



**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, January 22, 2009**

I. CALL TO ORDER

There being a quorum, the regular meeting of the Board of Directors was called to order at 2:05 p.m., Thursday, January 22, 2009. 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. Rebecca Santo Tomas, Co-Counsel

Also present were AnnMarie Muna/Tricia Granillo-AM Insurance, Lea Santos-Guam Legislature, Alfred Leon Guerrero, Rick Agustin-Horizon Lines, Len Isotoff-Matson, Alan Searle-Port Consultant (Compensation & Benefits Study) and Port Management staff.

II. APPROVAL OF MINUTES

- a. **December 18, 2008**: Before the approval of minutes, corrections were made to the following:
 1. Chairmans Report: Clarify that further amendment was made to MARAD-PMT submission deadline.
 2. Executive Sessions: Indicate on minutes the time end on executive session and note that Board members resumed to regular session.
 3. Motions on Executive Sessions: Clarify motion.

There being nothing further, the Vice Chairperson made a motion to approve the minutes of December 18, 2008 subject to correction. The motion was seconded by Mr. Camacho and was unanimously passed. Corrections are reflected on the December 18, 2008 minutes.

III. CHAIRMAN’S REPORT – None.

IV. GENERAL MANAGER’S REPORT

1. MARAD-PMT – A Pre-Proposal Conference for the Program Management Team was conducted by MARAD on January 8, 2009 that was well represented by interested

companies. Proposals are due January 27, 2009 and an Oral Presentation is scheduled first week of February at MARAD's office in Washington, DC. The Maritime Administration anticipates making its selection early March and finalizing a contract with a PMT by first week of April.

2. OAE-RFP – Evaluation Committee is currently undergoing cost negotiations and expects a contract finalized this week. First task order for the consultant is to complete the implementation plan by April 2009.

3. PAG Funding - Stimulus Package – Governor Camacho and Congresswoman Bordallo had requested through Congress to fund the ports “Shovel Ready” projects on the upcoming stimulus package that is expected to be deliberated next month. Additionally, MARAD has asked for an earmark through Department of Transportation over \$80 million and if successful, MARAD intends on directing those funds towards the PMT project.

4. EDA Funding – Final application was sent first week of January 2009 which is currently under review by EDA. Anticipate approval and funding by May – June timeframe. Port is in the process of asking EDA whether the Port matching funds can be utilized prior to the award in order to keep the port modernization momentum moving forward.

5. Senate Committee Meetings – Several Senate Committee meetings held in Washington DC have been arranged with the Governor and Chief of Staff. Meetings are scheduled for February 19 thru 26. The goal is to continue to receive earmarks on an annual basis to promptly fund the port modernization.

6. Port Security Grants – The Port is in the process of applying for a \$4.9 million security project from the Department of Homeland Security. This is a 3 year project with a \$0.8 million matching fund. The Port was granted a waiver of \$0.2 million and is pursuing to request that the remaining matching funds be waived as part of the port modernization.

7. POLA Cranes – The three refurbished POLA Cranes are en-route to Guam. The voyage began early January 2009 and is expected to arrive second week of February.

8. Performance Management Contract (PMC) – Through several draft reviews and collaborative efforts of the Procurement Committee, Legal Counsel, PMC Committee and management in preparing the RFI, the final version is now with GSA for publication to local media, port website as well as industry medias, such as AAPA and APP Associations to ensure a wide distribution.

9. ExxonMobil Pipeline - Currently negotiating new pipeline replacement project with ExxonMobil connecting Golf Pier to Area A. A meeting has been scheduled for tomorrow to further discuss this matter for hopeful ratification by the Board at its next meeting.

10. Labor Negotiations – An RFP was re-issued due to a conflict of interest with the lone bidder. The re-issued RFP is with GSA since last Friday. Expect advertisement to be made this week.

The Vice Chairperson said on the meetings with the Senate Committee, suggested to present in written form that reinstates and speaks directly to the Ports situation. Making the strong statement that if these federal funds are not approved, the Port will not be sufficiently funded to meet the requirements of the military buildup. She proposed also that perhaps a message be put together by the Port Users, other community advocates, and the Legislature that supports the ports efforts.

