



**Minutes of Regular Meeting to the Board of Directors of the
Guam Economic Development Authority
May 30, 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, May 30, 2024 at the hour of 1:30 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 (via zoom)
Andrew Park	Director (via zoom)
Dr. Doreen Crisostomo-Muna	Director (via zoom)
Melanie Mendiola	CEO/Administrator
Carlos P. Bordallo	Deputy Administrator (absent/excused)
Georgette Bello Concepcion	Legal Counsel

Also, in attendance were:

Frank San Nicolas	The Guam Daily Post
Gary G.Q. Santos	Lit Tropics LLC

Marlon Cruz	Lit Tropics LLC
Anegen Cabaulo	IHS Corporation
Angeline Rios	GEDA
Yong Pak	GEDA
Melvin Tabilas	GEDA
John San Nicolas	GEDA
Diego Mendiola	GEDA
Tina Garcia	GEDA
Ed Camacho	GEDA
Gloria Molo	GEDA
Christina Merfalen	GEDA
Ariana Villaverde	GEDA
Noah Mendiola	GEDA

Approval of Agenda

- § 4. The motion to approve the agenda was made by Vice Chairman Ernesto Espaldon Jr., to make a change for the GDFA loan review under new business to right before Committee Reports, and was seconded by Director Park. The Directors then voted, and the motion was unanimously passed.

Approval of Minutes

- § 5. Secretary Siska Hutapea made the motion to approve April 2024 board meeting minutes and was seconded by Director Park. The Directors then voted, and the motion was unanimously passed.

Chairman's Remarks

- § 6. Chairman David John reported the following:
- a. The busiest part of May was centered upon the invest Guam symposium held at the Oryx office in New York. The governor kicked us off with keynote focused on the long term post COVID recovery, and building the rainy day fund. GEDA had a lot of feedback on that, which helped a lot as far as the upgrade of our bonds, the future of tourism, and the Department of Defense initiatives in the region. The session was attended by over 60 analysts, investors and underwriters represented 63% of the total Guam reported bondholders. That's a pretty substantial coverage. Following the conference, the agency leaders were involved with one of 42 meetings to address one on one questions specific to the accredited individuals, questions centered around governance, future capital needs, and recent regulatory issues.
 - b. As we enter the summer months, GEDA will be involved in the select USA once again in Maryland. This is the largest foreign direct investment conference hosted by the Department of Treasury. We are also visiting the Colorado School of Mines to continue the workforce development component of our additive manufacturing initiative. The

governor has approved GEDA to explore a new hot bond to help improve our physical infrastructure for our tourism. I look forward to seeing the fruits of these endeavors.

Administrator/CEO's Remarks

§ 7. Administrator Mendiola reported the following:

- a. The invest Guam symposium was an excellent time for education and facetime with our largest bondholders. I'd like to note that at the start of the administration, Governor Leon Guerrero did meet with many of these same investors, and at the time there was a deficit of over \$80 million. Our visitor's industry was doing well, but construction had stalled due to the holdup in H2B visa holders who augment our construction workforce. The feedback she got, of course, was liquidity and diversification of industries. Beginning with the fiscal team working towards erasing the deficit and getting a rainy day fund established and funded, Governor Leon Guerrero reminded everyone that there was also active work on the administration's part on advocating for EITC and CTC, which had been an unfunded mandate for the territories. And during her first year we were able to get reimbursement and we were able to unfreeze the supply of H2B visa holders. We are now at record highs, close to over 5000. Of course, with the low interest rate environment at the time, we refunded debt where it made sense to provide over \$100 million in cash flow savings to the people of Guam. Ultimately, I think she conveyed a message of steadiness and consistency.
- b. Meanwhile, back at home, I was invited to be a speaker at a real estate investment conference attended by some individuals from off island, primarily in the military market. We were also on camera yesterday in the hot seat at the Guam legislature as GWA's seeking to utilize commercial paper for short term borrowing and that needs legislative authorization. Business development, our BD department is busy prepping for Select USA and shortly thereafter for select Guam. You'll be hearing more about that in the coming months.
- c. We also had a delegation of small businesses funded by the Western US Agriculture Trade association. WUSATA. In the last two or three years, they funded a trip for several small businesses to go to Palau to work towards developing more trade between the two islands. And in early July, we have an inbound trade mission of Japanese buyers to look at our local small business products. This is also funded by the Western US Agriculture Trade association. We are also launching a podcast this summer called Guampreneur.

