



**PORT OF GUAM**  
ATURIDAT I PUETTON GUAHAN  
**Jose D. Leon Guerrero Commercial Port**  
1026 Cabras Highway, Suite 201, Piti, Guam 96925  
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**Lourdes A. Leon Guerrero**  
Governor of Guam  
**Joshua F. Tenorio**  
Lieutenant Governor

REGULAR MEETING OF THE BOARD OF DIRECTORS  
Jose D. Leon Guerrero Commercial Port  
Thursday, April 29, 2021  
Virtual Board Meeting  
3:00 p.m.

A G E N D A

- I. CALL TO ORDER
- II. APPROVAL OF MINUTES
  1. March 25, 2021 – Regular Board Meeting
- III. PUBLIC COMMENTS:
  - a. Public Comments
  - b. Employee Comments
  - c. PAGGMA Association
- IV. GENERAL MANAGER'S REPORT (deferred to Old/New Business Items)
- V. OLD BUSINESS
  1. Port Audit Fiscal Year 2020
- VI. NEW BUSINESS
  1. RFP No. 020-004 Banking Services
  2. IFB-PAG-CIP 021-001 Supply & Installation of New Cylindrical Fendering System
  3. Performance Appraisal System
- VII. ADJOURNMENT



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**MINUTES OF THE  
REGULAR MEETING OF THE BOARD OF DIRECTORS  
Thursday, March 25, 2021**

**I. CALL TO ORDER**

There being a quorum, the regular meeting of the Board of Directors was called to order at 3:05 p.m., Thursday, March 25, 2021. Present at the meeting were:

Francisco G. Santos, Chairman  
Nathan T. Taimanglo, Vice Chairman  
Isa Marie C. Koki, Board Secretary  
Dorothy P. Harris, Board Member  
Rory J. Respicio, General Manager  
Dominic G. Muna, Deputy General Manager, Operations  
Luis R. Baza, Deputy General Manager, Admin/Finance  
Atty. Christine K. Claveria, Port Staff Attorney

Present was Port Staff.

**II. APPROVAL OF MINUTES**

a. **February 25, 2021 – Regular Board Meeting:** The Vice Chairman made motion to approve the minutes of February 25, 2021, subject to correction. The motion was seconded by Director Koki and was unanimously passed.

**III. PUBLIC COMMENTS**

- a. **Public Comments:** None.
- b. **Employee Comments:** None.
- c. **PAGGMA Association:** PAGGMA Vice President Steve Muna announced that the association has completed its year-end filing financial requirement of 2020 as a nonprofit organization and is scheduled to be published tomorrow in a newspaper of general circulation.

**IV. GENERAL MANAGER'S REPORT**

1. **Port's COVID Dashboard.** Clinic visits total 55,074.
  - Total COVID-19 cases of the Port Authority are 20:
    - o 19 Port employees are all back to work
    - o 1 Port employee (+Henry San Nicolas) passed away due to COVID-19.
  - Total employees that have been vaccinated is 133 or 38%.

2. **Post Audit Case No. 21-PA03 Port Hires.** PAG Oversight Chair Senator Telena Nelson requested the Civil Service Commission (CSC) on March 2, 2021, to include Fiscal Year 2021 in her post-audit complaint relative to any Port employee hired with a criminal conviction. We proactively responded to the CSC on February 15, 2021, certifying the PAG's statutory compliance, and even went as far as providing a list of all Port hires from Fiscal Year 2017 through Fiscal Year 2021.

On March 16, 2021, the CSC hearing addressed Sen. Nelson's amended complaint and included Fiscal Year 2021. We continue that there are no Port employee hired in contravention to law.

3. **General Manager's Notes for YTD Finances, as of February 28, 2021.** We are providing the following summary:

**REVENUES AND CARGO THROUGHPUT:**

- The Port's Total YTD Operating revenue for February 2021 is \$23.1 million, less than 0.5% or \$108K lower than the YTD February FY21 budget projection of \$23.2M.
- The total number of containers handled as of February 2021 is 34,820, which is 2.4% lower or 852 fewer containers than last year's February 2020 total of 35,672.

**OPERATING EXPENSES:**

- Overall spending YTD February (Actual versus Budget for FY2021) of \$20.8M is 6.2% lower than the YTD budget as of February of \$22.2 M, or \$1.4M in YTD cost avoidances.

**OVERTIME EXPENSE AND DIRECT LABOR REVENUE:**

- Overtime YTD for Divisions involved in Operations is \$499,243, which is 7.0% lower than YTD overtime budget of \$536,705. The overtime for February resulted in an increase of 28% or \$27K compared to January, from \$100,165 in January to \$127,731 in February.
- Direct Labor reimbursement is \$1.3M, which is 2.2% or \$30K lower than the FY21 budget of \$1.3M. Here is the breakdown:

Direct Labor Revenue:	\$1,328,391
Operations Overtime:	\$ 499,243
Variance:	\$ 829,148

**YTD OPERATING REVENUES MINUS YTD EXPENSES**

- The net income for February is \$249K. Based on the current condition on the Port operations and COVID-19 situation status, we foresee that the YTD net income result

in the upcoming months will continue to increase. The following are the basis of the assumption:

1. The month of March will be a 5-week major vessel (Matson and APL) operations, instead of the normal 4-week operation. This will increase the revenues on cargos and may meet or even exceed the YTD operating revenues budget.
2. Effective February 1, the COVID 19 Hazardous differential pay expired. This will reduce our monthly salary expenses in the upcoming months compared to prior months when the hazardous differential pay was in effect.

**4. Other Financial Highlights, as of February 28, 2021.**

- The debt service ratio is 50% higher than the Bond Indenture Debt service ratio requirement.
- Days Cash on Hand is 865 days, which is 365 days higher than the 500 days requirement of Moody’s Rating agency.

**DEBT SERVICE RATIO – FEBRUARY 2021**

Projected Annual Debt Service Coverage	<b>1.87</b>
Debt Service Coverage Requirement	1.25
Variance	0.62
% Above the Indenture Requirement	50%

5. **Special Assistant Attorney General.** The Attorney General has appointed and designated Port Staff Attorney Christine Claveria as the SAAG for the Port Authority of Guam to act as the legal advisor during all phases of the procurement solicitation process, effective March 8, 2021.
6. **Public Hearing on Customs Container Facility.** On March 10, 2021, we submitted testimony in favor of Bill 58-36 (COR), which proposes to extend the deadline for the Guam Customs and Quarantine Agency to develop a customs satellite inspection, holding, and secured sterile facility. Our testimony will be appended to today’s meeting minutes.
7. **USCG Annual Inspection.** An annual inspection on the Port Water Front Facility and the Port’s Facility Security Plan was conducted on March 10, 2021, by U.S. Coast Guard. Areas of inspection included: WH1, EQMR building, vehicle washdown station, CFS building, piers F3 thru F6, and container yard expansion. Great news: The Port passed our annual inspection. As to the Facility Security Plan, corrective actions are being addressed to ensure signage postings on designated restricted areas and audit the FSP plan from a Facility Security Officer.

8. **MOU – Port Authority and GEDA.** The Port Board of Directors authorized on December 22, 2020, the remittance of up to \$1M of Port funds to GEDA and based on a payment schedule. This MOU fulfills Governor Lou Leon Guerrero’s request and the PAG Board’s unanimous approval to support the construction of the Seawall at the Hagatna Marina project. The project demonstrates continued support for the island’s seafaring community and benefits the marina and the Port Authority as it protects port investments in the marina. The payment schedule is as follows:

<b>Activity</b>	<b>Amount</b>	<b>Payment Schedule</b>
Mobilization	\$50,000.00	Thursday, April 1, 2021
Design	\$150,000.00	Thursday, April 1, 2021
Sheet Pile Order	\$350,000.00	Monday, May 3, 2021
Permit	\$80,000.00	Tuesday, June 1, 2021
Dredging	\$70,000.00	Monday, August 2, 2021
Sheet Piles Driving	\$150,000.00	Wednesday, September 1, 2021
Concrete Bulkhead	\$60,000.00	Friday, October 1, 2021
Board Walk	\$90,000.00	Monday, November 1, 2021
<b>Total</b>	<b>\$1,000,000.00</b>	

9. **Grant Awards and On-going Grant Submissions.**

- a. **EDA Grant Application.** The PAG is currently waiting on the grant award notification from EDA.
- Guam Acting SHPO Carlotta Leon Guerrero issued Section 106 Concurrence for the Port’s fuel pipeline connectivity project, paving the way for EDA to move to the next step in finalizing the Port’s grant award. Total project amount \$3.016M; EDA Share - \$2.41 M (80% Cost Share). PAG Share - \$603K (20% Cost Share).
- b. **Department of Agriculture Grant - Harbor of Refuge and Agat Marina Dock B Repairs.** Governor Leon Guerrero signed the MOU for the Harbor of Refuge. This MOU will allow us to make significant improvements as this project seeks to install a pump station, wastewater ejector pump, and mooring blocks. The MOU for the Agat Marina’s Dock B Repairs is still a work in progress.

Next Steps: 1) Planning will work with procurement and engineering staff to develop the draft scope and work in the procurement planning stages, and 2) The Port will follow up with DoAG on the status of the MOU.

- c. **Gantry Crane Acquisition.**
- i. **USDA Direct Loan.** Planning facilitated a virtual meeting with USDA Joe Diego and his team on Thursday, March 11, 2021, to discuss the Port’s pre-application. The

Port shared that a grant application is being submitted to EDA for 2 STS gantry cranes and highlighted that the Buy America stipulation may be strictly enforced.

Next Steps: Planning staff will finalize the pre-application and include information that USDA shared into the application. The finance staff will then concur before we present this loan package for the PAG board's approval.

- ii. **EDA Grant.** The Port's grant application has been completed with an updated scope of work and cost estimate provided by WSP with the assistance of its sub-consultant Liftech.

Next Steps: We will submit this grant application by the end of this month. The estimated cost is \$30M for two STS cranes, with Port's share at \$15M.

- d. **FEMA BRIC Grant Application.** The Port's grant sub-application to FEMA, through applicant GHS/OCD, is \$22,660,014.67 with a 75%/25% cost share. Currently waiting on FEMA's initial review findings.
- e. **MARAD Marine Highway Program – Guam/CNMI Joint Marine Route Designation and Equipment Designation Applications.** Both the route and equipment designation has been submitted to MARAD. We are currently awaiting MARAD's review and decision.
- f. **Office of Local Defense Community Cooperation (Formerly Office of Economic Adjustment – OEA) - \$1.5M grant award for the Port's Owner's Agent Engineer (OAE) Services.** The OLDCC recently awarded the Port \$1.5M to continue its efforts to modernize the Port of Guam. An OAE Services RFP is currently in the procurement process. We recognize Governor Leon Guerrero and Lt. Governor Josh Tenorio for making this successful pitch to Mr. Gary Kuwabara, who is the Western Regional Office Director for the Office of Local Defense Community Cooperation. We are scheduled to have a zoom meeting tomorrow, March 26, 2021 at 8:00 am with Mr. Kuwabara to provide a comprehensive update on the Port.
- g. **MARAD Infrastructure for Rebuilding America (INFRA) Grant Program.** The INFRA program provides financial assistance to jurisdictions' capital improvement projects, highway and freight projects that enhances transportation movement both on land and sea. We submitted the Port's application on March 19, 2021, competing for \$8,380,625.00 (Cost Share: Fed 60%/PAG 40%) for ground improvements to F4 thru F6 which includes assessment and soil stabilization.
- h. **FY2021 Federal Grant Application Matrix.** We provided a matrix listing all federal grants submitted by the Port from October 1, 2020 through the present and any federal applications planned for FY2021. We submitted this matrix to the Bureau of Statistics and Plans (BSP) on March 19, 2021. (See attached). BSP will be preparing a briefing for

Governor Leon Guerrero on all federal priorities the Leon Guerrero Tenorio Administration will address with the Biden Administration.

10. **Port Revenue Bonds Project Status.** As of March 22, 2021, the attachment provides information on the status of the revenue bond projects that consist of rehabilitation of hotel wharf, golf pier repairs and improvements, waterline replacement/relocation, EQMR building and warehouse 1 repair/upgrades, new admin annex building, and other priority projects.

## V. OLD BUSINESS

1. **RFP-PAG-020-001 Professional Legal Services.** As reported at the previous meeting, the General Manager mentioned that during the stay in procurement, the Port consulted with the Office of Attorney General to review the procurement record and proposed contract submitted by the Port. While the Port's position is that it substantially complied with Guam's Procurement Law, the OAG identified some technical deficiencies and recommended the procurement for legal services be cancelled. As the approval of the OAG is needed in order to process the parties' contract, the Port must cancel the above referenced RFP for professional legal services as advised by the OAG. While we may consider to reissue an RFP at a later date; however, for now, the Port currently has an MOA with the OAG as well as a Port Staff Attorney to handle legal affairs and procurement matters dealing with the Port Authority. Therefore, for the reasons set forth above, Board approval is being requested to cancel the above referenced request for proposal.

Director Koki made motion to cancel RFP-PAG-020-001 Professional Legal Services, seconded by the Vice Chairman. Motion was unanimously approved.

## VI. NEW BUSINESS

1. **Port Audit Fiscal Year 2020.** Director Koki made motion to table this item until the next Board meeting, seconded by the Vice Chairman. Motion was unanimously approved.

2. **IFB-PAG-CIP-021-002 Design/Demolition, Removal/Disposal of 5 Port inoperable Cranes and Optional Removal/Disposal of One Barge at F6.** The General Manager said for the multi-step bid IFB-PAG-CIP-021-002 twenty-four (24) firms officially picked up IFB packets, while only one (1) submitted a bid packet. As a multi-step bid procurement, there are two parts – Part A & Part B. The Unpriced Technical Offer (Part A) was opened and reviewed by procurement officials on February 15, 2021. The bid opening for the Priced Offer (Part B) was held on February 26<sup>th</sup>. A review of the bid was made and it was determined that the responsible and responsive bidder was Guam Industrial Services dba Guam Shipyard in the amount of \$2,573,155.00. As a result, management requests the Board to approve the award to Guam Industrial Services dba Guam Shipyard that has been deemed to have met all the requirements set forth in the Multi-Step Information for Bid and is consistent with the Guam Procurement Regulations.

Director Harris made motion to approve CIP Multi-Step IFB-021-002 Design/Demolition bid for Demolition, Removal and Proper Disposal of 5 Port Inoperable Cranes and Optional Removal/Proper Disposal of One Barge YFN 816 along Wharf F6, seconded by Director Koki. Motion was unanimously approved.

3. **Resolution No. 2021-04 Dismantling of Port Inoperable Cranes & Barge.** Director Koki made motion to approve Resolution No. 2021-04 relative to petitioning the Public Utilities Commission (PUC) for the approval of the award to Guam Industrial Services dba: Guam Shipyard for the design/demolition bid for demolition, removal and proper disposal of 5 port inoperable cranes and optional removal/proper disposal of one barge YFN 816 along wharf F-6. Motion was seconded by Director Harris and was unanimously approved.

Amended Motion

For purposes of clarity, the motion on Board action on item 2, under new business was amended to read as follows:

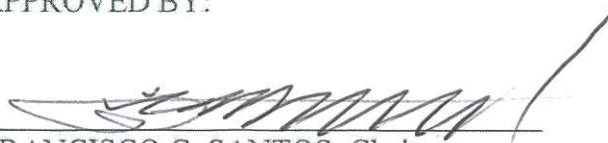
2. **IFB-PAG-CIP-021-002 Design/Demolition, Removal/Disposal of 5 Port inoperable Cranes and Optional Removal/Disposal of One Barge at F6.** Director Harris amended the motion to read – motion to approve the contract award to Guam Industrial Services dba Guam Shipyard for Multi-Step IFB-021-002 Design/Demolition bid for Demolition, Removal and Proper Disposal of 5 Port Inoperable Cranes and Optional Removal/Proper Disposal of One Barge YFN 816 along F6, seconded by the Vice Chairman. Motion was unanimously approved, as amended.

**VII. ADJOURNMENT**

There being no further business to discuss, it was moved by Director Koki and seconded by Director Harris to adjourn the meeting at 3:41 p.m. The motion was unanimously passed.

  
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ISA MARIE C. KOKI, Board Secretary  
Board of Directors

APPROVED BY:

  
\_\_\_\_\_  
FRANCISCO G. SANTOS, Chairman  
Board of Directors







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General Manager's Report for Board of Directors  
April 29, 2021

1. **Port Clinic.** The Port Clinic closed on March 27, 2021 because the overall pandemic is stabilizing thanks to all that the Administration and our community are doing to keeping the COVID-19 positives to a minimum and the Governor's aggressive efforts to vaccinate as many people as possible. The Port Clinic has been operational for a little over a year, registering 55,555 clinic visits since its inception.

We would like to take this opportunity to thank the Port Clinic staff for their amazing work to provide the Port employees, its tenants, and customers peace of mind in knowing that health care professional are on hand to perform health COVID-19 health screenings, to answer health questions or concerns, as well as clearing vessel crew members pursuant to the Governor and Public Health's mandates. Thank you also to Governor Lou Leon Guerrero, Lt. Governor Josh Tenorio, and DPHSS Director Art San Agustin for making the Port Clinic possible and to all the health care professionals detailed and keeping this critical operation operational.

2. **COVID-19 Vaccination Dashboard.** Port employees vaccinated is 178 or 51%.
3. **General Manager's Notes for YTD Finances, as of March 31, 2021.** We are providing the following summary:

**REVENUES AND CARGO THROUGHPUT:**

- The Port's Total YTD Operating revenue for March 2021 is \$27.2 million, 2.5% or \$710K lower than the YTD March FY21 budget projection of \$27.9M. One reason for the negative variance is due to the late arrival of APL vessel that was supposed to be completed before the end of March.
- The total number of containers handled as of March 2021 is 41,711, which is 2.9% lower or 1,258 fewer containers than last year's February 2020 total of 42,969. The variance would have been lower if one of the APL vessel was completed before March 31, 2021.

**OPERATING EXPENSES:**

- Overall YTD Operating expense, as of March 31, 2021, is \$25.0M, which is 6.2% lower than the YTD budget as of February of \$26.7 M, or \$1.6M in YTD cost avoidances.

**OVERTIME EXPENSE AND DIRECT LABOR REVENUE:**

- Overtime YTD for Divisions involved in Operations is \$603,893, which is 6.2% or \$40K lower than YTD overtime budget of \$644,046. The overtime for March resulted in a decrease of 18% or \$23K compared to February, from \$127,731 in February to \$104,651 in March.
- Direct Labor reimbursement is \$1.6M, which is 2.0% or \$31K lower than the FY21 budget of \$1.62M. Here is the breakdown:

Direct Labor Revenue:	\$1,598,411
Operations Overtime:	\$ 603,893
Variance:	\$ 994,518

**YTD OPERATING REVENUES MINUS YTD EXPENSES**

- Operating revenues minus operating expenses resulted in an operating income of \$2.1 million. The final result for the month of March is a net loss of \$393K, after deducting net of Other Income/Expense totaling to a -\$2.5 million.

**Other Financial Highlights, as of March 31, 2021.**

- The debt service ratio is 11% higher than the Bond Indenture Debt service ratio requirement.
- Days Cash on Hand is 873 days, which is 75% or 373 days higher than the 500 days requirement of Moody's Rating agency.

**DEBT SERVICE RATIO – MARCH 2021**

Projected Annual Debt Service Coverage	<b>1.87</b>
Debt Service Coverage Requirement	1.25
Variance	0.13
% Above the Indenture Requirement	11%

4. **Port Achieves 2nd Consecutive Year Designation as a Low-Risk Auditee.** Guam Public Auditor Benjamin J. Cruz congratulated the Port Authority of Guam for once again achieving the designation as a Low-Risk Auditee during the annual financial audit, which revealed a clean audit with no deficiencies. Public Auditor Cruz states: "I commend and congratulate the Port Authority for protecting their Low-Risk Status for a 2nd consecutive year and also finally resolving a long-standing recurring Finding that they had three major lease arrangements that had not been committed to a written lease agreement". Independent auditors Deloitte & Touche, LLP rendered clean opinions of the Port Authority of Guam's (PAG) FY 2020

financial statements and compliance over major federal programs. Also, no material weaknesses and significant deficiencies in internal controls were identified by the auditors.

For FY 2020, the PAG recognized operating revenues of \$54.6M. The total number of containers handled was 85,143 containers, an increase of .02% compared to FY 2019's container count of 84,954. In comparison to FY 2019, PAG experienced a decrease in revenues by 1% (\$608K), from \$55.2M in FY 2019 to \$54.6M in FY 2020. The drop in proceeds was from the Port's primary source of revenue, cargo throughput charges of \$537K, as well as from crane surcharge (\$64K), wharfage charges (\$132K), special services (\$61K), and other operating income (\$150K). The Port experienced an increase in revenues of \$359K for equipment and space rental compared to the previous fiscal year.

PAG's operating expenses increased by 15% (\$7.3M) from \$48.4M in FY 2019 to \$55.7M in FY 2020. The increase in operating expenses includes management and administration (\$2.7M), equipment maintenance (\$315K), transportation services (\$854K), stevedoring services (\$600K), retiree healthcare and other benefits (\$2.5M), terminal services (\$458K), insurance (\$482K), and facility maintenance (\$154K). A decrease was recognized compared to the previous fiscal year for expenses in depreciation (\$405K), general expenses (\$182K), and utilities (\$208K).

The result of the net operating revenues minus operating expenses in Fiscal Year 2020 was a \$5.9 million income from operations before depreciation. After adding depreciation expenses, non-operating expenses, and federal grant revenues, the Port's net position decreased by \$919 thousand for the fiscal year primarily due to the recognition of Other Post-Employment Benefits and pension expenses as required by the Government Accounting Standards Board (GASB) regulations.

Further highlighted in the FY 2020 audit are the PAG's capital assets and long-term debt and procurement delegation. After 14 years since the agency lost its procurement delegation, the Chief Procurement Officer restored the full delegation in May 2020. The audit also recognized the impact of COVID-19 and the Port's ability to remain 100% operational, ensuring that the flow of goods and supplies into our community was not interrupted. Every precautionary measure was taken to protect its employees, tenants, and customers who do business with the Port, including opening the Port Clinic at Governor Lou Leon Guerrero's direction.

- 5. Moody's Removes Port from Credit Watch.** Moody's Investors Service issued a credit report that removed the Port Authority of Guam from credit watch based on strong finances with financial stability expected to grow over the next year. The report indicated that despite the COVID-19 pandemic, the Port continues to have the same rating since 2018. The report further recognized that the Port remained fully operational during the coronavirus pandemic, that we have demonstrated good cost control in fiscal year 2020 and year-to-date fiscal year 2021, and the unaudited results as of September 30, 2020 show that general and administrative expenses came in 1.5% below the prior year and 8.2% below budget. This report is attributed to the success to our efforts to strengthening the Port's financial affairs division. We have

worked tirelessly to provide responsible and transparent financial management, and our efforts are being recognized by national investment services, the Guam Public Auditor, and has even won us awards on a local and national level.

6. **Quadrennial Certification Inspection – Gantry Cranes.** A Quadrennial Certification Inspection was performed on March 24-26, 2021 on the Port's Gantry Crane Nos. 4, 5, and 6. The following provides the results of the inspection.

<b>Gantry Crane</b>	<b>Findings</b>	<b>Remedy</b>
No. 4	Minor corrosion due to environmental exposure.	Continued regular maintenance.
No. 5	Minor corrosion due to environmental exposure.	Continued regular maintenance.
No. 6	Worn rear trolley trucks.	The rear trolley trucks were removed and replaced on April 2-6, 2021 using parts from another Hitachi gantry of the same model. Replacement units were thoroughly inspected and reconditioned.

We are proud to announce success in the inspection of Port's cranes. An OSHA Maritime Crane Certification of Completion (Form 71) was issued for Gantry Crane Nos. 4, 5 and 6.

7. **Issuance of Swimming & Fishing Permits.** On March 27, 2014, the prior Board of Directors approved a vendor fee for all non-tenant dive operators for "for-profit" operations at Outhouse Beach and facility use fees for Family and Port Beach for the purposes of cost recovery for the administrative processing, staff monitoring, control and maintenance of these Port facilities. A review of previous Board action revealed there were no authorization by prior management and Board to direct the division to begin to issue swimming and fishing permits. As a result, Commercial division was advised that effective immediately, fishing and swimming permits will no longer be issued by the Port. The only permits the division is to continue to issue are the diving and use of the Port and Family Beaches.
8. **Change Order Approval for GHD Contract – CMS on H-Wharf Rehabilitation and Reconstruction of Route 11 Roadway.** On April 15, 2021, the Port's Construction Management Services consultant GHD submitted proposed change order to provide pre-bid and bid phase services. These additional scope of work were initially provided in GHD's bid packet submission; however, during negotiations with PAG team then, it was mentioned that that part of the scope of work would be handled by PAG personnel. Having thoroughly reviewed GHD's proposal, it was determined best to accept the change order as proposed by

GHD as we found that the scope of the additional subject services provided is adequate and sufficient to manage this critical project, and minimizes any further unwarranted time delays or additional costs. The amount for the change order is \$198,140.16 which was found to be fair and reasonable.

9. **Update on Migration into E1 Financial Management System.** In May 2019, Management initiated a project to upgrade the Port Authority's 2000 JDE World Financial Management System to a more robust and technological system. After extensive research and ascertaining the most feasible upgrades, management chose to invest in a system known as the Oracle JDE Enterprise One which was launched in August 2020. Since then, the Port project team has worked closely with the Oracle Project Team. The Oracle E1 project is currently at Phase 3 - Training and User Acceptance Stage covering all finance modules led by PAG subject matter experts for each module. Training has taken place for end-users in payroll timekeeping, purchase requisitions, and budget entry. Ongoing modules include Work Order, Capital Asset Management and Job Costing with end-user training to follow once these modules are completed. Phase 4 – E1 Go-Live and Phase 5 - Oracle E1 Support is anticipated for May 2021.

This is a major accomplishment for the Port Authority and I want to recognize the project team members for the time and effort they've put in this project to ensure that we get the financial system that best serves the Port and for keeping us on track with our timelines. This is a whole new level of transparency and accountability for the Port and having a strong financial system goes in line with our mission to modernize the Port into a world class facility.

Upon full implementation, the Port expects the following outcomes:

- To be able to efficiently plan, direct, organize, monitor and control its current and future financial resources and events.
- To improve the Port's financial reporting and budgeting, business activity reports, forecasts, procurement, planning and human resource information reporting.
- Enhance or implement financial management system's internal controls over financial resources with the objective of ensuring efficient resource utilization.
- Possess the opportunity to expand end-to-end processes through further module integration as the Port's business needs grow.

