

I MINA'TRENTAI KUÁTTRO NA LIHESLATURAN GUÁHAN
Informational Briefing/ Oversight Hearing / Roundtable Hearing

REPORT	STANDING COMMITTEE / SENATOR	DATE	DATE FILED	NOTES
Informational Briefing	Committee on Guam-U.S. Military Buildup, Infrastructure, and Transportation	07/12/17 2:00 p.m.	8/01/17 4:50 p.m.	Port Authority of Guam Bond Financing Initiative.



JUL 25 2017

The Honorable Benjamin J.F. Cruz

Speaker

I Mina'Trentai Kuátro Na Liheslaturan Guáhan

Guam Congress Building

163 Chalan Santo Papa

Hagåtña, Guam 96910

VIA: The Honorable Régine Biscoe Lee

Chairperson, Committee on Rules

RE: Committee Report on the Port Authority

Dear Senator Régine Biscoe Lee:

Transmitted herewith is the Committee Report, pursuant to Section 11.06(b) of Rule XI, on the Informational Hearing of the Port Authority of Guam Bond Financing Initiative.

Respectfully,

SENATOR FRANK B. AGUON, JR.

Committee Chairman on Guam U.S. Military Buildup | Infrastructure | Transportation

I Mina'Trentai Kuátro Na Liheslaturan Guáhan | 34th Guam Legislature

2017 AUG - 1 PM 4: 58

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COMMITTEE ON

Guam U.S. Military Buildup | Infrastructure | Transportation

I MINA' TRENTAI KUÁTRO NA LIHESLATURAN GUÁHAN | 34th GUAM LEGISLATURE



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COMMITTEE REPORT

ON THE

INFORMATIONAL BRIEFING

OF THE

PORT AUTHORITY OF GUAM

BOND FINANCING

INITIATIVE

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1st Notice – Informational Hearing on Wednesday, July 12, 2017 at 2:00 PM

Office of Senator Frank Aguon, Jr. Admin <admin@frankaguonjr.com>

Wed, Jul 5, 2017 at 11:17 AM

To: "Office of Senator Frank B. Aguon, Jr." <admin@frankaguonjr.com>

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Bcc: cbabauta@guampdn.com, editor@pacificislandtimes.com, janela@k57.com, kmora@guam.gannett.com, louella@postguam.com, nick@kuam.com, parroyo@k57.com, Gaynor Daleno <editor@postguam.com>, Guam PDN <news@guampdn.com>, Janela Buhain Carrera <janela@spbguam.com>, Jason Salas <jason@kuam.com>, Jerick Sablan <jpsablan@guampdn.com>, John O'Connor <john@postguam.com>, Krystal Paco <krystal@kuam.com>, Mar-Vic Cagurangan <publisher@pacificislandtimes.com>, Maria Louella Losinio <louella.losinio@gmail.com>, Neil Pang <neil@postguam.com>, Sabrina Salas Matanane <sabrina@kuam.com>, Shawn Raymundo <sraymundo@guampdn.com>, Steve Limtiaco <slimtiaco@guampdn.com>, Valerie Mague <valerie@kuam.com>, afduenas@portguam.com, chuck.ada@guamairport.net, eleanor.borja@dpw.guam.gov, felix.benavente@dpw.guam.gov, frangelinan@portguam.com, gabriel.jugo@englekirk.com, Glenn Leon Guerrero <glenn.leonguerrero@dpw.guam.gov>, governor@guam.gov, maria.flores@revtax.guam.gov, maria.perez@clb.guam.gov, marie@guam-peals.org, mecristi@pacificsoilsguam.com, mruth@traguam.com, myra.abaya@grta.guam.gov, penelope.gates@grta.guam.gov, peteroy@guamairport.net, phnotice@guamlegislature.org, rally.pilipina@grta.guam.gov, ray@guam-peals.org, rosieb@guamairport.net, Amanda Blas <amanda.blas@guam.gov>, Andrew Tydingco <pokilabot@gmail.com>, Enrique Agustin <rick.agustin@grta.guam.gov>, Gerard Cruz <gerard.cruz71@gmail.com>, Ginger Porter <ginger.porter47@gmail.com>, "Joanne M.S. Brown" <jbrown@portguam.com>, "John P. Camacho" <john.camacho@revtax.guam.gov>, "joseph. duenas" <joseph.duenas@guam.gov>, Joy Unpingco <joy.unpingco@guam.gov>, Marge Duenas <mduenas@portguam.com>, Maria Taitano <mrdtraitano@gmail.com>, "Marie M. Benito" <marie.benito@revtax.guam.gov>, Mark Calvo <mark.calvo@guam.gov>, Melanie Mendiola <melmendiola@gmail.com>, Ray Tenorio <ray.tenorio@guam.gov>, Rose Ramsey <rose.ramsey@guam.gov>, "Vice Mayor Frank A. Benavente" <frankabenavente17@gmail.com>

July 05, 2017

MEMORANDUM

To: All Senators, Media, and Stakeholders

Fr: SENATOR FRANK BLAS AGUON, JR.

Subject: 1st Notice – Informational Hearing on Wednesday, July 12, 2017 at 2:00 PM

In accordance with the *Open Government Law of Guam*, relative to notice for public meetings, please be advised that the *Committee on Guam U.S. Military Buildup, Infrastructure, and Transportation*, will convene an **Informational Hearing on Wednesday, July 12, 2017 at 2:00 PM**. Included on the agenda for discussion are the following topic(s):

- The Port Authority of Guam's Bond borrowing proposal;
 - the five-year tariff proposal for the Port approved by the Public Utilities Commission in April;
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 - construction of a new administration building and commercial center;
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 - replacement of the port yard waterline; and
 - review of the Equipment and Maintenance program.
- Any other concerns.

The Hearing will broadcast on local television, *GTA Channel 21* and *Docomo Channel 117* or streamed online at: www.guamlegislature.com.

The Committee requests that, if written testimonies are to be presented at the Informational Hearing, copies be submitted one day prior to the public hearing date, to the Office of Senator Frank B. Aguon, Jr. at Suite 503 DNA Bldg. 238

Archbishop Flores St. Hagåtña, Guam, or via fax to 475-GUM3(4863), or via email to: aguon4guam@gmail.com. Individuals requiring special accommodations, auxiliary aids, or services should contact our office at 475-4861/62. Please feel free to contact my office should you have any questions or concerns.

Un Dangkolo Na Si Yu'os Ma'ase!

--

Thanks!

Office of Senator Frank B. Aguon, Jr.

Committee on Guam US Military Build-Up, Infrastructure and Transportation

SUITE 503, DNA BLDG. 238 ARCHBISHOP FLORES STREET HAGÁTÑA, GUAM 96910

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July 05, 2017

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Un Dangkulo Na Sa'ku'os Ma'ase!

SENATOR FRANK BLAS AGUON, JR.

Committee Chairman on Guam U.S. Military Buildup | Infrastructure | Transportation
I Mina' Trentai Kuátro Na Liheslaturan Guáhan | 34th Guam Legislature

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Office of Senator Frank B. Aguon, Jr. <admin@frankaguonjr.com>

2nd Notice – Informational Hearing on Wednesday, July 12, 2017 at 2:00 PM

Office of Senator Frank Aguon, Jr. Admin <admin@frankaguonjr.com>

Mon, Jul 10, 2017 at 9:53 AM

To: "Office of Senator Frank B. Aguon, Jr." <admin@frankaguonjr.com>

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July 10, 2017

MEMORANDUM

To: All Senators, Media, and Stakeholders

Fr: SENATOR FRANK BLAS AGUON, JR.

Subject: 2nd Notice – Informational Hearing on Wednesday, July 12, 2017 at 2:00 PM

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Un Dangkolo Na Si Yu'os Ma'ase!

--

Thanks!

Office of Senator Frank B. Aguon, Jr.

Committee on Guam US Military Build-Up, Infrastructure and Transportation

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July 10, 2017

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Joe S. San Agustin
Member

Senator
Régine Biscoe Lee
Member

Senator
Louise Borja Muña
Member

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Ur Dangkulo Na Si Yu, ma cose!

SENATOR FRANK BLAS AGUON, JR.

Committee Chairman on Guam U.S. Military Buildup | Infrastructure | Transportation
I Mina' Trentai Kuátro Na Liheslaturan Guáhan | 34th Guam Legislature

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Louise Borja Muña
Member

Senator
Fernando B. Esteves
Member

Speaker
Benjamin J.F. Cruz
Ex-Officio

PORT AUTHORITY OF GUAM
INFORMATIONAL HEARING AGENDA

Wednesday, July 12, 2017 at 2:00 PM

I Liheslaturan Guahan's Public Hearing Room, Hagåtña

AGENDA

- I. Call to Order at 2:00PM
- II. Opening remarks/Announcements
- III. Port Authority of Guam presentation on the following:
 - The Port Authority of Guam's Bond borrowing proposal;
 - the five-year tariff proposal for the Port approved by the Public Utilities Commission in April;
 - The renovation of Hotel Wharf;
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 - replacement of the port yard waterline; and
 - review of the Equipment and Maintenance program.
- IV. Open discussions
- V. Closing Remarks
- VI. Adjournment

COMMITTEE ON GUAM U.S. MILITARY BUILDUP, INFRASTRUCTURE & TRANSPORTATION

I Mina' Trentai Kuatro Na Liheslaturan Guahan | 34th Guam Legislature



SENATOR FRANK B. AGUON, JR.

CHAIRMAN

Informational Hearing

Wednesday, July 12, 2017 at 2:00 pm



INFORMATIONAL HEARING:PORT AUTHORITY OF GUAM

Name (Please Print)	Agency/Organization	Contact Number	Oral Testimony	Written Testimony	[REDACTED]						
K. W. C. M. V.	Port					[REDACTED]					
C. S. C. A. I. D.	Board,						[REDACTED]				
V. S. A. A.	"							[REDACTED]			
P. S. A. I. D.	"								[REDACTED]		
										[REDACTED]	
											[REDACTED]
					[REDACTED]						

COMMITTEE ON GUAM U.S. MILITARY BUILDUP, INFRASTRUCTURE & TRANSPORTATION

I Mina' Trentai Kuãtro Na Liheslaturan Guåhan | 34th Guam Legislature



SENATOR FRANK B. AGUON, JR.

CHAIRMAN

Informational Hearing

Wednesday, July 12, 2017 at 2:00 pm

INFORMATIONAL HEARING: PORT AUTHORITY OF GUAM

Name (Please Print)	Agency/Organization	Contact Number	Oral Testimony	Written Testimony		
Enrique Austin	GRTA	489-7414				
Kyla Mon	PDN	487-4905				
Nestor Licanto	KUAM	487-7777				
Carmelita Nedeloy	PHS	477 5331				
Carol Jenkins	PHS	01				

COMMITTEE ON GUAM U.S. MILITARY BUILDUP, INFRASTRUCTURE & TRANSPORTATION

I Mina' Trentai Kuatro Na Liheslaturan Guahan | 34th Guam Legislature



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INFORMATIONAL HEARING: PORT AUTHORITY OF GUAM

Name (Please Print)	Agency/Organization	Contact Number	Oral Testimony	Written Testimony	Support	
Dot Harris	PA G	477-5931	✓			
STEVEN MUNA	PAG	888-7724	N/A	N/A		
Felix Benito A. Duenas	PAG	685-4757	✓			
Jocelyn S. Braun	PA G	477-5931 ext 202	✓			
CHARLENE YATAR	PAG	477-5931 x 533				
Christina Garcia	GEDA	647-4332				

COMMITTEE ON GUAM U.S. MILITARY BUILDUP, INFRASTRUCTURE & TRANSPORTATION

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Name (Please Print)	Agency/Organization	Contact Number	Oral Testimony	Written Testimony	
Dora Perez	PAG	477-5931 x 213			support ✓
ANNETTE MARTINIS	PAG	477-5931 x 363			
Joann Conroy	PAG	477-5931			✓

COMMITTEE ON GUAM U.S. MILITARY BUILDUP, INFRASTRUCTURE & TRANSPORTATION

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Name (Please Print)	Agency/Organization	Contact Number	Oral Testimony	Written Testimony	
ERNEST CANTOLETA	PAG	586-4829			
Doris Aguero	PAG	689-1235			
RAYMOND SANDS	PAG	482-4603			
KEVINY RENEZ	PAC				
Los. A Ull. J.	II	899-1236			
Kiri Pangelis	PAC	727-4233			
Junior Topasna	PAC	788-4542			

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



)
)
)
PETITION OF
PORT AUTHORITY OF GUAM
FOR FIVE YEAR TARIFF INCREASE
)
)

PAG DOCKET 17-01

ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the “5 Year Tariff Petition” (hereinafter referred to as the “Rate Petition”), filed by the Jose D. Leon Guerrero Commercial Port (“PAG” or the “Port”) on November 16, 2016.

DETERMINATIONS

On September 12, 2016, PAG published its proposed rates reflecting increases to PAG’s Terminal Tariff.¹ On November 16, 2016, PAG filed its 2016 Rate Petition. Thereafter, the Administrative Law Judge of the PUC (the “ALJ”) transmitted a copy of the Rate Petition to the firm of Slater Nakamura, L.L.C. (“Slater Nakamura”), the PUC’s consultants for matters related to the port authority.

On March 7, 2017, Slater Nakamura provided the ALJ with its report on the rate investigation, which detailed its findings and recommendations. Pursuant to the Ratepayers’ Bill of Rights, duly-noticed public hearings were held in the villages of Hagåtña, Agat, and Dededo, on April 5, 6, and 7, 2017.

¹ Report of the Tariff Investigation for the Port Authority of Guam (“Slater Nakamura Report”), submitted by Slater Nakamura, L.L.C., p. 1 (Mar. 7, 2017).

On April 26, 2017, the ALJ filed an ALJ Report regarding the instant rate case, which included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

A. PAG's Rate Petition

The Rate Petition is based on the testimony submitted by PAG General Manager Joanne M.S. Brown, Felix R. Pangelinan, Felixberto A. Duenas, and Simeon S. Delos Santos; and is further based on Resolution No. 2016-05, issued by PAG's Board of Directors. The Rate Petition proposes a 7% general increase on PAG's Terminal Tariff rates, excluding its Crane Surcharge, for years 1 and 2, and a 1% increase for years 3 through 5.² PAG submits that the rate increase proposed in the Rate Petition "is vital for the generation of sufficient revenues to cover operating costs of the Port Authority, debt services and capital programs for modernization and sustainability."³

Specifically, PAG maintains that "[t]he 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."⁴ The Rate Petition "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 replacements and all other sustainability investments needed to operate self-sufficiently as an efficient and solvent business through the 20-year planning horizon."⁵

² Rate Petition, p. 1.

³ Rate Petition, p. 1.

⁴ Rate Petition, p. 1.

⁵ Rate Petition, p. 1.

1. PAG's Written Testimony in Support of the Rate Petition

Joanne M.S. Brown, PAG's General Manager, testified that "[t]he goal of the tariff adjustment is to ensure that sufficient revenues are available to support the ongoing PMP investments (gantry cranes, yard equipment, TOS, GOS, SLE for wharfs)" as well as "[i]nstitute structured maintenance programs"; replace aging facilities; implement salary and wage increases; retain buying power; and address depreciation of existing assets.⁶ Ms. Brown further testified that the tariff adjustment will allow the Port to be "able to keep up with near-term modernization goals" as well as "begin the process of addressing additional infrastructure maintenance and improvements."⁷

Ms. Brown added that PAG was awarded a \$10 million grant from the U.S. Department of Transportation, which PAG intends to utilize as funding for rehabilitation of its Hotel Wharf.⁸ However, based on this testimony, PAG will need an additional \$10 million in funding, by way of bond issues, in order to fully fund such rehabilitation.⁹

Felix R. Pangelinan, PAG's Deputy General Manager of Operations, testified that "[t]here are critical facilities at the Port Authority that are in dire need of repair. The most immediate area of concern is H wharf [needing] to be upgraded to provide for operational efficiencies."¹⁰ Mr. Pangelinan added that "[t]he revenue generated from this 5 year tariff increase will help fund the port's priority projects . . . and our debt service to the port's current loans and future bond financing"¹¹

⁶ Petition, Tab 2 ("Direct Testimony of Joanne M.S. Brown"), p. 3 (Nov. 16, 2016).

⁷ Direct Testimony of Joanne M.S. Brown, p. 3.

⁸ Direct Testimony of Joanne M.S. Brown, p. 3.

⁹ Direct Testimony of Joanne M.S. Brown, p. 3.

¹⁰ Petition, Tab 3 ("Direct Testimony of Felix R. Pangelinan"), p. 3 (Nov. 16, 2016).

¹¹ Direct Testimony of Felix R. Pangelinan, p. 3.

Felixberto Alfred Duenas, PAG's Deputy General Manager of Administration and Finance, testified that another goal of the rate plan "is to ensure that sufficient revenues are available to support a Bond indenture to include cash reserve requirements and debt service[] to sustain capital improvement[] projects[s] and salary structure." ¹²

Simeon S. Delos Santos, PAG's Engineer Manager, testified that the "essential components" underlying the rate increases are the following: to finance the capital project outlined in PAG's 2013 Master Plan Update; to satisfy debt service requirements; and for the Port to be "financially self sufficient." ¹³

2. PAG's Board Resolution Approving Rate Petition

Resolution No. 2016-05, issued by PAG's Board of Directors, found that, based on a financial analysis conducted by PAG's Owner's Agent/Engineer, "there should now be annual adjustments in the Port's Terminal Tariff over the next five years in the amount of 7% for years 1 and 2, and a 1% increase for the years 3 through 5."¹⁴ The Board further authorized PAG to petition the PUC for approval of the multi-year rate plan, which is the subject of these proceedings.¹⁵

B. Rate Investigation by Slater Nakamura

1. Just and Reasonable

Based on its investigation, Slater Nakamura found that PAG's request is based on the need to "support operational costs, upgrade facilities and modernize its operating systems and

¹² Petition, Tab 3 ("Direct Testimony of Felixberto Alfred Duenas"), p. 3 (Nov. 16, 2016).

¹³ Petition, Tab 5 ("Direct Testimony of Simeon S. Delos Santos"), p. 2 (Nov. 16, 2016).

¹⁴ Resolution No. 2016-05, p. 1 (Sept. 7, 2016).

¹⁵ Resolution No. 2016-05, p. 1 (Sept. 7, 2016).

equipment in order to meet projected demand for cargo throughput.”¹⁶ Slater Nakamura noted that “[t]he approval of the Legislature of the 2007 Port Master Plan ratified a \$261 million capital development plan needed to properly modernize and expand existing facilities to meet both near-term and long-term cargo demands.”¹⁷

The rate plan will support PAG’s continued payment on debt service on existing loans of about \$2.2 million per year, which include acquisition of cargo handling equipment, wharf repairs, acquisition of the Port of Los Angeles cranes, and top lifters.¹⁸ From 2017 through 2021, PAG also plans to implement capital projects that total \$57.7 million, which include a gate operating system, replacement of PAG’s Administration Building, Hotel Wharf, and waterline.¹⁹ PAG further intends on replacing Crane 3.²⁰

For this investigation, Slater Nakamura examined the Rate Petition, PAG’s Master Plan Update 2013 Report, financial forecasts submitted by PAG, maintenance plans, along with other data.²¹ Based on its review, Slater Nakamura determined that PAG’s request is “just and reasonable.”²²

a. **Consumer Price Index**

Based on its analysis, Slater Nakamura determined that the proposed tariff increases were consistent with the Consumer Price Index, finding that the increases in the tariff

¹⁶ Slater Nakamura Report, p. 8.

¹⁷ Slater Nakamura Report, p. 8.

¹⁸ Slater Nakamura Report, p. 5.

¹⁹ Slater Nakamura Report, p. 5.

²⁰ Slater Nakamura Report, p. 5.

²¹ Slater Nakamura Report, p. 5.

²² Slater Nakamura Report, p. 2.

had a “marginal impact on consumer prices.”²³ In fact, based on PAG’s data, the rate increase would result in the following for the first year.

Figure 2: 2015 PAG Analysis of Proposed Tariff Impact on Consumer Prices³

Item	Canned beverage	Canned Spam	Lettuce head	Rice – 20 lbs. bag	Lumber (2 x 4x 8)
Increase in Cost of Container	\$29.19	\$29.19	\$37.69	\$29.19	\$29.19
Increase in unit cost	\$0.0006	\$0.0006	\$0.0016	\$0.0128	\$0.0082

b. Comparable Port

Slater Nakamura’s analysis also included a comparison of Hawaii’s rate increases against the Port’s increases. Slater Nakamura indicated that Hawaii has increased its rates by over 80% within 2010 and 2016, and will continue to increase its rates yearly by 3%. Slater Nakamura found that given the adjustments implemented by Hawaii “are significantly higher than those proposed by PAG,” they conclude that the proposed multi-year rate plan is “just and reasonable.”²⁴

c. Financial Need

Slater Nakamura further examined whether the multi-year rate plan will be sufficient to cover PAG’s operating costs, capital investments, and debt service. Looking at revenue from cargo, Slater Nakamura determined that “[t]he projected growth rates and baseline

²³ Slater Nakamura Report, p. 11.

²⁴ Slater Nakamura Report, p. 13.

volumes for cargo throughput are extremely conservative and therefore the revenue projections developed from those projections are also conservative and achievable.”²⁵

Slater Nakamura’s analysis additionally examined whether the projected cash flow will be sufficient to support operating costs plus \$47 million in new bonded debt. Based on its examination, Slater Nakamura found that “there would be sufficient cash flow to support operating and non-operating (includes debt service on existing and new debt) expenses, and funding of the CIP.”²⁶ Slater Nakamura also found that PAG would have sufficient cash flow to replace Crane 3 in 2018, which replacement would be funded by the sinking fund, as well as revenues and proceeds from bonded debt.²⁷ The consultants, however, note that PAG should provide the PUC with a detailed timeline for any debt issuance, as well as provide the PUC with progress reports regarding the status and efforts for such issuance.²⁸

2. Findings

Based on its investigation, Slater Nakamura made the following findings: that the requested tariff increases are “just and reasonable” inasmuch as they “have minimal impact on the market basket of the average Guam consumer”; and that the increases are significantly less than the increases approved for the benchmark port, namely Hawaii.²⁹ In addition, Slater Nakamura further found that the tariff increases will allow PAG “to operate in a manner where its current and future obligations can be met.”³⁰

²⁵ Slater Nakamura Report, p. 17.

²⁶ Slater Nakamura Report, p. 18.

²⁷ Slater Nakamura Report, p. 18.

²⁸ Slater Nakamura Report, p. 19.

²⁹ Slater Nakamura Report, p. 23.

³⁰ Slater Nakamura Report, p. 23.

