Priorities scheduled for March 15-17, 2015 to be held in Chicago, Illinois which will be reimbursed by the Office of Highway Safety, Department. Motion was seconded by the Vice Chairman and was unanimously approved.

## VII. NEW BUSINESS

1. **5-Year Tariff Rate Petition:** The DGMA said the Port received the report from Parsons Brinckerhoff last month. An internal review by management will be conducted and thereafter be presented to the Board.
2. **Board Resolution No. 2015-01 5-Year Tariff Rate Petition:** Tabled, until the next meeting.
3. **Port Audit – Fiscal Year 2014:** As earlier discussed under the General Manager's report, Mr. Kernaghan made motion to reverse the \$700K liability from the Port's books subject to receiving a support letter from the Office of the Public Auditor, seconded by the Vice Chairman. Motion was unanimously approved.
4. **F6 Cleat Assessment:** The General Manager said the cleat at F-6 has not been there for a number of years and it reduces the mooring capacity by 35 tons. The recommendation is to reinstall the cleat; however, a structural assessment would be needed. Mr. Simeon Delos Santos, Engineer Manager mentioned that the structural assessment is to locate the



existing anchors by demolishing the concrete bulkhead. There are spare cleats available that just needs to be reconditioned. Board approval is being requested to fund this project using the Facility Maintenance Fund in the amount of \$25K.

Mr. Kernaghan made motion to approve up to \$25,000.00 from the Facility Maintenance Fund for purposes of assessing the need of the cleat at F-6, seconded by the Vice Chairman. Motion was unanimously approved.

5. **PAG-GPA MOU Easement:** The General Manager said Mr. Glenn B. Nelson, Commercial Manager has been working with representatives of EA and Guam Power Authority (GPA) to assist in facilitating GPA's access to the new Load Center No. 5 (LC-5) at F-5 which will house the generator for the expanded yard currently in construction. She mentioned that GPA requires the ability to access LC-5 and the memorandum of understanding would enable GPA access and proceed with the erection and maintenance of power lines and so forth. The General Manager said this MOU does not transfer any Port property or interest to GPA, but merely provides GPA access onto Port property. Based on this, Board action is requested to authorize management to enter into the agreement with GPA.

Mr. Kernaghan made motion to authorize the Port General Manager to enter into the Memorandum of Understanding with Guam Power Authority relative to the Grant of Right-of-Way for the erection and maintenance of power lines, poles, wires, cables and underground conduits. Motion was seconded by the Vice Chairman and was unanimously approved.

6. **IFB CIP-014-004 CFS Building Repairs Project – Change Order No. 2:** Mr. Delos Santos said additional concrete spalls were discovered during the execution of the Container Freight Station spalling repairs. These concrete spallings were not included in the original plans and specifications. He mentioned that in order to safeguard port personnel from potential danger, the recommendation is to repair the additional concrete spallings found. Based on this, Board approval is being requested to fund Change Order No. 2 of the CFS building repairs in the amount of \$60K from the Facility Maintenance Fund. Mr. Kernaghan expressed concern that the original bid award amount was \$189K, the first change order was \$17K and then now the second change order being requested is at \$60K. He said this gives a combined total of change orders at \$77K which is a 41% increase from the original bid amount, which is a problem. He asked that for future proposals of this nature that the Board be provided with the original bid amount and any change order. The General Manager understands the concern, however, the challenge Port is faced with as well as the contractor is that these circumstances are not known until actual work is performed. She said the recommendation is to either authorize the contractor to perform the additional work or bid out the remainder concrete spallings found. The General Manager said the government procurement process is selecting the lowest bidder which may not be the best option or the best qualified. Mr. Kernaghan commented it would be ideal if government of Guam follows the procurement model of the federal government where bidders are ranked based on performance.

The Vice Chairman made motion to approve \$60,000.00 for Change Order No. 2 of IFB CIP-014-004 CFS Building Repairs Project using the Facility Maintenance Fund, seconded by Mr. Kernaghan. Motion was unanimously approved.

7. **IFB-CIP-015-002 Relocation and Installation of Emergency Generators:** Mrs. Alma B. Javier, Procurement Manager said three bidders submitted their bid offer with the lowest bid at \$249,400.00. As a result, management requests the Board to approve the award to ProPacific Builders, Corp. that has been deemed to have met all the requirements set forth in the IFB and is consistent with the Guam Procurement Regulations. The General Manager said \$200K is being funded through the Port Security Grant program and what is being asked of the Board is the difference of \$49,400.00. Mr. Kernaghan noticed the funding source identified is through the Facility Maintenance Fund and asked whether there is other source of fund that could support this project. The General Manager replied negatively and mentioned that one other option was in-house installation, however, with the existing workload of staff would be a very long and winding process. She said in order to facilitate in getting the generators installed as quickly and as efficiently as possible would be through the bidding process and the Port is in critical need to have the generators installed when it arrives. Mr. Kernaghan expressed concern that the Facility Maintenance Fund is being used rather heavily this month. The General Manager appreciates director Kernaghan's concern, but mentioned that these are prime generators that have the capability of supporting the Port for long periods in the event of island power outage. She added that this is also consistent with MARAD's requirement in that the generators have the same standards and capabilities as LC-5.

Mr. Kernaghan made motion to approve the contract award to ProPacific Builders, Corp. for IFB-CIP-015-002 Relocation and Installation of Emergency Generators in the amount of \$249,400.00 and that \$50,000.00 from the Facility Maintenance Fund be added onto the \$200,000.00 Port Security Grant to fully pay the winning bidder. Motion was seconded by the Vice Chairman and was unanimously approved.

8. **RFP No. PAG-014-007 Collection Services:** Mrs. Javier said the Request for Proposal for collection services was issued on September 8, 2014; deadline being October 3, 2014. As a result of the evaluation process, MCB, Inc. was selected as the most qualified and highest ranked offeror. After negotiations, the following terms and conditions were mutually agreed upon by both parties:

- MCB's services are at no cost to the Port.
- Collection fee rate of 33.33% is to be charged to the customer.
- MCB, Inc. to remit 100% of collectible amount on the account.

Based on this, management requests the Board to approve the contract award to MCB, Inc. that has been deemed to have met all the requirements set forth in the RFP and is consistent with the Guam Procurement Regulations.

Mr. Kernaghan made motion to approve the contract award to MCB, Inc. for RFP No. PAG-014-007 Collection Services according to the mutually agreed upon terms and conditions, seconded by the Vice Chairman and was unanimously approved.

9. **RFP No. PAG-015-002 Drug Free Workplace Program:** Mrs. Javier said the Request for Proposal for Drug Free Workplace Program was issued on December 19, 2014; deadline being December 30, 2014. As a result of the evaluation process, Pacific Human Resource Services (PHRS), Inc. was selected as the most qualified and highest ranked offeror. During negotiations, PHRS, Inc. submitted a proposed counter offer on January 27, 2015 of which the Port Negotiation Committee agreed upon as it was determined to be fair and reasonable. Based on this, management requests Board approval for contract award to PHRS, Inc. that has been deemed to have met all the requirements set forth in the RFP and is consistent with the Guam Procurement Regulations. The Vice Chairman asked how often the random drug test is administered. The General Manager said the random drug test scheduling is determined by upper management level when the need arises and/or upon suspicion. Also, is administered at pre-employment screening and when an incident/accident occurs. She said the policy is zero tolerance.

Mr. Kernaghan made motion to approve the contract award to Pacific Human Resource Services, Inc. for RFP No. PAG-015-002 Drug Free Workplace Program according to the mutually agreed upon terms and conditions, seconded by the Vice Chairman and was unanimously approved.

10. **Cable Lines:** As earlier discussed under the General Manager's report, the General Manager said this is to replace the underground power lines between LC-1 and EQMR Building. Due to the critical nature, she said the Maintenance division advanced its operational budget, specifically the Electrical Operations Supply account, to facilitate the procurement process. Therefore, Board approval is being requested to use the Facility Maintenance Fund for the power lines and revert back the funds to the Maintenance account.

The Vice Chairman made motion to authorize funding in the amount of \$60,000.00 from the Facility Maintenance Fund for purposes of the power lines and that funds revert back to the Maintenance division, specifically the Electrical Operations Supply account. Motion was seconded by Mr. Kernaghan and was unanimously approved.

11. **Performance Evaluation – General Manager:** The Vice Chairman expressed that the General Manager's performance is exceptional. He mentioned that through her leadership and collaborative effort with Port Administration and Operation divisions, she has and continues to aggressively move the Port forward with not only the modernization projects, but other capital improvement projects as well. He commended the General Manager for a tremendous job well done. The Chairman shared the same sentiments and is impressed with the performance of the General Manager and will continue to support management endeavors. Mr. Kernaghan expressed that coming on board as a Board member and having worked closely with the Port is an amazing organization to be a part of and shared the same sentiments expressed.



There were no objections on the Chairman formalizing the performance evaluation of the General Manager.

12. **Travel Accommodations:**

1. **FEMA Emergency Management Institute: E143 Advance Situational Awareness Training, March 20-April 2, 2015, Emmetsburg, Maryland**
2. **New Mexico Tech Training: Prevention/Response to Suicide Bombing Incidents, May 4, 2015, Socorro, New Mexico**

The DGMA said while request is being made for designated port personnel participation to attend the trainings, she requested whether the Board would consider authorizing travel not to exceed the number of participants per trip in the event such employee is unable to make the training due to unforeseen circumstances and obligation. The General Manager added that this would then reflect two personnel for EMI training and three for New Mexico training. Mr. Kernaghan agreed and mentioned that moving forward the travel request can remain as presented but to also include "or as otherwise directed by the General Manager". He said this would then give opportunities for other employees to attend without having to wait for the next Board meeting.

Mr. Kernaghan made motion to authorize travel for two port personnel to participate in the FEMA Emergency Management Institute: E143 Advance Situational Awareness Training, March 20-April 2, 2015, Emmetsburg, Maryland; and three port personnel to participate in the New Mexico Tech Training: Prevention/Response to Suicide Bombing Incidents, May 4, 2015, Socorro, New Mexico. Motion was seconded by the Vice Chairman and was unanimously approved.

**VIII. ADJOURNMENT**

There being no further business to discuss, it was moved by the Vice Chairman and seconded by Mr. Kernaghan to adjourn the meeting at 1:10 p.m. The motion was unanimously passed.



TIMOTHY T. KERNAGHAN, Board Secretary  
Board of Directors

APPROVED BY:



FRANCISCO G. SANTOS, Chairman, Board of Directors



# **General Manager Report**

**To**

## **PAG Board of Directors**

**February 20, 2015**

### **General Port Operations**

#### **Arrival of Mobile Cargo Container/Vehicle Screening System**

On Thursday, February 12, 2015, the Port held a press conference to announce the arrival of the Port's new and long awaited Mobile Cargo Container/Vehicle Screening System that will strengthen the Port's security capability to inspect, detect and identify illegal contraband and other threats from entering Guam's seaport and moving out into the island community. The Port was able to procure the Mobile Cargo Screening System that was funded in the amount of \$987,304.00 from the US Department of Homeland Security/FEMA FY 2011 Port Security Grant Program.

The Mobile Cargo Screening System is an AS&E ZBV Backscatter Van that will be operated by Guam Customs and Quarantine to inspect containers and vehicles that may contain illegal drugs, other illegal contraband, explosives and possible stowaways. The equipment has the capability of analyzing the contents of a container or vehicle right through its exterior just like an x-ray machine. This equipment will also assist Port security in minimizing possible terrorist threats and can be deployed if needed at other locations on island.

Attending this press conference in addition to Port management and staff was the Lt. Governor of Guam Ray Tenorio, Board Member Oscar Calvo, Director for Customs and Quarantine Pedro Leon Guerrero, Chief of Customs Ralph Sgambelluri, Guam Homeland Security Advisor Ambrosio Constantino, Director for the Mariana Regional Fusion Center and Acting Administrator for the Office of Civil Defense James McDonald, Coast Guard Commander Brenden Kettner and Coast Guard Contingency Planning and Force Readiness Representative Hassan Rosell. In addition, officers from Customs and Quarantine that were involved in the initiation and procurement of the Mobile Cargo Container/Vehicle Screening System were also present for the press conference and the presentation of the new equipment.

## **Port Visit for Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics**

On Tuesday, February 3, 2015, the GM, Deputy GM for Operations Felix Pangelinan, Deputy GM for Finance and Administration Maria Taitano, Operations Manager John Santos and the Director for Pacific Gateway Maritime Administration, U.S. DOT Brian Varney provided a briefing presentation on Port operations and current status of construction projects to the Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics Alan Estevez. A briefing paper had been provided to the Deputy Under Secretary and his 23 member delegation prior to the field visit.

The GM provided a brief history of the Port and introductions on behalf of Port management. Mr. Santos led the field presentations on the Port's current operations and ongoing construction projects impacting the Port's Yard. The tour included a visit to Hotel Wharf where the GM relayed that the former Navy ammunition wharf would need to be refurbished in order to be placed back into operational use. She stated that a refurbished Hotel Wharf would provide the Port an additional 500 ft. of wharf space that would be advantageous in the event DOD required the 1,000 ft. of dock space for security purposes. Hotel Wharf could easily accommodate military or commercial operations that do not require the use of Port cranes.

Deputy Under Secretary Esteves was also provided a tour and briefing of the Phase III Modernization expansion project. Mr. Varney discussed the current status of construction and the anticipated capacity that would be added to the Port inventory. He relayed that the largest portion of the \$50 million from DOD was being invested in Phase III with an anticipated completion date scheduled for the 4<sup>th</sup> quarter of 2015.

## **Audit Report for 2014**

On Thursday, February 5, 2015, a close out meeting was held with Port management and representatives from Deloitte and the Office of the Public Auditor. Attending the meeting on behalf of the Port was the GM, Deputy GM for Administration and Finance Maria Taitano, Deputy GM for Operations Felix Pangelinan, Acting Financial Affairs Controller Joann Conway and General Accounting Supervisor Miami Ulbenario. Attending on behalf of Deloitte were Partner Lee Vensel, and Assistant Manager Josephine Mendoza. Present on behalf of the OPA were Public Auditor Doris Brooks and Auditor I Ashly Gaerlan.

Public Auditor Brooks started the meeting by relaying good news that the Port was to be commended for receiving a low-risk auditee status after its third year of an unmodified (clean) audit. She further relayed that the Guam Community College is the only other government entity

that has currently achieved this status. Auditor Brooks reported that the Port has continued to end its fiscal year with an increased net income position that for 2014 was registered at \$3.2 million. In 2013, the net income was only \$92,000.00. She added that the operating revenues for 2013 were around \$42 million that has now increased to \$45 million for 2014.

Auditor Brooks elaborated on the Port's write-offs and losses related to property disposal during the Phase II Modernization project that included the demolition of Warehouse II in the amount of \$4.8 million for 2014. She also discussed the Port's increased 7% revenue of \$3 million during this past year. She attributed this increase to the \$1.6 million derived from the Crane Surcharge fees that was increased to \$125 per container and became effective on March 1, 2013 and the 5.65% rate increase that had been approved by the PUC in March of 2014. Auditor Brooks further discussed the decrease in operating expenses by \$2.8 million which is a 7% decrease from the previous year.

Mr. Vensel went on to discuss Deloitte's audit procedures with regards to the review of overtime hours, sales invoices and construction projects. Overall, any discrepancies found were minor but noted these matters for the record and further awareness of the Port to address for future audits.

Auditor Brooks continued the meeting with focus on the audit highlights that included updates on the Port's Modernization Programs, the \$10 million Bank of Guam loan and the Port's Pension Liability for its pro rata share that amounts to \$45.3 million. She stated that this pension liability is long term in nature and will have to be reported in the Port's FY 2015 statements.

Deputy GM Taitano in follow up to an inquiry from the Port's Board asked Auditor Brooks if the Port could receive a response from her office concerning the \$700,000 liability that was still being carried on the Port books. Auditor Brooks responded that the Port had been the only autonomous agency to have paid the Payment in Lieu of Taxes (PILOT) when this cost was accessed to the autonomous agencies during the Administration of former Governor Carl T.C. Gutierrez. She stated that the airport had taken the position that the assessment of the PILOT would violate its bond covenants and that GPA had responded that in order to pay the PILOT, it would have to go the PUC to request a rate increase.

Deputy GM Taitano stated that the Board would like to know if the Public Auditor had any recommendations regarding the recording of the \$700,000 liability. Auditor Brooks responded that she will further review the matter and provide a response to the Port's request.

## **Meeting with OEA on status of Department of Defense Community Assistance Grant**

On Monday, February 2, 2015, The GM, Deputy GM for Administration and Finance Maria Taitano, Chief Planner Dot Harris and Planner IV Donna Lizama-Acosta met with OEA Western Regional Director Gary Kuwabara, to further discuss the recent \$1.3 million Department of Defense Community Assistance Grant award and provide him an update on current construction projects at the Port.

According to Chief Planner Dot Harris the grant documents were being processed at BBMR and would then be moved on to DOA to set up an account for the grant funds. The GM responded that she would contact the Budget Director to determine the status of review at BBMR.

Mr. Kuwabara relayed that OEA was in the process of putting together a report to the U.S. Congress on the status of federal grants related to the military buildup. He stated that OEA has inquired information from MARAD related to its projects at the Port but has yet to receive a formal response to include in OEA's report. He also stated that support from MARAD concerning the community assistance grant would be beneficial. The GM responded that MARAD Pacific Gateway Director Brian Varney was currently on island and recommended that Mr. Kuwabara engage with Mr. Varney concerning the request for information desired from OEA. She added that the Port will assist where it can with regards to BBMR, DOA and the final approval of the Memorandum of Understanding with the Government of Guam.

With the implementation of the additional grant funding the Port will be able to procure an Owner's Agent/Engineer (OAE) to assist the Port with the completion of existing projects relating to the military buildup. The previous OAE contract expired on December 26, 2014.