New Business

§ 8. Tina Garcia reported the following:

- a. Lit Tropic. The first loan we are presenting to you is a loan of \$399 thousand. Loan request from Mister Gary Santos and Mister Marlon Cruz doing business as Lit Tropics,

LLC. Both gentlemen have joined us today to answer questions you may have after a presentation. This \$399,000 is made up of \$279,000 of working capital and \$120,000 line of credit. Lit Tropic is a butane and fuel supplier. We are requesting for your review and approval of a ten-year loan of the \$279,000 working capital, first year interest only of \$2,034.38 principal and interest to commence in July 2025, a monthly payment of \$3,496.62. The line of credit is \$120,000, interest only for twelve months with principal due one year from first year. Lit Tropic is going to be managed and operated by these two gentlemen, Mister Gary Santos and Marlon Cruz. It's going to be a retail industry specializing in the selling and refilling of propane tanks to residents of Guam. They'll also work to perform minor gas tank repairs and offer diagnostic assessment repairs for home appliances that require the use of propane. Gary and Marlon are currently working with Guam Army National Guard. They intend to maintain their federal government employee employment while also working part time with Lit Tropics. They will be located at Port Authority in Piti and they have an approved application provided that the space is available upon approval of loans. The credit review committee reviewed their financials and their request. After going through this, they now present this request. They are providing a personal guarantee on both partners of LIT Tropics, and a UCC-1 for Lit Tropics itself. They are going to secure a newly purchased vehicle used for delivery. There will also be a mortgage lien on Lot number 3394-8 located in Chalan Pago, with the owner being Marlon Cruz. An appraised value of \$340,000 dated as of October 2023. So at this point, given the request here, we ask the board to approve the loan amount of \$399,000.

- i. Ms. Garcia gave an overview of the loan committee's operation and review of the loan application. She noted that there is a board member on that committee, Director Espaldon.
- ii. Director Espaldon added, that the loan came before the Board because the amount requested surpasses a certain amount and requires board approval.
- iii. Secretary Siska added, it's kind of hard to say yes to the loan just based on these two pager summary reports.
- iv. Director Espaldon added, for many board members, it's the first time that loans are coming forward and they haven't been able to see the financials, so they would feel a little bit more comfortable. I did want to find out, though, you came up with a projection of your first, second and third year. How were you able to figure out the total addressable market of what needed to be filled?
- v. Gary Santos responded; we did contact Pacific LP gas. They are the only ones operating on Guam right now, delivering propane to the residences. They were able to give us some information as far as how many deliveries they average per day, also for the month, and then, of course, their costs per size. We also

communicated with SGBC as far as the cost goes, so we were able to kind of see how much it cost for us to buy the propane from the distributor, how much we were able to sell to the residents and be able to get profit from there. So that's how we arrived at the numbers presented in the analysis. I did do a lot of research online. Unfortunately, Guam doesn't have any websites that can provide us the number of residents that do have or use propane. Also, they do not have any numbers that share the amount of propane that's utilized or sold for here. So we literally only had the numbers from SGBC and Pacific LP gas to work off of.

vi. Board agreed to table the motion.

b. Miki Taxi.

a. The Board decided to move action on both loans until next month.

§ 9. Secretary Siska made a have a motion to come back to this once we have clarification, and was seconded by Vice Chairman Espaldon and unanimously passed.

