

**PORT AUTHORITY OF GUAM
ATURIDAT I PUETTON GUAHAN
Jose D. Leon Guerrero Commercial Port
GOVERNMENT OF GUAM**

1026 Cabras Highway, Suite 201
Piti, Guam 96925



Telephone: (671) 477-5931/35

(671) 477-2683/85

Facsimile: (671) 477-2689/4445

Webpage: www.portofguam.com

FELIX P. CAMACHO
Governor of Guam

MICHAEL W. CRUZ
Lieutenant Governor

**MINUTES OF THE
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, August 27, 2009**

I. CALL TO ORDER

There being a quorum, the regular meeting of the Board of Directors was called to order at 5:05 p.m., Thursday, August 27, 2009. Present at the meeting were:

Monte Mesa, Chairman
Jovyna Lujan, Vice Chairperson
Marilou Lacson, Board Secretary
William Beery, Member
Glenn A. Leon Guerrero, General Manager
Enrique J.S. Agustin, Deputy General Manager
Atty. Rebecca Santo Tomas, Co-Counsel

Absent were member Joseph Camacho. Also present were Lea Santos-Senator James Espaldon's office; Atty. Anita Arriola-Law office; Mohamed Jin-TriStar; John Dennett-Agility/TriStar; Bertha Lizama-Calvo's Insurance; Alan Searle-Port Compensation Study Consultant; Jay Sunga-Senator Tom Ada's office; Hugh Healey-Horizon Lines; Atty. Joyce Tang-Law office; AON Risk Services-Chad Karasaki, Marcus Kim; AM Insurance-Trisha Granillo/AnnMarie Muna and Port Management staff.

II. APPROVAL OF MINUTES

a. **July 23, 2009:** Before the approval of minutes, the Chairman made the following corrections: Page 2, item a, second paragraph – should reflect \$100M and not \$106M. Page 5, second line – should reflect 'Ms.' and not 'Mr.'

Without further corrections made, the Vice Chairperson made a motion to approve the minutes of July 23, 2009 subject to correction. The motion was seconded by Mrs. Lacson and was unanimously passed.

III. CHAIRMAN'S REPORT

1. Master Plan Presentation – Thanked the Port management and staff for coordinating the Master Plan presentations to the different business, civic and community organizations. Positive responses from all the presentations were received.

2. Public Outreach Program – Ensure that all task orders executed are done properly, especially with the website. Propose to change the name to ‘Port of Guam Improvement Enterprise Program’. The General Manager mentioned that management will come up with other suggestions as there may be certain criteria that need to be followed.

IV. GENERAL MANAGER’S REPORT

The General Manager said all direct loan documents have been submitted to USDA that is in the process of reviewing the Port’s application for \$25M and will be conducting its own NEPA studies. Both USDA loan guarantee at \$25M and direct loan at \$25M are expected to receive favorable approval and are connected to the DOT Tiger grant approval. Tiger Grant draft application for \$50M is currently under internal review. The Joint Guam Program Office has taken a proactive role and are organizing support from USDA, MARAD and other organizations who are supporting this request. Submission deadline is September 15, 2009 with award expected by December/January timeframe.

With respect to Strategic Port Designation, the General Manager said SDDC, MARAD and the USCG conducted a port assessment on August 3-4, 2009 to determine if the Port can qualify for this designation. The team is awaiting JGPO load-out requirements to determine adequacy of the port. Expect recommendation to be completed no later than six months.

V. COMMUNICATIONS

1. List–Federal Grant & Local Funding Programs: For Board’s information.
2. AAPA-Marine Terminal Management Training Program, September 21-24, 2009, Long Beach, CA: Mrs. Lacson made a motion to approve travel accommodations for two Port personnel to attend the AAPA 21st Annual Marine Terminal Management Training Program on September 21-24, 2009, Long Beach, California, seconded by the Vice Chairperson. Motion was unanimously approved.
3. AAPA-2009 Annual Convention, October 25-29, 2009, Galveston, TX: The Vice Chairperson made motion to approve travel accommodations for two people to attend the AAPA 2009 Annual Convention on October 25-29, 2009, Galveston, Texas, seconded by Mrs. Lacson. Motion was unanimously approved.

