



**Minutes of Regular Meeting to the Board of Directors of the
Guam Economic Development Authority
February 29, 2024**

Call to Order

- § 1. The regular meeting of the Board of Directors of the Guam Economic Development Authority (“GEDA” or the “Authority”) was held on Thursday, February 29, 2024 at the hour of 1:39 p.m., at the GEDA conference room, Suite 511, GITC Building, Tamuning, Guam. The meeting was called to order by Chairman David J. John to consider items on the Agenda.

Inifresi

- § 2. GEDA Board of Directors and all others in attendance recited the *Inifresi*.

Quorum and Attendance

- § 3. **Roll call.** As determined by the roll call made by Chairman David John the following individuals were present:

<i>Directors:</i>	<i>Office or Position:</i>
David J. John	Chairman
Ernesto Espaldon Jr.	Vice Chairman
Siska Hutapea	Secretary/Director
Andrew Park	Director
Dr. Doreen Crisostomo-Muna	Director
Melanie Mendiola	CEO/Administrator (absent/excused)
Carlos P. Bordallo	Deputy Administrator
Terrence M. Brooks	Legal Counsel

Also, in attendance were:

Jason Miyashita	Raymond James
Amanda Gima	Raymond James
Frank San Nicolas	The Guam Daily Post
Patrick Sherman	Thirty Nine LLC
John Sherman	Thirty Nine LLC
Maree Sgro	BG Investments
Angelene Rios	GEDA
Yong Pak	GEDA
Melvin Tabilas	GEDA
Kristine Suna	GEDA
John San Nicolas	GEDA
Diego Mendiola	GEDA
Matt Baza	GEDA
Tina Garcia	GEDA (via zoom)

Approval of Agenda

- § 4. A motion to approve the agenda with an adjustment to move new business / bond investor conference budget approval was made by Director Dr. Doreen Crisostomo-Muna and was seconded by Secretary Siska Hutapea. The motion was unanimously passed.

Approval of Minutes

- § 5. Chairman David John made a motion to approve January 2024 board meeting minutes that was seconded by Secretary Hutapea. The Directors voted and the motion was unanimously passed.

Chairman's Remarks

- § 6. Chairman David J. John reported the following:
- a. Since then, January, we've had a number of positive events. The most significant is the upgrade of the government of Guam's general credit rating from a BA one to a BAA with a stable outlook. The general credit of the government of Guam was non investment grade, or we call Junk bond in the business. It's now investment grade, which elevates the tax marketability of Guam bonds. In the triple tax exempt space, this is especially valuable.
 - b. The Chairman recognized the public finance department, led by Tina Garcia, who are the backbone of what we're doing with the government bonds. Job well done, team. The historic upgrade to investment grade from triple tax community is what one investor called a unicorn status. And it'll drive even more demand for our future debt as ratings will allow for more organizations to own our debt under their investment

policies. The change in status is a tribute to the prudent financial management of Leon Guerrero administration financial team led by Edward Burn.

- c. The Chairman brought up the increase in Guam's business privilege tax brought on by the construction of the new base and the support infrastructure. He cautioned that Guam must be vigilant and project where revenues will trend after the buildup concludes and the economy shifts from building to managing the bases. He proposed a study to analyze the future BPT revenue and best uses.
- d. The Chairman lauded the announcement that the Applied Science and Technology Research Organization of America, also known as Astro America, had entered an agreement between Governor Leon Guerrero and US Navy Rear Admiral Scott Popano, the program executor of strategic submarines, at a joint meeting last week where they announced a project plan for building an additive manufacturing, commonly known as 3D Technology and Workforce Development center for Guam.

Investment Committee's Remarks

§ 7. Vice Chairman Ernesto Espaldon Jr. reported the following:

