



NEWSLETTER

PORT AUTHORITY OF GUAM

April 2021

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Port Vaccine Dashboard

- * 182 Port employees vaccinated or 52%
- * 166 Port employees not yet vaccinated
- * Individuals 16 years and older are eligible to receive the COVID-19 vaccine
- * Visit ghs.guam.gov for the latest vaccine schedule
- * Mandatory use of facial mask, mandatory social distancing, frequent cleaning of surfaces

Islandwide Beautification Cleanup (Story on page 6)



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.

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.

"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," said Public Auditor Cruz.

Port General Manager Rory J. Respicio said he is proud of the Port's work to receive another clean audit with no deficiencies. "We have a great team at the Port, and all work very hard to meet what is expected from us – fairness, transparency, accountability; all elements of good governance," Respicio said.

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

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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.

The audit also recognized that the Port resolved some issues with several commercial leases that had been flagged as an audit finding since 2015.

"I want to specifically recognize the Port's Financial Affairs Controller Jojo Guevara for his dedication to responsible and transparent financial management and for completely turning around the Port's financial affairs division since his reinstatement

as the Port's Financial Affairs Controller, two years ago," Respicio said.

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.

Moody's Removes Port from Credit Watch

More good financial news for the Port Authority of Guam as Moody's Investors Service issued a credit report that removed the agency from credit watch based on strong finances with financial stability expected to grow over the next year.

The report also indicated that despite the COVID-19 pandemic, the Port continues to have the same rating since 2018. The credit watch was issued last year due to the Covid-19 Pandemic's potential impact on the Port's finances.

"Management maintained good cost control in fiscal year 2020 and was able to generate positive net income," stated the report. "Trends have remained favorable throughout January 2021."

Port General Manager Rory J. Respicio said he welcomes this new report and attributes 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," Respicio said.

According to Moody's report, leverage is low (2.9x adjusted debt to operating revenue in fiscal 2019), and liquidity remains strong.

"The port remained fully operational during the coronavirus pandemic," the report stated. "We expect that the authority will maintain healthy credit metrics with debt service coverage (DSCR) around 2.0x in fiscal year 2020 and close to 2.0x in fiscal year 2021."

The report states that constraining credit factors include the



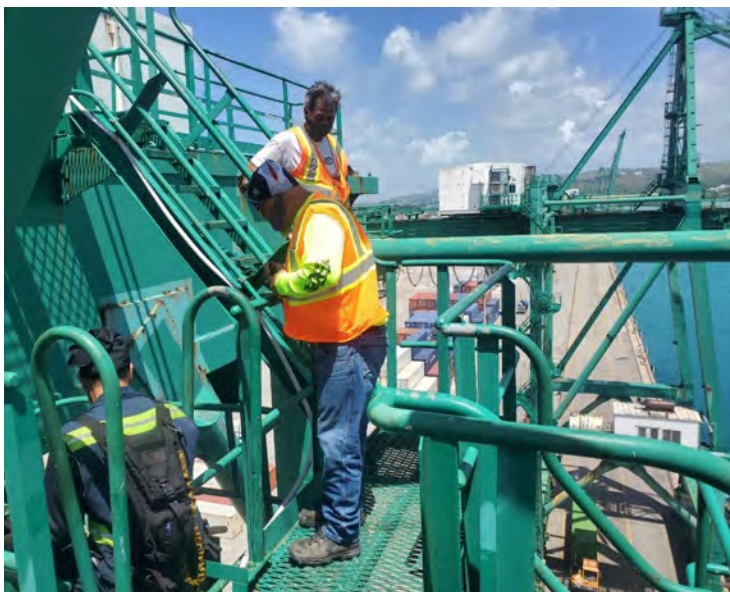
small scale, high customer concentration, exposure to weather-related events, the linkages to the credit quality of the Government of Guam and a high fixed cost base as an operator port.

Some of the credit strengths listed in the report include stable cargo trends despite coronavirus restrictions, low leverage, and solid liquidity.

"The port authority has demonstrated good cost control in fiscal year 2020 and year-to-date fiscal year 2021," the report stated. "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."

Moody's attributed the negative rating outlook reflects in the assessment to the linkage between the port authority and the financial health and stability of the Government of Guam (Ba1 negative).

Cranes Pass Quadrennial Inspection



The Port Authority of Guam gantry cranes once again passed the rigorous quadrennial inspection.

Every year the Port's gantry cranes go through routine inspection to ensure the structural integrity of the mammoth equipment. Every four years, it goes through a more rigorous inspection which looks not only at the crane's structural integrity, but also its electrical systems and mechanical functions for issues that may affect the safe operations of the container handling equipment. The recent quadrennial inspection also required a functional load test of the cranes capacity, plus an additional 25% of the maximum weight for lifting from the trolley to the boom tip and then back. The required load test of 110,000 pounds was conducted under the spreader of each crane. The safe working load of the cranes is 50 long tons.