The consultants also found that PAG continues to defer maintenance on critical equipment and infrastructure; and that Crane 3 must be replaced earlier than anticipated due to such deferred maintenance.³¹ Lastly, while Slater Nakamura found that PAG will be able to sustain operations and service existing and planned debt, the following would impact cash flow: (1) the Guam CPI exceeds 4% per annum; (2) cargo throughput exceeds or falls short of the current projected growth rate with more than a 5% variance; (3) PAG loses its appeal of an arbitration \$15 million award; and (4) the cranes require replacement 2 or more years sooner than currently planned.³²

3. Recommendations

Based on its investigation, Slater Nakamura made the following recommendations: that the PUC approve the rate plan as petitioned by PAG; and that PAG provide the PUC with a detailed timeline for debt issuance, as well as provide the PUC with semi-annual reports to the Commission.³³ In addition, Slater Nakamura further recommended that the PUC reserve the right to request that PAG return to the Commission for possible revisions to the rate increases in the event of the following: Guam's CPI exceeds 4% per annum; the cargo throughput either exceeds or falls short of the projected growth rate by 5%; PAG loses an appeal against Guam YTK Corporation and is required to pay a \$15 million arbitration award; and any time the physical condition of PAG's cranes require replacement two (2) years sooner than presently planned.³⁴

³¹ Slater Nakamura Report, p. 23.

³² Slater Nakamura Report, p. 23.

³³ Slater Nakamura Report, p. 25.

³⁴ Slater Nakamura Report, p. 25.

C. Public Testimony

At the public hearing held in Hagåtña on April 5, 2017, several members of PAG management testified in support of the multi-year rate plan. In addition, Catherine Castro, President of the Guam Chamber of Commerce, testified in opposition to the tariff increases, stating that “the best way for our government to expand revenues is to live within its means and increase our tax base (grow our economy).” Ms. Castro testified that the private sector is faced with an increase in the minimum wage, increased fees due to the TESS law and utility costs, as well as the H2-B crisis that has impacted the cost of construction.

Ms. Castro further testified that for families “living from paycheck to paycheck, a \$400 monthly grocery budget could be impacted by \$28, which essentially could result in whether or not a family can afford to purchase baby formula or some other necessity.”

At the public hearing held in the village of Agat on April 6, 2017, Mr. Frank Lujan questioned what the rate increases would fund. Again, PAG management testified in support of the multi-year rate plan, as well as offered testimony indicating how the rate increases would be utilized.

At the public hearing held in the village of Dededo on April 7, 2017, again, PAG management testified in support of the multi-year rate plan, as well as offered testimony indicating how the rate increases would be utilized. Mr. Thomas Hertslet, Mr. Hermie Queja from Micronesian Brokers, and Mr. Noli Cadag from J&G, were present at the hearing and also offered testimony.

Mr. Queja stated that he strongly opposed the rate increases, and that he concurs with the testimony submitted by the Guam Chamber of Commerce. He indicated that PAG should reconsider its five year rate plan, consider looking at ways to reduce its expenses, and

“live within its means.” Mr. Cadag testified stated that “all these increases will drive prices up” and it will be the public who will have to bear these added costs. Mr. Hertslet testified that PAG could lease more of its property, that PAG should streamline its disposal methods, as land that can be used for other purposes are being used to house “rotting” equipment.

On April 19, 2017, Dan Del Priore, from GFT, submitted a letter inquiring as to the ownership, or future ownership of Hotel Wharf.

D. **ALJ’s Findings Regarding Operating Costs, Capital Investments, and Debt Service**

Based on the following record: the Rate Petition and supporting documents; Resolution No. 2016-05 issued by PAG’s Board of Directors approving the proposed terminal tariff rate increases; the written testimony from PAG management; the April 5, 2017, April 6, 2017, and April 7, 2017 public hearings; and the March 7, 2017 Report submitted by Slater Nakamura related to the instant rate investigation; the ALJ found that PAG’s request of a 7% general increase on PAG’s Terminal Tariff rates, excluding its Crane Surcharge, for years 1 and 2, and a 1% increase for years 3 through 5, was reasonable, prudent, and necessary in order to generate “sufficient revenues to cover operating costs of the Port Authority, debt services and capital programs for modernization and sustainability.”³⁵

The ALJ additionally found that the rate plan will support PAG’s continued payment on debt service on existing loans of about \$2.2 million per year, which include acquisition of cargo handling equipment, wharf repairs, acquisition of the Port of Los Angeles cranes, and top lifters;³⁶ as well as allow PAG to implement capital projects that total \$57.7 million, which include a gate operating system, replacement of PAG’s Administration Building,

³⁵ Rate Petition, p. 1.

³⁶ Slater Nakamura Report, p. 5.

Hotel Wharf, and waterline.³⁷ PAG further intends on replacing Crane 3.³⁸ The ALJ, therefore, found that the tariff increases will help PAG “move forward and focus on facility improvement and long term sustainability.”³⁹ The ALJ further adopted the findings contained in the March 7, 2017 Report submitted by Slater Nakamura.

E. ALJ’s Determination of Just and Reasonable Rates

Section 12116 of Title 12 of the Guam Code Annotated provides that: “[a]ll rates, charges, assessments, and costs made or charged by any public utility shall be just and reasonable and in conformance with public law, and shall be filed with the Commission; and no rate, charge or assessment cost shall be established, abandoned, modified, departed from or changed without a public hearing and the prior approval of the Commission.”⁴⁰ Additionally, Section 12118 of the same Title provides that: “[t]he term just and reasonable as used in this Article is defined as that rate, charge or assessment cost which enables the public utility to repay its debts, finance its obligations, finance its capital improvement needs and cover all its operating expenses.”⁴¹

Based on the standard articulated above, the ALJ found that PAG’s tariff rate increases are “just” and “reasonable” because such adjustments are necessary in order to enable PAG to “repay its debts, finance its obligations, finance its capital improvement needs and cover all its operating expenses,”⁴² as well as for all the reasons stated in the Slater Nakamura Report.

³⁷ Slater Nakamura Report, p. 5.

³⁸ Slater Nakamura Report, p. 5.

³⁹ Direct Testimony of Simeon S. Delos Santos, p. 2.

⁴⁰ 12 G.C.A. §12116(a).

⁴¹ 12 G.C.A. §12118.

⁴² 12 G.C.A. §12118.

Accordingly, based on this record, the ALJ recommended that the PUC approve the proposed increases to PAG's Terminal Tariff rates, as petitioned by PAG, and which are indicated in "Appendix B" of the Slater Nakamura Report, titled "Recommended PAG Tariff Rate Table." The Commission hereby adopts the findings made in the April 26, 2017 ALJ Report, and therefore, issues the following:

ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. PAG is authorized to implement the rate increases to its Terminal Tariff, excluding the crane surcharge, which are indicated in "Appendix B" of the Slater Nakamura Report, titled "Recommended PAG Tariff Rate Table."

2. Accordingly, PAG is authorized to implement a 7% general increase effective June 1, 2017, and shall implement a subsequent 7% increase on January 1, 2018; PAG is further authorized to implement the remaining proposed 1% increases effective each October 1st for Fiscal Years 2019, 2020, and 2021.

3. PAG is ordered to file with the Commission, by October 31, 2017, actual data for Fiscal Year 2017 concerning the following: (a) revenue and net income; (b) operating expenses; (c) debt service and capital costs; (d) any operating reserves; and (e) throughput cargo.

4. PAG is further ordered to file with the Commission, by August 1st prior to the start of Fiscal Years 2019, 2020, 2021, actual data concerning all the sub-items listed in Ordering Provision No. 3 above, these reports shall capture data since the most recent filing.

5. PAG is further ordered to return to the Commission for a rate investigation in the event of the following: (a) the Guam CPI exceeds 4% per annum; (b) cargo throughput exceeds or falls short of the current projected growth rate with more than a 5% variance; (c) PAG loses its appeal of a \$15 million arbitration award; and (d) the cranes require replacement 2 or more years sooner than currently planned.

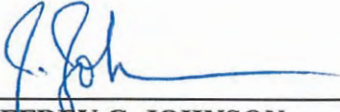
6. PAG is further ordered to file with the PUC a detailed timeline related to its plans for debt issuance by July 1, 2017; PAG shall also provide the PUC with semi-annual reports to the Commission detailing the status of PAG's efforts to secure such bonds, the first of which shall be filed on December 1, 2017, and the second of which shall be filed on June 1, 2018.

7. PAG shall seek PUC approval prior to any annual increases to its Direct Labor Charges.

8. PAG is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this rate investigation. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

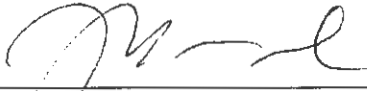
SO ORDERED this 27th day of April, 2017.



JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ
Commissioner

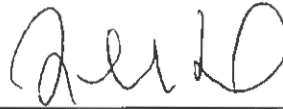


JOSEPH M. MCDONALD
Commissioner

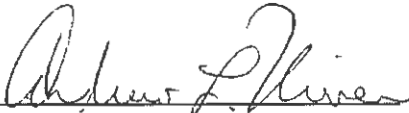


FILOMENA M. CANTORIA
Commissioner

MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

P173010.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

_____)

The Port Authority of Guam)

Port Docket 17-01

[PAG] Request for PUC Investigation)

of Rates and Tariffs)

_____)

Report of the Tariff Investigation for the Port
Authority of Guam

For Guam Public Utilities Commission Support
Port Docket 17-01

March 7, 2017

1.0 EXECUTIVE SUMMARY

Summary of Review

Pursuant to Public Law 30-52, the Port Authority of Guam (PAG) gave proper notice of the intent to increase its tariffs on September 12, 2016. On November 16, 2017, the PAG submitted a 5-Year Tariff Petition to the Commission for the Commission's review and approval.

At the direction of the Administrative Law Judge (ALJ) for matters related to the Port, the Commission's Consultants (the firm of Slater, Nakamura) conducted an investigation into the tariff increase request to determine if the request was "just and reasonable".

The documents that served as the basis for the investigation were:

- Government of Guam Public Law 30-52.
- 5-Year Tariff Petition, Including
 - Proposed Tariff Rate Table
 - Testimony of various PAG officials and their consultant
 - 5-Year Accelerated Tariff Petition Analysis (2017-2021) prepared by Parsons Brinckerhoff
- Master Plan Update 2013 Report, dated November 2013
- Port Authority of Guam Financial Statements and Independent Auditors' Reports for FY2013, 2014 and 2015.
- Maintenance Plan, including
 - Plans for Gantry Cranes, Facility Maintenance, Top Lifters, Fork Lifts
 - Parsons Brinckerhoff Memorandum re: Maintenance Program
 - Letter from Office of Inspector General, U.S. Department of the Interior

Based on the Commission's Consultants review of the proposed Tariff and supporting documentation, several areas were evaluated to determine if the proposed tariff is "just and reasonable." The evaluation criteria were:

- Are the proposed fees just and reasonable based upon the prevailing economic climate?
- Are the proposed fees just and reasonable based upon comparable fees / practices from other ports?
- Will the tariff increase allow PAG to operate in a fiscally responsible manner given its current and projected revenue and costs?

Overall, the proposed tariff rate adjustments are "just and reasonable" based upon the current economic environment, the prevailing market rates and the need to raise additional funds to support infrastructure improvements. The proposed tariff is also "just and reasonable" relative to the PAG's ability to operate in a fiscally responsible manner.

Findings

- The requested tariff increase is "just and reasonable".
 - The proposed tariff increase will have minimal impact on the market basket of the average Guam consumer.
 - The increases reflected in the tariff are significantly less than the increases approved for the benchmark port – so the request is not out of line.
 - The tariff will allow the PAG to operate in a manner where its current and future obligations can be met – based upon assumptions provided by the PAG and subject to specific events not occurring.
- The PAG continues to have deferred maintenance on critical equipment and infrastructure.
- Crane 3 is being replaced on a faster schedule than originally planned due to deferred maintenance.
- The revised cash flow forecast indicates that the Port will be funded sufficiently to sustain operations and service existing and planned debt, if the assumptions in the model are sustained. Specific areas that will impact cash flow include:
 - The Guam CPI exceeds 4 per cent per annum.
 - Cargo throughput either exceeds or falls short of the current projected growth rate with more than a 5% percent variance.
 - PAG loses the appeal and is required to pay the \$15M in breach of contract fees to Guam YTK.
 - The analysis of the cranes physical condition requires a replacement 2 or more years sooner than currently planned.

The requested tariff increase is "just and reasonable"; however, if trigger events occur; a review of the tariff will be required

Recommendations

- The requested 5-year tariff increases be approved by the Commission.
 - With exception of the first 7% increase, which will be implemented following approval by the Commission action, all other increases be taken on October 1st of each year.

- PAG provide a detailed timeline for the debt issuance and semi- annually provide progress reports to the Commission.
- The Commission reserves the right to request that PAG return to the Commission with additional documentation or revisions to the proposed rate adjustments if any of the following conditions are met:
 - The Guam CPI exceeds 4 per cent per annum.
 - The actual annual cargo revenue either exceeds or falls short of the current projected growth rate with more than a 5% percent variance.
 - PAG loses the appeal and is required to pay the \$15M arbitration settlement with Guam YTK.
 - Any crane's physical condition requires replacement 2 years sooner than is currently planned.

2.0 OVERVIEW OF THE PROPOSED TARIFF

The overview of the PUC's investigation of the Tariff will discuss the Port Authority of Guam's (PAG) request for consideration of increases to current rates in the tariff and future increases through 2021. It will also describe the justification presented by PAG to support the increase. A review of the salient points for the justification will be compared with other documentation to determine if the request is based upon factual or subjective data.

Since becoming operational in 1966, the Port Authority of Guam (PAG) has served as the hub for commerce on the island of Guam and the local region. The Port of Guam, located along major Pacific shipping routes, is an important transportation hub, linking the Commonwealth of the Northern Marianas, the Micronesian islands, and the expanding Far East markets with the United States and the rest of the world. It is estimated that over 90% of the day-to-day goods consumed on Guam pass through the port and over its piers and quays. Since its inception, there has been limited improvement to its facilities and its capacity to move cargo.

The PAG gave proper notice of the intent to increase the tariffs in accordance with Public Law 30-52 on September 12, 2016, thereby meeting public review requirements. On November 16, 2016, the PAG submitted a 5-Year Tariff Petition to the Commission.

In the Tariff Petition, the PAG General Manager listed the following reasons for the requested tariff increase:

"The Port serves the needs of not only Guam but also the entire Micronesian Region for it is a transshipment hub. Over 90% of the day-to-day goods and supplies consumed by the population in the region pass through the Port. In order for the Port to remain as a viable modernized seaport, the Port must properly plan ahead to anticipate the changes that will effectuate the Port in the foreseeable future. The proposed 5-year tariff adjustment rate of 7% for year 1 and 2 and a 1% increase for the years 3 through 5 was determined by revenue requirements of the Port considering projected operating and capital costs and debt service required.

THE PAG MISSION

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. The Port Authority of Guam 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 profit to the upgrading of equipment and facilities and the continued growth of the island's seaport.

The proposed 5 years of tariff increase is vital for the generation of sufficient revenues to cover operating costs of the Port Authority, debt services and capital programs for 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."

The 7% tariff increase for the first two years is higher than the current CPI indicators but is consistent with recent PAG increases. The reduction to 1% in future years is based on the PAG Consultant's projection of future CPI increases. The primary justification presented for the increase is to cover operating costs, debt service and capital programs.

The proposed 5-year plan anticipates continued payment of debt service on existing loans which have funded acquisition of cargo handling equipment, wharf repairs, acquisition of the Port of Los Angeles cranes, and top lifters.

Additionally, over the period 2017 through 2021, the PAG plans to implement a wide variety of new capital projects totaling \$57.7 million. Included are the following projects costing \$35.5 million, which would be funded by new debt: gate operating system, replacement of Administration Building, replace Hotel Wharf and access road, and waterline replacement.

In 2018, the PAG also plans to replace Container Crane 3 at a cost of \$8.1 million, \$2.4 million of which would be funded by new debt. Including financing costs (capitalized interest, debt service reserve, and cost of issuance), the new debt would total \$47.8 million.

Along with funding operations and capital programs, the proposed tariff increase will also help the PAG meet its current debt service of about \$2.2 million per year¹.

¹ 5-Year Accelerated Tariff Petition Analysis (2017-2021) memorandum to PAG Guam, Table 6, Parsons – Brinckerhoff, dated 7 September 2016



Senator
FRANK B. AGUON, JR.
Chairman

Senator
Thomas A. Morrison
Vice Chairman

Senator
Dennis G. Rodriguez, Jr.
Member

Senator
Joe S. San Agustin
Member

Senator
Régine Biscoe Lee
Member

Senator
Louise Borja Muña
Member

Senator
Fernando B. Esteves
Member

Speaker
Benjamin J.F. Cruz
Ex-Officio

COMMITTEE REPORT DIGEST

I. OVERVIEW

The Committee on Guam US Military Buildup, Infrastructure, and Transportation convened an informational hearing on Wednesday, July 12, 2017 at 2:00 PM on the Port Authority of Guam (PAG). Among the item(s) on the agenda is:

- The Port Authority of Guam's Bond borrowing proposal;
 - the five-year tariff proposal for the Port approved by the Public Utilities Commission in April;
- The renovation of Hotel Wharf;
- Transportation Investment Generating Economic Recovery (TIGER) grant from the U.S. Department of Transportation;
- Port infrastructure issues to include but not limited to the following:
 - construction of a new administration building and commercial center;
 - repairs to Warehouse 1 and Golf Pier;
 - replacement of the port yard waterline; and
 - review of the Equipment and Maintenance program.

Public Notice Requirements

Notices were disseminated via e-mail to all senators and all main media broadcasting outlets on Wednesday, July 5, 2017 (5-Day Notice), and again on Monday, July 10, 2017 (48-Hour Notice).

Senators Present

Senator Frank B. Aguon, Jr., Chairperson
Speaker Benjamin J.F. Cruz
Vice Speaker, Therese M. Terlaje
Senator James V. Espaldon
Senator Thomas Morrison
Senator Mary Camacho Torres

II. SUMMARY OF TESTIMONY & DISCUSSION

The confirmation hearing was Called-to-Order at 2:00 PM.

Chairman Aguon

Good afternoon ladies and gentlemen, this informational hearing sponsored by the Committee on Guam U.S Military Buildup, Infrastructure and Transportation is now hereby convened.

Chairman Aguon

On the agenda is the Port Authority of Guam and the items that will be presented specifically and this is outside of any additional questions that may be posed to the Port Authority of Guam Officials, as well as Board Members. The outline would reflect the Port Authority of Guam's Bond Borrowing Proposal, Five Year Tariff Proposal for the Port approved by the Public Utilities Commission [PUC] in April. The renovation of Hotel Wharf, Transportation Investment Generating Economic Recovery, the TIGER Grant from the U.S Department of Transportation.

The Port infrastructure issues to include but not limited to the following: The construction of the new administration building and commercial center, the repairs to Warehouse 1 and Golf Pier, the replacement of the Port yard waterline and the review of the equipment and maintenance programs. So, those will be the items that will be presented by the Port Authority of Guam administration, inclusive of the Board Members.

In compliance with the Open Government Law; the initial notification was forwarded out to the stakeholders, as well as to our media partners on Wednesday, July 5th, with the second notice being extended to similarly, the stakeholders as well as to our media partners on Monday, July 10th. That is in direct compliance with the Open Government Law.

To the - regards, to the rules of engagement for this afternoon's oversight – or informational hearing, is, we will recognize the representatives from the Port Authority of Guam and allow them to make the presentation on those items that were highlighted. Then, upon the conclusion and... This is specifically formatted this way, so that if in fact, a question is posed and perhaps two or three slides forward, that question would have been responded to.

We're going to maintain the format where in fact, the presentation will be presented by the Port Authority of Guam officials. We will complete the presentation and then open up the floor for questions by members of the Committee and members of the Guam Legislature. So, aside from that, I would like to recognize the Vice Speaker Terlaje. Thank you very much, Madam Vice Speaker for joining us. Senator Morrison, Senator Torres and Speaker B.J Cruz. Thank you very much Senators and colleagues for joining us this afternoon.

At this time, I would like to invite Senator Joanne Brown and the Chairman Frank Santos and any other Port Officials that you would like to bring forward to begin the presentation.

Once again, Senators, please? If I can beg your indulgence. We will allow the Port Authority of Guam to provide their entire presentation and then upon the conclusion, I will open up the floor for any questions or any additional discussion on the items.

Senator Brown, if you could please identify yourself for the record.

Mr. Frank Santos, Chairman, Board of Directors, Port Authority of Guam

Let me first, okay, we want to express our humble thanks. *Hafa Adai*, good afternoon. We are honored

Mr. Frank Santos, Chairman, Board of Directors, Port Authority of Guam

to be here this afternoon to make some briefing presentations regarding the status of the Port facilities and also the equipment.

Also, some of my management team is here to make the presentation, to give you the status of our facilities and also our equipment. We are honored to be here this afternoon.

Now, I will turn this thing over to our General Manager, Joanne Brown.

Chairman Aguon

Thank you, Chairman Santos.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Thank you, Mr. Chairman and Mr. Chairman. I appreciate the opportunity that you've allowed for the members of the Port Authority to be able to come in and provide an informational briefing on the - what soon will be proposed and introduced legislation on behalf of the Port Authority to allow the Port to pursue a bond.

This will be the first time in the history of the Port Authority, the Port Authority will actually have ventured down this road.

We are providing an overview on response to the questions and inquires that you had. Different members of our team will present different components with regards to the presentation today. We will begin first with our Deputy for Administration Finance, Alfred Dueñas, who will provide an overview with regards to the Bond Borrowing Proposal.

I also see that Tina Garcia from GEDA is here, afterwards, if there are any other questions collectively you may have of us or certainly of GEDA, we'll be able to respond to that.

Thank you very much, Mr. Chairman.

Chairman Aguon

Thank you, Senator Brown. Mr. Dueñas?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Speaker B.J Cruz, Vice Speaker Terlaje, Senator Morrison, Senator Mary Camacho Torres; My name is Felixberto – Felixberto Alfred Dueñas, I am the Deputy General Manager for Finance and Administration at the Port Authority of Guam.

I am here to present the portion of the Five-Year Tariff petition plan supporting the proposed bond financing the collaborative efforts of the Port Authority of Guam along with the consultants Parsons Brinckerhoff and PUC's consultants Slater Nakamura produced the framework for the Port Authority of Guam docket 17-01. That is the reference number and ID presented to our tariff position by the PUC.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

The petition proposes a 7% general increase on Port Authority of Guam terminal tariff rates. Excluding the crane surge charge for years one and two and a 1% increase for years three to five. The rate petition is part of a long-term plan that we allow the Port to keep base with inflation and fund all necessary Port modernization program investments, future crane replacements, and all other sustainability investments needed to operate self-sufficiently as an efficient and solvent business through the twenty-year planning horizon.

For this investigation, Slater Nakamura examined the rate petition, Port Authority of Guam's master plan updated 2013 report, financial forecast submitted by Port Authority of Guam, maintenance plans along with other data.