The current grant has been awarded for a two year period from January 1, 2015, through December 31, 2016.

## **Tour of Naval Station Wharf Upgrades**

On Wednesday, February 4, 2015, the GM, Deputy GM for Operations Felix Pangelinan and the Deputy GM for Finance and Administration met with the Commanding Officer for Naval Base Guam Captain Alfred "Andy" Anderson and Captain of the Port James Pruett. The focus of the meeting and tour of the Naval Base was to discuss and see the substantial improvements and financial investments made into the base's wharf infrastructures. Also attending the tour was the Joint Region Marianas Naval Base Director of Port Operations Dan Quicho and the Naval Base Installation Operations Officer Dennis Siler.



The tour began at X-Wharf where efforts are currently underway according to Captain Anderson to extend the wharf out by an additional 20 feet and ongoing dredging to increase the draft to 35 feet at a cost of \$110 million. Located at X-Ray Wharf is a Cold Storage Facility that is slated to be replaced with a new \$123 million facility that will be located further inland at X-Ray Wharf.

At Delta-Echo Wharf upgrades and added capacities and capabilities have been put in place to accommodate the transfer of fuel from a vessel to the military storage facilities at Sasa Valley and from Sasa Valley to fuel military vessels.

Captain Anderson relayed that Victor Wharf has also had significant improvements and rehabilitation to its 3,500 foot wharf. Around \$96 million has been invested in the refurbishment of Victor Wharf. An added feature to the wharf's infrastructure is the newly constructed underground utility chamber that can be easily accessed to repair or replace utilities that service the wharf and minimize downtime for wharf operations. The concrete covers for the utility chamber can be removed and put back in place without affecting wharf operations. This design concept should be incorporated into future wharf rehabilitations for the Port of Guam.

Sierra Wharf was recently reopened in December of 2014 and is constructed primarily of concrete that is 18 inches thick to accommodate the heavy weight of military vessels and equipment that are being brought into or out of the Navy base. The cost of this project was \$11 million.

Captain Anderson also informed the group the upgrades for Romeo Wharf are scheduled for May of this year and is primarily intended to dock submarines during inclement weather. The dry-dock Richland (known as the AFDM-8) is tied adjacent to Romeo Wharf and needs to be removed to avoid damaging the wharf and any vessels or submarines moored there.

### **Meeting with USDA on \$2 Million Loan**

On Monday, February 9, 2015, the GM, Deputy GM for Administration and Finance, and Acting Financial Affairs controller Joann Conway met with Area Director Western Pacific Rural Development Joseph Diego and Business Community Program Specialist Anthony Barcinas to discuss the status of the \$2 million loan to purchase yard equipment. USDA and the Port are closing on the final details to transfer the funds to procure the Port's much needed equipment.

Mr. Barcinas requested a copy of the Port's 2013 Financial Audit for review. Deputy GM Taitano responded that she will provide a copy for his reference. Mr. Barcinas was also provided and unaudited copy of the 2014 Financial Audit that is awaiting Board approval. There are no further documents required from the Port to close on the USDA loan. As soon as the funds are

transferred, the Port is prepared to submit the procurement paper work to GSA to bid out the yard equipment.

The GM discussed the Port future plans to rehabilitate Hotel Wharf and the construction of a new Port Administrative Commercial Facility. Mr. Diego relayed that the USDA still has loan options that are available depending on the type and purposes of building or facilities to be constructed. The GM responded that a new Port administration building would also have to accommodate the demand for office space from Port Users including current tenants that have expressed an interest in leasing office space from the Port. Mr. Diego stated that USDA loans cannot be used for property intended for commercial lease but recommended that the Port further discuss these details with his office to determine eligibility.

### **Delay in the Arrival of the Matson Vessel Maunawili**

On Monday, February 16, 2015, the GM received notice from Matson General Manager Bernadette Valencia that there would be a delay in the arrival of the MV Maunawili as a result of severe transpacific storm that damaged the hull of the vessel between China and Long Beach. The Maunawili was scheduled to arrive at Guam's Port on Tuesday, February 24, 2015. As there will be no Matson vessel arriving next week, the MV Maunalei that departed Long Beach on Wednesday, February 18, 2015 is scheduled to arrive on Tuesday, March 3, 2015 and will have a larger 900+ unit loads to accommodate the interim shortage of service.

The Maunawili was also scheduled to provide transshipment cargo out to Micronesia. The delay of cargo to the neighboring islands will be addressed with the arrival of the Maunalei during the first week of March.

### **PUGG Meeting for February**

The monthly meeting for the PUGG was held on Thursday, February 19, 2015. Attending the meeting on behalf of the Port were the GM, Deputy GM for Operations Felix Pangelinan, Deputy GM for Administration and Finance Maria Taitano, Operations Manager John Santos, Engineer Manager Simeon Delos Santos, Acting Finance Affairs Controller Joann Conway, Assistant Harbor Master Charlene Yatar, Maintenance Manager Ernie Candoleta, Transportation Superintendent Ray Santos, Acting Systems Administrator Dennis Perez, Chief Planner Dot Harris, Terminal Superintendent Joe Ulloa, Acting Safety Administrator Vince Acfalle, and Stevedore Supervisor II Patrick Alvarez. Present on behalf of the PUGG were Matson Representatives Bernie Valencia, Tom Dillon, and Alex Peterson, MELL Representative Ed Cruz, MSA Representative Byron Valera, Ambyth Representatives Velma Santos and Teresa

Gotti, and Norton Lilly Representatives Emy Reyes and Patrick Doromal. Present on behalf of EA Engineering was Tressie Word.

Operations Manager John Santos opened the meeting with a presentation on an overall site plan for the current and upcoming phases of construction related to the Port's Modernization Projects. He provided handouts to the respective representatives and also had a larger printout available for reference. He then introduced EA Engineering, Science, and Technology Engineer Tressie Word who was present to respond to any questions the members may have concerning the ongoing construction projects. Mr. Santos went on to discuss the Phase I Site Plan that includes the completion of the new Terminal Gate by May 15, 2015. He stated that prior to this date he would meet with the agents and truckers to discuss the new gate procedures. He also relayed that as the new Terminal Gate is part of the new footprint of the expanded Yard, the U.S. Coast Guard would need to permit the use of the facility before it can be placed into operation. Mr. Santos also discussed the current construction of the oil water separator near Warehouse I and the installation of the domestic waterlines. Phase I will encompass the new Container Yard and Terminal Gate Building, paving of the previous Crane Shop area located behind F-6, a storm drain system, new expanded parking lot area across the Port Administration Building, domestic water and fire hydrant assembly, Wash Rack and additional high mast lighting.

Mr. Santos went on to further discuss Phase II construction that will include a continuation of the domestic water and fire lines, oil water separators, duct bank and high mast lighting construction. The approximate period of the phase is scheduled from February 10, 2015 to August 27, 2015.

Mr. Santos also relayed that continued expansion of the Break-bulk Yard will require the demolition of the existing guard house and sections of the parking lot adjacent to the Port's Boardroom Building. In the interim, Low Tower will be used as a point of entry into the Yard. The old Gate House will later be converted into a Gate Administrative Office. He also stated that additional lighting will have to be addressed at F-3 to meet Coast Guard requirements. Mr. Santos also discussed the status of the Service Life Extension (SLE) projects and the coordination that is needed between BME, contractor for the SLE and Black Construction, contractor for the Modernization Projects. He informed the group that the Spur Rail has already been removed from the Yard.

Mr. Santos went on to discuss Phase III that primarily incorporates the East Break Bulk Yard. He relayed that this phase is currently under construction to maximize the use of resources with the adjacent parking lot expansion.

Mr. Santos also updated the members of the discussions earlier that day at the Chamber of Commerce Maritime Affairs Committee (MAC) and the following three issues: 1) status of the Truck Enforcement Screening Station (TESS); 2) status of the Invasive Species legislation, and

3) operation of the Mobile Cargo Container/Vehicle Screening System. Mr. Santos reported that the TESS facility is not under the jurisdiction of the Port. He relayed that Chamber members were under the impression that the Port would operate the TESS. The GM stated that TESS would be under the jurisdiction of the Department of Public Works and the Department of Revenue and Taxation. The TESS was funded by the Federal Highway Administration (FHWA) to minimize the impact of unregulated loads on the island's primary roads that are funded by FHWA. Mr. Santos stated that a copy of the proposed legislation for the operation of the facility is available for the review and comment by the PUGG membership. As for the Invasive Species legislation, Mr. Santos stated that he is anticipating a report from the Department of Agriculture concerning information related to the implementation of the Invasive Species Fee. Deputy GM for Operations Pangelinan informed the membership that Customs staff will be undergoing training next week on the operation of the Mobile Cargo Container/Vehicle Screening System and that plans are being put in place to examine containers as they are off/on loaded onto vessels.

The GM informed the PUGG that current Port administration has two projects that it desires to initiate with Board concurrence: 1) the rehabilitation of Hotel Wharf that is estimated to be an \$18 to \$20 million project and 2) the construction of a Port Commercial Complex that will incorporate Port administration and leased office space for interested private companies that have business operations at the Port. She relayed that other meetings will be held and PUGG members will be surveyed for interest, ideas and recommendations for the new Port facility. She relayed that there have been companies that have already approached the Port to express their interest in leasing space should a new building be constructed as they desire to consolidate their administrative office functions adjacent to their shipping and repair operations. She stated that she will keep the PUGG members updated as this process moves forward. With regards to Hotel Wharf, the GM relayed that the Port will apply again this year for a TIGER grant to fund the rehabilitation of the wharf. If the Port is not successful in obtaining the grant or other sources of federal funding, the Port may have to pursue other financing options. She added that the design and environmental work for Hotel Wharf have been completed and the project would be ready to commence once funds are identified.

### **Port Visit from Commander, Fourteenth Coast Guard District**

On Friday, March 6, 2015 the Port will be providing an update on Port construction and operations to the Commander, Fourteenth Coast Guard District Rear Admiral Cari B. Thomas. The Fourteenth District includes Guam, Hawaii, Commonwealth of the Northern Mariana Islands, Singapore and Japan and covers over 12.2 million square miles.

Board Chairman Santos and the GM had the opportunity to meet Rear Admiral Thomas during her presentation on "Keeping Pacific Ports Safe and Secure" at the Association of Pacific Port's Winter Conference in January in Kauai.

### **Tour of the New Gloria B. Nelson GPA/GWA Building**

On Monday, February 15, 2015, Port management and Division Managers were provided a tour of the new Gloria B. Nelson GPA/GWA Building. Providing a presentation and tour on behalf of GPA/GWA were Real Estate/GIS Supervisor Antonio Gumataotao, Engineering Manager Joven Acosta and Engineer Supervisor Perry Paladoc. The Port is evaluating options to present to the Board on the construction of a new Port Administrative and Commercial Facility to include Port administration and tenants.

The new Gloria Nelson Building represents a consolidated office for both GPA and GWA that includes utility management and employees, customer services, engineering, accounting and procurement services. According to Mr. Gumataotao, the building is 116,567sq.ft. in size and has been designed as a Leadership in Energy and Environmental Design (LEED) facility. He also relayed that the building cost over \$26 million and was constructed over an 18 month period. He added that improvements were also made to upgrade Route 15 to provide easier access and a turning lane into the new facility at a cost of \$1.4 million with another \$4.8 million for furniture, equipment and art work, facility design and architectural services.

The new building provides adequate workspace for utility employees, break rooms, secured filing rooms, training facilities, conference rooms, secured IT facilities, and a sizable customer service area.

Mr. Acosta relayed that access control will be implemented in the next couple of months along with CCTV capabilities. The Port is implementing similar capabilities within its new Port Command Center and existing administrative and yard facilities.

Overall, the Port employees were quite impressed with the new Gloria Nelson GPA/GWA Building.

### **Resurfacing Repairs from Route 1 to Route 11**

The Department of Public Works held a Ribbon Cutting Ceremony on Tuesday, January 27, 2015 to announce a resurfacing project to replace friction course for Route 1 in Yigo and the villages of Asan and Piti. The repair work for the villages of Asan and Piti are beneficial to Port customers traveling to and from the Port. The repair work will begin in Asan and end at the Piti Route 1 and Route 11 intersection. According to the Guam Transportation Program the road



resurfacing project will also include the replacement of pavement markings. This project has been funded by the Federal Highway Administration and is slated to be completed in May of 2015.

### **Additional Holiday for Calendar Year 2015**

In follow up to the GM's Board Report in January, a new holiday observed by the Government of Guam as Guam History and Chamorro Heritage Day will be held on Monday, March 2, 2015.

## **Port Safety Issues**

### **Incident at Area Q**

On Thursday, February 5, 2015, the GM received a report from Safety Inspector II John T. Santos concerning refrigeration Mechanic I Jason Mendiola who had been assigned to monitor container reefers at Area Q. According to Mr. Santos, Mr. Mendiola was walking between two 40 foot containers when he stepped into a hole and injured his left knee. He also reported that the area was insufficiently lighted when the incident at happened 6:20 a.m.

Mr. Mendiola was issued a 101a form and sent to GMH for further evaluation.

Mr. Santos concluded that the incident with Mr. Mendiola was caused as a result of poor lighting and inattention on the part of Mr. Mendiola concerning his surroundings. He recommended that employees have flashlights available for use in poorly lit areas. He also recommended that this incident be referred to the Accident Review Board with recommendations to be forwarded to the GM.

### **Damaged Property at Load Center 3**

On Thursday, February 19, 2015, the GM received a report dated Wednesday, February 18, 2015 from Safety Inspector John T. Santos concerning damage to property and Load Center 3 (LC-3). According to Mr. Santos, Equipment Operator II Roleynoel Borja was operating Top Pick 09-06 and had been assigned to Area A to issue and receive containers from private trucking companies. Mr. Santos went on to state that after Mr. Borja grounded a container near the eastside of LC-3 he reversed his Top Pick and proceeded forward in a westward direction. During this process Mr. Santos hit the Top Pick spreader on the northeast side of LC-3 resulting in damages to the rooftop fascia of the building. Fortunately, there was no damage to the Top Pick that was accessed by Heavy Equipment Mechanic II William Hudson.

Mr. Santos went on to report that the Port's CIP Division further determined that there was no structural damage to LC-3 except for damages to the building fascia.

Mr. Santos determined that the primary cause of this incident was haste and inattention on the part of Mr. Borja to ensure proper clearance while operating the Top Pick. He further recommended that this matter be forwarded to the Accident Review Board for recommendations to be made to the GM.

**FEDERAL GRANT/LOANS & LOCAL FUNDING PROGRAMS**  
**FY2015 Port Modernization Plan**  
**Grant Strategy - Monthly Update**

February 19, 2015

Summary Sheet of Funding/Financing

	On-hand	Expenditures	Remaining Balance	NOTES
<b>Port Modernization</b>				
Modernization	\$ 52,600,000.00	\$ 11,903,288.26	\$ 39,316,711.74	\$48.5M Port Enterprise Fund
Security	\$ 9,328,057.49	\$ 7,218,695.41	\$ 1,157,705.87	
Marinas	\$ 1,241,728.00	\$ 3,144.47	\$ 1,178,583.53	
Port Police	\$ 27,900.00	\$ -	\$ 27,900.00	
<b>Grand Totals:</b>	<b>\$ 63,197,685.49</b>	<b>\$ 19,125,128.14</b>	<b>\$ 41,680,901.14</b>	

Applications/Approvals Pending

		NOTES
Security	\$ 651,314.15	Hazard Mitigation Program
Marinas	\$ 60,000.00	Sport Fishing Program
<b>Grand Totals:</b>	<b>\$ 711,314.15</b>	

PORT AUTHORITY OF GUAM - FEDERAL GRANT FUNDING PROGRAMS  
Thursday, February 19, 2015

I. Port Modernization

ITEM	GRANT #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Award Amount	Draw Down Submitted	Remaining Balance	STATUS:
FY2010-01	Port Enterprise Fund	Guam Commercial Port Improvement Program	DoD to DOT Maritime Administration Agency (MARAD)	09/22/10	18.9%	9/22/2010 - 9/22/2015	\$ 48,500,000.00	\$ 9,183,288.26	\$ 39,316,711.74	Transferred to the Port Enterprise Fund on 09/22/2010; As of 2/2/2012 Dashboard Total Transferred to Project \$500M; Total for Contracts \$48.5M; Total for MARAD Admin \$1.5M; EA Engineering \$9,183,288.26; Pending Contract Obligations \$103,137.00 Version: 9/23/2013 PAG Financial Dashboard
FY2010-03	GR0706-10-10	Project Controls and Program Accountability Services	Office of Economic Adjustment (OEA) DoD	10/01/10	100.0%	10/1/2010 - 9/30/2012 Extension approved 9/30/2013 Extension approved 11/30/2014	\$ 750,000.00	\$ 750,000.00	\$ -	PAG has been reimbursed the full grant amount.
FY 2011-01	GR0706-11-12	Owner's Agent Engineer Support Services	Office of Economic Adjustment (OEA) DoD	04/01/11	100.0%	4/01/2011 - 3/31/2012 Extension approved 01/31/2014 Extension approved 11/30/2014	\$ 1,970,000.00	\$ 1,970,000.00	\$ -	\$3,985.30 pending reimbursement
FY 2015-02	GR0706-15-21	Owner's Agent Engineer Support Services	Office of Economic Adjustment (OEA) DoD			01/01/2015 - 12/31/2016	\$ 1,380,000.00			Pending MOU from the Governor's Office
<b>GRAND TOTAL GRANTS FOR MODERNIZATION:</b>							\$ 52,600,000.00	\$ 11,903,288.26	\$ 39,316,711.74	

II. SECURITY

ITEM	GRANT #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Award Amount	Draw Down Submitted	Remaining Balance	STATUS:
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	100.0%	08/01/2008 - 05/31/2013	\$ 573,693.97	\$ 573,693.97	\$ 0	Close out documents completed
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	\$ 556,326.69	\$ 0	This Investment Justification (project) is part of the Port Security Enhancements Project (PSEP) and is closed. Close out documents completed. Punch list reviewed and addressed.
FY2009-02	2009-PU-T9-0043	U 2: Access Control/Secured Credentialing System with TWIC Reader Capability	PSGP	03/01/10	100.0%	2/2009 - 12/31/2013	\$ 622,811.62	\$ 622,811.62	\$ 0	This Investment Justification (project) is part of the Port Security Enhancements Project (PSEP) and is closed. Project is completed.
FY2009-03	2009-PU-T9-0043	U 3: Communication Duct bank Work (formerly Radar/Intrusion Detection System)	PSGP	03/01/10	100.0%	2/2009 - 12/31/2013	\$ 600,832.50	\$ 600,832.50	\$ 0	This Investment Justification is part of the PSEP and is closed. Project is completed. Punch list reviewed and addressed.
FY2009-04	2009-PU-R1-0164	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	99.1%	09/2009 - 05/31/13	\$ 910,593.50	\$ 905,156.94	\$ 8,436.56	This Investment Justification is part of the PSEP Project is completed. Currently working on close out report. Because the project was completed within the proposed and awarded amount, the balance of \$8,436.56 will be retained to FEMA. The Port expended 99.07% of the award amount. Punch list reviewed and addressed.

