



**PORT AUTHORITY OF GUAM  
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 Jose D. Leon Guerrero Commercial Port  
 GOVERNMENT OF GUAM**

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**FELIX P. CAMACHO**  
 Governor of Guam

**MICHAEL W. CRUZ**  
 Lieutenant Governor

**MINUTES OF THE  
 REGULAR MEETING OF THE BOARD OF DIRECTORS  
 Thursday, November 20, 2008**

**I. CALL TO ORDER**

There being a quorum, the regular meeting of the Board of Directors was called to order at 2:00 p.m., Thursday, November 20, 2008. Present at the meeting were:

- Monte Mesa, Chairman
- Jovyna Lujan, Vice Chairperson
- Marilou Lacson, Board Secretary
- Joseph Camacho, Member – *Telephonic Participation*
- Glenn A. Leon Guerrero, General Manager
- Joaquin P. Cruz, Deputy General Manager
- Atty. Ike Aguigui, Legal Counsel
- Atty. Rebecca Santo Tomas, Co-Counsel

Also present were Lea Santos-Guam Legislature, John Perez/Beatrice Limtiaco-Cementon Micronesia, Tom Dillan-Matson, Hugh Healey/Rick Agustin-Horizon Lines, Paul Blas-Seabridge, Ken Constantino-CTSI and Port Management staff.

**II. APPROVAL OF MINUTES**

a. **October 23, 2008:** Mrs. Lacson made a motion to approve the minutes of October 23, 2008 subject to correction. The motion was seconded by Mr. Camacho and was unanimously passed.

**III. CHAIRMAN'S REPORT**

1. Legislative Public Hearing-Master Plan – The Chairman expressed gratitude to management and staff for participating in the public hearing held November 19, 2008 which went well. Although points were raised on zoning issues that the Port need to look into, the senators did agree on the need to move forward with the master plan and will be looking to adopt it. The senators also supported the port's efforts to provide legislation to have the ability to extend the leases from 5 years to a maximum of 20 years. Mr. Camacho asked whether there were any discussions on tariffs. The Chairman replied positively, and said that would be a separate legislation, not necessarily connected to the master plan, but more so on the financial feasibility plan. That would be further looked into once the Board comes up with the financial scenarios to fund the modernization project.

#### IV. GENERAL MANAGER'S REPORT

1. Port Modernization – With the collaborative efforts of the Chairman, General Manager, Port Legal Counsel and MARAD officials, the MOU as presented is for Board approval. The significant difference from the original is the detailed responsibilities and timelines. The purpose of the change is to allow for no misunderstanding between current participants and potentially different future participants. Mr. Camacho asked for the fee structure. The Chairman said it is not to exceed three percent (3%) of the amounts appropriated to the Port of Guam Improvement Enterprise Fund for a fiscal year as stipulated in the U.S. Presidential legislation.

Mrs. Lacson made motion to approve the Memorandum of Understanding with the U.S. Department of Transportation, Maritime Administration, seconded by the Vice Chairperson. Motion was unanimously approved.

2. MARAD PMT – For Board's information, on November 10, 2008, MARAD issued a pre-solicitation bid for the Port PMT; targeting November 25 for bid issuance. MARAD has provided the Port with a draft copy of the formal solicitation which has been reviewed by Port Legal Counsel and management.

3. EDA Funding – Information was received yesterday by EDA officials, inviting the Port to complete the full application process for the \$2 million applied for in the pre-application process back in August. The General Manager understands that the mere invite is led to believe that the chance of approval rate is 95%, which means the Port has a high probability of receiving the \$2 million grant.

4. USDA Officials – Management met with USDA Officials on November 18, 2008 and is excited about wanting to fund some port projects. USDA has indicated that if the Port pursues the market today and borrows funds, they will contribute more than what the financial feasibility study allows. The interest rate proposed is 4% for a direct loan and 6% for a loan guarantee which would be 1.5% below the current bond market. Although this is an attractive offer, the General Manager felt it was too premature for the Port to be looking into borrowing money at this point, especially since the Board still needs to decide on what amount to finance to modernize the Port.