The E1 Financial Management System aims to improve reporting capabilities and will also have the ability to streamline processes that reduce non-value activity such as paper filing, spreadsheet reconciliations, manual calculation of interests and collection of late payments, manual inventory processes and manual financial document delivery. E1 also has the ability to fully implement Job Costing and Work Order system that integrates to the General Ledger and other financial modules which was not possible with the previous system. The new system also has the ability to move systems such as Special Service Request invoicing, Operations Time Entry, check printing, W2 processing, requisition and purchase order processing for local GSA transactions, tax table update and financial required reports into the new JDE Enterprise One system. As this project nears completion, the Port is excited and motivated to fully launch

Enterprise One and ultimately realize the benefits of better financial capabilities, better security, better features and functionalities, better efficiency with business processes, and greater reliability with the new system.

10. **PAG Docket 21-03 Petition for Removal and Demolition of Cranes and Heavy Equipment.** We received the PUC's Administrative Law Judge's report on PAG Docket 21-03 which is the petition for removal and demolition of cranes and heavy equipment. We are pleased to announce that the ALJ recommends to the PUC Commissioners to approve the proposed contract with Guam Shipyard, at a cost of \$ 2,573,155.00. The ALJ's recommendation was based on the information that by removal of these port assets: 1) would present the Port with financial opportunities to generate revenue by creating additional berthing space for ships along the wharfs; 2) will eliminate the potential for falling objects (crane parts) to damage Port wharfs, and eliminate unsafe conditions; 3) PAG anticipates an increase in cargo as a result of the military build-up in 2023; 4) would allow the Port to expand the use of its container yard and stage the cargoes without limitations; and 5) would allow the Port to conduct relocation of its waterline infrastructure in the terminal yard, and that waterfront facilities, especially F4 and F6, would be fully utilized by berthing a domestic vessel, conventional vessel and roll-on roll-off vessel. Furthermore, the ALJ finds that the demolition and disposal of five (5) inoperable port cranes and removal and disposal of Barge YFN 816 aligns with PAG's efforts to modernize, and to continue to streamline and expand its operations. PAG Docket 21-03 is scheduled before the PUC Commissioners this evening at 6:30pm. PAG Management will be in attendance.
11. **Public Hearing on the Creation of a Transshipment Task Force.** On April 21, 2021, we submitted testimony in favor of Bill 2-36 (LS), which proposes to develop a plan to implement a transshipment industry through the creation of a transshipment task force.
12. **Pacific Ports Partners.** A virtual coordination meeting with Pacific Ports Partners was held on April 27, 2021. Representatives included PAG, CNMI, Hawaii and a member of the American Association of Port Authorities. AAPA Director Jim Walker of Government Relations addressed the following topics:
  - Emerging harbor funding assurance in Water Resources & Development Act 2020
  - Small harbors expanded uses program in Water Resources & Development Act 2020
  - REPAIR Act for financing, including ports. AAPA seeking to include US territories along with States
  - Report on resumption of cruises
  - Federal Infrastructure Plan/Build Back Better Plan/American Jobs Plan
  - Congress' discretionary project request
  - USACE assistance
  - Guam, CNMI, and American Samoa needs

Enterprise One and ultimately realize the benefits of better financial capabilities, better security, better features and functionalities, better efficiency with business processes, and greater reliability with the new system.

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  - Report on resumption of cruises
  - Federal Infrastructure Plan/Build Back Better Plan/American Jobs Plan
  - Congress' discretionary project request
  - USACE assistance
  - Guam, CNMI, and American Samoa needs

### 13. **Training & Development.**

- **Procurement Process Workshop.** Deputy General Manager Luis Baza together with Procurement personnel conducted a Procurement Process Workshop on April 9 & 12, 2021 to Port end-users. The following topic areas were addressed:
  - What is procurement.
  - Agency responsibility.
  - The procurement process for:
    - Small purchase of \$500 or less
    - Small purchase between \$500 and \$24,999
    - Blanket Purchase Agreement for small purchases
    - Other methods of discussion: drawdown method, sole source, emergency procurement, continuing contracts

14. **Earth Month Islandwide Beautification Cleanup.** An islandwide cleanup was held on April 24, 2021 lead by Lt. Governor Josh Tenorio and IBTF Chairman. The Port's designated location was from Fisheye Marine Park to PAG entrance. It was a remarkable presence and support of over 130 individuals. Special thanks to Port employees, Rotary Club of Guam, Rotary Club of Northern Guam, Rotary Club of Tumon Bay, Rotary Club of Sunrise and Rotoract. Further appreciation is made to the Piti Mayor's Office for the safety markers and Fisheye Marine for overflow parking. We would also like to recognize the logistical support from the following that made this event a success.

- EQMR Division - Supplies (trash bags/gloves), pick up and disposal of trash bags
- Transportation Division – Transportation of volunteers to and from assigned areas
- Safety Division – Safety briefing, distribution of supplies
- Police Division – Safety and visibility
- Management – Refreshments
- PAGGMA – Bottled water donations
- Marketing – PAG signage and photos

Also, kudos to the divisions of EQMR and Operations for their part of the clean-up on Friday, April 23<sup>rd</sup> from the PAG entrance to Family Beach.

15. **Guam National Guard Training at Port.** Students of the Guam National Guard's ongoing Advanced Leaders Course conducted training exercises near the Port Authority of Guam from April 27-28. The exercise took place near Port Beach along Route 18 and included the use of blank ammunition and "flash-bang" simulators. This training is critical to the success of our Guam National Guard and the security of our island and region. We are proud to be a partner with our Guam National Guard and we look forward to more opportunities to assist with efforts



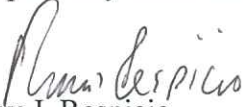
to defend our island and our nation. The command team of the Guam National Guard publicly thanked the Port Authority for partnership and support of their ongoing readiness requirements.

## 16. Grant Awards and On-going Grant Submissions.

- a. **EDA Grant Application.** The Port had a conference call on April 27, 2021 with EDA Legal Team to discuss final inquiries regarding the Port's administrative authority over the impacted area of the fuel pipeline connectivity project. The Port anticipates the EDA award notification in May 2021 in the amount of \$3.016M; EDA Share - \$2.41M (80% Cost Share). PAG Share - \$603K (20% Cost Share).
- b. **Department of Agriculture Grant.**
  1. **Harbor of Refuge (HOR)** - On February 24<sup>th</sup>, Governor Leon Guerrero signed the HOR MOU. The MOU will now allow significant improvements to HOR in the installation of a pump station, wastewater ejector pump, and mooring blocks. Next steps – Planning will work with Procurement and Engineering to develop the project Scope and procurement planning stage.
  2. **Agat Marina Dock B and Public Boat Ramp Repairs** - Amended MOU is being reviewed by Office of the Attorney General. Upon final approval by all parties, Guam Department of Agriculture will issue a Notice to Proceed to the PAG. Next steps: 1) The Port will follow up with DoAG on the status of the Amended MOU and 2) Planning will work with procurement and engineering staff to develop the draft scope of work in the procurement planning stages. 3) Issuance of IFB.
- c. **Gantry Crane Acquisition.**
  1. **USDA Direct Loan.** Pre-Application is completed for a \$15M direct loan. PAG Planning Division met with USDA via Zoom to discuss the application. The application is anticipated to be complete in May 2021.
  2. **EDA Grant.** Grant application is currently on hold pending the grant program that it will be submitted and advisement by EDA. The estimated cost is \$30M for two STS cranes, with the Port's share at \$15M.
- d. **FEMA BRIC Grant Application – Rehabilitation and Upgrade of Port Wharves F1-F6.** The Governor's Office, through the GAR, has ranked the PAG's application as priority #1 for Guam. Currently awaiting on FEMA's initial review findings. Grant Application is \$22,660,014.67 with a 75%/25% cost share.

- e. **MARAD Marine Highway Program – Guam/CNMI Joint Marine Route Designation and Equipment Designation Applications.** Both the route and equipment designation has been submitted to MARAD; currently awaiting review and decision.
  - f. **Office of Local Defense Community Cooperation (Formerly Office of Economic Adjustment – OEA) - \$1.5M grant award for the Port's Owner's Agent Engineer (OAE) Services.** The OLDCC awarded the Port \$1.5M to continue its efforts to modernize the Port of Guam. An OAE Services RFP is currently in the procurement process.
  - g. **MARAD Infrastructure for Rebuilding America (INFRA) Grant Program.** The INFRA program provides financial assistance to jurisdictions' capital improvement projects, highway and freight projects that enhances transportation movement both on land and sea. *Update:* Currently waiting on MARAD's review/decision on PAG's application submitted March 19, 2021, competing for \$8,380,625.00 (Cost Share: Fed 60%/PAG 40%) for ground improvements to F4 thru F6 which includes assessment and soil stabilization.
17. **Port Revenue Bonds Project Status.** As of April 23, 2021, the attachment provides information on the status of the revenue bond projects that consist of rehabilitation of hotel wharf, golf pier repairs and improvements, waterline replacement/relocation, EQMR building and warehouse 1 repair/upgrades, new admin annex building, and other priority projects.

Respectfully submitted,

  
Rory J. Respicio  
General Manager

**2018 Port Revenue Bonds Status Report  
As of April 23, 2021**

Bond Project	Total Award Amount	Total Draw Down	Total Remaining Balance	PROCUREMENT IFB/RFP/PO Number	Status
Rehabilitation of "H" Wharf (Federal Share & Port Share)	\$10,000,000.00 \$13,774,255.00	\$0.00 \$583,406.46	\$10,000,000.00 \$13,190,848.54	PO No. 16332-OF - Coral Relocation at \$482,700.00 to WSP awarded on February 18, 2020.  PO No. 17043-OF for \$2,249,945.54 awarded to GHD Inc for CM Services on March 4, 2021.	Procurement packet pending review by CM Services contractor GHD. <b>Anticipated Completion Date: 08/2023</b>
Golf Pier Repairs and Improvements	\$2,000,000.00	\$354,876.53	\$1,645,123.47	RFP No. 2019-02: A&E Design for \$484,000.17 awarded to NC Macario	Requisition 19199-OC has been submitted by Engineering. Pending scheduling of Procurement Planning meeting. <b>Anticipated Completion Date: 09/2022</b>
Waterline Replacement and Relocation	\$6,000,000.00	\$277,801.71	\$5,722,198.29	RFP No. 2019-03: A&E Design for \$1,406,427.48 awarded to NC Macario	Requisition 19399-OC has been submitted by Engineering. Procurement Planning meeting tentatively scheduled for the week of April 26, 2021. <b>Anticipated Completion Date: 12/2022</b>
EGMR Building Repairs and Upgrades	\$3,628,800.00	\$395,333.19	\$3,233,466.81	RFP No. 2019-03: A&E Design for \$1,406,427.48 awarded to NC Macario	Requisition 19480-OC has been submitted by Engineering. Procurement Planning meeting tentatively scheduled for the week of April 26, 2021. <b>Anticipated Completion Date: 12/2022</b>
Warehouse 1 Repairs	\$2,000,000.00	\$395,333.19	\$1,604,666.81	RFP No. 2019-03: A&E Design for \$1,406,427.48 awarded to NC Macario	Requisition 19492-OC has been submitted by Engineering. Pending scheduling of Procurement Planning meeting. <b>Anticipated Completion Date: 12/2022</b>
Other Priority Projects - Repair of F-1 Fuel Pier - Repair of F-3, F-4, F-5, and F-6 waterfront facilities - Upgrade of the Port's IT system and integration of TOS	\$4,980,745.00	\$0.00	\$4,980,745.00		1. The PAG is currently awaiting review/approval on its Hazard Mitigation Grant Program grant application submitted to FEMA's Building Resilient Infrastructure & Communities (BRIC) grant program. The project name is PAG Wharves Service Life Extension - Hardening of F1 - F6 in the amount of \$22,660,014.67. Status Quo.  2. PAG's OAE to provide draft scope of work for TOS Cloud upgrade option.
Other Priority Projects - EnterpriseOne Financial Management System	\$2,500,000.00	\$567,970.42	\$1,932,029.58		Ongoing training and user acceptance workshops through March 26, 2021. E1 Live is projected for May 17, 2021. There will be a 2 year system support by Oracle.
New Admin. Annex Building	\$10,445,000.00	\$0.00	\$10,445,000.00		Three draft layout options for the Admin Building has been completed by the PAG's OAE and is being reviewed by Management. No decision on which option has been selected as of this report. Status Quo.
<b>Grand Total</b>	<b>\$55,328,800.00</b>	<b>\$2,574,721.50</b>	<b>\$52,754,078.50</b>		



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March 31, 2021

The Board of Directors  
Port Authority of Guam  
1026 Cabras Highway, Suite 201  
Piti, Guam 96925

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of Port Authority of Guam (the "Authority") as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated March 31, 2021.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Authority is responsible.

This report is intended solely for the information and use of the Board of Directors, management and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

cc: To Management of Port Authority of Guam



The Board of Directors  
Port Authority of Guam  
March 31, 2021

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## OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated October 5, 2020. As described in that letter, the objectives of a financial statement audit conducted in accordance with the aforementioned standards are to:

- Express an opinion on whether the Authority's basic financial statements and the accompanying supplementary information, in relation to the basic financial statements as a whole, for the year ended September 30, 2020 (the "financial statements"), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") and perform specified procedures on the required supplementary information for the year ended September 30, 2020.
- Express an opinion on whether the supplementary information that accompanies the financial statements, including the schedule of expenditures of federal awards, is presented fairly, in all material respects, in relation to the financial statements as a whole.
- Report on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2020, based on an audit of financial statements performed in accordance with generally accepted auditing standards.
- Express an opinion on the Authority's compliance with requirements applicable to each major program and report on the Authority's internal control over compliance in accordance with the *Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance").

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

# Deloitte.

The Board of Directors  
Port Authority of Guam  
March 31, 2021

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## ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Authority's 2020 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts; management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets; management's estimate of the net pension liability, deferred outflows and inflows of resources related to pension which is based on an actuarial report issued by the Government of Guam Retirement Fund; and management's estimate of the other post-employment benefits (OPEB) liability, deferred outflows and inflows of resources related to OPEB, which is based on an actuarial report issued by the Government of Guam Department of Administration. During the year ended September 30, 2020, there were no significant changes in accounting estimates or in management's judgments relating to such estimates.

## UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A to Attachment I, a summary of uncorrected misstatements that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## MATERIAL CORRECTED MISSTATEMENTS

Material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. These corrected misstatements are listed in Appendix B to Attachment I and are reflected in the 2020 financial statements.

## SIGNIFICANT ACCOUNTING POLICIES

The Authority's significant accounting policies are set forth in Note 1 to the Authority's 2020 financial statements. The implementation of these statements did not have a material effect on the Authority's financial statements.

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.



The Board of Directors  
Port Authority of Guam  
March 31, 2021

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## SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

## SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending December 31, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.





The Board of Directors  
Port Authority of Guam  
March 31, 2021

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## **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

We have evaluated the significant qualitative aspects of the Authority's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

## **OTHER INFORMATION IN THE ANNUAL REPORTS OF THE AUTHORITY**

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that the Authority issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in the Authority's 2020 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the Authority's 2020 financial statements.

## **OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2020.



The Board of Directors  
Port Authority of Guam  
March 31, 2021

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#### **SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

#### **OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgement, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board of Directors.

#### **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

In our judgment, we received the full cooperation of the Authority's management and staff and had unrestricted access to the Authority's senior management in the performance of our audit.

#### **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of the Authority's management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations the Authority is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

#### **EMPHASIS OF A MATTER**

As discussed in Note 11 to the financial statements, the Authority's operations have been affected by the recent and ongoing outbreak of the coronavirus disease. As a result of the spread of the COVID-19 coronavirus, governments worldwide implemented actions to restrict travel and economic activities. The ultimate disruption which may be caused by the outbreak is uncertain, therefore, the actual impact on the Authority's business, results of operations, and financial position for fiscal year 2021 and beyond is currently not determinable. Our conclusion is not modified with respect to this matter.

#### **CONTROL-RELATED MATTERS**

We have issued a separate report to you, dated March 31, 2021 on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. We have also issued a separate report to you, also dated March 31, 2021 involving the Authority's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Uniform Guidance.

We have communicated to management, in separate letters also dated March 31, 2021, certain matters related to the Authority's internal control over financial reporting that we identified during our audit.



**PORT OF GUAM**  
 ATURIDATI PUETTON GUAHAN  
 Jose D. Leon Guerrero Commercial Port  
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Lourdes A. Leon Guerrero  
 Governor of Guam  
 Joshua F. Tenorio  
 Lieutenant Governor

March 31, 2021

Deloitte & Touche LLP  
 361 South Marine Corps Drive  
 Tamuning, Guam 96913

We are providing this letter in connection with your audits of the 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, 2020 and 2019, and the related statements of revenues, expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, changes in net position, and cash flows of the Authority in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of net position, revenues, expenses, changes in net position and cash flows in conformity with GAAP.
- b. 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
  - To prevent and detect fraud.
- c. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of financial statements and related notes was a matter of convenience rather than one of necessity. We have reviewed the draft financial statement preparation assistance provided by you and acknowledge that the draft financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association. Additionally, we agree with the recorded adjustments included in Appendix B.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with GAAP. In addition:
  - a. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
  - b. Deposits and investment securities are properly classified in the category of custodial credit risk.
  - c. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - d. Required supplementary information is measured and presented within prescribed guidelines.
  - e. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
2. The Authority has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Authority has made available to you:
  - a. All minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - b. All financial records and related data for all financial transactions of the Authority and for all funds administered by the Authority. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Authority and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
  - d. All Public Utilities Commission Orders impacting the Authority during the year ended September 30, 2020 and to the report date.
4. There has been no:
  - a. Action taken by Authority's management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to the Authority.
  - b. Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
6. The Authority has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you our understanding about the risks of fraud in the Authority and do not believe that the financial statements are materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Authority involving:
  - a. Management.
  - b. Employees who have significant roles in internal control over financial reporting.
  - c. Others, where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators, or others.
9. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
10. Significant assumptions used by us in making accounting estimates are reasonable.
11. We are responsible for the preparation of the Schedule of Expenditures of Federal Awards in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"). We have identified and disclosed all of the Authority's government programs and related activities subject to the OMB Uniform Guidance compliance audit. In addition, we have accurately completed the appropriate sections of the data collection form.
12. We are responsible for compliance with local, state, and federal laws, rules and regulations, including compliance with the requirements of OMB Uniform Guidance, and the provisions of grants and contracts relating to the Authority's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Authority is responsible for maintaining accounting and administrative controls over revenues, obligations, expenditures, assets and liabilities.
13. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.

14. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
15. No events have occurred subsequent to September 30, 2020 that require consideration as adjustments to or disclosures in the Schedule of Expenditures of Federal Awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.
16. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2020.
17. No changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by the Authority with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2020.
18. Federal awards expenditures have been charged in accordance with applicable cost principles.
19. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the Uniform Grant Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
20. We have disclosed all contracts or other agreements with service organizations.
21. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal statutes, regulations, and terms and conditions of federal awards at those organizations.
22. We have:
  - a. Identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program under audit.
  - b. Complied, in all material respects, with the direct and material compliance requirements identified above in connection with federal awards.
  - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
  - d. Made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

- e. Identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.
  - f. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
  - g. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
23. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
24. The Authority's final version of its annual report containing the audited financial statements and your auditor's report thereon will be provided to you when available, and prior to its issuance.

Except where otherwise stated below, immaterial matters less than \$198,800 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

25. Except as listed in Appendix A, there are no transactions that have not been properly recorded and reflected in the financial statements.
26. The Authority has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
27. Regarding related parties:
- a. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- The Authority has not had significant transactions with members of the Board or companies affiliated with members of the Board during 2020 and 2019.
- b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
28. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
- a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events

- b. The effect of the change would be material to the financial statements.
29. There are no:
- a. Instances of identified or suspected noncompliance with laws, regulations, or provisions of contracts or grant agreements whose effects should be considered when preparing the financial statements, or other instances that warrant the attention of those charged with governance.
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
  - c. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.
  - d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as disclosed in the financial statements.
30. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in the financial statements.
31. The Authority has complied with all aspects of contractual agreements that may affect the financial statements.
32. No department of the Authority or agency of the Federal Government or Government of Guam has reported a material instance of noncompliance to us.
33. Regarding required supplementary information:
- a. We confirm that we are responsible for the required supplementary information.
  - b. The required supplementary information is measured and presented in accordance with the requirements of the Governmental Accounting Standards Board (GASB).
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
34. Regarding supplementary information:
- a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GAAP.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.



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

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement Nos: 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending December 31, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

36. The Authority has determined whether a capital asset has been impaired in accordance with GASB Codification Section 1400.180 – 1400.200, *Impairment of Capital Assets*. In making this determination, the Authority considered the following factors:
  - a. The magnitude of the decline in service utility is significant
  - b. The decline in service utility is unexpected.
37. We agree with the findings of the experts contracted by the Government of Guam Retirement Fund and the Government of Guam Department of Administration for the actuarial evaluations of the Government of Guam's retirement plan, postretirement liabilities and other post-employment benefits (OPEB). We did not give any instructions, nor cause any instructions to be given, to management's experts with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's experts.
38. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
39. 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. Authority has not experienced any losses on such accounts and management believes it is not exposed to credit risk on its deposits.
40. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
41. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
42. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.
43. We believe that all expenditures that have been deferred to future periods are recoverable.

44. We have disclosed to you all additions or changes to the existing pension plan.
45. We believe that the actuarial assumptions and methods used to measure pension and postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.
46. Except for the contributions amount used by the actuary, we believe that the actuarial assumptions and methods used to measure other post-employment benefit liabilities are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.
47. We have no intention of terminating our participation in the Government of Guam Retirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.
48. The Authority assessed the estimated useful life of three gantry cranes and determined it is still appropriate.

The Authority is a defendant in various lawsuits and proceedings arising in the normal course of business. At September 30, 2020, the Authority's accrued liabilities for estimated settlements of various litigation was approximately \$1.9 million.

While the outcome of the 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 except for the claims for which accruals have been established as noted above, the ultimate disposition of such suits and proceedings will not have a material adverse effect on the Authority's financial statements at this time, and therefore, except as disclosed above, no provision has been recorded for litigation and claims in the financial statements.

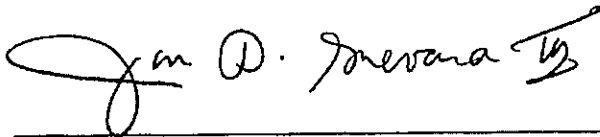
49. Pursuant to the Merchant Marine Act of 1936 and Guam Public Law 110-417 Section 3512, the Port Authority of Guam entered into a Memorandum of Agreement with the Maritime Administration (MARAD), as the lead federal agency to implement and administer the Port of Guam Improvement Enterprise Program in accordance with the Port Master Plan Update 2007. Projects involved the facilitation of the modernization, expansion and transformation of the Jose D. Leon Guerrero Commercial Port. A dashboard project expenditure summary was provided to the Authority by MARAD and was used as the basis for recording of capital assets. The Authority did not receive any funds under the program and no funds were passed through to the Authority, no procurement activities under the program were performed, and no payments to vendors with program funds were processed and reviewed by the Authority.

50. The Authority has assessed that it owes an estimated \$54,000 of merit bonuses to inactive and retired employees as required by Public Law 21-59 as of September 30, 2020.
51. The Authority has obligated, expended, received, and used public funds of the Government of Guam and Federal Government in accordance with the purpose for which such funds have been appropriated or otherwise authorized by local, state, or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by local, state, or federal law.
52. Money or similar assets handled by the Authority on behalf of the Government of Guam or Federal Government have been properly and legally administered, and the accounting and record keeping related thereto is proper, accurate, and in accordance with law.
53. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by the Authority has been discovered.
54. The Authority determined that the COVID-19 may negatively impact its business, results of operations and net position. However, due to uncertainty surrounding the duration of the state of emergency, the Authority is unable to reasonably estimate its ultimate financial impact. The Authority is capturing all COVID-19 related expenses and has every plan to secure reimbursement, if at all possible.
55. Other than those described in Note 11, no events have occurred after September 30, 2020, but before March 31, 2021, the date the financial statements are available to be issued that require consideration as adjustments to or disclosures in the financial statements.



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Rory Respicio, General Manager



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Jose Guevara, Financial Affairs Controller

Port Authority of Guam  
 Summary of Current Year Uncorrected Misstatements  
 September 30, 2020

## APPENDIX A

Entry Description	Assets	Liabilities	Equity	Profit and Loss
	Dr. (Cr)	Dr. (Cr)	Dr. (Cr)	Dr. (Cr)
<i>To adjust difference in pension contributions not in the actuary report</i>				
Deferred outflow	68,387			
Pension expense				(68,387)
<i>To reclassify negative accounts payable to accounts receivable</i>				
Accounts Receivable	144,700			
Accounts Payable		(144,700)		
<i>To record capitalizable interest</i>				
Construction in Progress	68,636			
Interest Expense				(68,636)
<i>To adjust noncapitalizable item in CIP</i>				
Federal Expenses				87,659
Construction in Progress	(87,659)			
<i>To reclassify completed CIP to FA</i>				
Fixed Assets	232,646			
CIP	(232,646)			
	<b>281,723</b>	<b>(144,700)</b>	<b>-</b>	<b>(137,023)</b>

Port Authority of Guam  
 Summary of Recorded Adjustments  
 September 30, 2020

## APPENDIX B

## Journal Entries - AJE

#	Name	Debit	Credit
	<b>1 AJE To adjust pension expense and deferrals</b>		
101.8134	Unfunded Retirement	53,790	
121.8134	Unfunded Retirement	53,680	
122.8134	Unfunded Retirement	174,347	
123.8134	Unfunded Retirement	31,232	
140.8134	Unfunded Retirement	4,950	
145.8134	Unfunded Retirement	29,082	
150.8134	Unfunded Retirement	4,648	
300.8134	Unfunded Retirement	30,463	
310.8134	Unfunded Retirement	12,850	
312.8134	Unfunded Retirement	196,152	
313.8134	Unfunded Retirement	15,472	
320.8134	Unfunded Retirement	167,025	
330.8134	Unfunded Retirement	55,513	
331.8134	Unfunded Retirement	66,554	
332.8134	Unfunded Retirement	148,515	
333.8134	Unfunded Retirement	13,608	
400.8134	Unfunded Retirement	28,837	
410.8134	Unfunded Retirement	9,775	
411.8134	Unfunded Retirement	64,597	

ATTACHMENT I, CONTINUED

412.8134	Unfunded Retirement	71,331	
413.8134	Unfunded Retirement	46,673	
414.8134	Unfunded Retirement	39,211	
420.8134	Unfunded Retirement	6,774	
421.8134	Unfunded Retirement	37,701	
422.8134	Unfunded Retirement	20,707	
423.8134	Unfunded Retirement	34,938	
430.8134	Unfunded Retirement	14,452	
600.8134	Unfunded Retirement	3,901	
610.8134	Unfunded Retirement	15,029	
620.8134	Unfunded Retirement	18,658	
631.8134	Unfunded Retirement	33,683	
632.8134	Unfunded Retirement	9,455	
640.8134	Unfunded Retirement	30,728	
650.8134	Unfunded Retirement	28,182	
670.8134	Unfunded Retirement	37,380	
675.8134	Unfunded Retirement	30,651	
681.8134	Unfunded Retirement	31,813	
685.8134	Unfunded Retirement	40,610	
50.2101	Pension-Deferred Outflo	7,143,831	
50.3651	Pension-Deferred Inflow	509,456	
50.3611	Unfunded Retirement Con		8,301,906
70.9215.COLA	Retirement Contr.-Cola		654,000
70.9215.SUPLMEN	Ret. Gov't Contr.-Supp		410,349
		<u>9,366,255</u>	<u>9,366,255</u>
<b>2 AJE To adjust accumulated depreciation of crane</b>			
50.4799	Accumulated Earnings (D	91,858	
50.2020.CRANE	AccDeprec-Crane Equip		91,858
		<u>91,858</u>	<u>91,858</u>
<b>3 AJE To adjust OPEB liability, deferrals and expense</b>			
50.3611.OPEB	Other Post Empl Benefit		24,699,621
50.2101.OPEB	Pension-Deferred Outflo	14,825,627	
50.3651.OPEB	Pension-Deferred Inflow	5,914,819	
DT4	OPEB expense	3,959,175	
		<u>24,699,621</u>	<u>24,699,621</u>



March 31, 2021

Mr. Rory Respicio  
General Manager  
Port Authority of Guam  
1026 Cabras Highway, Suite 201  
Piti, Guam 96925

Dear Mr. Respicio:

In connection with our audit of the financial statements of Port Authority of Guam (the Authority) as of and for the year ended September 30, 2020 (on which we have issued our report dated March 31, 2021), performed 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, we considered the Authority's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, other matters related to the Authority's internal control over financial reporting as of September 30, 2020 that we wish to bring to your attention.