Committee and Standing Reports

§ 10. Administrator Mendiola reported the following:

- a. Although we did get in contact with the attorney general's office concerning the qualifying certificates that we're awaiting feedback on the assistant. I'm not sure if his attorney has addressed and been in contact with us. He's at the point where he's ready, for his opinion to be signed off by the AG. But we have not yet heard any feedback from the AG or an assistant AG on the timing of that decision one way or the other.
- b. Leap program, has all the leap funds been distributed? Yes, for everyone that was approved under LEAP, LEAP 2 those funds have been distributed. There was one round of reconsiderations, those were also distributed. There was a final group of businesses, some of whom did not meet the \$10,000 minimum threshold in the interruption year that we think we can address. There's about 116 were turned down because they didn't meet the \$10,000 minimum threshold in the bad year, in the COVID year. And so right now, we need about \$600,000 to address those reconsiderations. We think this is really a good maximum impact for not that much more money. And so we're working with the Office of the Governor to identify some funds available for that population of businesses. But once that's done. Yes, ma'am, we are done with LEAP, and it will just be the compliance thereafter. Everything was distributed to the holders, and then from there, whatever balance was available. The governor, of course, has the option to shift those balances around as she sees fit under other categories.
- c. Administrator Mendiola responded to a question about if GEDA was involved at all with the municipal golf course situation? She responded no. She noted that the proposed change from a golf course to a solar farm was an unsolicited bid. She discussed here reservations about such a change and the process involved. She noted that this could be

elevated to the legislature for action. She also noted that the land is part of the Chamorro Land Trust, so they are responsible for administering the lease.

- d. The Administrator noted the success of the Dededo tennis center, which GEDA helped with the seed money to put the plan through. She described the activity and full use of the tennis and pickleball courts. There's a need for places for our citizens to have community sports and activities. And we have a municipal golf course right in the middle of our most populated village with a driving range that could be lit up at night. She noted the success of Guam's Junior Golf program which used the Municipal Golf Course driving range for practice. She asked the Board if it wanted to submit testimony on the future of the municipal golf course.
- e. Director Park made a motion to send testimony to the legislature opposing the legislation and as an alternative to expense, explore the use of the golf course through a PPP to benefit junior golf, similar to the tennis league.

New Business

§ 11. Administrator Mendiola reported the following:

- a. The government of Guam implemented a general pay plan, effectively increasing the pay of line agency employees by approximately 22%. The Guam Economic Development Authority was not covered under this general pay plan because we have our own pay plan. But prior to this, there was disparity between autonomous agencies and line agencies. So, for example, an accountant 1 at DOA was paid significantly less than an accountant 1 at the airport. And of course, there was also disparity between our local government and the federal government, and the private sector. We lean towards the side of market equilibrium and supply and demand, and pay for performance and all of that. Looking at GEDA's pay plan we did not find that a pay disparity was the problem so much as the evaluation process. Currently, we have 40 employees, employees on the payroll, inclusive of all our temporary employees under the child care plan. Out of the 40 employees, five employees have an annual evaluation. 5 out of 40. 29 employees get an evaluation every two years, so. Most of our employees are reviewed either every 18 months or every 24 months. And to further exacerbate that situation, it's not only every two, but what's in line with audit standards is one to two steps. One step is approximately a three and a half percent adjustment to pay. Two steps is a seven or 8% adjustment in pay. Let's say you do an outstanding job, as you all rated me in my last performance review, so I got 8%. The last time I got a review before that was two years ago. Before that it was three years. So over that period of time, I got a 2.75% average adjustment in pay. That just keeps up with inflation as opposed to paying for performance and rewarding for good performance.
- b. What I'd like to do is adopt a twelve-month evaluation period for all employees. All employees who have not received an evaluation this fiscal year shall receive an

evaluation by the end of this fiscal year, thereby restarting a process where all employees are evaluated on an annual basis. What is the norm? Is one step for satisfaction, good performance. Two steps for outstanding performance. Zero steps, if you're kind of a dud and having a challenging year. And if that's the case, then I think what we can do is in about a year's time we can assess where everyone is again and look at where we fall relative to the general pay plan. We need to make sure that this is incorporated into the fiscal year. Trying to understand what that's going to do to the salaries and benefits and also remember that because if it's being done annually, it's going to be on the increases on top of the new rate.