5. GEDCA MOU – The Board decided at its November 29, 2007 meeting that it would continue paying GEDCA \$200,000 per year until 2011. On November 6, 2008, management met with GEDCA and the Governor's office to discuss a revised offer. Discussions entailed that the Port continue to pay the rent sharing/annual rent of \$522,316.60 for a one year period and then GEDCA will release the Port from future liabilities. This arrangement will save the Port about \$80,000 and at the same time, fully meet the intent of the Board's prior action back in November 2007. It is therefore being requested that the Board approve the financial terms as presented. Mr. Camacho clarified that the financial arrangement would be for the Port to pay GEDCA \$522,316.60 for one year which will then terminate any arrangements with GEDCA on this matter. The General Manager replied positively. Mr. Camacho said the Finance

committee did have an opportunity to discuss this issue and did not have any objections to this approach. He mentioned that if GEDCA felt this would be a better option for them to receive the amount this year and completely go off the dependency of the rent sharing/annual rent with the Port, then the Finance committee has no problems with that.

Mr. Camacho made motion to accept the financial terms and execute the Memorandum of Understanding between the Port and GEDCA relative to the rent sharing/annual rent in the sum of \$522,316.60 for one year and allow it to expire in November 2009. Motion was seconded by the Vice Chairperson and was unanimously approved. Legal Counsel was advised to prepare the memorandum of understanding reflecting this action.

6. Asian Mars Vessel Report – On October 2, 2008, the Asian Mars thru-putted over 6.1k tons of rebar which is the first time the Port handled over 3k tons of rebar. The vessel operations took over seven days to process. Issues such as poorly rated gears, cargo not pre-slung, poor stowage, poor lighting and inclement weather were all contributory factors for delays. Operations used a total of 3.7k hours to off-load the vessel and load ground transportation. Total operations manpower cost was \$60,000 (regular-\$39,200/overtime-\$21,000). Total revenue generated including special service requests was \$185,000. A debrief was held and per unit cost was found to be \$9.83/revenue ton for the Asian Mars versus the fiscal 2008 average \$7.01/revenue ton. Lesson's learned: a) coordinate with agents and require a minimum one month lead time; b) require rebar to be pre-slung and properly marked; c) indicate that non-compliance will result in the Port charging overtime and special service request rates.

Amendment to Bylaws – Monthly Meetings - Without objections and upon advisement of Legal Counsel, Mrs. Lacson made motion to approve to amend Article I, Section 2 of the Port Authority Bylaws relative to the regular monthly meeting of the Board of Directors to once a month on the fourth Thursday of the month at the hour of 2:00 p.m., seconded by the Vice Chairperson. Motion was unanimously approved. Legal Counsel was advised to make the appropriate amendments to the Bylaws.

## V. REPORTS

a. **Insurance Reports:** Executive Summary was provided to the members for their information. No new developments to report.

b. **Operations Productivity Report:** Mr. John B. Santos, Operations Manager presented the October 2008 operations report and briefly reported the following:

- **Domestic Vessel Recap** - Horizon and Matson combined totaled 5,692 container lifts. Horizon had a total of four vessel calls averaging 16.1 gmph versus Matson with four vessel calls averaging 19.7 gmph. (Note: Gantry 3 downtime and handling of out of gauge cargo with the Mobile Harbor Crane impacted Horizons productivity.)

- Container Report – Operations moved a combined total of 9,306 containers lifts for the first month of the fiscal year versus last year same period at a total of 10,399 container lifts.
- Break Bulk & Ro-Ro Recap – Operations handled 17,904 revenue ton of break bulk cargo and ro-ro (51% increase) compared to last year same period of 9,237 revenue tons.
- Import Local and Military Containers (TEU's) – Both Matson and Horizon imported a combined total of 3,697 TEU's for local and 1,251.7 TEU's for the military.

