

Friday, September 27, 2013

ADDENDUM NO. 1

Request for Proposal RFP 13-008

**GUAM ECONOMIC DEVELOPMENT AUTHORITY
REQUEST FOR PROPOSAL NUMBER 13-008
FROM ANY BANK, BANKS, OR COMMERCIAL LENDING INSTITUTIONS FOR THE
PROPOSED FINANCING FOR THE GUAM MEMORIAL HOSPITAL AUTHORITY PER
PUBLIC LAW 32-043 AND 30-200 FOR AN AMOUNT NOT TO EXCEED TWENTY-FIVE
MILLION DOLLARS (\$25,000,000.00)**

Pursuant to Section 2.5.2 (see below) the Guam Economic Development Authority hereby amends RFP 13-008 to include Addendum No. 1: Questions & Answers as part of the RFP packet.

2.5.2. GEDA's Answers. *GEDA will provide an official written answer by the date set forth in Section 1: Schedule of Events to all questions received by the stated due date. GEDA's response will be by written addendum. Any other form of interpretation, correction, or change to this RFP will not be binding upon the GEDA. Any written addendum will be forwarded to all prospective offerors who have picked-up an RFP and submitted an Acknowledgement of Receipt Form (Attachment C) by the close of business on the date of issuance of GEDA's answers. Offerors must sign and return all addenda with their proposals.*

The following questions and answers will be included in the RFP as stated above and shall read as follows:

ADDENDUM NO. 1: QUESTIONS AND ANSWERS

The following are general questions and answers:

1. In regards to the attached RFP, we respectfully request an extension of the Proposal Due Date to October 11, 2013. We are currently reviewing the request for financing and the additional time would significantly improve our ability to complete the initial stages of our credit review process.

GEDA's Response: GMHA has agreed to extend the deadline to submit one (1) original; seven (7) copies and one (1) electronic copy in .pdf format from 4:00 p.m. (ChST) Friday, October 4, 2013 to 4:00 p.m. (ChST) on Friday, October 11, 2013 (ChST). However, submissions in response to this RFP via email or facsimile will **NOT** be accepted.

Cover letter, paragraph four (4) has been amended to read as follows:

"Request for Proposals (RFP) packets may be obtained at GEDA Office, ITC Building, Suite 511, 590 South Marine Corps Drive, Tamuning, Guam 96913, between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday, excluding holidays. Deadline for submission for all proposals has been extended from 4:00 p.m., Friday, October 4, 2013 Chamorro Standard

Time to Friday, October 11, 2013 Chamorro Standard Time. All proposals must be received at GEDA's Receptionist desk on or before the deadline date as stated above."

RFP Page 1 has been amended to read as follows:

RFP Due Date and Time: Friday, October 11, 2013 4:00 p.m. Chamorro Standard Time

RFP Page 4 Schedule of Events has been amended to read as follows:

<u>EVENT</u>	<u>DATE</u>
RFP Issue Date	Monday, September 16, 2013
Deadline for Receipt of Written Questions	Monday, September 23, 2013 at 4:00 p.m. (Chamorro Standard Time)
Issuance of Answers to Written Questions	Friday, September 27, 2013 at 5:00 p.m. (Chamorro Standard Time)
Pre-proposal Conference	None scheduled at this time.
Proposal Due Date	Friday, October 11, 2013 at 4:00 p.m. (Chamorro Standard Time)

- Please provide all the terms and conditions of the original loan from Bank of Guam for which you are seeking refinance.

GEDA's Response: Please see Exhibit A

- Can both the refinance loan amount of \$10.8 million and the new money of \$14.2 million be provided in a single \$25 million loan with all the sources of repayment for a total of \$3 million and all security be taken for support of the single loan?

GEDA's Response: Yes.

- Can the maturity and amortization exceed the preferred term of 10 years as long as it is below 25 years and fully amortized (no balloon)?

GMHA's Response: No. GMHA's preference is to have a fully amortizable loan.

- Will the Borrower open a deposit account with the winning Bank where the loan payment can be automatically debited?

GMHA's Response: Yes. The Borrower will consider a deposit account with the winning bank.



6. If the \$1 million and the \$2 million (total of \$3 million) are funded all at once at a specific time of year, can these funds be placed into an account at the winning bank and held for monthly repayment for the proposed loan?

GMHA's Response: Fund availability from GovGuam is under discussion. The \$1 million has been historically been received monthly. The \$2 million Compact Impact funding typically happens in the first quarter of the calendar year. GEDA will have the \$2 million deposited at the winning Bank and GHMA will authorize the "drawn down" on a monthly basis for the Healthy Futures Fund.