FY2010-01	2010 PU 70-0080	II.1: Command and Control Integration of CCTV Security Surveillance, Access Control/Secured Credentialing, Radar Intrusion/Detection, and TWIC Readers Systems	P5GP	02/10/11	99.9%	06/01/10 - 05/31/2014	\$ 2,257,500.00	\$ 2,254,505.74	\$ 2,994.26	This Investment Justification is part of the PSEP Project is completed. Currently working on close out report. The Port expended 99.87% of the award amount. The balance of \$2,994.26 will be retained by FEMA. Punch list reviewed and addressed.
FY2011-01	EMW 2011 PU 00200-501	II.1: Upgrade of Emergency Back up Generators to Support Maritime and Port Security Management and Operations.	P5GP	09/01/11	73.4%	09/01/2011 - 08/31/2014	\$ 867,141.00	\$ 636,858.57	\$ 230,282.43	Correspondence between the Port and Caterpillar ongoing regarding the ship date for the 4 generators purchased via FEDGSA. Barring any delays caused by the dispute between port operators and longshoremen in the West Coast, the anticipated arrival of all generators is end of March 2015
FY2011-02	EMW 2011 PU 00200-501	II.2: Mobile Cargo and Vehicle CBRNE Detection and Screening System	P5GP	09/01/11	64.7%	09/01/2011 - 08/31/2014	\$ 1,525,790.00	\$ 987,304.00	\$ 538,486.00	Mobile Container/Vehicle Screening System arrived on February 11, 2015. A press conference on the equipment was conducted the next day. Currently, the vehicle is going thru its pre delivery checks with Triple J Motors. Insurance, license, and registration has been acquired for the unit. Training for 6 Customs officers with 10 other Port, USCG and Customs officials for the Awareness Level will be conducted from Feb. 23 - 26, 2015.
FY2013	EMW 2013 PU 00206	CMU Wall & Heavy Duty Chain Link Security Fencing	FEMA Port Security Grant Program	Notification of Award Issued 8/24/2013 by DHS Preparedness Grant Program Announcement	18.2%	8/24/2013 - 8/24/2015	\$ 461,712.00	\$ 84,205.38	\$ 377,506.62	Phase I work is completed for this project. Phase II bid opening was conducted on Feb. 10, 2015 with several offerors submitting their proposals. Lowest responsive bidder was Inland Builders. Ongoing coordination between Engineering, Procurement and Inland Builders is underway.
FY2014		Upgrade and Refurbishment of Safe Boat Acquired from the US Coast Guard Sector Guam	FEMA Port Security Grant Program	Waiting on USDHS/FEMA grant award documents			\$ 415,106.21			A Scope of Work has been developed and a requisition is now being processed by Port Police and Strategic Planning
FY2014		Enhancement of the PAG's Critical Infrastructure Cyber Security	FEMA Port Security Grant Program	Waiting on USDHS/FEMA grant award documents			\$ 536,550.00			The Port is working with the Guam Homeland Security/Office of Civil Defense to acquire a template of a cyber security assessment performed in other states.
							\$ 9,328,057.49	\$ 7,218,695.41	\$ 1,157,705.87	

GRAND TOTAL FOR SECURITY:



III. MARINAS

ITEM	GRANT #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Award Amount	Draw Down Submitted	Remaining Balance	STATUS:
FY2014 01	D14AP00020/Guam-CIP 2014-1	Agat Marina Dock "C & D" Repairs	Department of Interior Office of Insular Affairs (DOI OIA)	3/12/2014 PENDING ATP from DOI OIA	0.0%	10/1/2013 - 9/30/2018	\$ 939,484.00	\$	\$ 939,484.00	NTP issued to AIC, International, Inc.; PAG Share \$653,724. Total Project Cost \$1,593,208; As of 2/16/2015 Record for Environmental Consideration has been reviewed and submitted to DOI OIA for final approval and release of Authorization to Proceed. Total Expense paid by PAG Share \$636,526.53 to date.
FY2014 02	F14AP01023	Harbor of Refuge A/E Design & Environmental Studies - Phase I	DOI/F&WS/Dept of Ag/DAWR	07/01/14	0.0%	10/1/2013 - 9/30/2015	\$ 95,000.00	\$	\$ 95,000.00	PAG Sub-grantee through DOAg; PAG Cost Share \$25,000; Total Project Cost \$120,000; DOAg approves SOW & Fee Proposal. PO Issued to AmOrient Engineers and A/E Design & Environmental Studies commenced. Contractor has 180 days from NTP to complete the project.
FY2014 03	F14AP00191	Renovation of the Guam Harbor of Refuge Phase II - A/E Design, Repairs to Mooring, Acquisition of Pumpout System & Shelter/Housing	DOI/F&WS/DOAg DAWR	03/31/14	0.0%	10/16/2013 - 9/30/2016	\$ 86,181.00	\$	\$ 86,181.00	PAG Sub-grantee through DOAg; PAG Cost Share \$23,750; Total Project Cost: \$109,931; Pending approval by AG & Governor.
FY2014 04	F14AP00130	Renovations of Existing Pump outs at Marinas	DOI/F&WS/Dept of Ag/DAWR	02/18/14	5.1%	6/10/2013 - 9/30/2014	\$ 61,083.00	\$ 3,144.47	\$ 57,938.53	PAG Sub-grantee through DOAg; MOU approved; Pending One (1) Year No Cost Extension by DOAg. Indirect cost and administrative cost \$3,144.47 applied to DOAg; Approved amount after in direct cost \$57,938.53
FY2014 05	F10AF00014	Agat Small Boat Marina 1)Concrete Catwalk Repair	DOI F&WS/Sport Fishing Program/Dept of Ag/DAWR	Refer to Status column	\$	\$ 60,000.00	\$ 60,000.00			PENDING establishment of account and MOU from Dept. of Agriculture.
<b>GRAND TOTAL FOR MARINAS:</b>							\$ 1,241,728.00	\$ 3,144.47	\$ 1,178,583.53	

IV. Port Police - Highway Safety

ITEM	GRANT #	PROJECT NAME	Federal or Local Agency	Notice to Proceed	% Completed	Award Date / End Date	Award Amount	Draw Down Submitted	Remaining Balance	STATUS:
FY2015 01	PT15 03 03PAG	Port Police Division - Section 402 Highway Safety Funds	Department of Public Works/Office of Highway Safety	Pending	\$	10/2/2014 - 9/2/2015	\$ 27,900.00	\$	\$ 27,900.00	PAG Sub-Grantee through OHS; Pending approval by AG & Governor.
<b>GRAND TOTAL FOR OTHER</b>							\$ 27,900.00	\$	\$ 27,900.00	

IV. OTHER

ITEM	POTENTIAL FUTURE GRANTS	PROJECT NAME	Federal or Local Agency	COMMENTS	PAG Estimated Cost Share	Federal Cost Share %	Total Amount
1	FY2013	Pre-Disaster Mitigation Grant Program; PAG Mitigation Project	FEMA	Refer to Status column	\$ 162,828.54	488.485.61	\$ 651,314.15
<b>GRAND TOTAL FOR OTHER</b>							\$ 651,314.15

## OPERATION DIVISION REPORT SUMMARIZATION

February 4, 2015

Prepared By: John B. Santos

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### CONTAINER REPORT:

#### For the Month of January:

- Total Cargo Vessels: 20
- Total Containers Handled: 7120
- 

#### Year to Date (October 2014 – September 2015)

- Total Cargo Vessels: 84
  - Total Containers Handled: 30,065
  - Monthly Container Handled Average: 7,516
- 

### VESSEL PRODUCTIVITY REPORT:

#### Average Gross Move Per Hour (AGMPH):

- Matson 21 AGMPH
  - Mana 9 AGMPH
  - MSA Barges 13 AGMPH
  - MSA Kyowa 12 AGMPH
  - Ambyth 16 AGMPH
  - MEL 20 AGMPH
- 

### EQUIPMENT REPORT:

#### Gantry Cranes:

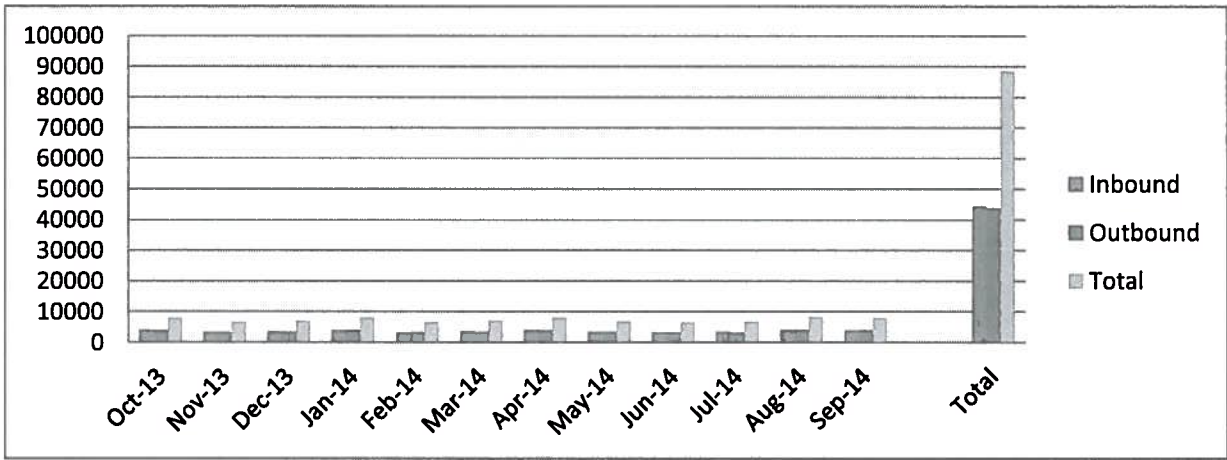
Gantry Cranes 3, 4, 5, & 6 are operational during this period. Gantry cranes 4, 5, & 6 were utilized and not Gantry 3. **Downtime:** Gantry 4 had 3.7 hours downtime due to problems with its power, gantry & spreader; Gantry 5 had 3.8 hours downtime due to problems with its power, twistlock, brakes & spreader. Gantry 6 had 1.3 hours downtime due to problems with its power, light panel & twistlock.

**Container Total Comparison**  
**Fiscal Year 2014 - Fiscal Year 2015**

Month	Inbound	Outbound	Total
Oct-13	4090	3949	8039
Nov-13	3335	3342	6677
Dec-13	3598	3419	7017
Jan-14	4018	4098	8116
Feb-14	3242	3394	6636
Mar-14	3652	3500	7152
Apr-14	4120	4009	8129
May-14	3446	3458	6904
Jun-14	3319	3308	6627
Jul-14	3507	3249	6756
Aug-14	4229	4173	8402
Sep-14	3991	4107	8098

7462 (04 Months Average)

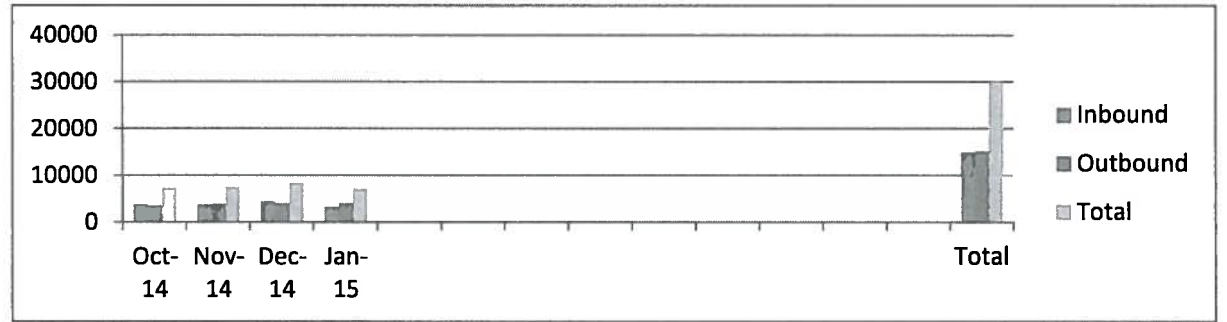
<b>Total</b>	<b>44547</b>	<b>44006</b>	<b>88553</b>
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Month	Inbound	Outbound	Total
Oct-14	3757	3497	7254
Nov-14	3639	3797	7436
Dec-14	4335	3920	8255
Jan-15	3207	3913	7120
			0
			0
			0
			0
			0
			0
			0

7516 (04 Months Average)

<b>Total</b>	<b>14938</b>	<b>15127</b>	<b>30065</b>
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Vessels Recap  
January 2015

"Marianas Steamship Agency" (Barge)

Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts		Total Ctnrs	Total TEUs	Ops Hrs	Loss Hrs	Berth Hours	Shift GMPH					NmpH								
						In	Out						1st	2nd	3rd	4th	5th									
S-2011	96s/97n	02 Jan - 17:40	03 Jan - 04:06	02 Jan - 20:38	02 Jan - 23:13	0	57	57	100.3	2.6	1.1	10.4				18						27.4	18.1			
S-2011	97s/98n	08 Jan - 14:24	08 Jan - 23:30	08 Jan - 16:13	08 Jan - 19:41	4	53	57	100.8	3.5	1.1	9.1				0:00	20	25						23.8	16.3	
S-2011	98s/99n	13 Jan - 08:30	16 Jan - 19:15	13 Jan - 09:53	15 Jan - 21:43	3	42	45	79.0	3.5	1.5	27.5	0:07			0:00	3	16						22.9	12.7	
S-2011	99s/100n	21 Jan - 20:05	22 Jan - 05:05	21 Jan - 21:11	22 Jan - 03:42	73	51	124	223.5	6.5	1.9	9				0:00		24						36.4	23.6	
S-2011	100s/100gr	25 Jan - 11:20	25 Jan - 20:12	25 Jan - 13:03	25 Jan - 19:43	73	16	89	159.3	6.7	3.1	8.9				0:00	24	19						25.2	13.4	
S-2011	100rg/101n	29 Jan - 22:37	30 Jan - 17:47	30 Jan - 07:48	30 Jan - 16:49	24	59	83	137.3	8	3.9	19.2				0:00	9.7							18.0	9.7	
<b>Total:</b>											<b>177</b>	<b>278</b>	<b>455</b>	<b>800.2</b>						<b>Monthly NmpH/Gmph Average:</b>					<b>25.6</b>	<b>15.6</b>

"Marianas Steamship Agency" (Kyowa)

Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts		Total Ctnrs	Total TEUs	Ops Hrs	Loss Hrs	Berth Hours	Shift GMPH					NmpH								
						In	Out						1st	2nd	3rd	4th	5th									
Rose	40h	06 Jan - 07:42	07 Jan - 04:00	06 Jan - 09:18	07 Jan - 03:23	186	139	325	442	18.1	5.1	20.3				0:00	0:00	14	15					19.5	14.9	
Hibiscus	161	13 Jan - 08:54	15 Jan - 23:00	13 Jan - 11:08	15 Jan - 22:19	98	129	227	297	16.8	8.5	62.1				0:00	0:00	11	10	12	6	14		13.1	8.8	
Cattleya	146h	18 Jan - 07:18	18 Jan - 18:00	18 Jan - 08:41	18 Jan - 17:44	72	102	174	228	9.1	5.5	10.7				0:00	0:00	12						19.4	12.0	
Orchid	49	26 Jan - 07:24	29 Jan - 18:18	26 Jan - 09:16	29 Jan - 17:12	67	109	176	231	16.7	7.6	82.9				0:27	16	27	14					19.4	10.5	
<b>Total:</b>											<b>423</b>	<b>479</b>	<b>902</b>	<b>1198</b>						<b>Monthly NmpH/Gmph Average:</b>					<b>17.9</b>	<b>11.6</b>