Based on its reviews, Slater Nakamura determined the Port Authority of Guam's request is just and reasonable. Slater Nakamura further examined whether the lower tier rate plan would be sufficient to cover the Port Authority of Guam's operating costs, capital improvements and debt service. Slater Nakamura determined that the projected growth rates and baseline volumes for cargo throughput are extremely conservative and therefore, the revenue projects developed from those projections are also conservative and achievable.

In the development of container cargo volume forecast, Port Authority of Guam consultants used 2015 as the base year for acceleration at a 1.1% annual growth rate between 2016 and 2020 and a more conservative 0.9% growth rate for 2021 and beyond.

Slater Nakamura's analysis additionally examined whether the projected cash flow will be sufficient to support operating costs 47 million in new bonded debts. Based on this examination, Slater Nakamura found that there would be sufficient cash flow to support operating and non-operating expenses and funding for the CIP.

Slater Nakamura also found that Port Authority of Guam would have sufficient cash flow to replace Gantry 3 in 2018 with replacement to be funded by the sinking fund. That's the portion of the consultant work they performed and the report that they submitted.

The next step was for the administrative law judge. The administrative law judge found that the Port Authority's request for 7% general increase for the terminal tariff excluding crane surge charge for years one and two and a 1% increase for years three through five are reasonable, prudent and necessary in order to generate sufficient revenues to cover operating costs of the Port Authority, debt service, and capital programs for modernization and sustainability.

The administrative law judge further adopted the findings contained in the March 7, 2017 report submitted by Slater Nakamura. Based on the reports of Slater Nakamura and the recommendation of the administrative Law Judge; PUC authorized the implementation of a 7% general increase effective June 1, 2017 and shall implement a subsequent increase on January 1st, 2018.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam
The Port Authority Guam is further authorized to implement the remaining purposed 1% increase effective on each October 1 for fiscal years 2019, 2020 and 2021.

On October - we would be required to present our 2016... 27 operational... our 2017 financial statement in October to PUC for them to monitor our progress for the fiscal year that will be completed shortly, every year thereafter we have reporting requirements to submit our financial data.

That pretty much, in a nutshell, incorporates the tariff petition as it relates to the bond finance.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Inaudible

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Inaudible

Chairman Aguon

Did you want to proceed to...?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

We have prepared some slides.

Chairman Aguon

Yes.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Why don't you go through that?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

The first slide that we have showed the cash flow. The previous slide.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

The previous slide?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

No, the previous slide.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

The previous slide.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Yes. If you will note, based on the 2017, the cumulative cash flow is 0.53. Then 2018, it goes to 3.05 then to annually to 5.51, 7.72, and 9.34.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

The reason for the low collection for FY 2017, like I indicated earlier, the tariff for 2017 started in June. So, we would only have approximately, six months to collect for Fiscal Year '17. Then in 2018 we would have a mixed three months of 7% and then, I believe eight months, nine months of 14%. Then for 2019, it would be 15% and then 16% and 17%. That accounts for the cumulative cash flow projection.

Part of the use of the funds, the bond proceeds, we have a list of projects that we would do. What we would also do, is that we would explore the possibility of refunding or refinancing our current debts that we have. We intend to meet the 2% requirement that is set forth. We would be able to succeed in that part.

Part of the loans that we would be financing would be the ANZ, 12-million-dollar loan which is for the polar crane. The Bank of Guam loan for our Service Life Extension and other equipment purchases and the U.S. Department of Agriculture, 2-million-dollar loan.

The refinance balances will be amortized to mature at the same time set prior to refinancing. So, we are not

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam
going to be refinancing and taking them out 30 years.

That pretty much covers that slide. I would like to turn it over to Dorothy Perez [Harris]. She is our Chief Planner for the... If there are any questions –

Chairman Aguon

Before you proceed Ms. Harris, I would like to welcome Senator Espaldon. Thank you, Senator, for joining us this afternoon.

The rules of engagement will be, we'll allow the Port Authority of Guam to be able to complete the entire presentation because it's all encompassing in regards to not only the bonds but how some of the proceeds are going to be applied. Then, I will open the floor for any questions by any of the members of the Committee of the Legislature.

So, Ms. Harris, please? If you can proceed.

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam

Good afternoon, Mr. Chairman, Mr. Speaker, and members of the Committee, I am Dot Harris, I am the Chief Planner with the Port, to provide a status update on the renovation of Hotel Wharf

Project which is funded under the Transportation Investment Generating Economic Recovery Program, also known as the TIGER Grant.

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam

There are two major components of construction involved in this project it includes replacement of all wharf structures and adjacent upland facilities at Hotel Wharf. As well as reconstruction of the access roadway. This will be approximately one mile of that road way on Highway 11 on Cabras Island.

We have been very proactive in preparing for this grant and preparing for this major project, it is shovel ready.

In 2014, we have completed a number of design - the required design and permitting documents. This includes...

[REFER TO POWERPOINT PAGE 4]

Environmental Permits, these permits have been prepared, but have not been submitted these will be submitted as Army Corps review and also for review under the Federal Consistency Program under the Guam Coastal Management Program with their consistency plans.

About a year ago, we were awarded 10 million dollars. The grant is administered under the maritime administration again under the U.S Department of Transportation.

We are coordinating with MARAD to have them come out and do a site visit sometime in a couple of months in September.

The estimated projects time lines for the first quarter of 2018; We will be updating the final design documents

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam

and engineers certification, these have all been done in 2014, but our local PEALS Board requires that we submit the designs with the current engineer's certification that is valid within twelve months prior to the permitting process, so that is why we are doing this.

During this second quarter of 2018, we would have prepared and ready for submission of permit application again to Army Corps and Federal Consistency Review. We want to... We hope to be able to complete our agreement with MARAD. We have been in continuous dialogue with them to ensure that all of our requirements have been met both on the Port's side and on MARAD's side. This agreement includes things like terms and conditions, scope of work, the budget, as well as other OMB requirements that we would need to comply with under the grant program.

Finally, in the last quarter 2018, we hope to be able to issue an advertisement for an invitation for bid so we can enter into an actual construction contract.

With that, Mr. Chairman, I conclude my portion of the presentation. I will be turning it over to Mr. Glenn Nelson, our Commercial Manager.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Hi, afternoon Mr. Chairman and Senators.

For the most part, before I proceed in describing the other projects that are slated for the bonds plan. It is to acknowledge to the Body that we are here as a matter of process. That being said, in that we have gone through the motions to revisit our master plan beginning as far back as 2007.

Through its initial approval through Public Law 31-100 as well as its subsequent revision or update through 32-155 which was the result of reset because of...The buildup, as it was described in the initial SEIF did not pan through. So, we did do a reset.

In doing that reset is to also understand that we had slated, through that updated approval process, a table of Capital Improvement Projects that were aimed to modernize support, identify projects for sustainability as well as other projects that were local in nature to further enhance services and our facilities for the island.

Before I proceed with these four projects for the bond it is very important to know, that 2013 plan or that table of projects, there was a total of 52. The Port has completed 61% of all those projects. Now, to move forward, we find ourselves sitting before you to get to the next step. It is just a matter of process, we are staying the course. We're pretty much not going to deviate.

Now, the first project, that in addition to the Hotel Wharf, the first project slated for the bonds plan is replacing the Port admin building. As we all know, that Port admin building was a part of the – what I describe, as the first original great military buildup on the island post World War II.

It was originally built for the Navy's purposes and deeded to the island through DOI. Now, that building is over 50 years old. It no longer meets the operational requirements of our tenants. It is not ADA compliant. It is experiencing the tickle deficiencies that you would expect of a facility that is 50 plus years old. It's simply at experiencing the tickle deficiencies that you would expect of a facility that is 50 plus years old. It's simply at that point of meeting its life expectancy.

Now, as we endeavor to replace this admin building, the Port has identified two areas.

Next slide, Ms. Donna?

Now, these two areas are on the eastern end of the Port property but basically, it is on Route 11 east, before you hit the main admin building. In properties that were previously or commonly known as Parsons 1 or formally known as the Old Hawaiian Rock. Now these, in identifying these areas for this full service commercial complex to accommodate the port as well as tenants is to understand, as we proceed down this path to replace the admin building, the intent is to demolish the existing admin building per purposes of supporting or it is in a greater need for maintenance division to accommodate additional space for all the equipment that we have gotten in recent years and the many more equipment that we expect to acquire in the next upcoming years.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Next slide Ms. Donna.

Now, of all of the projects that we have identified for this bond span, we have the Golf Pier project.

As much as I would say that all these projects are critical in nature, of equal importance, for me personally, Golf Pier is the most important. For the most part, I believe we all know Senator Espaldon, former Oversight Chair, Speaker, Senator Torres, we all know the importance this particular asset plays to the island and to the region and that it is currently one of two fuel piers that service the island now this particular facility is under management, owned by the port under management with Mobile Oil Guam.

Of the 9.5 million barrels of fuel products that have come through the island in fiscal year '16, 38% came through Pier Golf, Golf Pier. Very important to know that of that 38% of product that did come onto the island, 20... 26% was actually slated for transshipment to service the region. That is how important Golf Pier is.

The other primary pier which accommodates most things from light switches to jumping on an airplane does not have transshipment activity to help support the outer region, Golf Pier does. In recent years, Golf Pier has sustained some damage from numerous seismic events. It is at that point where we have replaced the pipelines - the associated pipelines that is connected to the pier, but we are now at that point of critical need to address the condition of the pier. The concrete bulkheads and the pilings.

Certain things that are actually slated is the replacements of the pilings and the concrete - replacement and repair of the pilings and the concrete bulkheads, upgrade the walking surfaces to meet the Coast Guard requirements, installation of cat walks where there are currently none, and the replacement of perimeter fencing.

Again... going back to the importance of Golf Pier, one of the things Senator Torres was actually a part of the process where we actually identified certain monies to replace the pipeline.

So, you got a brand-new pipeline. We went through the ground breaking just within a year and a half ago.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

But now... Again, thanks to well... Not in thanks, but due as a result of seismic events and normal and typical wear and tear... We need to address the condition of the pier itself.

The next slide Ms. Donna.

What you have here are several examples of the current conditions of the pier. The pictures... the photos that you actually see here was a result, Mr. Dueñas had an underwater assessment done after the most recent seismic event. And... as you'll note, you are dealing with a certain issue of... Accelerated deterioration.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Next slide Ms. Donna.

Right here this is of most concern, concrete bulkhead a top of the dolphin on the left. It is to understand that while the dolphin itself pilings do show an evidence of accelerated corrosion, the dolphin itself, the concrete bulkhead, that's the structure where the vessel rest up against. It is showing signs of spalling as well as cracks in it. Then the picture on the right is basically more evidence to the conditions of the pilings holding up the concrete bulkheads.

Next slide please, Ms. Donna.

Okay, the next project that is being identified for the bond spend is a replacement and relocation of the current water lines servicing the port.

Ms. Donna, next slide please.... Next slide please.... Here we go.

Okay, what we have here is a diagram that basically depicts the current distribution system at the Port Authority of Guam. In blue, what you see are the existing water lines. What we plan to do, what we are going to do is identify it in red and that is basically what you will see on the north portion of the diagram. Outright relocation of a primary line as well as replacement of other lines within the current system. Now, as old as the building is, as old as the other facilities are at the Port, the pipeline is just as old.

It was installed by the Navy, we are dealing with a system, although, we did addresses a significant portion in the port modernization program as it relates to the fire suppression and the like. What we find ourselves doing or what the situation we find ourselves in is that in replacing or enhancing our fire suppression capability at the Port, when it is tied back into the main distribution system it is serving to bust the old lines.

Old lines are those asbestos spaced lines that are while still could serve the function of distributing water it must be replaced. Due to the lack of its integrity.

Ms. Donna, if you don't mind back two slides.

As noted basically we are dealing with pressurization issues as well as, very important to know, Senator Brown, has emphasizes it's to also on that northern portion of that diagram replace the water line along from along within the current container yard out onto Route 11.

So, basically what you don't have is an asset within the container yard that may impede or continues to impede with every exposure, every leak. Operations, you have to stop operations and address leaks and in doing so it just takes up a lot of space.

Ms. Donna, next slide.

Now what you have here is basically just a recent listing of leaks that have been detected as well as have been addressed.

Now, we can sit here and say, yeah as they break we'll continue to address it, but you can see the frequency in the amount, it only serves.... As I guess the main driver for us to continue down this path of relocating that the

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

messed-up water lines and replacing the problematic lines that currently exist at the port.

Okay, and the last project Ms. Donna? Two slides.

Okay, here we go, the last two projects actually identify further the bonds plan are basically repairs to the EQMR and the Warehouse 1 facility. We all know that the Warehouse 1 facility by way of the master plan is the approved fishing facilities but even at that we are dealing with a facility that, that is 50 years old and is suffering from major deficiencies such as: concrete spalling, exposed rebar, leaks, Warehouse Bay doors, which we are currently addressing, and major electrical and plumbing.

The upgrades to these particular facilities is to basically come into compliance with the latest Building Codes, but more importantly, to come into the compliance with our safety. The safety laws and rules at the Port Authority of Guam.

Next slide please.

What we have here our pictures of EQMR watershed. What you see in front of the picture on the top is basically the new canopy that was set or acquired and the intent behind that particular asset was to provide additional shelter for our employees.

Now, behind the... you have the EQMR facility. If you look at the pictures on the bottom, the two photos at the bottom, you will see evidence of that spalling, please take notice, as you look at this picture we do see rebars and wiring. It's on the roof. We are on the bottom.

Again, this is another example of the conditions that exist within. You will take notice that there are spillings and it's very important to note that facilities like this are not built this way anymore. The way this was built... It's that old cliché, "They don't build them like they used to." This is an example of this. It is a really, really strong building. However, it is suffering from the defects of time.

Next slide, please.

Here we go, this is another shot from outside the EQMR building. Just as more evidence of the conditions that exists atop.

Next slide, please.

Again, the rebar is seen. Where you see the rebar, is basically where there's supposed to see cement. That cement, is now on the ground. It's literally spalling and falling. At the same time, our facility EQMR personnel are out there tapping, just to make sure that we're trying to catch them before they fall, that preemptive attempt at safety.

Next slide, please.

Here, you have the back shot, the reverse shot of Warehouse 1. Then, the bottom two photos are the interior of Warehouse 1. Warehouse 1 serves an important function; its commercial, we have tenants. As well as supports our equipment maintenance division, stevedore divisions, our engineering division as well as our safety.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Next slide, please.

The picture, basically, describes it all. This is in the interior wall. As you can see, that is rebar, it's in a really bad state of disrepair.

Next slide, please.

Again, we're dealing with issues with conditions on the roof. These are on the awnings, these are on the outsides of the buildings. We access the building through these doors. On top of us are these hazards.

Next slide, please.

Right now, this is also within the Warehouse 1 facility. Up on the left, you will see again, the evidence of deterioration, spalling on the roof side. This particular space is actually used to accommodate fire suppression pumps owned by the Port for the purposes of fire suppression in the need of...

Next slide, please.

Now that concludes that portion of identifying the projects for the bonds plan. So, I would like to turn it over to Mr. E. Candoleta, the Equipment Maintenance Manager.

Mr. Ernest Candoleta, Maintenance Manager, Port Authority of Guam

Good afternoon, Mr. Chair. Mr. Chairman and Members of the Committee.

My name is Ernest Candoleta, I am the Maintenance Manager for the Port Authority of Guam. I would like to make my presentation on the overview of the maintenance program.

Slide, please.

Okay, as you can see here, we have a listing of the major cargo handling equipment which includes the gantry cranes, top lifters and tractors. Top lifters that were purchased on 2016, those were purchased by the Bank of Guam SME Loans.

Okay. Next slide, please.

We have the forklifts that were also purchased by... The forklifts and some of the supporting equipment were also purchased using the 2 point million USDA Loan. With the additional fleet of equipment, the maintenance department, we have the opportunity to schedule the existing equipment for repairs and maintenance.

In the past, it was very hard for us to secure schedule to have these repairs due to the demand of operations.

So, that thing gave us a lot of leeway to do a lot of refurbishments on the equipment to do a lot of repairs and changes that need to be done.

Next slide, please.

Mr. Ernest Candoleta, Maintenance Manager, Port Authority of Guam

Yeah, this is part of the support equipment also that's listed. We have the sweeper, welding machines, man lift which also plays a big deal that gives up the opportunities to tackle areas that are hard to reach. For the safety of our employees, you know, this equipment are very handy to us.

Okay, next slide please. As you can see on the far left, it's just part of the ongoing process of the refurbishment of our yard tractor. On the right, you can see the finished product, where the accessories are being installed and everything will be tested and sent out for operational use.

Next slide, please.

Here in the yard, you can see the finished products, we have four of the 2007 tractors that have been completed. We have two currently in the shop right now that's about 95% completed. We're just installing the accessories that will be released to operations as well.

The far left, you can see one of the 2009 top lifters that had been completed as well, on repairs and refurbishments.

Next slide, please.

The crane assessment was conducted in December, 2016 by PMC Contract and also we have the U.S. Department of Labor OSHA conducting their annual and credential inspections which was completed in April of this year and all are three gantry cranes were certified.

They also provided us a priority listing to address the discrepancies. The re-inspection for our contractor would be every two to three months to check on our work, the status, the work that is being done. Also, maybe a new listing can come out and we address those before we do the annual OSHA inspection.

To address discrepancies, maintenance division increased preventive maintenance personnel staff from six to fifteen which due to the influx of equipment that we have are personnel.... We didn't have enough personnel to tackle this type of... The amount of equipment that we had.

We also applied an alternating maintenance window of five straight days depending on the availability of the cranes for our maintenance and repairs. We are aggressively working on the structural, mechanical and electrical issues that we encounter on a day by day basis.

Another thing is a major tune-up of the gantry crane management system is a CMS is scheduled for October 2017 of this year.

Next slide, please.

As you can see, we have some of our employees doing some repairs or replacement on the handrails on the apex portion of the crane.

Next slide, please.

We have the preventive maintenance mechanics preparing to be lifted up to the hard to reach areas. For

Mr. Ernest Candoleta, Maintenance Manager, Port Authority of Guam

example, the flanges the angle thrust of the crane to do the corrosion performance. Those actually are like low bearing areas that we try to prioritize.

Next slide, please.

That concludes my presentation. Thank you.

Chairman Aguon

Thank you very much, Mr. Candoleta. Senator Brown? Any final comments before I open the floor for questioning?

I just want to start off by saying thank you very much, for really an excellent presentation. One, it highlights the impending borrowing proposal, bond proposal, the refinancing inclusive of that particular request and then how those proceeds are anticipated to be expended in terms of upgrading the facility.

Also, one area that has always caught my mind in regards to the Port Authority of Guam because you more or less bring in 90 to 95% of all of our commodities here on island and it was in direct reference to what was presented by Mr. Candoleta and that's highlighting the equipment, the aging listing of these equipment, the maintenance capability and the repair capability of the Port Authority of Guam and what you presented is certainly a plan that's being carried out in terms of either replacing necessary equipment or refurbishing and repairing them. So, I certainly appreciate that particular presentation as well as all the other highlights.

One question I would like to ask is, with the impending military buildup, I understand that you're going to apply most of the proceeds of the bond aside from the refinancing on existing facilities and the upgrade or expansion of Hotel Wharf and some of those... Make those available for other industries.

Now, my question is, as the military buildup continues to churn and we receive increased activity, do you anticipate any serious challenges with regards to accommodating the buildup at its height?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

I know we often talk about the military buildup. Some of us are yawning a bit, because we are waiting for it to happen.

On average, we already move about 30% of cargo for the U.S Military. Within the region or certainly from here to the mainland, the mainland to Asia. So, we have that ongoing at a regular basis with regards to the actual volume of cargo that the Port Authority moves on and off vessels.

Pretty much the modernization project, the expansion of the yard, the increase of our rig bulk cargo area to over ten acres; all of that was put in place to accommodate not just of course, our own organic growth but primarily the investment was made by the US Federal Government to address primarily the issues of the buildup.

As you mentioned of course, and as our Maintenance Manager Mr. Candoleta elaborated, the critical issue is the maintenance of the equipment and that's why we recently invested 5.5 million. 4 million of that was financed, the remainder was actually taken out of the operational budget of the Port to increase our capacity.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

When I came on board to the Port, somedays we were down to eight or nine tractors to service a vessel, that's not adequate, no reserve capacity in the event those pieces of equipment broke down and now on we average we're up to 25 tractors.

We have seven top lifters that are available at our disposal and we're also coordinating, once the final closure is addressed for the expanded project with merit right now, there's tentatively 2 million dollars remaining of which merit will procure additional top lifters. We now will be able to have the luxury which we did not in the past. Where we essentially had to mandate equipment and rush repairs to keep things operational. Because there were days, there were hours, there were minutes that we were down to no top lifting capability. Not only to service the vessel, but of course, during the day, we have ongoing interest of our customers to be able to come in and get their containers and move them out of the Port or return their empties back into the Port.

So, we run a very, very critical situation. The focus and attention for us moving forward in order to maintain the capability, to absorb what we have now in terms of commercial activity and of course, when and if the eventual buildup is to happen, the Port Authority has that capability to accommodate that growth as well.

Chairman Aguon

Thank you very much, Senator. Like I said - shared a little earlier, excellent presentation and all-encompassing in terms of providing general information to the community that yes, the Port Authority is modernizing and purchasing more current equipment and also be able to, the have the capacity to be able to repair and to replace in a timely manner.

I'd like to now open the floor to questions. Speaker Cruz?

Speaker Benjamin J.F Cruz

The bond that you're proposing is for 80 million? But not to exceed -

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Up to, up to, yes.

Speaker Benjamin J.F Cruz

Because the list that you have comes to about 74. Was there another 6 million you were planning on...

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

The difference -

Speaker Benjamin J.F Cruz

Turn on your mic.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

I'm sorry. The difference between the figures we calculated for is to give us the option should we have to capitalize the interests for the first two years. We would use the difference for capitalized interests.

Speaker Benjamin J.F Cruz

Do you know how much the annual debt service is going to be on this? Will the amount that you're raising in

Speaker Benjamin J.F Cruz

fees that you're raising be sufficient? I'm trying to figure out what the debt service is. You're sure that you're getting 9 million from the new fees? What's the debt service...

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

The debt service will depend on whether we go with 60, 70, or 80. I don't have the figures available right now, but I can give it to you this afternoon. We do have them available. I didn't bring them with me.

Speaker Benjamin J.F Cruz

The figures that you do have, it. What is the difference in the debt service and the highest amount that you're thinking you're going to be getting?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

About 2.5.

Speaker Benjamin J.F Cruz

2.5 million in difference?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Right. Between what we have now and if we go 80 million.

Speaker Benjamin J.F Cruz

So, you'll only need about 7 million to service the loan or I mean service the bond and you'll have an additional 2 million?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

If we go that, yeah.