This year, Doc Bailey, owner of Doc Bailey Construction Equipment Inc., flew in to perform the quadrennial inspection which took three (3) days to complete. With 35 years of experience in the business and offices in Los Angeles, Las Vegas and Hawaii, this is the first time

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the Port Authority has utilized the services of this company. Dave Barnhouse from Island Cert's conducted last year's inspection.

Since its acquisition in 2012 from Matson Navigation for \$12,000,000.00, Gantry 4, 5, and 6 have never failed inspection, thanks to the hard work of the employees in the Equipment Maintenance Division. Lead by Maintenance Manager Ernest G. Candoleta, Equipment Support Services Manager Joaquin P. Pangelinan and Equipment Maintenance Superintendent Jorge R. Javelosa, the division has done an exceptional job of keeping these massive machine up and running.

Employees from the Maintenance Control Section are also critical to this mission as they are responsible for the Crane Management System (CMS) which tracks and schedules the general maintenance of all systems to include weekly, monthly and quarterly inspections of the crane. The Welding Section handles the specialized structural work and wire rope change outs. The Preventive Maintenance Section handles the huge task of keeping up with corrosion and deterioration issues on the crane.

The typical life span of a ship to shore crane is 25 years. The Port's POLA cranes were manufactured in 1984 and 1985, but thanks to the care and attention given to these critical assets by our Equipment Maintenance Team, their lifespan has been extended to more than 36 years.

"I am impressed with the skills and knowledge of our Equipment Maintenance Team. They have taken ownership of



these cranes, prolonging its usefulness and ensuring they are functional for each operation," said General Manager Rory J. Respicio.

As for future plans to replace these aging cranes, Strategic Planning Division is in the process of applying for approximately \$30M in funding from the EDA for the purchase of two (2) ship-to-shore (STS) gantry cranes and approximately \$15M from USDA for the purchase of one (1) STS gantry crane, for a total of three (3) cranes.

Port Employees Get Vaccinated



More than half of all Port Authority of Guam employees have been vaccinated against COVID-19.

According to our latest internal statistics, the number of Port employees vaccinated is 182 or 52%.

"I decided to get vaccine at FHP for the Sake of my Brother Henry," said Port Equipment Operator II Raymond San Nicolas.

There is still apprehension of taking the vaccine for some Port employees. But as Deputy General Manager Luis R. Baza stated, "We as Port Strong family, play a critical role by ensuring that our supply chain keeps on truckin...and now is our chance to win this pandemic."

Governor Lou Leon Guerrero is considering the reopening of tourism since the island reached her initial goal of 50%, or 62,500 people, of Guam's adult population fully vaccinated as well as Guam's COVID-19 Area Risk Score remaining below 2.5 combined with a low hospitalization rate.

Please visit the Guam Homeland Security website at ghs.guam.gov for the latest vaccination schedule.

Port Clinic Closes

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 professionals are on hand to perform 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," said Port General Manager Rory J. Respicio. "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."



Port Begins Oracle Enterprise One Migration Phase



More progress for the Port is ongoing as we begin the Oracle Enterprise One Migration Phase.

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. To steer this huge undertaking, the General Manager created a PAG Project Team which includes Project Manager Jose B. Guevara, Technical Leader Arden B. Bonto, Functional Leader Amy Legaspi and the Governance Committee consisting of DGMs Dominic G. Muna, Luis R. Baza and Dennis J. Perez.

After successfully getting through the proof of concept and procurement phases, Enterprise One was launched in August 2020. Since then, the Port project team has worked closely with the Oracle Project Team which is comprised of various project managers in different areas of expertise. The partnership between Oracle and PAG will result in a financial management system that mimics JD Edwards World but with the added ability to be customized based on user profile and processes, along with improved reporting capability and flexibility essential for making business-critical decisions.

With this huge undertaking and a price tag of \$2,500,000.00, the PAG Project Team is taking every measure to ensure that this investment is fully utilized to its maximum potential.

"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," said Port General Manager Rory J. Respicio. "This is a whole new level of transparency and accountability for the Port."

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.



GM Respicio Testifies In Favor Of Transshipment Task Force Bill



General Manager Rory J. Respicio testified in favor of a bill that would create a transshipment task force to develop a plan to implement a transshipment industry on Guam and throughout the region.

