

A Citizen's Report ~ FY 2009



PORT AUTHORITY OF GUAM



About Us

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

The Port is presided over by five board members appointed by the Governor of Guam with the advice and consent of the Legislature. The Board of Directors appoints the General Manager and Deputy General Manager, who are responsible for maintenance, operation and development of the Port and the agency's business affairs.

FY2009 Financial Highlights

- ◆ Operating revenues was a total of \$30.6 million. Total container moves in fiscal year 2009 were 94 thousand, a decrease of 7% from fiscal year 2008.
- ◆ Operating Expenses was a total of \$28.5 million, which is slightly lower than FY08 total.
- ◆ The Port's net assets increased by \$2 million for fiscal year ended September 30, 2009.
- ◆ The Port's total assets increased by \$2.4 million and total liabilities decreased \$7.2 million during fiscal year ended September 30, 2009.

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.

Vision

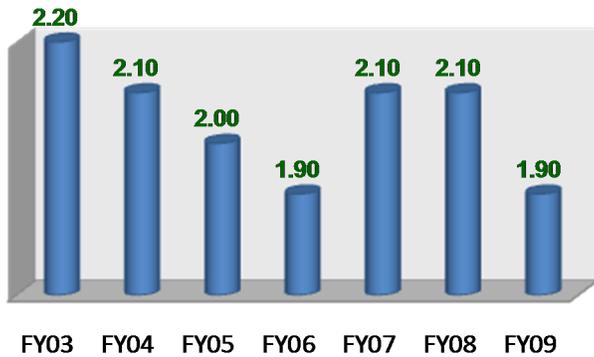
It is our objective to modernize the Port as a first class facility in the region providing cargo handling services in a safe, efficient & sustainable manner. To achieve this, the Port must increase capacity, execute infrastructure development and Port expansion to meet the community's organic growth and the impending military buildup, promote economic growth & opportunities for maritime related industries and address the needs of port users.



How We Performed ~ FY 2009



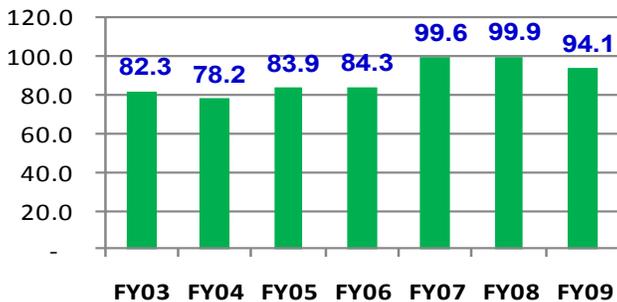
Cargo Revenue Tons (in millions)



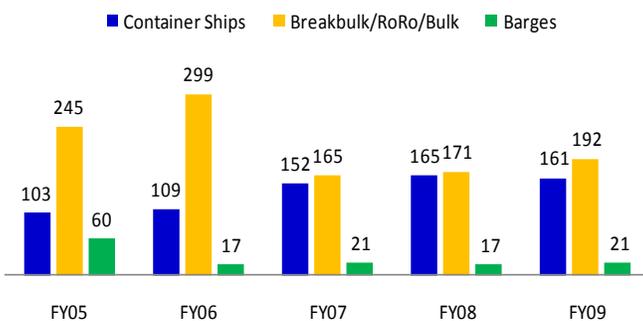
FY 2009 NOTABLE EVENTS AND ACCOMPLISHMENTS