Vessels Recap  
January 2015

<b>"CTSI" (Meil)</b>																			
Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts		Total Cntrs	Total TEUs	Ops Hrs	Loss Hrs	Shift GMPH							
						In	Out					1st	2nd	3rd	4th	5th	Nmph	Nmph	
Jan	12w	03 Jan - 01:06	03 Jan - 11:30	03 Jan - 02:23	03 Jan - 10:29	129	126	255	343	8.1	2.2	10.4	0:17	0:00	22	24	26.1	21.3	
Sudong	40w	16 Jan - 11:42	17 Jan - 04:12	16 Jan - 13:39	17 Jan - 03:14	132	255	387	519	13.6	3.4	16.5	0:15	0:00	19	20	23.4	19.4	
Jan	13e	23 Jan - 15:42	23 Jan - 22:00	23 Jan - 16:42	23 Jan - 21:12	90	15	105	135	4.5	2.9	6.3	0:00	0:36	16	17	24.8	14.8	
Jost	004w	30 Jan - 18:24	31 Jan - 05:42	30 Jan - 19:47	31 Jan - 05:01	89	204	293	347	9.2	2.2	11.3	0:09	0:00	19		22.1	18.9	
<b>Total:</b>									<b>440</b>	<b>600</b>	<b>1040</b>	<b>1344</b>						<b>Monthly Nmph/Gmph Average: 24.1 18.6</b>	
<b>"MSA" (Pacific Condor)</b>																			
Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts	In	Out	Total Cntrs	Total TEUs	Ops Hrs	Loss Hrs	Shift GMPH						
													1st	2nd	3rd	4th	5th	Nmph	
						0			0										
						0			0										
						0			0										
						0			0										
<b>Total:</b>									<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>						<b>Monthly Nmph/Gmph Average: ### ###</b>	
<b>"AMBYTH" (Swire)</b>																			
Vessel	Voy.	Arrive	Depart	First Lift	Last Lift	Lifts	In	Out	Total Cntrs	Total TEUs	Ops Hrs	Loss Hrs	Shift GMPH						
													1st	2nd	3rd	4th	5th	Nmph	
Shansi	1419s	11 Jan - 01:18	11 Jan - 23:54	11 Jan - 02:54	11 Jan - 22:24	141	154	295	384	19.5	5.8	22.6	0:00		26	12	23	27.8	18.0
Shaoshing	1501s	31 Jan - 07:12	31 Jan - 17:06	31 Jan - 09:10	31 Jan - 16:12	49	82	131	178	7	2.5	9.9	0:00		20			33.6	20.3
<b>Total:</b>									<b>190</b>	<b>236</b>	<b>426</b>	<b>562</b>						<b>Monthly Nmph/Gmph Average: 30.7 19.2</b>	





**CY 2015 PAG CRANES  
MONTHLY REPORT**

	Total Ops Hrs	Total Vessels	Total Shifts	Total Container Moves	Total Down Time (Hrs)	Types of repairs performed
<b>January</b>						
Gantry #3	0	0	0	0	n/a	
Gantry #4	108.7	7	16	1597	power,spreader,gantry	
Gantry #5	176.8	16	31	3355	power,twistlock,brakes,spreader	
Gantry #6	134.9	12	29	2150	power,light panel,twistlock	

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

February 18, 2015

**MEMORANDUM**

TO: General Manager  
FROM: Engineer Manager  
SUBJECT: 2015 Summary Status  
: Ongoing & Proposed CIP Projects  
: Guam Commercial Port Improvement Projects

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The following is a summary list of on-going projects to include Guam Commercial Port improvement Program projects. *Latest developments are in italics.*

**1) PROJECT:** **Replacement of Welded Steel Petroleum Distribution Piping & Appurtenances**

RFP NUMBER: PAG-011-004  
CONTRACTOR: Rex International, Inc.  
PROJECT AMOUNT: \$1,538,819.00  
PAYMENT TO DATE: \$0(Construction)  
CHANGE ORDER: \$0  
BALANCE TO DATE: \$1,538,819.00  
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 (Design)  
BALANCE TO DATE: \$28,992.83 (Design)  
NOTICE TO PROCEED: May 5, 2014 (Construction)  
COMPLETION TIME: March 1, 2015 (305 Calendar Days after NTP issuance)  
Construction Manager: SSFM International, Inc. & Port Engineering/CIP Division  
CM COST: \$245,000.00 (CM)  
CHANGE ORDER: \$96,423.00 (CO1:\$55,968.00, CO2:\$40.455.00)  
TOTAL CM COST: \$341,423.00  
PAYMENT TO DATE: \$163,333.32 (CM)  
BALANCE TO DATE: \$96,423.00 (CM)  
POINT OF CONTACT: Alex Dorado, Design Engr.(NCMA)  
Rizaldy Cortez, Construction Manager (SSFM)  
PAG ENGG/CIP Div.

**WORK STATUS:**

DPW is issuing Rex Int. a Lack of Progress memo in regards to the non submission of critical scheduled submittals & no activity at 24% completion time.

First shipment of pipes arrived 8/19/2014 & second shipment arrived on 9/16/2014. Contractor's pre-activity meeting is scheduled on 9/22/2014 prior to actual start of rehabilitation work. Contractor has completed the firewater line prepping & waiting for Mobil's second open window on 12/16-27/2014. A pre-activity meeting with Mobil is scheduled on 12/11/2014. A 3<sup>rd</sup> open window is on Jan.21 thru Feb.3, 2015 & pre-activity meeting is scheduled on 1/16/2015 in Mobil Office.

*Contractor installed the fire water line from 2/1-12/2015 & was released back to Mobil on 2/11/2015@ 1200H. Test fire water line for leaks & pressure setting for an hour for satisfactory operations.*

- 2) **PROJECT:** **Concrete Storm Drain Channel System Upgrade**  
**IFB NUMBER:** PAG-012-00  
**CONTRACTOR:** N/A  
**PROJECT AMOUNT:** \$600,000.00 (Conservative estimate)  
**DESIGNER:** Design-Built  
**FUNDING SOURCE:** Port Authority of Guam  
**NOTICE TO PROCEED:** N/A  
**COMPLETION TIME:** 6 months after NTP  
**PAYMENT TO DATE:** \$0  
**Construction Manager:** Port Engineering/CIP Division  
**WORK STATUS:** N/A  
**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. Project on hold for additional funding supplement. Project is deferred until the next fiscal year.
- 3) **PROJECT:** **Agat Marina Ramp's Left Side Concrete Catwalk Repair**  
**RFQ NUMBER:** PAG-012-00  
**CONTRACTOR:** N/A  
**PROJECT AMOUNT:** \$60,000.00 (Conservative estimate)  
**DESIGNER:** Design-Built  
**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  
**PAYMENT TO DATE:** \$0  
**BALANCE TO DATE:** \$0  
**Construction Manager:** Port Engineering/CIP Division  
**WORK STATUS:** N/A  
**NOTE:** DoAg is waiting for the amendment letter from USFW on this project. Meeting with USFW & DAWR on 2/6/2014 & was informed that the amendment letter is forthcoming.



4) **PROJECT:** **A/E Design Consultant Services**  
**RFP NUMBER:** PAG -013-002/P.O. # 10882-OF  
**DESIGNER:** AmOrient Engineering  
**PROJECT AMOUNT:** \$182,000.00  
**FUNDING SOURCE:** Port Authority of Guam  
**NOTICE TO PROCEED:** January 6, 2014  
**COMPLETION TIME:** May 6, 2014 (4 Months after NTP)  
**PAYMENT TO DATE:** \$107,108.22  
**BALANCE TO DATE:** \$74,891.78  
**POINT OF CONTACT:** John Robertson, GM (AmOrient Engg.)  
Aquilino Cabrias, Design Engr. (AmOrient Engg)  
PAG ENGG/CIP Div.

**WORK STATUS:** AmOrient is preparing the design plans & specifications for projects.

**NOTE:** Task Order # 2 (Environmental-LC-1/LC-4/LC-5 (Generator air emission) & Task Order # 3(Environmental-Harbor of Refuge) will be issued out to the consultant. AmOrient submitted the SoW for T.O.# 3 on 8/27/2014. Planning forwarded the SoW to DoAg on 9/10/2014 for comments. T.O.#3 is routed for certification of funds & approval. AmOrient is preparing the design aspects & is due by 7/6/2015.

5) **PROJECT:** **Lower and High Tower Building Renovation**  
**IFB NUMBER:** PAG-014-006  
**CONTRACTOR:** ProPacific Builders  
**DESIGNER:** AmOrient Engineering  
**PROJECT AMOUNT:** \$277,999.00  
**CHANGE ORDER:** \$0  
**TOTAL AMOUNT:** \$  
**FUNDING SOURCE:** Port Authority of Guam  
**NOTICE TO PROCEED:** N/A  
**COMPLETION TIME:** 180 calendar days after NTP  
**PAYMENT TO DATE:** \$0  
**BALANCE PAYMENT:** \$0  
**Construction Manager:** AmOrient Engineering/Port Engineering/CIP Division  
**POINT OF CONTACT:** Vicente Escanilla, Proj. Manager (ProPacific Builders)  
Aquilino Cabrias, Design Engr. (AmOrient)  
PAG ENGG/CIP Div.

**WORK STATUS:** Bid opening was scheduled on 7/17/2014. Lowest responsive bid is ProPacific Builder (\$277,999.00), 2<sup>nd</sup> is BME & Sons (\$284,578.52), 3<sup>rd</sup> is Allied Builders (\$285,320.00). Procurement is doing the bid evaluation for management approval. ProPacific Builders is processing for DPW building permit. DPW is requesting for a Flood Certification on this project. PAG is awaiting on the appraisal process for the Lower Tower & High Tower buildings in getting the Flood Certification.

6) **PROJECT:** **CFS Building Roof Leaks & Spalls Repair**  
**IFB NUMBER:** CIP014-004  
**CONTRACTOR:** ProPacific Builder Corp.

PROJECT AMOUNT: \$189,000.00  
 DESIGNER: AmOrient Engineering  
 CHANGE ORDER: \$17,916.25(CO1)  
 TOTAL AMOUNT: \$206,916.25  
 FUNDING SOURCE: Port Authority of Guam  
 NOTICE TO PROCEED: August 18, 2014  
 COMPLETION TIME: February 13, 2015  
 PAYMENT TO DATE: \$60,114.38  
 BALANCE TO DATE: \$146,801.87  
 Construction Manager: AmOrient Engineering/Port Engineering/CIP Division  
 POINT OF CONTACT: Vicente Escabillas, Proj. Manager. (ProPacific Builders)  
 Aquilino Cabrias, Design Engr. (AmOrient)  
 PAG ENGG/CIP Div.

**WORK STATUS:** Contract was signed on 7/14/2014. Engineering to issue the NTP once DPW permit is secured & will schedule the pre-construction meeting. Contractor start doing sand blasting & chipping works. Spall/crack work is 50% complete. Additional spalls were uncovered for safety & process a change order.  
*Work is on-hold awaiting the primer shipment.*

**7) PROJECT:** Agat Marina Docks “C”, “D” & Floating Dock Improvement  
**IFB NUMBER:** PAGCIP-014-002  
**CONTRACTOR:** AIC International, Inc.  
**PROJECT AMOUNT:** \$1,593,208.00  
**DESIGNER:** Bluewater Marine & Dock Specialties  
**PAYMENT TO DATE:** \$636,526.53  
**CHANGE ORDER:** \$0  
**FUNDING SOURCE:** U.S. Department of Interior & Port Authority of Guam  
**NOTICE TO PROCEED:** August 18, 2014  
**COMPLETION TIME:** May 14, 2015  
**BALANCE TO DATE:** \$956,681.47  
**Construction Manager:** Port Engineering/CIP Division  
**POINT OF CONTACT:** Ben Payumo, Proj. Manager (AIC Int.)  
 PAG Strategic/Planning  
 PAG Commercial/PPD Section  
 PAG ENGG/CIP Div.

**WORK STATUS:** Bid opening was on 5/6/2014 with AIC (\$1,593,208.00), BME & Sons (\$1,676,364.51), & Rex Int.(1,776,900.00). PAG to secure additional funding. Intend to Award Notice was issued to AIC on 7/2/2014. Contract was signed. Engineering await the PUC approval prior to finalizing the NTP & preconstruction meeting. AIC is processing the required submittals for submission. Damage dock removal to start on 9/22/2014. Contractor is awaiting approval permits from DPW, ACOE, GEPA, &BSP. Dock manufacturer start fabrication process. 1<sup>st</sup>. shipment (3 units) arrived on 1/15/2015 & follows a weekly arrival of 3containers for a total of 9 containers. ACOE &BSP permits are the remaining permits not issued.

*Permits from ACOE & BSP was secured on 2/16/2015 & PAG forwarded to DOI OIA for CATEX & Authorization To Proceed (ATP) approval.*

- 8) **PROJECT:** **North Side CY CMU Wall Upgrade Project**  
**IFB NUMBER:** PAGCIP-014-003  
**CONTRACTOR:** Allied Builders & Construction  
**PROJECT AMOUNT:** \$69,900.00  
**DESIGNER:** Deign-Built  
**PAYMENT TO DATE:** \$56,619.00  
**CHANGE ORDER:** \$6,832.28(CO1), \$11,077.50(CO2)  
**TOTAL AMOUNT:** \$87,809.88  
**BALANCE TO DATE:** \$0  
**FUNDING SOURCE:** Homeland Security Grant (No. 2013 PSGD CMU WALL # EMW-2013-PU-00206-SOI)  
**NOTICE TO PROCEED:** August 4, 2014  
**COMPLETION TIME:** January 29, 2015  
**Construction Manager:** Port Engineering/CIP Division  
**POINT OF CONTACT:** Hector Quioc, GM (Allied Builders)  
PAG ENGG/CIP Div.  
**WORK STATUS:** Intend to Award Notice was issued on 5/7/2014. Contract was signed. Engineering to finalize the NTP & will schedule the preconstruction meeting. Contractor is processing the required submittals for submission. Received the 65% design submittal on 8/27/2014, ENGG reviewed made comments & return on 9/4/2014. Received Final design on 9/12/2014, ENGG reviewed & return on 9/17/2014. Contractor to process for DPW building permit. Project is on-going & is 90% complete. CO2 covers the painting of remaining cmu perimeter fence.  
*Final inspection was on 2/5/2015 & project is 100% complete.*
- 9) **PROJECT:** **Marine SLE Project, Wharf Repairs**  
**IFB NUMBER:** PAGCIP-014-005  
**CONTRACTOR:** BME & Sons Inc.  
**PROJECT AMOUNT:** \$4,541,635.00  
**DESIGNER:** Parson Brinkerhoff  
**PURCHASE ORDER:** No. 11332 OF  
**PAYMENT TO DATE:** \$0  
**CHANGE ORDER:** \$45,000.00(CO1)  
**TOTAL AMOUNT:** \$4,586,635.00  
**FUNDING SOURCE:** Port Authority of Guam  
**NOTICE TO PROCEED:** January 5, 2015  
**COMPLETION TIME:** January 5, 2016 (360 CD)  
**PAYMENT TO DATE:** \$0  
**Construction Manager:** EMPSCO & Port Engineering/CIP Division  
**POINT OF CONTACT:** Danny Natividad, Proj. Manager (BME & Sons)  
Jun Capulong, Consultant (EMPSCO)  
PAG ENGG/CIP Div.  
**WORK STATUS:** Bid opening was on 6/17/2014 & bid result has BME (\$4,541,635.00), Black Construction Corp.(\$4,677,318.00) &

SmithBridge (\$8,978,324.88). Procurement is preparing the bid evaluation for management approval. Procurement is awaiting approval by PAG BoD for the Construction Manager budget. PNTF was issued on 9/29/2014. Contractor awaiting the DPW Building Permit approval. NTP was issued on 1/5/2015 & contractor start mobilization.