We have also issued a separate report to the Authority's management, also dated March 31, 2021, which includes certain deficiencies and other matters involving the Authority's information technology environment.

We have also issued a separate report to the Board of Directors, also dated March 31, 2021, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for designing, implementing, and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

# Deloitte.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, the Office of Public Accountability - Guam and the Federal cognizant agency and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the Authority for their cooperation and assistance during the course of this engagement.

Very truly yours,

*Deloitte + Touche LLP*

**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, 2020**

**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), a component unit of the Government of Guam, which comprise the statement of net position as of September 30, 2020, and the related statements of revenues, expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2021. Our report includes an explanatory paragraph concerning the impact of COVID-19.

### **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) as a basis for designing 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.

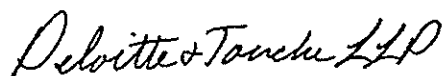
# Deloitte.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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.



March 31, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE SOLE MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors  
Port Authority of Guam:

### **Report on Compliance for the Sole 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 Compliance Supplement* that could have a direct and material effect on the Authority's sole major federal program for the year ended September 30, 2020. The Authority's sole major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's sole major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the sole major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

#### ***Opinion on the Sole 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 its sole major federal program for the year ended September 30, 2020.

# Deloitte.

## 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 the sole major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the sole major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Port Authority of Guam as of and for the year ended September 30, 2020, and have issued our report thereon dated March 31, 2021, which contained an unmodified opinion on those financial statements and included an explanatory paragraph concerning the impact of COVID-19. 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 the Uniform Guidance 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.



March 31, 2021

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

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

CFDA #	Pass-Through Entity Identifying Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Expenditures
		<u>U.S. Department of Defense</u>	
12.618	GR882-18-01	Pass-Through Program From Government of Guam Office of the Governor: Community Economic Adjustment Assistance for Establishment or Expansion of a Military Installation	\$ <u>494,537</u>
		U.S. Department of Defense Total	<u>494,537</u>
		<u>U.S. Department of Transportation</u>	
		Direct Programs:	
		Highway Safety Cluster:	
20.600	Not applicable	State and Community Highway Safety	<u>11,543</u>
		Total Highway Safety Cluster	<u>11,543</u>
20.822	Not applicable	Port of Guam Improvement Enterprise Program	<u>1,820,624</u>
		U.S. Department of Transportation Total	<u>1,832,167</u>
		<u>U.S. Department of Homeland Security</u>	
		Direct Programs:	
97.026	Not applicable	Emergency Management Institute Training Assistance	44,402
97.036	Not applicable	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	167,848
97.056	Not applicable	Port Security Grant Program	<u>387,186</u>
		U.S. Department of Homeland Security Total	<u>599,436</u>
		Total Expenditures of Federal Awards	\$ <u><u>2,926,140</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Reconciliation to the basic financial statements:		
Nonoperating revenues: US Government operating grants	\$	445,151
Contributed capital: US Government capital grants	<u>2,480,989</u>	
	\$	<u><u>2,926,140</u></u>



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

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

**(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 Single Audit.

**(2) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

**(3) Summary of Significant Accounting Policies**

**Basis of Accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, consistent with the manner in which the Authority maintains its accounting records. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Authority does not elect to use the de-minimis indirect cost rate allowed under the Uniform Guidance.

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

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020

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

*Financial Statements*

- |  |               |
|--|---------------|
| 1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | 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 2 CFR 200.516(a)? | No  |
| 9. Identification of major federal programs:  |   |
| <u>CFDA Number</u><br>20.822  | <u>Name of Federal Program</u><br>Port of Guam Improvement Enterprise Program |
| 10. Dollar threshold used to distinguish between Type A and Type B Programs:                          | \$750,000   |
| 11. Auditee qualified as low-risk auditee?  | Yes   |

**Section II – Financial Statement Findings**

No matters were reported.

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

No matters were reported.

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

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

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**SEPTEMBER 30, 2020 AND 2019**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Port Authority of Guam:

### **Report on Financial Statements**

We have audited the accompanying financial statements of the 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, 2020 and 2019, 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.

# Deloitte.

## 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, 2020 and 2019, 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.

## Emphasis of a Matter

As discussed in Note 11 to the financial statements, the Authority's operations have been affected by the recent and ongoing outbreak of the coronavirus disease. As a result of the spread of the COVID-19 coronavirus, governments worldwide implemented actions to restrict travel and economic activities. The ultimate disruption which may be caused by the outbreak is uncertain, therefore, the actual impact on the Authority's business, results of operations, and financial position for fiscal year 2021 and beyond is currently not determinable. Our conclusion is not modified with respect to this matter.

## 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 4 through 19 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 56 through 58, the Schedule of Pension Contributions on page 59, the Schedule of Changes in the Proportional Share of the Total OPEB Liability and Related Ratios on page 60, the Schedule of Proportional Share of the Total OPEB Liability on page 61, and the Schedule of OPEB Contributions on page 62 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 audit 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 details of operating expenses and the summary of salaries and wages on pages 63 through 67 are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of details of operating expenses and the 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 details of operating expenses and the summary of salaries and wages are fairly stated, in all material respects, in relation to the financial statements as a whole.

# Deloitte.

## Other Matters, Continued

### *Other Financial Information, Continued*

The schedule of employees by department on page 68 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 March 31, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.



March 31, 2021

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

Management's Discussion and Analysis  
September 30, 2020 and 2019

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, 2020, and 2019. The information contained in this MD&A has been prepared by management. It should be considered in conjunction with the financial statements and the accompanying notes which follow this section and are integral to the data contained in the financial statements.

#### **ABOUT THE AUTHORITY**

The Port Authority of Guam was established as a public corporation and an autonomous agency of the Government of Guam by Public Law 13-87 in October 1975. The Port operates the only commercial seaport in the Territory of Guam, and is the primary seaport in Micronesia. It serves the largest U.S. deep-water port in the region and currently handles about 1-2 million tons of cargo a year. The Port owns five 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 Managers who are responsible for the 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 its profits to the upgrading of equipment and facilities and the continued growth of the Island's seaport.

It is our objective to modernize the Port as a first class facility in the region providing cargo handling services in a safe, efficient and sustainable manner. To achieve this, the Port must increase capacity, execute infrastructure development and Port expansion to meet the community's organic growth and the impending military buildup, promote economic growth and opportunities for maritime related industries and address the needs of port users.

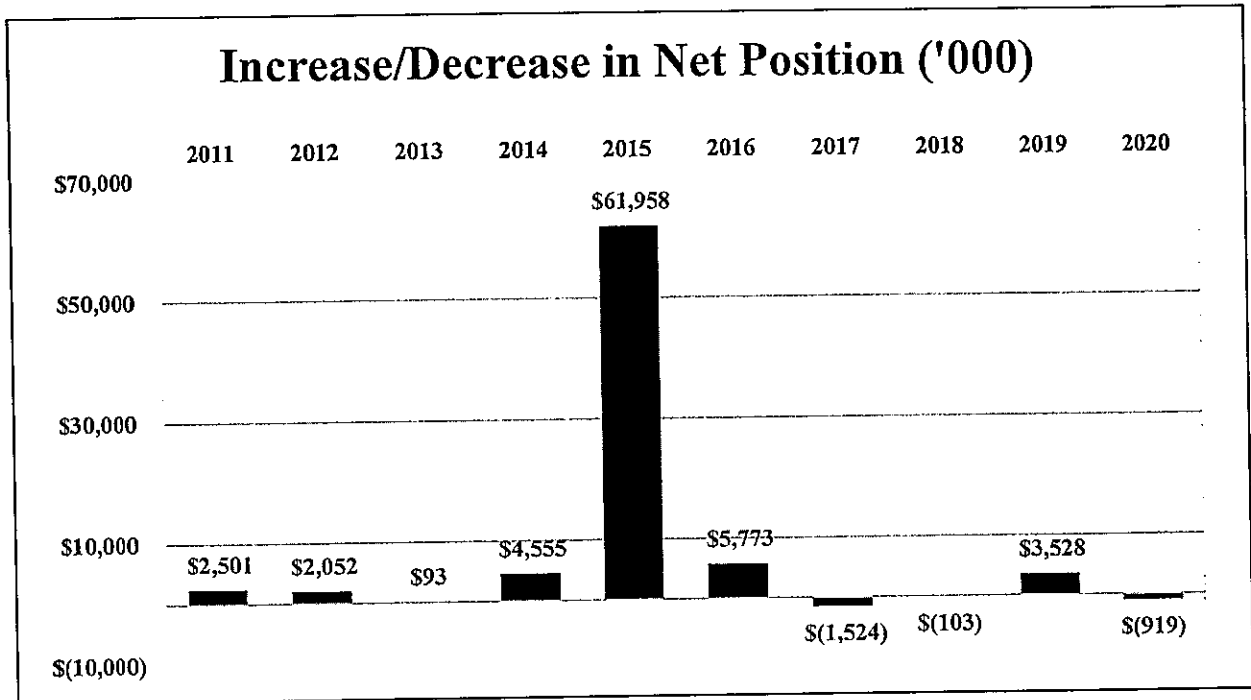
#### **FINANCIAL HIGHLIGHTS**

- Current assets exceeded current liabilities by \$61.4 million.
- Capital assets, net of accumulated depreciation of \$18.7 million, amounted to \$116.7 million.
- The net position of the Authority as of September 30, 2020, was \$14.5 million. Of this amount, \$92.3 million is a net investment in capital assets, \$41.4 million is considered restricted, and (\$119.1) million is considered unrestricted.
- The Port's net position decreased by \$919,000 for the fiscal year ended on September 30, 2020.
- The Port's total assets increased by 1% or \$2.0 million at fiscal year ended September 30, 2020. The major component of this change was an increase in the Port's cash and cash equivalents by 3.3% or \$2.1 million and Accounts Receivable Trade by 15% or \$684K.

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

Management's Discussion and Analysis  
September 30, 2020 and 2019

- The total liabilities increased by 15.1% or \$31.3 million during the fiscal year ended on September 30, 2020. The main reasons for the growth were increases in the Other Post Employment Benefits liability by 36.7% or \$24.7 million and the Net Pension liability by 15.0% or \$8.3 million.
- Operating Revenues amounted to \$54.7 million.
- Net operating expenses, excluding depreciation of \$6.4 million, amounted to \$49.3 million.



**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, deferred outflows and deferred inflows of resources and liabilities, with the difference, 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.



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

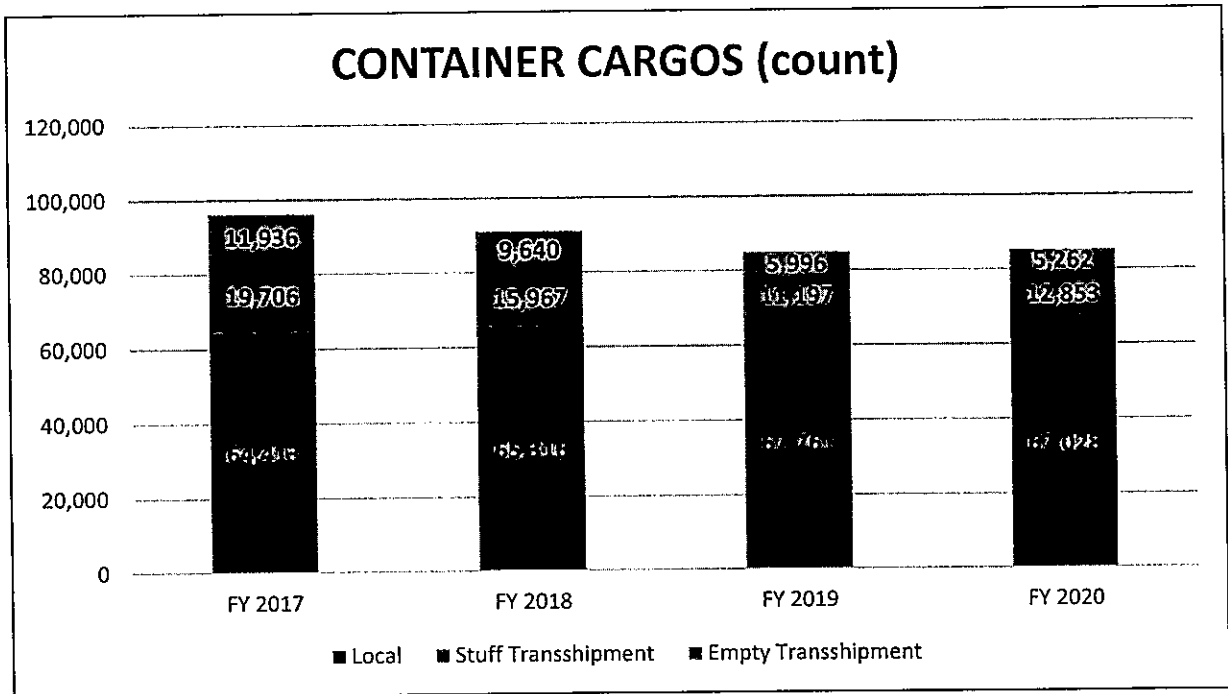
Management's Discussion and Analysis  
 September 30, 2020 and 2019

**Authority Activities and Highlights**

**FY2020 Cargo Operations Results**

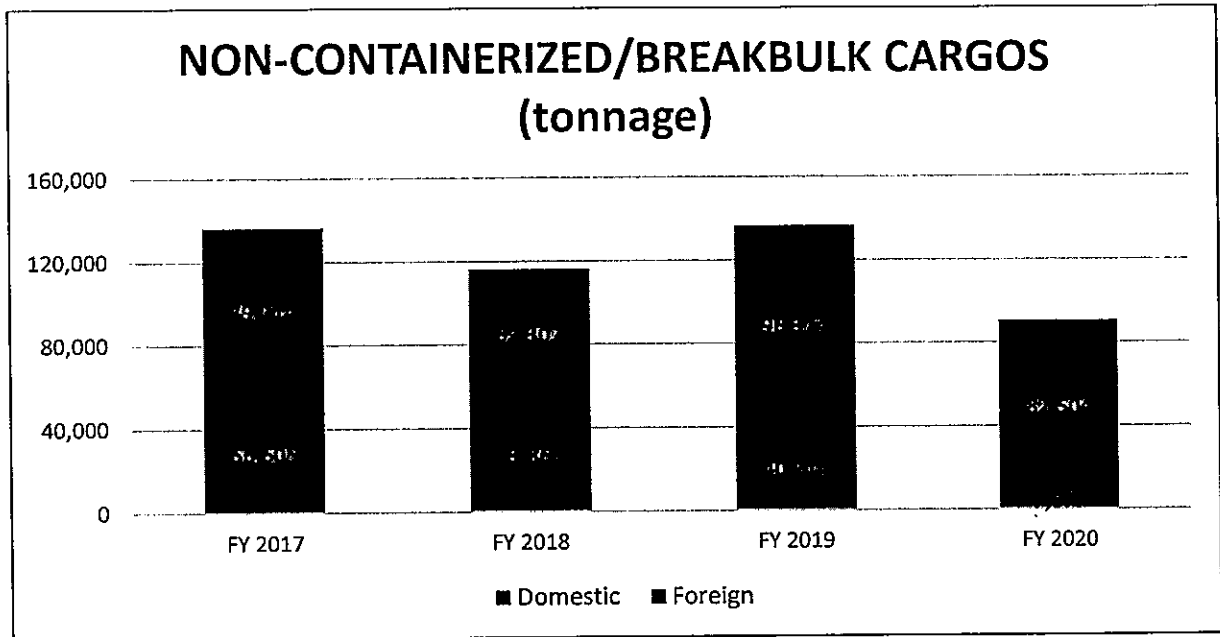
The major basis in gauging the annual revenue status of the Port is through the number of cargos it handles each year. Main classifications of cargos are container and non-container (breakbulk) cargos. Container cargos are further broken down into local and transshipment categories. Local containers are containers that contain goods specifically for the Guam economy. The majority of exports for local cargos are empty containers. Transshipment cargo is unloaded in the Port of Guam, and, after a temporary stage in the yard, is transferred to another vessel to be transported to the final port of discharge. This transit cargo typically arrives in the Port of Guam from the U.S. or Asia and is then transferred to smaller ports in the CNMI, Palau, FSM, and RMI. Transshipment containers (mostly empty) from the Micronesian islands are then typically sent back through the Port of Guam and outbound to U.S/Asia ports. The handling of transshipment cargos is supplemental to those bound for or exported from Guam that allows the Port to grow revenues beyond those generally allowed by local economic conditions. Transshipment cargos generate an average of six percent of total annual revenues.

In FY20, the total number of containers handled is 85,143 containers. The FY20 total is an increase of 0.2% as compared to FY19 container count of 84,954. The breakdown for the total containers in FY20 is as follows: 67K of local containers, 13K of stuff transshipment and 5K of empty transshipment. The variance between FY20 and FY19 local containers is a reduction of 733 containers, from 67,761 containers in 2019 to 67,028 in 2020. In prior fiscal years' report, the Port was experiencing decline in the number of stuff transshipment containers for the past three years. In FY20, stuff transshipment recorded a 15% increase as compared with FY19, from 11,197 containers to 12,853 containers in FY20. The empty transshipment containers decreased by 12.2%, from 5,996 in 2019 to 5,262 in 2020. Breakbulk (non-containerized) cargos resulted in a decrease in FY20 by 33.8%, from 136K in FY19 to 90K in FY20.



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

Management's Discussion and Analysis  
September 30, 2020 and 2019



**Analysis of Net Position**

Net position is the sum of assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Port's financial position is improving or deteriorating. The following is a condensed summary of the Port's net position as of September 30, 2020, 2019, and 2018 (in thousands):

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets:			
Current and other assets	\$ 121,077	\$ 118,906	\$ 113,150
Capital assets	<u>116,739</u>	<u>116,868</u>	<u>118,604</u>
Total assets	237,816	235,774	231,754
Deferred outflows of resources	<u>37,571</u>	<u>15,602</u>	<u>14,278</u>
Total assets and deferred outflows of resources	\$ <u>275,387</u>	\$ <u>251,376</u>	\$ <u>246,032</u>

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

Management's Discussion and Analysis  
September 30, 2020 and 2019

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION**

Current liabilities	\$ 11,002	\$ 10,397	\$ 7,699
Other non-current liabilities	<u>227,580</u>	<u>196,830</u>	<u>216,364</u>
<b>Total liabilities</b>	<b><u>238,581</u></b>	<b><u>207,227</u></b>	<b><u>224,063</u></b>
Deferred inflows of resources	<u>22,281</u>	<u>28,705</u>	<u>10,053</u>
<b>Net position:</b>			
Net investment in capital assets	92,273	90,687	89,898
Restricted - expendable	41,375	39,959	30,475
Unrestricted	<u>(119,123)</u>	<u>(115,202)</u>	<u>(108,457)</u>
<b>Total net position</b>	<b><u>14,525</u></b>	<b><u>15,444</u></b>	<b><u>11,916</u></b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ <u>275,387</u></b>	<b>\$ <u>251,376</u></b>	<b>\$ <u>246,032</u></b>

**Net Position, Fiscal Year 2020**

The largest portion of the Port's net position (\$92 million) reflects its net investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position (\$41.4 million) represents resources that are restricted for the debt service reserve fund. The remaining balance of (\$119) million is unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by \$2.2 million or 2% from \$118.9 million in fiscal year 2019 to \$121.1 million in fiscal year 2020. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

The total assets increased by 1% or \$2 million, from \$236 million in FY19 to \$238 million in FY20. In FY20, depreciable assets decreased by \$3.3 million because of regular depreciation and a survey of assets. The total assets and deferred outflows of resources in FY20 are \$275.4 million.

Current liabilities increased by \$605 thousand or 5.8% as increases of \$947 thousand in accounts payable for goods and services received in the FY20, \$373 thousand in accrued payroll and withholdings, and \$420 thousand in current portion of annual leave were offset by decreases of \$1.3 million in security deposits and other payables. The decrease in other payables was due to settlement payouts that were applied to the contingency liability balance.

Other non-current liabilities increased by 15.6% or \$30.7 million. The reason for this was primarily due to increases in Other post-employment benefits (OPEB) liability of \$24.6 million and net pension liability of \$8.3 million. Changes in the actuarial assumptions resulted in an upward or downward movement of the OPEB and net pension liabilities. Additional information regarding the Port's proportionate shares of pension and OPEB liabilities may be found in Notes 4 and 5 of this financial report.

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**Analysis of the Port's Activities**

The following table presents condensed information showing how the Port's net position changed during fiscal years 2020, 2019 and 2018 (in thousands):

	Changes in Net Position (In thousands)			% Increase/ Decrease from 2019
	<u>2020</u>	<u>2019</u>	<u>2018</u>	
Operating revenues:				
Cargo throughput charges	\$ 33,820	\$ 34,357	\$ 33,496	-1.6%
Equipment and space rental	9,192	8,833	9,015	4.1%
Crane surcharge	5,811	5,875	5,958	-1.1%
Wharfage charges	5,639	5,771	5,435	-2.3%
Special services	138	199	206	-30.7%
Other operating income	<u>78</u>	<u>229</u>	<u>58</u>	-65.8%
	54,679	55,265	54,168	-1.1%
(Provision for) recovery of bad debts	<u>(52)</u>	<u>(29)</u>	<u>162</u>	77.5%
	<u>54,627</u>	<u>55,236</u>	<u>54,330</u>	-1.1%
Operating expenses:				
Management and administration	14,591	11,866	10,433	23.0%
Equipment maintenance	6,391	6,076	6,087	5.2%
Operations	13,750	11,839	11,091	16.1%
Retiree healthcare and other benefits	5,505	2,960	6,765	85.9%
Facility maintenance	2,116	1,962	1,945	7.9%
General expenses	<u>6,977</u>	<u>6,885</u>	<u>8,213</u>	1.3%
Total operating expenses	<u>49,331</u>	<u>41,589</u>	<u>44,534</u>	18.6%
Earnings from operations before depreciation	5,297	13,647	9,796	-61.2%
Depreciation	<u>6,361</u>	<u>6,766</u>	<u>6,210</u>	-6.0%
Earnings (loss) from operations	(1,064)	6,881	3,586	-115.5%
Nonoperating (expenses) revenues:				
Total nonoperating expenses, net	<u>(2,336)</u>	<u>(4,051)</u>	<u>(3,922)</u>	-42.3%
Earnings (loss) before capital contributions	<u>(3,400)</u>	<u>2,830</u>	<u>(336)</u>	-220.1%
Contributed capital:				
U.S. Government grants	<u>2,481</u>	<u>697</u>	<u>233</u>	-255.8%
Increase (decrease) in net position	(919)	3,528	(103)	-126.1%
Net position at beginning of year	<u>15,444</u>	<u>11,917</u>	<u>12,019</u>	29.6%
Net position at end of year	\$ <u>14,525</u>	\$ <u>15,444</u>	\$ <u>11,917</u>	-6.0%

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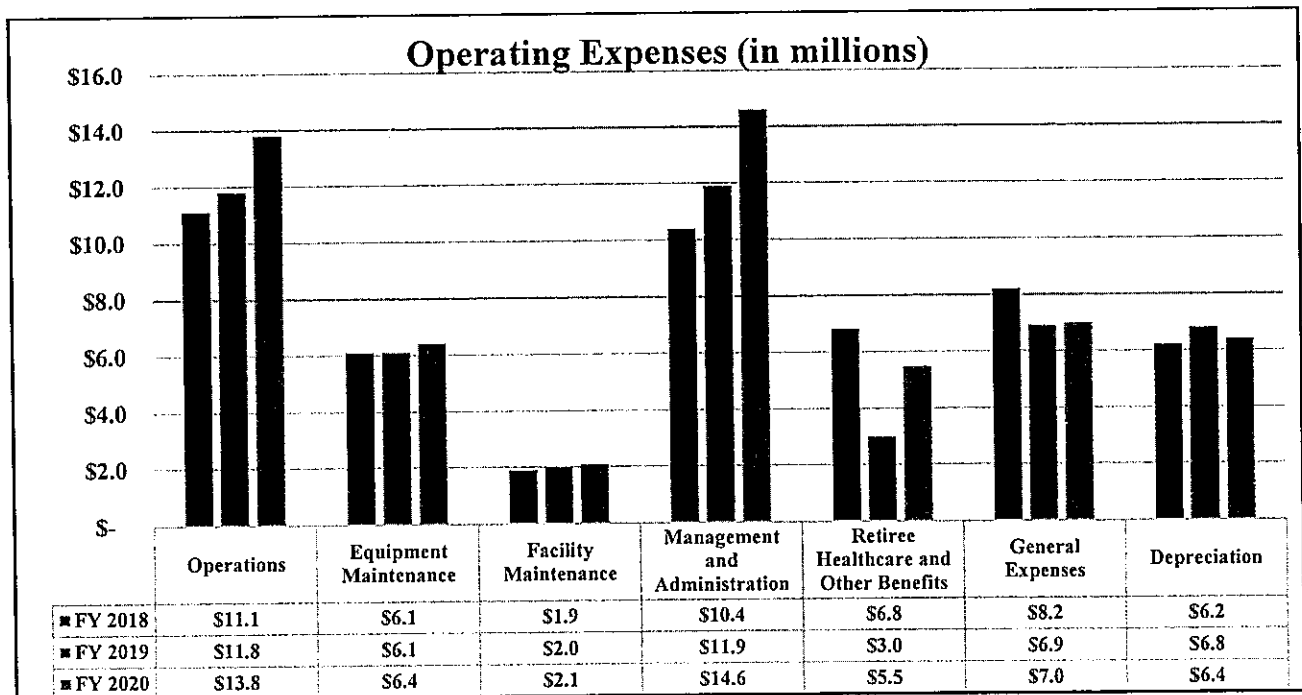
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**Changes in Net Position**

The Port's total operating revenues decreased by 1.1% or \$586 thousand, from \$55.3 million in FY19 to \$54.7 million in FY20. Despite the impact of the COVID 19 pandemic on the economy, the total containers that the Port handled is .2% higher than in 2019 and decrease in the total operating revenues was 1.1% which is within the normal fluctuation of revenues in a normal condition.