- c. Director Doreen shared her perspective from her experience on the government side. When you hire an unclassified, they usually don't get any increments. And I'm just saying that's how it used to be. But I'm not against doing this, but I would like to see what is your policy now? I recall that we did, when we were working on the budget, you were supposed to do a wage study. What happened to that wage study? So as part of this wage study, what we did was we got the general pay plan. We looked at our historical plans, we looked at previous board actions. We compared across the board where we were, and that's where we came up with this recommendation for the annual reviews. Now, the next step to this, to next year, which is our goal, is a potential migration towards the general pay plan. That was our plan was to kind of like a desk audit of all the jobs here at GEDA so that we could really do a dive a little deeper into the job. so the unclassified don't get their annual adjustments? Is that because in most agencies, the unclassified are kind of temporary? Yeah, but we're not temporary. When you are even in a classified position, you always start as a step one. So the question is to GEDA, when you hired all your new employees, did you start them at step one? No, we start them at a salary that is negotiated. Yes, it's a one year for everything. But what happens when you get to the max? How far is everybody in the shell? And here's the thing. The reason why Gov Guam went on that GPP plan is because all the employees were going to the autonomous agency. Now the autonomous agencies are running back to the line agency. I know how the general pay plan looks like, but I don't know how the GEDA pay plan looks like. But I think Mel is using the GPP plan, but I don't. I guess the employees are not using the GPP plan, but just something for you to consider in an unclassified position, you work at will. And I'll tell you, from my experience from, I've worked already over 30 years in the government, when I sit on an unclassified position, you are not expected an increment. And I guess this is the norm now that they're giving them increments. And you got your advantages and you got your disadvantage. And the thing is, when the employees have left your agency, did you really find out what the real reason? Is it pay or is it the environment? The working conditions? Because there's an agency that went to the legislature and asked to do a pay plan, to modify their pay plan. And so they got it. So then they went back to all the employees that left and asked them, come back.
- d. The Administrator stated: We do lose employees not because they're poorly compensated, but because they want a path to a classified position. So I think of maybe

the last three employees we lost that were very highly valued, we lost them and we counteroffered, but we lost them to a path towards classified coupled with better pay. And so that's, number one, is a path to classification coupled with better pay. And then sometimes it is just better pay, and then sometimes it's just a misfit with the organization.

- e. It's just like the same thing as what we're looking here, proposals, and where's the financial? You bring something to the board, but you don't give us a brief about it, but I know that GEDA has all unclassified. And if you really look back in history, all those maybe the past administration, or to administration below back, were those unclassified getting increment? Because I don't think so. But I'm not against it. I just want to see what is it that it is today and what might be the impact, because if you go to other agencies, you get hired at step one. But when you go over to GEDA, they can hire you at step ten, and that's why they're stuck on the two years.
- f. HR information is just like financial information for a company. HR information tends to be err towards the side of sensitivity. GEDA employees have been unclassified, and we do have employees such as the recently retired Claire Cruz. And I can guarantee you employees at GEDA have been getting increments even though they've been unclassified. So that may very well may be outside of the organization, that unclassified employees don't get increases. They do get increases here. And sometimes the increases are, for the most part, one step, sometimes two steps. And even in extraordinary circumstances, more than two. The original pay plan dates back to 1996. And at the time, GEDA was compensated better than the other agencies, more in line with the line agency. But this was even before the line agencies. And I think the reason why we were, the organization was 20% above the general pay plan of the time. And the reason was because they recognized that because you had so many unclassified employees to pay for to get that high performance, they gave them a premium of pay. Now this organization has zero job stability because everyone's unclassified and at will, just like the private sector. But in addition to that, we have lower pay than other government agencies. If you look just across the hall, Guam housing, same job, they get paid more. This was the first step because we didn't want anything dramatic to occur just yet.
- g. Ms. Muna wanted to clarify with all these comments. What you requested from us on page 23, because I can only see on the board package, you. You requested the adoption of twelve-month evaluation period for all employees. Yeah. If we do approve this, then the new wage study comes in, then you're still going to do your annual increments. Compensation is important to everybody. But also is a format so that people know how they're performing in what the expectation of their management is. Because some people might be sailing through thinking, I'm doing great. And then the 18 month comes up and as you get zero. Why? Because you're not doing x, y, z. I think an annual review is a healthy thing. And then from the raised side of it, smaller increments, as opposed to big increments, I think are helpful as long as we can do it within what's expected within our government.