*Spur rail removal completed & asphalt pavement pouring is on 2/23-25/2015.*

- 10) PROJECT:** **LC -4 Metering Cabinet Replacement**  
**IFB NUMBER:** PAG-014-007  
**CONTRACTOR:** M. D. Crisostomo Inc.  
**PROJECT AMOUNT:** \$71,882.28  
**DESIGNER:** Design-Built  
**CHANGE ORDER:** \$0  
**TOTAL AMOUNT:** \$0  
**FUNDING SOURCE:** Port Authority of Guam  
**NOTICE TO PROCEED:** January 26, 2015  
**COMPLETION TIME:** June 27, 2015 (5 months after NTP)  
**PAYMENT TO DATE:** \$0  
**BALANCE TO DATE:** \$0  
**Construction Manager:** PAG ENGG/CIP Division  
**POINT OF CONTACT:** PAG Engineering Office  
**WORK STATUS:** Awaiting BoD monthly quorum on 12/15/2014 & project approval. Precon meeting on 1/23/2015 & NTP will be issued on 1/26/2015.  
*Contractor is processing submittals for approval.*
- 11) PROJECT:** **F1, F3, & CY Chain Link Perimeter Fence Replacement**  
**IFB NUMBER:** PAGCIP-015-001  
**CONTRACTOR:** N/A  
**PROJECT AMOUNT:** (\$296,000.00 Budget Funding)  
**DESIGNER:** Design-Built  
**CHANGE ORDER:** \$0  
**TOTAL AMOUNT:** \$0  
**FUNDING SOURCE:** Homeland Security Grant # 2013 PSGD  
**NOTICE TO PROCEED:** N/A  
**COMPLETION TIME:** (6 months after NTP issuance)  
**PAYMENT TO DATE:** \$0  
**BALANCE TO DATE:** \$0  
**Construction Manager:** PAG ENGG/CIP Division  
**POINT OF CONTACT:** PAG Engineering Office  
**WORK STATUS:** Project will be indorsed for BoD approval on 12/15/2014. Bid opening is on 2/10/2015.  
*Procurement is preparing the Bid Analysis for GM approval.*
- 12) PROJECT:** **Relocation & Installation of Emergency Generators**  
**IFB NUMBER:** PAGCIP-015-002  
**CONTRACTOR:** ProPacific Builders  
**PROJECT AMOUNT:** \$249,500.00

DESIGNER: Edilberto Sarmiento  
 CHANGE ORDER: \$0  
 TOTAL AMOUNT: \$0  
 FUNDING SOURCE: Homeland Security Grant # EMW-2011-PU-00200  
 NOTICE TO PROCEED: N/A  
 COMPLETION TIME: (4 months after NTP)  
 PAYMENT TO DATE: \$0  
 BALANCE TO DATE: \$0  
 Construction Manager: PAG ENGG/CIP Division  
 POINT OF CONTACT: PAG Engineering Office  
 WORK STATUS: Bid opening is on 1/27/2015  
*Bid analysis was approved by PAG Management & contract is reviewed by the Port's Legal.*

**\*COMPLETED PROJECTS:**

- 1) **PROJECT:** **Retiling of 1<sup>st</sup>. & 2<sup>nd</sup>. Floor Admin. Bldg. Common Areas**  
 P.O. NUMBER: 10767-OF  
 CONTRACTOR: Allied Builders & Construction  
 PROJECT AMOUNT: \$29,950.00  
 DESIGNER: Design-Built  
 CHANGE ORDER: \$8,751.09  
 FUNDING SOURCE: Port Authority of Guam  
 NOTICE TO PROCEED: November 20, 2013  
 COMPLETION TIME: January 17, 2014  
 PAYMENT TO DATE: \$38,701.09  
 Construction Manager: Port Engineering/CIP Division  
 WORK STATUS: 100% Complete  
 NOTE: Contractor started the second floor tile work on 11/20/2013.  
 Final inspection on 12/24/2013.
- 2) **PROJECT:** **Repair of Mooring Bollard @ STA. 23+30**  
 RFQ NUMBER: P.O. # 10960-OF  
 CONTRACTOR: Allied Builders & Construction  
 PROJECT AMOUNT: \$15,000.00  
 DESIGNER: Design-Built  
 CHANGE ORDER: \$2,670.72 (C.O. # 1)  
 TOTAL AMOUNT: \$17,670.72  
 FUNDING SOURCE: Port Authority of Guam  
 NOTICE TO PROCEED: February 17, 2014  
 COMPLETION TIME: March 20, 2014, ext. April 11, 2014  
 PAYMENT TO DATE: \$17,670.72  
 Construction Manager: Port Engineering/CIP Division  
 WORK STATUS: 100% Complete  
 NOTE: Final inspection on 4/18/2014.
- 3) **PROJECT:** **Agat Small Boat Marina Dock "A" Improvement**  
 IFB NUMBER: PAG-013-004  
 CONTRACTOR: Rex International  
 PROJECT AMOUNT: \$532,100.00

DESIGNER: Design-Built  
FUNDING SOURCE: NOAA Commission on Fisheries & Port Authority of Guam  
NOTICE TO PROCEED: December 16, 2013  
COMPLETION TIME: May 18, 2014, extended to June 13, 2014  
PAYMENT TO DATE: \$532,100.00  
BALANCE TO DATE: \$0  
Construction Manager: Port Engineering/CIP Division  
POINT OF CONTACT: Dae Kim, VP (Rex Int.)  
Rey Serrano, Proj. Manager (Rex Int.)  
PAG ENGG/CIP Div.  
WORK STATUS: 100% Complete

4) **PROJECT:** **Concrete Pole Lighting Upgrade for F5 to F6**  
IFB NUMBER: PAG-013-005  
CONTRACTOR: DCK Pacific  
PROJECT AMOUNT: \$231,680.00  
DESIGNER: Design-Built  
CHANGE ORDER C.O.#1= \$11,791.46, C.O.#2= \$36,844.64, Total: \$48,636.10  
TOTAL AMOUNT: \$280,316.10  
FUNDING SOURCE: Port Authority of Guam  
NOTICE TO PROCEED: December 16, 2013  
COMPLETION TIME: June 18, 2014 (ext.8/18/2014)  
PAYMENT TO DATE: \$280,316.10  
BALANCE TO DATE: \$0  
Construction Manager: Port Engineering/CIP Division  
POINT OF CONTACT: Rocky Marquez, Proj. Manager (DCK/BCS)  
PAG ENGG/CIP Div.  
WORK STATUS: 100% Complete

5) **PROJECT:** **Installation of MOV at Golf Pier Fuel Pipelines**  
IFB NUMBER: PAG CIP-013-001  
PROJECT AMOUNT: \$324,400.41  
DESIGNER: N.C. Macario & Associates  
FUNDING SOURCE: Port Authority of Guam  
A/E Completion time: December 14, 2012  
PAYMENT TO DATE: \$424,990.46  
BALANCE TO DATE: \$0  
CONTRACTOR: BME & SONS Inc.  
NOTICE TO PROCEED: April 22, 2013  
CHANGE ORDER: C.O. #1: \$89,388.72, C.O. #2: \$11,201.33  
Total CO: \$100,590.05  
TOTAL AMOUNT: \$424,990.46  
COMPLETION TIME: September 21, 2013, 1<sup>st</sup> extension (1/15/2014), 2<sup>nd</sup> extension (9/23/2014)  
Construction Manager: Port Authority of Guam & NCMA (limited time)  
POINT OF CONTACT: Alex Dorado, Design Engr. (NCMA)  
Danny Hernandez, Proj. Manager (BME & Sons)  
Dennis Aguilar, Proj. Engr.(BME & Sons)  
PAG ENGG/CIP Div.  
WORK STATUS: 100% Complete



<b>6) PROJECT:</b>	<b>Design/Build Port Security Enhancement Project</b>
IFB NUMBER:	PAG-012-006
CONTRACTOR:	MAEDA Pacific Corp.
PROJECT AMOUNT:	\$2,933,000.00
DESIGNER:	Design-Built
CHANGE ORDER:	1) \$210,408.00, 2) \$283,583.32, 3) \$82,572.02, 4) \$558,549.16, 5) \$45,654.14, 6) \$116,414.36, 7) \$37,041.56, 8) \$47,938.07 (Total CO: \$1,381,807.71)
TOTAL AMOUNT:	\$4,315,160.63
FUNDING SOURCE:	U.S. Department of Homeland Security Grant # 2008-GB-T8-0148, 2009-PU-R1-0164, 2009-PU-T9-0043, & 2010-PU-TO-0080
NOTICE TO PROCEED:	January 14, 2013(Design)
NOTICE TO PROCEED:	June 24, 2013 (Construction)
COMPLETION TIME:	May 1, 2014, 1 <sup>st</sup> extension (6/11/2014), 2 <sup>nd</sup> extension (6/30/2014)
PAYMENT TO DATE:	\$4,315,160.63
BALANCE TO DATE:	\$0
Construction Manager:	Port Engineering/CIP Division
POINT OF CONTACT:	Enrique Tabanda, Proj. Manager (MAEDA) PAG Strategic/Planning PAG ENGG/CIP Div.
WORK STATUS:	Project is 100% complete

**FY-14 APRIL WORK INJURY REPORT**  
(01/01/14 to 02/18/15)

02/18/15

<b><u>Divisions</u></b>	<b><u>*Lost-time</u></b>	<b><u>**Recordable</u></b>
Stevedoring	1	1
Transportation	0	2
Terminal	1	0
EQMR	3	3
Others	0	1
<b>Total</b>	<b>6</b>	<b>7</b>

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**Work Injury Summary for this reporting period: February 18, 2015**

**Total injuries for FY-14 to date**      **12 – Injuries**  
   **5 - Lost-time**  
   **7 – Recordable**

**Last disabling work injury was on:**      **02/05/2015**

**Number of days since last Lost Time work injury:**      **13days**

**Note: PAG best record was 9 months w/o a disabling work injury**

**\*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).

**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, 2014**

**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, in accordance with the 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, the financial statements of Port Authority of Guam (the Authority), which comprise the statement of net position as of September 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated \_\_\_\_\_, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

\_\_\_\_\_, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

The Board of Directors  
Port Authority of Guam:

**Report on Compliance for Each Major Federal Program**

We have audited Port Authority of Guam's (the Authority's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2014. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of 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, 2014.



## Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by OMB A-133

We have audited the financial statements of Port Authority of Guam as of and for the year ended September 30, 2014, and have issued our report thereon dated \_\_\_\_\_, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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 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 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.

\_\_\_\_\_, 2015

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

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2014

CFDA #	Agency/Program	Federal Expenditures
	<u>U.S. Department of Agriculture</u>	
	Direct Program:	
10.Unknown	Rural Development Loan Guarantee: FY11	\$ 2,860,900 *
10.Unknown	Rural Development Loan Guarantee: FY13	11,086,924
	<u>U.S. Department of Agriculture Total</u>	<u>13,947,824</u>
	<u>U.S. Department of Commerce</u>	
	Pass through Western Pacific Regional Fishery Management Council:	
11.472	Unallied Science Program	<u>250,000 *</u>
	<u>U.S. Department of Defense</u>	
	Pass through Government of Guam Office of the Governor:	
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	<u>727,263 *</u>
	<u>U.S. Department of the Interior</u>	
	Pass through Government of Guam Department of Administration:	
15.605	Sport Fish Restoration Program	173
15.875	Economic, Social and Political Development of the Territories: Port Modernization Plan	690,393 *
	<u>U.S. Department of the Interior Total</u>	<u>690,566</u>
	<u>U.S. Department of Homeland Security</u>	
	Direct Programs:	
97.026	Emergency Management Institute Training Assistance	28,470
97.056	Port Security Grant Program	2,507,673
97.116	ARRA Port Security Grant Program (ARRA)	<u>(38,978)</u>
	<u>U.S. Department of Homeland Security Total</u>	<u>2,497,165</u>
	<b>Total Federal Awards</b>	<b>\$ <u><u>18,112,818</u></u></b>

\* 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, 2014

(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 transactions 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

The Schedule of Expenditures of Federal Awards presents expenditures for each Federal program related to the following agencies:

- U.S. Department of Agriculture
- U.S. Department of Commerce
- 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, capital outlays and loan proceeds 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, 2014, the Authority's grant award notification and expenditures are as follows:

<u>CFDA Program</u>	<u>Grant Amount</u>	<u>FY 2014 Expenditures</u>
97.116 Port Security Grant Program – ARRA	\$ 910,594	\$ (38,978)

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

Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2014

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

*Financial Statements*

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued:                      | Unmodified    |
| Internal control over financial reporting:               |               |
| 2. Material weakness(es) identified?                     | No            |
| 3. Significant deficiency(ies) identified?               | None reported |
| 4. Noncompliance material to financial statements noted? | No            |

*Federal Awards*

- |   |               |
|---|---------------|
| Internal control over major federal programs:   |               |
| 5. Material weakness(es) identified?  | No            |
| 6. Significant deficiency(ies) identified?  | None reported |
| 7. Type of auditors' report issued on compliance for major federal programs:  | Unmodified    |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No            |
| 9. Identification of major programs:  |               |

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
10. Unknown	Rural Development Loan Guarantee
11.472	Unallied Science Program
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation
15.875	Economic, Social and Political Development of the Territories: (Port Modernization Plan)

- |  |           |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$300,000 |
| 11. Auditee qualified as low-risk auditee?                                   | Yes       |

**Section II – Financial Statement Findings**

None reported.

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

None reported.

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

Schedule of Prior Audit Findings  
Year Ended September 30, 2014

**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 – See status below

Finding No. 2011 – 2 – See status below

The audit findings are no longer valid and do not require further action as two years have passed since the audit report in which the finding occurred was submitted to the Federal clearinghouse; the Federal agency or pass-through entity is not currently following up on the audit finding; and a management decision was not issued to warrant further action.

**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, 2014 AND 2013**



## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Port Authority of Guam:

### **Report on Financial Statements**

We have audited the accompanying financial statements of Port Authority of Guam (the Authority), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority of Guam as of September 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14 as well as the Schedule of Funding Progress on page 35 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

### *Other Financial Information*

Our audits were 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 are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of operating expenses and summary of salaries and wages are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 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 schedules of operating expenses and summary of salaries and wages are fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedule of employees by department has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

\_\_\_\_\_, 2015

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

**Management's Discussion and Analysis  
September 30, 2014 and 2013**

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, 2014 and 2013. 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 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, it operates the largest U.S. deepwater port in the region and currently handles about 1.9 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 agency'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 or equipment and facilities and the continued growth of the Island's seaport.

**FINANCIAL HIGHLIGHTS**

- The net position of the Authority as of September 30, 2014 was \$74.7 million. Of this amount, \$57.6 million is net investment in capital assets, \$966 thousand is considered restricted and \$16.1 million is considered unrestricted.
- The Port's net position increased by \$3.3 million for the fiscal year ended September 30, 2014.
- The Port's total assets decreased by \$323 thousand during the fiscal year ended September 30, 2014. The major component of this change was a decrease in non-depreciable property, plant and equipment.
- The total liabilities decreased by \$3.7 million during fiscal year ended September 30, 2014. The major component of this change was due to decrease in current liabilities of \$2.9 million.
- Since fiscal year 2003, the Port's finances have consistently shown an increase in net position for 12 straight years.
- The Port obtained a \$10 million loan facility from Bank of Guam in April 2014 for the funding of the service life extension (SLE) repairs to the wharfs, acquisition of multiple top lifters and upgrade of its financial management systems. The loan is undrawn as of September 30, 2014.

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

Management's Discussion and Analysis  
September 30, 2014 and 2013

**Overview of Financial Statements**

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

The statements of net position present information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position present information showing how the Authority's net position changed during the fiscal year. All changes in net position 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 position (77%) 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 position represents resources that are unrestricted net position 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 position at September 30 is as follows:

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

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 23,299	\$ 20,593	\$ 16,350
Capital assets	<u>71,562</u>	<u>74,591</u>	<u>65,456</u>
Total assets	\$ <u>94,861</u>	\$ <u>95,184</u>	\$ <u>81,806</u>
<u>LIABILITIES AND NET POSITION</u>			
Current liabilities	\$ 5,462	\$ 8,394	\$ 5,982
Other non-current liabilities	<u>14,745</u>	<u>15,464</u>	<u>4,591</u>
Total liabilities	<u>20,207</u>	<u>23,858</u>	<u>10,573</u>

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

Management's Discussion and Analysis  
September 30, 2014 and 2013

Net position:			
Net investment in capital assets	57,614	59,933	62,255
Restricted – expendable	966	446	-
Unrestricted	<u>16,074</u>	<u>10,947</u>	<u>8,978</u>
Total net position	<u>74,654</u>	<u>71,326</u>	<u>71,233</u>
Total liabilities and net position	\$ <u>94,861</u>	\$ <u>95,184</u>	\$ <u>81,806</u>

The Authority's total assets decreased by \$323 thousand during the fiscal year ended September 30, 2014, from \$95.2 million in FY 2013 to \$94.9 million in FY 2014.

Although the Port's current and other assets increased by \$2.7 million or 13%, capital assets decreased by \$3 million or 4% which resulted in an overall decrease in total assets. Total liabilities decreased by \$3.7 million or 15% from \$23.9 million in FY 2013 to \$20.2 million in FY 2014. This was primarily due to the decrease in Port's current liabilities for accounts payable trade by \$3 million or 55%. The net position increased by \$3.3 million during the fiscal year ended September 30, 2014. Net position invested in capital assets net of related debt decreased by \$2.3 million, restricted increased by \$520 thousand and unrestricted net position increased by \$5.1 million.

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

**Port Authority of Guam  
Changes in Net Position  
(In thousands)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Cargo throughput charges	\$ 32,078	\$ 29,724	\$ 23,785
Wharfage charges	4,493	4,185	4,089
Equipment and space rental	7,709	7,503	6,893
Special services	298	313	359
Other operating revenue	<u>374</u>	<u>185</u>	<u>121</u>
Total operating revenue	<u>44,952</u>	<u>41,910</u>	<u>35,247</u>
Operating expenses:			
Operations	10,124	10,335	9,205
Equipment maintenance	5,593	7,651	5,266
Facility maintenance	1,581	1,496	1,500
Management and administration	8,395	8,832	8,762
General expenses	<u>7,529</u>	<u>7,453</u>	<u>6,445</u>
Total operating expenses before depreciation	<u>33,222</u>	<u>35,767</u>	<u>31,178</u>



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

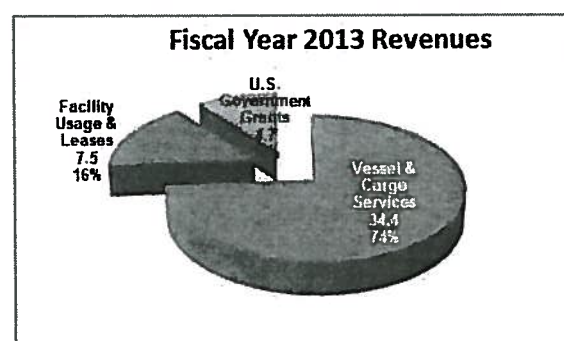
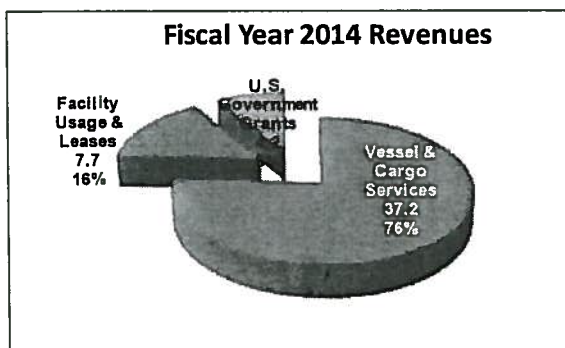
Management's Discussion and Analysis  
September 30, 2014 and 2013

Operating income before depreciation	11,730	6,143	4,069
Depreciation	<u>4,837</u>	<u>4,893</u>	<u>3,720</u>
Operating income	6,893	1,250	349
Nonoperating expenses, net	<u>7,730</u>	<u>5,942</u>	<u>2,000</u>
Loss before capital contributions	(837)	(4,692)	(1,651)
Capital contributions-US Government Grants	<u>4,165</u>	<u>4,785</u>	<u>3,703</u>
Increase in net position	3,328	93	2,052
Net position at beginning of the year	<u>71,326</u>	<u>71,233</u>	<u>69,181</u>
Net position at end of year	\$ <u>74,654</u>	\$ <u>71,326</u>	\$ <u>71,233</u>

**Revenues**

- PAG Docket 13-01, Interim Rate Petition was approved by the PUC on January 30, 2014 and rates were implemented on March 2, 2014. The petition implemented a 5.65% increase to PAG's Terminal Tariff rates with the exception of the Bunkering/Fuel throughput/Waste Oil rates and the Crane Surcharge.
- Vessel and cargo services revenues in FY 2014 increased by \$2.8 million. The increase was primarily due to the Interim Rate increase.
- Facility usage and leases increased by 3% or \$206 thousand, from \$7.5 million in FY 2013 to \$7.7 million in FY 2014.
- Federal contributions in FY 2014 decreased by \$620 thousand, from \$4.8 million in FY 2013 to \$4.2 million in FY 2014.