7. Is the Bank able to charge a loan fee?

GEDA's Response: Pursuant to PL 30-200 Section 2(s)(2) no charge shall be levied by a lender for making the loan (RFP 13-008 Page 36)

8. Please provide a consolidated debt schedule for the Government of Guam with pledged sources of repayment/security for each obligation.

GEDA's Response: Please see Exhibit B

9. Can the Bank proposal include the option of a USDA guarantee?

GEDA's Response: Yes.

The following questions and answers apply to Page 5-6, Section 2.2, Item 1 - Terms and Conditions:

10. Will this borrowing be counted against the Government of Guam debt ceiling? If so, when this borrowing is included, does the total Government of Guam Debt exceed the allowed debt ceiling?

GEDA's Response: The existing loan does count toward the total Government of Guam debt ceiling. Any financing backed by Compact Impact Funding does not count toward the total Government of Guam debt ceiling.

11. With the current state of the Guam Memorial Hospital Authority finances, what actions are being implemented to improve their financial conditions?

GMHA's Response: GMHA's Board of Trustees and its leaders are committed to improving the hospital's financial conditions. The hospital has multiple initiatives to improve results including:

- New contracts with insurers;
- Revised fees;
- Staffing based on patient census; and
- Enhanced procurement processes

12. Is Guam Memorial Hospital requesting for two separate loans, one for \$10,800,000 to refinance an existing loan and one for \$14,200,000 for payment of vendors for a total not to exceed \$25,000,000 or just one loan for \$25,000,000?

GMHA's Response: GMHA's desire is for one loan for \$25 million. Loan proceeds will be used to pay the existing debt to Bank of Guam and to pay vendors.

The following questions and answers apply to Page 6, Section 2.2, Item 2 - Security:

13. The financing is divided into two portions, the first portion to refinance the first loan with an approximate balance of \$10,800,000 and the second portion to grant new monies to fund vendor payments of about \$14,200,000. Each portion has a defined repayment source, the first portion by the Healthy Futures Fund of \$1,000,000 annually and funds from the State Attorney General Tobacco Litigation deposited into the Health and Human Services Fund while the second portion is paid from \$2,000,000 in Compact Impact Funds. Will the Government allow all payment sources to pay for the \$25,000,000 loan and not segregate them to the different portions of the loan?

GEDA's Response: Yes. Please see response to Item 3.

14. When are the annual payments from the Healthy Futures Fund, the State Attorney General Tobacco Litigation Fund, and Compact Impact Fund to be paid to Guam Memorial Hospital? How much were paid by the different funds to the Hospital for this past fiscal year?

GMHA's Response: GMHA received \$6 million from Compact Impact funds in March 2013. During the course of GMHA's fiscal year beginning October 1, 2012, GMHA submitted monthly "draw-downs" to the Government of Guam to receive funds designated to GMHA per the GovGuam Fiscal 2013 budget package. During Fiscal 2013, GMHA received \$2,457,639 for Health Futures funds.

15. Based on the interest rate for the existing \$12,000,000 loan, the annual payment for a \$25,000,000, 10 year loan is about \$3,478,000. This payment is in excess of the defined \$3,000,000 payment sources. How will the additional \$478,000 be paid?

GMHA's Response: GMHA anticipates the winning Bank to submit a proposal that has a lower interest cost than the current loan to Bank of Guam. That being said... GMHA will pay the expense above \$3,000,000 by using operating expenses. GMHA and GEDA reserve the right to reject a financing proposal that does not achieve GMHA's re-financing and financing goals.

16. As additional collateral, will Guam Memorial Hospital Authority allow a mortgage over the hospital property?

GEDA's Response: This condition may require legislative authorization.

17. What is the funding source of the Healthy Futures Fund?

GEDA's Response: The Healthy Futures Fund was created by Public Law 27-05 to account for 50% of proceeds received on alcohol beverages excise taxes and all tobacco-related taxes to be expended for health and education programs relating to tobacco and alcohol prevention, cessation, treatment and control, and to improving overall health and well-being. All proceeds from taxes collected under this Section shall be deposited in the "Healthy Futures Fund" created pursuant to 11 GCA §26603(d).

18. What is the current total amount appropriated to the Healthy Futures Fund? Please provide a list of historical funding to this fund.

FY	Actual
2012	\$6,246,661
2011	\$ 533,894
2010	\$4,094,360

Source: OPA Audit

19. When are the funds from the Healthy Futures Fund received and available for loan repayment?

GEDA's Response: Please see response to Item 14.

20. What security position will the current loan request be in relation to the Healthy Futures Fund? Please provide details of all senior and junior pledged amounts of the fund.

GEDA's Response: If the entire \$25,000,000 is secured then there will be a senior lien on the Healthy Futures Fund.