- h. Ms. Mendiola responded that the incremental amount is around 4% throughout. The incremental amount between steps for steps one through 19 is the same. It's about 4%. Does that change based on what's going on with inflation? No. Initially when we looked at this, we were looking at migrating into the 22%, the current GPP. But with putting the evaluation periods pegged against steps really puts us at a disadvantage because some of the people in higher positions here are the higher step, but have only been here for less time. Nevertheless, what this was meant to address was the GPP was across the board for a number of agencies. GEDA was not included in the general pay plan. Relative to the general pay plan, GEDA is significantly under. So if we went step by step, if you were mandated by, as a board by the legislature to adopt the general pay plan, we'd be handing out 22% raises for no apparent reason. And so as a compromise to that what we don't want is a situation where someone makes a lateral transfer to GEDA because we're a great agency to work for, and they get a pay cut because they make a lateral transfer. So to address that, maybe the first thing is we just look at evals occurring quickly. What I like about annual evals is if you can simplify processes, there's less chance of failure, right? It's easy to forget about somebody if everybody's reviewed once a year. I think that makes it easier. So I don't think it changes anything. We can decide how much we're going to pay people. Vice Chairman Espaldon says having an annual review is healthy. I think this recommendation is fair because everybody now is in the same boat. I think we all understand that moving to a twelve month seems fair and equitable, especially what we know is out there. But also, at the same time, I think that what the directors are just saying is that it's really just trying to watch out for GEDA and making sure that we're right side up. If we're not careful with the way how we proceed, we have the chance of really ballooning and it gets out of hand. But I think that we're trying to find the correct, compromise solution.

§ 12. Administrator Mendiola reported the following:

- a. Mid-year budget. We are operating under income. We are lagging a little bit, but there are valid reasons. Some of it is just timing. Our operating income March month to date projected was 2.1 million. And our actual is 1.4. Our budgeted, non-operating expenses. Also 2.1 million was our projected, 1.8 million is where we're operating. So we're operating under on income, we're operating under on expenses. I'll start with our non-operating income that is outperforming by 1.7 million. So thus far, Mid-year. Fiscal year. Our change in net position is 1.2 million positive. So, operating income. Why are we trailing? Several reasons. Some of it is just timing. So, industrial park leases, some of our rents are assessed, not monthly. Some of our rents are assessed annually or some participation rent agreements. There is a variety of rental agreements. So that is, by and large, a timing issue.
- b. Administrative fee and bond fee. We do have a number of bond transactions. We have one that came in the month of late April, early May, and that would be the most recent transaction, the GWA transaction. We have another transaction this summer, the GPA

transaction, and quite possibly a GARVEE transaction. And so those will bump up our Bond fees. Administrative fees are relative to grants that have been given to us. We have performed the actions under the grant and are now seeking reimbursement in the second half of the year. Grants revenue, these are the programs that are additional programs that we run for the government of Guam. Most significantly, it's our child care program. The reason for the large disparity between projected and actual is because we were kind of wrestling with our auditors on what to do with our administrative fees. At one point in time, we were charging across a flat 3%, and then our auditors said no, you guys should be doing expenses reimbursement. Then we were back and forth and back and forth, and we're back to an administrative fee of 3%. So as we sort all that, as we muddle through it, we'll be getting payment in accordance with the projected amounts here.

- c. Our qualifying certificate income is fine. Our Guam Ancestral Lands Commission, CLTC, is also fine. And so our total operating income is there for you at 1.388. There was also some delay in payment due to the conversion over to the FMIS, the new financial management system over at DOA.
- d. Expenses. Our expenses are at 1.8 now, if you recall, administrative fees, and there's administrative fees and grants revenue. Those are all programs that we do, and then we seek reimbursement for. So some of the coming under on expenses, some of our reduction in expenses has to do with programs or projects that may have some lag associated with them. So it's not just because we were squeezing out every little penny we can get. Under administrative fee, we have budgeted \$100,000 towards A&E design for one of our markets that hasn't occurred yet. And so our professional services is still under, or will likely end the year under. We're a little bit over on salaries by about 2% of what was budgeted.
- e. Qualifying certificate. So this is primarily the GRMC QC. The only portion of that that we utilize for the future fiscal year is going to be \$450,000. The rest will be utilized for our GRM CQCC program. And the restricted investment income is the investment income relative to all our monies that are invested. We have \$648,000 year to fiscal year to date as of 3/31.