The total operating expenses before depreciation in FY20 were higher by 18.6% or \$7.7 million as compared to FY19, from \$41.6 million in FY19 to \$49.3 million in FY20. One of the major factors for the increase are the recording of the OPEB and pension expenses in FY20 that resulted in a higher total for retiree health care and other benefits, and divisional expenses. The adjustments for OPEB and pension expenses in FY20 were at \$3.9 million and \$1.7 million respectively. This resulted in an 86% increase in the Retiree healthcare and other benefits expense and an average of 13% increase in divisional expenses as compared to the prior fiscal year. General expenses increased only by 1.3% or \$92 thousand as compared to FY19, from \$6.9 million in FY19 to \$7.0 million in FY20. Depreciation expense decreased by 6% in FY20, from \$6.8 million in FY19 to \$6.4 million in FY20.

The result of the net operating revenues minus operating expenses in Fiscal Year 2020 was a \$5.9 million income from operations before depreciation. The result after adding depreciation expense of \$6.4 million was a loss from operations in the amount of \$1.1 million. In FY20 the total non-operating expense was \$2.3 million, this resulted to a loss of \$3.4 million before capital contribution. The Port's federal grants revenue in FY20 was \$2.5 million, which is a 256% increase as compared to FY19. The main reason for the increase was the purchase of two top lifter equipment, funded by MARAD, in the amount of \$1.6 million. After adding the capital contribution to the total calculation, the Agency's FY20 result is a decrease in net position of \$990 thousand. The net position of the Port at the end of the year was \$14.5 million.



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**Capital Assets and Long-Term Debt**

**Capital Assets:** At the end of FY20, the Port had \$116.7 million invested in capital assets. The breakdown of this total is \$106.6 million in depreciable property, plant and equipment, and \$10.1 million in non-depreciable assets. The depreciable assets decreased by 3% or \$3.3 million, primarily due to annual depreciation and some surveyed assets. The non-depreciable assets increased by 45% or \$3.2 million, from \$7.0 million in FY19 to \$10.1 million in FY20. Majority of the increase was due to the preparatory work on the Port's bond projects. Please refer to note 3 in the accompanying financial statements for additional information regarding the Authority's capital assets.

**Long-Term Debt:** The Port had a long-term debt balance of \$70 million as of September 30, 2020. These are principal funds owed from the issuance of revenue bonds which was authorized through Public Law 34-70 in December 2017. In June 2018, the Port issued Revenue Bonds 2018 to finance capital projects, payoff the Agency's existing loans, provide for capitalized interest for up to two years, fund bond reserve fund and pay costs of issuance.

Governor Lou Leon Guerrero signed Public Law 35-44 in October of 2019 which is an act to amend Section 4(a) of Public Law 34-70, relative to the financing or refinancing improvements and capital improvements of the Jose D. Leon Guerrero Commercial Port and other related facilities and operations of the Port through revenue bond proceeds. PL 35-44 addressed the key project initiatives related to the Port's modernization program. They are as follows:

- a) The expansion of wharf space to accommodate larger vessels and increase vessel-handling capacity;
- b) The upgrade of terminal operating system to allow automated invoicing, cargo and container tracking, financial management, and maintenance management;
- c) The expansion of existing facilities to support fishing and cruise line industries; and
- d) The replacement of gantry cranes at the end of their useful lives to maintain continuous uninterrupted cargo movement.

This amendment to PL 34-70 allows the reprogramming of bond proceeds needed to address the deficiencies of the Port's revenue generating waterfront facilities, a connectivity line between Golf Pier and F-1, and improvements needed for the Port's information technology systems.

Moody's Investor Services and Standard & Poor's assigned a rating of Baa2 and A, respectively, to Port Authority of Guam's 2018 Revenue Bonds. The ratings are important benchmarks of the issuer's ability to meet its financial obligations. Both grades are considered stable ratings. Please refer to note 6 in the accompanying financial statements for additional information regarding the Authority's long-term debt.

**Key Factors in the FY20 Operating Results and FY20 Future Outlook**

**Corona Virus (COVID-19) Pandemic:** In the early part of 2020, international news media was reporting the rise of the Coronavirus, also known as COVID-19, into the Asia Pacific Region. The U.S. President declared the virus as a public health emergency. Immediately after the President's declaration, Port management issued guidelines to all shippers, agents, and Port staff providing appropriate measures to reduce the COVID-19 risk to our tenants and employees. The guideline provided the shipping agents with a process outlining what to do if a crew member was ill and suspected to have COVID-19 and guidance to employees on what they are prohibited from doing when on the vessel during operations. Then in March 2020, the Governor declared a public health emergency pandemic because of the positive COVID-19 cases in Guam.

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The management team sprang into action, taking every step possible to protect the Port's employees, tenants, and our customers who have business with the Port. Our employees were encouraged to exercise these precautionary measures, both at work and at home, which forced the Port team to quickly adopt different working, learning, and connecting ways.

Through the Governor and Director of Public Health's approval, a Port Clinic was established and staffed with Public Health and Department of Education nurses. The Port Clinic, which had more than 44,232 visits, serviced Port employees and the transiting vessel crew members, Port tenants, users, and the communities nearby. Port employees worked tirelessly to remain 100 percent operational to ensure the flow of goods and supplies into our community and throughout the region were not interrupted.

In August 2020, the Agency experienced an increase in employees exposed to COVID-19. A Port Contact Tracing Team was immediately established composing of employees who volunteered to take on the additional duties and become certified. Seven Port contact tracers, including the General Manager, helped ease the burdens placed on Department of Public Health and Social Services by conducting their own contact tracing, planning for testing, and keeping the employees updated and informed through the consistent circulation of the Port E-advisories. The mental anguish experienced by those employees who had to isolate themselves because of exposure to the disease was minimized through the management team's effort in delivering care packages consisting of sanitization and health monitoring products and communicating with them daily.

**Procurement Delegation:** After 14 years since the Port lost its procurement delegation, the Chief Procurement Officer, through the close work relationship with management, restored the full delegation of procurement authority in May 2020. In September 2020, the Chief Procurement Officer continued to grant the Port with the full delegation of procurement authority for Fiscal Year 2021.

**Port Modernization Program/Port Master Plan Update:** Management continued to push on with the modernization program by leveraging federal funding resources, enhancing revenue generation by deploying a more robust financial management system, and efficiently working towards completing legislatively approved capital improvement projects funded by its 2018 Port Revenue Bonds.

One of the milestone achievements is the collaborative efforts between the Port and the Governor's Office, resulting in \$1.6 million from the Office of Economic Adjustment (OEA) to update the Port's 2013 Master Plan. This funding allowed the Port to work with its Owner's Agent Engineer (OAE), WSP, on a massive initiative to update the plan and layout the framework for the Port's near and long-term vision to modernize its facilities, infrastructure, systems, and operations.

In July 2020, a kick-off meeting with the consultants was held to begin the groundwork for the master plan update. The purpose of the plan is to help the Port define its near-term and long-term approach to modernize, maintain fiscally sustainable operations, and promote increased awareness and consensus on its approach among all affected stakeholders and the ratepayers of Guam.

The goals to achieve were:

- Provide a comprehensive overview of the Port's current conditions, including governance, financial, operation, and physical attributes.
- Assess the current and projected cargo opportunities based on Guam's market drivers, consisting of military expansion, tourism, transshipment, and organic growth.
- Determine near-term improvements and operational adjustments to accommodate the peak of the military build-up and future deployments of military assets.
- Estimate the Port's capacity and ability to meet the projected demand and tenant requirements.
- Identify long term modernization efforts targeted towards continuing operational and economic sustainability.

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- Establish optimal requirements for operations, maintenance and repair and capital improvement projects.
- Validate the efficient and effective use of the Port's resources and assets.
- Present commercial strategies for or to diversify its revenue base and enhance its financial self-sufficiency, including a comprehensive tariff assessment and its economic impact thereof.
- Assess the impact of the recommended strategies on Guam's economic conditions; and
- Prepare an implementation program to support a coordinated approach of continuous Port improvement balanced with sustainability.

Based on the projected timeline, we expect the master plan update to be presented to the Governor in October 2021 and Guam Legislature by December 2021 for their approval.

**Revenue Bond and Federal or Port Funded Projects:** As a result of management's efforts to make sure the Port meets the expectations of our bond investors; we were able to achieve the following:

- Rehabilitation of Hotel Wharf: After MARAD approves the environmental assessment and FONSI for Hotel Wharf and notice to proceed on the rehabilitation project, we were able to relocate the coral head, which was situated near the wharf. Our consultants have conducted monitoring work on the coral head and reported its findings to Guam EPA. We acquired PUC's approval on the additional grant funding for our Owner's Agent Engineer consultants' contract and additional funding for the expanded environmental services. The cost negotiations for the construction management services have been finalized, and the award recommendation is before the Board for approval. We should anticipate the procurement for Hotel Wharf's rehabilitation to be awarded in May 2021, with construction work to commence no later than December 2021.
- Removal of Port's Inoperable Assets: The military build-up peak is expected to occur in 2023. To ensure the Port can stage the increase of cargoes in its terminal facilities and accommodate the additional vessels calling Port, a solicitation of procurement was prepared by a committee comprised of Port staff and our consultants, WSP. The multi-step invitation of the bid was issued on December 31, 2020. We expect an award to occur in February 2021 which is another success since the Port assets' removal was unable to move forward since 2016.
- Revenue Bond Projects: The A&E design and consulting services for the first capital improvement projects funded by the revenue bond proceeds were awarded in 2020. They are:
  - (1) Structural repairs for Golf Pier;
  - (2) Repair and expansion of the Equipment Maintenance & Repair building;
  - (3) Repair of Warehouse 1; and
  - (4) Replacement and relocation of waterlines.

Engineering staff is currently reviewing the estimated engineering costs to ensure that the appropriate funding has been budgeted to proceed with the bid procurement packages' invitation.

The other project funded by the Port's revenue bonds is the Enterprise One Financial Management System. This project aims to upgrade the Port's 20-year old Oracle JDE World financial management system to a more robust and technologically updated Oracle JDE Enterprise One System. We expect the project to be completed by April 2021.

A grant application was submitted with the U.S. Economic Development Administration (EDA) for the Port's fuel connectivity project. The Guam's Acting SHPO issued Section 106 Concurrence, which paved the way for EDA to move to the next step in finalizing the Port's grant award. The total project amount is \$3.016 million with EDA's share of \$2.41 million and Port's share of \$603,000. The monies allocated initially for this project in the revenue bond proceeds may now be used for those projects outlined in the legislation.



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Engineering and Planning staff are working to assess the structural integrity of the Administration Building and the replacement costs for the infrastructure.

- Port and Federal Funded Projects: Other projects currently in progress and/or completed are:
  - Terminal Boom & CMU wall repainting and replacement of the barb wire;
  - Container yard striping;
  - Load center rehabilitation and upgrade;
  - CCTV and Access Control System Upgrades;
  - Agat Marina Dock B demolition and repair;
  - Harbor of Refuge repair; and
  - Environmental, health and safety program development.

Those projects in progress are expected to be completed by the end of the calendar year.

**Tariff Simplification**: One of the tasks under the OEA grant was to have the consultants provide the Port with future tariff support. The Port management team saw a need to restructure the terminal tariff using the guiding principles below:

- Revenue neutral: ensure the revisions will result in neither a material increase nor decrease in Port revenues;
- User-friendly: present schedule of rates table in front of the tariff to allow customers to calculate fees quickly and easily;
- Transparent: itemized details, rules, and regulations associated with combined rates via hyperlink in latter sections of the tariff;
- Streamlined: consolidate charges to align with all-inclusive port services and performance reports;
- Modernized: support the integration of the Port's NAVIS Terminal Operating System and JDE Financial System;
- Timesaving: minimize/eliminate manual data entry of charges and provide invoices to users expeditiously; and
- Cost-effective: reduce administrative costs, manual entry errors, disputes, and delayed payments.

Once this task has been completed, the recommendations will be transmitted to the Board for approval and then to the PUC for their concurrence. We would like this task to achieve the ultimate results to allow the terminal operating and financial management systems to communicate and streamline the invoicing.

**Training**: The following training conducted during this period was:

- a. Certification: For several years, the Port did not conduct annual and bi-annual training certifications as required by the Code of Federal Regulations for OSHA, U.S. Department of Transportation, and U.S. Coast Guard. Upon the reinstatement of Human Resources staff, management hit the ground running and ensured employees who are required to possess certifications completed the training.
- b. Basic Supervisory and Leadership Workshops: About 120 employees occupying supervisory and leader positions participated in the Basic Supervisory and Leadership workshops. The feedback provided by the employees who participated in these workshops was positive.
- c. Work Performance Appraisal System Training: In 2019, we were advised that the Port was supposed to transition into the new performance evaluation forms by 2012. However, the forms, procedures, and Key Performance Indicators (KPIs) were held in abeyance by former management. The Board directed management to implement the KPI as the basis on which all Port employees will now be evaluated. A lot of work has been done in the past year to develop the KPIs for each position, and the Work Performance Appraisal System training is another component of this plan's rollout. In

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December 2020, the Personnel Services Administrator conducted a virtual training for the managers and supervisors. This training provided hands-on interaction and step-by-step instructions in completing the new evaluation forms and understanding its procedures. After ten years of being held in abeyance, we will be implementing the new evaluation system for Fiscal Year 2021.

**Legal Services:** With the sudden departure of the Port's in-house counsel in February 2020, and in order to ensure the procurement processes are not further delayed, management proactively worked with the Attorney General in designating the GSA's Administrative Counsel as the Special Assistant Attorney General for the period the Chief Procurement Officer was assigned to the Port. Then in October 2020, the Attorney General assigned Assistant Attorney General Tom Keeler to assist the Port in reviewing procurement packages. However, his assignment was only for a temporary period. In December 2020, the Port made an offer to an attorney for the in-house counsel position, namely Christine Claveria, which she accepted. This was good news as it enables all procurement activities, such as the bond and CIP projects, to proceed without any further delay.

**Finances:** Since the beginning of this administration, management team forged ahead and focused on improving its finances. With the hard work and sacrifice, the agency's finances turned around from a loss of \$103,000 in Fiscal Year 2018 to earning \$3.5 million in just one year for Fiscal Year 2019.

**Gantry Crane Purchase and Maintenance:** A grant application was submitted to MARAD under the Port Infrastructure Development Program to acquire two ship-to-shore gantry cranes. Although the application was not approved, discussions were immediately started with the U.S. Economic Development Administration (EDA) and the U.S. Department of Agriculture (USDA) on the grant application and a potential loan. The Authority was able to submit the first draft application for the direct loan to USDA and is working closely with the Port's consultants in compiling the estimated project costs for the application to EDA. The estimated cost under the EDA grant is \$30 million for two STS cranes, and with the Port's \$15 million share for the purchase of the third STS crane.

The performance management contract (PMC) procurement solicitation to assist the Port in maintaining and repairing our cranes was finally issued and is currently being reviewed by the committee.

**Guam Customs Inspection Facility:** PAG team worked closely with Customs representatives in identifying the site where the new customs inspection, holding, and securing area will be located. The Port coordinated with the Department of Land Management on the survey and transfer of the property from Port to Customs and Department of Public Works on the clearing of the property. The OAE consultant provided proposed facility design layouts on the 4-acre parcel adjacent to the main terminal gate, which Customs has agreed on one of the layouts. The preferred layout design's objective is two-fold: (1) allowed Customs to conduct their privacy operations inside the facility and (2) mandated the use of the Department of Public Works' weigh stations by the truckers.

**Port Wharves Assessment and Upgrades:** The OAE consultants reviewed the diving reports on the wharves' condition, which provided a realistic picture of what piers would need immediate repair. Based on their review, WSP reported the dolphins for F1 were in a much more serious condition than what was originally assessed. Management immediately engaged with OEA subcontractors to provide analysis on the berthing and mooring of vessels on F-1. This effort was done to provide proper guidance to our fuel managers on the safe capacity of berthing at the pier. At management's direction, the Planning staff is preparing federal grant applications to submit to funding the repair work for the wharves and Engineering is reviewing the current structural integrity of the wharves to determine the safe loads it can handle.

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**Federal Grants and Grant Opportunities:** Management team worked closely with Planning staff and respective division heads on the following federal grants:

- a. The Port was approved for \$500,000 to support Harbor of Refugee's repair work and \$512,759 for the Agat Marina Dock B construction by Department of Agriculture. A draft Memorandum of Understanding is currently with Department of Agriculture for their review.
- b. An application for the hardening of Port wharves service life extension in the amount of \$22,391,342 was submitted under the FEMA Hazard Mitigation Grant Program – FY2020 Building Resilient Infrastructure & Communities Grant.
- c. The Port has partnered with the Commonwealth Northern Marianas Island (CNMI) for a joint route designation and project designation for consideration under MARAD's America's Marine Highway Program. If approved by MARAD, this joint designation will allow both ports (Guam and CNMI) to apply for grant opportunities for infrastructure upgrades or equipment acquisition.

**Abandoned Derelict Vessel Project:** The Port team worked closely with Guam Environmental Protection Agency and Guam Power Authority to remove 14 abandoned derelict vessels within the navigational hazards that pose significant threats to commercial and natural resources in Apra harbor. A port water tour was done in December 2020, which allowed the Governor and Lt. Governor to observe first-hand the locations of these vessels and be briefed on the type of work that is to occur in the removal of such vessels. After the boat tour, the Governor signed an executive order forming a group to remove the abandoned vessels from the Port harbor.

**Real Estate Issues:** During this period:

- a. The Port finalized negotiations of Mobil's lease option year, which was approved by the Board. The contract is favorable to the Port in terms of an increase in our revenues for business development.
- b. South Pacific Petroleum Corporation exercised their option to renew their Sublease Agreement. The Board approved management's recommendation to renew the agreement at a valuation rate of 14.5%.

**Information Technology Consulting Firm:** As the Port journeys in improving its technology system, there is a need to contract an Information Technology Consulting Firm who will be collaborating with the IT division in the analysis, design, implementation of the IT infrastructure and cybersecurity compliance. The firm will be required to:

1. Assess and analyze the Port's IT systems, application, networks, and data infrastructure.
2. Review, develop and implement virtualization.
3. Provide recommendations and oversee the implementation of network hardening with end-to-end security and other infrastructure improvements.
4. Implement an identity management system using Microsoft Active Directory installed on a virtualized environment.
5. Implement an upgrade or complete replacement of the yard wireless system.
6. Implement and install a corporate wireless system.
7. Assist in the planning of IT infrastructure designs/requirements for the Port buildings.
8. Implement a document management system.
9. Implement a reliable voice over internet protocol phone system port wide.
10. Perform other related tasks as directed by the Port.

The procurement for this service was issued in December 2020. We expect the award to occur in the first quarter of 2021.

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**Solar Power Feasibility Study:** Management continue to work closely with the OAE consultants in the feasibility of installing a solar panel system on several of the Port building rooftops to reduce our power consumption.

**Policy on Financials:** The Board amended the policy on petty cash disbursement procedures to adjust the limit from \$50.00 to \$400.00 due to inflation of goods and services and to be in line with the procurement rules for small purchases.

**Union Contract:** The Board approved the amended version of the collective bargaining agreement on November 19, 2019, as agreed upon by the Port and GFT. The Attorney General had expressed concerns regarding the effective date of the agreement, arbitration clause and exclusive recognition. Both GFT and Port had agreed to the suggestions made by the Attorney General and made changes to the agreement. After the Attorney General had signed the agreement, the Governor signed the collective bargaining agreement on January 20, 2020.

**Guam Zero Waste Working Group – Biosolids Compost Pilot Project:** According to Executive Order 2019-28, the Port was named as a partner and member of the Zero Waste Working Group (ZWG). The group is responsible for developing, making recommendations, adopting, implementing, and overseeing all aspects of any ZWG initiatives/projects. The initial project adopted was the Biosolids Composting Demonstration Project, which will determine the viability of processing biosolids into a recyclable usable product. The project is located on a small portion of the Old Hawaiian Rock site.

**Overtime Comparison between Old and New Work Schedule:** In Fiscal Year 2019, Operations implemented the old gang schedule from October 2018 to May 2019 at 10 hours for day and night shift. In June 2019, the Port Operations implemented the new schedule of 8 hours for employees in dayshift and night shift. A comparison between the average overtime from October 2018 to November 2019 with the old and new work schedules showed that there was 14.6% decrease in overtime costs.

**RSM Project:** One of the participative discussions held with PUGG was the initiative to digitize the cargo tracking, which would provide for greater efficiencies for fee capture and revenue retention for the Port, as well as developing a robust, user-friendly shared interaction that is instantaneously accessible to the Port, Customs & Quarantine Agency and PUGG.

This project would address the safety and security policies of the Port. The objectives by the parties involved are:

- Port: improved efficiencies in operations, billing, collections, going paperless, and meeting PUGG's operational needs.
- PUGG: going paperless, pre-clearing of cargo containers, improving operational efficiencies, digital sharing of the manifest.
- Customs: Automation, going paperless, advance clearing of cargo containers, significantly reduce front-facing clearances, searchable bill of lading, digitized manifest, interdiction of drugs, bio securities, terrorism, and improved collections of use tax.

**OPA Report:** Management worked closely with the Office of Public Accountability to review unclassified employees' pay raises and bonuses. The review's findings were published and pointed out deficiencies in the pay raises for the former General Manager and Deputy General Managers. The audit findings are currently with the Attorney General for his perusal.

**Demolition of Derelict Vessel at Seaplane Ramp:** The Port was able to demolish a derelict vessel "Azuma" that had been abandoned for 9 years with Department of Public Works' assistance. After several beatings from numerous storms that hit Guam, the vessel began to take on water at the Agat marina. To prevent it from sinking, it was drained of all remaining fuel, cleared of all toxins, and tugged to Seaplane Ramp.

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**Interpersonal Relationships:**

a. Internal:

- (1) Familiarization of Operations: To enhance the working relationship from the administration, operations, and maintenance, management led the administration employees to tour the operations facilities. The approach allowed the employees to see first-hand how cargo operations and movement of containers/breakbulk are processed. This activity bridges the administration folks with the waterfront employees so that each division can continue to appreciate the labor force and human resources put into cargoes' movement.
- (2) Port Week: This year's 45<sup>th</sup> anniversary was unlike past celebrations because all of the events were held virtually due to the COVID-19 pandemic. The events were broadcasted on the Port's Facebook and YouTube and allowed our customers, employees, and the public to view its opening ceremony consisting of a flag-raising ceremony followed by a parade of trucks, proclamation signing by the Governor and Lt. Governor, resolution presentation by our Legislative Speaker and Oversight Chair, and ending with a video honoring the front-liners. A Virtual Town Hall celebration and Employee Awards Ceremony took place with Port employees joining in on the zoom meeting or watching live via Port's Facebook and YouTube page. At this celebration, over 80 awards were given for years of service, sick leave, and retirement appreciation. We also premiered live the "Port Modernization – We Keep Guam Moving," which honored this agency's men and women and was very emotional. We were proud to know that all the videos were filmed, compiled, and produced by the reinstated staff of the Marketing Division.

b. External:

- (1) Marina User Group: Management created a marina user group, similar to the Port Users Group, to provide a forum to better serve our marina tenants and users and the Island's recreational, sustenance, and commercial boating communities by enabling all marina users an opportunity to address their concerns or ideas to the Port. A user survey that speaks of the marina's strengths/weaknesses, pressing needs, opinion on fee structure, dock replacement, etc. was disseminated to the users. The marina users were informed that a dedicated link on the Port's website was created to provide them with a wealth of information.
- (2) Adopt-A-School Program: The Port helped JP Torres Success Academy school relocate its office materials, classroom furniture, supplies, and electronic equipment due to the deterioration of its facility in Santa Rita. The items, furnishing and equipment were relocated to Southern High School and Tiyan.
- (3) COVID-19 support: The Port aided Department of Education in the food drive by coordinating with the shippers to use refrigerated containers and Department of Public Health COVID-19 testing sites.
- (4) Monthly Newsletters: To ensure communication with our employees and customers are constant, the Port reactivated its monthly newsletter, which provides updates on projects and essential information.

**Application of FOIA to Settlement Agreements:** The past legal counsels representing the Port had opined that employee settlements were not public documents. Management disagreed with their stance and asked the Public Auditor to address the issue. On July 20, 2020, the Attorney General issued an opinion clarifying that settlements were indeed public documents. In order to comply with the Attorney General's opinion, the settlement agreements were then immediately posted on the Port's website.

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

Management's Discussion and Analysis  
September 30, 2020 and 2019

**Accountability and Transparency Awards.** In 2020, the Port's most prestigious accomplishment under the new management was to be recipients of awards from Association of Government Accountants Guam Chapter for the 1<sup>st</sup> place Platinum "Excellence in Citizen-Centric Reporting Award" and the "Accountability and Transparency in Citizen-Centric Award". These national and local recognitions are first-time awards for the Port.