Speaker Benjamin J.F Cruz

What will the 2 million be used for?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

I'm sorry?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

He wants to know what the 2 mil will be used for.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

We'll probably won't draw it down if there's no need for it. Just because we are capped at 80 doesn't mean we take it to the limit.

Speaker Benjamin J.F Cruz

Okay. How much do you anticipate to use for increased salaries at the Port?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

The salaries have been addressed by Slater Nakamura Consultants. We pretty much reached the point where it

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

was not as much as the last three years because we are pretty much up to our expected goal of 50%. We just probably expect for the next few years to increase based on inflation.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Just to clarify originally the authorization the board was to increase the Port's salaries to 50% of the National percentile that was back in 2008 and that's almost 10 years ago, nine going on 10 years. Currently in 2017, the Port Authority pay scale is at... I think we're down to 25%. 25% of the national average of compensation on National Ports in the U.S. So, while we have reached the goal that was originally sent by the board in 2008, as those number shift and as salaries increase other port jurisdictions that are evaluated, we are only the 25% of scale at this time.

Speaker Benjamin J.F Cruz

So, are there plans to continue the increase to get to the 50?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

We have not been given that direction by the board, we are maintaining the original decision that was made with regards to the 2008 salary schedule. Of course, we will address it depended on revenues. Even now in terms of the salary positions that we have that is also being determined based on what income comes in to the Port. We're not looking at just adding on cost to continue to accommodate, we have to ensure we have the revenues to cover that and future increases of course, increments that our employees earn as well as eventually we're looking I believe it was 2019 bringing them fully they're not yet fully there by 2019 we will be at the 50th percentile of 2008.

Speaker Benjamin J.F Cruz

Mr. Chairman, if they could provide you a copy of their debt service for their 60, 70 and 80. I'd appreciate a copy of that. I'm surprise it wasn't brought today. I guess this is just an overview.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Yes, as an informational briefing, Senator, we are more than happy to provide that dependent on of course what the ultimate decision is what the amount is that number will move. But we can provide that this afternoon.

Speaker Benjamin J.F Cruz

Thank you.

Chairman Aguon

Thank you, Mr. Speaker. We'll get that information to all the members of the Legislature. Vice Chairman Morrison, any questions? Okay, Vice Speaker Terlaje?

Vice Speaker Therese Terlaje:

Hafa Adai. Good afternoon everyone. Thank you, for your testimony.

My questions were similar to the Speaker's. We're raising...you got approval to raise the rates. The request included to raise salaries as part of that and some other things that were not listed in this presentation today. So, I was going to ask what is...it looks like to PUC has said the PAG shall seek PUC approval prior to any annual increases to its direct labor charges that the salary increases so, this kind of put it on hold.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

No, not at all. What we essentially are doing at the request of the PUC is simply provide the updated data to them. It is also very similar to regards to our finances, and you know they have a schedule under which they will like us to provide them that updated information. They've already given us the authorization, but they set in addition to giving you the authorization we require status updates and these are the timelines in which they like to Port to provide that information.

Vice Speaker Therese Terlaje:

I do see the list of information they require and then this one says approval but okay then so if...You're not going to get any debate when it comes to supporting the projects for safety, for you know, that allow the Port's activities that we want to increase our activity or our productivity at the Port. But, yes. I guess...I was glad Mr. Nelson pointed out his priority would be...do you call it Golf Wharf?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Golf Pier.

Vice Speaker Therese Terlaje:

Golf Pier. Well, what is the urgency of this administration building be?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Well, I think, very much, in order to cap the Port projects. I think we've reached the time where it's necessary. The port, I mean, when we had the fire almost two years ago, it's our two-year anniversary since we had the fire that occurred on the first floor, we lost one of our major tenants and one of it also, and some of the concerns that were relayed to us, in addition to our employees in terms of adequacy of the work environment, which to me is very important.

Everywhere I go, every department I am involved in and engaged in, one of my main priorities is always to improve and upgrade to what I see as a safe and professional environment and workspace for our people. Gov. Guam is notorious for not having that and I think the time has come.

That facility is almost fifty years old. If you look at it, it also has major structural cracks. We've done some cosmetic work as a result of the infusion, as a result of the fire, and replacement of essentially our HR division and Customs.

We've had that- entirely had to be gutted out and had rebuilt but at the same time, in order to meet the growth, not just for the Port of Guam but for our tenants that lease from us, which also represent our shipping companies, we need to had a bigger facility. We need to have a facility that is accessible.

Right now, if you have a disability that would limit you from climbing stairs, which sometimes I do with my older knees, you can't access the second floor and that would impact our tenants, that would impact our customers, that would impact our employees.

I think which the just the evolution of time, very similar to this facility, that even though it's very old, because of its historic importance, it's been maintained but in the case of the admin building, one is to upgrade the facilities and the work environment and our employees and or tenants.

The second major factor, which I think is often overlooked, is that demand that we need within what will

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

continue to be for some time an expanding yard. The location of the admin building is right behind the EQMR maintenance facility.

One of the big challenges that we have now, that we have acquired the additional equipment capacity that we need, which will continue to increase is where do we store it? Where are we going to have additional are to maintain this equipment? The most, at least in my simple mind is the current footprint of the admin facility. I had hoped and envisioned that that building would be demolished and that portion of the yard, to include the parking lot facility will be incorporated into the main yard so that our employees will have adequate space to store and maintain what is the most critical asset after our people and that is our equipment that operates in our yard. So, it's a dual purpose.

The other factor in relocating, while I see the debate that we have on where to locate it, do we locate it on the beginning of the new yard - the expanded yard? Or do we put it on the opposite side of the road? Eventually, and eventually has been on every 30 years, the original location back in the late 60's of the first gatehouse, which is now as we recognize as lower tower, that was there at the Ada administration, it expanded to the gatehouse that we closed a couple of years ago, and now eventually that time will come, that it will expand.

Whether or not they build F7, we will definitely need the storage capacity so I envision, within the next 20 years, the continuous expansion closer to the Cabras facility. It is going to be critical to ensure that the yard, in terms of operational needs, is contiguous. Also, for security requirements, we need to ensure that the yard is contiguous. So, that is one of the two main reasons why we would like to see a new admin facility constructed.

I also want to point out, this is actually the first major investment the Port Authority of Guam, itself, is actually making in its own facility. There is very little out there when you actually look at the Port. It is like it stopped in time because most of everything was built in the late 60's, except for the load centers, the recent gatehouse that we closed a little over a year and a half ago and that is about it. Everything else that is there was built in the late 60's, almost 50 years ago. So, this is actually the first major significant investment that the Port of Guam itself is making in its own facility construction and I think that's pretty significant.

You know, we all talk about our political maturity and all those other wonderful things that we love to say and have but at the end of the day, we also have to pay for it and that time has come. I think it would be a total disservice to remove the admin facility as part of this bond financing. We simply need it. I think there is no other simple explanation to that.

Vice Speaker Therese Terlaje

Well, it is the largest chunk of this - of the list of projects that was included, it is 17 million. It is notable that the investments into the wharfs and the other - the warehouses, the piers, the gantry crane, I mean... Significantly less than this administration building.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Well, cumulatively, it going to be far more than that. Then, also keep in mind that our tenants lease from us. It is the hope also that as time goes on that all those revenues will be contributed into the Port revenue stream to help offset the investments that are being made.

Vice Speaker Therese Terlaje

Where do they go now, the rent?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

They pay into commercial. It goes into the Port budget. Again, keep in mind that we are a 100% self-sufficient, a side from federal grants that we receive primarily for security related projects. I mean, the Port is self-sustaining.

Vice Speaker Therese Terlaje

So how would the Port build the building you want to put on the old administration site for the equipment? How would you fund that?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Primarily what we need right now is the open space. Eventually, I am sure the time will come and again, assuming, depending on what the additional revenue stream is in the future, I am sure they will come back to the table and address that.

I think at this point to say that we want to borrow even more to construct or - I just don't think that we're there yet. I think what we are doing is conservative. I think it is fair and reasonable at this time to accommodate where our growth needs are.

When that time comes also for the demolition of the existing admin building, they will simply enclose it with a CMU wall and from there have the additional space capacity they need and as they budget, hopefully they include in their budget, they will be able to build some of the structures our maintenance manager had pointed out to you, just our covered space, and I know Glenn pointed out also in his presentation. Those are things that come out of the operational budget of the Port to enhance and ensure that we have a more functional facility that provides our employees the safe environment they need to actually do the work that they do.

Vice Speaker Therese Terlaje

Alright, well, I'd like to know the exact amount then, that was purposed for salaries versus other projects when, I guess... When the rate structure was proposed to the PUC.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

We can provide you, all the information was provided to the PUC.

Vice Speaker Therese Terlaje

Yes, the PUC pointed out several...they don't use the word caution, I'm going to use the word cautions. One is that they wanted you to report back because they were concerned about when Guam CPI exceeds 4% per annum, the cargo throughput exceeds or fall short of the current projected growth rate with more a five percent variance, PAG loses its appeal of a 15 million arbitration award, and the cranes require replacements two or more years sooner than currently planned, so those are just things that I am thinking about...

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Sure.

Vice Speaker Therese Terlaje

Yes, I think we're still... I think of it, of course, in a relation to the rest of Government of Guam and the projects that are needed and whether we're going to allow borrowing for schools and things like that so I think that you can...

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Granted you are concerned, Senator, but I will point out that it is not going to be Port revenue that is going to pay for the new schools.

Vice Speaker Therese Terlaje

I agree, I agree.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

All of this revenue is intended to be paid -

Vice Speaker Therese Terlaje

So, I understand.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

For Port projects and Port construction.

Vice Speaker Therese Terlaje

Yes, so that is why I want to know how much of it goes to projects that increase the productivity of the Port, how much goes to other types of projects, how much goes to salaries and things like that.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

And we would be more than happy to provide that to you.

Vice Speaker Therese Terlaje

Thank you very much.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Can I add something? Senator? Senator Brown? I'm sorry.

As it relates to the PUC order, on the matter of direct labor charge, it is to understand that that direct labor charge out rate is actually identified in our tariff, which is overseen by the PUC, obviously. But when they told us to hold back or come back to them with a report on it, it doesn't... It's not necessarily for the compensation

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

for the Port Authority employees. Basically, that is for charges for services provided by Port personnel at the request of our tenaning users.

That is our billing charges. The electrician comes in, does work, that is his billing rate, not his salary, but his billing rate. And that is an attempt on our part to revisit that particular construct of our tariff which is 212 items strong. 90 items of your tariff is related to that direct labor charge out rate and that is to address that.

Vice Speaker Therese Terlaje

Alright.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

I understand that the concern with the 17 and a half for our proposed admin but it's also to be mindful that the largest tag on this bond was actually Hotel Wharf but we were fortunate to get the assistance of - or through, the TIGER grant to be administered merit. So, Hotel Wharf would have actually been above -

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

24 million.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Yes, yes, it would have been above admin. The number provided by admin, it's been a challenge because for the most part, the Port's current admin building is only 24 thousand square feet. 70 percent of it used by Port employees to support Port operations.

Now, I envision a full service commercial complex. We want to bring people, have tenants, have basically a full service to affect commerce. And the number, the estimate that was derived was a result of taking all the existing office space, administrative space, used to support the Port and coming with 40 thousand square feet.

Again, mindful that that is for all the current administrative spaces throughout the Port. Again, as we build or construct this new facility it is to understand that Mr. Santos is going to have an office there, although he is at operations. Mr. Candoleta from EQMR will have an office there as well, to support his role in equipment maintenance. It is to consolidate as well and to make things on the light side. It is a job security for me so that I can bring in more tenants. And again, those members, 17 and a half, as concerning as it may be, is not the final number.

Vice Speaker Therese Terlaje

Alright, then may I just as one final question, that is, the PUC also pointed out that it was questioned at the hearing but it is not answered in here. GFT had questioned the Hotel Wharf's ownership in the end?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

But you know, quite frankly, I don't - I did read that letter and I don't know where that fits into the world of the mandates of the Guam Federation of Teachers. I know they had have an axe to grind with us because we have no formal agreement.

Vice Speaker Therese Terlaje

Is there issue regarding ownership of the Hotel?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

I have no evidence what so ever. I mean, you are the attorney. I have no evidence other than the ownership remaining with the Port of Guam. I don't think - I don't have a judge order, I don't have a title that is anything other than the property of the Port of Guam.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Further to what Senator Brown had stated, there is no question. It is under the Government of Guam. While there may be issues associated with its current use, it belongs to the Port.

Vice Speaker Therese Terlaje

Thank you very much.

Chairman Aguon

Thank you, Vice Speaker Terlaje. Senator Morrison?

Senator Thomas Morrison

Thank you, Mr. Chairman.

Before I proceed with my question, I want to make sure that you know that I appreciate your presentation, it was excellent, and I hope that some of the questions that I pose here is in no disrespect to the presentation you put before you. But, I want to ensure that there is some consistency with some of the laws that are put in place with regards to bond borrowing or any tax hikes.

In respect to the Port of Guam's bond borrowing proposal and you know, there are other proposals that are before us that relates specifically to the hospital, recently, we just had a discussion about the liquid fuels tax increase... I don't know, Mr. Chair has there been any discussion that this may require voter approval?

Chairman Aguon

My understanding in regards to the existing mandate is if in fact there is any general obligation bonds this would be directly reflective of the revenues generated by the Port Authority of Guam. So, it would be viewed as an autonomous agency going out into the bond market to borrow and it still would require this Legislature's concurrence.

Senator Thomas Morrison

Okay. So, I just wanted to make that clear because we're trying to make sure there is consistency with how we apply certain laws with regards to... We just went through as a process with the trans bill and there is no entertainment in regards to voter initiative to adopt or approve that proposal.

I want to assure you, I support the Port's work. It is very important just like with regards to infrastructure of the Port and upgrades, modernizing the Port. I think it is just as important as upgrading and making sure our roads are safe and I just want to make sure there is some consistency with how we are applying these types of proposals. So, I'm sorry. You...?

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Well, going back to your point about bonding authority, and we'll have the minds much greater than mine to figure it out, but basically the Port is an enabling legislation allows to incur indebtedness for periods not to exceed ten years and then as you alluded to above and beyond would require your action.

Senator Thomas Morrison

What is the primary source for debt service? I'm sorry.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

The primary source of debt service?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

It's the revenues.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Revenues.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Revenues collected by the Port.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam
Revenues.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam
For the services, we provide.

And I also want to point out Senator, that we are not borrowing to get through from today to tomorrow. We are borrowing for long term investment, tangible investment and even the existing loans as our Deputy here has pointed out are all tangible investments; They were the purchase of the cranes, the purchase of the equipment, the service life extensions projects on our wharfs that were recently complete. These are all long-term investments that we can touch, see, and feel.

So, you know, this not a fly by night, oh, we need money, let's just go borrow it. I mean, we are borrowing it because we need to invest in the future. If you choose not to approve this, it is only a matter of time and we will sit and wait. It is only a matter of time that we going to have major infrastructure problems at the Port, Golf Pier in particular.

While it is not the largest item, in terms of cost, in terms of significance of repair that needs to be done. If you don't do it these structures will continue to deteriorate. The thought that, oh, well why do we need to borrow money? These are high price tag items on an average day, just like when you want to go in and mortgage the house.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam
most people do not have that kind of money sitting around.

The Port Authority, while we are healthy, we do not have that large amount of money sitting around that we can just grab to make these types of investments. I mean, right now, fortunately, with our service life extension project, even though through the most recent diving assessment we had done there are repair that still have to be made, in addition to the service life extension that we just invested close to 7 million in.

If we didn't have that, you have a bigger price, the people of Guam have a bigger price tag coming down the road. Fortunately, it will be after our time, probably, some of your time. But, when those wharfs have to be replaced, unless we look at alternate technologies that have proven themselves, you may be looking at a 90 million plus repair work for the refurbishment of those wharfs that are going to be absolutely necessary because there is nowhere else in the region, in the Micronesian region, that we have the type of capability that we have with our cranes but that is down the road.

If you don't make the investment now because we think, well this is a luxury... I don't think there is anything here that is a luxury item. I think even, for example, the refurbishment of this building that took so many, many, many, many, many years to do. How much money is spent on lease, for the Guam Legislature, on lease, because I remember my allotment as a Senator, to get this building refurbished? It's beautiful and I think we are all here to enjoy it and hopefully, it will be here for many years, but if you don't make that kind of investment, we're going to get what we get.

I really don't understand, while I don't feel the need for a luxurious work environment, mine is pretty basic, I don't see why we think it's acceptable that our people work in unsafe environments.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

I've walked into some of these office spaces and even some of the pace when I first came to the Port. You know, the location of where our workers work out in the hot sun all day or in the rain sometimes; You know, they have the oldest table. Every chair doesn't match because they just get what they can get so they can sit down. They had a leaking air conditioner in the room and that is where they sit and have their meal, in a moldy environment. That's not even safe and not one of us, probably, on an average day, would want to sit down and share bread. So, that to me is not acceptable. I think the time has come. I think our people have worked hard enough that they deserve a professional environment.

Many years, money was siphoned out of the Port for all kinds of stupid things, quite frankly, and we know it, we've seen it, we've looked at the headlines over the years, or the stupid contracts that we've seen over the years and not reinvested. I found it appalling.

After all those years, of the generation of revenue that has been made at the Port, including the heyday of the fishing of the fishing industry, that that money was not reinvested into the physical infrastructure and if you don't, these are facilities that require constant repair.

We are in a deteriorating environment - a deteriorating environment- and we see most recent construction of anything that has metal on it is rusting within a matter of months. So, if we do not invest in that infrastructure we are going to have bigger problems down the road and to a degree that we're are not able to manage it. Doing these upgrades and repairs in an organized fashion, in a planned fashion, allows us to continue operations much more smoothly.

We could have another earthquake and Golf Pier could become dysfunctional. Imagine the impact to the fuel access here on Guam or how that is going to be narrowed down, assuming all we have if F-1.

What if further impact happens to F-1 as well? We will be disabled in terms of our capabilities, very limited in terms of our capabilities of bringing fuel not just into Guam but to the region.

So, when you consider the magnitude of the mission that we undertake and that the men and women that are here undertake every day, this to me is a very responsible proposal and everything were investing, is short of the actual financing that goes into paying for the process of actually acquiring the bond, is all into tangible infrastructure that is there to meet our mission.

Senator Thomas Morrison

A couple more questions, Mr. Chair.

I understand. I watch the whole presentation and I know there is clearly a need. I just want to point out that, you know, and I apologize that I am using this venue or this hearing to look at other proposals before us, because I just think there are a lot of consistencies as how we are addressing... How we go out with our bond proposals and tax hikes, you know? There's a lot of needs in our community, regarding the hospital, the port...

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Sure.

Senator Thomas Morrison

Our roads but some folks feel that some require voter initiative and some don't require it and going forward

Senator Thomas Morrison

this Body can go forward in addressing any proposals in the future more consistent. There is clearly needs, very important needs, everywhere here. Is there a backup source to address the debt service or is just the...?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

As the Port is a 100%t generating and lives off its revenue, that is the source. It is the revenue that we gain from the work that we do that will pay, not just for this bond, but just our day to day operations and certainly, for our employees and other obligations that we need to pay to keep the facility operating.

Senator Thomas Morrison

I just wish for some those community advocates that were out here, just recently, pushing, you know, more of our community to get involved with the process regarding these bond proposals, bond borrowing, to look at this and to see how these kinds of questions are addressed by these agencies.

Again, there is...to hear that we're going out for 80 million dollars and again, the hospital needs about 125 million, and to adjust a penny to liquid fuel tax, you know, you could see where I am coming from.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Sure, but Senator, I think all of you, I think all of you, you have far bigger range of responsibility in your respective positions only. We are in the fortunate or unfortunate position of only being able to advocate for the Port's agenda here in terms of the bond borrowing. Its historic, it is the first time, the Port of Guam in our 42-year history as an autonomous agency, even though the Port has been a lot longer than 1974, but as an autonomous agency it is almost unheard of.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

If you look at the airport and the progress, you're a little younger than I am, but I remember the days when we had the old airport and when Governor Bordallo did the first segment of the airport and every thought, God that's a big white elephant, we'll never use all of that. And look at the Port - I mean the airport now. Well, we don't bring in a million plus people every year, but we bring in the bulk, 95, 96% of the everything that we touch, eat, feel here on Guam and yet the facilities have not been invested in.

There is almost not a single structure there that has not been paid by the Port Authority of Guam. Think about it and Senator Aguon, you have a longer history and awareness of the Port -

Chairman Aguon

Yes.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Than even I do but -

Chairman Aguon

Senator Brown, with all due respect, if I can interject?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Sure.

Chairman Aguon

You know, the Good Senator is advocating for a proposal that was entertained in a public hearing not too long ago and I want to make sure we stay focused on the Port discussion today.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Yes.

Chairman Aguon

So, Senator Morrison, if I could ask, if you could stay in line with the discussion. Thank you.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

No, no problem but I'm just saying if you look at where we're at there is almost no structure, unless somebody can point out to me something I haven't seen in the last five years, that the Port Authority of Guam has actually paid for.

All the existing warehouses were built in the 1960s. The admin building was built in the 1960's. The Port command center, the newer building, the most recent building that we have, prior to the modernization, was paid for by the Federal Government. The expanded yard and the upgrades of modernization have been paid for by the Federal Government.

So, when you look at the physical structure, I mean, we did the service life extension but we didn't build the wharfs, so, this to me is fairly significant but, you know, it is also a sign of maturity, that the Port is in a position financially, we are now entering what, our sixth year of a clean audit.

We're a low risk auditee. We are one of the few Government agencies toward our Government of Guam that

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

has that financial position that we are in right now and it's probably the prime time for the Port Authority to move forward with this proposal. We probably could not have done this a few years ago, but I think that we are very well aligned at this time and place to pursue this financial obligation that I think will bring many years of benefit and an upgraded operation to the people of Guam and the region.

That is what you get in return for your hopeful, favorable vote on this bill.

Senator Thomas Morrison

Thank you, thank you Senator.

I want to thank Mr. Chairman. I don't... No disrespect to the process. I just want to ensure. We've got a lot of other proposals similar in regards to borrowing and tax hikes.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

But I hope it doesn't bias your vote on the Port Authority's bond bill

Senator Thomas Morrison

It has been an interesting time for us and it's all coming at the same time, so, but I want to assure you that we support the Port and what you are attempting to do here.

Senator Thomas Morrison

Again, I do like the previous PUC process and how they can make the adjustments, hikes up or down. We have to accept it or not and go with it and something, maybe, I might look at as a mechanism or model going forward for other proposals so that the legislature might not have to involve themselves with proposals or putting a voter initiative out there before the people.

Thank you.

Chairman Aguon

Thank you very much, Senator Morrison. Senator Torres?

Senator Mary Camacho Torres

Thank you, Mr. Chair.