The Vice Chairperson said in anticipation of the three refurbished POLA Cranes arrival, she was interested in knowing the following: 1) Yard new layout of [all] the cranes mobilization within the piers; 2) how to accommodate domestic/international carriers; 3) how would the yard operate once the POLA Cranes are in place; 4) other issues in general: utility of MHC, manpower, etc. and that this be provided to the Board at the next meeting. Mr. Santos said Operations and management is currently working on a strategic plan addressing these points. Additionally, carrier meetings are held every Monday and topics of discussion include ways to improve the yard and operations.

#### **Committee Reports:**

a. **Finance Committee:** The financial report for the month of October 2008 was provided to the Board for information. The Chairman asked that verification be made to the income statement to ensure it relates to item nos. 1 & 2.

Mr. Camacho said the Finance committee addressed most of the items under old business, such as GEDCA, MARAD, Matson/Horizon Issue, Rails and Wharf Upgrade. He said with the Replacement of Rails & Wharf Upgrade, the committee deliberated in length and determined this to be a necessary additional funding because of the increase in cost. He mentioned that the Financial Affairs Controller was able to find available sources of funding for this in the form of looking at the priority of projects. So the committee recommended moving forward with this project, it's essential and consistent with the work outlined in the master plan.

The Vice Chairperson made motion to approve the additional funding of \$817,610 for IFB No. PAG 06-013 – Replacement of Rails & Wharf Upgrade, seconded by Mrs. Lacson. Motion was unanimously approved.

b. **Maintenance/Equipment Committee:** The Deputy General Manager said the mobil harbor crane has been down since October 31; however, the parts have arrived and repair work is in progress which will be completed in two days. Mr. Camacho asked the nature of the break down. The Deputy General Manager said the slewing gear – a sensor for the equipment. Mr. Camacho asked whether the Port has looked into the history of this type of crane to order parts that frequently break down and is normal wear and tear so that it's kept as part of the inventory. The General Manager said this particular incident is not a normal wear and tear for this type of repair work, but was due to the lack of lubrication. This is an issue that will be

addressed with MidPac Far East because the mobil harbor crane is still under warranty and this organization is responsible for maintaining the equipment. Once this equipment is transferred to the Maintenance division, normal wear and tear items should be part of the inventory. Management will be meeting with MidPac Far East next week on this matter. The Board advised management to look into the remaining warranty period, then move forward with a maintenance plan of action of providing better service on the mobil harbor crane.

Gantry 1 Demolition - Mr. Joaquin P. Pangelinan, Manager Equipment Support Services, said that progress is being made on the demolition of Gantry 1. The contractor was able to acquire liquid oxygen that will expedite the cutting process. Project completion is 7 days.

c. **Human Resources Committee:** Mrs. Francine T. Rocio, Personnel Services Manager, reported on the following items.

1. Above-Step Recruitment Policy – Civil Service Commission requested a copy of the Port's above step recruitment policy. Based on this, the Port then developed such a policy for Board's approval. Compliance was made with Title 4 GCA, Section 6205 in providing uniformity and consistency.

Mrs. Lacson made motion to approve the Policy Memorandum No. 2009-01 on Recruitment Above the Minimum Step, seconded by the Vice Chairperson. Motion was unanimously approved.

2. Position Classification, Compensation and Benefits Study Update – The Port met with Mr. Alan Searle, the consultant, on November 14 and have submitted for review Stage 1-Job Evaluation Methodology & Classification and Stage 2-Compensation Structuring. The Board and management working session have been rescheduled to November 25 where a presentation and discussions will be made on the results of the two stages.

