PORT AUTHORITY OF GUAM
JOSE D. LEON GUERRERO COMMERCIAL PORT
1026 Cabras Highway, Suite 201 Piti, GU 96915
Phone: (671) 477-5931 Fax: (671) 477-2689
Website: www.portguam.com

NEWS RELEASE

General Manager to Board: Port finances are stable amidst global pandemic

Piti, Guam, July 30, 2020: Port General Manager Rory J. Respicio told board members today that Port finances are doing very well despite the ongoing global health crisis.

Respicio addressed board members during their monthly meeting and informed them that the overall spending YTD (Actual versus Budget for FY2020) is 10% less, or $3.7M in YTD cost avoidances. This means that despite the slight dip in revenues and cargo throughput amounting to $1.5 million lower than year to date revenue projections, the overall spending of 10 percent less actual versus budget – or $3.7 million – puts the port in a stable financial position.

Meanwhile overtime was down by 22 percent, or $22,000, as compared to May of last year. Also the expenses by the Port that are reimbursable by the tariff is $2.6 million or a $57,000 increase from the budget which

"This means that although OT expense is 22.5% over budget YTD, this projected budget shortfall is covered by the direct labor reimbursement," Respicio told the board.

The General Manager reported the following to the board members:

REVENUES AND CARGO THROUGHPUT:

- The Port's Container throughput revenue for June, 2020 compared to June, 2019 is 5.3 % lower than last year's total, and 6.2% or $1.2M lower than FY20 budget projections. The total revenue for the Port as of June,2020 is $41.1 million, which is 3.6% or $1.5M lower than YTD revenue projections.

- The total number of containers handled as of June, 2020 is 63,091, which 2% lower or 1,190 fewer containers compared to last year's June, 2019 total.

OPERATING EXPENSES:

- Overall spending YTD (Actual versus Budget for FY2020) is 10% less, or $3.7M in YTD cost avoidances.

OVERTIME EXPENSE AND DIRECT LABOR REVENUE:

- Overtime YTD for Operations is $1,105,458, which is 22.5% higher than YTD overtime budget of $902,064. The overtime for June resulted in a decrease of 22% or $22K as compared to May, from $101,303 in May to $79,393 in June.

- Direct Labor reimbursement is $2.6M, which is 2.3% or $57K increase from the FY20 budget. (This means that although OT expense is 22.5% over budget YTD, this projected budget shortfall is covered by the direct labor reimbursement. Here is the breakdown:

Direct Labor Revenue	$2,577,754
Operations Overtime	$1,105,458
Variance	$1,472,296

YTD OPERATING REVENUES MINUS YTD EXPENSES

- Total Net Income YTD is $4.6M. The YTD Income is 8.7% lower than net income projections for FY2020. For the months of April and May, the cargo throughput revenues is averaging a decrease of 19% or $415K and in other cargo related revenues category, the result is an average decrease of 15% or $278K. Although the Port's non-operating revenues is showing increases as compared to the projections and the operating expenses resulting to 10% decrease as compared to budget, the decrease in operating revenues for the past two months is one of the primary reasons in the -8.7% net income result as compared to the net income projection in the nine months of the fiscal year.

Meanwhile, the Port Authority of Guam Board of Directors today also voted to accept the proposed evaluation rate from South Pacific Petroleum Corporation (SPPC) for the extension of their Sublease Agreement for the fuel tank farm.

SPPC has formally agreed to apply Exxon Mobil's (Mobil) valuation rate at a 14.5% increase, which was approved by the Port Board of Directors at its meeting on June 9, 2020. Port staff today sought and received Board approval to move forward with the valuation.

Parcel 1, Lot 2 currently serves as the Port's second largest fuel facility with 20,375.13 square meters in total area. This Lot is more commonly known as Area B. On October 1, 1969, SPPC entered into a Sublease Agreement with Guam Economic Development Authority (GEDA). Today, SPPC continues to operate month-to-month through the Sublease Agreement for Lot 2 even though the preceding 10-year period from October 1, 2009 – October 1, 2019 has expired. On August 6, 2019, SPPC formerly exercised their option to renew the Sublease Agreement for the 4th of 7 successive terms of 10-years, to be effective from October 1, 2019 – October 1, 2029.

The Port has saved a significant amount of expense and time by obtaining SPPC's acceptance to utilize Mobil's previously established Lot valuation. To date, SPPC continues to pay the Port $25,808.50 monthly for Lot 2, until the agency finalizes the valuation of Lot 2 moving forward.

The board today also voted in favor of Resolution No. 2020-05 which establishes a General Reserve Fund Account which sets cash aside in additional to the regular bank fund balances for when regular cash flow is disrupted.

"The Port recognizes that the reserves are built up over time by generating an unrestricted surplus and intentionally designating a portion of the excess cash as a reserve fund," Resolution No. 2020-05 states. "The Port has determined that the unrestricted fund balance set aside to stabilize finances by providing a reserve account against unexpected events, losses of income, and unbudgeted expenditures."

The resolution requires that any drawdown of funds for authorized transactions shall require two signatures; one by the General Manager and another by any of the three authorized signatories named.

Port General Manager Rory J. Respicio also gave board members an update on the Fire Water Line Break that occurred on July 18 and also a run down on OPA Report No. 20-04 regarding the findings of by the Public Auditor that the former General Manger received illegal pay raises.

Respicio also updated the board on a petition filed by the Guam Federation of Teachers for exclusive recognition of Port Police Personnel, the application of the Freedom of Information Act to Settlement Agreements and the port's work to obtain several significant federal grant opportunities to assist the Port Authority of Guam through the pandemic. Respicio also updated the board on the Outstanding Performance Evaluation of Deputy General Manager Luis R. Baza which was affirmed unanimously by the board of directors.

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