V. REPORTS

a. **Insurance Reports:** Ms. AnnMarie, AM Insurance provided the December 2008 insurance reports and briefly reported the claim developments for the Marine Package (Property & Liability) Insurance.

- Betty A. Baza (DOI: 5/24/06) – Alleged slip and fall on Port property. London Underwriters request that once release is approved by the Port, a settlement check be issued and confirmation be provided to Underwriters in order to close this file.
- Horizon Lines (DOI: 3/25/08) – Involving a 40’ container that fell on top of a 20’ container while being offloaded from vessel. Deep Marine Technology paid \$25 claim fee to Port.
- Matson (DOI: 5/9/07) – Seeks reimbursement of \$20,050 for damages to a rocket cradle during loading. Claims Adjuster issued report acknowledging receipt of payment by Matson to the consignee. Request made to Underwriters for approval of payment less the \$15,000 deductible.
- Marianas Express Lines (DOI: 12/19/06) – Alleged damage of cell guide on Ratstor vessel. Initially the Port was handling this issue because the original claim was \$7,418.96, below deductible amount. However, an amended complaint dated 11/26/08 received by PAG requesting for monetary costs of \$66,153.46. There may be an issue with regard to notification time.
- Guam JRC Logistics (DOI: 7/30/07) – Damage to an excavator during offloading from vessel. PAG issued a denial letter to JRC. File to be deemed closed.
- Matson Chill Reefer Containers (DOI: 8/20/08) – Rejected by the US Army Food Inspector on Kwajalein for unacceptable temperature levels due to a 10 hour power outage prior to leaving the Port. Report acknowledges that PAG has an agreement in place with all shipping companies stipulating that PAG will not have anything to do with any refrigerator container or the control of its temperature while in the Port. Shipping companies must manage their own containers. File to be deemed closed.
- M/V Islander (DOI: 8/07/08) – Gantry 2 supposedly caused damage to Matson’s ship gear. Report acknowledged an increase in the reserve amount. One of the larger unexpected costs is the shipping cargo involving 54-60 containers valued at over \$100,000. Claims Adjuster will be discussing this further with Matson.
- Kyowa Hibiscus Voyage 95 (DOI: 11/6-7/08) – Damage to a 25 ton truck for alleged improper handling while being discharged from vessel. Estimated amount of damages at \$20,202. Pending results from Accident Review Board.

Directors & Officers Insurance:

- Far East Equipment Co. (DON: 2/15/08) – Underwriters confirmed that Houston Casualty consents to the proposed settlement. Reasonable Defense Costs related to the defense of PAG are considered covered Loss under the policy and is subject to a \$50,000 retention. Underwriters requesting copies of all invoices for audit.

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

- Domestic Vessel Recap - Horizon and Matson combined totaled 5,742 container lifts. Horizon had a total of five vessel calls averaging 18.5 gmph versus Matson with five vessel calls averaging 16.1 gmph.
- Inbound (Discharged) Containers – Horizon at 1,270 containers for December; and 1,679 for Matson same period.
- Container Report – Operations moved a combined total of 8,617 containers lifts versus last year same period at a total of 8,220 container lifts.
- Import Local and Military Containers (TEU's) – Both Matson and Horizon imported a combined total of 3,340.2 TEU's for local and 1,008.8 TEU's for the military.
- Mobile Harbor Crane Log – Deployed to work against Matson, Horizon and Super Shuttle for break bulk cargo handling.

The Chairman asked the status of the tie down project for the POLA Cranes. The General Manager said the tie downs should be complete when the cranes arrive.

Committee Reports:

a. **Finance Committee:** The financial report for the month of December 2008 was provided to the Board for information. The Chairman asked whether the committee will provide recommended financing plan on the financial feasibility study that relates to the Port master plan. Mr. Camacho replied positively.