**Debt Service Coverage**

Under the bond indenture for the issuance of the 2018 Port Revenue Bonds, the Authority is required to maintain minimum debt service coverage of 1.25 in relation of net revenues versus annual debt service. A summary of the annual debt service coverage for the year ended September 30, 2020 is as follows:

Revenues	\$ 46,728,988
Less Operation and Maintenance Expense	<u>41,267,589</u>
Net Revenues	5,461,399
Plus Other Available monies	<u>1,806,249</u>
Net Revenues and Other Available Monies	\$ <u>7,267,648</u>
Rate Covenant:	
Net Revenues and Other Available Monies	\$ 7,267,648
Total Annual Debt Service	\$ 5,752,385
Annual Debt Service Coverage	1.26
Debt Service Coverage Requirement	1.25

**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.

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

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

Statements of Net Position  
September 30, 2020 and 2019

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents - unrestricted	\$ 20,018,505	\$ 16,579,745
Cash and cash equivalents - restricted expendable	<u>46,713,098</u>	<u>47,993,786</u>
Total cash and cash equivalents	66,731,603	64,573,531
Accounts receivable, net of allowance for doubtful accounts of \$299,858 and \$249,427 in 2020 and 2019, respectively	5,240,402	4,555,850
Federal receivables	351,325	224,281
Prepaid expenses	<u>64,631</u>	<u>38,134</u>
Total current assets	72,387,961	69,391,796
Replacement parts inventories, net of allowance for obsolescence of \$137,558 in 2020 and \$85,273 in 2019	648,238	568,917
Cash and cash equivalents - restricted expendable	48,041,056	48,944,964
Depreciable property, plant and equipment, net	106,588,701	109,889,143
Nondepreciable property, plant and equipment	<u>10,149,866</u>	<u>6,979,361</u>
Total assets	<u>237,815,822</u>	<u>235,774,181</u>
Deferred outflows of resources from pension	13,903,067	6,759,236
Deferred outflows of resources from other post-employment benefits	<u>23,668,119</u>	<u>8,842,492</u>
Total deferred outflows of resources	<u>37,571,186</u>	<u>15,601,728</u>
Total assets and deferred outflows of resources	<u>\$ 275,387,008</u>	<u>\$ 251,375,909</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Current portion of long-term debt	\$ 2,465,000	\$ 2,380,000
Accounts payable, trade and others	2,613,416	1,665,824
Security deposits and other payables	2,573,881	3,871,427
Accrued payroll and withholdings	1,272,831	899,599
Current portion of accrued annual leave	1,798,867	1,378,855
Unearned revenue	<u>277,633</u>	<u>201,153</u>
Total current liabilities	11,001,628	10,396,858
Long-term debt, net of current portion	70,042,079	72,746,699
Net pension liability	63,517,803	55,215,897
Other post-employment benefits liability	92,013,986	67,314,364
Accrued annual leave, net of current portion	462,075	466,170
Accrued sick leave	<u>1,543,920</u>	<u>1,086,660</u>
Total liabilities	<u>238,581,491</u>	<u>207,226,648</u>
Deferred inflows of resources from pension	1,637,235	2,146,691
Deferred inflows of resources from other post-employment benefits	<u>20,643,550</u>	<u>26,558,369</u>
Total deferred inflows of resources	<u>22,280,785</u>	<u>28,705,060</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	92,272,544	90,686,770
Restricted - expendable	41,375,365	39,959,130
Unrestricted	<u>(119,123,177)</u>	<u>(115,201,699)</u>
Total net position	<u>14,524,732</u>	<u>15,444,201</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 275,387,008</u>	<u>\$ 251,375,909</u>

See accompanying notes to financial statements.

**PORT AUTHORITY OF GUAM**  
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Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2020 and 2019

	2020	2019
Operating revenues:		
Cargo throughput charges	\$ 33,820,469	\$ 34,357,462
Equipment and space rental	9,191,997	8,833,474
Crane surcharge	5,811,219	5,874,773
Wharfage charges	5,639,175	5,771,409
Special services	137,990	199,221
Other operating income	78,262	228,661
	54,679,112	55,265,000
Provision for bad debts	(51,658)	(29,105)
	54,627,454	55,235,895
Operating expenses:		
Management and administration	14,591,435	11,866,102
Equipment maintenance	6,391,270	6,076,225
Depreciation	6,360,712	6,765,725
Transportation services	6,006,525	5,152,765
Retiree healthcare and other benefits	5,504,567	2,960,476
Stevedoring services	4,392,152	3,792,370
Terminal services	3,351,409	2,893,583
Insurance	3,130,414	2,648,350
General expenses	2,530,651	2,712,367
Facility maintenance	2,116,004	1,961,928
Utilities	1,316,320	1,524,582
Total operating expenses	55,691,459	48,354,473
(Loss) earnings from operations	(1,064,005)	6,881,422
Nonoperating (expenses) revenues:		
U.S. Government operating grants	445,151	352,065
Other income (expense), net	(306,685)	(3,052,326)
Interest (expense) income, net	(2,466,453)	(1,310,971)
Loss on disposal of property, plant and equipment	(8,466)	(39,928)
Total nonoperating expenses, net	(2,336,453)	(4,051,160)
(Loss) earnings before capital contributions	(3,400,458)	2,830,262
Contributed capital:		
U.S. Government capital grants	2,480,989	697,379
(Decrease) increase in net position	(919,469)	3,527,641
Net position at beginning of year	15,444,201	11,916,560
Net position at end of year	\$ 14,524,732	\$ 15,444,201

See accompanying notes to financial statements.



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

Statements of Cash Flows  
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 54,019,381	\$ 56,098,627
Cash payments to suppliers for goods and services	(10,982,153)	(12,761,989)
Cash payments to employees for services and benefits	<u>(33,574,337)</u>	<u>(30,534,207)</u>
Net cash provided by operating activities	<u>9,462,891</u>	<u>12,802,431</u>
Cash flows from investing activity - interest received	<u>642,686</u>	<u>1,812,243</u>
Cash flows from capital and related financing activities:		
Capital grants received	2,353,945	511,520
Repayment of long-term debt	(2,380,000)	(1,320,000)
Interest paid	(2,724,585)	(2,531,032)
Purchase of property, plant and equipment	<u>(6,239,241)</u>	<u>(5,069,745)</u>
Net cash used in capital and related financing activities	<u>(8,989,881)</u>	<u>(8,409,257)</u>
Cash flows from non-capital related financing activities:		
Operating grants received	445,151	352,065
Other non-capital activities	<u>(306,683)</u>	<u>34,655</u>
Cash provided by non-capital related financing activities	<u>138,468</u>	<u>386,720</u>
Net increase in cash and cash equivalents	1,254,164	6,592,137
Cash and cash equivalents at beginning of year	<u>113,518,495</u>	<u>106,926,358</u>
Cash and cash equivalents at end of year	\$ <u><u>114,772,659</u></u>	\$ <u><u>113,518,495</u></u>
Reconciliation of (loss) earnings from operations to net cash provided by operating activities:		
(Loss) earnings from operations	\$ (1,064,005)	\$ 6,881,422
Adjustments to reconcile (loss) earnings from operations to net cash provided by operating activities:		
Depreciation	6,360,712	6,765,725
Provision for bad debts	51,658	29,105
Pension expenses (recoveries)	648,617	(747,459)
Other post-employment benefit costs	3,959,175	1,166,339
Changes in operating assets and liabilities:		
Accounts receivable, net	(736,211)	909,021
Prepaid expenses	(26,497)	19,921
Replacement parts inventories, net	(79,321)	64,226
Accounts payable, trade and others	323,419	(2,136,820)
Security deposits and other payables	(1,297,546)	(280,963)
Accrued payroll and withholdings	373,232	89,841
Accrued annual leave	415,917	24,538
Unearned revenue	76,481	(75,394)
Accrued sick leave	<u>457,260</u>	<u>92,929</u>
Net cash provided by operating activities	\$ <u><u>9,462,891</u></u>	\$ <u><u>12,802,431</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements  
September 30, 2020 and 2019

(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 (GovGuam).

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 GovGuam 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). 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 and expenses. All expenses related to operating the Authority are reported as operating expenses. Capital grants and other capital contributions from governmental agencies are recorded as net position when earned. Operating grants are recorded as revenue when earned.

**PORT AUTHORITY OF GUAM**  
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Notes to Financial Statements  
September 30, 2020 and 2019

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

Net Position

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources 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, 2020 and 2019 is expendable.

Unrestricted:

Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of 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, deposits in banks, time certificates of deposit, money market funds and short-term investments in U.S. Treasury obligations with initial maturities of three months or less. Restricted cash is considered to be cash and cash equivalents but is separately classified in the statements of net position.

Accounts Receivable and Allowance for Doubtful Accounts

Substantially all of the Authority's accounts receivable as of September 30, 2020 and 2019 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, 2020 and 2019, receivables that are more than thirty days past due totaled \$825,382 and \$637,434, respectively. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability 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.

**PORT AUTHORITY OF GUAM**  
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Notes to Financial Statements  
September 30, 2020 and 2019

**(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 and are largely used for repair and maintenance of non-current plant and equipment. 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 GovGuam. 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. Annual leave pay is convertible to pay upon termination of employment.

In accordance with Public Law No. 27-5 and Public Law No. 28-68, employee annual leave accrual rates are credited at either 104, 156 or 208 hours per year, depending upon the employees' 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 annual leave 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 (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement.

**PORT AUTHORITY OF GUAM**  
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Notes to Financial Statements  
September 30, 2020 and 2019

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

**Pensions**

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Authority recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents the Authority's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes the Authority's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**Other Post-Employment Benefits (OPEB)**

OPEB is required to be recognized and disclosed using the accrual basis of accounting. OPEB offered to the Authority's retirees includes health and life insurance. The Authority recognizes OPEB liability for the defined benefit OPEB plan in which it participates, which represents the Authority's proportional share of total OPEB liability - actuarially calculated - of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established; thus, the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until the applicable future period.

**PORT AUTHORITY OF GUAM**  
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Notes to Financial Statements  
September 30, 2020 and 2019

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

**Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until the applicable future period.

**Taxes**

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

**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, 2020, 2019 and 2018.

**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.

**PORT AUTHORITY OF GUAM**  
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Notes to Financial Statements  
September 30, 2020 and 2019

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

New Accounting Standards

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

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement Nos: 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

**PORT AUTHORITY OF GUAM**  
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Notes to Financial Statements  
September 30, 2020 and 2019

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

**New Accounting Standards, Continued**

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements Nos. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending December 31, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.



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

**New Accounting Standards, Continued**

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

**(2) Cash and Cash Equivalents**

The 2018 bond indenture agreement requires the establishment of special funds to be held and administered by trustees. In addition, proceeds from borrowings to finance various construction projects are maintained by the Authority in construction accounts as required by the 2018 bond indenture. Also, certain funds are restricted by rate orders of the PUC.

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**(2) Cash and Cash Equivalents, Continued**

The deposit and investment policies of the Authority are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with applicable bond indentures. Authorized investments include obligations issued or guaranteed by the U.S. government or agencies of the U.S. government; bonds, notes or other indebtedness rated in the highest rating by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P); obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities of not more than three years; any bonds or other obligations of any state of the U.S. or any agency, instrumentality or local government unit of such state which are rated in the highest rating category of either Moody's or S&P; demand and time deposits in certificates of deposit or bankers acceptances with U.S. domestic banks which have a rating of their short term certificates of deposit of A-1 or better by S&P and P-1 by Moody's and mature no more than 360 days after purchase; commercial paper which has a rating in the highest classification by S&P and Moody's; and money market funds rated AAA or better by S&P.

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

As of September 30, 2020 and 2019, the carrying amount of the Authority's cash and cash equivalents totaled \$114,772,659 and \$113,518,495, respectively, and the corresponding bank balances were \$114,861,925 and \$113,729,082, respectively. Of the bank balance amount as of September 30, 2020 and 2019, \$28,960,799 and \$23,235,483 respectively, was maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2020, and 2019, bank deposits in the amount of \$500,000 were FDIC insured for both years. Bank balances as of September 30, 2020 and 2019 also include \$85,901,126 and \$90,493,599, respectively, of short-term investments held and administered by the Authority's trustee in the Authority's name in accordance with a trust agreement and the 2018 bond indenture. As of September 30, 2020, and 2019, monies in the amount of \$6,840,156 and \$6,164,008, respectively were invested in deposit accounts insured by the U.S. Government. 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. As of September 30, 2020 and 2019, \$ 21,530,377 and \$16,360,887, respectively, of cash and cash equivalents are subject to custodial credit risk. Under 5 GCA21, the Government of Guam requires collateralization of deposits in excess of depository insurance in an amount in value at least ten percent in excess of monies deposited with the financial institution. Such collateralization should be in securities in U.S. Treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of the Government of Guam; investment certificates of the Federal Home Bank; or such securities as may be approved by the Director of Administration and the Governor of Guam. 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.

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**(2) Cash and Cash Equivalents, Continued**

The composition of restricted cash and cash equivalents is as follows:

	<u>2020</u>	<u>2019</u>
<b>Current restricted:</b>		
2018 Bond Indenture Funds		
Capitalized interest fund	\$ -	\$ 2,696,920
Working capital reserve fund	3,090,744	3,067,940
General reserve fund	10,000	-
Debt service fund	1,438,102	784,602
Revenue fund	2,262,880	4,802,822
Capital improvement fund	10,201,454	8,059,065
Operations and maintenance fund	3,123,079	5,065,692
Renewal and replacement reserve fund	1,853,098	1,180,882
Operations and maintenance reserve fund	10,552,976	10,552,976
Bond reserve fund	5,337,736	5,337,736
Accrued interest	-	127,445
	<u>37,870,069</u>	<u>41,676,080</u>
<b>PUC Restricted Funds</b>		
Crane replacement sinking fund	4,368,914	3,785,201
Facility maintenance fund	<u>4,474,115</u>	<u>2,532,505</u>
	<u>8,843,029</u>	<u>6,317,706</u>
<b>Total restricted cash and cash equivalents - current</b>	<u>46,713,098</u>	<u>47,993,786</u>
<b>Noncurrent restricted:</b>		
2018 Bond Indenture Fund - Construction fund	<u>48,041,056</u>	<u>48,944,964</u>
	<u>\$ 94,754,154</u>	<u>\$ 96,938,750</u>

**(3) Property, Plant and Equipment**

A summary of changes in property, plant and equipment for the years ended September 30, 2020 and 2019 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2019</u>	<u>Transfers</u> <u>and Additions</u>	<u>Transfers</u> <u>and Deletions</u>	<u>Ending Balance</u> <u>September 30, 2020</u>
<b><u>Depreciable:</u></b>				
Buildings	\$ 145,148,759	\$ 59,515	\$ -	\$ 145,208,274
Equipment	<u>34,404,727</u>	<u>3,009,221</u>	<u>(1,599,072)</u>	<u>35,814,876</u>
	179,553,486	3,068,736	(1,599,072)	181,023,150
Less accumulated depreciation	<u>(69,664,343)</u>	<u>(6,360,712)</u>	<u>1,590,606</u>	<u>(74,434,449)</u>
	<u>109,889,143</u>	<u>(3,291,976)</u>	<u>(8,466)</u>	<u>106,588,701</u>
<b><u>Non-depreciable:</u></b>				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	<u>3,416,361</u>	<u>5,668,938</u>	<u>(2,498,433)</u>	<u>6,586,866</u>
	<u>6,979,361</u>	<u>5,668,938</u>	<u>(2,498,433)</u>	<u>10,149,866</u>
<b>Total</b>	<u>\$ 116,868,504</u>	<u>\$ 2,376,962</u>	<u>\$ (2,506,899)</u>	<u>\$ 116,738,567</u>

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**(3) Property, Plant and Equipment, Continued**

	<u>Beginning Balance</u> <u>October 1, 2018</u>	<u>Transfers</u> <u>and Additions</u>	<u>Transfers</u> <u>and Deletions</u>	<u>Ending Balance</u> <u>September 30, 2019</u>
<u>Depreciable:</u>				
Buildings	\$ 141,281,560	\$ 3,867,199	\$ -	\$ 145,148,759
Equipment	<u>33,999,112</u>	<u>689,390</u>	<u>(283,775)</u>	<u>34,404,727</u>
	175,280,672	4,556,589	(283,775)	179,553,486
Less accumulated depreciation	<u>(63,142,465)</u>	<u>(6,765,725)</u>	<u>243,847</u>	<u>(69,664,343)</u>
	<u>112,138,207</u>	<u>(2,209,136)</u>	<u>(39,928)</u>	<u>109,889,143</u>
<u>Non-depreciable:</u>				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	<u>2,903,205</u>	<u>4,980,278</u>	<u>(4,467,122)</u>	<u>3,416,361</u>
	<u>6,466,205</u>	<u>4,980,278</u>	<u>(4,467,122)</u>	<u>6,979,361</u>
Total	<u>\$ 118,604,412</u>	<u>\$ 2,771,142</u>	<u>\$ (4,507,050)</u>	<u>\$ 116,868,504</u>

**(4) Pensions**

The Authority is statutorily responsible for providing pension benefits for the Authority's employees through the GovGuam Retirement Fund (GGRF).

**A. General Information About the Pension Plans:**

*Plan Description:* GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes the Authority, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS) Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans are eligible to receive an annual ad hoc cost of living allowance (COLA).

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 Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – [www.ggrf.com](http://www.ggrf.com).

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**(4) Pensions, Continued**

**A. General Information About the Pension Plans, Continued:**

*Plan Membership:* As of September 30, 2019 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,360
Inactive employees entitled to but not yet receiving benefits	3,162
Active employees	<u>4,850</u>
	15,372
DCRS members:	
Active employees	<u>6,286</u>
	<u>21,658</u>

*Benefits Provided:* The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty-six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retirees in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of \$2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

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Notes to Financial Statements  
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(4) Pensions, Continued

A. General Information About the Pension Plans, Continued:

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Government of Guam Retirement Security Plan (GRSP). Commencing April 1, 2017 through September 30, 2018, eligible employees may elect, during the "election window", to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018. Beginning January 1, 2018, all new employees shall be automatically enrolled in the GRSP. New employees have sixty (60) days from the date of hire to elect to participate in the DCRS.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced  $\frac{1}{2}$  of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the GovGuam as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

*Contributions and Funding Policy:* Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the September 30, 2018 actuarial valuation was used for determining the year ended September 30, 2020 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2018, 2017 and 2016, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2020, 2019 and 2018, respectively, have been determined as follows:

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**(4) Pensions, Continued**

**A. General Information About the Pension Plans, Continued:**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Normal costs (% of DB Plan payroll)	13.86%	13.54%	15.97%
Employee contributions (DB Plan employees)	<u>9.52%</u>	<u>9.52%</u>	<u>9.55%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>4.34%</u>	<u>4.02%</u>	<u>6.42%</u>
Employer portion of normal costs (% of total payroll)	2.39%	2.29%	1.60%
Unfunded liability cost (% of total payroll)	<u>20.70%</u>	<u>21.29%</u>	<u>22.12%</u>
Government contribution as a % of total payroll	<u>23.09%</u>	<u>23.58%</u>	<u>23.72%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>26.28%</u>	<u>26.56%</u>	<u>27.83%</u>
Employee	<u>9.52%</u>	<u>9.52%</u>	<u>9.55%</u>

The Authority's contributions to the DB Plan for the years ended September 30, 2020, 2019 and 2018 were \$3,436,208, \$3,172,830, and \$2,666,133, respectively, which were equal to the statutorily required contributions for the respective years then ended.

The Authority's contributions to the supplemental annuity benefit payments and the COLA payments for the years ended September 30, 2020, 2019 and 2018 were \$1,064,349, \$1,076,038 and \$1,082,514, respectively, which were equal to the statutorily required contributions for the respective years then ended.

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

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay, which increased to 6.2% effective January 1, 2018. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions for the DCRS plan for the year ended September 30, 2020 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 DCRS, which increased to 6.2% effective January 1, 2018. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

The Authority's contributions to the DCRS Plan for the years ended September 30, 2020, 2019 and 2018 were \$2,325,742, \$2,019,302, and \$2,358,320, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$1,777,051, \$1,547,929 and \$1,874,487 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2020, 2019 and 2018, respectively.

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**(4) Pensions, Continued**

**B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

*Pension Liability:* At September 30, 2020 and 2019, the Authority reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2019 and 2018, respectively, which is comprised of the following:

	<u>2020</u>	<u>2019</u>
Defined Benefit Plan	\$ 46,826,407	\$ 41,041,830
Ad Hoc COLA/supplemental annuity Plan for DB retirees	13,573,770	11,646,387
Ad Hoc COLA Plan for DCRS retirees	<u>3,117,626</u>	<u>2,527,680</u>
	<u>\$ 63,517,803</u>	<u>\$ 55,215,897</u>

The Authority's proportion of the GovGuam net pension liabilities was based on the Authority's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2020 and 2019, the Authority's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2020</u>	<u>2019</u>
Defined Benefit Plan	3.86%	3.48%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	4.19%	4.02%
Ad Hoc COLA Plan for DCRS retirees	5.21%	5.12%

*Pension Expense:* For the years ended September 30, 2020 and 2019, the Authority recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2020</u>	<u>2019</u>
Defined Benefit Plan	\$ 5,413,787	\$ 4,693,096
Ad Hoc COLA/supplemental annuity Plan for DB retirees	1,214,385	1,185,428
Ad Hoc COLA Plan for DCRS retirees	<u>228,058</u>	<u>(691,349)</u>
	<u>\$ 6,856,230</u>	<u>\$ 5,187,175</u>



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**(4) Pensions, Continued**

**B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:**

*Deferred Outflows and Inflows of Resources:* At September 30, 2020 and 2019, the Authority reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 67,212	\$ -	\$ 94,059	\$ -	\$ 328,337	\$ 90,553
Net difference between projected and actual earnings on pension plan investments	1,646,566	415,100	-	41,739	-	-
Changes of assumptions	-	-	1,218,677	211,008	750,577	302,454
Contributions subsequent to the measurement date	5,213,259	-	958,349	-	106,000	-
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>3,130,399</u>	<u>9,498</u>	<u>348,185</u>	<u>37,989</u>	<u>41,447</u>	<u>528,894</u>
	<u>\$ 10,057,436</u>	<u>\$ 424,598</u>	<u>\$ 2,619,270</u>	<u>\$ 290,736</u>	<u>\$ 1,226,361</u>	<u>\$ 921,901</u>
	2019					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 115,827	\$ -	\$ 172,309	\$ -	\$ 363,163	\$ 23,099
Net difference between projected and actual earnings on pension plan investments	-	735,751	-	-	-	-
Changes of assumptions	-	-	-	386,552	301,045	337,368
Contributions subsequent to the measurement date	4,720,759	-	978,038	-	98,000	-
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>-</u>	<u>18,132</u>	<u>-</u>	<u>72,524</u>	<u>10,095</u>	<u>573,265</u>
	<u>\$ 4,836,586</u>	<u>\$ 753,883</u>	<u>\$ 1,150,347</u>	<u>\$ 459,076</u>	<u>\$ 772,303</u>	<u>\$ 933,732</u>

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**(4) Pensions, Continued**

**B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:**

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2019 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2021	\$ 1,169,237	\$ 519,511	\$ 27,142
2022	1,418,953	646,280	27,142
2023	1,203,858	204,394	27,142
2024	627,531	-	27,142
2025	-	-	27,142
Thereafter	<u>          -</u>	<u>          -</u>	<u>62,750</u>
	<u>\$ 4,419,579</u>	<u>\$ 1,370,185</u>	<u>\$ 198,460</u>

*Actuarial Assumptions:* Actuarially determined contribution rates for the DB Plan are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation date:	September 30, 2018
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	May 1, 2033 (14.58 years remaining as of September 30, 2018)
Asset valuation method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.50% per year
Total payroll growth:	2.75% per year
Salary increases:	4% to 7.5%
Retirement age:	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 70.

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**(4) Pensions, Continued**

**B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:**

Mortality: RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015. The rationale for each significant assumption is provided in the experience study. To the extent that actual experience differs from the assumptions, future pension costs will differ. The next experience study for the period October 1, 2015 to September 30, 2019 is scheduled to be performed prior to the next year's valuation.

The investment rate assumption as of September 30, 2019 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>
U.S. Equities (large cap)	26.0%	6.81%
U.S. Equities (small cap)	4.0%	8.12%
Non-U.S. Equities	17.0%	8.33%
Non-U.S. Equities (emerging markets)	3.0%	10.28%
U.S. Fixed Income (aggregate)	24.0%	3.87%
Risk parity	8.0%	5.56%
High yield bonds	8.0%	5.45%
Global Real Estate (REITs)	5.0%	8.01%
Global Equity	5.0%	7.44%

Remaining Amortization Period: The unfunded liability was being amortized over a closed period ending on May 1, 2031. This was extended by 2 years to May 1, 2033 by Public Law 33-186.

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**(4) Pensions, Continued**

**B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:**

*Discount Rate:* The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2019 and 2018 was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2019 was 2.66% (4.18% as of September 30, 2018), which is equal to the rate of return of a high quality bond index.

*Discount Rate Sensitivity Analysis:* The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the Authority's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$ <u>59,116,031</u>	\$ <u>46,826,407</u>	\$ <u>36,250,904</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net Pension Liability	\$ <u>14,975,393</u>	\$ <u>13,573,770</u>	\$ <u>12,378,788</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net Pension Liability	\$ <u>3,532,872</u>	\$ <u>3,117,626</u>	\$ <u>2,762,177</u>

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**(4) Pensions, Continued**

**C. Payables to the Pension Plans:**

As of September 30, 2020 and 2019, the Authority recorded payables to GGRF of \$295,072 and \$282,822, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

**(5) Other Post-Employment Benefits (OPEB)**

The Authority participates in the retiree health care benefits program. GovGuam’s Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an other post-employment benefits plan.

**A. General Information About the OPEB Plan:**

*Plan Description:* The other post-employment benefits plan is a single-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor’s recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a “pay-as-you-go” basis. Because the OPEB 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.

*Plan Membership:* As of September 30, 2019 and 2018 (the respective measurement periods), OPEB plan membership consisted of the following as of September 30, 2019 and 2018 (the respective actuarial valuation dates):

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefits	7,462	7,930
Active plan members	<u>10,832</u>	<u>10,136</u>
Total members	<u>18,294</u>	<u>18,066</u>

*Benefits Provided:* The OPEB Plan provides post-employment medical, dental and life insurance benefits to the Authority retirees, spouses, children and survivors, which are the same benefits as provided to active employees. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The Authority contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums. Three types of health plans are offered to eligible participants.

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**(5) Other Post-Employment Benefits (OPEB), Continued**

**A. General Information About the OPEB Plan, Continued:**

- Standard islandwide Preferred Provider Organization (PPO) Plan
- High Deductible (Health Savings Account - HSA) PPO Plan
- Retiree Supplement Plan (RSP)

The PPO and HSA Plans apply to both active employees and retirees and work with set deductible amounts whereas the RSP Plan is an added option for retirees only.

*Contributions:* No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

For the years ended September 30, 2020, 2019 and 2018, the Authority reimbursed GovGuam \$1,475,500, \$1,681,439 and \$1,862,828, respectively, for its share of the costs of the above mentioned Plan, which were equal to the statutorily required contributions.

**B. Total OPEB Liability:**

As of September 30, 2020 and 2019, the Authority reported a total OPEB liability of \$92,013,986 and \$67,314,364, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2019 and 2018. The following presents the Authority's change in proportionate share since the prior measurement date:

Proportion at prior measurement date, September 30, 2018	3.59%
Proportion at measurement date, September 30, 2019	<u>3.60%</u>
Increase in proportion	<u>0.01%</u>

*Actuarial Assumptions:* The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2018, rolled forward to the measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%
Amortization method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	7.5% per year for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years and 4.0% for service over 15 years. Previously, 7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years.