A public hearing was held on April 21, 2021 for Bill 2-36 (LS): AN ACT TO ADD A NEW ARTICLE 5 TO CHAPTER 50, DIVISION 2, TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO DEVELOPING A PLAN TO IMPLEMENT A TRANSSHIPMENT INDUSTRY THROUGH THE CREATION OF A TRANSSHIPMENT TASK FORCE. Bill 2-36 (LS) is sponsored by Vice Speaker Tina Rose Muna Barnes, Senators Jose "Pedro" Terlaje and V. Anthony Ada.

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Respicio told lawmakers that prior to 2020, our main economic drivers were tourism and the military build-up as a result of the realignment of the U.S. Marine Forces to Guam. When the COVID-19 pandemic hit our island we saw the shutdown of tourism and many businesses closing, leaving thousands of our residents unemployed.

In response to our island's current state of the economy, Governor Lou Leon Guerrero and Lt. Governor Joshua Tenorio, in partnership with Guam Economic Development Authority (GEDA) and the Guam Chamber of Commerce, empaneled the Economic Diversification Working Group. This working group identified new industries to rebound from the adverse effects of COVID-19 pandemic.

"This bill could not have come to a better time for us, as leaders of this island, to set the foundation needed to implement the initiatives that would diversify our island's economy and expand job opportunities for our people and our brothers and sisters from throughout the region," Respicio testified.

In 2019, Governor Leon Guerrero and her fellow Chief Executives of Micronesia convened the 24th Micronesia Islands Forum and collectively committed to establishing closer ties, strengthening cooperation and they also agreed on initiatives that mutually benefit our entire Micronesia Region. In line with this commitment is a key initiative of the Leon Guerrero Tenorio Transition Committee regarding the Port Authority of Guam. That initiative is to establish a tiered fee tied to transshipment volumes of fuel for the petroleum companies and to identify and pursue incentives to develop the fuel capacity at the Port. Such incentives to current and prospective petroleum providers would allow the continued storage of transshipment fuel on the island and, hopefully, would also see the savings passed on to our Micronesia neighbors.

"The other initiative we are pursuing is implementing Public Law 28-92, which I sponsored as a member of the 27th Guam Legislature and then became law in 2005. P.L. 28-92 established a Recycling Enterprise Zone by setting aside 10 acres of Port Authority of Guam property," Respicio said during his testimony. "The commitment to fully implementing the Recycling Enterprise Zone is also memorialized in the Leon Guerrero Tenorio Transition Committee Report and supported by the Leon Guerrero Tenorio Administration and our Board of Directors. We all acknowledge that a significant environmental concern of our

community is the absence of effective recycling and disposal operations, which has resulted in a proliferation of abandoned automobiles, white goods and metallic waste, thus creating a serious threat to our island's aquifer. These efforts could be covered in Bill 2-36 (LS) should it pass in the 36th Guam Legislature and be signed into law by Governor Leon Guerrero."

General Manager Respicio also reminded lawmakers that we have been proactively working toward providing a balanced modernization program to address improvements, sustainability projects and financial self-sufficiency. The Port has in its land bank more than 600 acres along Routes 11 and 18.

"Some of the acreages, subject to the appropriate legislative and administrative approvals, can be used for warehousing infrastructures to transport recycled materials or import manufactured products for transshipment to the United States or our Micronesia neighbors," he said. "Establishing a viable manufacturing hub on Guam would address any shortfalls in our supply chain being felt from time to time in the United States. In turn, the Port would serve as a viable and secure port for goods to flow from manufacturing hubs in the Indo-Pacific region and into the United States."

Respicio said that the creation of this task force, if passed by this Legislature and signed into law by Governor Leon Guerrero, will indeed bridge Guam with our neighbors throughout Micronesia.

"The results of a Transshipment Task Force will further strengthen our region's economy and benefit the populations of the other islands of the Western Micronesia Region, namely, the Federated States of Micronesia, Palau, Marshall Islands and the Commonwealth of the Northern Mariana Islands," he said.



Pacific Ports Partners



General Manager Rory J. Respicio took part in a virtual coordination meeting with Pacific Ports Partners that 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



Deputy General Manager Luis Baza and the Port's Procurement Division conducted training for other divisions on the Procurement Process for Small Purchases.

DGM Baza gave opening remarks to those in attendance and then Procurement staff members discussed the practice of acquiring goods and services from an external source through the small purchase method.

"This training will assist these personnel as they conduct the procurement needed on behalf of their individual divisions," said General Manager Rory J. Respicio.

Specific areas covered in the workshop included the various methods utilized when purchasing items through the RFQ process. These include small purchases, blanket purchase agreements (BPA), draw down method, sole source and emergency procurement.

When procuring goods and services, it is the end-users responsibility to ensure funding is available and to conduct the market research to obtain at least two (2) price quotes for the items to be purchased.

According to Procurement staff, requisitions entered into AS400 should provide detailed descriptions for the items sought to ensure that Buyers can properly cast the needs of the requesting division. The processing is delayed when vendors come back with questions and needing more information on the items requested.

