



## Table of Contents



**Page 1**  
Overview, Mission and Vision Statement

**Page 2**  
How are We Doing- A Performance Report on Key Mission and Service

**Page 3**  
Revenues and Expenses

**Page 4**  
Challenges Moving Forward – What’s Next? Future Issues

## Strategic Goals:



To modernize the Port as a first class facility in the region.

Provide cargo services in a safe, efficient and sustainable manner.

Promote economic growth and opportunities for maritime related industries.

Address the needs of Port Users.

## About the Authority

The Port Authority of Guam was established as a public corporation and autonomous agency of the government by Public Law 13-87 in October 1975. The Port operates the only commercial seaport in the Territory and, as the primary seaport in Micronesia, serves as a transshipment point for the entire Western Pacific region. It operates the largest U.S. deepwater port in the region and currently handles about 2 million tons of cargo a year. The Port owns 5 cargo-handling piers along with two fuel piers and three marinas. The cost for 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 maintenance, operation and development of the Port and the agency’s business affairs.

With more than 90% of the region’s goods and supplies passing over its dock, the Port’s impact on the quality and sustenance of life for residents of the region cannot be overstated. Primarily dependent on the importation of goods, the Port is truly the lifeline between the Western Pacific Region and the rest of the world.

The Port facilities were designed in the 1960s and put into service in 1969. The facilities have remained unchanged since its construction in 1969 with the exception of the repair of F5 Wharf in 1999. This is in contrast to most modern mainland ports which have undergone two or more cycles of technological and maintenance improvements during this same period of time.

**Phase II – Selected Demolition & Break Bulk Yard Modifications (Completed)**



## Mission Statement

The Port Authority of Guam is dedicated to providing full services to ocean vessels in support of loading and unloading cargo for Guam and Micronesia. PAG is the main lifeline of consumer goods into the island, and as such, recognizes its responsibility to deliver these goods in a timely and efficient 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 Port Authority dedicates all of its profits to the upgrading of equipment and facilities and the continued growth of the island’s seaport.

## Financial Highlights

The net position of the Authority as of September 30, 2014 was \$74.7 million. Of this amount, \$57.6 million is net investment in capital assets, \$966 thousand is considered restricted and \$16.1 million is considered unrestricted.

The Port's net position increased by \$3.3 million for fiscal year ended September 30, 2014.

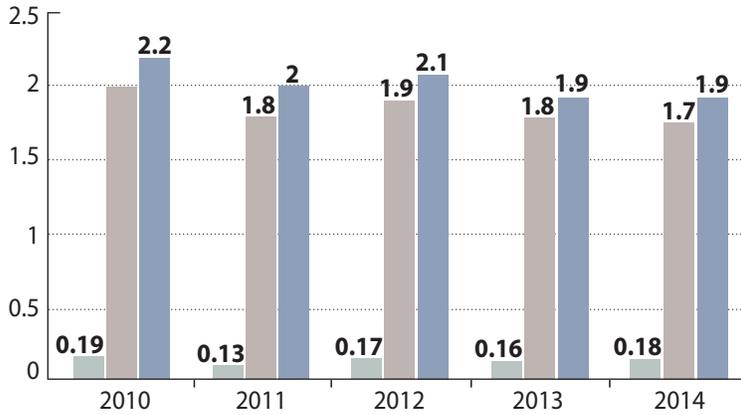
The Port's total assets decreased by \$323 thousand during the fiscal year ended September 30, 2014. The major components of this change was a decrease in non-depreciable property, plant and equipment.

The total liabilities decrease by \$3.7 million during fiscal year ended September 30, 2014. The major component of this change was due to decrease in current liabilities of \$2.9 million.

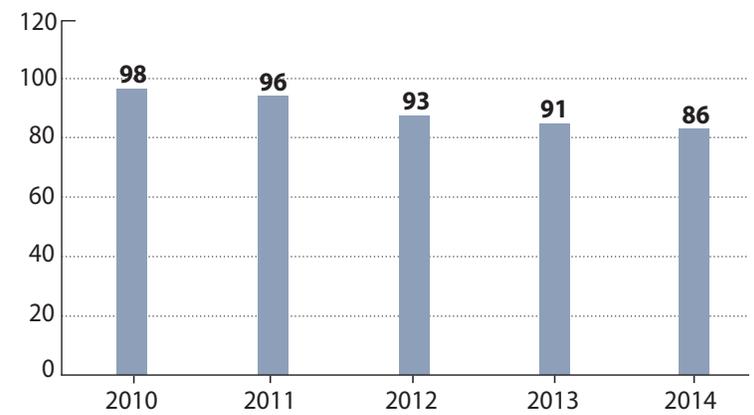
## How Are We Doing – A Performance Report on Key Missions and Service

■ Breakbulk ■ Container ■ Total Cargo Revenue Tons

Total Revenue Tons (in millions)