- ◆ **MARAD Agreement**- U.S. Public Law 110-417, National Defense Authorization Act for 2009, designated the U.S. Maritime Administration (MARAD) as the lead federal agency for the “Port of Guam Improvement Enterprise Program.”
- ◆ **Port of Los Angeles (POLA) Gantry Cranes**- In February of 2009, the three POLA gantry cranes owned by Matson and Horizon were installed and will ensure uninterrupted flow of goods throughout the region.
- ◆ **Owner’s Agent and Engineer (OAE)** – In March 2009, the Port awarded Parsons Brinckerhoff (PB) the contract to be the Agency’s Owner’s Agent/Engineer to develop the engineering designs for the modernization program.
- ◆ **Gantry Rail Replacement and Wharf Upgrade Project** - In March 2009, Black construction initiated the work of this \$4 million project. The wharf upgrades are the first in the past 18 years and the first time for the rail system, which has been replaced after 30 years.
- ◆ **PL 30-43 Port Compensation Study** – In July 2009, the Governor signed into law the adoption of the personnel rules and regulations for the Port and to authorize performance based compensation and benefit adjustments for the PAG employees.
- ◆ **PL 30-52 Port Under Oversight of Public Utilities Commission** – In July 2009, Governor signed into law a bill to include the Port within the regulatory oversight supervision authority of the Public Utilities Commission (PUC) in the establishment or modification of tariff rates
- ◆ **PL 30-57 Approval of 2007 Port Master Plan Update** – In September 2009, a law was passed granting final approval to the implementation of Phase I of the Port Master Plan Update 2007 report.
- ◆ **Strategic Port Designation** - On September 14, 2009, the Military Surface Deployment and Distribution Command designated the Port of Guam as the United States 16th commercial Strategic Seaport.
- ◆ **ARRA Port Security Grant** - In September of 2009, the Port Authority of Guam was awarded \$910,594 in federal American Reinvestment and Recovery Act funds to construct a new Maritime and Port Security Operations Center.

Total Containers Handled (in thousands)



Annual Cargo Vessels Comparison

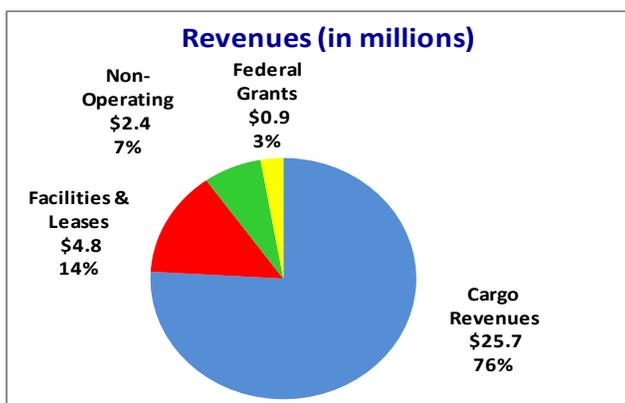


The Port's Finances ~ FY 2009



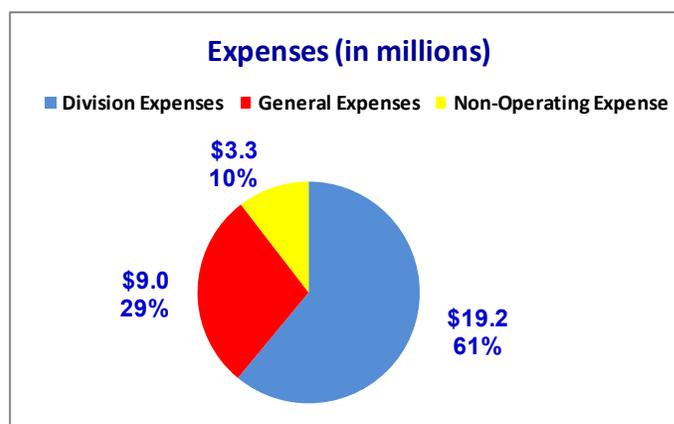
Major Revenue Sources

Despite the economic crisis that incurred in 2008 to 2009, the decrease in cargo operations compared to FY08 was 2%. The total operating revenues increased by \$264 thousand, from \$30.3 million in FY08 to \$30.5 million in FY09.



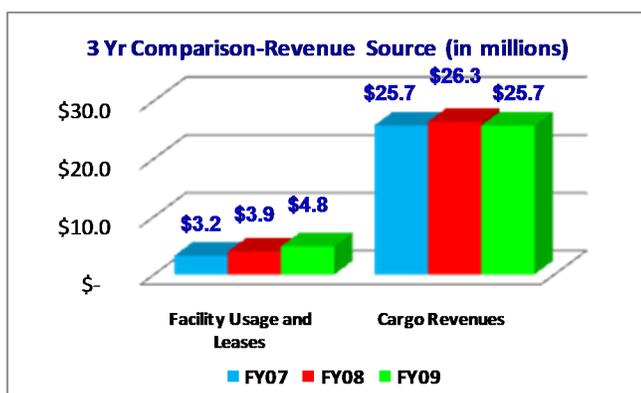
Primary Functional Expenses

The Port implemented cost containment measures in Fiscal Year 2009 which resulted to a decrease of annual operating expense from \$25.9 million in FY08 to \$25.8 million in FY09.



