

PORT AUTHORITY OF GUAM

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NEWS RELEASE

Port Submits FY21 Budget for Approval

Piti, Guam, September 21, 2020: The Port Authority of Guam has submitted its Fiscal Year 2021 budget to the Board of Directors for approval which takes a conservative approach based on zero-based budgeting principles.

Port General Manager Rory J. Respicio notes that the FY19 budget included salaries and benefits that were not budgeted by \$2 million due to implementing a 25th market percentile salary. Through prudent fiscal management, strong internal controls, and cost containment, the Port managed to maintain the initial budget expense figure, absorbing the \$2 million shortfall and allocating \$3.1 million for past personnel issues. Because of these measures, the Port finished FY19 with a net income of \$3.5 million. The Port went from a loss of \$103 thousand in FY18 to earning nearly \$7.5 million in just one year. Respicio added that in the face of all the financial challenges the Port experienced in FY19, the agency was able to accomplish a Debt Service Coverage Ratio (DSCR) of 2.3%, almost a 100% increase as compared to the bond indenture requirement of a 1.25% ratio. The Port also improved the Daily Cash on Hand from 869 days to 966 days.

"The Port's revenue projection for FY21 is based on the revenue collected from March 2020 through July 2020 and extrapolated over 12 months," Respicio said. "We also projected federal reimbursements, providing us with a conservative revenue projection of \$48,063,533, which is roughly \$1.0M million less from last year's revenue estimate. The proposed FY21 budget is aligned with the Leon Guerrero Tenorio Administration and Board's vision, goals, and it keeps the Port fiscally responsible. This proposed budget was prepared with a 'zero-based budgeting' mindset, provides fiscal discipline in developing realistic spending plans, and identifies continued potential cost savings."

Respicio added that the proposed budget represents the Port's best estimation of the resources, operational, and capital requirements for the upcoming fiscal year.

"More importantly, this proposed budget builds our financial posture, meeting our operational needs, and exceeding the minimum requirements of the bond raters," he said. "Ultimately, this proposed budget represents our collective desire to keeping the Port moving forward, even as our island community faces unprecedented challenges created by the COVID-19 Pandemic."

Due to the ongoing pandemic, Respicio said the Port's fiscal team had to take a more intense look at different possible outcomes and then factor the impact from the pandemic into the current cash inflow.

"Our team created three scenarios composed of the revenue numbers on (1) the normal months of the fiscal year (October to July); (2) the months when the Pandemic started worldwide (January to July); and (3) the months when the Pandemic had an impact in Guam (March to July)," Respicio said. "You will note that the revenue projection we chose, scenario 3, was the most conservative, leaving us with an even more significant challenge to provide a realistic and responsible budget proposal. This revenue projection is based on the current financial collections, in an economic environment where Guam's tourism industry is temporarily halted, and without any assumptions made to the impending military buildup construction. As you know, these are two of the three factors historically used to make budgetary assumptions for revenue projections. The third determinant factor is federal grants and aide deposited into our island's economy, currently totaling \$1.5 billion."

The general manager said the Zero-based budgeting process started in July and was done in collaboration with all of the agency division heads using a bottom-up approach which allowed each division to submit its budget request, followed by one-on-one sessions to deliberate their respective budget submissions. The initial phase was led by Luis R. Baza, Deputy General Manager for Administration and Finance, and supported by Jojo Guevara, Financial Affairs Controller, Francine Rocio, HR Administrator, and Vince Bamba, Budget Analyst. In formulating this budget, the Port team took stock of the Port's current fiscal health and other considerations and challenges, all of which will have a budgetary impact for the upcoming fiscal year.

"Although our team was able to decrease the overall request by \$5.6 million, unfortunately, it would have resulted in a net negative income of \$537,109 and place our DSCR to 1.22%," Respicio said. "Additional budget cuts were made to ensure that the final numbers resulted in a positive net income and accomplished a debt service coverage ratio that is within the minimum condition set by the Port's bond rating agencies."

Respicio added that despite the pandemic and the issues facing the Port, the agency has remained 100 percent operational during the crisis and continues to ensure the flow of goods into our island remains uninterrupted.

"The Port faces significant challenges, but with our challenges comes great opportunity," Respicio said. "We are deeply grateful to work with a solid management team with so much energy and talent to keep the Port fully operational and to maintain our current levels of high workforce morale, productivity, and efficiencies. Even in the most difficult of times, as what we are experiencing these past 6 months, the Port carries out its mission to safely, responsibly, and environmentally manage its assets in order to protect the supply chain, meet the Port's employee's needs, and, most significantly, to do our part to foster economic growth and job creation."

The proposed FY21 Budget will be discussed during the Board of Directors Meeting scheduled for 3pm this Thursday September 24th. The meeting will be broadcast live on the Port's website and social media pages. A copy of the proposed budget is attached and also can be found on the Port's website at www.portofguam.com