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**(5) Other Post-Employment Benefits (OPEB), Continued**

**B. Total OPEB Liability, Continued:**

Healthcare cost trend rates:	For 2018, Non-Medicare 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2029 and later years. Previously, 8% for 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year.
Dental trend rates:	3.8% in year one; 3.75% per year thereafter, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends. Previously, 4% per year.
Participation rates:	Medical - 100% of eligible retired employees will elect to participate. Dental - 100% of eligible retirees will elect to participate. Life - 100% of eligible retirees will elect to participate. Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrolment assumption below.
Medicare enrollment:	15% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical – 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee’s retirement. Dental – 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee’s retirement. Life – 100% of spouses of active employees will elect to participate at the active employee’s retirement. For current retired employees, the actual census information is used. Previously, 60% of employees are assumed to retire with a covered spouse.

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**(5) Other Post-Employment Benefits (OPEB), Continued**

**B. Total OPEB Liability, Continued:**

Actuarial cost method: Entry Age Normal. The costs of each employee's post-employment benefits are allocated on a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.

Healthy retiree mortality rate: RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB. Previously, set forward 4 years and 1 year for males and females, respectively.

Disabled retiree mortality rates: RP-2000 Disabled Mortality Table for males and females, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.

Withdrawal rates: 15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.

Disability rates: 1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females as follows: 0.05% for males aged 20-39 years (0.03% for females); 0.10% - .18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.53% for males aged 50-59 years (0.16% - 0.27% for females); and 0.76% for males aged 60-64 years (0.38% for females). Previously, 1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and females.

Retirement rates: 50% of employees are assumed to retire at first eligibility for unreduced benefits under the Government of Guam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75. Previously, 40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the Government of Guam Retirement Fund, 15% per year thereafter until age 65, 20% per year thereafter until age 70 and 100% at age 70.

*OPEB Plan Fiduciary Net Position:* An OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.



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**(5) Other Post-Employment Benefits (OPEB), Continued**

**B. Total OPEB Liability, Continued:**

*Discount Rate:* The discount rate used to measure the total OPEB liability was 2.66% as of September 30, 2019 (4.18% as of September 30, 2018). The projection of cash flows used to determine the discount rate assumed that contributions from the Authority will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.66% municipal bond rate as of September 30, 2019 (4.18% as of September 30, 2018) was applied to all periods of projected benefit payments to determine the total OPEB liability.

**C. Changes in the Total OPEB Liability:**

Changes in the Authority's proportionate share of the total OPEB liability for the years ended September 30, 2020 and 2019 are as follows:

	<u>2019</u>	<u>2018</u>
At October 1	\$ <u>67,314,364</u>	\$ <u>84,786,658</u>
Changes for the year:		
Service cost	2,492,109	2,980,600
Interest	2,885,664	3,156,104
Change in proportionate share	407,840	3,313,976
Difference between expected and actual experience	-	(18,753,465)
Change of assumptions	20,456,909	(6,524,999)
Benefit payments	<u>(1,542,900)</u>	<u>(1,644,510)</u>
Net change	<u>24,699,622</u>	<u>(17,472,294)</u>
At September 30	\$ <u>92,013,986</u>	\$ <u>67,314,364</u>

*Discount Rate Sensitivity Analysis:* The following schedule shows the impact on the OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.18%) in measuring the 2018 OPEB liability.

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
OPEB Liability	\$ <u>109,909,432</u>	\$ <u>92,013,986</u>	\$ <u>77,790,694</u>

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**(5) Other Post-Employment Benefits (OPEB), Continued**

**C. Changes in the Total OPEB Liability, Continued:**

*Healthcare Cost Trend Rate Sensitivity Analysis:* The following schedule presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact on the OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the current healthcare cost trend rate used in measuring the 2019 OPEB liability.

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
OPEB Liability	\$ <u>74,771,472</u>	\$ <u>92,013,986</u>	\$ <u>114,860,291</u>

**D. OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

For the years ended September 30, 2020 and 2019, the Authority recognized OPEB expense of \$5,434,675 and \$2,847,778, respectively. At September 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 20,057,226	\$ -	\$ 4,875,313	\$ 11,171,774
Difference between expected and actual experience		12,064,107	-	15,386,595
Contributions subsequent to the measurement date	1,475,500		1,681,439	-
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>2,135,393</u>	<u>8,579,443</u>	<u>2,285,740</u>	<u>-</u>
	<u>\$ 23,668,119</u>	<u>\$ 20,643,550</u>	<u>\$ 8,842,492</u>	<u>\$ 26,558,369</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2019 will be recognized in OPEB expense as follows:

<u>Year Ended September 30</u>	
2021	\$ (143,368)
2022	(143,368)
2023	(1,728,602)
2024	1,427,356
2025	<u>2,137,052</u>
	<u>\$ 1,549,069</u>

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**(6) Long-Term Liabilities**

**A. Long-Term Debt**

Long-term bank debt consists of the following:

	<u>2020</u>	<u>2019</u>
2018 Series A Revenue Bonds, initial face value of \$29,980,000, interest at 5.0% per annum payable semi-annually in January and July, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of \$270,000 in July 2037, increasing to a final payment of \$3,405,000 in July 2048.	\$ 29,980,000	\$ 29,980,000
2018 Series B Revenue Bonds, initial face value of \$23,145,000, interest at 5.0% per annum payable semi-annually in January and July, principal payments payable in varying and staggered annual installments commencing with a payment of \$1,320,000 in July 2019, with a final payment of \$1,725,000 in July 2037.	21,825,000	21,825,000
2018 Series C Revenue Bonds, initial face value of \$18,320,000, interest at varying rates from 3.587% to 4.582% per annum payable semi-annually in January and July, principal payments payable in varying annual installments commencing with a payment of \$2,380,000 in July 2020, with a final payment of \$3,370,000 in July 2028.	<u>15,940,000</u>	<u>18,320,000</u>
Total long-term debt	67,745,000	70,125,000
Less current portion	<u>(2,465,000)</u>	<u>(2,380,000)</u>
	<u>65,280,000</u>	<u>67,745,000</u>
Add premium on bonds	<u>4,762,079</u>	<u>5,001,699</u>
	<u>\$ 70,042,079</u>	<u>\$ 72,746,699</u>

In June 2018, the Authority issued Revenue Bonds 2018 Series to finance various capital projects, retire certain existing bank loans, provide for capitalized interest for up to two years, fund the bond reserve fund and pay costs of issuance.

All gross revenues of the Authority, except for crane surcharge, facility maintenance fee, and public marina revenues, have been pledged to secure the payment of the bond principal and interest. For the year ended September 30, 2020, the debt service for the series bonds was \$5,745,862 or approximately 12.31% of pledged gross revenues.

Bond premiums associated with the 2018 series bonds are being amortized using the effective interest method over the life of the debt.

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**(6) Long-Term Liabilities, Continued**

**A. Long-Term Debt, Continued**

As of September 30, 2020, future maturities of long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 2,465,000	\$ 3,280,862	\$ 5,745,862
2022	2,560,000	3,182,633	5,742,633
2023	2,685,000	3,063,896	5,748,896
2024	2,820,000	2,935,842	5,755,842
2025	2,955,000	2,801,618	5,756,618
2026 through 2030	12,445,000	11,975,214	24,420,214
2031 through 2035	8,210,000	9,672,750	17,882,750
2036 through 2040	10,485,000	7,403,250	17,888,250
2041 through 2045	13,380,000	4,507,750	17,887,750
2046 through 2048	<u>9,740,000</u>	<u>989,750</u>	<u>10,729,750</u>
	<u>\$ 67,745,000</u>	<u>\$ 49,813,565</u>	<u>\$ 117,558,565</u>

Changes in long-term bank debt for the years ended September 30, 2020 and 2019 are as follows:

	Outstanding at September 30, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding at September 30, <u>2020</u>	<u>Current</u>	<u>Noncurrent</u>
	2018 Series A bonds	\$ 29,980,000	\$ -	\$ -	\$ 29,980,000	\$ -
2018 Series B bonds	21,825,000	-	-	21,825,000	-	21,825,000
2018 Series C bonds	18,320,000	-	2,380,000	15,940,000	2,465,000	13,475,000
Unamortized premium on 2018 Series bonds	<u>5,001,699</u>	<u>-</u>	<u>239,620</u>	<u>4,762,079</u>	<u>-</u>	<u>4,762,079</u>
	<u>\$ 75,126,699</u>	<u>\$ -</u>	<u>\$ 2,619,620</u>	<u>\$ 72,507,079</u>	<u>\$ 2,465,000</u>	<u>\$ 70,042,079</u>

	Outstanding at September 30, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding at September 30, <u>2019</u>	<u>Current</u>	<u>Noncurrent</u>
	2018 Series A bonds	\$ 29,980,000	\$ -	\$ -	\$ 29,980,000	\$ -
2018 Series B bonds	23,145,000	-	1,320,000	21,825,000	-	21,825,000
2018 Series C bonds	18,320,000	-	-	18,320,000	2,380,000	15,940,000
Unamortized premium on 2018 Series bonds	<u>5,252,614</u>	<u>-</u>	<u>250,915</u>	<u>5,001,699</u>	<u>-</u>	<u>5,001,699</u>
	<u>\$ 76,697,614</u>	<u>\$ -</u>	<u>\$ 1,570,915</u>	<u>\$ 75,126,699</u>	<u>\$ 2,380,000</u>	<u>\$ 72,746,699</u>

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**(6) Long-Term Liabilities, Continued**

**A. Long-Term Debt, Continued**

**Bond Covenants**

The Master Indenture, dated July 1, 2018, as supplemented by the First Supplemental Indenture, sets forth the establishment of accounts, the application of revenues, and certain other covenants to ensure payment of debt service. Management believes the Authority was in compliance with all bond covenants as of and for the years ended September 30, 2020 and 2019. The primary requirements of the Master Indenture are summarized below:

Rate Covenant – the Authority has covenanted to at all times fix, prescribe and collect rates, fees and charges sufficient to yield the sum of net revenues available for debt service during each fiscal year equal to at least 1.25 times the total annual debt service for such fiscal year and to yield revenues during each fiscal year equal to at least the total amount of all transfers required to be made to the Operation and Maintenance Fund, the Debt Service Fund, the Bond Reserve Fund, the Subordinate Securities Fund, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Reserve Fund for such fiscal year. Net revenues available for debt service means the sum of all revenues received during the period (excluding crane surcharges, facility maintenance fee, and public marina revenues) less operation and maintenance expenses incurred during such period.

Reserve Funds – the Master Indenture creates the following reserve funds and fund requirements:

- Operation and maintenance reserve fund equal to 90 days, on average, of the total operation and maintenance expenses budgeted by the Authority for the then current fiscal year
- Renewal and replacement reserve fund equal to the greater of (i) an amount equivalent to 30 days, on average, of the total operation and maintenance expenses budgeted by the Authority for the then current fiscal year or (ii) \$3 million (required in 2023)
- Bond reserve fund equal to \$5,337,736
- Working capital reserve fund equal to 180 days of the operation and maintenance costs of the current fiscal year (required in 2023)

Debt Service Fund - the Master Indenture creates a Debt Service Fund available for the purpose of: (1) paying interest on each bond as it shall become due and payable; (2) paying the principal of each bond when due and payable; (3) paying mandatory sinking account when due; and (4) paying Parity Payment Agreement Payments due and payable. As of September 30, 2020 and 2019, the Authority is not currently a party to any Parity Payment Agreements.

Operation and Maintenance Fund - the Master Indenture creates an Operation and Maintenance Fund, available for working capital purposes. The Authority must maintain a balance in such account equal to the amount of operation and maintenance expenses budgeted by the Authority to be paid from revenues during the next succeeding calendar month.

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**(6) Long-Term Liabilities, Continued**

**A. Long-Term Debt, Continued**

**Bond Covenants, Continued**

Events of default with finance related consequences - the Master Indenture specifies a number of Events of Default and related remedies. In the event that the amount in any Fund or Account is insufficient for the purposes for which such Fund or Account was established, the Trustee shall transfer such amount as is necessary to satisfy such deficiency.

Acceleration - the remedies granted to the Trustee and the Bondholders under the Master Indenture do not include any right to accelerate the payment of the outstanding bonds. The Trustee is authorized to take certain actions upon the occurrence of an event of default, including proceedings to enforce the rights of Bondholders as outlined in the Indenture.

**B. Other Long-Term Liabilities**

Changes in other long-term liabilities in fiscal year 2020 and 2019 were as follows:

	Outstanding at September 30, <u>2019</u>			Outstanding at September 30, <u>2020</u>		
	<u>Increases</u>	<u>Decreases</u>	<u>Current</u>	<u>Noncurrent</u>		
Accrued annual leave	\$ 1,845,025	\$ 1,980,677	\$ 1,564,760	\$ 2,260,942	\$ 1,798,867	\$ 462,075
Accrued sick leave	1,086,660	1,165,390	708,130	1,543,920		1,543,920
Net pension liability	55,215,897	14,098,703	5,796,797	63,517,803	-	63,517,803
OPEB liability	<u>67,314,364</u>	<u>26,381,060</u>	<u>1,681,438</u>	<u>92,013,986</u>	-	<u>92,013,986</u>
	<u>\$ 125,461,946</u>	<u>\$ 43,625,830</u>	<u>\$ 9,751,125</u>	<u>\$ 159,336,651</u>	<u>\$ 1,798,867</u>	<u>\$ 157,537,784</u>

	Outstanding at September 30, <u>2018</u>			Outstanding at September 30, <u>2019</u>		
	<u>Increases</u>	<u>Decreases</u>	<u>Current</u>	<u>Noncurrent</u>		
Accrued annual leave	\$ 1,820,487	\$ 1,569,498	\$ 1,544,960	\$ 1,845,025	\$ 1,378,855	\$ 466,170
Accrued sick leave	993,731	675,132	582,203	1,086,660	-	1,086,660
Net pension liability	54,652,898	6,186,133	5,623,134	55,215,897	-	55,215,897
OPEB liability	<u>84,786,658</u>	<u>6,724,192</u>	<u>24,196,486</u>	<u>67,314,364</u>	-	<u>67,314,364</u>
	<u>\$ 142,253,774</u>	<u>\$ 15,154,955</u>	<u>\$ 31,946,783</u>	<u>\$ 125,461,946</u>	<u>\$ 1,378,855</u>	<u>\$ 124,083,091</u>

**(7) Major Customers**

For the years ended September 30, 2020 and 2019, the Authority has two major shipping agency customers that collectively accounted for 65.46% and 65.63% of total operating revenues, respectively. The Authority has a high concentration of credit risk due to the limited number of entities comprising its customer base.

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**(8) Rental Operations**

The Authority leases space to tenants under non-cancelable operating leases, with options to renew, providing for future minimum rentals. The minimum future rentals on non-cancelable operating leases for the five succeeding fiscal years and thereafter, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 703,556
2022	622,446
2023	622,446
2024	622,446
2025	621,481
Thereafter	<u>4,899,233</u>
	<u>\$ 8,091,608</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 \$9,191,997 and \$8,833,474 for the years ended September 30, 2020 and 2019, respectively.

**(9) 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 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 the Phase I-A of the plan in 2010 with \$50 million and \$54.5 million appropriations from U.S. Department of Defense (USDOD) and United States Department of Agriculture (USDA), respectively. 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. The Authority utilized the \$50 million appropriation from the USDOD and only \$3.5 million appropriation from USDA and will no longer use the rest due to changes in certain factors relating to the military buildup and cargo forecast.

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(9) Commitments and Contingencies, Continued

Port Modernization Plan, Continued

Appropriation from the USDOD is sourced from the 2010 U.S. Supplemental Appropriations Act that was signed into law in August 2010. The appropriation was transferred to the Fund on September 22, 2010 and is administered and disbursed by MARAD based on the terms of the MOU. The Authority segregated the construction funded by the \$50 million USDOD appropriation into three phases. All three phases have been completed and capitalized in 2015. A dashboard project expenditure summary was provided to the Authority by MARAD and was used as the basis for recording of capital assets. The appropriation from the USDOD has a remaining \$2,600,000 which has been reprogrammed for the maintenance of the capital assets and for acquisition of equipment.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of the Government of Guam who earn a superior performances grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. The remaining estimated accrued merit bonus as of September 30, 2020 and 2019 is \$54,000.

Government of Guam General Fund

In March 2011, the Authority received a \$12,250,000 invoice from GovGuam'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. No liability is recorded for this Government of Guam billing as of September 30, 2020 and 2019.

Lawsuit and Claims

The Authority is a defendant in various lawsuits and proceedings arising in the normal course of business. At September 30, 2020, the Authority accrued approximately \$1.9 million, included in security deposits and other payables account in the statements of net position, for estimated settlements of various litigation.

While the outcome of the 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 any additional material adverse effect on the Authority's financial statements at this time, and therefore, except as disclosed above, no provision has been recorded for litigation and claims in the financial statements.



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September 30, 2020 and 2019

**(9) Commitments and Contingencies, Continued**

**Contract Commitments**

As of September 30, 2020, the Authority has various on-going construction contracts with a total contract price of \$14.1 million, of which \$9.9 million has been recorded as construction work-in-progress.

**Purchase Commitments**

As of September 30, 2020, the Authority has outstanding purchase orders for various equipment purchases totaling \$10 thousand.

**(10) Restricted Net Position**

At September 30, 2020 and 2019, net position is restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Debt service	\$ 32,532,334	\$ 33,641,424
Future crane acquisition or extraordinary crane maintenance	4,368,915	3,785,201
Maintenance, replacements, and repair of facilities	<u>4,474,116</u>	<u>2,532,505</u>
	<u>\$ 41,375,365</u>	<u>\$ 39,959,130</u>

**(11) COVID-19**

The Authority's operations have been affected by the recent and ongoing outbreak of the coronavirus disease. As a result of the spread of the COVID-19 coronavirus, governments worldwide implemented actions to restrict travel and economic activities. The ultimate disruption which may be caused by the outbreak is uncertain, therefore, the actual impact on the Authority's business, results of operations, and financial position for fiscal year 2021 and beyond is currently not determinable.

**OTHER FINANCIAL INFORMATION**

PORT AUTHORITY OF GUAM  
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Required Supplemental Information (Unaudited)  
Schedule of Proportional Share of the Net Pension Liability  
Last 10 Fiscal Years\*

	Defined Benefit Plan					
	2020	2019	2018	2017	2016	2015
Total Government of Guam net pension liability	\$ 1,214,462,675	\$ 1,179,192,550	\$ 1,142,249,393	\$ 1,368,645,126	\$ 1,436,814,230	\$ 1,246,306,754
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	\$ 46,826,407	\$ 41,041,830	\$ 39,782,133	\$ 43,796,523	\$ 44,375,587	\$ 37,618,961
PAG's proportion of the net pension liability	3.86%	3.48%	3.48%	3.20%	3.09%	3.02%
PAG's covered-employee payroll**	\$ 19,644,856	\$ 17,885,121	\$ 17,703,032	\$ 16,202,268	\$ 15,793,402	\$ 15,241,377
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	238.36%	229.47%	224.72%	270.31%	280.98%	246.82%
Plan fiduciary net position as a percentage of the total pension liability	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%

\* This data is presented for those years for which information is available.

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM  
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Required Supplemental Information (Unaudited)  
Schedule of Proportional Share of the Net Pension Liability  
Last 10 Fiscal Years\*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2020	2019	2018	2017
Total Government of Guam net pension liability***	\$ 324,192,725	\$ 289,875,668	\$ 288,147,121	\$ 229,486,687
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	\$ 13,573,770	\$ 11,646,387	\$ 11,683,996	\$ 9,759,549
PAG's proportion of the net pension liability	4.19%	4.02%	4.05%	4.25%
PAG's covered-employee payroll**	\$ 21,332,343	\$ 20,645,687	\$ 20,610,932	\$ 21,532,740
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	63.63%	56.41%	56.69%	45.32%

\* This data is presented for those years for which information is available.  
 \*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.  
 \*\*\* No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

**PORT AUTHORITY OF GUAM**  
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Required Supplemental Information (Unaudited)  
Schedule of Proportional Share of the Net Pension Liability  
Last 10 Fiscal Years\*

Ad Hoc COLA Plan for DCRS Retirees

	2020	2019	2018	2017
Total Government of Guam net pension liability***	\$ 59,884,407	\$ 49,342,424	\$ 62,445,490	\$ 61,688,067
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	\$ 3,117,626	\$ 2,527,680	\$ 3,186,769	\$ 3,211,338
PAG's proportion of the net pension liability	5.21%	5.12%	5.10%	5.21%
PAG's covered-employee payroll**	\$ 12,260,578	\$ 13,548,374	\$ 19,228,448	\$ 19,004,676
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	25.43%	18.66%	16.57%	16.90%

\* This data is presented for those years for which information is available.  
\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.  
\*\*\* No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

**PORT AUTHORITY OF GUAM**  
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Required Supplemental Information (Unaudited)  
Schedule of Pension Contributions  
Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 4,720,759	\$ 4,540,620	\$ 4,210,492	\$ 4,017,046	\$ 4,172,659	\$ 4,062,777
Contributions in relation to the statutorily required contribution	<u>4,686,893</u>	<u>4,728,288</u>	<u>4,363,054</u>	<u>3,981,412</u>	<u>4,154,190</u>	<u>4,047,929</u>
Contribution (excess) deficiency	\$ 33,866	\$ (187,668)	\$ (152,562)	\$ 35,634	\$ 18,469	\$ 14,848
PAG's covered-employee payroll **	<u>\$ 19,644,856</u>	<u>\$ 17,885,121</u>	<u>\$ 17,703,032</u>	<u>\$ 16,202,268</u>	<u>\$ 15,793,402</u>	<u>\$ 15,241,377</u>
Contribution as a percentage of covered-employee payroll	23.86%	26.44%	24.65%	24.57%	26.30%	26.56%

\* This data is presented for those years for which information is available.

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM  
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Required Supplemental Information (Unaudited)  
Schedule of Changes in the Proportional Share of the Total OPEB Liability and Related Ratios  
Last 10 Fiscal Years\*

	2020	2019	2018	2017
Service cost	2,492,109	\$ 2,980,600	\$ 3,385,608	\$ 2,692,805
Interest	2,885,664	3,156,104	2,797,108	2,865,259
Changes in proportionate share	407,840	3,313,976	(10,865)	9,495,484
Difference between expected and actual experience	-	(18,753,465)	-	-
Change of assumptions	20,456,909	(6,524,999)	(8,713,844)	-
Benefit payments	(1,542,900)	(1,644,510)	(1,508,536)	(1,508,536)
Net change in OPEB liability	24,699,622	(17,472,294)	(4,050,529)	13,545,012
OPEB liability, beginning	67,314,364	84,786,658	88,837,187	75,292,175
OPEB liability, ending	\$ 92,013,986	\$ 67,314,364	\$ 84,786,658	\$ 88,837,187
Covered-employee payroll as of valuation date	\$ 19,172,254	\$ 17,724,837	\$ 17,004,433	\$ 17,004,433
OPEB liability as a percentage of covered-employee payroll	479.93%	379.77%	498.62%	522.44%

Notes to schedule:

<i>Discount rate</i>	2.660%	4.180%	3.630%	3.630%
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*Change in benefit terms:*

None.

*Change of assumptions:*

Discount rate has changed from respective measurement dates.

\* This data is presented for those years for which information is available.

\*\* No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

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Required Supplemental Information (Unaudited)  
Schedule of Proportional Share of the Total OPEB Liability  
Last 10 Fiscal Years\*

	2020	2019	2018	2017
Total OPEB liability **	\$ 2,553,523,376	\$ 1,874,970,335	\$ 2,431,048,672	\$ 2,532,753,040
PAG's proportionate share of the total OPEB liability	\$ 92,013,986	\$ 67,314,364	\$ 84,786,658	\$ 88,837,187
PAG's proportion of the total OPEB liability	3.60%	3.59%	3.49%	3.51%
PAG's covered-employee payroll	\$ 19,172,254	\$ 17,724,837	\$ 17,004,433	\$ 17,004,433
PAG's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	479.93%	379.77%	498.62%	522.44%

\* This data is presented for those years for which information is available.

\*\* No assets accumulated in a trust to pay the benefits.

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**PORT AUTHORITY OF GUAM**  
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Required Supplemental Information (Unaudited)  
Schedule of OPEB Contributions  
Last 10 Fiscal Years\*

	2020	2019	2018	2017
Actuarially determined contribution	\$ 6,574,050	\$ 7,774,898	\$ 8,055,416	\$ 6,995,373
Contributions in relation to the actuarially determined contribution	<u>1,542,900</u>	<u>1,644,510</u>	<u>1,508,536</u>	<u>1,508,536</u>
Contribution deficiency	<u>\$ 5,031,150</u>	<u>\$ 6,130,388</u>	<u>\$ 6,546,880</u>	<u>\$ 5,486,837</u>
Covered-employee payroll as of valuation date	\$ 19,172,254	\$ 17,724,837	\$ 17,004,433	\$ 17,004,433
Contributions as a percentage of covered-employee payroll	8.05%	9.28%	8.87%	8.87%

Notes to schedule:

*Valuation date:*

Actuarially determined contributions rates are calculated as of September 30, 2019

*Method and assumptions used to determine contributions rates:*

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period for pay-as-you-go funding.
Amortization period:	30 years
Inflation:	2.75%
Healthcare cost trend rates:	Non-medicare 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2030 and later years.
Salary increase:	4.0% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB
Mortality (Disabled Retiree):	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB

\* This data is presented for those years for which information is available.