3. Public Law 29-61 – Performance Evaluation for General Manager – This public law requires that a performance evaluation review be conducted on the General Manager six month after his appointment to the position and every twelve months thereafter. This review will consist of his accomplishments and the governing Board's reason for retaining him. The draft policy on the performance evaluation will be provided to the Board for review and approval.

The Vice Chairperson asked whether management was able to prepare the demographics of service/age. Mrs. Rocio said the data have been completed and forwarded to the General Manager for review, thereafter a copy will be disseminated to the members.

d. **Property Leasing/Port Development Committee:** Mrs. Vivian C. Leon, Corporate Services Manager presented the Board with an update on property-related items:

1. Casamar Sub-Lease Request – Still pending blueprints from Casamar.

2. Hanson Micronesia Cement – Formal notice that co-use of pier F-1 preferred and that efforts are being taken to complete new proposal for Port review and consent. Further, efforts are being made to release portion of leased premises for Shell easement.
3. Guam Dolphin Relocation – Port tenant relocation continues. Site for new operation on Port property identified and construction 90% complete. Tenant has been advised to complete the relocation by November 30, 2008.
4. GEDCA-Rent Share Proposal – (Item addressed under General Manager's report.)
5. Common Area Fee & Assessment – Forwarded to Legal Counsel for purpose of furthering the Triple A process by designating a hearing officer. The date of public hearing is pending.
6. Aqua World – Management met with Mr. Hideru Baba and Legal Counsel to address the matter of dispute resolution. Aqua World is to provide the Port with information relative existing subleases and more detail on proposal.
7. Sunbay Corporation – Concessionaire scope completed and was forwarded to the Board for their review.
8. PowerSource Energy Services, Inc. – Letter received from PowerSource requesting 30-day extension to continue studies.
9. Unitek Environmental – Expresses interest to lease Tank 7, and has been informed that the Port is currently in communication with PowerSource.
10. Liquid Fuel/Breakbulk Thru-put Assessment – Mr. Nick Captain continues his efforts to complete the analysis on the bunkering/fuel throughput/waste oil fee structure to determine possible rate increase/decrease for the use of Port facilities in order to import, export, or store petroleum products.
11. Sanko Busan – Vacated space of Warehouse II B 9 & 10, to be utilized by Operations to support breakbulk cargo operations.
12. Smithbridge – Request in place to lease portion of Seaplane Ramp for an extended period. Smithbridge was asked to provide more information.
13. GDP Marina – Department of Agriculture has committed approximately \$350K towards decking repair. Port cost share estimated \$69K. Scope of work is in progress.

Management was advised to look into using a more modern material for the decking repair so as to not incur repair cost in the short term and to also keep constant communications with Department of Agriculture in order to complete this project.

On a related matter, discussion took place on the tenants lease terms that are on a month-to-month basis. Since the master plan is completed, the thought was to perhaps revisit this issue to allow the tenants more time to plan, improve their facilities and make some investments with a longer lease term.

Cementon Micronesia – Lease Agreement - Without objections, the matter on Cementon was discussed. Mr. Camacho understands that the commencement of the lease agreement is simultaneous with the termination of the license agreement. The period of the license agreement is up to 12 months for the construction and development phase. He mentioned that so long as the lease is reflective on the terms proposed by Cementon and agreed by this Board, he had no objections to move forward in approving the lease agreement. Mr. Camacho recalled that the lease payment would be based on whichever was higher of the two: ‘appraised’ or ‘proposed’ and in this case, the proposed at \$0.37 per square foot was the higher rate which the Board then accepted. He asked whether such rate is stipulated in the lease. Mrs. Leon replied positively, and she added that the matter on third party use was also addressed in the lease and this arrangement with Cementon is non-exclusive. Legal Counsel said for wharfage and dockage, the language provides that the Lessee (Cementon) would be required to pay 100% of all charges accruing under the scheduled rates for the use of the wharves, docks, and other facilities owned and controlled by the Port. Mr. Camacho clarified whether that includes what is called for under the current tariff. The Chairman replied positively, to include what was proposed.