The Vice Chairperson asked for clarification on the Federal Reimbursements as the budget shows the amount for FY09 at about \$5 million, however year-to-date of federal reimbursements shows \$47,305.00. Mr. Jose B. Guevara, Financial Affairs Controller said projects have been approved and booked, it's now a matter of waiting for the 'notice to proceed' from the federal agencies. Mr. Herman Paulino, Planning division mentioned that there are two Port Security Grants pending the 'notice to proceed' and understands that Department of Homeland Security has a backlog in processing grants. He noted the Port is not the only agency in this situation where federal funding is held up. The General Manager said staff continues to work with DHS on the administrative process in order to get these projects underway.

b. **Maintenance/Equipment Committee:** None.

c. **Human Resources Committee:** Mrs. Lacson reported on the following items.

1. Board Policy No. 09-03 – Performance Evaluation for General Manager – The committee was advised to forward the evaluation forms to the members.

2. Recruitment Above Step-Port Marketing Administrator – The transparency process have been completed with no comments received on the petition to recruit

above the minimum step. It is now being presented for Board approval. Mrs. Lacson made motion to approve the Above-Step Recruitment for Mrs. Bernadette S. Meno to the position of Port Marketing Administrator at a Pay Grade P, Step 10, seconded by the Vice Chairperson. Motion was unanimously approved.

At this time, Mr. Camacho excused himself from the meeting.

3. Board Policy No. 09-04 – Performance Evaluation for Unclassified Positions – The Chairman asked that the performance evaluation for this policy be revised to reflect specifically the Deputy General Manager position. All other unclassified positions will be under the review of management. There were no objections.

4. Compensation & Benefits Study – Proposed Personnel Rules & Regulations – At this time, the members recognized the presence of Mr. Alan Searle, Port Consultant for the Compensation & Benefits Study. Mr. Searle thanked the members and presented the completion of Stage 3-Implementation to the Board. The presentation included: determining implementation ranges; market percentiles; implementation data; proposed pay schedules; current pay schedules; implementation cost; pay policies; overtime/premium payments. Mr. Searle said the Base Salary Structural Adjustments include:

	<u>Base Salary</u>	<u>Total Compensation (Estimated)</u>
5 th Market Percentile:	\$1,342,294	\$2,084,631
10 th Market Percentile:	\$1,644,927	\$2,554,631
15 th Market Percentile:	\$1,966,940	\$3,054,729

The Chairman said in knowing what the figures are, he proposed to forward this to the Finance committee to determine how it will be financed and implemented. The General Manager asked that this be considered at this time and requested for Board approval to pass the compensation study subject to the financial ability to allow management to move forward with the next level which is the Administrative Adjudication Act process. From a financial standpoint, the Finance committee will look at the calendar or fiscal year and decide either to go one quarter or two quarters to come up with some adjustment on costs. Mr. Searle shared that the plan ultimately is to get to the 50th market percentile because to even choose the 10th market percentile, he expressed that it's important to realize that ninety percent of the market will still be paying more. The 50th percentile is the market average.

The Vice Chairperson said the other element which affects the confidence to give employees what their really worth on an annual basis is a corporate performance of the Port. She said that as this goes forward, not only will discussions be on employee performance in certification, qualification and experience, but also how did the Port do this year versus last year and what is the vision for next year or in the next 5 years. That discussion should be taking place between managers and their subordinates. Its difficult to immediately go to an incremental adjustment in the downtime, but if the agency accomplish major objectives that takes care of the long term vision, then there is some measure of rewarding employees for the effort that's been expended.

Mrs. Lacson said in addition to what was presented by Mr. Searle, there is a proposed personnel rules and regulations before the Board that is linked to the compensation & benefits study and is required to go through the adjudication process. The committee also recommends that the market percentile start at the 10th percentile. The General Manager said it is clear there needs to be improvements made to the ports finances and is certain that funds can be found to implement this. He mentioned that he is not advocating one percent over the other, but simply allow management to proceed with the adjudication process. The Vice Chairperson said the question on whether to go with the 5, 10 or 15 market percentile is really a financial question, but as to the process and the approach on how to implement the objective of the study is sound and is comfortable with it. She mentioned that she would like to hear back from the HR committee on how to deal with the post implementation scenario and how to integrate this evaluation system relative to corporate factors, departmental team performance, and the Port as a corporation, which are very important elements.