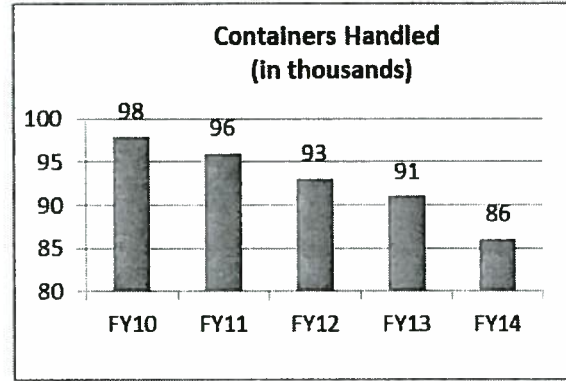
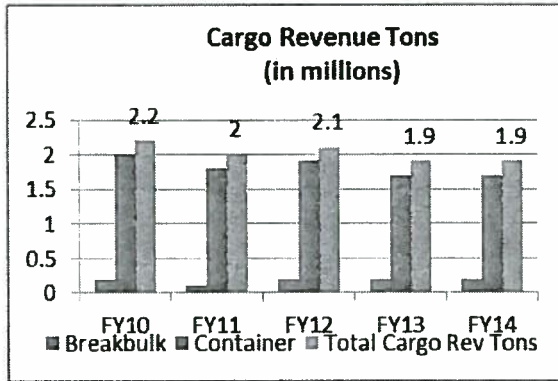
Vessel and cargo services in FY 2013 increased by \$6 million compared to FY 2012 primarily due to the new crane surcharge fee. PAG Docket 12-02, Crane Surcharge was approved by the PUC on December 11, 2012 and rate was implemented on January 1, 2013.





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

**Management's Discussion and Analysis  
 September 30, 2014 and 2013**



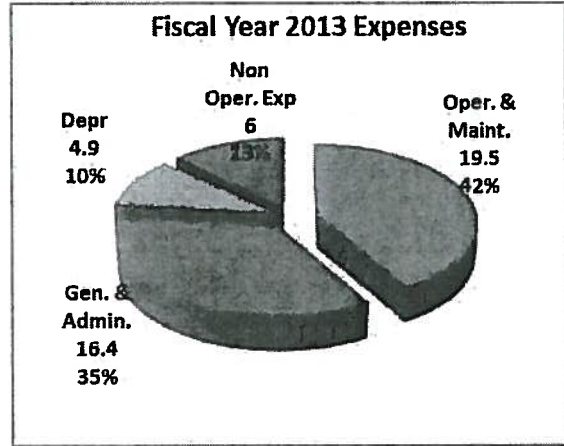
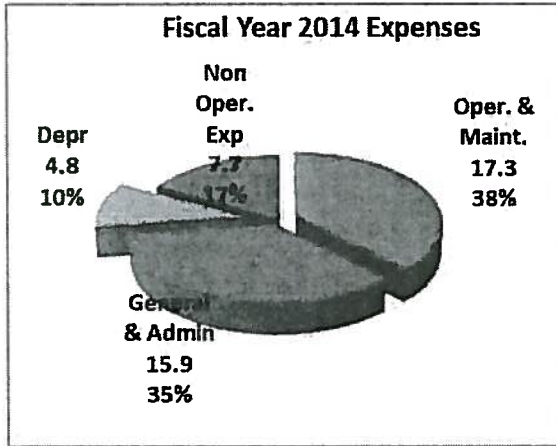
**Expenses**

In Fiscal Year 2014, the total operating expenses was \$38 million and non-operating expenses was \$7.7 million. Operating expense decreased by \$2.8 million and non-operating expenses increased \$1.8 million compared to fiscal year 2013. Operating expenses of Equipment Maintenance decreased by \$2 million or 27% due to decreases in Repairs and Maintenance of Gantry 3 as a result of management assessing the need for this equipment versus the cost to maintain this gantry and Management and Administration decreased by \$436 thousand or 5%. Non-operating expenses increased \$1.8 million due to loss on asset disposal. The major assets surveyed this year were three (3) sidelifters, hazmat container yard fencing and lighting, and the mobile harbor crane.

In Fiscal Year 2013, the total operating expenses were \$40.8 million and non-operating expenses were \$6 million. Operating expense increased by \$5.9 million and non-operating expenses increased by \$3.9 million compared to fiscal year 2012. Operation and maintenance salaries and benefits increased due to overtime increase of \$661 thousand or 100% due to implementation of new scheduling, repairs and maintenance increase of \$1.9 million as a result of the Port acquiring the maintenance/repairs of the 3 Used Gantries purchased, and the payout of increments as a result of the Government lifting the increment freeze. General and administrative expenses increased by \$1 million due to \$200 thousand of Merit Bonus paid out as a result of Public Law 21-59, increases in legal fees, and loan fees. Depreciation expense increased by \$1.2 million or 32% due to the reclassification of completed construction in progress project on GDP Dock A, B, & C Repair/Replacement and F1 Catwalk Replacement and purchase of new assets in FY 2013 to include the acquisition of 3 Gantry Cranes. Non-operating expenses increased by \$3.9 million due to reclassification of construction in progress projects for master plan that will not be done due to the re-set of the GCPIP, loss on survey of Gantry 2 and interest expense for \$12 million loan.

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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 was to 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 completed 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 that 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 Barrack 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, 2014, 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	-	-	-	-	-
CF Loan 6	-	-	-	-	-
	<u>\$ 2,000,000</u>	<u>\$ 16,500,000</u>	<u>\$ 12,000,000</u>	<u>\$ -</u>	<u>\$ 6,500,000</u>

\*Proceeds of the CF Direct Loans will come from USDA, while the rest are from ANZ which is "Guaranteed" by the USDA.

CF Loan 4 (Guaranteed) of \$4,500,000 intended for the purchase of cargo handling equipment, for more information please refer to Notes to Financial Statements, Long-term Bank Debt.

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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 encouraged the Authority to finalize their plans to use the proceeds from CF Loan 5 (Direct) by December 31, 2011. The Authority requested the USDA to extend the CF Loan 5 (Direct). On March 5, 2014, the Port informed USDA that we will not proceed with the Direct Loan.

CF Loans 1 (Direct), 2 (Guaranteed) and 3 (Guaranteed) totaling \$14 million is 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 Dollars. 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. In compliance with the statute, on December 2012, the closing of the \$12M loan and official signing of the Sales Agreement for the purchase of the POLA Cranes was completed. On March 5, 2014 the Authority requested USDA to reprogram the CF Loan 1 (Direct) for \$2M that is intended for the procurement of gantry cranes for the acquisition of cargo handling equipment. As of September 2014, the Port is working on finalizing the loan.

The Military Buildup Program experienced a call for a re-set. The Port's response to the DOD re-set includes the formulation of a Balanced Modernization Program to include Wharf Service Life Extension and a reduction to Phase 1A to remain within the available Port Enterprise Program funds.

Furthermore, in response to the re-set, the Port's Owner Agent Engineer, PBI, prepared the Port Authority of Guam 2013 Master Plan Update, which provides a comprehensive view of the Port's current condition, identifies elements of continuous improvement and sustainability. An Implementation Plan was developed in conjunction with the 2013 Master Plan Update that evaluated Port improvement and sustainability requirements, and determined a balanced approach for meeting these requirements.

The Port's 2013 Master Plan Update also contains a Financial Analysis and Economic Impact Assessment that provides a five-year near-term emphasis on improvements to both Port efficiency and the creation of additional cargo handling capacity in anticipation of the military build-up, as well as a 20-year long term focus on additional improvements targeted towards achieving operational and financial sustainability, and self-sufficiency through tariff adjustments to reduce or eliminate dependence on outside funding assistance.

A public hearing for the 2013 Master Plan was held on December 23, 2013, in compliance with Title 5 GCA, Chapter 1, Article 2, Centralized Planning. On March 13, 2014, Acting Governor Raymond Tenorio signed into law Public Law 32-155, "An Act to Approve and Adopt the Capital Improvement Projects (CIP) Schedule and Land Use Designation in the Port's Master Plan Update".

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**

The Authority's investment in capital assets as of September 30, 2014, totaled \$71.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, office and cargo handling equipments, inventory and construction-in-progress. The total net decrease in the Authority's investment in capital assets for the current fiscal year was \$3 million or 4%.

Major capital asset activity during 2014 included the following:

- Building and wharf account increased by \$6.6 million due to Port Security Enhancement (PCC) Project, GDP Marina Renovation Phase II, Agat Marina A-Dock, Gulf Pier Pipeline Project and F5-F6 Lighting upgrade.
- Building and wharf account decreased by \$7.7 million due to completion of Phase II of the Guam Commercial Port Improvement Program which include increasing breakbulk area. Increased area was a result of the Transit Shed No. 2 and old gas station was demolished.
- Crane account decreased by \$4.8 million due to survey of three (3) sidelifers and the harbor mobile crane.

See note 3 to the financial statements for additional information on the Authority's capital asset activity during the years ended September 30, 2014 and 2013.

**Debt**

The Authority obtained a \$3.5 million loan from ANZ bank in October 2010 for the purchase of 4 new Hyster Top Lifters and 10 new Ottawa terminal yard tractors.

In December 2012, the Authority obtained a \$12 million loan from ANZ bank for the purchase of 3 used gantry cranes.

In April 2014, the Port obtained a \$10 million loan from Bank of Guam for the Service Life Extension project to repair the wharfs, acquire multiple top lifter equipment and upgrade of its financial management system. The loan is undrawn as of September 30, 2014.

The financial covenants of the loans require 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:

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



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The interest coverage ratio is 10.01 and the debt service coverage ratio is 5.61 for the year ended September 30, 2014.

See note 5 to the financial statements for additional information on the Authority's debt financing activities during the years ended September 30, 2014 and 2013.

**FISCAL YEAR 2015 OUTLOOK**

The following are the courses of action that the Port aims to accomplish or complete in FY 2015:

**5 Year Tariff Petition**

In December 2014, the Port received the updated 5 Year Tariff Schedule that factored changes to the Port Master Plan and updated financial and volume information. This schedule is under review and management will make recommendations to the Board of Directors to pursue rate increases with the PUC.

**Facility Maintenance Fee Projects**

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

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

**Port Security Grant Program (PSGP)**

As part of the Port Security Grant Program of the U.S. Department of Homeland Security, the Authority was awarded over \$9.7 million in federal security grants to help secure the commercial port. Through this program, the Authority proceeded with the following projects:

- Maritime and Port Security Operations Center and Port Security Enhancements Project: The construction work to build a centralized Port Command Center, as well as the integration of all CCTV, access control, communications and security systems was awarded in November 2012 and completed in June 2014. The access control is ongoing.
- Procurement of Mobile Containerized X-Ray Screening System, 3-Prime Power Backup Generators and Harbor Master's Communication System are other funded projects that are expected to be completed by FY 2015.
- Construction of CMU Wall and Replacement of Perimeter Security Fencing funded by the Port's 2013 PSGP with a completion date of September 2015.

**Agat Small Boat Marina Renovation**

In November 2013, the Port requested modification of lapsed funds of \$939,484 from the Department of the Interior Office of Insular Affairs, Grant number Guam-CIP-2012-2, for the Gregorio D. Perez Marina Renovation and Site Improvement Phase II to the Agat Small Boat Mariana Dock C, D and floating dock replacements. The Port's request to reprogram funds was approved in March 2014. This amount was not sufficient for replacement of Dock C, D and floating docks therefore, the Port has budgeted \$653,724 to complete the replacement. The project is ongoing and expected to be completed in May 2015.



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**Other Marina and Harbor of Refuge Projects**

- Renovation of the Guam Harbor of Refuge-Architectural and Engineering Design including Environmental Study Phase for the moorings
- Renovation of the Existing Pump-out Stations at the Marinas
- Agat Small Boat Marina Replacement of existing rusty fish hook at the facility.
- Agat Small Boat Marina Concrete Catwalk

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

As a result of the planned U.S. military relocation to Guam, the Port updated its Master Plan in 2007 as the framework of the Port Modernization Program. In 2011, the Military Buildup Program experienced a call for a re-set, requiring an updated Environmental Impact Statement, which delayed and downsized cargo projections and created significant uncertainty for cargo-related revenue projections. 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 projects 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:

- Container Freight Station Building Renovation: The construction work has been awarded and completed by February 2014.
- Selected Break Bulk Yard Modifications: The Notice to proceed for the project was issued in August 2013, and completed in May 2014.
- Container Yard and Gate House Expansion Project: The construction work has been awarded and estimated completion by September 2015.

**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 notice to proceed (NTP) was issued in May 2014 and it is expected to be completed in March 2015.

**Service Life Extension (SLE) Program**

The SLE Program was developed to address structural repair work at the Port's F-5 Wharf and marine repairs to F-3, F-4 and F-6 Wharves. 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 for a \$10 Million loan to fund the SLE Program, upgrade the Financial Management System and acquisition of cargo handling equipment. The financing contract award took place in November 2012. The \$10 Million loan documents were fully executed on April 3, 2014.

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The solicitation process for the construction work for the SLE Program began on April 21, 2014 through an Invitation for Bid. The Public Utilities Commission approved the construction agreement in the meeting of July 31 2014; thereby followed by contract execution on August 20, 2014. The Notice to Proceed the construction work was issued on December 30, 2014 to take effect January 5, 2015 and anticipated completion within 360 calendar days (January 2016).

**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, 2013 is set forth in the report on the audit of financial statements which is dated February 26, 2014. That Discussion and Analysis explains in more detail major factors impacting the 2013 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).

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Statements of Net Position  
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<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents - unrestricted	\$ 14,098,290	\$ 10,848,206
Accounts receivable, net of allowance for doubtful accounts of \$849,439 and \$812,332 in 2014 and 2013, respectively	7,840,410	7,216,432
Federal receivables	263,950	1,939,720
Prepaid expenses	<u>20,125</u>	<u>11,464</u>
Total current assets	<u>22,222,775</u>	<u>20,015,822</u>
Cash and cash equivalents - restricted expendable	965,546	445,691
Replacement parts inventories, net of allowance for obsolescence of \$99,400 and \$61,393 in 2014 and 2013, respectively	110,795	131,149
Depreciable property, plant and equipment, net	55,267,915	55,170,099
Nondepreciable property, plant and equipment, net	<u>16,294,223</u>	<u>19,421,658</u>
	<u>\$ 94,861,254</u>	<u>\$ 95,184,419</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Current portion of long-term bank debt	\$ 749,228	\$ 708,048
Accounts payable, trade and others	2,458,963	5,496,307
Security deposits and other payables	316,038	520,305
Accrued payroll and withholdings	434,178	369,046
Current portion of accrued annual leave	1,196,251	1,063,410
Unearned revenue	<u>307,043</u>	<u>237,301</u>
Total current liabilities	<u>5,461,701</u>	<u>8,394,417</u>
Long-term bank debt, net of current portion	13,198,596	13,950,936
Accrued annual leave, net of current portion	216,406	296,904
Accrued sick leave	<u>1,330,654</u>	<u>1,216,520</u>
Total liabilities	<u>20,207,357</u>	<u>23,858,777</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	57,614,314	59,932,773
Restricted - expendable	965,546	445,691
Unrestricted	<u>16,074,037</u>	<u>10,947,178</u>
Total net position	<u>74,653,897</u>	<u>71,325,642</u>
	<u>\$ 94,861,254</u>	<u>\$ 95,184,419</u>

See accompanying notes to financial statements.

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Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Cargo throughput charges	\$ 26,407,993	\$ 25,605,824
Equipment and space rental	7,709,429	7,503,461
Crane surcharge	5,669,942	4,118,306
Wharfage charges	4,492,616	4,184,706
Special services	298,351	313,492
Other operating income	373,985	184,589
	<u>44,952,316</u>	<u>41,910,378</u>
(Provision for) recovery of bad debts	(69,929)	157,916
	<u>44,882,387</u>	<u>42,068,294</u>
Operating expenses:		
Management and administration	8,395,471	8,831,804
Equipment maintenance	5,593,328	7,651,120
Depreciation	4,836,830	4,892,633
Transportation services	4,609,576	4,780,033
Stevedoring services	3,494,406	3,557,879
General expenses	3,187,516	3,185,863
Insurance	2,223,647	2,266,422
Utilities	2,046,873	2,160,286
Terminal services	2,019,922	1,996,973
Facility maintenance	1,580,954	1,495,636
Total operating expenses	<u>37,988,523</u>	<u>40,818,649</u>
Earnings from operations	<u>6,893,864</u>	<u>1,249,645</u>
Nonoperating (expenses) revenues:		
U.S. Government operating grants	-	33,851
Other income (expense), net	162,490	(6,235)
Interest (expense) income, net	(731,915)	(541,162)
Loss from disposal of property, plant and equipment	(3,093,436)	(664,395)
COLA/supplemental annuities	(2,320,421)	(2,156,036)
Write-off of property, plant and equipment	(1,747,321)	(2,608,576)
Total nonoperating expenses, net	<u>(7,730,603)</u>	<u>(5,942,553)</u>
Loss before capital contributions	(836,739)	(4,692,908)
Contributed capital:		
U.S. Government grants	<u>4,164,994</u>	<u>4,785,296</u>
Increase in net position	3,328,255	92,388
Net position at beginning of year	<u>71,325,642</u>	<u>71,233,254</u>
Net position at end of year	<u>\$ 74,653,897</u>	<u>\$ 71,325,642</u>

See accompanying notes to financial statements.