VI. REPORTS

a. Insurance Reports: Ms. AnnMarie Muna-AM Insurance provided the July 2009 insurance report for Board’s information. As mentioned in the previous meeting relative to the construction project insurance coverage for the ports modernization efforts, she mentioned that there are representatives present from Hawaii AON Risk Services; and Calvo’s Insurance to provide the Board a better understanding of what the Owner’s Controlled Insurance Program (OCIPs) Wrap-Up Insurance Consolidated Insurance Programs (CIPs) entails. The Chairman

made note for the record that there is no implied obligation on this presentation for the Port to purchase or consider this program, unless otherwise directed by this Board.

At this time, the Board recognized the presence of Messrs. Marcus Kim and Chad Karasaki of AON Insurance and Ms. Bertha Lizama of Calvo's Insurance. Both companies presented a brief overview of the Wrap Up Insurance Program.

After the presentation, the members agreed to entertain items under old business.

VII. OLD BUSINESS

a. **Ratification – Approval of Task Orders:** The General Manager said the task orders presented have been vetted by the designated committees and notice to proceed was issued to the Owner's Agent/Engineer which is now before the Board for ratification. The General Manager added that one other task order (TO 8-1) was for purposes of PBI consultants travel and presentation to the Legislature on the Master Plan scheduled on August 25, 2009. The consultants were on island for this purpose, however it was later learned that the Legislature had rescheduled the hearing for September 8, 2009. The task orders include: 2A, 8, 8-1, 23, 25 and 27. The Chairman asked whether federal funds are secured for these task orders. The General Manager replied positively, with the exception of TO-8 at this time.

The Vice Chairperson made motion to ratify the following Owner's Agent/Engineer Task Orders:

- Task Order No. 2A – Participation in Industry Forum
- Task Order No. 8 – Master Plan Approval Documents
- Task Order No. 8-1 – Master Plan Approval Documents
- Task Order No. 23 – Topographic Survey
- Task Order No. 25 – Trip & Services for PAG July 2009 Meetings in DC
- Task Order No. 27 – NEPA Categorical Exclusion Documentation

Motion was seconded by Mrs. Lacson and was unanimously approved.

b. **Public Law 30-43: Compensation & Benefits Adjustments-List/Financial Plan; Board Resolution No. 09-06 – Compensation & Classification Plan:** Pursuant to Public Law 30-43, Mrs. Lacson said the General Manager had complied with identifying and listing by title, the position description and starting pay range of classified positions utilized by the Port; posting of the compiled information on the ports website for employee review and comment. The consultant has completed its review of the appeals and adjustments were made accordingly. The resolution on compensation and classification plan is being presented for Board approval.

Mrs. Lacson made motion to approve Resolution No. 09-06 relative to approving and adopting the Jose D. Leon Guerrero Commercial Port Compensation and Classification Plan for Maritime Related Positions Unique to Port Operations and Certified, Technical and Professional

Positions conducted by Alan Searle & Associates as required by Public Law 30-43. Motion was seconded by the Vice Chairperson and was unanimously approved.

As directed at the previous meeting, Mrs. Lacson mentioned that there were five town hall meetings with port employees that included discussions on the compensation study. Concerns raised were longevity and seniority on why it was not considered and implementation of the compensation study.

She also reported that the Request for Proposal for Labor Relations Negotiator Services has been issued. The recruitment process of the Procurement & Supply Manager position has been completed and is currently being reviewed by the General Manager. Position is expected to be filled by next month.

c. **Shell Assignment-Pipeline Easements and F-1 Management Agreements:**
Mr. Jojo B. Guevara, Financial Affairs Controller said the Shell assignment of pipeline easements and F-1 management agreements to TriStar was presented before the Finance committee. The committee recommended that because TriStar is relatively a new company without credit history the Port will require a performance bond from the parent company Agility or a letter of credit that would secure TriStar's performance. This would be based on 50% or half year's worth of annual revenue the Port currently receives from Shell which brings to an estimated amount of \$250K for performance bond or letter of credit. Secondly, the contract agreement indicates the transfer should not be an affiliate of Shell. Also, the new space rate should apply to the lease of the property or the market rate should apply to this transfer. The Chairman asked whether the committee was able to address third party use as this is a significant use of the property. Mr. Guevara replied negatively.