§ 13. Administrator Mendiola reported the following:

- a. Resolution 24-005. Approving the issuance of the sale of Guam power authority revenue refunding bonds. There's a current refunding opportunity for Guam Power Authority to refinance its 2014 bonds. Whenever we float these bonds, there's always a call provision every ten years. So we've come to that, and we're looking at refunding this, going to rating agencies in June and then pricing it in July to be able to provide savings. We're looking at saving GPA about 3.4 million, or about almost 6% with this refunding. And what we have for you is a resolution that's prepared by bond counsel, and basically the board is authorizing or approving the issuance and sale of GPA revenue refunding bonds and approving and authorizing the execution of related documents, agreements and

actions. The bond package includes the escrow agreement, the supplemental indenture. This would be the 9th supplemental indenture, a preliminary offering statement for the bond sale, and then which also included items called disclosures that the power authority will be required to do annually. And this bond refunding was approved by the Guam Legislature and executed by the governor on May 8, 2024 and is now Public Law 37 95. The CCU has provided approval of the issuance of the 2024 bonds, and the PUC will be hearing this bond request tonight. They normally ask for GEDA's approval prior to. And so what we're doing here is we're offering the issue from sale of the bonds and approval of the form of documents. It also designates the officers to execute these based on your review and approval. Currently, the officers to review and approve is the CEO and administrator.

§ 14. Vice Chairman Espaldon made a motion to approve resolution 24-005, approving the issuance and sale of GPA bonds, refunding bonds and approving the execution of all related documents, agreement and action, and was seconded by Director Park. The motion was unanimously passed.

§ 15. Administrator Mendiola reported the following:

- a. Resolution number 24-005: This is a board resolution relative to commending Claire Cruz, who recently retired from GEDA, for her service with the Guam Economic Development Authority, on May 30.

§ 16. Secretary Siska made a motion to approve resolution 24-006, and was seconded by Vice Chairman Espaldon. The motion passed unanimously.

Public Comments

§ 17. There were no public comments.

Adjournment

§ 18. A motion for the meeting to be adjourned was moved by Vice Chairman Espaldon. Adjournment of the meeting was unanimously approved.



DAVID JOHN, Chairman
Board of Directors

Attest:

SISKA HUTAPEA
Secretary, Board of Directors

actions. The bond package includes the escrow agreement, the supplemental indenture. This would be the 9th supplemental indenture, a preliminary offering statement for the bond sale, and then which also included items called disclosures that the power authority will be required to do annually. And this bond refunding was approved by the Guam Legislature and executed by the governor on May 8, 2024 and is now Public Law 37 95. The CCU has provided approval of the issuance of the 2024 bonds, and the PUC will be hearing this bond request tonight. They normally ask for GEDA's approval prior to. And so what we're doing here is we're offering the issue from sale of the bonds and approval of the form of documents. It also designates the officers to execute these based on your review and approval. Currently, the officers to review and approve is the CEO and administrator.

§ 14. Vice Chairman Espaldon made a motion to approve resolution 24-005, approving the issuance and sale of GPA bonds, refunding bonds and approving the execution of all related documents, agreement and action, and was seconded by Director Park. The motion was unanimously passed.

§ 15. Administrator Mendiola reported the following:

- a. Resolution number 24-005: This is a board resolution relative to commending Claire Cruz, who recently retired from GEDA, for her service with the Guam Economic Development Authority, on May 30.

§ 16. Secretary Siska made a motion to approve resolution 24-006, and was seconded by Vice Chairman Espaldon. The motion passed unanimously.

Public Comments

§ 17. There were no public comments.

Adjournment

§ 18. A motion for the meeting to be adjourned was moved by Vice Chairman Espaldon. Adjournment of the meeting was unanimously approved.

DAVID JOHN, Chairman
Board of Directors

Attest:



SISKA HUTAPEA
Secretary, Board of Directors