21. Please provide a copy of the current 5-year enumeration of Compact Impact funds.

GEDA's Response:

Fiscal Year	Amount
FY2008	\$ 14,242,322
FY2009	\$ 14,528,979
FY2010	\$ 16,827,026
FY2011	\$ 16,827,026
FY2012	\$ 16,827,026
FY2013	\$ 16,827,026
FY2014 (Proposed)	\$ 16,827,026

Source: Bureau of Budget and Management Research

22. What claims to the Compact Impact funds are superior to the proposed pledge of funds for this loan? Please provide details of all senior and junior pledged amounts of the funds.

GEDA's Response: Guam Education Financing Foundation Certificates of Participation, Series 2008 bonds were to provide financing (1) for certain off-site infrastructure improvements, furnishing, equipment and athletic field lighting for the use of two elementary schools one middle school and one high school (2) to pay certain delivery costs of the 2008 Certificates and (3) to fund increases to certain reserves held under a Trust Indenture dated as of September 1, 2006 and October 1, 2008 between Trustee and Lessor. Certificates were issued as parity bonds to the original Government of Guam Municipal Leaseback Guam Public School System School Lease Financing Series 2006.

Guam Public Laws 28-47 and 29-69 (as amended by Guam Public Law 29-82). Specifically, Guam Public Law 28-47 provides that "The Lease and the Lease-Back may include a pledge of compact impact funds or other federal grant revenues that are legally available for such purposes. The Lessee has pledged the first \$6,100,000.00 of Compact Impact funds it receives each Fiscal Year. Guam Public Law 29-69 (as amended by Guam Public Law 29-82) provides that the Government of Guam has committed an additional \$1,000,000 of its allocation of Compact Impact Funds per year to the financing of collateral equipment for the Facilities for a term of up to ten (10) years. Given such authority, pursuant to the Lease, Lessee has pledged the first \$7,100,000 of Compact Impact Funds it receives each Fiscal Year while the 2008 Certificates are Outstanding for the payment of the Base Rental payments and Additional Rental payments, in that order of priority, or such greater amount as may be approved by the Governor for such year.

23. What happens if the Compact Impact funding for Guam drops below the amount pledged to all lenders as a whole?

GEDA's Response: The likelihood is extremely minimal as the Compact Impact Funding is a partner agreement to the Compact of Free Association.

24. Will the Bank have a direct assignment of the Compact Impact funds for this loan or does it go through a trustee first?

GEDA's Response: It will be a Direct Assignment without a Trustee.

25. Will the commitment of the \$1 million from the Healthy Futures Fund and the \$2 million in Compact Impact funds be dedicated and available for the full loan term?

GEDA's Response: Yes.

The following questions and answers apply to Page 45, Public Law 24-174:

26. In consideration of repayment for the requested loan facility, is there any update to the status of the on-going settlement negotiations, possible funding amounts and dates?

GEDA's Response: There are no updates in the settlement negotiations.

27. Should funds become available under this program, what security position will the current loan request be in relation to these funds? Please provide details of all senior and junior pledged amounts of these funds.

GEDA's Response: Given there are no prepayment penalties, GovGuam will have the option to payoff liens of the Healthy Futures Fund or continuing to make payment on an existing loan agreement.

28. Will the Bank have a direct assignment of the funds?

GEDA's Response: Please see response to Item 24.

The following questions and answers apply to Page 55, Letter from Department of the Interior:

29. Based on the letter, the US Department of the Interior is performing a 5-year enumeration of Compact immigrants. The enumeration will establish a level of Compact Impact Funding for the next fiscal years. How much was received from Compact Impact during this past fiscal year and will it continue to be available after the five years?

GEDA's Response: Please see response to Item 21. Guam has and will continue to make a pitch for increase funding for the Compact Impact Funds or to maintain the existing allocation.

30. When will the Census Bureau's 5-year enumeration of Compact Impact that will establish the level of Compact Impact funding for the next five fiscal years be available for review and support of the loan request?

GEDA's Response: There is no time frame for when this will be completed.

31. When are annual Compact Impact grant requests funded by the United States Department of the Interior and received by the Government of Guam?

GEDA's Response: Compact Impact Grants are received at the beginning of each Fiscal Year.

32. Where are the funds deposited to and when will they be available for the payment of the proposed loan?

GEDA's Response: Please see response to Item 31.

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Si Yu'os Ma'ase.

Senseramente,



Mana Silva Taijeron
Deputy Administrator

Please acknowledge receipt of this Addendum and return to GEDA via email to Mana Silva Taijeron, Deputy Administrator at mstaijeron@investguam.com or via facsimile at 649-4146.

PRINT NAME

SIGNATURE

DATE

COMPANY NAME