Mr. Dueñas, in your second slide you mentioned that there is a principal amount not to exceed 80 million dollars. Now, does this...will this amount bring the Port to the debt-ceiling ratio in a Public Law...I think it's 30-57?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Yes, that situation was tackled by our bond consultant and the legal individuals that are advising us on the bond.

Senator Mary Camacho Torres

Okay and so, what we are essentially looking at is a borrowing capacity that will lock the Port in for about 30 years.

So, once we accomplish these proposed projects, Capital Improvement Projects, that is as far as the Port will go, correct?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

The next time that we would be coming in with our long-term funding financing, probably when the time comes that we have to redo the entire Wharf.

Senator Mary Camacho Torres

Then I noticed, also, that when speaking of the Wharfs and I think the General Manager also talked about F-1 in your response to Senator Morrison. You mentioned...you have here Golf Pier repairs but I don't see F-1, which you brought up. Is F-1 not on the radar for the repairs as well?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

F-1 is being handled by our own revenue source and with the tenant of F-1.

Senator Mary Camacho Torres

Okay, so it is a project the is being funded presently with your revenues.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Right. Through our earnings.

Senator Mary Camacho Torres

And then, in your slides you mentioned, too, that the tariffs that were approved by the PUC over a five-year course, right? 7% over the first two years and then 1% the remaining three years.

My recollection was that that was to address cash shortages, annual cash shortages at the Port but the presentation states that was your mark for CIPs and possible repayment of existing loans. So, will the majority of the tariff increases pay for these CIPs or is the repayment of that going to be a separate increase in fees to the users of the Port?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Well, since I first came into the Port, like a year and a half ago, we've never experienced any sort of cash shortage whatsoever.

Senator Mary Camacho Torres

Okay, so this is...

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

We have adequate reserves.

Senator Mary Camacho Torres

This is for CIPs.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

But, it's to also understand that our Five-Year Petition, again our Five-Year Petition, that was filed with PUC was a result of an order. They told us to file this five, that has since changed. It has evolved to meet the change in times as well as needs, Ma'am.

And so, our original five year, although submitted, wasn't approved we had to resubmit another five year and in doing so the associated plan and the *inaudible* and the PUC, their job is to make sure that the rates are just

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

and reasonable as well as to ensure that we operate with a certain level of profitability. And I believe what they determine was that the appropriate IRR is around 12 to 18%.

But, it is basically, going to Senator Morrison's concern, we can't compete with GVB, the hospital and all the others but what we can do is sit here and say we are, basically, trying to be responsible in saying, we have the capacity to achieve or to get this debt and the ability to pay.

Senator Mary Camacho Torres

So, F-1, I understand. Now, how does that...is that a similar situation with the cranes because in looking at this proposed bond borrowing, you lock your hands for 30 years.

Now, F-1 you addressed as being...there is another repair and financing scheme for that, for F-1, but what about the cranes because we understand that life of the cranes, even with the maintenance and the corrosion control will only take the cranes so far, right, probably only to the life of that indebtedness.

So, I recall, as it was being...as the acquisition of those cranes were being negotiated, there was also discussion

Senator Mary Camacho Torres

about setting aside or having a replacement plan, is that separate and apart from this and how will the Port address that if within the 30 years we're up to where we actually have to replace those gantries?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

In the proposal, you already see that there is a request of 8 million dollars to add on to, what I believe to be accumulated now, give or take a little over, 5 million, in the reserves for the cranes to purchase and replace Gantry 3.

Senator Mary Camacho Torres

Three, right.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

I'm not at the position, and I would like to think that we are locking up everything for 30 years, I think anyone who sat in these seats here know that the world is always evolving and Guam will evolve and the Port Authority will evolve and there will be changes that will happen in the future.

So, I don't look at it as a one all, end all, that if we pursue this bond now that it will mean that the Port Authority will never be able to borrow money for the next 30 years to address infrastructure updates and improvements that will be needed or maintenance and repair that will be needed.

So, in terms of the cranes right now we are initiating that process. More than likely, when we do procure the crane to replace Gantry 3, it will be a more modern crane, more than likely, an electric crane, as we move toward being more environmentally friendly and compatible. I don't think it will reduce the opportunity, nor does it change the requirement, of continuing to place money in that fund.

So, even though, if extract the addition 5 million now and add, give or take, whatever the new crane is going to cost, that revenue stream will still continue to go into that account. There is no action that's been taken by the PUC to change that.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

And at the time, where are we going to be fifteen, twenty years from now? A lot of factors can change. If we continued growth, we will have continued increase in income. If we have decrease, we have decreases.

Senator Mary Camacho Torres

Right, but it's reasonable to what a ceiling, a maximum ceiling is and -

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

If that were the case then -

Senator Mary Camacho Torres

That was the angle of my question -

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

If that were... I understand -

Senator Mary Camacho

Specific to a ceiling -

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Yeah, I understand and I don't want to talk over you but if -

Senator Mary Camacho Torres

But then, you obviously are.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

But if that were the case no one would borrow money for anything, even the Guam Legislature, if you look at the ceiling for what has been bought, what has been authorized. Of course, I understand the concern but at the same time, we are a situation now, if we don't address it, if we don't address these issues of maintenance, if we don't progress and plan ahead and do these projects in an organized fashion and do these repair and upgrades that are needed to the Port facility this problem will be worse.

I don't see any reason why not. I think the Port has demonstrated its financial responsibility. We've been audited. We've got our house in order and I think it's a house that hasn't been in order for a long time but we have gotten it. This moment here has been in preparation for many, many, many years. If you don't fund it, then the situation, these resources will deteriorate.

So, that is the choice you need to make, Senator Camacho. If you want to support us in addressing these tangible repairs, we welcome it. We'd be shocked if you did support us because it would probably be the first time since you've assumed your position...

Senator James V. Espaldon

Mr. Chairman.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

But we would welcome it. We would welcome it if you would do that.

Senator Mary Camacho Torres

Oh, my goodness. Mr. Chairman...

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

We would welcome it -

Senator James V. Espaldon

Mr. Chairman, please.

Senator Mary Camacho Torres

Mr. Chairman, I asked a basic question.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

And Senator, I am giving you -

Senator Mary Camacho Torres

Which I think is a legitimate question.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

The basic answer. You can take it, don't take it, it is up to you but I am saying these are critical investments that need to be made.

Senator Mary Camacho Torres

Understood.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

They've not been made for many years.

Chairman Aguon

Okay...

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

They have not been made for many years and they absolutely needed.

Chairman Aguon

I'm sorry, Senator Brown. The Good Senator still has the floor please.

Senator Mary Camacho Torres

May I? I just had one other question.

With regard to repayment of the loan, there is no issue with prepayment of the loans right, in terms of prepayment penalties or if any of these loans are prohibited from being pre-paid with revenue bonds, there is no issue with that is there?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

For the three loans that we have listed, there is no prepayment penalty.

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Senator Mary Camacho Torres

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Okay, alright.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

It's pretty much balanced plus interest to date.

Senator Mary Camacho Torres

Okay, thank you. I just had some questions.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

But Senator Torres, to get back to your issue with the cranes. Slater Nakamura and the Port Consultants at the Port Authority of Guam did address the crane replacement separate from the tariff increase.

Senator Mary Camacho Torres

Okay.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

So, it is included in the report that was submitted by Slater to the administrative law judge. Our poll of four, five, and six do have a replacement date identified as 2025 and 2028. Replacement cost has been identified.

Pretty much the replacement of those cranes will be a combination of the continuing surcharge plus a possible bond financing at that point in time. We are looking at 2025 and 2028. In the meantime, the surcharge will continue to accumulate.

Senator Mary Camacho Torres

Thank you, Mr. Duenas. That's a... I appreciate your professional manner of addressing a very reasonable question. Thank you.

Chairman Aguon

Thank you very much, Senator Torres. Senator Espaldon?

Senator James V. Espaldon

Thank you, Mr. Chair. Several issues have come up, just in this discussion, and I just want to state, generally, I have always stated, that I don't mind bond borrowing if it is going to Capital Improvement Projects and this is exactly what this is and so I take great interest. We are not borrowing for not borrowing for operations, we're not borrowing for work, we are borrowing for borrowing for capital improvements.

The other thing that I want to say is, at least make sure we, up here, and colleagues who might be in their offices watching, that in terms of this bond borrowing this is, basically, more of a revenue bond than it is a general obligation bond.

By law, the general obligation bond does need to go through a certain process whereas this one, because you are an autonomous agency and the funding source will be internal, basically from the revenues that you generate, this is a separate type of bond borrowing than a general obligation bond borrowing, is that...can I get an Amen on that?

Just to make sure we all understand, not all bond borrowing is that same and this is a different kind of bond borrowing because it operates from revenue or it is being paid for revenues as opposed to the general obligation of the government. I just want to, again, state that for the record so that, again, we do have some new members in here who may be watching from their offices, make sure they understand. It is a learning process for all of us. I'm still in the process even after X amount of terms, still in the process of learning these types of things.

A lot of the areas have been covered, a lot of the questions have been asked. I do want to ask, and again, going down these lines, I understand the projects you have on the presentation, I guess what I need to ask is that, the Hotel Wharf, right, are there any plans to develop that further? I mean, I know it is not a part of this presentation. It is not part of the projects that are being listed right now, but going forward? Is there any plans on the table right now that you're looking at?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Well, in terms of Hotel Wharf, we actually have to refurbish the facility. Currently, it is not functional. It is not permitted by the U.S. Coast Guard.

Occasionally, we might have a barge that is birthed there but there is no transaction of cargo that can occur at that Wharf at this time. It is not structurally sound and has not been for some time. Once the facility is refurbished, it will return to a multiuse facility. We have ROW ROW vessels that come in, they can discharge at Hotel Wharf. We have cruise ships that come in, they can discharge their passengers at Hotel Wharf. If we have vessels that have their own cranes on board, they can discharge cargo at Hotel Wharf.

Senator James V. Espaldon

But, I am sorry to interrupt, but is there a reason why is it not part of the improvement plan right now?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Well, we presented in a slide, up to 14 million of the bond will be used to meet the matching requirement of the...

Senator James V. Espaldon

Of the TIGER Grant...

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

For the TIGER Grant.

Senator James V. Espaldon

Okay.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

So, combined, and again, these are estimated until the actual bids are executed, but it's to be around that cost to actually refurbish that facility.

Senator James V. Espaldon

Okay. I appreciate that.

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam

If I may, Senator?

Senator James V. Espaldon

Yes, please do.

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam

The renovation project actually includes an increase in the footprint.

Senator James V. Espaldon

Okay.

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam

We...It would increase the footprint within the water by approximately 2,100 Sq. Ft., so it would be an

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam
expansion of the existing facility as well.

Senator James V. Espaldon

I'm sorry I did not hear that number. By how many?

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam
2,100 Sq. ft....

Senator James V. Espaldon

That's all?

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam
Of the wharf within the water...

Senator James V. Espaldon

Oh, within the water.

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam
In addition to what is already existing. So, we're expanding the facility...

Senator James V. Espaldon

Okay, so expanding it out.

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam
In addition to refurbishing it...

Senator James V. Espaldon

Okay.

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam

As well as the backland, itself. We are going to be putting asphalt making that...making the backlands a more useable storage and other purposes.

The additional structural components will include morning bollards on the Wharf, two morning bollards on the roadways, east and west areas of the wharf. It will be a substantial upgrade to what we have now.

Senator James V. Espaldon

Yeah, okay, again, I just....

Ms. Dorothy Harris, Chief Planner, Port Authority of Guam

A bit more than just a renovation to it now.

Senator James V. Espaldon

Okay. I just didn't visually see it on this presentation so I wanted to ask.

But going back to the second page, again, under the purpose for this, the first point to fund CIPs and possible

Senator James V. Espaldon

refinancing of Product Pair Loans. Why is it possible refinancing as opposed to say we are going to refinance?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

When we first put the package together, we were not too familiar with the process and we used the possible. We were looking at, potentially, at that point in time, having them subordinate the debt but as we moved along with the bond counsel, it would have to be refinanced so the assets and the revenue would be free and clear from encumbrances so that the bond holders would have comfort that they are first in mind for the subordinate to the existing loans

Senator James V. Espaldon

Right but, I mean, if there is that determination by the Port that you will refinance this, I mean, I would imagine that refinancing will place the bond holders in the first priority position.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

When we present our bond legislation, that information will be addressed at that point.

Senator James V. Espaldon

Okay, so I can just remove the word possible...

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Right.

Senator James V. Espaldon

...Is what you're saying?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Yes, Sir.

Senator James V. Espaldon

Alright, good enough.

And the other point on....

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

I'm sorry, Senator. That actually goes along with my point, Senator Torres, in that our initial tariff position has evolved. It's changed over time.

Initially, it was contemplated that we have the four standing loans and that we get the bond, basically a total of five, as we moved forward we got smarter and basically, looked at the options; To go through the bond,

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

exercise as well as consolidate... Refine and that is where the evolution of that tariff had taken place. But the bond legislation, as we hope to have introduced, and your support does address the issue as Mr. Dueñas has stated.

Senator James V. Espaldon

Okay and I do appreciate it because I know, even back when I was oversight of the Port... Bottom-line, what

Senator James V. Espaldon

you said, General Manager, is that the, you know, this is a process that has been in the works and it is coming to a head. So, you know, I understand.

The other point though, that I need to ask about is you have a 7% per annum on the bond borrowing. I mean, why are we such at a high threshold when we know that we've gone to the bond market and gotten much lower? Why are we kind of hedging on the high side as opposed to kind of taken because in all legislations we've come in at 6% and by the time, you know, it goes to market, with the help of GEDA and all they've done, have come in much lower than 6% and yet in this presentation we are hedging it at 7.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

The bond counsel and the other professionals recommended that seven be the maximum. When we did the proposal for the debt payment and everything else, it was estimated that we would be going to market at about 5.8% with a triple B minus rating.

Senator James V. Espaldon

Is that where you stand right now?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

That's what we're basing our projections and actions on.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

The madness that is a bond market. But basically, what we are dealing with is a situation where we are trying to determine or speculate what the interest rate maybe for an issuance that we have yet to get your approval on. So, with that mind set, that 7% is a threshold that do not, will not exceed, however, we do anticipate and hope for the lowest interest possible...

Senator James V. Espaldon

Right, and I would imagine that would be the objective?

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

As the market would bear, yes.

Senator James V. Espaldon

Right and I guess that will, depending upon what that interest rate will be, will determine whether you will be able to refinance existing loans because you are making the presentation that it will be at least 2% less, if you do go refinancing. Can I ask what the refinancing is, what the interest rate is on some of those loans that we have at ANZ, Bank of Guam, and USDA?

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

The refund savings?

Senator James V. Espaldon

I'm sorry?

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

I'm sorry. Are you asking about the savings to be realized after the refinancing?

Senator James V. Espaldon

No, I am just asking what the interest rates are right now on the existing loans...

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Oh, okay.

Senator James V. Espaldon

...you know, because again, refinancing will depend on a 2%...

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

On the equipment loan at the ANZ that's at 6.22, the crane loan is at 6.03 and the Bank of Guam SLE is spread between 3.94 and 4.14.

Senator James V. Espaldon

Oh, okay. So, actually, refinancing of those loans may not, really... Especially a Bank of Guam loan, be practical, if you get interests rates above that rate which seems to be a very low rate. Is that a variable rate or is that on the Bank of Guam loan?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

I believe those are simple fixed.

Senator James V. Espaldon

Oh.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Then the models that have actually been run, although they are just working models, I understand... That those three models that Mr. Dueñas had stated, these savings had been realized. Above 2% and as high as eleven.

So, if that is information that has to be provided - and I'm sure it's to accompany the introduction of the legislation come that point but for the most part, we do have information - or worksheets, that basically identify the savings to be realized upon refine.

Senator James V. Espaldon

Okay, good enough.

Just a few more, Mr. Chair. Let me see, I have bunch listed, I should have scratched them off.

I just wanted to ask, and I think I know answer but I'll ask anyway, on the variable tariffs we have seven, seven, one, one, one percent. I mean, the question was, it's a silly question in my mind but I am going to ask it, right? Why is it called a Variable Tariff? Is it because it varies from 7% to 1%? Just wanted to make sure, I mean you know, I didn't want to assume.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Also, the hope that, if the military buildup were to actually get off the ground and fly, that each year, that is why it would reduce to 1%, that we would have enough revenue coming in to just accommodate a 1% increase during those remaining three years of the five-year tariff.

Senator James V. Espaldon

Okay. Now, if and when, and hopefully when, right, that we do see an increase in military activity as more money is being authorized and more labor is being available for this build up to happen, have you taken into consideration of maybe, we'll see a lot more revenue, I would imagine, and that revenue would then be, as opposed to accumulating in a bank account, are there thoughts of perhaps maybe accelerating the payment of this borrowing?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

That is an option that could be looked at to accelerate the payment or it might be put in place address other infrastructure maintenance that may be needed. At the end of the day, we would still have on a regular basis, to update and present to the PUC and they also have the authority and option, for example, if they see the revenue coming in at a higher level than anticipated, maybe even reducing the rate.

Senator James V. Espaldon

Well, I hope that's going to be the case.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

So those are options as we move forward depending on the level of activity, the level of maybe additional revenue coming into the Port. They will examine that again. It is not like they have approved it and then we'll see in you in five years. I mean, just by virtue of the fact that they are requiring these financial updates and deadlines for that as we go along, they will continue to monitor our progress, our revenue, our ability to pay the debt that that we are undertaking, or hopefully undertaking assuming the legislature approves the bond legislation.

Senator James V. Espaldon

Alright.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

So, that window is always open for them to step in any time.

Senator James V. Espaldon

I appreciate at. The other question, and again, may be related, may be not related, but I know back in the day we were talking about the necessity or perhaps the possible necessity to do some dredging. Now, is that still on the plate, only because we were talking about the military buildup, we are talking about bigger vessels and we need more depth down there, is that still...

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Right now, that is not really contemplated in terms of the work that we will be doing for the Port. As our Chief Planner relayed, we are going to be expanding the footprint into the water a bit for Hotel Wharf and that is to accommodate additional depth. I believe, right now, it is about 27 ft. that will bring that dalmay up to maybe another four feet that can be added in terms of depth.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

But in terms of the volume coming into Guam, while we have these major vessels, that's been the trend in the world to get these much larger vessels, the demand for cargo and the size of our population and even within the region that breaks down even further, I mean, you've got to ask yourself, is there ever really going to be a need to accommodate vessels of that nature?

The military, itself, if you have been to Naval Station, they have done the largest upgrade in place for their piers since World War II and you know, our 50 million for merit and DOD pales, pales into comparison to the hundreds of millions of dollars that the Navy has spent on their infrastructure, their piers to accommodate their operations, all the way down to the thickness of the concrete dependent on the purpose of what is going to be brought in at that pier, what military equipment is going to be brought in. They've done a wonderful job.

Senator James V. Espaldon

Right.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

I hope, in the future, we are able to have a system in place, as they do, when the existing wharfs get refurbished

Senator James V. Espaldon

So, the answer's no?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

For us, no, not at this time. We don't see...

Senator James V. Espaldon

Alright.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

The need in the near future for that and also, for our carriers, I mean, at the end of the day, it comes down to dollars and cents for them as well. They have to have the volumes and the demand for it to want to accommodate larger vessels that are more expensive to operate as well.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Yes. And Senator, I appreciate the question, and perfect response from Senator Brown, but this is where it gets...you know, things are so dynamic at the Port that it is to also realize that as we pursue this path to get H Wharf- Hotel Wharf operational, it is also of the mind that come some time, ten, fifteen years, I will still be at that Port, that we're going to need this additional space, that operational waterfront to support repairs that may be needed to F-5.

As we all know, F-5 is a suspended apron construct done in the late- I'm sorry, early two 2000s, it was completed.

Quick history, in the great quake of '93, F-5 collapsed. They completed the repair but rather than do it common to preexisting, they made it a suspended dolphin. That suspended dolphin, that is where we went through the exercise of DSLE, served only to extend the service life extension of the pier, F-5.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

One thing you will have when Hotel Wharf is completed is the additional space and capacity to support cargo operations as we, if need does arise to repair or replace F5.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Then also for the military, I mean, at the back, at the end of the day, and you know that with some familiarity with that, Mr. Chairman, they also will need an alternate location in the event that there is anything that impacts their wharfs on the Navy side.

And it is not said publicly, but unofficially, Hotel Wharf would be a tremendous asset, that is why, at the end of the day, while we don't know what happened in the discussions in the back rooms, when you consider TIGER Grant, we are only one of six Ports in the entire nation last year, out of 66 million dollars that was awarded to Ports, to receive the ten-million-dollar TIGER Grant. I am sure, at the end of the day, they have invested interest in seeing Hotel Wharf operational as an alternate Port should they ever need it for whatever reason.

Senator James V. Espaldon

I appreciate that. Alright. Final question is, and, you know, it's more of a broader question because it impacts a lot of areas even good colleague, Senator Morrison, was talking about, but in terms of the economic impact increases that are going to take place, can you kind of generalize for us what you anticipate or what has been studied and what are we looking and the reason it is important to bring up, at least I believe, because if we take a look at that, that's one impact, if we go down the road to a bill that increase the liquid fuels that has an impact.

If we at look the proposal to increase gross receipts and what not, that has an economic impact, so the economic impact that this bond borrowing will have on the island is only small piece of a lot of other moving pieces within our island and to be able to understand that you know and to take that into totality, I think it is important for us to know.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Senator, appreciate the question, but please the port professionals that actually sit before you today are not immuned to the impacts associated to the increases that may result from this bond exercise. And the PUC has and Mr. Dueñas has basically provided the history and the time line. The PUC is charged in overseeing our rate making ability actually went through that entire exercise.

Senator James V. Espaldon

And, I appreciate it, and the only question is

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

SPAM...

Senator James V. Espaldon

You can tell us...

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

SPAM...

Senator James V. Espaldon

You know in a very general in summarize to us... I'd be happy.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Okay, here we go... SPAM you are looking at .006 cents per can of spam. I'm sorry that is for a drink as well as spam. A lettuce head .0016, a bag of rice 20lbs, very important, .0128 a penny and lumber .0082 which is mere fraction of a penny.

I liken these things like when we went through the revisit of the liquid fuels of 2-point rates is that the actual impact associated with the rate increase that was determined could be seen on the stations marquis in the.... You ever noticed the station marquis 3.87 small nine. That's where the port increases... Actually, affect the pricing at point of sale.

Senator James V. Espaldon

And again... I needed to hear it because there are a lot of people out there who need to hear it right?

To make sure, there's a big audience out there and even I'm even surprised on how many people have watched it or streamed it or whatever and opposed to them attacking it based upon its going to raise it you know raising it five dollars a can of spam, again I needed to hear it from you, you know and that is only one piece of the puzzle, like I said once you add in any other increases that may be coming down the road whether it be for the hospital or for the roads or what not.