The Vice Chairperson made motion to approve the Cementon Micronesia Lease Agreement as drafted by Legal Counsel and following the economics of the Board actions on this matter in previous meetings, seconded by Mrs. Lacson. Motion was unanimously approved.

Matson/Horizon – First Amendment to License Agreement - As the matter relates, there were no objections to entertain the Matson/Horizon license agreement. Legal Counsel said the document would only amend Section 13 with regard to the date for installation of the cranes; and to add a new section – Section 14 confirming any applicable charges that the Crane Owners are liable for paying as established by policy, law, rule, or regulation, including those under the Port’s terminal tariff.

The Vice Chairperson made motion to approve the Matson/Horizon First Amendment to License Agreement, in particular extending the installation of the cranes at the Port on or before April 15, 2009 found in Section 13; and to add a new section – Section 14 relative to the application of tariffs and charges to be assessed accordingly. Motion was seconded by Mrs. Lacson and was unanimously approved.

Mr. Camacho suggested that at some point the Board may want to look into entering a memorandum of understanding with Matson/Horizon in terms of how the specifics of the operation is going to function because the license agreement is still fairly broad in terms of the use of the Port employees, prioritization of vessels calling to port, etc. There needs to be a clear understanding of what is to be done. The Chairman said the license agreement provides that it would be under the direction of the Port General Manager, and can be looked into further to avoid any conflicts in terms of assignments or the use of the cranes, but assured Mr. Camacho

that the license agreement is clear that the Port will still be in control and the Port's General Manager will dictate that as it deems necessary.

e. **Procurement Advisory Committee:** The Vice Chairperson said the committee met on November 16 and as discussed at the previous Board meeting, there seems to be an interest in better understanding the source selection process and options relating to the PMC-RFP and how to lay up all the considerations raised in relation to bringing this PMC contractor onboard. Relative to the RFI, there is a sense of urgency underscoring this whole exercise and the committee would like to move forward in getting the RFI published this month which means that management is to develop a timeline schedule, laying logistics to points of publications, compiling findings of RFI to come to an RFP template, then forward to Board for review.

On the matter of the Automatic Stay legislation, the Vice Chairperson said the committee supports the approach and recommends that Legal Counsel communicate with Guam Airport's counsel to get the Port integrated into such legislation.

The Vice Chairperson made motion to allow the Port to be integrated into the Automatic Stay procurement legislation as prepared by the Guam Airport Authority, seconded by Mrs. Lacson. Motion was unanimously approved.

The Vice Chairperson shared that Navy will be conducting a Source Selection Course in December 2-5, 2008 and has secured two seats for the Port. She felt this to be one other opportunity for the Port to participate in and be able to familiarize oneself with this type of process. It was preferred that the two port representatives be from Finance and Technical Support. Although it has not been confirmed on whether an admission fee is required, she was informed that such fee will be very minimal. Management was advised to assign two Port personnel to attend this training.

## VI. OLD BUSINESS

a. **Additional Funding-Replacement of Rails & Wharf Upgrade:** (Item addressed under Finance committee.)

b. **GEDA-Annual Rent Arrangement:** (Item addressed under General Manager's report.)

c. **MARAD-MOU:** (Item addressed under General Manager's report.)

d. **Cementon Micronesia – Lease Agreement:** (Item addressed under Property committee.)

e. **PMC-PPP Request for Proposal:** (Item addressed under Procurement Advisory committee.)



f. **Matson/Horizon-First Amendment to License Agreement:** (Item addressed under Property committee.)

