

# PORT AUTHORITY OF GUAM

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## NEWS RELEASE

### Port Achieves 4th Consecutive Year Designation as a Low-Risk Auditee

*PAG Achieves Net Position Growth of \$12.6 Million*

**Piti, Guam, August 28, 2023:** The Port Authority of Guam has once again achieved low-risk auditee status. This is the fourth consecutive year in a row that the Port got this designation since the time that it failed to get this designation in Fiscal Years 2017 and 2018.

Independent auditors Ernst & Young (EY), rendered the unmodified (clean) opinion of the Port for FY 2022 financial statements and compliance over major federal programs. Also, no material weaknesses and significant deficiencies in internal controls were identified by the auditors.

"These clean, low risk status audits for the past four years demonstrate strong leadership and management from the GM and his team of dedicated, qualified, and Port-strong employees," Public Auditor Benjamin J.F. Cruz said. "The Port's level of professionalism and attention to the Rule of Law, transparency, and accountability is admirable."

#### **PAG Achieves Net Position Growth of 12.6M**

PAG concluded FY 2022 with a net position of \$26.4 million (M), marking an increase of \$12.6M (or 91%), from FY 2021's net position of \$13.8M. These were due to significant increases in net nonoperating revenues by \$14M (or 1892%), from \$754 thousand (K) in FY 2021 to \$15.0M in FY 2022. The increase in net nonoperating revenues is primarily due to the \$15M grant received from the American Rescue Plan Act of 2021 Fiscal Recovery Funds as a reimbursement for COVID-related expenses. PAG also received contributions from U.S. Government capital grants of \$560K in FY 2022, specifically from the U.S. Department of Transportation Maritime Administration for construction deficiencies and equipment purchases. These increases were offset by the loss from operations of \$3.0M in FY 2022.

#### **Increases in Containers Handled and Rental Revenue Drive Growth in Operating Revenues**

PAG's operating revenues increased by \$2.6M, from \$55.1M in FY 2021 to \$57.7M in FY 2022. The increase in operating revenues was primarily due to the increases in equipment and space rental and cargo throughput charges. Specifically, PAG had an increase of \$1.3M in equipment and space rental revenue, due to an increase in the demurrage fees charged to shipping agents for storing cargo on PAG's terminal facilities. During FY 2022, PAG handled 89K containers, reflecting a 3% increase from FY 2021's container cargo count of 87K. Additionally, PAG handled 141K tons of non-containerized cargo, a 30% rise from FY 2021's 109K tons of non-containerized cargo. These cargo increases resulted in increases for certain revenue categories, notably a \$1.2M increase in cargo throughput charges, climbing from \$34.8M in FY 2021 to

\$36.0M in FY 2022. The increase in operating revenues is also attributable to the increases in wharfage charges by \$218K and crane surcharges by \$43K. These increases are offset by the decreases in other operating income by \$81K and special services revenue by \$3K.

### **Rising Retiree Healthcare and Other Benefits Costs Lead to Increase in Operating Expenses**

PAG's operating expenses increased by \$2.4M, from \$58.3M in FY 2021 to \$60.7M in FY 2022. The increase is primarily due to rising costs in retiree healthcare and other benefits, as well as infrequent expenses such as a bathymetric survey of the F1 Dock substructure, the demolition and disposal of five inoperable cranes and sunken barges, and Guam Power Authority's billing adjustments. PAG experienced increases in general expenses and retiree healthcare and other benefits, both of which increased by \$1.0M compared to FY 2021. Additionally, there were increases in stevedoring services by \$452K, utilities expenses by \$405K, management and administration costs by \$209K, insurance expenses by \$146K, and facility maintenance expenses by \$49K. Furthermore, there were expense decreases of \$541K in transportation services, \$193K in terminal services, \$114K in depreciation expenses, and \$37K in equipment maintenance costs.

Governor Lou Leon Guerrero said, "I commend and congratulate the Port Authority for protecting their Low-Risk Status for a 4<sup>th</sup> consecutive year." Lt. Governor Josh Tenorio added, "I want to congratulate the Board of Directors and the management and staff for yet another major success in the area of their finances."

With regard to debt service, the Audit noted that as of September 30, 2022, the Port had \$67.0M in outstanding revenue bonds, a decrease from the \$69.8M balance as of FY 2021 due to principal payments. Under the bond indenture of the 2018 Series Revenue Bonds, the Port is required to maintain a minimum debt service coverage of 1.25 in relation to net revenues versus annual debt service. *In Fiscal Year 2022, the Port's Annual Debt Service Coverage Ratio was 3.66.* As of October 19, 2022, S&P Global Ratings maintained its outlook of the Port as stable and its long-term rating on the Port's outstanding series 2018 Port Revenue Bonds as 'A' and has opined that the Port's financial risk profile is strong due to "its strong financial performance, strong debt and liabilities capacity, and adequate liquidity and financial flexibility."

Legislative Oversight Chair Senator Amanda Shelton sent her praise to the Port on the latest audit.

"As Oversight Chair I want to congratulate Port management and staff for the 4th consecutive clean audit," Shelton said. "The results of this audit confirms that the Board for the last four years continues to usher in a new level of excellence. Furthermore, I am hoping that my colleagues will assist me in moving forward with the governor's nominees and keep the continuity of this leadership."

Port General Manager Rory J. Respicio said he wants to recognize Port Chief Financial Officer Jojo Guevara and the Finance team for their work on this matter.

"We have a great team at the Port, and everyone works very hard to meet what is expected from us – fairness, transparency and accountability which are all elements of good governance," Respicio said. "This audit affirms that we have been on-target with the directives put in place by Governor Lou Leon Guerrero, Lt. Governor Josh Tenorio and our Board of Directors."