At this time, the members recognized the presence of Attorney Anita Arriola, counsel to TriStar. Attorney Arriola thanked the members and said having heard the recommendations, she believed the requirement of a performance bond or letter of credit is reasonable and fair as well as the open space lease requirement. She understands that pursuant to Public Law 30-19, the Board shall set lease rates at a 10% increase or the assess value, whichever is greater. On the matter of third party use, she requested for more information. The Chairman said the Port will be faced with challenges on the impending military buildup, which means that the supply for cement is critical to adequately supply material for the military construction projects. Therefore, the Port has to have the ability to accommodate cement operations. Attorney Arriola asked whether this arrangement will be in a form of a plant having to be built or just providing access. The Chairman replied positively to provide access and the ability to have the shipping or the concrete company be able to safely unload the cement through the pier and the adjacent property. TriStar could establish safety rules for compliance of the respective cement company to ensure the safety discharge of cement through the pier. She expressed concern that the use of F-1 is for fuel transportation/distribution and if allowed to provide access for cement distribution would heavily impact their operation. She recalled that the master plan does not stipulate any language that allows for that kind of use of F-1, but believes specifically that it represents current and future fuel distribution. If the area is affected in any way in terms of its access by allowing third part use, could potentially choke off the distribution and transportation of fuel. Secondly, safety

and security is an utmost concern as TriStar want to remain responsible partners, and would also want to be responsible corporate citizens here on Guam. She said authority was not provided to agree to this kind of requirement for cement distribution, and will discuss this matter further with her client. She did however; suggest that a feasibility study be conducted on whether the uses are compatible for that type of zoning for a cement operation to in fact co-exist next to a fueling company. The Chairman shared that the Port currently has the same arrangement with Mobil at another pier. He expressed the desire is to maximize all port pier space as the activity and volume is going to increase. It is incumbent upon the Board to ensure the wharf space has the flexibility to accommodate the cargo contemplated, and specifically to that product line because it is crucial to the development of what the Department of Defense requirements are. The Chairman pointed out that the parameters are set and that this will be a condition on the assignment of approval that has to be met. Attorney Arriola asked whether the Board has a timeline for TriStar to submit its proposal on how to accommodate this arrangement. The Chairman said that depends on how soon TriStar would like for the Board to approve this assignment.

At this time, TriStar continued to address the concern of cement operation, such as frequency distribution; ship unloading; number of vessels anticipated, period of time using F-1; traffic and congestion in the area during high peaks; interface to ships. The Chairman said these are valid points raised and can easily be addressed, one of which is the vessel arrival schedule where priority would be petroleum and the cement company will schedule their vessel arrivals around the petroleum schedule. On the concern of the use of the pier, the cement company will be providing a separate pipeline. Scheduling and discharge should not be an issue. TriStar should come up with parameters and address the safety concerns to ensure that it does not have any mitigating circumstances. The Chairman said management will work to getting the feasibility assessment done.

Attorney Arriola requested for conditional approval as the company would like to take over the Agat facility as quickly as possible.

The Vice Chairperson made motion to authorize conditional approval on the assignment from Shell to TriStar with the following conditions: 1) TriStar submit a bond in the amount of \$250K or a letter of credit; 2) open space rate would be at the appraised value or at Port's current open rate, whichever is greater; and 3) providing third party use/access for cement operations. Motion was seconded by Mrs. Lacson and was unanimously approved.

d. **Draft Resolution on Reversionary Clause on Quit Claim Deeds:** Mrs. Vivian C. Leon, Corporate Services Manager said discussions were held on the Legislature's inquiry on ancestral lands as it relates to the port modernization. In support of this, she mentioned that there is a proposed bill (Bill No. 218-30) that transfers properties under the jurisdiction of the Port to the jurisdiction of the Guam Ancestral Lands Commission. As such, Board approval is being requested to approve the resolution on the reversionary clause on quit claim deeds.

The Chairman asked whether the parcels and lots indicated on the bill was verified by the Port to ensure that it is indeed ancestral lands and would not affect the modernization of the port.