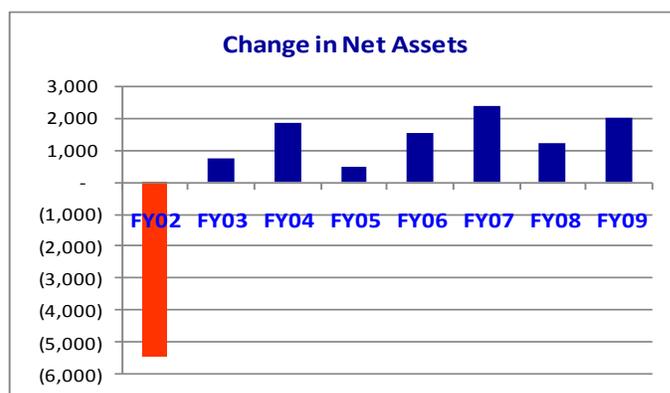
Revenue Comparison

Port's cargo revenue continues to remain steady for the past three fiscal years. Cargo operations decreased by 2% compared to the prior fiscal year. Facility usage and leases increased by 23% compared to FY08.



Improvement in Net Assets

Since Fiscal Year 2003, the Port has consistently ended each fiscal year with a positive outcome. The increase in net asset for FY09 is \$2 million.



Independent Audit of the Port Authority Finances were conducted by Ernst & Young resulting in a clean opinion. Complete financial information can be found at www.portguam.com/information.



Moving Forward



Expected Growth

The Port facilities were designed and put into service in 1969, and have not undergone a major modernization since that time. The Port serves the needs of not only Guam but also the entire Micronesian Region for which it is a transshipment hub. Over 90% of the day-to-day goods and supplies consumed by the population in Guam and the region pass through the Port.

On February 17, 2009 an agreement was endorsed between the government of Japan and the government of the United States concerning the relocation of Marine Expeditionary Force personnel and their dependents from Okinawa to Guam. Demands for cargo movement during base construction, increased military population after construction and future organic growth in the region served by the Port are expected to put considerable demands on the Port which it cannot support in its current condition and configuration. Cargo volumes are projected to start increasing significantly by 2012. It is imperative that the Port immediately begin the facility modernization and improvements needed to meet these projected demands in an environmentally acceptable manner.

Key Project Initiatives

The modernization of the Port Authority of Guam will be designed to meet the unprecedented growth of the island fueled in large part by the expansion of U.S. military bases on the island as well as the overall growth of Guam's economy. Some of these key modernization initiatives include:

- Upgrade of Terminal Operating System to allow for automated invoicing, cargo and container tracking, financial management and maintenance management.
- Expansion of Wharf Space to accommodate larger vessels as well as increase overall vessel handling capacity.
- Acquisition of additional gantry cranes to allow for increased cargo movement through the Port and more importantly, to enhance overall productivity and efficiency.
- Expansion of existing facilities to support fishing and cruise line industries.
- Port's ability to meet the aggressive schedule of the DOD build-up on Guam.

Overall, the modernization plan will increase demand capacity to ensure that Guam's only commercial port is developed and managed to adequately accommodate and capitalize on the rapid expansion expected to occur over the next decade.

FY 2010 OUTLOOK

Performance Management Contract (PMC) – The Port issued a Request for Proposal (RFP) for a Performance Management Contract in FY10. The PMC will provide management expertise, training to PAG staff and potential investments in elevating the Port operations to world class standards.

Project Management Team (PMT) - The PMT were hired by the U.S. Maritime Administration (MARAD), an agency under U.S. Department of Transportation (DOT). PMT's responsibility is to oversee the actual implementation and construction of the modernization plan.

Procurement Delegation - The Port's procurement delegation is critical to the operations' efficiency and the modernization projects. The Port hired a new Procurement Manager and work on obtaining the delegation approval from the Chief Procurement Officer so it may purchase materials, supplies and services that are vital to the Port.

Tariff Rate Increases under the Public Utilities Commission Process – The approval of the increase in tariff rates that the Port is petitioning to the PUC is vital to the Port's financial credibility. The Port needs to improve its finances and service debts in meeting modernization plan implementation and operational efficiency.