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Statements of Cash Flows  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 44,328,151	\$ 39,864,363
Cash payments to suppliers for goods and services	(14,827,444)	(12,194,793)
Cash payments to employees for services and benefits	<u>(23,642,979)</u>	<u>(24,251,645)</u>
Net cash provided by operating activities	<u>5,857,728</u>	<u>3,417,925</u>
Cash flows from investing activity - interest received	<u>174,117</u>	<u>190,239</u>
Cash flows from capital and related financing activities:		
Capital grants received	5,840,764	3,346,777
Proceeds from long-term bank debt	-	12,000,000
Repayment of long-term bank debt	(711,160)	(542,025)
Interest paid	(906,032)	(731,401)
Purchase of property, plant and equipment	<u>(6,647,968)</u>	<u>(17,301,487)</u>
Net cash used in capital and related financing activities	<u>(2,424,396)</u>	<u>(3,228,136)</u>
Cash flows from non-capital related financing activities:		
Operating grants received	-	33,851
Other non-capital activities	<u>162,490</u>	<u>(6,235)</u>
Cash provided by non-capital and related financing activities	<u>162,490</u>	<u>27,616</u>
Net increase in cash and cash equivalents	3,769,939	407,644
Cash and cash equivalents at beginning of year	<u>11,293,897</u>	<u>10,886,253</u>
Cash and cash equivalents at end of year	<u>\$ 15,063,836</u>	<u>\$ 11,293,897</u>
Reconciliation of statements of cash flows to the statements of net position:		
Cash and cash equivalents - unrestricted	\$ 14,098,290	\$ 10,848,206
Cash and cash equivalents - restricted expendable	<u>965,546</u>	<u>445,691</u>
	<u>\$ 15,063,836</u>	<u>\$ 11,293,897</u>

See accompanying notes to financial statements.

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Statements of Cash Flows, Continued  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of earnings from operations to net cash provided by operating activities:		
Earnings from operations	\$ 6,893,864	\$ 1,249,645
Adjustments to reconcile earnings from operations to net cash provided by operating activities:		
Depreciation	4,836,830	4,892,633
Provision for (recovery of) bad debts	69,929	(157,916)
Payments for COLA/supplemental annuities	(2,320,421)	(2,156,036)
Changes in operating assets and liabilities:		
Accounts receivable, net	(693,907)	(2,099,955)
Prepaid expenses	(8,661)	117,021
Replacement parts inventories, net	20,354	(5,274)
Accounts payable, trade and others	(3,037,344)	1,463,538
Security deposits and other payables	(204,267)	(67,565)
Accrued payroll and withholdings	65,132	47,359
Accrued annual leave	52,343	(30,263)
Unearned revenue	69,742	53,940
Accrued sick leave	114,134	110,798
Net cash provided by operating activities	<u>\$ 5,857,728</u>	<u>\$ 3,417,925</u>

See accompanying notes to financial statements.



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Notes to Financial Statements  
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(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 placed the Authority under the oversight of the Public Utilities Commission of Guam (PUC). On January 30, 2014, PUC approved 5.65% increase in tariff rate with the exception of bunkering/fuel throughput/waste oil rates and crane surcharge effective March 2, 2014. 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.

Operating and Nonoperating 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 capital contributions from governmental agencies are recorded as net position when earned. Operating grants are recorded as revenue when earned.

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(1) Organization and Summary of Significant Accounting Policies, Continued

Net Position

Net position represents the residual interest in the Authority's assets after liabilities are deducted and consists of the following three sections:

Net investment in capital assets:

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 position subject to externally imposed stipulations that require the Authority to maintain them permanently.

Expendable - Net position 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.

All of the Authority's restricted net position at September 30, 2014 and 2013 is expendable.

Unrestricted:

Net position that is not subject to externally imposed stipulations. Unrestricted net position 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 position 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. Restricted cash is considered to be cash and cash equivalents but is separately classified in the statement of net position.

Accounts Receivable and Allowance for Doubtful Accounts

Substantially all of the Authority's accounts receivable as of September 30, 2014 and 2013 are due from international steamship lines/agents which are located or operating on Guam.

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 30 days from the date of billing. As of September 30, 2014 and 2013, receivables that are more than thirty days past due totaled \$3,466,990 and \$3,745,567, 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 deems the accounts to be uncollectible.

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Notes to Financial Statements  
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(1) Organization and Summary of Significant Accounting Policies, Continued

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 or expense, respectively.

Compensated Absences

Compensated absences are recorded as a long-term liability in the statements of net position. 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.

The statutes further amended the maximum accumulation of such vacation credits from 480 to 320 hours. Public Law No. 27-106 allows employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, to carry over their excess and to use the excess amount of leave prior to retirement or termination from service or they may credit not more than 100 excess hours to sick leave. However, at retirement, lump sum compensation or retirement credit for annual leave in excess of three hundred twenty (320) hours is not allowed.

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.

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(1) Organization and Summary of Significant Accounting Policies, Continued

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 casualty losses in excess of insurance coverage during the years ended September 30, 2014, 2013 and 2012.

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 the Government of Guam (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, 2014, the Authority implemented the following pronouncements:

- GASB 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.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement.

The implementation of these statements did not have a material effect on the Authority's financial statements.

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Notes to Financial Statements  
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(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2012, GASB issued 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 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of the Authority and will require a restatement disclosure upon implementation. As of September 30, 2014, the net pension liability that the Authority will record upon implementation of Statement 68 is anticipated to be \$45,329,045.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

Reclassifications

Certain reclassifications have been made to 2013 financial statements to correspond to the 2014 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.



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(2) Deposits, Continued

As of September 30, 2014 and 2013, the carrying amount of the Authority's cash and cash equivalents totaled \$15,063,836 and \$11,293,897, respectively, and the corresponding bank balances were \$15,694,684 and \$11,386,459, respectively, all of which were maintained in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of September 30, 2014 and 2013, bank deposits in the amount of \$500,000 and \$750,000, 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.

(3) Property, Plant and Equipment

A summary of changes in property, plant and equipment for the years ended September 30, 2014 and 2013 is as follows:

	Beginning Balance <u>October 1, 2013</u>	Transfers and Additions	Transfers and Deletions	Ending Balance <u>September 30, 2014</u>
<u>Depreciable:</u>				
Buildings	\$ 75,029,314	\$ 6,698,382	\$ (7,644,860)	\$ 74,082,836
Equipment	<u>36,397,247</u>	<u>1,329,700</u>	<u>(5,905,468)</u>	<u>31,821,479</u>
	111,426,561	8,028,082	(13,550,328)	105,904,315
Less accumulated depreciation	<u>(56,256,462)</u>	<u>(4,836,830)</u>	<u>10,456,892</u>	<u>(50,636,400)</u>
	<u>55,170,099</u>	<u>3,191,252</u>	<u>(3,093,436)</u>	<u>55,267,915</u>
<u>Non-depreciable:</u>				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	<u>15,858,658</u>	<u>6,415,009</u>	<u>(9,542,444)</u>	<u>12,731,223</u>
	<u>19,421,658</u>	<u>6,415,009</u>	<u>(9,542,444)</u>	<u>16,294,223</u>
Total	\$ <u>74,591,757</u>	\$ <u>9,606,261</u>	\$ <u>(12,635,880)</u>	\$ <u>71,562,138</u>

	Beginning Balance <u>October 1, 2012</u>	Transfers and Additions	Transfers and Deletions	Ending Balance <u>September 30, 2013</u>
<u>Depreciable:</u>				
Buildings	\$ 72,898,132	\$ 2,131,182	\$ -	\$ 75,029,314
Equipment	<u>28,728,125</u>	<u>12,223,236</u>	<u>(4,554,114)</u>	<u>36,397,247</u>
	101,626,257	14,354,418	(4,554,114)	111,426,561
Less accumulated depreciation	<u>(55,253,548)</u>	<u>(4,892,633)</u>	<u>3,889,719</u>	<u>(56,256,462)</u>
	<u>46,372,709</u>	<u>9,461,785</u>	<u>(664,395)</u>	<u>55,170,099</u>
<u>Non-depreciable:</u>				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	<u>15,520,165</u>	<u>5,263,791</u>	<u>(4,925,298)</u>	<u>15,858,658</u>
	<u>19,083,165</u>	<u>5,263,791</u>	<u>(4,925,298)</u>	<u>19,421,658</u>
Total	\$ <u>65,455,874</u>	\$ <u>14,725,576</u>	\$ <u>(5,589,693)</u>	\$ <u>74,591,757</u>

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Notes to Financial Statements  
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**(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.

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, 2012, 2011, and 2010, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2014, 2013 and 2012, respectively, have been determined as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal costs (% of DB Plan payroll)	16.61%	17.52%	17.07%
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>7.11%</u>	<u>8.02%</u>	<u>7.57%</u>
Employer portion of normal costs (% of total payroll)	2.39%	3.00%	3.03%
Unfunded liability cost (% of total payroll)	<u>24.01%</u>	<u>24.33%</u>	<u>23.75%</u>
Government contribution as a % of total payroll	<u>26.40%</u>	<u>27.33%</u>	<u>26.78%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>30.03%</u>	<u>30.09%</u>	<u>28.30%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>



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(4) Employees' Retirement Plan, Continued

The Authority's contribution to the DB Plan for the years ended September 30, 2014, 2013 and 2012 totaled \$1,523,378, \$1,656,285 and \$1,482,141, 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.

Statutory employer contributions for the DCRS plan for the years ended September 30, 2014 and 2013, 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 are always 100% vested in their own contributions, plus earnings thereon. Upon completion of five years of governmental service, as defined, DCRS members are 100% vested in employer contributions plus any earnings thereon.

The Authority's contributions for the DCRS plan payroll for the years ended September 30, 2014, 2013 and 2012 were \$3,411,432, \$3,437,123 and \$3,111,487, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$3,071,597, \$3,088,129 and \$2,773,979 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2014, 2013 and 2012, respectively.

Public Law 26-86 allows members of the DCRS plan to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. The Authority has accrued an estimated liability of \$1,330,654, \$1,216,520 and \$1,105,722 at September 30, 2014, 2013 and 2012, 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.

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**(4) Employees' Retirement Plan, Continued**

**Other Post-Employment Benefits, Continued**

For the years ended September 30, 2014, 2013 and 2012, the Authority reimbursed GovGuam for certain supplemental benefits for retirees, including contributions for the abovementioned Plan, as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medical and dental	\$ 1,198,985	\$ 1,216,975	\$ 1,171,262
Supplemental benefits	1,073,756	889,614	861,201
Life insurance	<u>47,680</u>	<u>49,447</u>	<u>46,604</u>
	<u>\$ 2,320,421</u>	<u>\$ 2,156,036</u>	<u>\$ 2,079,067</u>

**(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, 2014 and 2013 are as follows:

	Outstanding at September 30, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding at September 30, <u>2014</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued annual leave	\$ 1,360,314	\$ 1,179,182	\$1,126,839	\$ 1,412,657	\$1,196,251	\$ 216,406
Accrued sick leave	1,216,520	114,134	-	1,330,654	-	1,330,654
Long-term bank debt	<u>14,658,984</u>	<u>-</u>	<u>711,160</u>	<u>13,947,824</u>	<u>749,228</u>	<u>13,198,596</u>
	<u>\$17,235,818</u>	<u>\$ 1,293,316</u>	<u>\$1,837,999</u>	<u>\$16,691,135</u>	<u>\$1,945,479</u>	<u>\$14,745,656</u>
	Outstanding at September 30, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding at September 30, <u>2013</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued annual leave	\$ 1,390,577	\$ 1,209,815	\$1,240,078	\$ 1,360,314	\$1,063,410	\$ 296,904
Accrued sick leave	1,105,722	110,798	-	1,216,520	-	1,216,520
Long-term bank debt	<u>3,201,009</u>	<u>12,000,000</u>	<u>542,025</u>	<u>14,658,984</u>	<u>708,048</u>	<u>13,950,936</u>
	<u>\$ 5,697,308</u>	<u>\$13,320,613</u>	<u>\$1,782,103</u>	<u>\$17,235,818</u>	<u>\$1,771,458</u>	<u>\$15,464,360</u>

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Notes to Financial Statements  
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(5) Long-Term Liabilities, Continued

Long-term Bank Debt

Long-term debt consists of the following at September 30, 2014 and 2013:

- \$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, 2014. 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, 2014 and 2013) 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. The outstanding principal balance as of September 30, 2014 and 2013 is \$2,860,900 and \$3,037,138, respectively.
- \$12,000,000 loan obtained from ANZ on December 20, 2012, guaranteed by USDA. The term loan bears interest at 3.42% above the Federal Home Loan Bank of Seattle's 15-year amortizing rate at the time of funding (5.94% at September 30, 2014 and 2013) and is payable in monthly installments of \$101,427 in principal and interest over fifteen years. Proceeds of the loan were used to finance the acquisition of the used cranes identified as Port of Los Angeles Cranes and Gantry Cranes (collectively the "cranes") from Matson Navigation Company LLC and Horizon Lines LLC which are also pledged as collateral for the loan. The outstanding principal balance as of September 30, 2014 and 2013 is \$11,086,924 and \$11,621,846, respectively.

In relation to the purchase, maintenance and use of the cranes, pursuant to a PUC order, the Authority established and implemented a crane surcharge. PUC also ordered that 9.5% of the revenues from the crane surcharge be deposited in a crane reserve account restricted for the purposes of future crane acquisitions, any payment due to default on any crane loan liability or any extraordinary corrective maintenance events. The balance in the reserve account at September 30, 2014 and 2013 is \$965,546 and \$445,691, respectively.

In April 2014, the Authority obtained a \$10,000,000 loan from Bank of Guam, payable in ten years, for the purpose of funding the cost of service life extension repairs to the berths or wharves and for either or both of (a) funding the cost of software acquisition for the purpose of upgrading the financial management system, (b) funding the cost of acquisition of a container handling top-lifter. The funding for service life extension repairs shall have the priority. The term loan bears interest at 2.55% above the Federal Home Loan Bank of Seattle Long Term 5-year amortizing fixed rate in effect from time to time or 3.75% whichever is greater. The interest rate shall be adjusted on the fifth anniversary. The term loan will be secured by the Facility Maintenance Fee revenues which are deposited in a special fund with a balance of \$1,361,950 as of September 30, 2014. The Authority is also required to maintain a reserve account at the sum of principal and interest due and the aggregate amount of payments to become due in the next 90 days. The balance in the reserve account at September 30, 2014 is \$316,869. The Authority has not drawn funds against the loan as of September 30, 2014.

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(5) Long-Term Liabilities, Continued

Long-term Bank Debt, Continued

As of September 30, 2014, 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>
2015	\$ 749,228	\$ 828,479	\$ 1,577,707
2016	796,174	781,533	1,577,707
2017	848,188	729,519	1,577,707
2018	901,248	676,459	1,577,707
2019	957,628	620,079	1,577,707
2020 through 2024	5,762,535	2,125,998	7,888,533
2025 through 2028	<u>3,932,823</u>	<u>386,171</u>	<u>4,318,994</u>
	\$ <u>13,947,824</u>	\$ <u>6,148,238</u>	\$ <u>20,096,062</u>

(6) Major Customers

The Authority has three major shipping agency customers that collectively accounted for 77.42% and 78.63% of total operating revenues for the years ended September 30, 2014 and 2013, respectively. The Authority has a high concentration of credit risk due to the limited number of entities comprising its customer base.

(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>
2015	\$ 1,182,416
2016	1,182,416
2017	1,182,416
2018	1,182,416
2019	1,182,416
Thereafter	<u>3,329,994</u>
	\$ <u>9,242,074</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 \$7,709,429 and \$7,503,461 for the years ended September 30, 2014 and 2013, respectively.

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Notes to Financial Statements  
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(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.

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 U.S. Department of Defense (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, 2014. The Authority anticipates that it will not utilize the unused portion of the loan.

In 2011, due to changes in certain factors relating to the military buildup and cargo forecast, the Authority will not be able to proceed with the \$25,000,000 direct loan.

In 2012, the Authority utilized \$12,000,000 of the Community Facilities Guaranteed loan with ANZ for acquisition of the cranes (see note 5).



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

Notes to Financial Statements  
September 30, 2014 and 2013

(8) Commitments and Contingencies, Continued

Port Modernization Plan, Continued

In November 2013, the Plan was updated to provide a comprehensive view of the Authority's current condition, identify elements of continuous improvement and sustainability, and scale down the components of Phase I-A of the Plan. Changes to the Plan were signed into law through Public Law 32-155 on May 21, 2014.

At September 30, 2014 and 2013, the Authority has \$11.4 million and \$11.7 million, respectively, 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. In 2014 and 2013, \$1.7 million and \$2.6 million, respectively, of the capitalized project costs were written-off to expense as the Authority believes the assets are not realizable and due to downscaling of the original Plan.

The Authority segregated the construction funded by the \$50,000,000 USDOD appropriation into three phases. As of September 30, 2014, Phase 2 of the construction is completed; however, it is not recorded as timely cost information was not received from MARAD.

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 2012, the Authority utilized the \$12,000,000 guaranteed loans for the purchase of the cranes (see note 5). The Authority requested USDA to re-direct the \$2,000,000 loan for purposes of acquiring critical equipment. In 2014, USDA approved the request and the Authority is in the process of closing the loan as of September 30, 2014.

