



Aturidád Inadilánton Ikunumihan Guahan

**Minutes of Regular Meeting to the Board of Directors of the
Guam Economic Development Authority
September 26, 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, September 26, 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 Vice Chairman Ernesto Espaldon Jr. 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 Vice Chairman Ernesto Espaldon Jr. the following individuals were present:

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

Also, in attendance were:

Angelene Rios	GEDA
Yong Pak	GEDA
Melvin Tabilas	GEDA
Antoinette Leon Guerrero	GEDA

John San Nicolas	GEDA
Diego Mendiola	GEDA
Christina Garcia	GEDA
Matt Baza	GEDA
Bernice Torres	GEDA
Christina Merfalen	GEDA

Approval of Agenda

- § 4. The motion to approve the agenda was made by Secretary Siska Hutapea, was seconded by Chairman David John. The Directors then voted, and the motion was unanimously passed.

Approval of Minutes

- § 5. The motion to approve the August 2024 board minutes was made by Chairman David John, was seconded by Secretary Siska Hutapea. The Directors then voted, and the motion was unanimously passed.

Chairman's Remarks

- § 6. Vice Chairman Ernesto Espaldon Jr. reported the following:
- a. This is the last board meeting for the 2024 fiscal year. As we do every year, it is time for us to review the numbers from fiscal year 2024 and consider the presentation of management with respect to the upcoming fiscal year 2025. From my review of the numbers, I am happy to report that we find ourselves once again with a positive bottom line. While we did not meet our revenue target of 4.2 million, the team rose to the challenge and controlled expenses such that we are tracking a net income position of approximately 200,000. I think we can all recognize that this post-pandemic environment is shaky. While we have defense spending lifting our economy, we cannot ignore pockets of our economy that remain in distress, including the tourism industry. The good news is when we have resources to engage in strategic activities such as greater access to capital more attainable for small businesses or partnering in areas of workforce development. We were just talking about having the resources to engage in strategic activities, making capital available for small businesses, and partnering in workforce development, and that by doing all this, that we're hopefully able to mitigate some further downside risk in terms of the economy. So given these concerns, I'm happy to see our fiscal year 2025 budget include significant economic development promotions activity and opportunities to continue to strengthen our work with small businesses through programs like STEM. Pre-pandemic, this board recognized that the income of the agency was unstable, inconsistent. Our financial performance hinged on real property and floating bonds. We are now steadily working our way towards a balance of active grants and other revenue streams contributing approximately a third or 30% of our revenue. Moreover, as we shift toward more aggressively marketing our SSBCI Loan and Venture Capital program, we were able to

procure a \$574,000 technical assistance grant to help offset with future operations in this department.

CEO/ Administrator's Remarks

§ 7. Administrator Mendiola reported the following:

- a. In terms of committee and standing reports. I will just do a short report on the investment committee since it was tabled at the last meeting. This is for the second quarter. GEDA's investment funds with Raymond James for the second quarter in year to date, returned 7.16%. We're quite happy with that return with that financial advisor. With that financial advisor and with Bank of Guam, we had a year-to-date return second quarter of 5.59%. With the interest rate cuts happening this September, we still hope that the fourth quarter will bring us further gains. However, we do recognize the geopolitical risks that are out there. Nonetheless, because of the interest rate cuts, things should look okay for the stock market.

Old Business

§ 8. Administrator Mendiola reported the following:

- a. We're still fairly early in collecting data on how our recently released podcast series is doing, but I'm happy to report the most popular episode thus far is episode one with David John. That must be because it's the first episode, and then they lose interest, and they don't watch any others. I saw that mandatory moment asking all GEDA employees to tune in. Certainly a lot of engagement from the community and chatter about it, and really just exactly what we needed, which was questions about what's up with SSBCI. We've got our first submission of an SSBCI venture capital application just in the last two weeks or so, so we're really happy with that.

New Business

§ 9. Administrator Mendiola reported the following:

- a. The Administrator thanked the Board for their help in reviewing the 2025 budget.
- b. The Administrator began with the budget summary. She reported that GEDA will be likely ending the year with a net income of 211,000. However, we did sustain a small operating loss of 86,793. GEDA had some anticipated revenue that didn't come through as expected. However, those revenue items are primarily items of timing and things that are action items that are being deferred into 2025. For example, GEDA had anticipated bond fees of 783,175. Instead, we received 585,185. The lion's share of that was probably the fee that we would have received had we done the financing for Simon Sanchez. We all know that the Simon Sanchez construction will be happening, but it just didn't happen this year as we had hoped. The same goes for grants revenue. That underperformed, but we are pushing that activity into 2025, so now it's being reflected in the 2025 budget. Our QC economic development, we had anticipated having a few new QCs. We have a number of QCs that have been approved by the board and are still sitting up at the attorney general's office for

review prior to the governor's signature. We had hoped that that would go through in this fiscal year. It has not. So that made up for about 60,000 in QC income that we had projected but did not receive.