Mrs. Leon said the ancestral land area that would be transferred has been identified to be preserved area and there is limited use and development of those areas. The Vice Chairperson recalled that PBI consultants were to look into those lots to determine whether there was a need of those properties. The Chairman said that is a different area. The ancestral land area is basically wetland area which is further out by Sasa River. The General Manager said the ancestral lands was not addressed on the master plan, but was just identified as open space.

Mrs. Lacson made motion to approve resolution relative to requesting the Governor of Guam and 30th Guam Legislature to solicit the assistance of Guam's Delegate to the United States Congress to introduce a bill to amend Section 818 of U.S. Public Law 96-418, as amended, 1980, relative to lifting a certain condition within the provisions of the Quit Claim Deed. Motion was seconded by the Vice Chairperson and was unanimously approved.

Referring back to items under Reports.

VI. REPORTS (cont.)

b. **Operations Productivity Report:** Mr. John B. Santos, Operations Manager presented the July 2009 operations report and briefly reported the following:

- Domestic Vessel Recap - Horizon and Matson combined totaled 4,558 container lifts. Horizon had a total of four vessel calls averaging 20.5 gmph versus Matson with four vessel calls averaging 19.6 gmph.
- Inbound (Discharged) Containers – Horizon at 945 containers for July; and 1,355 for Matson same period.
- Container Count Comparison – Operations moved a combined total of 7,227 container lifts versus last year same period at a total of 8,434 container lifts.
- Import Local and Military Containers (TEU's) – Both Matson and Horizon imported a combined total of 3,215.4 TEU's for local and 1,069.4 TEU's for the military.
- Mobile Harbor Crane Log – The MHC was used against vessel Pacific Harmony, totaling 11.5 hours in operation.

Labor Day Picnic

As president of PAGGMA Association, Mr. Santos announced that the Labor Day Picnic will be held on Sunday, September 6, 2009 at 10:30am, Ypao Beach. The tent will be located directly behind GVB. Activities will be held, such as tug-o-war and dance contest. He encouraged everyone to attend.

c. **Marina Report:** As directed at the previous meeting, presented before the Board is the top 10 priorities on maintenance of the Hagatna and Agat Marina. Commercial staff will be working with Maintenance Division in assessing costs associated with the maintenance work.

The Chairman asked the status of Department of Agriculture, specifically the replacement of a dock at the Agat marina. Mrs. Leon said bid conference was held last week and site tour with the prospective bidder and bid submission deadline of proposal is slated at the end of this month.

On a related matter, Mrs. Leon said staff had prepared a revenue generating proposal that involves: diving permits, fishing permits, family beach use, port beach use, and other services rendered by Commercial staff, such as bailing of water from tenants and relocation of boats for preventive measures. The proposal will be forwarded to the Finance committee for review.

d. **Safety Report:** Mr. Frank Roberto, Safety Administrator reported the following:

1. **Safety Equipment** – Safety Shoes: finalizing acquisition of 194 safety shoes, expected to be delivered second week of September 2009; safety vest has been issued to employees with 95 remaining in stock; and there are 34 safety hats in stock.

2. **Personal Injuries/Industrial Accidents** – currently there are 4 recordable injuries which means that employees injured on the job received medical treatment at Guam Memorial Hospital. The Port has worked 239 days without any lost-time injuries.

The Chairman reminded management that for any personal injuries/industrial accidents be forwarded to AM Insurance for recording and notification purposes in the event claims are ensued later in the future.

Committee Reports:

a. **Finance Committee:** The financial report for the month of July 2009 was provided to the Board for information.

Mr. Guevara said the Finance committee addressed the following matters:

1. **Teker Invoice:** Teker & Torres law office invoice services on Shell pipeline, management has received certification from the Attorney General's office. It is recommended that the amount of \$12,046.00 be paid to the respective law firm. The Vice Chairperson made motion to approve the final legal fees payment of \$12,046.00 to the law office of Teker & Torres on services rendered on Shell pipeline as certified by the Attorney General's office, seconded by Mrs. Lacson. Motion was unanimously approved.