- a. The investment committee meets several times a year with our financial advisors to review our portfolio, to discuss the markets, and to understand our allocation and whether or not there are any recommendations from our advisors. He invited GEDA's investment advisors to give a brief overview of 2023 and report on how the portfolios that they manage have done, as well as an insight into what they see for 2024 and how 2024 has begun. He welcomed Marie Sgro throw of BG investment services, and also Jason Miyashita and Amanda Gima from Raymond James.
- b. Marie Sgro from BG Investment reported the performance of its portfolio. She reported 2023 was a very resilient year for the capital market. Overall, a very good year. She reported total gains of \$2.2 million and ending market value, \$18.8 million, or 13.38% return year to date. She reported a very strong rally in the fourth quarter increasing the portfolio by 9.73% alone. She summarized the asset allocation of the portfolio, which are all invested similarly in what she defined as a moderate aggressive allocation. 60% in equity, 30% of fixed income, and a 10% allocation to alternative with a US bias in the portfolio.
- c. Amanda Gima and Jason Miyashita reported on the assets managed by Raymond James, which include two different subsets of the GEDA portfolio. One is a balanced portfolio, and another that is an aggressive portfolio. The aggressive portfolio is 100% US based and did really well last year.
- d. Regarding the balanced portfolio, the main difference is the asset allocation. The asset allocation is 40% fixed income, 60% equity. Of that equity, you have 50% in US equity and 10% in non US equity. She noted the rates of return were lower, but the risk of loss was also lower. Overall year to date, the ending market value is

\$5,567,448. Made about \$157,000. And then last year you've made about \$737,000. Most of those returns came from your equity portion.

Bond Investor Conference

§ 8. Tina Garcia reported from New York regarding GEDA's Bond Investor Conference. She reported that she had been talking to different investors, underwriters, and financial advisors. She reported that GEDA was planning to host the Guam bond credit investor conference in New York on May 14 and 15th, 2024. May 14 and follow up meetings on May 15. The one day seminar will feature panel discussions. It will also include the latest economic news and other topics. The timing for this conference is very important right now, and we put down the three top reasons. Guam credits are the most attractive triple tax exempt bonds available to municipal bond investors. Although other territories also offer municipal triple tax exempt bonds, Guam is one of the most attractive and is probably the most sellable at this time. As mentioned earlier, the recent government of Guam general size bond credit upgrade by Moody's opens us up to a new level of investors who were previously not able to buy Guam bonds because they were only limited to investment grade credit. So now they are able to purchase it in all Guam sales. And the third reason being that we are going out with a new group of financing to be floated in the next couple of months. And most importantly, we will be floating the grant anticipation revenue vehicle bond and also known as a GARVEE Bond. That project is going to fix the road between Yona and Santa Rita, Route 35.

The hospital lease has been a priority for the administration and for GEDA as well. So we hope to begin to talk to investors about that. And for Simon Sanchez, lease bond financing is important. They completed the A&E on that one. I think DPW will be closing out the construction manager RFP, and they expect that we'll take about four months to finalize negotiations and get a contract going. Then they will work with us to issue the RFP for the full lease financing. And finally this morning, there was a hearing on the Guam department of Corrections lease financing. And again, they're also moving on track. They have a study. They now will be financing an A&E and then moving forward with the actual RFP for developers. I also wanted to let you know that back in 2017, GEDA hosted a similar conference here on the island. But we received seven investment companies that were represented on island, but they represented 60% of all existing Guam bond holders, and a lot of them came back with very positive comments. They loved meeting everybody, hearing it face to face. So we plan to bring that to them, but to a bigger audience. We know this conference will create additional interest and understanding of island credits. It's a good time for these investors that have heard of Guam to actually come and speak to the players. Ms. Garcia attached a proposed budget for the event and hoped to offset these expenses by seeking sponsorships from our stakeholders between our underwriters, trustees, bond council, all the other players we work with. The proposal you're will cover travel, the event itself, as well as breakfast, lunch, and conference material. With that, we submit to you now for consideration and here to answer any questions you may have.

§ 9. The Board discussed the conference and noted the benefits it could bring. Secretary Siska Hutapea made a motion to approve the budget of \$50,000 and was seconded by Director Park. The Directors voted and the motion was unanimously passed.

§ 10. Dr. Doreen Crisostomo-Muna made a motion to move the new business, approval of sublease for Wise Owl Veterinarian Clinic up that was seconded by Secretary Siska Hutapea. The Directors voted and the motion was unanimously passed.