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 requested DOA further review the assessment as the Authority believes that it does not owe the entire \$12,250,000 based on previous transfers 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, the Guam Environmental Protection Agency, the Guam Police Department and the Guam Fire Department through ongoing operations at the 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 it 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 position as of September 30, 2014 and 2013.



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

Notes to Financial Statements  
September 30, 2014 and 2013

(8) Commitments and Contingencies, Continued

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 adversely affect 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, and therefore no provision has been recorded for these claims in the 2014 and 2013 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. In 2013, the Authority paid \$194,000 of merit bonuses to active employees and accrued \$184,000 as of September 30, 2013 of estimated merit bonuses to be paid to inactive and retired employees. The remaining estimated accrued merit bonus as of September 30, 2014 is \$54,000.

Gantry 3 Crane

Management has assessed that the usage versus the cost associated to maintain the Gantry 3 crane far exceeds its actual hours of operation and performance activity and therefore, management recommends decommission of the crane. However, management has not determined when the asset will be surveyed. No adjustment to the estimated useful life of the asset has been made to the Authority's financial statements. Gantry 3 has a net book value of \$3,400,000 at September 30, 2014.

(9) Crane Surcharge

Pursuant to a PUC rate order effective January 1, 2013, the Authority implemented a crane surcharge of \$105 for each loaded import and export container and first carriers fully loaded transshipment containers handled at the Port, increasing to \$125 per container after February 28, 2013. In addition, the rate order required the Authority to assess a \$5 per ton surcharge on break bulk cargo, capped at \$105 per item.

The rate order also required the Authority to deposit 9.5% of surcharge revenues into a crane replacement sinking fund, which is restricted for the future acquisition of cranes, loan payments in default on past due crane liability or extraordinary corrective maintenance events (see note 5).

The Authority recorded \$5,669,942 and \$4,118,306 of crane surcharge revenue for years ended September 30, 2014 and 2013, respectively.

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

Notes to Financial Statements  
September 30, 2014 and 2013

(10) Restricted Net Position

At September 30, 2014 and 2013, net position is restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
Future crane acquisition, crane debt service or extraordinary crane maintenance	\$ <u>965,546</u>	\$ <u>445,691</u>

(11) Subsequent Events

Phase I of the three phases of Port Modernization construction funded by the \$50,000,000 USDOD appropriation was completed on October 1, 2014. Cost of construction approximates \$1.3 million.

**OTHER FINANCIAL INFORMATION**

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

**Schedule of Funding Progress and Actuarial Accrued Liability - Post  
Employment Benefits Other than Pension (Unaudited)**

The Schedule of Funding Progress presents GASB 45 results of Other Post Employment Benefits (OPEB) valuations as of fiscal year ends September 30, 2011, 2009, and 2007 for the Port Authority of Guam's share of the Government of Guam Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
October 1, 2007	\$ -	\$ 13,651,000	\$ 13,651,000	0.0%	\$ 10,981,000	124.3%
October 1, 2009	\$ -	\$ 32,847,000 *	\$ 32,847,000 *	0.0%	\$ 12,236,000	268.4%
October 1, 2011	\$ -	\$ 37,028,000	\$ 37,028,000	0.0%	\$ 13,878,000	266.8%

\* No formal valuation was performed. The liabilities as of October 1, 2009 represent discounted October 1, 2011 liabilities.

The actuarial accrued liability presented above is for the Authority's active employees only. It does not include the actuarial accrued liability for the Authority's retirees, which was not separately presented in the OPEB valuation.

See Accompanying Independent Auditors' Report.

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

Details of Operating Expenses  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Management and administration:</b>		
<b>Management:</b>		
Salaries and wages - regular	\$ 401,191	\$ 287,920
Benefits - Government contribution	130,346	96,748
Annual leave	33,830	24,290
Fringe benefits	14,521	11,476
Office supplies	1,353	1,686
Furnishings and equipment	1,124	-
Salaries and wages - overtime	759	
Salaries and wages - other	-	2,660
Miscellaneous	27,123	18,847
	<u>610,247</u>	<u>443,627</u>
<b>Total management</b>	<b>610,247</b>	<b>443,627</b>
<b>Administration:</b>		
Salaries and wages - regular	4,764,518	5,117,935
Benefits - Government contribution	1,647,999	1,778,816
Annual leave	422,380	464,382
Fringe benefits	299,026	294,491
Repairs and maintenance	149,844	161,986
Salaries and wages - overtime	145,996	176,130
Furnishings and equipment	66,998	59,276
Salaries and wages - other	56,924	126,195
Operational supplies	51,478	20,703
Office supplies	31,054	28,690
Miscellaneous	149,007	159,573
	<u>7,785,224</u>	<u>8,388,177</u>
<b>Total administration</b>	<b>7,785,224</b>	<b>8,388,177</b>
<b>Total management and administration</b>	<b>\$ 8,395,471</b>	<b>\$ 8,831,804</b>

See Accompanying Independent Auditors' Report.

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

Details of Operating Expenses, Continued  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Equipment Maintenance:</b>		
Salaries and wages - regular	\$ 2,161,368	\$ 2,264,379
Repairs and maintenance	1,630,175	3,411,010
Benefits - Government contribution	785,473	826,866
Operational supplies	271,681	404,443
Annual leave	197,752	197,590
Salaries and wages - overtime	179,787	122,182
Salaries and wages - other	174,052	203,568
Fringe benefits	156,633	157,874
Contractual	23,529	53,686
Furnishings and equipment	10,437	7,629
Office supplies	2,441	1,893
	<u>5,593,328</u>	<u>7,651,120</u>
Total equipment maintenance	\$ <u>5,593,328</u>	\$ <u>7,651,120</u>
<b>Transportation Services:</b>		
Salaries and wages - regular	\$ 2,434,737	\$ 2,495,037
Benefits - Government contribution	907,235	928,461
Salaries and wages - overtime	359,010	396,927
Gas, oil and diesel	348,648	434,094
Fringe benefits	211,452	175,092
Annual leave	205,616	199,127
Salaries and wages - other	136,238	149,296
Furnishings and equipment	4,381	232
Operational supplies	1,263	1,207
Office supplies	996	560
	<u>4,609,576</u>	<u>4,780,033</u>
Total transportation services	\$ <u>4,609,576</u>	\$ <u>4,780,033</u>

See Accompanying Independent Auditors' Report.



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

Details of Operating Expenses, Continued  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Stevedoring Services:</b>		
Salaries and wages - regular	\$ 2,008,141	\$ 2,013,636
Benefits - Government contribution	720,173	738,338
Salaries and wages - overtime	269,636	324,600
Fringe benefits	190,717	171,609
Annual leave	170,840	171,245
Salaries and wages - other	122,490	135,339
Operational supplies	12,020	2,514
Office supplies	389	598
	<u>3,494,406</u>	<u>3,557,879</u>
Total stevedoring services	\$ <u>3,494,406</u>	\$ <u>3,557,879</u>
<b>Facility Maintenance:</b>		
Salaries and wages - regular	\$ 843,022	\$ 785,670
Benefits - Government contribution	316,478	307,631
Operational supplies	121,592	90,407
Salaries and wages - overtime	120,065	157,735
Annual leave	72,592	64,982
Fringe benefits	57,189	56,026
Salaries and wages - other	20,564	24,118
Repairs and maintenance	12,600	5,271
Furnishings and equipment	7,672	3,530
Office supplies	540	266
Miscellaneous	8,640	-
	<u>1,580,954</u>	<u>1,495,636</u>
Total facility maintenance	\$ <u>1,580,954</u>	\$ <u>1,495,636</u>

See Accompanying Independent Auditors' Report.

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

Details of Operating Expenses, Continued  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Terminal Services:</b>		
Salaries and wages - regular	\$ 1,199,311	\$ 1,201,142
Benefits - Government contribution	427,107	416,548
Salaries and wages - overtime	138,086	147,933
Fringe benefits	115,548	91,493
Annual leave	92,020	91,250
Salaries and wages - other	38,375	39,632
Office supplies	8,496	8,562
Operational supplies	979	413
	<u>2,019,922</u>	<u>1,996,973</u>
Total terminal services	\$ <u>2,019,922</u>	\$ <u>1,996,973</u>
<b>General Expenses:</b>		
Managers' fee	\$ 757,820	\$ 502,778
Legal counsel	774,803	923,563
Professional services	654,827	803,671
Maintenance	390,566	185,675
Waste removal	122,539	145,051
Workmen's compensation injury allowance	94,796	29,376
Agency fee	45,826	43,558
Inventory adjustment	42,518	23,403
Audit	42,000	42,000
Loan fees	12,500	116,030
Board of Directors expense	4,263	5,538
Merit bonus	-	191,795
Port incentive award	-	15,905
Claims and damages	-	2,550
Miscellaneous	245,058	154,970
	<u>3,187,516</u>	<u>3,185,863</u>
Total general expenses	\$ <u>3,187,516</u>	\$ <u>3,185,863</u>

See Accompanying Independent Auditors' Report.

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

Summary of Salaries and Wages  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Salaries and wages - regular	\$ 13,812,288	\$ 14,165,719
Benefits - Government contribution	4,934,811	5,093,408
Salaries and wages - overtime	1,213,339	1,325,507
Fringe benefits	1,045,086	958,061
Salaries and wages - other	<u>548,643</u>	<u>680,808</u>
	<u>\$ 21,554,167</u>	<u>\$ 22,223,503</u>

See Accompanying Independent Auditors' Report.

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

Employees by Department  
Years Ended September 30, 2014 and 2013

Department:	<u>2014</u>	<u>2013</u>
Management and administration	114	111
Equipment maintenance	51	50
Transportation services	61	60
Stevedoring services	53	55
Facility maintenance	27	22
Terminal services	33	33
	<u>339</u>	<u>331</u>

See Accompanying Independent Auditors' Report.

**Port Authority of Guam  
Board of Directors Regular Meeting  
February 20, 2015**

**Executive Summary**

**F-1, F-3 and Container Yard Southside Perimeter Chain Link Fence Replacement  
IFB-CIP-015-001**

**PURPOSE:** Request for Board to approve the contract award to Inland Builders Corporation for the above referenced project.

**Background**

The above referenced Invitation For Bid was publicly announced on December 23, 2014 through the local newspaper. As part of the procurement process, a pre-bid conference was held and site inspection followed thereafter. The bid opening took place on February 10, 2015. Eight (8) firms expressed their interest by purchasing the bid package, and all eight (8) bidders submitted their bid proposals prior to the established deadline. The results are as follows:

<b>Bidder</b>	<b>Bid Amount</b>	<b>Variance from</b>	
		<b>Budget and Gov't. Estimate: \$296,000.00</b>	
Inland Builders Corp.	\$ 197,850.00	\$ 98,150.00	49%
BBR	\$ 229,500.00	\$66,500.00	28%
Maeda Pacific	\$ 278,000.00	\$18,000.00	6%
ProPacific Builders	\$ 299,999.00	-\$3,999.00	101%
Allied Builders & Construction	\$ 359,500.00	-\$63,500.00	121%
Z4 Corporation	\$ 369,766.47	-\$73,766.47	124%
BME & Sons	\$ 383,231.00	-\$87,231.00	129%
AIC International	\$ 585,821.00	-\$289,821.00	197%

In accordance with §3109 of the Guam Procurement Rules and Regulations, the bid is to be awarded to the lowest responsive and responsible bidder.

**LEGAL REVIEW:** The necessary documents pertaining to this project are prepared for review by the Port's legal counsel. Upon Board's approval of the award and Legal's approval of contract form, the agreement will be executed and issuance of the Notice of Award will follow thereafter.

**FINANCE REVIEW:** A federal grant under the Port Security Grant Program has allocated a budget of \$296,000.

**RECOMMENDATION:** Management requests the Board of Directors' motion to approve the award to **Inland Builders Corporation**, in the amount of **\$197,850.00** for the above referenced project. The Contractor has been deemed to have met all the requirements set forth in the IFB and is consistent with the Guam Procurement Regulations.





**PORT AUTHORITY OF GUAM**  
ATURIDATI PUETTON GUAHAN  
Jose D. Leon Guerrero Commercial Port  
**PROCUREMENT AND SUPPLY DIVISION**

February 17, 2015

**INTER-OFFICE MEMORANDUM**

TO: General Manager  
From: Buyer II  
Via Procurement and Supply Division Manager  
Subject Evaluation, Analysis and Recommendation  
Invitation for Bid No. PAG-CIP-015-001  
F-1, F-3 and Container Yard Southside Perimeter Chain Link Fence Replacement

**Background**

The above referenced Invitation for Bid was publicly announced on December 23, 2014 in the Marianas Variety. A pre-bid meeting was held on Thursday, January 13, 2015 at 10:00 a.m. in the Board conference room and a site tour was held immediately after the pre-bid meeting. The bid opening was held on Tuesday, February 10, 2015 at 2:00 p.m. in the Board room.

Eight (8) prospective bidders expressed their interest by purchasing and acknowledging receipt of the bid package. All bidders submitted their bid proposals prior to the established deadline. The bids were opened in the presence of the bidders and read aloud by the Procurement representatives. The results of the bid submittals are as follows:

Bidder	Bid Amount	Variance from	
		Budget and Gov't. Estimate: \$296,000.00	
Inland Builders Corp.	\$ 197,850.00	\$ 98,150.00	49%
BBR	\$ 229,500.00	\$66,500.00	28%
Maeda Pacific	\$ 278,000.00	\$18,000.00	6%
ProPacific Builders	\$ 299,999.00	-\$3,999.00	101%
Allied Builders & Construction	\$ 359,500.00	-\$63,500.00	121%
Z4 Corporation	\$ 369,766.47	-\$73,766.47	124%
BME & Sons	\$ 383,231.00	-\$87,231.00	129%
AIC International	\$ 585,821.00	-\$289,821.00	197%

**Evaluation and Analysis**

Pursuant to 5GCA §5211 (g) and as indicated in Section 12 of the Instruction to Bidders of the bid package, the contract is to be awarded to the lowest responsible, responsive bidder whose bid meets the requirements and criteria set forth in this Invitation for Bid. To determine the responsibility of bidders and is consistent with §3116 (2) of the Procurement Rules

and Regulations, the bid package specified the required documents that bidders must submit with their bid price proposal. A brief summary is as follows:

**Inland Builders Corp.:** The firm submitted a total bid price of **\$197,850.00 which represents \$98,150.00 or 49% less** than the budget amount. The firm provided all the required documents as stipulated in the bid package.

**BBR:** The firm submitted a total bid price of **\$229,500.00 which represents \$66,500.00 or 28% less** than the budget amount. The firm provided all the required documents as stipulated in the bid package.

**Maeda Pacific:** The firm submitted a total bid price of **\$278,000.00 which represents \$18,000.00 or 6% less** than the budget amount. The firm provided all the required documents as stipulated in the bid package.

**ProPacific Builder Corp.:** The firm submitted a total bid price of **\$299,999.00 which represents \$3,999.00 or 25% more** than the budgeted amount. The firm provided all the required documents as stipulated in the bid package.

**Allied Builders & Construction:** The firm submitted a total bid price of **\$359,500.00 which represents \$63,500.00 or 121% more** than the budgeted amount. The firm provided all the required documents as stipulated in the bid package.

**Z4 Corporation:** The firm submitted a total bid price of **\$369,766.47 which represents \$73,766.47 or 124% more** than the budgeted amount. The firm provided all the required documents as stipulated in the bid package.

**BME & Sons, Inc.:** The firm submitted a total bid price of **\$383,231.00 which represents \$87,231.00 or 129% more** than the budgeted amount. The firm provided all the required documents as stipulated in the bid package.

**AIC International:** The firm submitted a total bid price of **\$585,821.00 which represents \$289,821.00 or 197% more** than the budgeted amount. The firm provided all the required documents as stipulated in the bid package.

### Recommendation

As a result of our review of the bid documents submitted, **Inland Builders Corp.**, has been determined to have met the standards of responsibility and responsiveness as outlined in the Guam Procurement Regulations and has been deemed to be the lowest responsive and responsible bidder.

Therefore in accordance to 3109(n)(2) of the Guam Procurement Rules and Regulations, the recommendation is to award the contract to Inland Builders Corp. in the amount of **\$197,850.00** for the above referenced project. Should you need to discuss this further, I will be available at your request.

  
Eda Nededog

Concurred:

Approved:

  
Alma B. Javier

  
Joanne M. S. Brown  
General Manager

Attachment: Abstract

cc: Engineering/CIP  
Procurement File



**PORT OF GUAM**  
ATURIDATI 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 19, 2015

**MEMORANDUM**

TO: Board of Directors  
FROM: General Manager  
SUBJECT: **Hotel Wharf**

As you are aware, the Port is undergoing multiple construction activity involving the modernization projects as well as other capital improvement projects. These activities require the Port constant repositioning of its operational footprint in order to accommodate the ease of container cargo movement, aggregate operation, traffic flow and ensuring the safety of port personnel. At this time, the Port is changing out its domestic waterlines that leads to F-3 pier and anticipates heavy congestion. Upon excavation of F-3 pier, the wharf would be temporarily unusable. As a proactive measure, and in communication with the United States Coast Guard (USCG), the use of Hotel Wharf was identified as an alternative site to assist in alleviating congestion at the waterfront area. The USCG then issued a pre-condition approval indicating that the Hotel Wharf facility is required to meet the following:

- Acquire certification pull-test of existing bollards.
- Ensure structural integrity of facility.
- Placement of light plant, fire suppression and facility security plan when in use.

Based on this, Board approval is being requested to fund the pull-test of existing bollards at Hotel Wharf and allow the General Manager to identify this as a project to be funded through the Small Projects account under the Facility Maintenance Fund.

I am available should you have any questions.

  
JOANNE M.S. BROWN