2. **Air-Conditioning Units-Admin Building:** A request was made to purchase main air-conditioning units for the first and second floor of the port admin building which was agreed upon by the Finance committee. The Vice Chairperson made motion to authorize management to proceed with the replacement of air-conditioning units for the Port Administration Building, seconded by Mrs. Lacson and was unanimously approved.

b. **Maintenance/Equipment Committee:** Mr. Ernie Candoleta, Maintenance Manager provided the July 2009 Cargo Handling Equipment Maintenance/Repair Cost Report which outlines the equipment, downtime, discrepancies, corrective action, work order and parts/labor cost. Mr. Candoleta said the OSHA inspection for the cargo handling equipment is scheduled the week of September 21, 2009. Also, PACECO conducted an assessment on retrofitting/refurbishing of Gantry 2 and will provide a report to the General Manager's office once it's completed.

c. **Human Resources Committee:** (Item addressed under old business.)

d. **Property Leasing/Port Development Committee:** Mrs. Leon presented the Board with an update on property-related items.

1. **New Shell Easement Request** – Shell Guam is requesting Port consideration in providing them with a new easement lease for the 2x8" pipelines from F-1 dock to the SPPC tie-in point and the 1x8" pipeline from the SPPC tie-in point to the F-3 area. It is being recommended that management proceed with negotiation with Shell on this matter.

The Vice Chairperson made motion to authorize management to proceed with the negotiation with Shell on the new pipeline easement lease, seconded by Mrs. Lacson. Motion was unanimously approved.

2. **F-3 Lease** – Legal Counsel has opined that a Notice of Availability be issued with a statement that the tank and bunkering pits are assets of Shell to determine if there are interests in the lease of the property by other prospective offerors, knowing of this information. It is being requested for management to issue the notice for F-3.

The Vice Chairperson made motion to authorize management to issue the Notice of Availability for F-3 with the statement that the tank and bunkering pits are assets of Shell, seconded by Mrs. Lacson. Motion was unanimously approved.

3. **Mobil Pipeline Easement** – Management has expressed its desire to replace such assets and is therefore being requested to proceed forward to determine whether this is feasible. The Vice Chairperson recalled that Mobil was to replace the pipeline easements. The Chairman said there was a change in strategy on the part of Mobil which resulted in an unsigned contract agreement. If the Port were to invest in replacing the pipelines, it would realize the full benefit of the throughput charges as oppose to rate reductions initially arranged with Mobil. The Vice Chairperson made motion to authorize management to conduct an analysis in determining whether it is feasible for the Port at its own cost to replace the Mobil pipeline easement, seconded by Mrs. Lacson. Motion was unanimously approved.

e. **Procurement Advisory Committee:** The Vice Chairperson said the committee met on August 20, 2009 and had discussed the following:

1. PMC Status & PAG modernization conference – Discussions were held at length to determine whether the Port should hold a conference regarding the PMC. The conference would be a venue to obtain ideas from prospective offerors. It was agreed that further discussion be held when Mr. Don Griggs, PBI consultant arrive on island. The Chairperson added that a meeting was held via conference call this morning with Messrs. Jeff Peck and Don Griggs, PBI consultants and generally agreed that rather than proceed with a PMC conference, the consultants will plan to issue an RFI to conduct and satisfy the diligent work on the discussions on the Port's contract for a PMC. Secondly, the PMT is scheduled to be announced in November 2009 for the kick-off activities and possible visits from Department of Transportation to announce that launch. Lastly, will be arranging appointments to understand the Guam First Commission on the Military Build-up on their plans to hold a conference in November 2009 and see if by that time the attendees for that conference will be on island to attend a bid conference for the PMC contract. The target date to issue an RFP-PMC is November 2009 with ratification scheduled no later than April 2010. Mrs. Leon said the PMC team consists of Port, PBI, and MARAD and a staff representative of Senator Tom Ada's office. The evaluation team is comprised of five Port staff (General Manager or Deputy General Manager, Corporate Services Manager, Operations Manager, Maintenance Manager, Financial Affairs Controller and two Procurement Advisory Committee members (Andy Wahl and Jean Arriola).