New Business

§ 11. Diego Mendiola reported on the Tropical Color Building. Thirty Nine LLC, the primary tenant, has had many challenges over the years since the inception of the lease. They are what we would consider a very ideal tenant in that despite all of their challenges, they have been keeping current with all of their obligations. They've also been very helpful to their neighboring tenants. During the pandemic when take care or FHP clinic needed additional space for all the testing that was going on, Thirty Nine stepped up and offered use of the building. They also assisted when GPD needed some training. So now they have the opportunity to enter into a sublease with Wise Owl. This is an opportunity for Thirty Nine to recover some of their investments, it is for a ten year period, after which they will still have 20 some years left on their lease. So, in being such an ideal tenant and keeping up with all of their obligations, RPD is asking the board to consider approving the sublease. Secretary Hutapea asked if GEDA's lease agreement allows for the sublease? And the term of the sublease agreement is within our lease agreement? The answers were yes. Thirty Nine is also aware that they are due for a fair market value revaluation of their lease this year. And for all of their options, every option. They also have to do an appraisal for fair market value to keep current. So RPD considers tenants like, you know, a very ideal tenant and good tenant thus far over the past ten years. RPD also reported that GEDA would receive 15% of the rent paid to Thirty Nine, so there was a financial incentive to GEDA as well. RPD is in support of approving the sublease.

§ 12. Dr. Doreen Crisostomo-Muna made a motion to approve of sublease for Wise Owl Veterinarian, which was seconded by Director Park. The Directors voted and the motion was unanimously passed.

CEO/Administrator's Remarks

§ 13. Deputy Administrator Carlos reported the following:

- a. Even on the heels of the rating increase, public finance is not resting on its morals. At the moment, Mel and the team are in New York for the GWA refunding and tender offer. Investor meetings and pricing schedule for Guam or schedule for Guam time 03:00 a.m. Tomorrow. Based on early investor feedback, it is looking like we will drive great savings for the utility tomorrow. We hosted visits from the US Department, U. S. Economic Development Administration and the Rural Community Assistance Corporation this month for US EDA. The aim was to assist the team going after grant funding towards aquaculture initiatives, as well as provide technical guidance to organizations so that it may increase the odds of success of their grant proposals. The

Rural Community Assistance Corporation also met with a number of agencies and organizations primarily geared towards strengthening capacity and housing program. At our request, they performed an assessment of the Yigo area that comprises zero down Gil Baza and Gil Breeze, in addition to adjacent areas of CLPC lands with the aim of looking for grant funding for water infrastructure.

- b. GEDA earlier this month also hosted its second Palau Trade mission in partnership with the Western United States Agricultural Trade Association. Five companies participated to showcase their products and meet with potential buyers. Speaking of grant funding, the Austin governor hosted GUMA, the Guam Unique Merchandise and Art for the graduation. For the graduation of their most recent recent incubator class, I believe we funded 13 or 14 businesses with a total amount spent of 325,000.

§ 14. Matt Baza reported the following:

- a. Mr. Baza gave an update on the LEAP two program. The total budget for leap is \$20 million. \$5 million of that is ARPA, \$15 million of that is excess appropriations for the previous fiscal year. The program opened on January 9 and they closed on February 8. In that time we received 830 applications. As of today's date, we have transmitted down to DOA for payment 163 applications. That comes up to approximately \$9.4 million. In the coming days, we're looking at another 160 applications that would bring us up to probably close to \$18 million in total eligible grant awards. We hope to have this program fully wrapped up, closed up in the next 30 to 45 days.
- b. Some Grantees had questioned if the Grants could be taxed. The answer to that was yes they are. And in our case, since we're mirrored tax code, there was no way around that. § 18. Deputy Administrator Carlos Bordallo reported the following:

§ 15. Deputy Administrator Bordallo reported that GEDA should be submitting a bill for changing the protocol for procurement to time based procurement so that the agencies that have to oversee it can prioritize it? GovGuam is having a hard time processing its procurement needs. It also needs to address permitting and licensing issues. He discussed the hardships agencies are facing in procurement and individuals or businesses run into related to permitting or licensing.

- a. Chairman John described a situation where one company bought another company. He related the challenges the new company had in licensing and permitting the boat. A boat, just a little boat sitting down in the harbor. Not a ship, not a cruise liner. A timing requirement could help in these types of situations.