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Details of Operating Expenses  
Years Ended September 30, 2020 and 2019

	2020	2019
<b>Management and Administration:</b>		
<b>Management:</b>		
Salaries and wages - regular	\$ 569,481	\$ 615,409
Pension cost	194,984	170,289
Annual leave	48,224	51,969
Benefits - Government contribution	25,435	27,301
Fringe benefits	9,857	17,200
Office supplies	2,672	1,981
Furnishings and equipment	135	52
Miscellaneous	10,253	50,816
	<u>861,041</u>	<u>935,017</u>
Total management		
<b>Administration:</b>		
Salaries and wages - regular	7,814,611	6,572,804
Pension cost	2,474,943	1,833,978
Annual leave	609,992	532,057
Salaries and wages - overtime	629,109	477,916
Fringe benefits	455,371	379,406
Benefits - Government contribution	363,264	298,714
Repairs and maintenance	189,243	188,203
Salaries and wages - other	677,478	92,087
Furnishings and equipment	76,860	90,420
Operational supplies	79,290	73,860
Office supplies	40,496	31,675
Miscellaneous	319,737	359,965
	<u>13,730,394</u>	<u>10,931,085</u>
Total administration		
Total management and administration	<u>\$ 14,591,435</u>	<u>\$ 11,866,102</u>

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Details of Operating Expenses, Continued  
Years Ended September 30, 2020 and 2019

	2020	2019
<b>Equipment Maintenance:</b>		
Salaries and wages - regular	\$ 3,039,824	\$ 2,895,742
Pension cost	1,085,939	831,643
Repairs and maintenance	593,991	768,921
Operational supplies	431,313	356,170
Salaries and wages - overtime	265,532	307,477
Annual leave	254,926	232,499
Fringe benefits	210,734	210,179
Salaries and wages - other	340,777	173,318
Benefits - Government contribution	139,428	129,497
Contractual	13,642	146,758
Furnishings and equipment	13,562	21,859
Office supplies	1,602	2,162
	<u>\$ 6,391,270</u>	<u>\$ 6,076,225</u>
Total equipment maintenance	<u>\$ 6,391,270</u>	<u>\$ 6,076,225</u>
 <b>Transportation Services:</b>		
Salaries and wages - regular	\$ 3,105,016	\$ 2,801,785
Pension cost	1,081,706	790,602
Salaries and wages - overtime	558,584	546,850
Gas, oil and diesel	207,436	274,155
Fringe benefits	240,536	215,979
Annual leave	234,389	211,574
Salaries and wages - other	413,464	166,892
Benefits - Government contribution	158,699	137,920
Furnishings and equipment	4,344	4,127
Office supplies	1,585	1,978
Operational supplies	766	903
	<u>\$ 6,006,525</u>	<u>\$ 5,152,765</u>
Total transportation services	<u>\$ 6,006,525</u>	<u>\$ 5,152,765</u>

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Details of Operating Expenses, Continued  
Years Ended September 30, 2020 and 2019

	2020	2019
<b>Stevedoring Services:</b>		
Salaries and wages - regular	\$ 2,380,813	\$ 2,230,833
Pension cost	821,448	617,537
Salaries and wages - overtime	404,598	344,079
Annual leave	181,515	171,985
Fringe benefits	181,647	167,269
Salaries and wages - other	298,692	145,387
Benefits - Government contribution	122,397	111,263
Operational supplies	839	2,770
Office supplies	203	1,247
	<u>\$ 4,392,152</u>	<u>\$ 3,792,370</u>
Total stevedoring services	<u>\$ 4,392,152</u>	<u>\$ 3,792,370</u>
 <b>Facility Maintenance:</b>		
Salaries and wages - regular	\$ 1,140,249	\$ 1,096,031
Pension cost	370,164	308,237
Operational supplies	126,700	163,187
Salaries and wages - overtime	105,968	97,169
Fringe benefits	109,705	96,329
Annual leave	80,360	81,964
Benefits - Government contribution	56,956	53,518
Furnishings and equipment	21,269	34,748
Salaries and wages - other	83,954	14,675
Repairs and maintenance	3,690	2,797
Office supplies	175	71
Miscellaneous	16,814	13,202
	<u>\$ 2,116,004</u>	<u>\$ 1,961,928</u>
Total facility maintenance	<u>\$ 2,116,004</u>	<u>\$ 1,961,928</u>

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Details of Operating Expenses, Continued  
Years Ended September 30, 2020 and 2019

	2020	2019
<b>Terminal Services:</b>		
Salaries and wages - regular	\$ 1,873,983	\$ 1,770,716
Pension cost	654,565	497,059
Salaries and wages - overtime	243,936	228,810
Annual leave	143,543	129,751
Fringe benefits	137,589	118,812
Benefits - Government contribution	91,564	82,618
Salaries and wages - other	199,308	55,218
Operational supplies	4,018	5,313
Office supplies	2,903	4,938
Furnishings and equipment	-	348
	<u>\$ 3,351,409</u>	<u>\$ 2,893,583</u>
Total terminal services		
	<u>\$ 3,351,409</u>	<u>\$ 2,893,583</u>
<b>General Expenses:</b>		
Managers' fee	\$ 782,831	\$ 750,919
Legal counsel	77,245	564,802
Professional services	304,600	474,788
Maintenance	114,673	243,591
Waste removal	91,177	107,576
Audit	49,000	50,000
Claims and damages	444,605	48,419
Port incentive award	15,068	48,163
Board of Directors expense	22,906	9,169
Workmen's compensation injury allowance	10,069	8,646
Agency fee	7,096	5,849
Inventory adjustment	52,040	1,786
Miscellaneous	559,341	398,659
	<u>\$ 2,530,651</u>	<u>\$ 2,712,367</u>
Total general expenses		
	<u>\$ 2,530,651</u>	<u>\$ 2,712,367</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Salaries and wages - regular	\$ 19,923,977	\$ 17,983,320
Salaries and wages - overtime	2,207,727	2,002,301
Benefits - Government contribution	957,743	840,831
Fringe benefits	1,345,439	1,205,174
Salaries and wages - other	<u>2,013,673</u>	<u>647,577</u>
	<u>\$ 26,448,559</u>	<u>\$ 22,679,203</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, 2020 and 2019

Department:	<u>2020</u>	<u>2019</u>
Management and administration	136	123
Equipment maintenance	53	55
Transportation services	62	62
Stevedoring services	59	49
Facility maintenance	25	28
Terminal services	38	39
	<u>373</u>	<u>356</u>

See Accompanying Independent Auditors' Report.



**PORT OF GUAM**  
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**Lourdes A. Leon Guerrero**  
Governor of Guam  
**Joshua F. Tenorio**  
Lieutenant Governor

**Port Authority of Guam  
Board of Directors Regular Board Meeting  
April 29, 2021**

**Executive Summary  
Request for Proposal 020-004  
Banking Services**

**PURPOSE:** Port Authority of Guam management request the Port Authority of Guam (Port) Board of Directors to approve the award to Bank of Guam (BOG) for Banking Services Request for Proposal No. PAG-RFP-020-004.

**BACKGROUND:**

On Wednesday, March 25, 2020, a Request for Proposal (RFP) was issued and published in the Guam Daily Post. The RFP was to solicit to qualified companies/firms to provide full service Banking Services and management of the Port's financial portfolio. Four (4) prospective offeror's expressed their interest by registering online and downloading the RFP packet from the Port's website. The deadline for all proposal's to be submitted was scheduled for Tuesday, May 12, 2020 at 4:00pm.

On the day of the RFP submittal, only one company, the BOG submitted a proposal prior to the deadline established. On Thursday, May 29, 2020 the proposal was opened and a review was conducted by the procurement staff and found the offeror to be in compliance with the RFP packet and the procurement requirements. On May 19, 2020 an evaluation committee was established by the Port General Manager, the evaluation, scoring and ranking was completed on June 8, 2020. A Notice of Intent to Award was issued on June 29, 2020 and acknowledged by BOG on July 1, 2020, requesting BOG to submit their rate and fees associated with the banking services to be provided to the Port. On June 28, 2020, the Port's cost negotiations committee was established to engage BOG in finalizing a "fair and reasonable" rates/fees and services.

The negotiation efforts were challenging due to the Governor's PCOR restrictions and health/safety guidelines.

After two (2) offers by BOG and two (2) counter-offers by the Port, both the Bank of Guam and the Port reached an agreement of "fair and reasonable" rates/fees and services on April 9, 2021.

Therefore, in completing the procurement compliance review of BOG's proposal, the evaluation committee's scoring/ranking, and both Port and BOG agreeing to a "fair and reasonable" rates/fees and services, BOG is deemed to be a responsive and responsible offer.



**LEGAL REVIEW:**

The Port's Legal Counsel has participated in the negotiation meeting by being an observer and witnessing the efforts by both parties. A final contract agreement has been drafted and approved by our legal counsel. Upon approval by the Port's Board of Directors, the final contract will be routed for full execution and both parties to sign.

**FINANCE REVIEW:**

Funding for this Request for Proposal RFP-PAG- 020-004 for Banking Services is provided by the Port Authority of Guam and is One-Hundred Percent (100%) local funds.

**RECOMMENDATION:**

Management requests the Board of Directors' approval of the award to Bank of Guam. The terms of the contract will be for five (5) years and may not exceed the five (5) year period. The Bank of Guam is deemed responsive and responsible and has met all the requirements and specifications set forth in the Request for Proposal (RFP), which is consistent with Guam Procurement Regulations.



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Lourdes A. Leon Guerrero  
Governor of Guam  
Joshua F. Tenorio  
Lieutenant Governor

**Port Authority of Guam  
Board of Directors Regular Board Meeting  
April 29, 2021**

**Executive Summary  
Invitation to Bid IFB-PAG-CIP-021-001**

**Supply and Installation of New 24 Each Cylindrical Fendering System at Wharf F3 and 10  
Each New Rubber Leg Arch Fender at Wharf F4 to F6**

**PURPOSE:** Request the Board of Directors to approve the award to Guam Industrial Services, Inc., dba Guam Shipyard for the **Supply and Installation of New 24 Each Cylindrical Fendering System at Wharf F3 and 10 Each New Rubber Leg Arch Fender at Wharf F4 to F6.**

**BACKGROUND:**

On Friday, October 9, 2020, an Invitation for Bid (IFB) was issued and published in the Guam Daily Post. The IFB was to solicit qualified companies/firms to provide, supply, and installation services. Nine (9) Companies registered and picked up IFB packets, while only three (3) companies participated in the bid opening. The bid opening date for the above referenced bid was November 17, 2020, in the Port Authority Board of Directors Conference Room. This project is federally funded by the FEMA's Public Assistance Program – Event Typhoon Mangkhut Project, the specification of “must meet the Buy American Act” was a requirement of this bid.

During the bid opening process, a review of the required documents for bidding was reviewed for all bids submitted. It was determined that the responsible and responsive bidder with the lowest price was Guam Industrial Services, Inc., dba Guam Shipyard with a submitted bid amount of **Two Hundred Ninety-Eight Thousand Two Hundred Fifty-Nine Dollars (\$298,259.00)**. The bid amount submitted by Guam Industrial Services, Inc. was well below the government estimate of \$477,941.52 which is approximately a **Forty-Eight Percent (48.4%) savings** to the Port Authority. A Notice of Intent to Award (NOIA) was sent to Guam Industrial Services, Inc., dba Guam Shipyard on March 8, 2021 and acknowledged on March 9, 2021.

**LEGAL REVIEW:**

The necessary documents pertaining to this project have been forwarded, reviewed and approved by the Port's legal counsel on Monday, April 19, 2021. Upon Board's approval, the approved contract will be routed for all parties to sign. Once the contract is fully executed, a pre-construction meeting will be scheduled where the Purchase Order and Notice to Proceed will be issued.

**FINANCE REVIEW:**

Funding for this project is made possible through the FEMA's Public Assistance Program – Event Typhoon Mangkhut Project. No local funds or Port funds are being used to fund or supplement this project.

**RECOMMENDATION:**

Management requests the Board of Directors' approval of this award to ***Guam Industrial Services, Inc. dba Guam Shipyard*** for the ***Invitation for Bid IFB-PAG-CIP-021-001 Supply and Installation of New 24 Each Cylindrical Fendering System at Wharf F3 and 10 Each New Rubber Leg Arch Fender at Wharf F4 to F6.*** Guam Industrial Services, Inc., dba Guam Shipyard has been deemed to have met all the requirements and specifications set forth in the IFB, and is consistent with the Guam Procurement Regulations.



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Lourdes A. Leon Guerrero  
Governor of Guam  
Joshua F. Tenorio  
Lieutenant Governor

April 26, 2021

**MEMORANDUM**

TO: Board of Directors

FROM: Rory J. Respicio, General Manager 

SUBJECT: Performance Appraisal System

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*Hafa Adai!* This memorandum provides you with an update on your directive to fully implement the Performance Appraisal, including key performance indicators (KPI). The Port's Board of Directors on August 27, 2019, and at management's request, rescinded prior Board action, which reduced the salary increment from three (3) sub-steps to six (6) sub-sets and reinstated the Board's policy on the salary increment for five (5) sub-steps plus one (1) sub-set for educational achievements. At that meeting, the Board instructed management to work with Human Resources staff to complete the performance evaluation forms and procedures to be used under the Port's Classification & Compensation Plan.

As we have reported to you on December 22, 2020, Ms. Francie T. Rocio, recently retired Personnel Services Administrator, and our team finalized the former Port Compensation and Classification work products on the performance appraisal evaluation forms and procedures. Our team even conducted awareness workshops with division heads on the new appraisal procedures, incorporating the KPIs for each position under the Port's Classification and Compensation Plan.

This new appraisal system included specific job factors, i.e., work planning, personal and leadership competencies/behaviors, performance comments, developmental recommendations, and personal development. The performance pay and salary increment sub-steps are based on the performance pay's rating scale, in which each job factors' formula is computer generated.

In January 2021, the Port converted on an interim basis from the old performance appraisal system to the new performance appraisal system to determine its effectiveness. During this transitional period, we discovered that employees may potentially earn up to nine (9) sub-steps on performance and personal development contrary, which, if so, will be in contravention to the Port's Personnel Rules and Regulations and Board's policy which only allows five (5) sub-steps for performance and an additional one (1) sub-step for educational achievements—allowing a maximum of six (6) salary sub-steps. The full implementation of the new performance appraisal system will also have a fiscal impact on the Port's operational requirements.

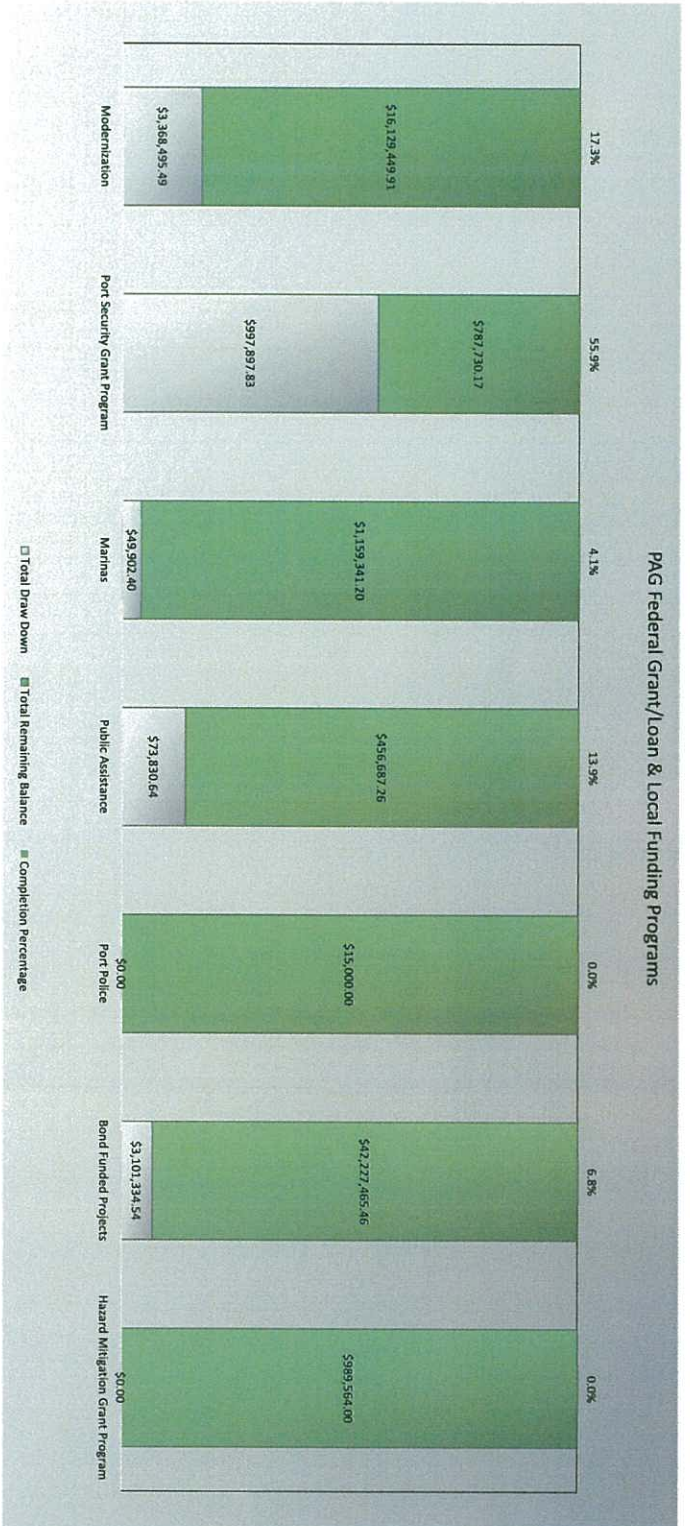
Memo to Board of Directors  
RE: Performance Appraisal System  
April 26, 2021  
Page 2

Upon knowing the performance pay's rating scale and the results, we only implemented a maximum of five (5) sub-steps for performance and an additional one (1) sub-step. In the meantime, we have reviewed the new performance appraisal system and the benefits and issues encountered with such forms and procedures. Please know that in our findings, that these forms are burdensome and time-consuming for the supervisors and managers to complete on a quarterly, as well as, let alone on an annual basis, and fear that unintended consequences may lead management to resort to providing our employees with forced increments, giving them satisfactory ratings or two (2) sub-steps, and not reflective of what's rightfully and justifiable due to them.

In light of the above, we are respectfully requesting your approval to utilize the old performance evaluation appraisal system and its template for calculation purposes; however, the KPI will still be a part of the basis to determine the performance evaluation. Doing so will also address the maximum five (5) sub-steps for performance and an additional one (1) sub-step for educational achievements and streamline the unnecessary administrative burden associated with the performance appraisals.

Your approval is greatly appreciated. I am available for any questions you may have.

**FY 2021 Port Modernization Plan  
Grant/Bond Strategy - Monthly Update  
As of April 23, 2021**



Grant Program	Total Award Amount	Total Draw Down	Total Remaining Balance	PROCUREMENT IEB/RFP/PO Number	Status
<b>Modernization</b>					
DTMA91G1600007 - Rehabilitation of "H" Wharf	\$19,497,945.40	\$3,368,495.49	\$16,129,449.91	PO No. 17043-0F for \$2,249,945.54 awarded to GHD Inc.	Procurement packet pending review by CM Services contractor GHD. Anticipated Completion Date: 08/2023 Funds fully encumbered. Pending final invoice and drawdown.
GR882-18-01 - Owner's Agent Engineer Support Services	\$900,000.00	\$898,847.40	\$1,152.60		
GR882-19-04 - Owner's Agent Engineer Support Services	\$1,600,000.00	\$466,823.49	\$1,133,176.51		The 2020 Master Plan update continues to progress through the collaboration between Management, Port Division Heads, and the Port's OAE on the following initiatives: 1) Completion of the draft Customs Inspection Facility Feasibility Study, 2) RSM Study - goal is information integration between and amongst carriers, the PUGG, Customs, and the PAG. 3) Tariff Simplification - streamlining and refining PAG rates and services, 4) STS Crane Procurement Support, 5) PAG/GPA collaboration on proposed liquefied Natural Gas (LNG) capability at the Port, 6) Crane Demolition - removing of Gantry 2 and 3, Mobile Harbor Crane and Rubber Tyred Gantry (RTG) cranes, and 7) Solar Power Feasibility Study - PAG effort to utilize solar energy to reduce PAG dependence on GPA island power.
GR882-21-08 - PAG Construction Technical Oversight Services	\$1,500,000.00	\$0.00	\$1,500,000.00		Procurement Division currently in the procurement planning process and anticipate to announce in May 2021.

**FY 2021 Port Modernization Plan  
Grant/Bond Strategy - Monthly Update  
As of April 23, 2021**

Port Enterprise Fund - Port of Guam Construction Deficiencies and Equipment Purchases	\$2,844,530.00	\$2,002,824.60	\$841,705.40	Project 1 - PO No. 1557-OF for \$139,449.00 awarded to American Builder LLC Project 2 - PO No. 15589-OF for \$82,940.00 awarded to Highway Safety Services LLC Project 3 - PO No. 15449-OF for \$10,311 awarded to AB Mer Construction Project 4 - PO No. 15213-OS for \$1,639,976 awarded to Morrico Equipment LLC Project 5 - PO No. 16866-OF for \$195,844.55 awarded to ProPacific Builder Corp.	On April 20, 2021, the PAG submitted a Quarterly Report for the period ending March 31, 2021 to MARAD. Project 5 - Repair Remaining CMU Wall (Exterior and Interior) - Project 99.86% complete based on schedule of values for services performed through March 31, 2021. Third invoice is pending drawdown and fourth invoice is being routed for payment. Change Order No. 2 was recently approved by the General Manager as of April 21, 2021. This Change Order seeks to make repairs and upgrades to the roofs of all structures included in the original scope. Project 6 - Acquisition of Additional Digital Cameras - Pending procurement process. PAG received the Procurement package from the Office of the Attorney General on April 14, 2021. Scope of work being revised to separate the 2016 PSGP scope from this project. Procurement Planning meeting held on April 20, 2021. Internal site visit to proposed locations for cameras held on April 22, 2021. Project 7 - Upgrade Port's KANITECH Access Control and Web-Ready Security Management System - See Project 6.
EDA Disaster Supplemental Grant Program - Installation of Fuel Pipeline System for F1 Pier and Golf Pier Connectivity	\$2,413,090.40	\$0.00	\$2,413,090.40	Status call with EDA tentatively scheduled for the week of April 26, 2021. The NEPA process is ongoing. The USACE has provided a draft SHPO consultation letter to the PAG. The PAG provided feedback on the draft letter and the USACE is making the requested updates.	
D20AP00136 - Port Authority of Guam - Welding Shop	\$240,325.00	\$0.00	\$240,325.00		
<b>Marinas</b>	<b>\$1,209,243.60</b>	<b>\$49,902.40</b>	<b>\$1,159,341.20</b>		
F14AP00191 - Harbor of Refuge Moorage Repairs - Phase 2	\$56,484.60	\$14,765.40	\$41,719.20	Procurement packet is currently being developed. Once complete a requisition will be entered.	
F16AP00261 - Harbor of Refuge Moorage Repairs - Phase 3	\$200,000.00	\$11,895.00	\$188,105.00	Procurement packet is currently being developed. Once complete a requisition will be entered.	
F17AP00486 - Harbor of Refuge Moorage Repairs - Phase 4	\$200,000.00	\$13,194.00	\$186,806.00	Procurement packet is currently being developed. Once complete a requisition will be entered.	
F19AP00334 - Harbor of Refuge Moorage Repairs - Phase 5	\$200,000.00	\$10,048.00	\$189,952.00	Procurement packet is currently being developed. Once complete a requisition will be entered.	
F19AF01199 - Guam Fisheries Development: Construction of Agat Marina's Dock B	\$512,759.00	\$0.00	\$512,759.00	Amended MOU is under review by the AG's Office. Upon final approval by all parties, DOAG will issue a Notice to Proceed to the PAG. Amended MOU is under review by the AG's Office. Upon final approval by all parties, DOAG will issue a Notice to Proceed to the PAG.	
F19AF01210 - Repair of Agat Marina's Boat Ramp Bumpers	\$40,000.00	\$0.00	\$40,000.00	Project completed.	
<b>Port Security Grant Program</b>	<b>\$1,785,628.00</b>	<b>\$997,897.83</b>	<b>\$787,730.17</b>		
EMW-2016-PU-00523-S01 - Acquisition & Installation of Additional Cameras at Strategic Port Facilities	\$130,983.00	\$0.00	\$130,983.00	G45 held a site visit on April 23, 2021 to determine the specifics of the project. The proposed materials and work plan will be submitted shortly. Commercial Division to work with GFD to secure space for equipment installation.	
EMW-2016-PU-00523-S01 - Upgrade & Refurbishment of Existing Damaged Security Light Poles at Strategic Port Locations	\$356,412.00	\$356,412.00	\$0.00	Project completed.	
EMW-2017-PU-00177-S01 - Maintenance and Sustainment Contract for Prime Power Generators	\$179,550.00	\$85,765.55	\$93,784.45	Year 1 - PO No. 16208-OS for \$75,207.00 Pacific Unlimited Inc. Year 2 - PO No. 16988-OS for \$75,207.00 Pacific Unlimited Inc.	
EMW-2017-PU-00177-S01 - Refurbishment and Hardening of Load Center Buildings Housing Prime Power Generators	\$384,469.00	\$323,148.80	\$61,320.20	PO No. 16150-OF for \$314,450.00 to Murphy Enterprises Inc. Project completed on January 31, 2021.	