2. Risk Management Insurance (RFP) – The evaluation committee will re-assess the risk management RFP and will be holding discussions with the Port's insurance broker to determine whether there will be a duplication of services. The Chairman said there is a clear difference on the service. Currently, the arrangement with the Port and its broker is that the broker provides for both services which is not appropriate. Normally, the broker is subject to the financial interest in their ability to provide the best insurance coverage; and the risk management looks to ensure the value and the coverage suits the Port's needs, but more importantly, the risk management looks into the potential liabilities, such as with construction, materials and other port related activities. It was agreed to further discuss this matter further with the Chairman.

3. Port Procurement Delegation Authority, Staffing – Staff conducted interviews for the Procurement & Supply Manager position. The recommendation was submitted to the General Manager for approval. Target date of filling position is first week of September 2009.

4. Port Master Plan – The master plan update hearing before the Legislature is slated for September 8, 2009.

Mrs. Leon said there is a proposed bill (Bill No. 220-30) before the Legislature that amends 5GCA Section 5150 relative to the duties of the Attorney General in procurement oversight and advisement and reviewing all bids and invitations for bids for over \$200K and shall participate in the process of awarding any bid over \$200K. The Chairman said based on his review of the procurement process, it appears there are no prohibition on including in the request for proposals a provision relative to protest requiring those that file a protest shall provide a bond depending on the value of the project. He mentioned that the Port will be engaging in projects

with critical timelines as it moves forward with the modernization and by incorporating this prohibition will deter [frivolous] protest.

Mrs. Lacson made motion to authorize management to research the legality of incorporating a provision in the request for proposal that when filing a protest, the offeror shall be required to submit a bond proportionate to the value of the project; and if legally appropriate, management is to implement this requirement. The motion was seconded by the Vice Chairperson and was unanimously approved.

With respect to the proposed bill, the Vice Chairperson mentioned that this is an opportunity for the Port to obtain its procurement delegation authority given the new legislation policy on procurement. She said the Port would speak to its existing predicament surrounding procurement authority and processes, especially since the Port would be engaging in a massive modernization project which will be encompassing. The Vice Chairperson expressed that the Port needs to be poised to acquire its goods and services when necessary without delay and interruption, especially during the times of the military buildup. The Chairman said the advisory committee could engage in on what they feel is appropriate concerning this bill.

VII. NEW BUSINESS

No new business discussed.

IX. PUBLIC COMMENT

- a. **Port Users Group Comment:** None.
- b. **General Public Comment:** The Deputy General Manager informed the Board about the situation with Katarina Vessel having contaminants on board its vessel. Parties involved included the Port, USCG, GEPA, Agriculture, Customs, Ships Agent, Ships Owner and other companies that assisted in mitigating the process. Nothing has been discharged from the ship, the environment has not been impacted and no one has been injured. The vessel is currently docked at F6 for further sampling. He said based on the existing circumstance of inclement weather there were safety concerns if such vessel was placed at anchorage unattended as the requirement is for all personnel to abandon ship. As a result, it was decided that in order to have full control of the vessel that it be tied up at the pier. The Chairman said based on lessons learned that the Port does not compromise its safety zone and ensure all clearances are made before port of entry. The Deputy General Manager mentioned that all regulatory agencies are provided with a checklist that must be adhered to prior to port of entry.

- c. **Employee Comment:** None.

X. EXECUTIVE SESSION

RECESSED: The members agreed to recess prior to moving into executive session. Meeting recessed at 7:45 p.m.

RECONVENED: The meeting reconvened at 7:50 p.m.

At this time, the members agreed to go into executive session. Present were the Chairman, Vice Chairperson, Member Lacson, Member Beery, General Manager, Deputy General Manager, Co-Counsel and Mr. Alan Searle.

The following information was inadvertently discussed during executive session and is hereby being published as part of the minutes of the regular meeting.

Compensation & Benefits Study

The Chairman asked what documents which cover the 10th market percentile the Port will be submitting to the Legislature for approval. The General Manager said the consultant provided the final report which is before the Board and includes the position list, new pay schedule, costing to 10th market percentile, job evaluation results, market percentiles, regression analysis, implementation criteria and implementation range. He said discussions were held with the Finance committee on the financial plan to fund the compensation benefits adjustments. There were different options presented with respect to what market percentile is affordable, although still targeting the 10th percentile. He mentioned that he is not able at this time to present a budget plan to support the compensation adjustment and will regroup with management on this matter and present recommendation to the Board at a regular or special Board meeting.