- c. Overall, we're at an operating revenue of 3.5 million for projecting year-end. As Mr. Vice Chair had mentioned, our investments are doing A-O-K, so we do also have the non-operating revenue of about \$330,000. Moving over to what we are projecting for the new fiscal year. We project business as usual for our real property division, as well as our actions regarding Guam Ancestral Lands Commission, which is primarily property management, but also investment management. As far as QC's, we have the existing QC's in the pipeline, as well as some existing QC's that we currently surveil, in addition to the new QC's that we're hoping to get some action on this year. We have some anticipated bond actions that have been approved already by the legislature. These include Simon Sanchez, a GARVEE bond, some admin and grants fees for our various projects including the State Trade and Export program, USEDAs programs, and others. One thing I did want to point out across our different revenue streams was the management believes that we took on a relatively conservative approach towards revenue. Regarding real property, there are two leases that are coming due that we will be RFPing out at market rate. Right now, they're the 1970s legacy leases, so we're collecting very little rent. We anticipate that to contribute to the bottom line in a positive way. We're also actively going after grants, including a very large USEDAs grant that's a disaster notice of funds availability. It's competitive, but the pool of competitors is very small, so we anticipate having a good outcome for that grant. This also does not include certain bond fees that have not been approved by the legislature, but are bonds that we think would be very good and positive for the economy, such as another hot bond, or even a BPT refinancing.
- d. We believe that our revenue target of 4,020,716 is a fair number and a relatively conservative number. If there are no questions on revenues, I'd like to move on to expenses. We anticipate ending fiscal Year '24 at about 3.6 million in projected expenses, the proposed increase is about a 7% increase across several different areas. Salaries and benefits are steady. We do have some temporary payroll that will likely come off the payroll this year, and that is the childcare payroll. GEDA also has some payroll that has shifted towards, specifically, SSBCI with the big grant we got and the additional attention. SSBCI and our GDFA are loan funds. All the salary, any of the work done is basically directly assigned to those loan funds, so they don't hit your operating budget. If you look at our audit, our true salaries would be, let's say, 3.2 million, 700,000 would be hitting the different respective loan funds. Last year, 2023, it was 300,000 on SSBCI 1, and I don't see anything on GDFA. And SSBCI, so about 600 total. And this year, it's about the same. It's about 740 this year. In any case, what I was going to say was, we very carefully monitor that because we don't break into the purpose of the loan fund. We're utilizing the investment returns to then go out and pay any of the expenses associated with issuing and servicing those loans. So we've been able to keep a nice cap on our salaries of about 2.5 million. In fact, I like to go back to the beginning of time, specifically 2018, our salaries and benefits in 2018 were 2.25. This is on the operating side of the house. We're at now 2.5. Inflation has been an average of 4.5% over the last six, seven years. Our salaries, which to me, it really tells a strong story about the work we're doing here as far as we're doing more with

less. There's fewer individuals that are taking on greater responsibility. And we've seen the fruits of our labor through all the successful programs. I think we're well-regarded in the community.

- e. With regard to our activities, we're looking at increased economic development and promotions. This was the line item formerly known as marketing and promotions, now called economic development and promotions, because that's what we do. One of the things that I wanted to share was that travel and economic development and promotions last year, they were very much enmeshed because items like Select USA, there was air fare and accommodations, but there was also a really heavy budget as far as the setup of the booth, all of the fees associated with attending these events. We tried to find a little bit more balanced where we'd spend a little bit more on the materials because a lot of our marketing is being done in various different mediums. There's the podcast, there's online presence. But then there's, of course, still a need for good old-school trade missions, especially right here in Asia. For clarification, this why the travel line pretty much went down 50%, but then the economic development and promotions is up from the 38 to the 224. Contractual services are relatively constant.
- f. Grants Disbursement and Other Professional Services were one item, and I broke them out because Grants Disbursement, it just depends on the year that the activity happens. If we're not going to do the Green Markets Project, which is this 300,000-ish coming year, then you'll see Grants Disbursement at 300,000. It doesn't get mixed up with consultants that we might have, like our marketing company, for example. Otherwise, everything else is pretty steady.
- g. Training and development lowered significantly primarily because of an accounting difference. We used to book the training and development provided to third parties but that's not an operational activity of GEDA. It's a grant activity where there's a grant fund for that.
- h. Secretary Hutapea requested more explanation on other professional services and grant disbursement. That item was inclusive of some professional fees for our USEDPA Green Markets Project. That project got pushed back, so we reduced it. But we ended the year at 280 because we did have some additional professional fees that I believe we had some ARP coverage for in aquaculture & transshipment, those areas. The 310,000 is inclusive of current contractors that we have here at GEDA, including we have an integrated marketing and communications contractor. We also have a real property land consultant that helps us with all the Guam Ancestral Lands Commission and all our land issues. Then about 150,000 was what we left some wiggle room in the event the board wanted to commission another study or if there was some request for an additional request for any type of third-party support in any of our projects.
- i. There is one item is the board's stipends are here at proposed 15,750, which if the board would like, you can certainly make a budget amendment to remove board stipends. Currently, there have been no board members requesting a stipend, all board members are continuing to be gracious and waive their board stipend. As an added note, whatever form

we pass of the budget, so a motion to pass the budget with the subject to the following amendments. And amendment number one would be removal of board stipends.