Buyers will cast out RFQ to up to six (6) vendors and a minimum of three (3) positive written quotes is required to execute a purchase order. Requisitions will be bounced back if funding is less than the quotes received, if justification/determination of need is not included, or for lack of information with specs.

End-users are also responsible for tracking and ensuring that requisitions route through the AS400 for proper approvals and processing. The Procurement staff stresses that employees should never accept or commit to the purchase of a product of service before a purchase order has been issued and if help is needed, they are always available to provide assistance.

Be on the lookout for future trainings on the IFB and RFP (Request for Proposal) process and how to prepare bid packets.

Islandwide Beautification Cleanup

The Port Authority of Guam celebrated Earth Month during the month of April including taking part in the annual Islandwide Cleanup event on April 24, 2021.

The Islandwide Cleanup was organized by Lt. Governor Josh Tenorio's Islandwide Beautification Task Force (IBTF). The Port took part by picking up trash along Route 1 from Fish Eye Marine Park to Cabras Island Entrance.

Representatives from each of the Port's divisions, in partnership with the Rotary Club of Guam, Rotary Club of Northern Guam, Rotary Club of Tumon Bay, Rotary Club of Sunrise and Rotoract pitched in to get the job done. On Friday, April 23rd, EQMR and Operations crew did their clean-up from USO Beach to Family Beach. It was a remarkable presence and support of over 130 individuals.

"As we celebrate Earth Month, our Administration affirms our commitment to tackle climate change and promote sustainability for our island and this is an opportunity for all of us to do what we can to clean up our community," Lt. Governor Joshua F. Tenorio said in a video announcement to the people of Guam. "We all have a part in rebuilding a stronger, cleaner and greener Guam."



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The Port had one of the most organized cleanup efforts taking place that day. Volunteers assembled at 6am at Fish Eye Marine Park and the event kicked off with a safety briefing provided by the Port Safety Division to the volunteers that were separated into 5 teams. Port Police provided traffic control and the Piti Mayor's Office set up safety markers. The Port Transportation crew shuttled volunteers to and from their designated areas while Maintenance crew members picked up bags that were filled with garbage. Trash bags, gloves and supplies were provided by the IBTC, bottled water was donated by PAGGMA and refreshments were donated by the PAG management and division heads.

"We had a great turnout for the Islandwide Beautification Cleanup," said General Manager Rory J. Respicio. "I want to thank all the employees and volunteer partners who

contributed to make this cleanup a success. Disposing of trash properly and taking pride in our island should be an everyday practice for all of us."

If you were unable to participate in the cleanup, you can still do your part to help restore our environment and take care of our island. Here are some suggestions:

- Use recyclable shopping bags
- Clean up plastic & trash in your neighborhood or local park
- Use biodegradable products – recycled aluminum foil, chemical free baking paper, compostable bags
- Plant a tree
- Reuse, recycle, or return old plastic garden pots and trays
- Stop using pesticides and chemicals in the garden
- Conserve water & keep our oceans clean
- Pass down a love of nature and plants to kids





Procurement and Engineering staff conducted a mandatory pre-bid site visit on April 23, 2021 for RFQ-PAG-021-009-CIP Spot Corrosion Removal/Repair of Mobil Pipeline Maintenance. Potential bidders were able to see the project site which is located inside Mobil Golf Pier Yard, extending along Rt. 11, Cabras Island and ending at the Y-Junction station.



General Manager Rory J. Respicio gave a presentation to Jojo Guevara's UOG class, Operations and Program Management on April 15, 2021. He shared that the Port is very critical and that all employees are essential front liners. Students expressed appreciation that the Port stayed 100% operational throughout the COVID-19 pandemic.



Employees from the 2nd floor of Admin Building participate in a Fire Evacuation Zoom Table Top Exercise conducted by Frank J. Lujan and Port Safety Division. Prior exercises took place in February for Operations personnel and in March for employees in the first floor of Admin Building. Training for EQMR and Facility Maintenance is forthcoming.

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.



May Birthdays

- Wilfredo B. Adonay
- Rhroda B. Casupang
- Denise J. Calvo
- Luis R. Baza
- Cole D. Chargualaf
- Cris B. Crisostomo
- Lilian T. Valencia
- Richard P. Flores

- Doris C. Aguero
- Christopher John D. Aguon
- Frank C. Manibusan
- Jacob Q. Aquiningoc
- Alfred J. Torres
- Miami M. Elordi
- Ken A. Yoshida
- Romeo R. Peregrino
- Simon S. Pinaula
- Herbert C. Fukuda
- Gregorio L. Babauta
- Robert D. Lau
- Peter L.G. Topasna