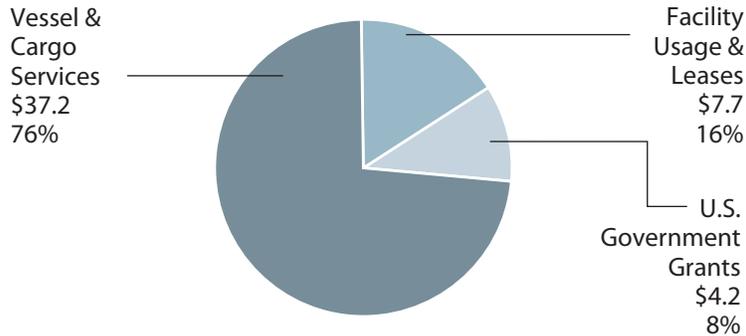
Total Containers Handled (in thousands)



## The Port's Finances – Revenues and Expenses

An independent audit resulted in a clean audit opinion. Complete financial information can be found at [www.portguam.com](http://www.portguam.com)

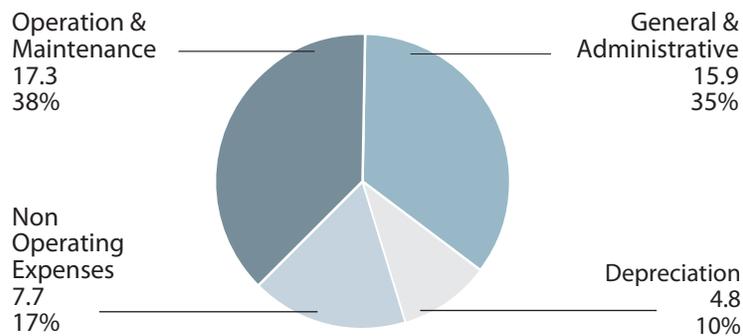
### Primary Sources of Port Revenues — FY 2014



Vessel and cargo services revenues in FY 2014 increase by \$2.8 million. The increase was primarily due to the Interim Rate Increase.

PAG Docket 13-01, Interim Rate Petition was approved by the PUC on January 30, 2014 and rates were implemented on March 2, 2014. The petition implemented a 5.65% increase to PAG's Terminal Tariff rates with the exception of the Bunkering/Fuel throughput/Waste Oil rates and the Crane Surcharge.

### Primary Uses of Port Expenses — FY 2014



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

## Key Project Initiatives

### Some of the key initiatives in 2014 are:

Numerous changes have occurred since the Port Authority of Guam (PAG) commissioned an update of its Master Plan for the Jose D. Leon Guerrero Commercial Port of Guam ("Port") in 2007. The intent of the 2013 Master Plan is to update the content, status, and direction of the Port Modernization Program (PMP) initiated by the Master Plan Update 2007 Report. In doing this, the re-direct PMP and implementation strategy attempt to:

- Modernize the Port in the next five years
- Prepare for a downsize and delayed Guam military build-up
- Provide a balanced focus on improvement and long-term sustainability
- Provide a strategy to secure financial self-sufficiency

### This proposal includes the following unfunded near-term minimal PMP and Sustainability components:

- Upgrade of Existing Financial Management System (FMS)

It is the PAG's intent to upgrade the existing FMS system to a newer version of JD Edwards World. This upgrade is scheduled to be completed by the end of 2013. A follow-on upgrade to the system is anticipated and scheduled for 2019-2020. This second phase upgrade will involve a transition to JD Edwards Enterprise 1 operating on an Oracle or SQL Database.

- PAG's current container yard and truck gate operations utilize a non-computerized, manual procedure for managing and operating the terminal. The container truck gate design and its paper-based procedures for moving cargo and containers in and out of the terminal result in unnecessarily long truck gate-transit times with inefficient utilization of labor. In addition the design and process exposes workers to undesirable environmental effects such as diesel exhaust fumes and other conditions at the gate during truck gate transactions. Due to these paper-based procedures, collection of real-time information for use in managing and operating the requirements, such as for ensuring security, is extremely inefficient and thus creating unnecessary and preventable delay. Without the installation and implementation of a modern Gate and Terminal Operating Systems, the current situation and existing manual system in place will further slow the process.

The manual procedures affect not only efficiency at the gate but also the efficiency and optimization of operations within the storage yard. Since critical real time information on cargo moving to and from the terminal by truck or vessel is not collected, a manual process must be used for tracking and managing the movement and placement of containers within the yard. east & west sides of the Load Center 4 building.



**The Port Terminal Tariff-Increase Tariff Petition-** The propose tariff increase of 7% is vital for the generation of sufficient revenues to cover operating costs of the Port Authority, debt services and capital programs from modernization and sustainability. The primary objective is to maintain an economically sustainable tariff that is equitable and reasonable for the port as well as its users, consistent with the quality and level of service provided by the port. As importantly, the petition will provide the basis and justification for PAG's application to PUC for a change in tariffs.

This tariff increase is part of a long term plan that will allow the Port to keep pace with inflation and fund all necessary Port Modernization Program (PMP) investments, future crane requirements and all other sustainability investments needed to operate self-sufficiently as an efficient and solvent business through the 20-year planning horizon.

