

BOARD OF DIRECTORS

*Dorothy P. Harris, Chairperson
Conchita S.N. Taitano, Vice Chairperson
Fe R. Valencia-Ovalles, Board Secretary*



Resolution No. 2024-17

RELATIVE TO AUTHORIZING RETROACTIVE APPROVAL OF FY2024 BUDGET EXPENDITURES AND PROACTIVELY APPLYING SAME AUTHORIZATION FOR BUDGET CEILING ADJUSTMENT FOR FY2025.

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

WHEREAS, maintaining strict adherence to board-approved budget appropriations is essential for financial transparency, accountability, and compliance with government financial policies; and

WHEREAS, spending Port funds without prior board approval, while occasionally necessary for urgent and unforeseen expenditures, is generally considered a “cardinal sin” in public administration, as it undermines key principles of legal compliance, financial discipline, and accountability; and

WHEREAS, as of August 31, 2024, the Port Authority of Guam’s overall operating expenses totaled \$53.2 million, which is 4.9% or \$2.5 million higher than the year-to-date budget of \$50.6 million for August and represents 93% of the total approved FY2024 Budget of \$57.0 million, reflecting an increase in year-to-date expenses compared to the prior year while remaining within 93% of the total budget authorization for FY2024; and

WHEREAS, unforeseen expenses, such as those related to the anticipated passage of Typhoon Bolaven in October 2023, increases in insurance premiums, and personnel requirements including fully funding overtime, contributed to an increase in operating expenses beyond initial projections and subsequent board authorization; and

WHEREAS, to ensure the Port Authority’s effective response to unforeseen operational and environmental challenges, it is essential to proactively empower the General Manager with budgetary flexibility, as this board has consistently and repeatedly authorized to keep the Port of Guam 100% operational. Such authority supports efficient decision-making, enabling timely responses to unexpected expenses, thus safeguarding operational continuity and enhancing financial resilience; and

WHEREAS, the General Manager, Rory J. Respicio, was nationally recognized with the 2024 Distinguished Local Government Leadership Award by the Association of Government Accountants (AGA) for his exemplary financial stewardship in government budget and public policy, underscoring the Port’s commitment to transparency, accountability, and sound financial management; and

WHEREAS, following the discovery of the unauthorized increase in FY2024 spending—though necessary and unintentional—the Port’s management, led by General Manager Respicio, Deputy General Manager of Administration and Finance Pacifico Martir, and Chief Financial Officer Jojo Guevara, has implemented enhanced monitoring systems to prevent future occurrences; and

WHEREAS, to demonstrate that the Port Authority is not deficit spending, this resolution highlights that the Port’s financial position as of September 30, 2024, remains strong with a projected net income of \$7.9 million for FY24, a projected Debt Service Ratio (DSR) of 1.94 (exceeding the bond requirement of 1.25), and 864 days of cash on hand (surpassing Moody’s recommended 500 days);

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors hereby grants retroactive approval for the additional \$1.5 million in FY2024 expenditures and further authorizes an adjustment to the FY2025 budget ceiling to account for potential future contingencies, while ensuring strict oversight and adherence to financial controls; and



BE IT FURTHER RESOLVED, that the Board may allow the General Manager an additional spending margin of up to 5% above appropriation levels for FY2025 for existing items, contingent upon available cash flow and Debt Service Ratio compliance, to provide flexibility in managing unforeseen, port-related costs and ensure continued alignment with fiscal responsibility, transparency, and accountability; and

BE IT FURTHER RESOLVED, that the General Manager, Deputy General Manager of Administration and Finance, and Chief Financial Officer are directed to continue strengthening internal monitoring systems and to provide monthly updates to the Board on expenditure tracking, cash flow, overtime expenditures, and compliance with approved budget limits and the bond indenture; and

BE IT FURTHER RESOLVED, that the Chairperson certify to, and the Secretary attest to, the adoption hereof.

**PASSED AND ADOPTED UNANIMOUSLY BY THE BOARD OF
DIRECTORS THIS 27th DAY OF NOVEMBER, 2024.**

**DOROTHY P. HARRIS
CHAIRPERSON, BOARD OF DIRECTORS
PORT AUTHORITY OF GUAM**

**FE R. VALENCIA-OVALLES
BOARD SECRETARY, BOARD OF DIRECTORS
PORT AUTHORITY OF GUAM**