The General Manager suggested that in order to move this forward with the adjudication process, that the Board approve a target market percentile subject to financial availability. He mentioned that the Finance committee is scheduled to meet tomorrow. Mr. Searle proposed an option for Board consideration and said that the Consolidated Commission on Utilities (CCU) for GPA/GWA agreed upon a 5 year compensation plan – 5th, 15th, 25th, 35th, 50th market percentile and are currently working on the 15th market percentile. He said this fiscal year the Board could consider the 10th market percentile and for the next fiscal year migrate to the 15th percentile and so forth.

Mrs. Lacson made motion to approve the Proposed Personnel Rules and Regulations for the Maritime Positions Unique to Port Operations and Certified, Professional & Technical Positions to go through the Administrative Adjudication Act process, seconded by the Vice Chairperson. Motion was unanimously approved.

In reference to the market percentile, the Chairman said that the target market percentile will just start with the 10th level for now. The Vice Chairperson made motion to adopt the implementation of the Compensation & Benefits Study to start out for the first year at a 10th market percentile level, subject to funding sources as confirmed by the Finance committee review and to also proceed with the Administrative Adjudication Act process, seconded by Mrs. Lacson. Motion was unanimously approved.

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

1. **Liquid Fuel/Breakbulk Thru-put Assessment** – Consultant completed the analysis report of the current bunkering/fuel throughput/waste oil fee structure which is being presented to the Board for approval for management to proceed with the Administrative Adjudication Act process. Additionally, the consultant was also task to perform an appraisal of F-3 Fuel Storage & Delivery Site managed by Shell. Relative to this, the market rate has increased and Shell was provided notice of the Ports desire to revisit the rate structure. Shell has yet to respond. Management was advise to forward this matter to the Finance committee for review.

2. Proposed Increases-Lease Rates for Office, Warehouse & Open Space – Pursuant to the Administrative Adjudication Act, a public hearing was held on December 9 on the proposed increase on lease rates for office, warehouse and open space as well as the establishment of a new fee structure for telecommunication. Testimonies were received from the public which revealed no overwhelming opposition on such proposed increases. Based on this, Board action is being requested to approve the proposed amended fees to be forwarded to the Governor and Legislature for final approval in accordance with the adjudication process.

The Vice Chairperson made motion to approve the Proposed Amended Space Lease Rates for Office, Warehouse and Ground Spaces as well as the newly established Telecommunication related user fees, seconded by Mrs. Lacson. Motion was unanimously approved.

3. Casamar Sub-Lease Request – Pending blueprints from Casamar. Staff will be arranging a meeting with Casamar to discuss the proposed subleases and third party sublease.

Management was advise to work with Legal Counsel and look into the issue of Lease Audits and Reviews, more particularly with periodic site visits, inspections; record review, certify statements of activities; audits on an as needed basis or regular basis to confirm intended use of property and is consistent with lease agreement; and ensure proper report of revenues.

4. Hanson Micronesia Cement – Hanson given expressed Port approval to gain access to Pier F-1 to complete project studies. No update available at this time.

5. Guam Dolphin Relocation – Tenant now on Port property and within a new operating facility.

6. GEDA – Rent Share Proposal – MOU between Port and GEDA is in final form, pending insertion of date terms. Afterwards, will be routed for signature.

7. Aqua World – Aqua World has indicated that recent delay is a result of lack of surveyor services. Assurance was made to Port that follow up with their counsel will be made to draft release of property document.

8. Sunbay Corporation – Request for Proposal for concession is currently with GSA for bid issuance.

9. PowerSource Energy Services, Inc. – Port will follow up with such company on status of studies.

10. Unitek Environmental – Held in abeyance until feedback is provided by PowerSource.

11. Smithbridge – Smithbridge has requested to meet with management next week to discuss the matter of billing.

12. GDP Marina – Design build scope of work has been completed for both docks A & B which was provided to Department of Agriculture on January 16. The Port share is \$69K. Discussions have also been held regarding the possibility of restoring the docks in Agat Marina.