The Chairman recalled there were several reports provided to the members which include: Position Classification, Compensation & Benefits Study Stage 1, Stage 2, Stage 3; and Report to Board and reiterated whether this final report being presented now is the only document that will be submitted to the Legislature. Mr. Searle replied positively and said the final report basically outlines what is required in Public Law 30-43. Mrs. Lacson explained that from what she gathered, the legislative public hearing on the compensation & benefits study and personnel rules & regulations was held on June 18, 2009. Testimonies were presented to include all employees/positions and not just those of maritime positions or CTP positions. On July 2, 2009, Bill No. 142 was heard before the Legislature and received legislative passage with the exclusion of appendixes A (List of Positions) and B (Pay Schedule) of the personnel rules & regulations; now Public Law 30-43. She mentioned that the final report presented today encompasses the list of positions, new pay schedule, costing to 10th market percentile and so forth responding to the requirements of Public Law 30-43.

With respect to the financial plan, the General Manager presented an option in that the Board can adopt the 10th market percentile subject to management finding the funds to support the compensation adjustment. The Vice Chairperson recalled that the total compensation amounted to \$2.2M. The Chairman said that has since changed by including all positions which would now amount to \$2.4M. He cautioned the members that while in executive session, salaries are prohibited from discussion and advised to go back into regular session. He mentioned that the purpose of meeting in executive session is to clarify and confirm what will be presented before the Legislature, which has been established.

At this time, the Chairman asked for a motion to adjourn the executive session. Mrs. Lacson said before adjourning executive session, she reminded the Chairman about his concerns on the evaluation process. The Chairman then asked with regard to management evaluation in terms of performance, education and experience, asked how the managers were addressed. Mr. Searle said the implementation criteria consist of performance – 56% at 9 maximum points; education/qualifications – 25% at 4 maximum points and experience – 19% at 3 maximum points. He mentioned that the performance criteria are based on the employees' last three performance appraisals. The Chairman expressed concern about the recent newspaper article illustrating what the port managers were making and asked how they arrived at those figures. Mr. Searle said he too is aware of such article in how it claimed that management was receiving preferential treatment over the employees. He confirmed that is not an accurate statement nor is it true and pointed out that the study was performed fairly with the same methodology and criteria for all positions. At this time, he explained to the Board how the regression analysis is applied that covers the current base salary regression of all positions versus market percentiles of US Ports involving job evaluation points. As further discussion ensued on the job evaluation points, the Chairman interjected and pointed out that the discussions are going beyond the scope of executive session. He called for a motion to adjourn executive session. Motion to adjourn executive session was made by Mrs. Lacson, and seconded by the Vice Chairperson. Motion was unanimously approved. Executive session ended at 8:05 p.m.

The members return in regular session.

Mr. Searle continued with the aggression analysis discussion and said it is the key component of any compensation study as it provides the data in terms of the job evaluation points, and it establishes the market data. It clearly shows on the chart that the Port's current base salary pay line is generally below current market which places the port in a vulnerable position in terms of its ability to attract and retain employees. The proposal being presented is the initial adjustment to move the ports compensation forward to initially the 10th market percentile. The Chairman said based on the regression analysis chart, how is management identified with respect to the job evaluation points. Mr. Searle referred the members to Appendix C: Table 1 which shows the 12 factors applied to all positions, which include education, experience, complexity, scope of work, problem solving, supervision received, work environment, physical demand, disciplinary decisions, HR skill/contact, authority exercised, supervisory & managerial responsibility. He said it's important to note that when conducting the evaluation exercise it's based on the position, for example, the General Manager's job evaluation score totals 1749. The Chairman asked for the final analysis of the management team. Mr. Searle referred the members to Appendix C: Table 2 which shows the market percentiles from the 5th through the 95th on all positions. He noted that even moving to the 10th market percentile, 90 percent of the market is still paying more than the Port. The Chairman clarified that based on the table under the 10th market percentile, whether that would be the base salary for all positions. Mr. Searle replied positively, and referred the Board to Appendix C: Table 4 that determines the implementation ranges at the 10th market percentile which he then demonstrated and explained the method in which those numbers were derived.

