

BOARD OF DIRECTORS

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Resolution No. 2019-03

RELATIVE TO AUTHORIZING MANAGEMENT TO PRESENT TO THE GOVERNOR OF GUAM AND 35TH GUAM LEGISLATURE OVERSIGHT COMMITTEE CHAIRPERSON A REQUEST TO INTRODUCE PROPOSED LEGISLATION TO AMEND PUBLIC LAW 34-70 RELATIVE TO PROJECTS FUNDED BY REVENUE BONDS

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE JOSE D. LEON GUERRERO COMMERCIAL PORT:

WHEREAS, The Jose D. Leon Guerrero Commercial Port's modernization program is designed to meet the island's growth including the expansion of military and growing tourism market; and

WHEREAS, the key project initiatives justified to the bond market investors were: (1) expansion of wharf space to accommodate larger vessels and increase vessel handling capacity; (2) upgrade terminal operating system to allow for automated invoicing, cargo and container tracking, financial management and maintenance management; (3) expansion of existing facilities to support fishing and cruise line industries; and (4) replacement of gantry cranes at the end of useful life to maintain continuous uninterrupted cargo movement; and

WHEREAS, as part of the modernization program, the Port through Public Law 34-70 obtained \$71.44 million in revenue bonds to finance certain capital improvements, including but not limited to: (1) local match for the TIGER grant program funding for Hotel Wharf rehabilitation and access road in the amount of \$14,200,000; (2) replacement Administration Building in the approximate amount of \$17,500,000; (3) replacement and relocation of waterline(s) in the approximate amount of \$6,000,000; (4) repair and expansion of Equipment Maintenance & Repair Building (EQMR) in the approximate amount of \$3,628,800; (5) repair of Warehouse 1 in the approximate amount of \$2,000,000; (6) repair of Golf Pier in the approximate amount of \$2,000,000; and to refinance all or a portion of outstanding loans of the Authority; and

WHEREAS, Section 4 of Public Law 34-70, which authorized the Port to issue revenue bonds specified in statute the capital improvement projects and amounts which the revenue bond proceeds are to fund, and

WHEREAS, on July 20, 2018, Pro Marine Technology submitted an Underwater Assessment and Inspection Services of F-1, F-3, F-4, F-5 and F-6 and based on their assessment, the following were observed:

1. F-1: Breasting platform H has severe concrete fracturing around the lower and perimeter of the structure and throughout its entirety. It was observed that the platform's fender has been severely damaged that it does not function as designed. There are piles that have areas above the waterline where epoxy coatings are missing. It was noted the number of piles and the extent of corrosion have increased significantly since the 2017 inspection. Three (3) pilings underneath Breasting Platform C appear to have shifted. Concrete fracturing and spalling are occurring underneath the structures with the most significant occurring underneath Platform G and underneath the main pier.
2. F-3: Damage observed a separation of the sheet pile corner transition pieces to F-2 underneath the concrete cap. A large volume of fresh water flows through the 54" vertical gap. The length increased 28" from the 2017 inspection. Two pieces of the sheet pile have been damaged (smashed) from the concrete cap. It was observed the most significant deficiency is the large hole in the corner of the most damaged pile plus the vertical crack along its outside corner. Because of the corrosion and wear-down, the 1" shackles securing the cylinder fender chains needs to be replaced. There are about 20-25% (average) shackles remaining.
3. F-4: Spalled concrete with exposed rebar bottom corner of concrete cap. There is a sheet plate repair which is short and ends 11" above the mud line. But there is no sheet piling behind the cover plate. It was noted that concrete was poured in the void behind the plate but there exists significant erosion at the bottom, up behind the plate. Fresh water is leaking through the gap next to an unknown bracket attached to the top side of the repair plate. Bottom of concrete cap fracture (8'-3") from the corner of the newer F-5 concrete cap and rebar is exposed inside the 4' long fracture.
4. F-5: A significant crack in the overhead transverse beam (east side) just above pile number 21, row C. The exposed rebar inside the crack is rusting causing them to swell and forcing further separation of the spalled concrete. It is their expert opinion that if this continues, the section will eventually fall off and the exposed, rusting rebar process will continue into the beam causing further damage.
5. F-6: There are 2 short sheet pilings and erosion underneath and behind the sheet pilings bottom ends. A steel plate welded to sheet piles above mud lines is short. Erosion is apparent underneath and behind the repair plate. Material next to the sheet piling has not been excavated; and

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WHEREAS, Pro Marine Technology highly recommended that repairs to the waterfront structures be made, however, because cost estimates to address the deficiencies pointed out in assessment report were not provided, Port Consultants (WSP) was asked to review the report and provide such information; and

WHEREAS, it was made known to the Port early this year that prior to the rehabilitation of Golf Pier, a connectivity line would need to be installed at F-1 to allow discharged/loaded fuel to be routed to/from other petroleum fuel companies' storage tanks, and the Terminal Operating System and Financial Management System would need to be integrated, along with an upgrade of the Port's current information technology system so accurate financial data on the expenses rendered to vessel operations and related services versus revenues received is known; and

WHEREAS, in the 2010 Master Plan it was recommended the current Port Administration Building be extended with an annex and a bridge connecting it to the existing building to be in compliance with The American with Disabilities Act (ADA) but such project was changed in the 2013 Master Plan Update which recommended a new large building be constructed and the current administration building be demolished; and

WHEREAS, if the Port pursues the 2010 Master Plan recommendation to construct an annex with a bridge connecting to the existing administration building, a portion of the \$17.5 million earmarked for the construction of the new administration building could be used 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; and

WHEREAS, discussions with Guam Economic Development Authority (GEDA) representatives were held on the possibility of reprogramming revenue bond proceeds earmarked for the construction of the new administration building and was told under the Tax Certificate of the Authority, Section 1.5 (c), Purpose of Financing, 40% of the \$17.5 million can be reprogrammed without triggering the 40% taxable income ratio; and

WHEREAS, based on GEDA discussions, \$7 million can be reallocated to the much needed work to the Port's revenue generating facilities, however, amendment to Public Law 34-70 law would need to be made in order to reprogram such bond proceeds to fund the repairs for the waterfront facility, install the connectivity line at F-1 and upgrade/integrate the information technology systems; and

WHEREAS, the Board of Directors fully understands the rationale and commitment to shift the port modernization program to protect and enhance the Port's revenues; now therefore be it

RESOLVED, the Board of Directors authorizes Port management to present a request to the Governor of Guam to submit a proposed legislation to the 35TH Guam Legislature or request Senator Clynton E. Ridgell, Legislature Chairperson on Committee on Economic Development, Agriculture, Maritime Transportation, Power and Energy Utilities and Emergency Response to sponsor such legislation; and be it further

RESOLVED, that the Chairman certify to and the Secretary attest to, the adoption hereof and that copies of the same be thereafter transmitted to the Governor, Lt. Governor, Senator Clynton Ridgell, and the 35th Guam Legislature for consideration and approval.

PASSED AND ADOPTED UNANIMOUSLY BY THE BOARD OF DIRECTORS THIS 29th DAY OF MARCH, 2019.



**FRANCISCO G. SANTOS
CHAIRMAN, BOARD OF DIRECTORS
PORT AUTHORITY OF GUAM**



**ISA MARIE C. KOKI
SECRETARY, BOARD OF DIRECTORS
PORT AUTHORITY OF GUAM**