- j. Director Doreen Crisostomo-Muna stated, I see that I was looking at the proposed staffing pattern and that position that was presented on the first org chart. We did have a working session, and I asked Mel to keep the administrative division together, and mainly because that division has to do with the audit. And so there's no need to split a division and also to create an assistant service manager, like all the other division has an assistant except for the administrative part. I know there was a comment that airport does it, but GEDA is a very small organization. I was the CFO at the Guam legislature, and I oversaw payroll, procurement, personnel, and accounting. And this agency is small, and it doesn't need to keep expanding the org chart. The first one with the yellow, I don't agree with it, but the second org chart, I do agree with it.
- k. Secretary Hutapea added, I personally like the yellow one because, like you said, GEDA is a small agency, but we manage a lot of projects. I think it's important to have a good and strong and delineated accounting. I think it's really important to have it as separate division. If it does not really add to your costs, I think it delineates the job description better, and you could really hang the accounting services division if the financial is messed up or whatever. So I really like the approach of the clear delineation, but that's my opinion.
- l. Chairman David John seconded what Secretary Hutapea said. I also trust management who has their fingers on this. You guys have shown that you've been in control of costs, and that you've been very thorough with this, and that you've taken the cost side of things very serious. I concur and back up the yellow piece.
- m. Director Muna added, you are increasing the cost when you create a division because you are creating another manager, whereas the current division, you're only creating an assistant manager, which is lower. Keep in mind, I know you talked about grants and everything. Those must be handled under accounting. The programs are the one that probably handles, business and economic development. They handle grants and all that, but everything must go to accounting. That is part of the audit. That's why I said, in my opinion, it's best that it be left under the administrator so that they all work together. They need to work together because if you split them, they can fight. But if you put it under one jurisdiction, they know that they all must work together.
- n. The third option that has not been presented but might marry the two is there could definitely be one administrative services division with a supervisor, administrative services supervisor and an accounting supervisor under it. So the senior accountant supervises all the accountants, and then a senior AS manager or a senior AS supervisor supervises all the personnel under it.
- o. That acting Chair requested a motion to approve the budget as stated with one amendment under board stipends to remove board stipends. A motion to further adopt the fiscal 2025 org chart 2B, but to delineate administrative services and accounting under two

supervisors. Then third, to bring all managers to ensure that the consistency among managers under pay grade S.

§ 10. The motion to adopt the budget as presented with the removal of the board's stipends as the only change was made by Chairman David John, was seconded by Secretary Siska Hutapea. The Directors then voted, and the motion was unanimously passed.

§ 11. The motion to adopt the fiscal 2025 org chart version 2B as discussed was made by Director Doreen Crisostomo-Muna, was seconded by Secretary Siska Hutapea. The Directors then voted, and the motion was unanimously passed.

§ 12. The motion to reclassify all managers from pay grade R to S was made by Director Doreen Crisostomo-Muna, was seconded by Chairman David John. The Directors then voted, and the motion was unanimously passed.

§ 13. Administrator Mendiola reported the following:

- a. Resolution 24-008 to update our signature cards. With the removal of Joanne Camacho, Claire Cruz, Ariana Villaverde, who have moved on, and the insertion of the individual holding CEO Administrator, myself, Deputy Administrator Carlos, Acting CEO Administrator, Secretary of the Board, Christina García, Diego Mendiola, Antoinette León-Guerrero. Basically, and then the following page of the motion lists the accounts, accounts affected, which are Bank of Guam, Community First, Bank Pacific Coast 360, BGIS, and Raymond James. These are all, if you recall, any bank enrolled in our SSBCI program is listed here in addition to our regular operating accounts.

§ 14. The motion to approve Resolution 24-008, the updating of check signers was made by Chairman David John, was seconded by Director Doreen Crisostomo-Muna. The Directors then voted, and the motion was unanimously passed.

Public Comments

§ 15. There were no public comments.

Adjournment

§ 16. A motion for the meeting to be adjourned was moved by Secretary Siska Hutapea, was seconded by Chairman David John. Adjournment of the meeting was unanimously approved.



DAVID JOHN, Chairman
Board of Directors

Attest:



SISKA HUTAPEA
Secretary, Board of Directors