## VII. NEW BUSINESS

a. **Above-Step Recruitment Policy-Policy Memorandum No. 2009-01:** (Item addressed under Human Resources committee.)

b. **Board Approval-Fund Trip-Edna Curtain, Senior Staff, DOI-OMB Analyst:**  
The General Manager said the Port has an opportunity to invite via the Governor of Guam, Ms. Edna Curtain, Senior Staff of the Department of Interior-OMB Analyst. He said back in September, the Port submitted to the Governor a request for \$60-\$70 million which the Governor made part of his submission package. Based on this, he understands the Port may receive \$40 million in the year 2010. As such, he requests for Board approval to fund the trip of Ms. Curtain to come to Guam and visit the Port as this would be a worthwhile investment.

Mrs. Lacson made motion to approve the funding trip for Ms. Edna Curtain, Senior Staff of the Department of Interior-Office of Management & Budget Analyst to arrive Guam to see the Port Authority firsthand, seconded by the Vice Chairperson. Motion was unanimously approved.

c. **Travel Authorization Request-EDA Western Regional Conference, December 9-11, 2008, Sacramento, California:** As mentioned earlier, the General Manager said the Port has been working closely with EDA and it was recommended by EDA officials to attend the Western Regional Conference. Topics will include: changes in the EDA grant process; how the financial crisis will impact urban and rural economic development; how Public Works program will be impacted by the changes in FY09 grant application process; discussion of future economic opportunities and economic adjustment assistance and the revolving loan fund. Additionally, he mentioned that if approved, this will also provide an opportunity to visit Port of Los Angeles relative to the cranes; and also be able to visit with Matson officials in Hawaii to see their port operations. The Chairman informed the members that the previous travel requests approved by the Board for the General Manager did not take place.

Mrs. Lacson made motion to approve the travel authorization request for the General Manager to participate in the EDA Western Regional Conference, December 9-11, 2008 in Sacramento, California. Motion was seconded by the Vice Chairperson and was unanimously approved.

## VIII. PUBLIC COMMENT

a. **Port Users Group Comment:** None.

b. **General Public Comment:** None.

c. **Employee Comment:** Mr. Santos informed the Board of the passing of Mr. Danny Babauta from the Stevedore division and that the burial will take place this Friday at Mt. Carmel Church in Agat.

The Board was informed of the Port's Thanksgiving luncheon on November 26, 2008 at the Board Conference Room as well as the Port's Christmas Party sponsored by PAGGMA Association on December 7, 2008 at 6:00 p.m., Tasi Ballroom, Nikko Hotel.

**RECESSED:** The members agreed to recess prior to moving into executive session. Meeting recessed at 3:25 p.m.

**RECONVENED:** The meeting reconvened at 3:30 p.m.

### IX. EXECUTIVE SESSION

Items addressed in executive session.

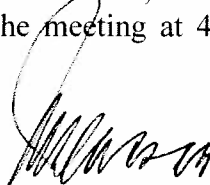
1. Betty Ann D. Baza vs. Port Authority of Guam - Superior Court of Guam Civil Case No. CV0599-07
2. Guam YTK
3. Civil Case No. CV0817-08 Mariana Express Lines and M/V Ratstor
4. Port Management

Mrs. Lacson made motion to approve the settlement agreement of Betty Ann D. Baza, Superior Court, Civil Case No. CV0599-07, seconded by the Vice Chairperson. Motion was unanimously approved.

Before adjournment, the Chairman announced that the next Board meeting will take place on December 18 as the regular meeting date falls on Christmas Day. There were no objections.

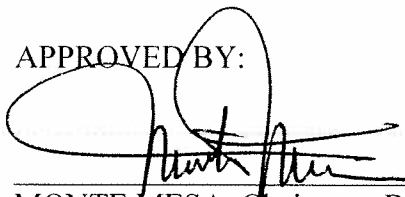
### X. ADJOURNMENT

There being no further business to discuss, it was moved by the Vice Chairperson and seconded by Mrs. Lacson to adjourn the meeting at 4:05 p.m. The motion was unanimously passed.



MARILOU LACSON, Board Secretary, Board of Directors

APPROVED BY:



MONTE MESA, Chairman, Board of Directors