**Marina Renovations-** PAG completed the Agat Marina Dock "A" Improvement Project. A Western Pacific Regional Fishery Management Council grant and PAG funds were used for this \$532,100.00 improvement, which consisted of replacement of unsafe wooden finger slips structures with no-rot recycled plastic composite

material, marine grade aluminum frames & stringers, stainless steel components & accessories. Other projects initiated during fiscal year 2014 include:

- Notice to Proceed for the Agat Marina Dock C, D and Floating Dock Improvements.
- Renovation of the Guam Harbor of Refuge Architectural and Engineering Design, including Environmental Study Phase for the moorings
- Renovation of the Existing Pump-out Stations at the Marinas
- Agat Small Boat Marina Concrete Catwalk Repair

### Challenges Moving Forward

**Procurement Delegation-** The Port's procurement delegation is critical to the operations' efficiency and the modernization projects identified in the Master Plan. The Port will work on obtaining the delegation approval from the Chief Procurement Officer so it may purchase materials, supplies and services that are vital to the daily operations of the Port and also the Modernization Program Military Build-up.

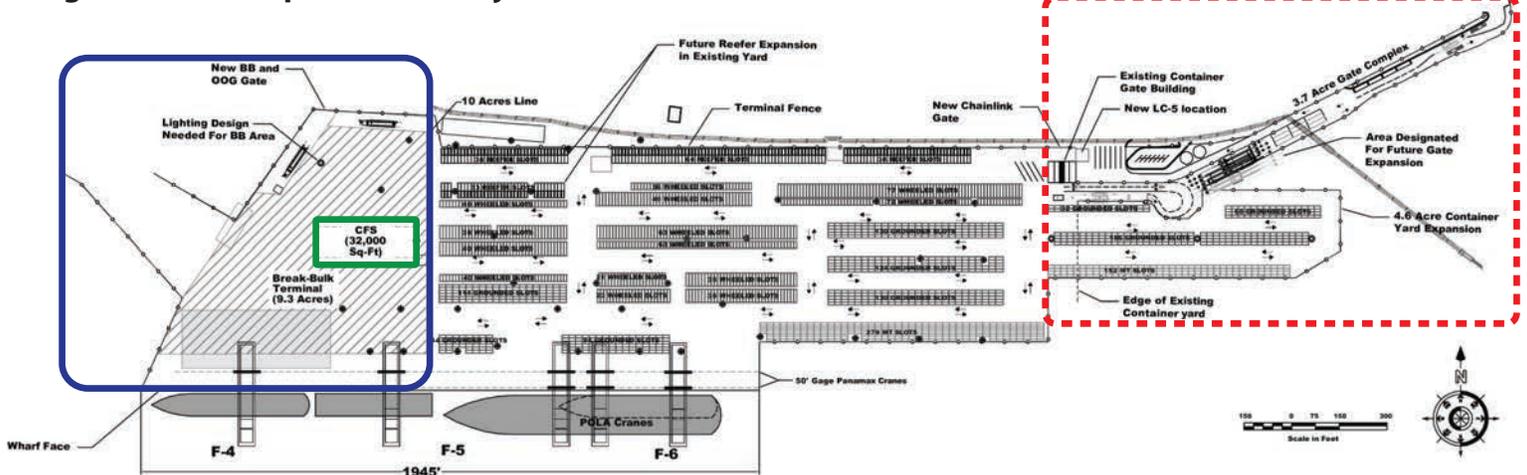
## The Port's Future—Challenges Ahead

### Modernization Plan

In 2012, DOD announced a projected downsizing of the military build-up plans for Guam. The new mix of personnel relocating to Guam was reduced to approximately 5,000 Marines (one third permanent party and two-thirds rotational) and 1,300 dependents. The projected construction budget for projects on Guam dropped to about \$8.6 billion in 2012 dollars. The timeframe for implementing realignment was pushed back from 2010-2014 to 2016-2020. Complicating matters are the Federal budget sequester,

adjustments for progress on Japan projects, adjustment of the Okinawa consolidation to now include retaining some troops in Okinawa and expanding the U.S. realignment of departing Marines to now include positioning them in Hawaii and Australia. For these reasons, the pace of the Guam build-up is expected to be slowed further possibly pushing it to somewhere between 2020 and 2026 (when the Hawaii portion of the redistribution is scheduled for completion).

### Diagram of Port Improvement Projects



- Phase I: Completed February 2014
- Phase II: Completed May 2014
- Phase III: Anticipated Completion Date October 2015

In June 2008, PAG partnered with the Maritime Administration (MARAD), through a Memorandum of Understanding, for the "Port of Guam Improvement Enterprise Program". MARAD was designated as the lead agency to provide federal oversight and coordination of projects under the program. This partnership with MARAD was formalized through U.S. Public Law 110-417, National Defense Authorization Act for 2010, which also established the "Port of Guam Improvement Enterprise Fund" (the Fund). In August 2010, President Barack Obama signed the 2010 Supplemental Appropriations Act which transferred \$50 million from the Department of Defense to the Fund on September 22, 2010.