**FY 2021 Port Modernization Plan  
Grant/Bond Strategy - Monthly Update  
As of April 23, 2021**

EMW-2017-PU-00177-S01 - US Coast Guard Multi Agency National Association of State Boating Law Administrators (NASBLA) Training for Port Police	\$56,250.00	\$54,749.00	\$1,501.00		Project completed on August 2018. Further draw downs are the result of M&A.
EMW-2018-PU-00441-S01 - IDEN Technology Redundant Interoperable Communications System Monthly Service	\$94,944.00	\$56,356.97	\$38,587.03		IConnect sold all its assets to ITE. ITE is now the service provider and support entity for the Port's IDEN Technology push to talk radios. PM visit performed in March 2021. Next visit scheduled for September 2021. Pending reimbursement from Guam Customs (25% cost share for Year 1). Year 2 services ongoing.
EMW-2018-PU-00441-S01 - Maintenance and Sustainment Contract for FEMA-acquired AS&E ZBV Backscatter X-Ray Van	\$195,669.00	\$97,584.14	\$98,084.86	PO No. 16227-OF - American Signs and Engines 70,724.00.	
EMW-2018-PU-00441-S01 - Replacement CCTV System Existing Analog Cameras with Digital IP Cameras	\$160,867.00	\$23,881.37	\$136,985.63		Pending procurement process. PAG received the Procurement package from the Office of the Attorney General on April 14, 2021. Scope of work being revised to separate the 2016 PSGP scope from this project. Procurement Planning meeting held on April 20, 2021. Internal site visit to proposed locations for cameras held on April 22, 2021.
EMW-2019-PU-00295-S01 - Acquisition & Installation of Prime Power Generator & Components for Load Center 3	\$226,484.00	\$0.00	\$226,484.00	PO No. 17097-OS - Caterpillar, Inc.	Pending amendment to delivery date from 120 to 180 days.
Public Assistance	\$590,517.90	\$73,890.64	\$456,687.26		Project is ongoing.
43981R - Typhoon Mangkhut #66352	\$530,517.90	\$73,866.64	\$456,651.26		
Port Police	\$15,000.00	\$0.00	\$15,000.00		Enforcement activities started on April 12, 2021. The activities are ongoing.
P171-03-03PPD - Operation Atdai He'Hao	\$15,000.00	\$0.00	\$15,000.00		
<b>Bond Funded Projects</b>	<b>\$45,328,800.00</b>	<b>\$3,101,334.54</b>	<b>\$42,227,465.46</b>		
New Administration Building	\$10,445,000.00	\$0.00	\$10,445,000.00		Three draft layout options for the Admin Building has been completed by the PAG's OAE and is being reviewed by Management. No decision on which option has been selected as of this report. Status Quo.
Waterline Replacement and Relocation	\$6,000,000.00	\$277,801.71	\$5,722,198.29	RFP No. 2019-03	Requisition 19399-OC has been submitted by Engineering. Procurement Planning meeting tentatively scheduled for the week of April 26, 2021. Anticipated Completion Date: 12/2022
EQMR Building Repairs and Upgrades	\$3,628,800.00	\$395,333.19	\$3,233,466.81	RFP No. 2019-03	Requisition 19480-OC has been submitted by Engineering. Procurement Planning meeting tentatively scheduled for the week of April 26, 2021. Anticipated Completion Date: 12/2022
Warehouse 1 Repairs and Upgrades	\$2,000,000.00	\$395,333.19	\$1,604,666.81	RFP No. 2019-03	Requisition 19492-OC has been submitted by Engineering. Pending scheduling of Procurement Planning meeting. Anticipated Completion Date: 12/2022
Golf Pier Repairs and Improvements	\$2,000,000.00	\$354,876.53	\$1,645,123.47	RFP No. 2019-02 - A&E design for \$484,000 awarded to NC Macario	Requisition 19199-OC has been submitted by Engineering. Pending scheduling of Procurement Planning meeting. B
Rehabilitation of "H" Wharf (Port Share)	\$13,774,255.00	\$664,383.45	\$13,109,871.55	PO No. 16332-OF for Coral Relocation at \$482,700.00 to WSP awarded on February 18, 2020.	Procurement packet pending review by CM Services contractor GHD. Anticipated Completion Date: 08/2023
Other Priority Projects	\$4,980,745.00	\$0.00	\$4,980,745.00	PO No. 17043-OF for \$2,249,945.54 awarded to GHD Inc. for CM Services.	1. The PAG is currently awaiting review/approval on its Hazard Mitigation Grant Program grant application submitted to FEMA's Building Resilient Infrastructure & Communities (BRIC) grant program. The project name is PAG Wharves Service Life Extension - Hardening of F1 - F6 in the amount of \$22,660,014.67. Status Quo. 2. PAG's OAE to provide draft scope of work for TOS Cloud upgrade option. Ongoing testing from April 5, 2021 through May 7, 2021. E1 Live is projected for May 17, 2021. There will be a 2 year system support by Oracle.
Other Priority Projects - EnterpriseOne Financial Management System	\$2,500,000.00	\$1,013,606.47	\$1,486,393.53		



**FY 2021 Port Modernization Plan  
Grant/Bond Strategy - Monthly Update  
As of April 23, 2021**

<b>Hazard Mitigation Grant Program</b>	\$989,564.00	\$0.00	\$989,564.00	Grant application submitted. Pending review by Federal Agency; M&A costs listed at \$30,148.92.
Fendering System Hardening Project	\$603,689.00	\$0.00	\$603,689.00	Grant application submitted. Pending review by Federal Agency; M&A costs listed at \$19,292.08.
Warehouse 1 Hardening Project	\$385,875.00	\$0.00	\$385,875.00	Grant application submitted. Pending review by Federal Agency; M&A costs listed at \$19,292.08.
<b>Grand Total</b>	<b>\$69,356,698.90</b>	<b>\$7,591,460.90</b>	<b>\$61,765,238.00</b>	

PORT AUTHORITY OF GUAM  
CONTRACT SUMMARY UPDATE

No.	Consultant/Vendor	Type of Service	Solicitation Method Reference No.	Division	Contract Term	Initial Term	Expiration After Options	Next Renewal Due Date	Annual Amount (Comments / Notes)
<b>PROFESSIONAL SERVICES</b>									
1	A1 - Guam WEBZ	Web Development, Hosting, Support and Maintenance Svcs	IFB-002-20	IT	3 years	04/01/2020 to 03/31/2021 w/ 2 1yr options	03/31/23	03/31/21	Fees based on rates
2	AM Insurance	Insurance Coverages	GSA/PAG-020-17	Finance	5 years	10/01/2017 to 09/30/2022	09/30/22	09/30/21	Premium based
3	AM Insurance	Workers Compensation Coverages	IFB-PAG-008-19	Finance/Safety	3-years	3/20/20 to 3/19/23	03/19/23	03/19/23	
4	Matson	Matson	RFP-020-005	EQMR					Currently in Cost Negotiations
5	Bank of Guam	Banking Services	RFP 020-004	Finance	5 years				Requesting Board approval 4/29/21
6		Management and Operations of Golf Pier	RFP-PAG-021-002	Commercial	5 years				Procurement planning meeting 4/23/21. preparing to solicit RFP by 4/30/21
7	OMEGA Safety	OSHA Training & Certification Services for Maritime Terminal Operations	RFP-017-003	Human Resources	3Yr w/ 2- 1yr options NTE 5 years	8/13/2018 to 8/13/2021	08/13/23	08/13/21	Fees based on rates
8	Pacific Human Resources, Inc.	Drug Free Workplace Program	RFP-020-003	Human Resources	Initial 3Yr term with 2 add'l one year options, not to exceed 5 yrs	06/15/20 to 6/14/2023	06/15/25	06/15/23	
9	W. Nick Captain/ Captain Real Estate	Real Estate Appraisal Services	RFP-016-001	Commercial	3yrs w/ 2 option	4/11/16 to 4/19/20	04/10/21		Fees based on rates
10	TakeCare dba: FHP	Medical Examination Services	RFP-017-002	Human Resources	3 yr. w/ 2 options NTE 5 years	9/21/17 to 9/20/20	09/20/22	09/20/21	Renewal option in progress
11	Trident Cross LLC.	Underwater Assessment & Inspection Services	IFB/PAG-006-20	HarborMstr	1 Year	08/20/20 to 08/19/21	08/19/21	IDIQ - Indefinite Quantity Bid	\$24,894.00
12	Tristar Terminal Guam	M & O of F-1 Fuel Pier Facility	RFP-019-004	Commercial	Active Procurement				CONTRACT DEVELOPMENT BY BOTH PARTIES
13		Environmental Consulting Services- SWPP Compliance		Environmental					
14	Deloitte & Touche	Annual Independent Audit Services	RFP-018-003	Fiscal	FY18, FY19, FY20, w/ 1Yr Option	FY18, FY19, FY20, w/ 1Yr Option	12/31/2022	12/31/2021	\$45,000.00
15		OAE - Owner Agent Engineer		Planning	1 yr w/ 4 options NTE 5 yrs				Preparing RFP packet for solicitation by 4/30/21
16	N.C. Macario & Associates	A/E Design and Consulting Services Golf Pier	RFP 019-002	Engineering	1/6/2020 to 1/5/2023	3 years w/2 options	1/5/2025	1/5/2023	\$484K

PORT AUTHORITY OF GUAM  
CONTRACT SUMMARY UPDATE

No.	Consultant/Vendor	Type of Service	Solicitation Method Reference No.	Division	Contract Term	Initial Term	Expiration After Options	Next Renewal Due Date	Annual Amount (Comments / Notes)
17	N.C. Macario & Associates	A/E Design and Consulting Services EQMR, Warehouse No.1, Waterline Relocation	RFP 019-003	Engineering	Notice to Proceed issued Feb, 17, 2020	3 years w/2 options			Final drawings and design plans submitted
18	CMS for Hwharf	Construction Management Services	RFP 020-002	Engineering	Initial 2 years with 3 add'l One year options not to exceed 5 YRS	3/15/21 to 3/14/23	3/15/2025	3/15/2023	Contract signed 3/15/2021
<b>CONSTRUCTION CONTRACTS</b>									
No.	Consultant/Vendor	Type of Service	Solicitation Method Reference No.	Division	Contract Term	Initial Term	Expiration After Options	Next Renewal Due Date	Annual Amount (Comments / Notes)
1	Propacific Builders	Repainting of the PAG North CMU Wall phase II Project and Various Port Buildings	IFB 020-002	CIP	182 calendar days from NTP, COI approved for and addtl 14 days.				\$195,844.55 COI for an additional \$25k
2	Guam Shipyard	Supply and Install of Fendering system at F-3	IFB 021-001	CIP					Requesting Board 4/29/2021
3	Guam Shipyard	Design Demolition of 5 Inoperable Port Cranes and One Barge at F-6	MS IFB 021-002	CIP/EQMR					Requesting PUC 4/29/2021

Port Authority of Guam  
Active Projects Status  
Engineering Division

As of April 23, 2021

Fact Sheet No. 102

<b>Project:</b>	<b>A/E Services for Golf Pier Repair</b>
<b>Project No.:</b>	RFP-PAG-019-002
<b>Project Amount:</b>	\$484,017.13
<b>Amount Paid to date</b>	\$354,876.53 remaining balance of \$129,140.00 is to be paid as post design services.
<b>Funding Source:</b>	PAG Bonded Project
<b>Designer:</b>	N.C. Macario and Associates
<b>Construction Manager:</b>	TBD
<b>Notice to Proceed to Designer</b>	January 6, 2020
<b>Design Completion:</b>	Performed within 6 months (July 5, 2020)
<b>Work Status:</b>	Related documents such as Drawings, Specifications, Scope, Bid Schedule, Requisition Process, Determination of Need Letter were completed and were submitted to the Procurement for IFB Documentation.

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<b>Project</b>	<b>Golf Pier Repair and Improvements (Construction Phase)</b>
<b>Project No.:</b>	IFB (TBD)
<b>Project Amount:</b>	TBD
<b>Amount Paid to date:</b>	N/A
<b>Funding Source:</b>	PAG Bonded Project
<b>Contractor:</b>	TBD.
<b>Designer:</b>	N.C. Macario and Associates
<b>Construction Manager:</b>	TBD
<b>Notice to Proceed:</b>	TBD
<b>Project Completion:</b>	TBD.
<b>Work Status:</b>	As of March 31,2021, Bid Drawings, Specifications, Editable Electronic Files, Scope of Work in PDF Format and the Determination of Need Letter were submitted to PAG Procurement Division for IFB documentation.

\*\*\*\*\*

<b>Project:</b>	<b>A/E Services EQMR, WH I, Bldgs &amp; Relocation of PAG WaterLine (Design Phase)</b>
<b>Project No.:</b>	RFP-PAG-019-003
<b>Project Design Fees:</b>	\$1,406,427.48
<b>Amount Paid to date:</b>	\$1,187,186.76. Remaining Balance of \$219,240.72 is to be paid as post design services for all three design projects.
<b>Funding Source:</b>	PAG Bonded Projects
<b>Designer:</b>	N.C. Macario and Associates
<b>Construction Manager:</b>	TBD
<b>Notice to Proceed to Designer:</b>	February 17, 2020
<b>Project Completion:</b>	8 months (October 16,2020 was the initial deadline. However, due to COVID, POP was extended to December 4, 2020) Project design was completed by December 4, 2020.
<b>Work Status:</b>	As of 4/22/2021, Invoice No. 21-49 of N.C. Macario has been submitted to the Finance Division for processing the separation of the two design projects namely, Warehouse 1 and EQMR Buildings Upgrades only. Revised design drawings, specifications, and cost estimates for the two buildings Warehouse 1 and EQMR were received by the Engineering On March 9, 2021.

\*\*\*\*\*

<b>Project</b>	<b>Warehouse I Building Upgrades (Construction Phase)</b>
<b>Project No.:</b>	IFB (TBD)
<b>Project Amount:</b>	TBD
<b>Amount Paid to date:</b>	N/A
<b>Funding Source:</b>	PAG Bonded Project
<b>Contractor:</b>	TBD.
<b>Designer:</b>	N.C. Macario and Associates
<b>Construction Manager:</b>	TBD
<b>Notice to Proceed:</b>	TBD
<b>Project Completion:</b>	TDB.
<b>Work Status:</b>	As of March 31,2021, Bid Drawings, Specifications, Editable Electronic Files, Scope of Work in PDF Format and the Determination of Need Letter were submitted to PAG Procurement Division for IFB documentation.

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<b>Project</b>	<b>EQMR Building Upgrades (Construction Phase)</b>
<b>Project No.:</b>	IFB (TBD)
<b>Project Amount:</b>	TBD
<b>Amount Paid to date:</b>	N/A
<b>Funding Source:</b>	PAG Bonded Project
<b>Contractor:</b>	TBD.
<b>Designer:</b>	N.C. Macario and Associates
<b>Construction Manager:</b>	TBD
<b>Notice to Proceed:</b>	TBD
<b>Project Completion:</b>	TBD
<b>Work Status:</b>	As of March 31,2021, Bid Drawings, Specifications, Editable Electronic Files, Scope of Work in PDF, Bid Schedule, Format and the Determination of Need Letter were submitted to PAG Procurement Division for IFB documentation.

\*\*\*\*\*

<b>Project</b>	<b>PAG Waterline Replacements (Construction Phase)</b>
<b>Project No.:</b>	IFB (TBD)
<b>Project Amount:</b>	TBD
<b>Amount Paid to date:</b>	N/A
<b>Funding Source:</b>	PAG Bonded Project
<b>Contractor:</b>	TBD.
<b>Designer:</b>	N.C. Macario and Associates
<b>Construction Manager:</b>	TBD
<b>Notice to Proceed:</b>	TBD
<b>Project Completion:</b>	TBD
<b>Work Status:</b>	Bid drawings, specifications, Bid Schedule, editable electronic files, PDF formatted files and the Determination of Need Letter were submitted to PAG Procurement Division on Feb.12, 2021 for IFB documentation.

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<b>Project:</b>	<b>New Administration Annex Building</b>
<b>Project No.:</b>	TBD
<b>Project Amount:</b>	TBD
<b>Funding Source:</b>	PAG Bonded Project-Pending
<b>Contractor:</b>	TBD
<b>Construction Manager:</b>	TBD
<b>Notice to Proceed:</b>	TBD
<b>Project Completion:</b>	TBD
<b>Work Status:</b>	Pending

\*\*\*\*\*

<b>Project:</b>	<b>Repainting of PAG North CMU Wall Phase II Project and Port Various Buildings</b>
<b>Project No.:</b>	PAG-CIP-020-002
<b>Project Amount:</b>	\$298,844.55
<b>Amount Paid to Date:</b>	\$183,624.78
<b>Funding Source:</b>	MARAD
<b>Contractor:</b>	Pro Pacific Builders Corp. (PPBC)
<b>Construction Manager:</b>	PAG Engineering/CIP Division
<b>Notice to Proceed:</b>	November 16, 2020 (182) calendar days.
<b>Project Completion:</b>	6 months - (182) initial POP calendar days plus additional 44 days as extension per CO #1 and C.O. #2 (New Completion Date at June 28, 2021).
<b>Work Status:</b>	As of April 23, 2021, PPBC work progress on the initial scope plus change order No. 1 is at 99.86%. Proposed Change Order No.2 by PPBC was approved by PAG Management on April 22, 2021 in the amount of \$78,000.00. The CO #2 was submitted to PAG Procurement as an amendment to original contract for issuance of a purchase order.

\*\*\*\*\*

<b>Project:</b>	<b>Renovation of Harbor Master Office</b>
<b>Project No.:</b>	Request for Quotation
<b>Project Amount:</b>	\$59,497.00
<b>Funding Source:</b>	FEMA and PAG
<b>Contractor:</b>	Pro Pacific Builder Corp.(PPBC)
<b>Construction Manager:</b>	PAG Engineering/CIP Division
<b>Notice to Proceed:</b>	January 19, 2021
<b>Project Completion:</b>	May 18, 2021 (120) calendar days
<b>Work Status:</b>	PAG Engineering, Planning, Harbor Master and Propacific conducted a pre-final inspection of the Renovation of Harbor Master Office Project on April 21,2021. Four (4) punch lists were discovered and are to be corrected by PPBC. Contractor has scheduled a Final Inspection for the upcoming Monday April 26, 2021.

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<b>Project:</b>	<b>Supply and Installation of New 24 Ea. Cylindrical Fendering System at F-3 and 10 Ea. New Rubber Leg Arch Fender at Wharf F-4 thru F-6</b>
<b>Project No.:</b>	IFB. -PAG-CIP – 021-001
<b>Project Amount:</b>	TBD
<b>Funding Source:</b>	FEMA and PAG
<b>Contractor:</b>	TBD
<b>Construction Manager:</b>	PAG Engineering/CIP Division
<b>Notice to Proceed:</b>	TBD
<b>Project Completion:</b>	TBD
<b>Work Status:</b>	According to the Procurement Division as of April 23, 2021, the Project is Pending PAG's Board Approval on April, 29, 2021 to be followed by issuance of a P.O.

.....

<b>Project:</b>	<b>Harbor of Refuge Pump Station and Installation of Wastewater Ejector Pump</b>
<b>Project No.:</b>	TBD
<b>Project Amount:</b>	TBD
<b>Funding Source:</b>	Dept. of Agriculture Fish and Wildlife Boating Infrastructure Grant
<b>Contractor:</b>	TBD
<b>Construction Manager:</b>	PAG Engineering/CIP Division
<b>Notice to Proceed:</b>	TBD
<b>Project Completion:</b>	TBD
<b>Work Status:</b>	Pending review and approval of MOU by Governor of Guam

\*\*\*\*\*

<b>Project:</b>	<b>Harbor of Refuge Installation of Mooring Blocks</b>
<b>Project No.:</b>	TBD
<b>Project Amount:</b>	TBD
<b>Funding Source:</b>	Dept. of Agriculture Fish and Wildlife Boating Infrastructure Grant
<b>Contractor:</b>	TBD
<b>Construction Manager:</b>	PAG Engineering/CIP Division
<b>Notice to Proceed:</b>	TBD
<b>Project Completion:</b>	TBD
<b>Work Status:</b>	Pending review and approval of MOU by Governor of Guam

\*\*\*\*\*

<b>Project:</b>	<b>Rehabilitation of H-Wharf and Access Road CM Services</b>
<b>Project No.:</b>	RFP No. PAG-020-002
<b>Project Amount:</b>	\$2,448,085.70
<b>Funding Source:</b>	Tiger Grant and PAG Revenue Bond
<b>Construction Manager:</b>	GHD Engineering
<b>Notice to Proceed:</b>	TBD
<b>Project Completion:</b>	24 months after the NTP
<b>Work Status:</b>	PAG Management and GHD signed the contract agreement on March 15, 2021. PAG Management Team and GHD conducted a coordination meeting on April 21, 2021 with regards to a change order allowing GHD provide pre-bid and bid phase services.

\*\*\*\*\*

**Project:** Rehabilitation of H-Wharf and Access Road (Construction Phase IFB)

**Project No.:** TBD

**Project Amount:** TBD

**Funding Source:** Tiger Grant and PAG Revenue Bond

**Contractor:** TBD

**Construction Manager (CM):** GHD Engineering

**Notice to Proceed:** TBD

**Project Completion:** TBD

**Work Status:** On January 12, 2021, Engineering Division submitted the scope to the Procurement Division. All required documentation for an IFB has been submitted to the Procurement for Initiating an IFB to also include a Determination of Need Letter. It is Engineering understanding that the Planning Division has entered requisitions into AS400 from project inception. Procurement Division is in the process of preparing invitation to bid for construction in conjunction with the CM.

\*\*\*\*\*

**Project:** Repair of Concrete Spalling in CFS and Welding Shop Building

**Project No.:** TBD

**Project Amount:** TBD

**Funding Source:** PAG 2021 Budget

**Contractor:** TBD

**Construction Manager:** PAG Engineering/CIP Division

**Notice to Proceed:** TBD

**Project Completion:** TBD

**Work Status:** As of March 19, 2021 - PAG Engineering finalized scope of work to include photos, bid schedule, Determination of Need Document, and Miscellaneous Drawings for this Repair Project. The existing budget appears to be a bit low and as per our conversation with the Planning Division, any and all Welding Shop's spall and crack repairs will be financially handled by the Planning Division separately via a Phase II Grant.

\*\*\*\*\*

**Project:** Supply and Install Automatic Turnstile Gate Entrance at the Port Police

**Project No.:** Request for Quotation

**Project Amount:** TBD

**Funding Source:** PAG 2021 Budget

**Contractor:** TBD

**Construction Manager:** PAG Engineering/CIP Division

**Notice to Proceed:** TBD

**Project Completion:** TBD

**Work Status:** All Documentation including drawings, scope of work, specifications, Photos among other documents have already been submitted to the Procurement Division. As of April 23, 2021 this RFQ is pending an award by the Procurement.

\*\*\*\*\*



**Project:** Installation of Dock "B" Agat Marina and Maintenance of Public Boat Ramps  
**Project No.:** TBD  
**Project Amount:** TBD  
**Funding Source:** Dept. of Interior, Dept. of Agri. Fish and Wildlife, DOA/WR and PAG 2021 Budget Share  
**Contractor:** TBD  
**Construction Manager:** PAG Engineering/CIP Division  
**Notice to Proceed:** TBD  
**Project Completion:** TBD  
**Work Status:** Amended MOU will be subject for review and approval by DOA, BBMR, AG's and The Governor's Offices

\*\*\*\*\*

**Project:** A/E and Const. Management Services for Various Port Facilities and Projects  
**Project No.:** TBD  
**Project Amount:** TBD  
**Funding Source:** PAG Internally Funded Projects 2021 Budget  
**Contractor:** TBD  
**Construction Manager:** TBD  
**Notice to Proceed:** TBD  
**Project Completion:** TBD  
**Work Status:** Pending Engineering Proposals and Management Approval.

\*\*\*\*\*

**Project:** Design-Build of Agat Marina Bathrooms  
**Project No.:** TBD  
**Project Amount:** TBD  
**Funding Source:** PAG Internally Funded Projects 2021 Budget  
**Contractor:** TBD  
**Construction Manager:** PAG Engineering  
**Notice to Proceed:** TBD  
**Project Completion:** TBD  
**Work Status:** PAG Engineering submitted the scope of work and conceptual drawings based on precise topo survey to determine the best location for the project. The documents have been submitted to the PAG Procurement, for a Design-Build IFB, the request for an account number is awaiting approval by the Management. The Determination for Need prepared by the Engineering has been signed by the GM.

\*\*\*\*\*

**Project:** Supply and Install Typhoon Shutters at the High Tower Building 2<sup>nd</sup> and 3<sup>rd</sup> Floors  
**Project No.:** RFQ-PAG-021-006  
**Project Amount:** \$23,691.94  
**Funding Source:** PAG Internally Funded Projects 2021 Budget  
**Contractor:** TBD  
**Construction Manager:** PAG Engineering  
**Notice to Proceed:** TBD  
**Project Completion:** TBD  
**Work Status:** As of April 23, 2021, Awaits procurement division to award this RFQ project to the potential lowest responsible/responsive lowest bidder.

\*\*\*\*\*

**Project:** Supply and Install three glass doors at the Operation and Commercial Offices.  
**Project No.:** RFQ-PAG-021-007  
**Project Amount:** \$21,989.46  
**Funding Source:** PAG Internally Funded Projects 2021 Budget  
**Contractor:** TBD  
**Construction Manager:** PAG Engineering  
**Notice to Proceed:** TBD  
**Project Completion:** TBD  
**Work Status:** As of April 23, 2021, Awaits procurement division to award this RFQ project to the potential contractor.

\*\*\*\*\*

**Project:** Repair of Trench & Asphalt Pavement at Wharf F-6.  
**Project No.:** RFQ-PAG-021-005  
**Project Amount:** \$32,010.62  
**Funding Source:** PAG Internally Funded Projects 2021 Budget  
**Contractor:** TBD  
**Construction Manager:** PAG Engineering  
**Notice to Proceed:** TBD  
**Project Completion:** TBD  
**Work Status:** As of April 23, 2021, awaits procurement division to award this RFQ project to a potential contractor.

\*\*\*\*\*

**Project:** CCTV Installation Agana Marina Design-Build  
**Project No.:** RFQ  
**Project Amount:** \$21,495.00  
**Funding Source:** PAG Internally Funded Projects 2021 Budget  
**Contractor:** RFQ-PAG-021-007  
**Construction Manager:** PAG Engineering,  
**Notice to Proceed:** April 16, 2021  
**Project Completion:** May 21, 2021  
**Work Status:** As of April 23, 2021, Engineering is 100% complete with the structural design and EQMR is 90% complete with the structural fabrication. Onsite installation of the post to be completed by April 30, 2021 before installation of cameras can commence.

\*\*\*\*\*

**Project:** Establishment of Survey Markers and Partial Topo Determination of the Wharves F3, F4, F5, and F6 in order to Monitor Impacts of loading and unloading operations on the Wharves' Surfaces.  
**Project No.:** TBD  
**Project Amount:** TBD  
**Funding Source:** TBD  
**Contractor:** PAG Engineering Division  
**Construction Manager:** PAG Engineering  
**Notice to Proceed:** TBD  
**Project Completion:** TBD  
**Work Status:** Several points were established. However, to complete the work and develop ability to monitor the wharves' potential subsidence of its surfaces, purchasing survey equipment are required.

Port Authority of Guam  
Operations Division Report  
March 2021

I. **OVERVIEW**

Vessel Calls	17
Cans Handled	7594
Special Service(s)	90

a. **Productivity**

Vessel Op	Avg NMPH	TOP GANG	M/Hr
Matson			
Domestics	25.3	6	28.0
Feeder	25.1	6	27.1
MSA			
Barges	22.5	4	22.5
Kyowa, Candor	23.3	4	26.8
Ambyth			
Mariana/Triton	8.9	5	8.9
MELL			
Kotas	21.8	4	20.8
APL	21.9	1	27.2
Guam/Saipan			

b. **Equipment Status**

As of : 03/31/2021	ON HAND	UP	RM	Repair
GANTRYs	3	2		1
TOP LIFTERS	9	5		4
20T FORKLIFT	2	1	1	
10T FORKLIFT	4	1		3
5T FORKLIFT	8	7		1
TRACTORS	23	13		10

II. **YEAR TO DATE**

a. Vessels\_YTD 113

b. Can\_Cnt YTD

March	FY20		FY21		Variance	
	I	E	I	E	I	E
Local	17457	16960	16446	16402	-6%	-3%
TS	2924	2979	2996	3037	2%	2%
TSMT	1350	1299	1329	1501	-2%	16%
TTL	21731	21238	20771	20940	-4%	-1%

**FY-21 WORK INJURY REPORT**  
 (01/01/21 to 12/31/21)

<u>Divisions</u>	<u>*Lost-time</u>	<u>**Recordable</u>	<u>*** Refused Treatment</u>
Stevedoring	0	0	0
Transportation	0	0	2
Terminal	0	0	0
EQMR	0	0	0
Port Police	<u>0</u>	<u>0</u>	<u>2</u>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>4</b>

**Work Injury Summary for this reporting period: 4/26/2021**

**Total Injuries for FY-21 to date: 4–Injury**

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

**Last disabling work injury was on: 11/30/20**

**Number of days since last disabling work injury: 147-days**

**Note: PAG best record was 222 days or 7 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).

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