We need to take a look at it and ask the same questions about all those borrowings and so that when you add all those numbers up what really would be the ultimate effect on what in this case we used the can of spam or you know a bag of rice or some lumber and that will actually allow us to make a better argument to the public of why this is necessary and it may increase it a little bit, but not to the effect where everybody is yelling about.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Senator, short of a major catastrophe that may be beyond our collective abilities I mean when F-5 collapsed even though that is the newest wharf, we've had to reinvest 7 million dollars even though I think the old fill process worked a lot better, but different decisions were made at the time. All I can say is one way or the other, there will be the cost whether we address this bond bill or not.

If we don't maintain which again the government in general get an awful lot of criticism. You know we build, we love the ribbon cutting, it's the maintenance that we fall short on and in our operations because we do have to move things every single day it's necessary that we address the maintenance of this infrastructure. It is necessary we build new infrastructure and we make that long-time investment for the port. If we don't these facilities will continue to deteriorate, they become liabilities to the port.

The fact that our maintenance employees have to worry about chunks of concrete falling on their head from you know another twenty, fifteen feet above them, that is not the kind of work environment our people should be subjected to.

It's going to cost either way, either we make planned investments we can control and manage and progress and have the upgraded facilities that we need to accommodate the demand of our community and move cargo

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

as quickly as our community would like us to see including our customer base that wants things faster and sooner.

If we don't make that, the resources are going to continue to deteriorate we are going to end up potential, and it is so far fetch chaotic situations, that we may not have the ready ability to manage or correct.

So, at the end of the day, as you say, we have too as you say you have to weigh all of that, our public has to weigh all of that. I rather have organized growth and ensure that we have the capabilities of the port to fully deliver the and accommodate the demands of this community.

The consequences are not acceptable, if we're not able to bring in the cargo that we need that provided the support to this community... that is not a desirable option.

Senator James V. Espaldon

And I understand, I really do and I appreciate you know again. This has been years in the making and I think that the point has been made this is not an overnight sensation and we are not talking about operations, we are talking about hardening the facility that brings in 95% of all goods that come into the island, so I believe we can appreciate that point.

Thank you, Mr. Chairman.

Chairman Aguon

Thank you very much Senator Espaldon, thank you Senator Brown.

Vice Speaker Terlaje, I understand you have a fall out question.

Vice Speaker, Therese M. Terlaje

Yes... just... has the port not been implementing any salaries increases since the new tariffs or the new rates have been approved?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Actually, they just approved them a few months ago and they went in place on June 1st.

Vice Speaker, Therese M. Terlaje

June 1.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

We have not added anything since then

Vice Speaker, Therese M. Terlaje

Do you intend to then? I wasn't clear from your...

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

In terms to ensuring as I mentioned earlier, the decision that was made back in 2008 to bring back the Port Authority of Guam to the fiftieth percentile. The final implementation of that to bring the salaries to scale will

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

be implemented in 20- by 2019. So, what our employees have received are incremental increases leading toward ultimately 2019 they weren't all given one single increase all at one time to bring it to the fiftieth percentile of 2008. That will happen in 2019 and as I mention since 2008, today, we are only in the twenty-five percentiles nationwide of compensation scale.

Vice Speaker, Therese M. Terlaje

So... The new... The next increment is in?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

It will be completed by this year 2018-2019 by two years from now. I guess 2019.

Vice Speaker, Therese M. Terlaje

Completed, but when is the next increment? Is it ever year? Or what is it? Because I just want to know if you are using these new Tariffs towards -

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

It is spread out, it is spread out over that period of time I believe last year when we implemented the first portion of improvement, structural adjustment last year.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Structural adjustment.

Vice Speaker, Therese M. Terlaje

So regardless...

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Last year, and it will be completed in 2019. To bring the salary level to 2008.

Vice Speaker, Therese M. Terlaje

So regardless of the borrowing the new tariffs will be used for those salary adjustments that was...

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

No ma'am... Vice Speaker Terlaje, when we went to 2015 for our initial 7%, the salary adjustments were factored in that 7% tariff. The amount of to be dedicated from this new tariff would be a minimal again Slater Nakamura and PB and the Port they did the exercise and the amount we are paying for salaries and everything else is not just the salaries of the employees, we also pay for the quota for our retirees. We also pay for the health and dental benefits of our retirees, that's part of the total salary cost for the Port.

Vice Speaker, Therese M. Terlaje

Yes... So, but how are you paying

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

The other thing that the retirees

Vice Speaker, Therese M. Terlaje

I just want to see if it is going to be paid from the increase in tariff as it was purposed to the PUC.

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Senator -

Vice Speaker, Therese M. Terlaje

If that's already being done?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

No... it has already been factored in the first 7% of 2015.

Vice Speaker, Therese M. Terlaje

Yes...

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

Salaries, is a part of the OMN at the port and it was considered at the point of the modeling

Vice Speaker, Therese M. Terlaje

Okay...

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

But it is to also... I got to say this you are dealing with again, I hope it's not received wrong. We are dealing with salaries, it is a touchy subject.

Vice Speaker, Therese M. Terlaje

I'm not debating the-

Mr. Glenn Nelson, Commercial Manager, Port Authority of Guam

The Port compensation -

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Right.

Vice Speaker, Therese M. Terlaje

Not able to do, under, even with the tariff increases, except by borrowing. I guess it's preferable to do it all at once. To borrow and get it all done right away.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

You notice in our borrowing history, I mean just for example. To purchase the additional equipment at 2 million dollars with the USDA loan with the remainder of the loan money that was provided by the Cranes, I believe that total was up to 14 million. So, we had a 2-million-dollar reserve.

I mean for things you know, you're talking -

Vice Speaker, Therese M. Terlaje

Yes.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

a few million dollars and up- yes, as most cases as a 10-million-dollar service life extension, we've had to finance those projects -

Vice Speaker, Therese M. Terlaje

Right.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

In order to execute them.

Vice Speaker, Therese M. Terlaje

You're going to get 2 million dollars in well... in 2018, 2017's left because it's only half a left, right? But... Alright.

Vice Speaker, Therese M. Terlaje

Now, I guess I just wanted to know. Is there any money being budgeted in your current, you're prior to June 1 operations that went towards any of these projects or that was budgeted for any of these projects for 2017?

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

We anticipated always that the items that you have that Senator Espaldon mentioned, this has been something in the making for some time. These are major undertakings and we had always anticipated in moving forward that we would have to borrow to address the levels of either repairs that need to be made or in the case of a new administration building to construct a facility to meet and essentially cap what has been the single largest upgrade and improvement over the last four years or five years.

That's been made in 50 years altogether, I don't know too many other Government operations, I'm not as familiar with every one of them, but for a facility that provides a service that we do to the people of Guam and there's a 50-year gap of major infrastructure investment and yet we're still able... We mandated long enough, I think the time has come that we need to have a modern facility -

Vice Speaker, Therese M. Terlaje

I think that, no one is -

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

That will meet our demands.

Vice Speaker, Therese M. Terlaje

No one disagrees with a modern facility. No one disagrees with improving the safety of the Port or anything so, it's not that.

We are all asking questions because we also have to go out there and justify for the public. It's kind of an interesting situation. The rates have already been increased so, we're really not technically the ones that are approving the rates. Those have been approved by the PUC. You have your increase rates effective June 1. So, the arguments that the Chamber of Commerce made, that how this would impact consumer costs, the arguments that other people in the public made against the tariff increases ... It was the findings by the PUC that these would have a marginal impact on consumer prices as Mr. Nelson pointed out, those were the examples that they used.

Vice Speaker, Therese M. Terlaje

So, I can't question the PUC's analysis on the cost impacts and I'm not going to question the PUC's analysis, I know that they must have done diligent work looking at the master plan and everything that these projects were needed or they would not have agreed to increasing tariffs for these projects that were also listed in the tariff requests.

But yeah. It's just... Yeah, I just wanted to point out that every day we make choices as to -

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Sure.

Vice Speaker, Therese M. Terlaje

Which projects we're going to maintain in our government and you do... You have been doing that. It's just that these projects, you were not able to maintain under your current revenue. It's only under this new revenue with the tariff increase, that we are able to take of these projects.

So, I just think that it's very, very, fair to ask questions -

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Sure.

Vice Speaker, Therese M. Terlaje

And make sure that the public is very clear and it feels like we've done our diligence. That... When we approve a bond, you know, that we know ultimately, where this is going to be paid from. That's all.

I thank all of you for being here, for your input into this and for your work at the Port. Thank you.

Ms. Joanne M.S. Brown, General Manager, Port Authority of Guam

Senator, I just want to add. I mean, we're in a position and the only position we can be is to advocate for the Port's agenda. I understand. I am a six-term veteran of the Guam Legislature. I understand and empathize with where your challenges are in trying to explain or get the support of the constituency out there to say, this is something we support. Nobody wants a rate increase.

But at the end of the day, we all inherit and have to pay for these rate increases and I can appreciate that. But at the end of the day, all I can relay is, if we don't do an organized, planned, maintenance upgrade, improvement to the Port of Guam, we will be paying anyway.

That process, when and if it happens, if we don't address especially in the case of the desperate repairs that are needed, are we maybe ending up paying more money in what may be, a very chaotic situation.

So, we are trying to move in an organized fashion, a planned fashion that has taken many, many, years to come into place to address what we see as critical infrastructure. Yes, for the money that's borrowed for the bond itself, aside from the financing of the bond that will come out of that, everything else out of that bond, is being invested into tangible infrastructure that we hope will be there for many, many, years into the future servicing our people.

Chairman Aguon

Thank you very much, Senator Brown and Vice-Speaker Terlaje.

Just something to note, this is an informational hearing. It so allowed the community to get a good understanding about what the impending proposal is. It's going to entail, once it's presented to this body.

So, I wanted to ensure that not only the members of the Legislature, but also the public have an opportunity to be able to understand what proposal will be forthcoming and at that time, all of these specifics. In terms of the 60 million annualized debt service, the 70 million dollars projected annualized debt service; if in fact, the borrowing is up to that capacity, the refinancing of all these loans, those specifics will be asked at the appropriate time.

So, in terms of the questions, Madam Vice Speaker, I think it's very appropriate to ask these questions in this point of time with the understanding that we will continue to delve into even more specifics when the proposal is before this Body.

So, Senator Espaldon? I understand that you have a follow-up question?

Senator James V. Espaldon

Yes, thank you, Mr. Chairman. Thank you, for that piece of information because yes, this is an informational hearing. I... You know, just to clarify Mr. Chair, that once a bill is forthcoming to perhaps approve, then there will be a public hearing on that as well and we'll be able to ask again more detailed questions.

But, since we are here: Getting back to that 60, 70, and 80 million dollar borrowing... Why is it contemplated that way? I mean, you know, why isn't it just a straight figure of, we need 70, that's what it's going to be, opposed, well, there's a possibility of 60, there's a possibility it might be 70 and there's a possibility it might be 80.

Mr. Dueñas?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

As we progress in our bond financing road, we want to have maximum flexibility so that should something happen... For example, on the capitalized interests out of our own reserves should we not have the funds available at that point in time, then the option would be to put it into the financing plan. That's why you got the...

Senator James V. Espaldon

So, we don't really know what your decision is going to be until the Bill comes before us?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam
Right.

Senator James V. Espaldon

Okay, and we will know at that time?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam
That's correct.

Senator James V. Espaldon

Okay, and then we can ask you questions relative to whether you have -

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Whether it's 60, 70, 80 -

Senator James V. Espaldon

Whether it's 60, 70, 80, whether you have the interest payments upfront and all that good stuff.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Right.

Senator James V. Espaldon

Alright, good enough.

Just to be clear, the tariff increases that have already been implemented, at least that's what I found out already, those... That increase is to cover the cost of the bond borrowing going forward? Yes?

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Yes, it would cover the cost.

Senator James V. Espaldon

At 60, 70 or 80. I would imagine that tariff increase would take into consideration the maximum, which would be 80 because it wouldn't make sense to implement a tax, I mean, a tariff increase only going for a minimum of 60, when in the end, you might want 80.

Mr. Felixberto Alfred Dueñas, Deputy of Administration Finance, Port Authority of Guam

Or we might have to make some offsets on expenses by reducing it or not going with a particular plan for revenues - revenue expenditures and shift that money to debt payment.

Senator James V. Espaldon

Okay, alright.

Well, we're going to have another session with you so, we'll... I'll ask some more questions then, Mr. Chair but thank you.

Chairman Aguon

Thank you so much, Senator Espaldon, Vice-Speaker Terlaje, Senator Morrison, Senator Torres and also Speaker B.J. Cruz. Thank you, for joining us this afternoon.

Senator Brown, Senator Torres, Mr. Candoleta, Mr. Dueñas, Ms. Harris, and Mr. Nelson. Thank you, for providing the information and really making yourselves available so that you can respond to some of these questions and some of these inquiries because, the reality is, is members of the community have reached out already to a number of Senators about what the impending borrowing is.

Now, I'm hopeful that they have been provided with the information necessary to understand that not only is

Chairman Aguon

the Port looking at investing additional resources but modernizing and insuring the safety of personnel and also providing the facilities that is necessary there.

So, thank you very much, for an excellent presentation this afternoon and we look forward to our continued dialogue on the proposal. Thank you, have a good day, everyone.

Informational Hearing Adjourned at 4:04 PM.

III. WRITTEN TESTIMONY

The following individuals submitted written testimonies to the Committee on Guam U.S. Military Buildup, Infrastructure, and Transportation *before, during, or after* the scheduled Informational Hearing on Wednesday, July 12, 2017 at 2:00 PM.

- No testimony Submitted

IV. FINDINGS & RECOMMENDATIONS

The Committee on Guam U.S. Military Buildup, Infrastructure, and Transportation hereby reports on the informational hearing of the Port Authority of Guam's bond financing initiative with the following finding(s) and/or recommendation(s):

- A. The Port Authority of Guam's bond financing initiative would enable the Port to improve upon and develop its existing infrastructure, to include but not limited to, the following:
 1. Renovation of Hotel Wharf;
 2. Construction of a new Administration Building;
 3. Repairs to the structural facilities of EQMR;
 4. Warehouse 1 and Golf Pier; and
 5. Replacement /relocation of waterlines.
- B. Introduction of a Port bond legislation was requested of the Chairman.



**Informational Briefing
to the
Committee on Guam U.S.
Military Buildup, Infrastructure
and Transportation**

I Mina'trentai Kuattro Na Liheslaturan Guahan

SENATOR FRANK B. AGUON, JR.

Chairperson

July 12, 2017





Agenda

- Five-Year Tariff
 - Bond Borrowing Proposal
- Renovation of Hotel Wharf
 - Transportation Investment Generating Economic Recovery (TIGER) grant
- Port Infrastructure Issues
 - Construction of New Administration Building
 - Repairs to EQMR, Warehouse I and Golf Pier
 - Replacement & Relocation of Yard Waterlines
- Overview of Cargo Handling Equipment & Associated Maintenance Program



Five Year Tariff

PAG Bond Borrowing Proposal

Felixberto Alfred Duenas

Deputy General Manager

Administration & Finance

Five-Year Tariff Increase

- Approved by the Guam Public Utilities Commission on April 27, 2017
- Effective June 1, 2017

	FY2017	FY2018	FY2019	FY2020	FY2021
	(\$M)	(\$M)	(\$M)	(\$M)	(\$M)
Variable Tariff	7.00%	7.00%	1.00%	1.00%	1.00%
Net Cash Flow	0.53	2.52	2.46	2.21	1.62
Cumulative Cash Flow	0.53	3.05	5.51	7.72	9.34



Purpose

- To fund CIPs & possible refinancing of prior loans
- Shall have a principal amount not to exceed \$80,000,000
- Shall have a final maturity not later than 2048
- Shall be sold to the bondholders not exceeding 7.00% percent per annum



Bond-Funded CIPs include

Project	Anticipated Amount
Hotel Wharf & Access Road (Local Match to TIGER Grant)	\$14,200,000.00
Replacement of Administration Building & Commercial Center	\$17,500,000.00
Replacement & Relocation of Waterlines	\$6,000,000.00
Repair of EQMR & Warehouse I Buildings	\$2,000,000.00
Golf Pier Repairs	\$2,000,000.00
Replacement of Gantry Crane 3	\$8,000,000.00

Prior Loans

Lender	Principal Amount	Date
ANZ Guam, Inc.	\$12,000,000	December 2012
Bank of Guam	\$10,000,000	April 2014
United States Department of Agriculture	\$2,000,000	July 2015

- Shall be at least two percent (2%) less than the present value of debt service on the refinanced Prior Loan
- Refinanced balance will be amortized to mature at the same time set prior to financing



**Renovation of Hotel Wharf
TIGER GRANT from US DOT**

Dorothy Harris
Chief Planner



Renovation of Hotel Wharf

- Construction involves two major components:
 - Replacement of H-Wharf structures and adjacent upland facilities
 - Reconstruction of the access roadway, Highway 11

- 2014 Completed Design/Permitting documents
 - Final Plan & Specifications
 - Final Basis of Design
 - Final Cost Estimate
 - Schedule of Values and Bid Tab
 - Geotechnical Design Report
 - Structural Calculations
 - Geotechnical Calculations
 - Environmental Permits (prepared applications)
 - Marine Habitat and EFH Survey Report
 - Unexploded Ordinance Survey Report



US DOT TIGER Grant

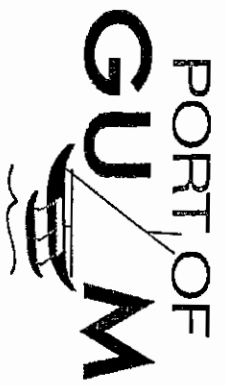
- \$10 million awarded on July 29, 2016
- MARAD is administering the grant. Site visit planned for September 2017
- Estimated Project Timelines
 - First Quarter 2018
 - Update of Final Design Documents & Engineer's Certification
 - PEALS Board requirement for certification within 12 months of submittal for permitting review



US DOT TIGER Grant

- Second Quarter 2018
 - Submission of permit applications
 - Completion of Agreement with MARAD

- Final Quarter 2018
 - Issuance of Invitation for Bid for Construction Contract



Port Infrastructure Issues

Glenn Nelson

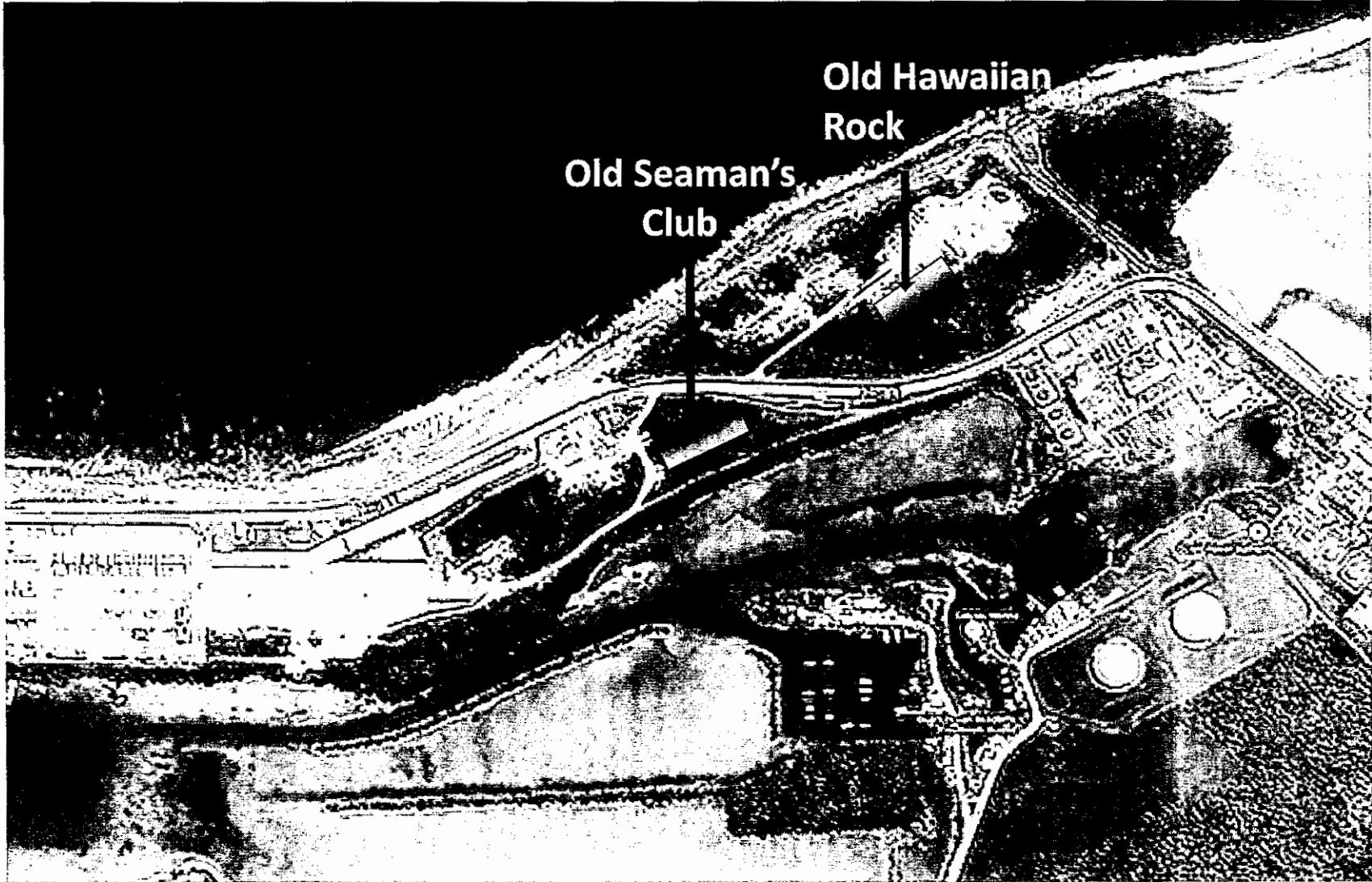
Commercial Manager



Replacement of Administration Building

- Replace the 50-year old building which is not fully ADA-compliant
- Allow for the operational expansion of the Maintenance Division
- Does not meet the operational requirements of tenants
- 2 potential sites being considered
- Approximate Amount: \$17,500,000.00