Referring back to the Proposed Increases-Lease Rates for Office, Warehouse & Open Space, and for clarification purposes the motion was restated to read: Motion is for the Board Resolution No. 09-02 to approve the Proposed Amended Space Lease Rates for Office, Warehouse and Ground Spaces as well as the newly established Telecommunication related user fees as submitted and to proceed with the submission of such resolution and approval pursuant to the Administrative Adjudication Act process. Motion made by the Vice Chairperson, seconded by Mrs. Lacson and was unanimously approved.

e. Procurement Advisory Committee: None.

VI. OLD BUSINESS

a. Board Policy No. 09-03 - Performance Evaluation for General Manager: (Item addressed under HR committee.)

b. Recruitment Above Step – Port Marketing Administrator: (Item addressed under HR committee.)

c. Compensation & Benefits Study – Proposed Personnel Rules and Regulations: (Item addressed under HR committee.)

d. Proposed Increase-Lease Rates for Office, Warehouse & Open Space: (Item addressed in Property committee.)

e. Port Matching Fund – F1 Fuel Pier Shore Protection Study (ACOE): The General Manager requested Board approval of the \$91,000 of the Port's share. This project is for the F-1 fuel pier feasibility study.

The Vice Chairperson made motion to approve the Port Matching Fund in the amount of \$91,000 for the F1 Fuel Pier Shore Protection Study, seconded by Mrs. Lacson. Motion was unanimously approved.

f. PPP-PMC Request for Information: (Item addressed under General Managers report.)

VII. NEW BUSINESS

a. **Board Resolution No. 09-01 Designation of PAG as "Strategic Port"**: Mrs. Lacson made motion to approve Board Resolution No. 09-01 relative to the Port seeking Strategic Port Designation, seconded by the Vice Chairperson. Motion was unanimously approved.

b. **Board Policy No. 09-04 – Performance Evaluation for Unclassified Positions:**
(Item addressed under HR committee.)

c. **Travel Authorization Request:**

1. **MARAD-PMT Oral Presentation, February 1-7, 2009 Washington DC.** – As earlier mentioned, MARAD will be holding an Oral Presentation for the Program Management Team first week of February and requests that the General Manager and Mr. Paulino attend. The General Manager said it is important to have permanent staff involved in the PMT selection process in the event the General Manager is not available.

The Vice Chairperson made motion to approve the travel authorization request for the General Manager and Herman Paulino, Planning division to attend the MARAD-PMT Oral Presentation on February 1-7, 2009 held in Washington DC, seconded by Mrs. Lacson. Motion was unanimously approved.

2. **Senate Committee Members Meeting, February 19-28, 2009 Washington DC.** – The Vice Chairperson made motion to approve the travel authorization request for the General Manager to accompany the Governor and Chief of Staff to meet with Senate Committee Members on February 19-28, 2009 held in Washington DC, seconded by Mrs. Lacson. Motion was unanimously approved.

VIII. PUBLIC COMMENT

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

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

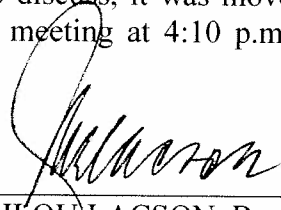
c. **Employee Comment:** None.

Next Board Meeting Date:

Without objections, the Chairman announced that the next Board meeting will be held on Wednesday, February 18, 2009 at 2:00 p.m., Port Board of Directors Conference Room in Piti.

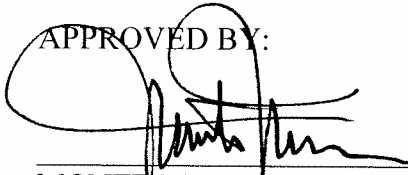
IX. ADJOURNMENT

There being no further business to discuss, it was moved by the Vice Chairperson and seconded by Mrs. Lacson to adjourn the meeting at 4:10 p.m. The motion was unanimously passed.



MARILOU LACSON, Board Secretary, Board of Directors

APPROVED BY:



MONTE MESA, Chairman, Board of Directors