New Business

§ 16. Deputy Administrator Carlos Bordallo reported the following:

- a. One is, thinking back at how much more GRT we're getting than we normally do, if the government leadership starts putting that into opex, operational expense, payroll, overhead costs, we could end up being in 1990 again. Remember coming out of 1980 we had all flush cash. We spent it. We want to make sure people are getting paid at the right appropriate amount. But if we get ahead of the curve, it's not going to benefit the employees. They're going to get laid off. So I was thinking that we could do some sort of a projection on where we're going and then advise anything above that. It doesn't need to be every year. Some years it could exceed, but really try to stay on that line and become a little bit disciplined on that and then focus the money on things that will help drive the economy. Any feedback on that? Secretary Hutapea added, it is lent season, so nothing more befitting than the Bible story of seven year of famine and seven year of feast. And you have to put in savings during the feast year so you don't die on famine years. So I think with the same principle we should do that. And I think this administration would embrace that. This is one of the reasons we went to investment grade was the reserve fund. Yeah, we kind of just throw that off early in the administration. But that wasn't a minor thing. That was a big deal. That the bond investors know that if something goes sour that we have something to tap into for 12-24 months to make payments on. So it's a big deal. So I think it would make sense at least. Even if we spent like drunken sailors, at least we would know we're spending like drunken sailors. Not a good analogy.
- b. What our government doesn't have. With which best practices is that we have a reserve fund. There's no reserve fund, in my opinion. There's no reserve fund. Really look at the financial and if you look at the honest sign, the honest sign is a negative. If it's negative. So there's no money in the reserve fund. There's none because the others are restricted. But the best practice is really to have one. But the question is that if this administration does one, then the other administration will say, oh, we'll take it out. It could be. There's so many things you can do, right? You can lead a horse to water. Right? At least we'd have it be out there. People could talk about it. I agree with your remarks. To make some payment for the debts, give us cushion. All those things help. Plus the infrastructure, infrastructure structure is so. Schools, anything to do with training and training initiatives, job. Some of them can be one offs. They just can't be forever. Even like the \$100 a month the GPA credit. If power costs are going to go down with a new power plant and helping people get through this, something that isn't their fault, that's not a bad spend because that other money circulates in the economy. People don't get behind on loans, other things. So that can help. You can't do that forever, right? I mean, then it becomes not capex, but our opex becomes part of your operational expense. So someone offs, but whatever. At least we can make an advice memorandum.
- c. One, if there'd be any appetite, and two, this is unsolicited proposal, to the government of Guam. And it was done by the Tatum hem's hot spurs. It's a football club out of Europe.

At first I thought Europe, what the heck? Their captain is the Korean national captain. But everyone follows him. And so the idea is to do a partnership to create more eyes on Guam. Not just from a tourism standpoint. The story that's going on here to try to drive just eyes on Guam and do some additional joint efforts together where players would come down and they'd invite people from different countries to come down and put some eyes on Guam. It's a unique thought process. I'm not a big social media guy, but I did run it through some guys I trust on social media in general, and they said you should look at it. So I'm not looking to approve anything in this by any means, but two things is one, do you think if we can find certain grants or certain monies to work on something like this, that would make sense? One last thing is it's a longer term contract, but there's an out after 18 months. So if it doesn't work out, we have the ability to step back from it. But one, is there an appetite for like this? And two, Terry, how do you navigate? Maybe first, Terry, how do you navigate an unsolicited bid or offer?


- d. Legal Counsel reported: Unsolicited proposals are allowed in the Procurement Code. The process requires the recipient to review the proposal and if it deems it to be a good idea, then you have to publish and do just like the regular RFP or IFB to give other people, other clubs an opportunity to bid on the proposal. It must go through the standard procurement process. Chairman John described the proposal that GEDA received. A European Football Club asked to do a partnership with us. There would be funds. It would cost, we would pay into the team's marketing community, the social media type of efforts, that in exchange we would get access to. All each player, say, has a different social media platform. We're in that. So whatever feed comes up at the games, the feed comes up when they're doing their telebroadcasting. I believe there's something on Guam, right? So it's something like, I look at it sometimes when you're watching CNN in different countries, start to pop up on the CNN ads. We would have the opportunity to market ourselves through their program. And if you look at the numbers, it's just off the charts. 616,000,000 spur supporters globally in Asia, the Asia Pacific region. 195,000,000 supporters, 100 million in the audience and tv.
- e. Secretary Hutapea added, I am very familiar with them. I grew up watching European football league soccer.
- f. Legal Counsel offered to provide a copy of the Unsolicited Proposal procurement section to the Board.

Public Comments

- § 17. There were no public comments made.

Adjournment

§ 18. A motion for the meeting to be adjourned was moved by Secretary Hutapea. Adjournment of the meeting was unanimously approved.



DAVID JOHN, Chairman
Board of Directors

Attest:



SISKA HUTAPEA
Secretary, Board of Directors