Proposed Sites for New Administration Building



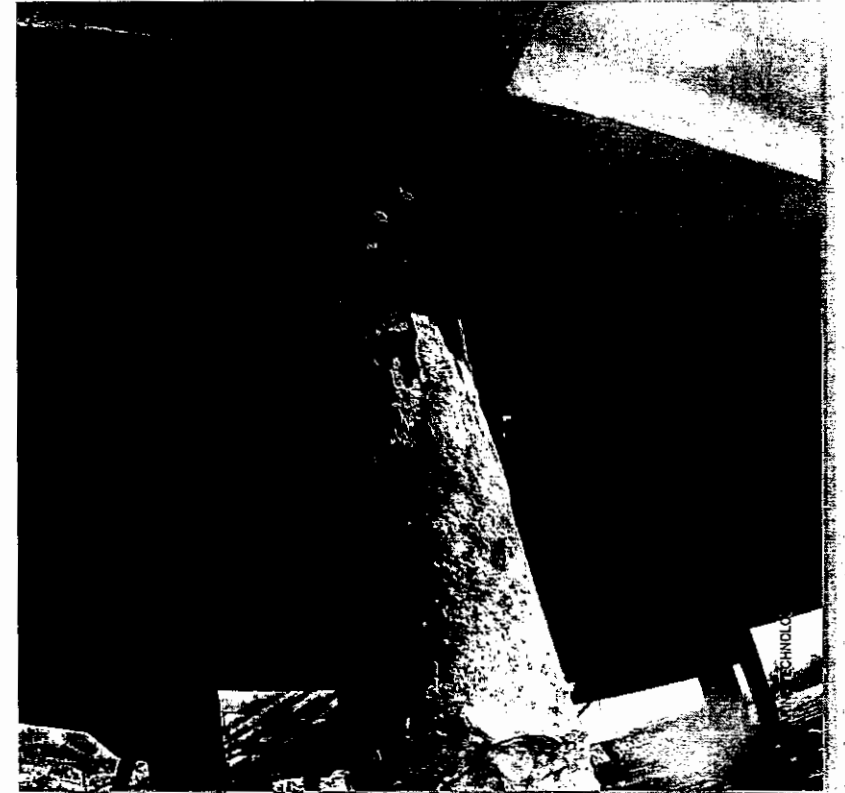


Repair of Golf Pier

- Proposed structural repairs
 - Replacement of pilings & concrete bulkheads
 - Upgrade graphite walking surfaces to meet USCG requirements
 - Installation of catwalks to mooring dolphins (vessels currently tie-up at shore bollards since dolphins are inaccessible)
 - Replacement of fencing
- Approximate Amount: \$2,000,000.00



Sacrificial anodes that appear ineffective. Photo Credit: Pro Marine Technology



Piles have rusted migrating to the rebar. Rebar has rusted causing the concrete to spall.
Steel pile is deteriorated. Photo Credit: Pro Marine Technology



Replacement & Relocation of Waterlines

- Waterlines at the Port are over 50 years old and some of the pipes were made with asbestos
- Replacement of waterlines and relocation of the mainline running through the Port's Container Yard to run along route 11B
- Affected pressurization testing resulting in triggered waterline leaks
- Approximate Amount: \$6,000,000.00

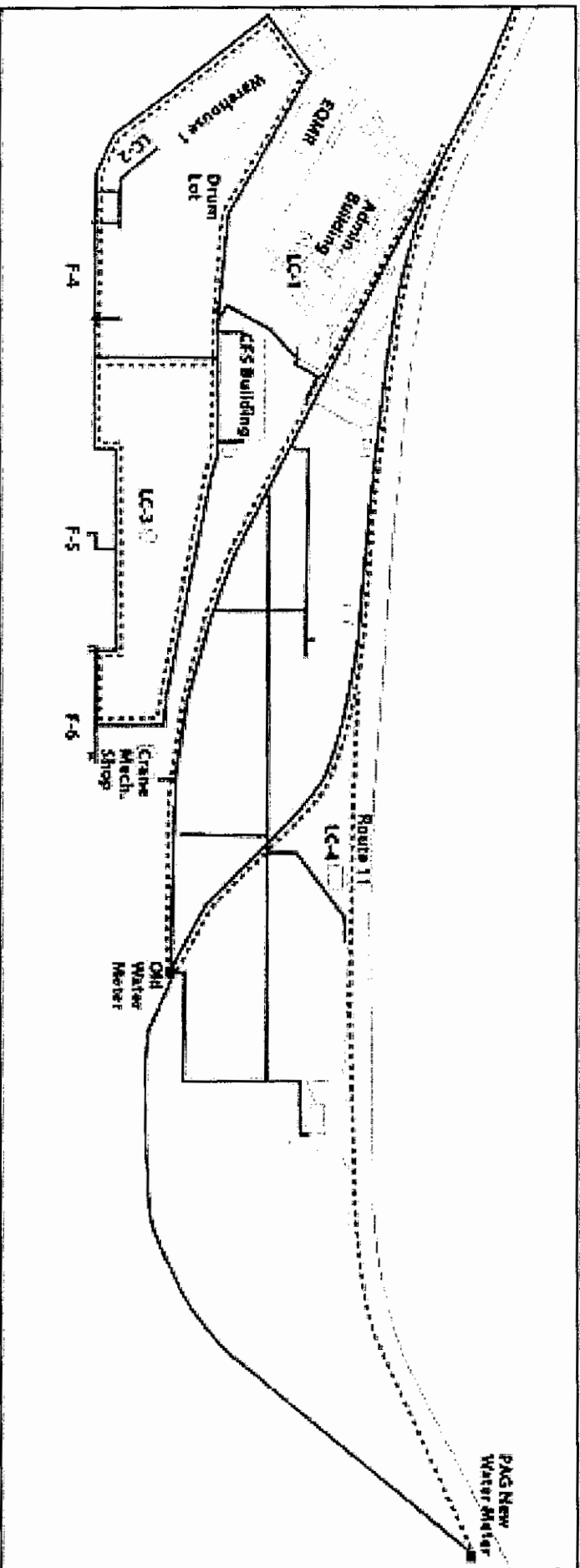
Water Leaks Detected

Date	Location
9/27/2015	Pier F5/F6
9/29/2015	Pier F5/F6
10/01/15	Pier F5/F6
12/07/15	Old Crane Shop
12/17/15	Pier F6
1/24/16	Pier F5
12/02/16	Pier F5
2/11/17	Pier F6
4/01/17	EQMR area

Port Diagram

— Existing Water Line

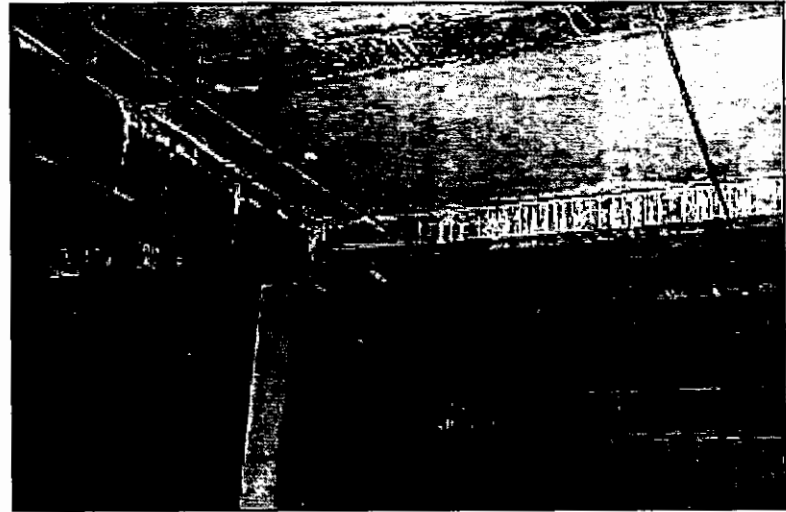
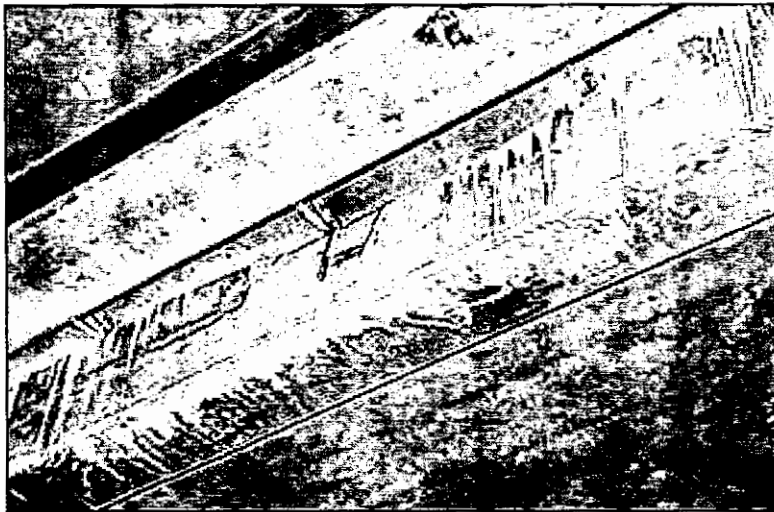
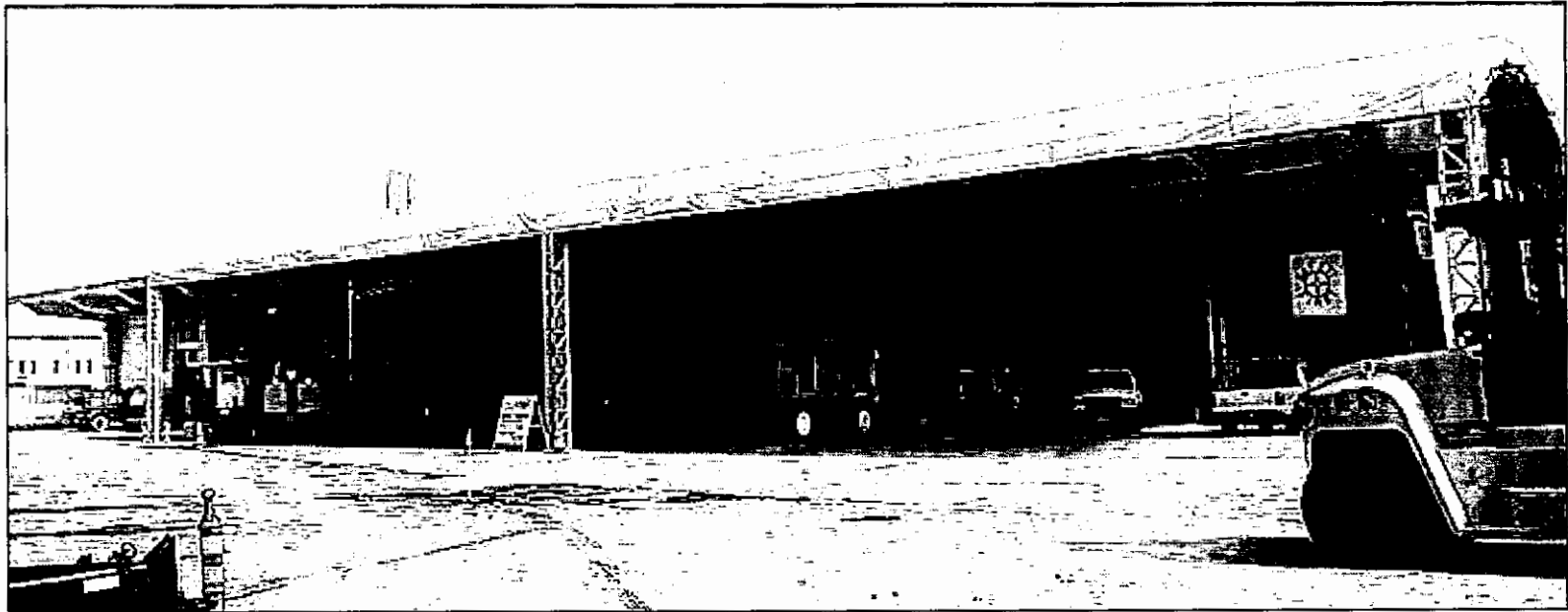
..... Proposed New Water Line





Repair of EQMR & Warehouse I

- 50-year-old structures constructed in 1967 – 1968
- Deficiencies include:
 - Concrete Spalling
 - Exposed Rebar
 - Leaks
 - Warehouse doors need replacement
 - Electrical & Plumbing
- Upgrades to these structures will be in compliance to the latest building codes
- Approximate Amount: \$2,000,000.00

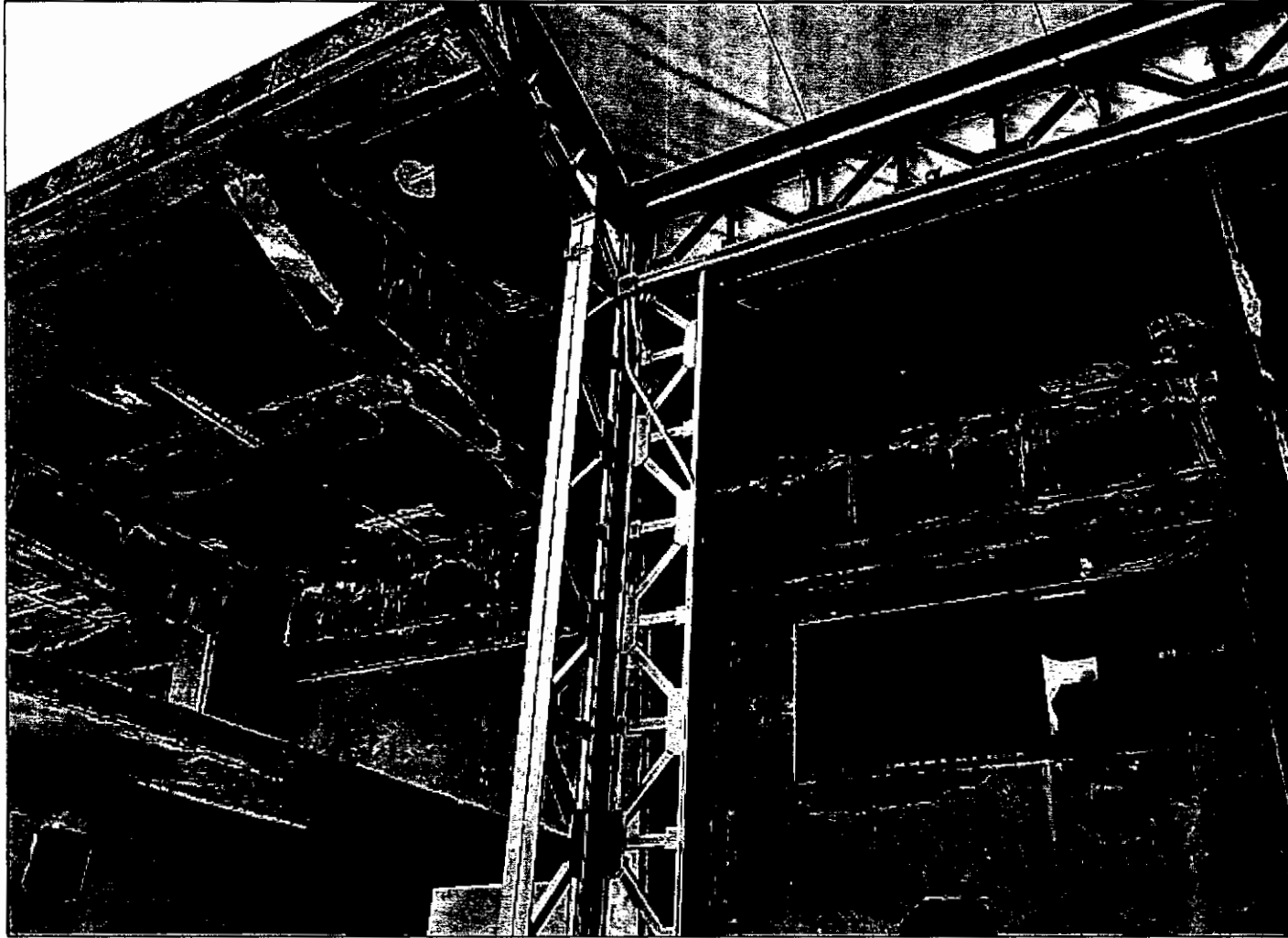


TOP PHOTO: Exterior of EQMR Building

BOTTOM PHOTOS: Leaks & concrete spalling inside of the EQMR Building



Leaks from the ceiling of EQMR Building



Leaks & concrete spalling at exterior of EQMR Building

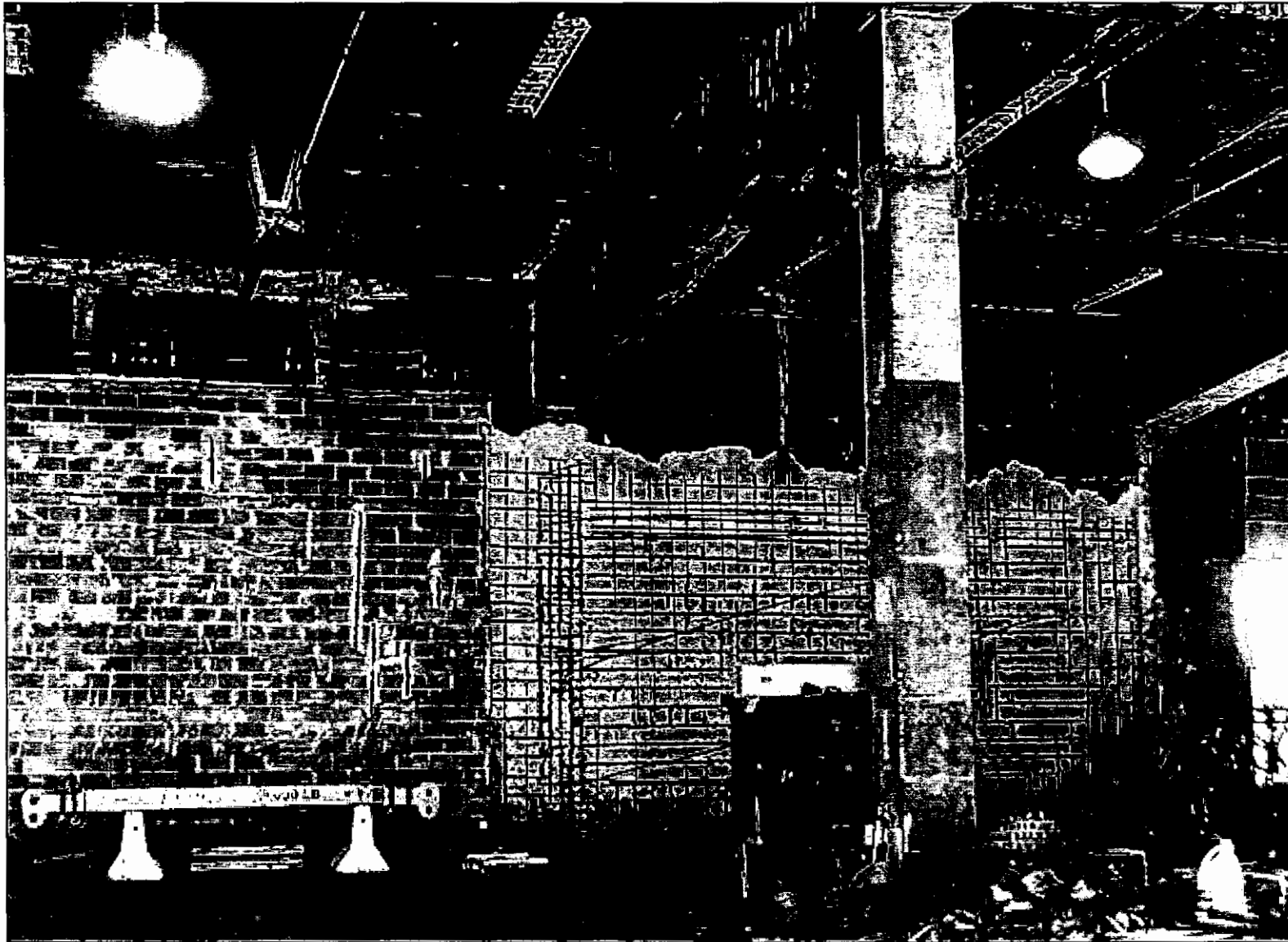


Exposed rebar at exterior of EQMR building

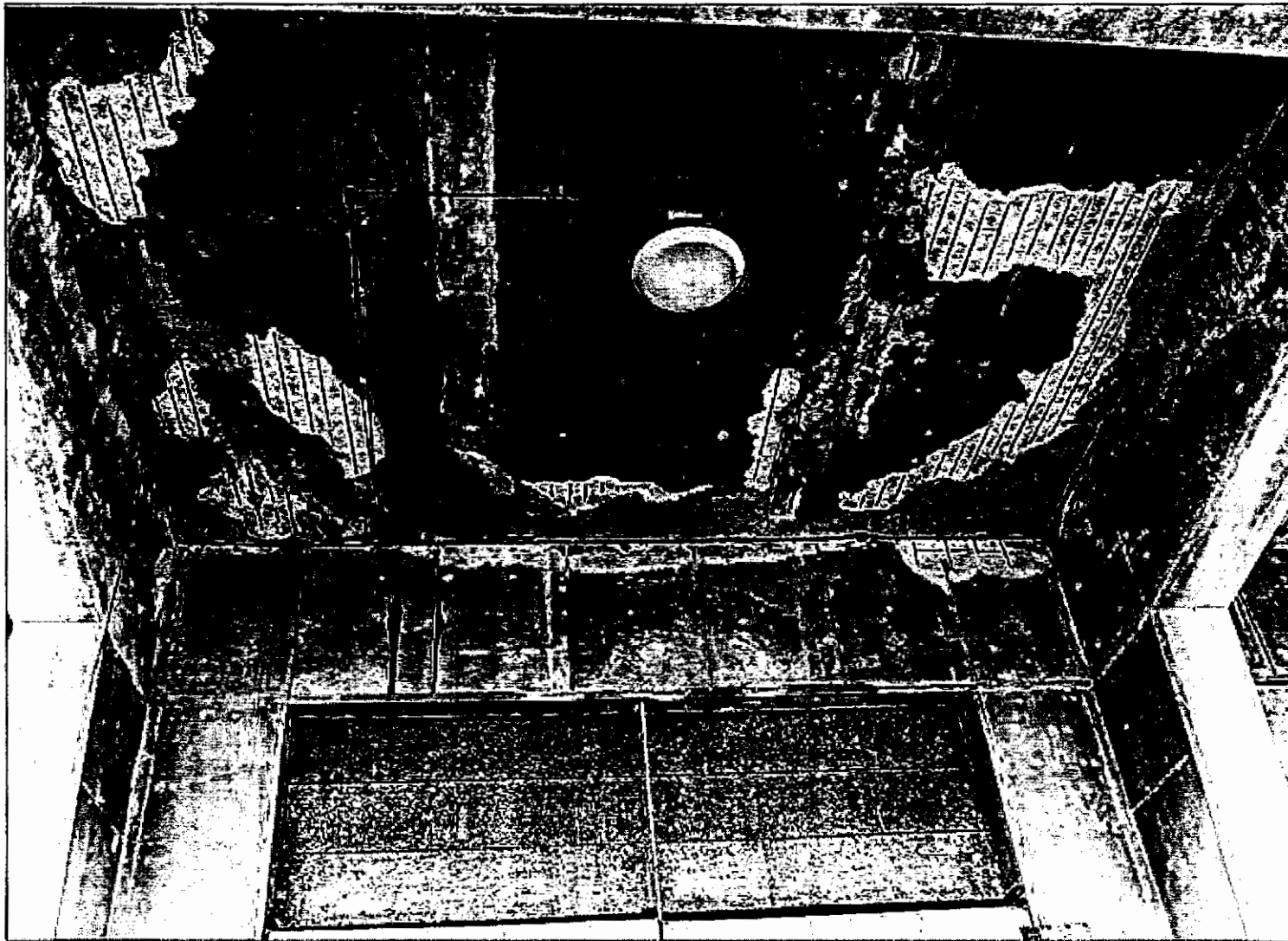


TOP PHOTO: Exterior of Warehouse I

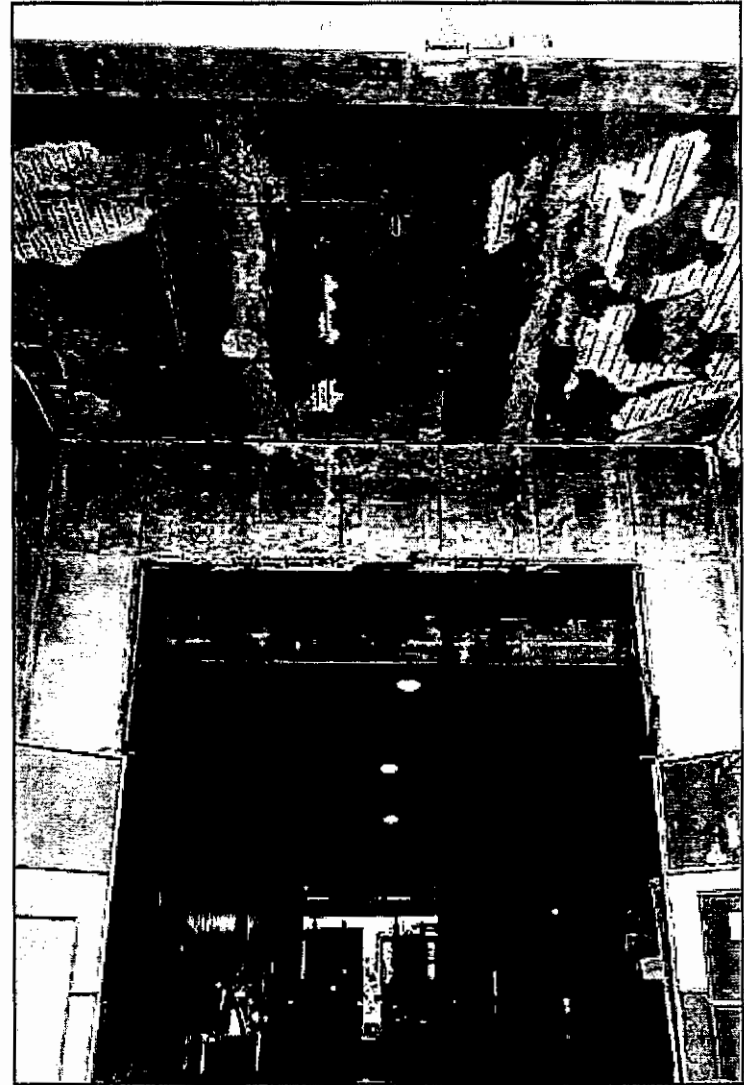
BOTTOM PHOTOS: Leaks & concrete spalling inside of Warehouse I