At this time, Mr. Searle referred the members to Appendix B: Table 1 that shows the proposed pay schedule. He said this plan is similar to the hay plan in a sense that it has Steps 1-20 and Grades A-Z, and mentioned that what separates the two plans is that the compensation study has 6 Sub-Steps. He then explained to the members how to use the pay schedule involving the process of the implementation criteria on the performance, education, experience; and determining the implementation range. In reference to Appendix B: Table 2, Structural Adjustment Cost to the 10th market percentile, Mr. Searle said there are 237 employees or 69.5% below the market percentile and to place them on the 10th percentile will cost \$1.8M. Those employees above the market percentiles are 104 or 30.5% which will cost \$18K; totaling \$1,853,492. Based on this, the current compensation plus benefits totals \$14.9; and the structural adjustment to the 10th market percentile plus benefits is \$2.4M; totaling a new compensation with benefits at \$17.3M; or a 13.9% increase.

The Chairman asked whether the gray area is the recommended salary in Appendix C: Table 4. Mr. Searle responded it determines the value to be applied on the pay schedule. The Chairman said supposing the 10th market percentile was implemented, what would be the next salary adjustment on the employee's next performance evaluation. Mr. Searle said GPA and GWA planned to implement up to the 50th market percentile over a 5 year period, starting with 5, 15, 25, 35 and 50. He said there are different options the Port can pursue. He recommended that the next adjustment be on performance base. The Chairman clarified that in starting with the 10th market percentile, then next year the Port is able to financially support the 15% percentile, would an evaluation be performed. Mr. Searle mentioned that to move forward with the next market percentile a recalculation of the implementation range need to be made. This is a simple recalculation that can be performed by HR personnel. The Chairman reiterated that in using the General Manager position as an example, the 10th market percentile has already been established and come time next year the performance evaluation is conducted, what would then be the next salary adjustment for the General Manager position. The Chairman expressed that this is a complicated plan and it needs to be explained in simplified terms. Mr. Searle said if the question being posed is on the percentile adjustment, say to the 15th market percentile, then the existing pay schedule cannot be used because the data application is for the 10th market percentile. This will not require another consulting contract as HR personnel will be able to make the adjustments accordingly.

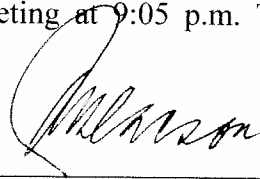
After some discussion, the Chairman understood that the adjustments from the 5th to 95th market percentile have been presented, and would still like to award the employees based on their performance, so the question being posed is that the 10th market percentile may be what can be afforded at this time, and having said that, how would the employees be awarded based on their performance score for next year. Mr. Searle said this is a two step process – HR will recalculate the implementation range based on percentile adjustment that is desired. The Chairman interrupted and reiterated that based on next year should the Port not be able to apply the 15th market percentile, but based on performance on every employee that has been evaluated annually and they score a particular point, then they have the ability to move up from that 10th percentile on whatever sub-step it is – what will be the new salary adjustment. Mr. Searle said if an employee gets a 3 out of a possible 6, then they would move up 3 sub-steps and so forth. After further discussion, and clarification, the previous reports initially provided to the members

will also be transmitted to the Legislature. These reports include: Position Classification, Compensation & Benefits Study Stage 1, Stage 2, Stage 3; Report to Board; and Final Compensation and Benefits Result.

The Chairman advised management to ensure the division heads understands the application of the compensation and benefits study as this is a complicated program.

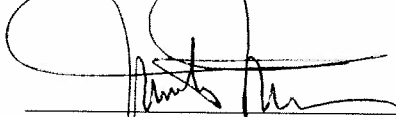
XI. ADJOURNMENT

There being no further business to discuss, it was moved by Mrs. Lacson and seconded by the Vice Chairperson to adjourn the meeting at 9:05 p.m. The motion was unanimously passed.



MARILOU LACSON, Board Secretary, Board of Directors

APPROVED BY:



MONTE MESA, Chairman, Board of Directors

NO CONNECTIONS NOTED