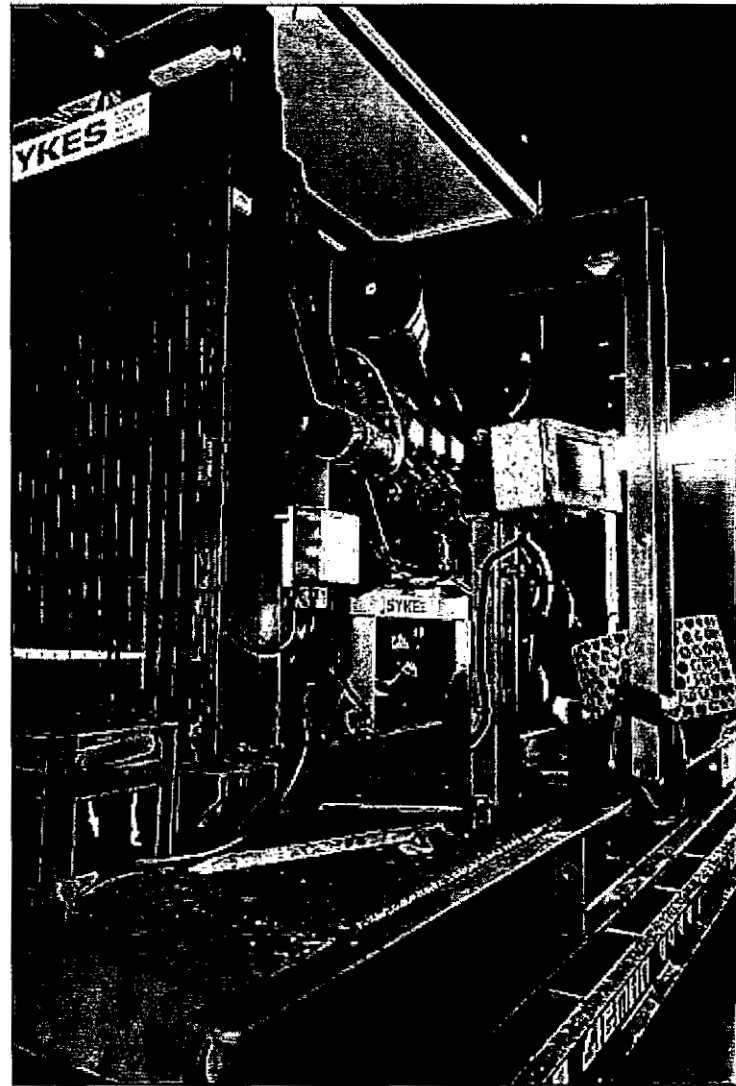
Extreme concrete spalling & exposed rebar of Warehouse I wall as a result of a previous salt storage operation



Concrete spalling & exposed rebar at exterior roof of Warehouse I



Concrete spalling & exposed rebar at exterior of Warehouse I



Fire pumps stored in Warehouse I corroding as a result of moisture in the building



Overview of Maintenance Program

Ernest Candoleta

Maintenance Manager

Equipment Maintenance Program

STATUS OF MAJOR EQUIPMENT

Equipment	Year	Total	Available	Under Repair
Gantry Cranes	1984	3	3	0
Toplifters	2009	4	2	2
Toplifters	2016	4	3	1
Tractors	2007	6	4	2
Tractors	2010	10	8	2
Tractors	2017	16	14	2

Equipment Maintenance Program

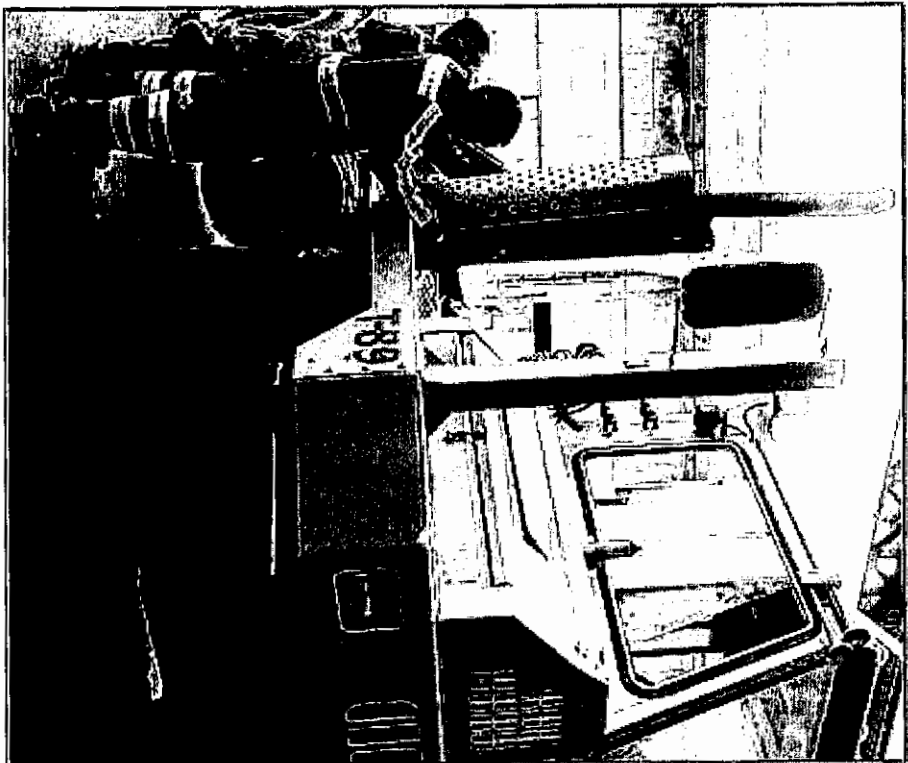
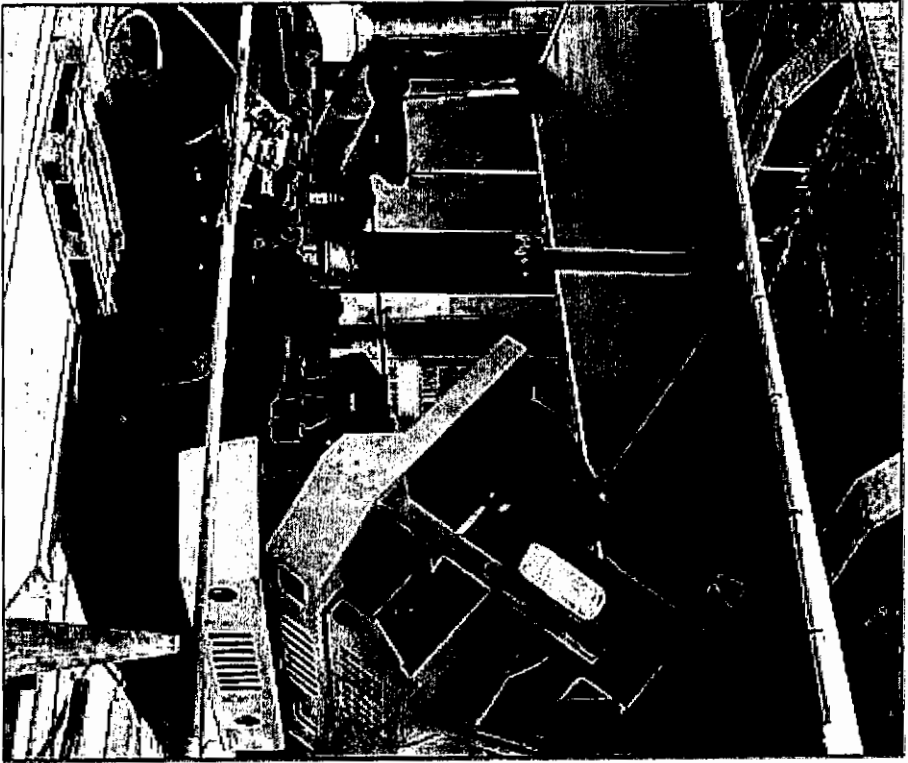
STATUS OF MAJOR EQUIPMENT

Equipment	Year	Total	Available	Under Repair
Forklift 5T	1998	1	0	1
Forklifts 5T-10T	2008	8	6	2
Forklift 20T	2009	1	1	0
Forklifts 5T	2016	4	4	0
Forklifts 10T-20T	2017	2	2	0

Equipment Maintenance Program

STATUS OF MAJOR EQUIPMENT

Equipment	Year	Total	Available	Under Repair
Manlift 120 FT	2016	1	0	1
Manlift 38 FT	2016	1	1	0
Welding Machines	2016	2	2	0
Street Sweeper	2017	1	1	0



2007 tractor undergoing refurbishment

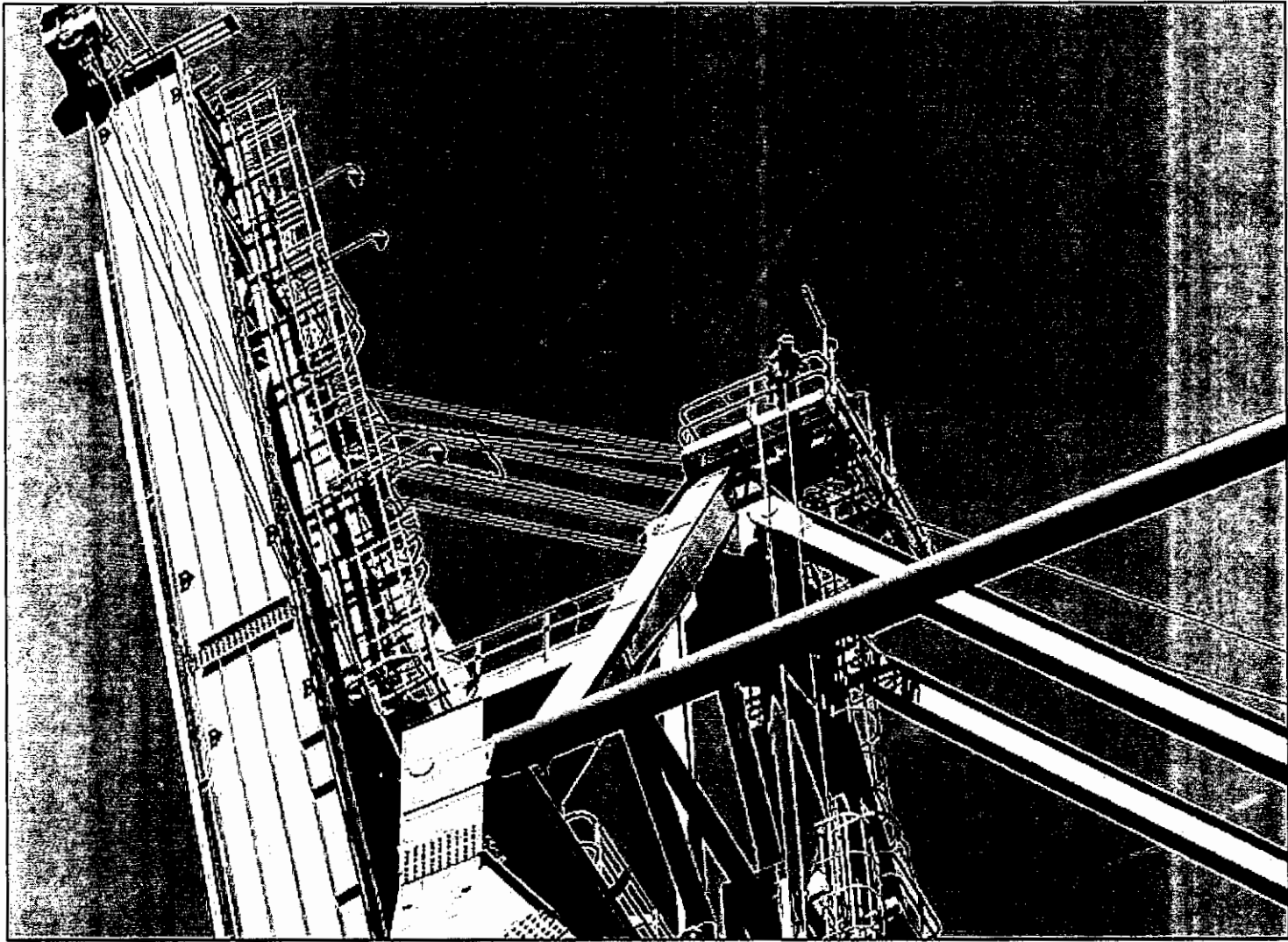


Refurbished 2009 toplifter and 2007 tractors

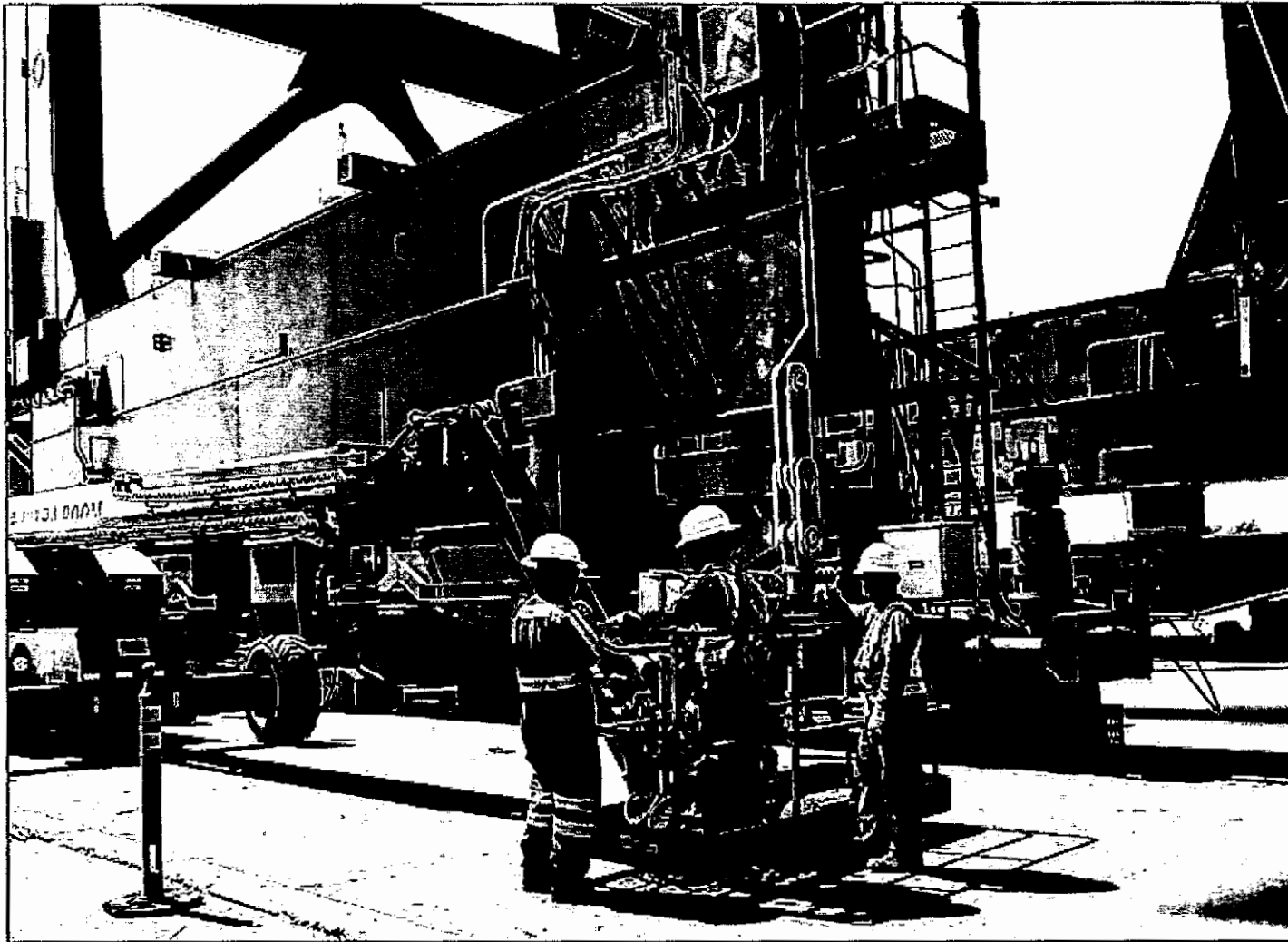


Equipment Maintenance Program

- Crane Assessment conducted in December 2016
 - Provided a priority listing to address discrepancies
 - Re-inspection performed every 2-3 months
- To address discrepancies, Maintenance Division:
 - ✓ Increased preventive personnel from 6 to 15
 - ✓ Applied an alternating maintenance window of 5 straight days
 - ✓ Aggressively working on structural, mechanical & electrical issues
- Major tune up of Crane Management System is scheduled for October 2017



Welders replacing railing on apex of Gantry 5



Corrosion crew performing maintenance on Gantry 5



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Senator Telena C. Nelson,
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Member

COMMITTEE ON RULES
SENATOR RÉGINE BISCOE LEE, CHAIR
SIKRITARIAN LIHESLATURAN GUAHAN
I MINA TRENTAI KUATTRO NA LIHESLATURAN GUAHAN
LEGISLATIVE SECRETARY • 34TH GUAM LEGISLATURE

COMMITTEE REPORT CHECKLIST

Part 1 / 1

INFORMATIONAL BRIEFING By Senator FRANK B. AGUON, JR. on July 12, 2017 with Port Authority of Guam Bond Financing Initiative		
(A) PUBLIC HEARING	(1) HEARING NOTICES SR §§ 6.04(a)(1) and 6.04(a)(2), Open Government Law (5 GCA, Ch. 8)	
	<input checked="" type="checkbox"/> (a) Five (5) working days prior (ALL Senators & ALL Media)	Date and Time of Notice: July 5, 2017; 11:17 a.m.
	<input checked="" type="checkbox"/> (b) Forty-eight (48) hours prior (ALL Senators & ALL Media)	Date and Time of Notice: July 10, 2017; 9:53 a.m.
	(2) Date and Time of Hearing: July 12, 2017; 2 p.m.	3) Location: Guam Congress Building, Public Hearing Room
(B) COMMITTEE REPORT	(1) Committee Report filed with COR? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	Date & Time: July 25, 2017 @ 12:52 p.m.
	(2) COMMITTEE REPORT COMPONENTS	
	<input checked="" type="checkbox"/> (a) Front Page Transmittal to Speaker	<input checked="" type="checkbox"/>
	<input checked="" type="checkbox"/> (a)(1) COR Chair Signature Line	<input checked="" type="checkbox"/>
	<input checked="" type="checkbox"/> (b) Title Page	<input checked="" type="checkbox"/>
	<input checked="" type="checkbox"/> (c) Notice of Public Hearing & Other Correspondence	<input checked="" type="checkbox"/>
	<input checked="" type="checkbox"/> (d) Public Hearing Agenda	<input checked="" type="checkbox"/>
	<input checked="" type="checkbox"/> (e) Public Hearing Sign-in Sheet	<input checked="" type="checkbox"/>
	<input checked="" type="checkbox"/> (f) Written Testimonies & Additional Documents	<input checked="" type="checkbox"/>
	<input checked="" type="checkbox"/> (g) Committee Report Digest(s)	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/> (h) Related News Reports (optional)	<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/> (i) Miscellaneous (optional)	<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/> (j) Committee Report Checklist(s)	<input checked="" type="checkbox"/>	
(C) COR Action	<input checked="" type="checkbox"/> CMTE Report duly filed <input type="checkbox"/> CMTE Report non-conforming for acceptance; Return to Committee	COR CHAIR (Signature, Date & Time) 8-1-17 @ 2pm